

# Wisconsin



## Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2014

# STATE OF WISCONSIN

## Comprehensive Annual Financial Report



For the fiscal year ended June 30, 2014

**Scott Walker, Governor**

Department of Administration  
Michael Huebsch, Secretary  
Stephen J. Censky, State Controller

Prepared by the State Controller's Office

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**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2014**

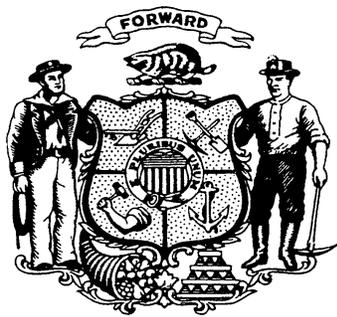
**Table of Contents**

	<b>Page</b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	2
GFOA Certificate of Achievement .....	11
Organizational Chart .....	12
Principal State Officials .....	13
<b>FINANCIAL SECTION</b>	
Auditor's Report .....	17
Management's Discussion and Analysis .....	21
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	39
Statement of Activities .....	40
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	42
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	44
Proprietary Funds:	
Statement of Net Position .....	46
Statement of Revenues, Expenses, and Changes in Fund Net Position .....	48
Statement of Cash Flows .....	50
Fiduciary Funds:	
Statement of Fiduciary Net Position .....	54
Statement of Changes in Fiduciary Net Position .....	55
Notes to the Financial Statements Index .....	56
Notes to the Financial Statements .....	58
Required Supplementary Information:	
Postemployment Benefits - State Health Insurance Program .....	149
Infrastructure Assets Reported Using the Modified Approach .....	150
Budgetary Comparison Schedule - General Fund .....	152
Budgetary Comparison Schedule - Transportation Fund .....	153
Notes to Required Supplementary Information - Budgetary Information .....	155
Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet .....	162
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	166
Budgetary Comparison Schedule Nonmajor Budgeted Governmental Funds .....	170
Nonmajor Enterprise Funds:	
Combining Statement of Net Position .....	176
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position .....	178
Combining Statement of Cash Flows .....	180
Internal Service Funds:	
Combining Statement of Net Position .....	186
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position .....	188
Combining Statement of Cash Flows .....	190
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds .....	196
Combining Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds .....	197
Combining Statement of Fiduciary Net Position - Investment Trust Funds .....	198
Combining Statement of Changes in Fiduciary Net Position - Investment Trust Funds .....	199
Combining Statement of Fiduciary Net Position - Private-Purpose Trust Funds .....	200
Combining Statement of Changes in Fiduciary Net Position - Private-Purpose Trust Funds .....	201
Combining Statement of Fiduciary Net Position - Agency Funds .....	202
Combining Statement of Changes in Assets and Liabilities - Agency Funds .....	203

# Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014

	<b>Page</b>
<b>STATISTICAL SECTION:</b>	
Statistical Section Narrative and Table of Contents .....	206
Net Position by Component .....	208
Changes in Net Position .....	210
Fund Balances of Governmental Funds .....	214
Changes in Fund Balances of Governmental Funds .....	216
Personal Income by Industry .....	218
Personal Income Tax Rates .....	219
Personal Income Filers and Liability by Income Level .....	220
Ratio of Outstanding Debt by Type .....	221
Ratio of General Obligation Bonded Debt and Appropriation Bonds to Personal Income and Per Capita .....	222
Legal Debt Margin .....	224
Department of Transportation Revenue Bond Coverage .....	225
Environmental Improvement Fund Revenue Bond Coverage .....	226
Petroleum Inspection Fee Revenue Bond Coverage .....	227
Demographic and Economic Statistics .....	228
Principal Employers .....	229
Full Time Equivalent State Government Employees by Function/Program .....	230
Operating Indicators by Function .....	232
Capital Asset Statistics by Function .....	234
Local Government Property Insurance Fund Ten-Year Claims Development Information .....	236
Income Continuation Insurance Risk Pool Ten-Year Claims Development Information .....	238
Long-term Disability Insurance Risk Pool Ten-Year Claims Development Information .....	239
Health Insurance Risk Pool (Standard Plan) Ten-Year Claims Development Information .....	240
Health Insurance Risk Pool (Pharmacy Benefit) Ten-Year Claims Development Information .....	241
Acknowledgments .....	242

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# **INTRODUCTORY SECTION**

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**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

**SCOTT WALKER**  
GOVERNOR

**MIKE HUEBSCH**  
SECRETARY

Division of Executive Budget  
and Finance  
State Controller's Office  
Post Office Box 7932  
Madison, WI 53707-7932  
Voice (608) 266-1694  
Fax (608) 266-7734  
[www.doa.state.wi.us/debf/](http://www.doa.state.wi.us/debf/)

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December 12, 2014

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the State of Wisconsin for the fiscal year ended June 30, 2014.

The State's CAFR is prepared by the Department of Administration, Division of Executive Budget and Finance, State Controller's Office, which is responsible for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

This report has been prepared in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). To report the State's financial activity, the State's budgetary funds are grouped into the fund types required by GAAP. As a result, the State's 68 budgetary funds have been analyzed, restructured and are currently reported in 57 GAAP funds. The most significant change has been to reclassify certain activities from the budgetary General Fund and present them in proprietary and fiduciary fund types more appropriate for the financial reporting of transactions related to commercial and trust activities. Notes 1-C and 1-D to the financial statements include a more detailed discussion of the GAAP fund types.

### **Independent Audit**

In compliance with Wis. Stat. Sec. 13.94 (1)(c), the State Legislative Audit Bureau has performed an examination of and has issued an unmodified opinion on the State's primary government basic financial statements included in this report. The independent auditor's report is located at the front of the financial section of this report.

### **Management Discussion and Analysis**

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the auditor's report.

## **PROFILE OF THE STATE**

The State of Wisconsin was admitted to the Union as the 30<sup>th</sup> state in 1848. Wisconsin, situated between Lake Michigan to the east and the Mississippi River to the west, covers 54,310 square miles and serves a population of 5.7 million.

Wisconsin government is divided into three branches. The executive branch, headed by the governor, includes five other elected constitutional officers, as shown on the organization chart on Page 12. The legislative branch includes the Wisconsin Legislature, which is composed of a 33-member senate and a 99-member assembly. The judicial branch includes the Wisconsin Supreme Court, the Court of Appeals, and circuit courts.

The State provides a full range of services that include commerce, education, transportation, environmental resources, human relations and resources, judicial, legislative and general administrative services. The financial statements present information on the financial position and operations of State government as a single comprehensive reporting entity. The various agencies, departments, boards, commissions and accounts of the State that constitute the State reporting entity are included in this report.

### **Component Units**

In accordance with criteria established by the GASB, this report also includes component units which are legally separate organizations for which the State is financially accountable or receives a substantial benefit.

Despite ties with the State, discretely presented component units function independently. These are, therefore, presented separately from the data of the State. Discretely presented component units include the Wisconsin Housing and Economic Development Authority, Wisconsin Health Care Liability Insurance Plan, University of Wisconsin Hospitals and Clinics Authority, Wisconsin Economic Development Corporation, and the University of Wisconsin Foundation.

Although legally separate, a blended component unit is, in substance, part of the State's operations. The Wisconsin Public Broadcasting Foundation, Inc., is the State's only blended component unit.

### **Budgetary Process**

The State's biennial budget is prepared on a mixture of cash and modified accrual bases of accounting and represents departmental appropriations based on agency requests reviewed by the Department of Administration and recommended by the Governor. The Governor's budget is submitted to the State Legislature for approval. Following debate, amendment and approval by the Senate and Assembly, the budget bill is returned to the Governor for his signature or veto in entirety or in part.

The State Constitution provides that no money shall be paid out of the Treasury except as appropriated by law. The Statutes require that the Secretary of Administration must approve all payments. The Department of Administration exercises detail allotment control over all agency appropriations and approval authority over all encumbrances.

The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. The State's biennial budget is developed according to the statutorily required fund structure that, as previously noted, differs extensively from the fund structure used in the financial statements.

## **Wisconsin Retirement System and Accumulated Sick Leave Conversion Credits Program**

The Wisconsin Retirement System (WRS) is a pension plan administered by the Department of Employee Trust Funds (DETF). The WRS provides coverage to all eligible employees of the State of Wisconsin and other participating local units of government. The most current actuarial valuations of this pension plan indicated that the WRS was funded at 99.9 percent of liabilities for the 594,605 participants of the WRS. The State's contribution to WRS represents approximately 31.3 percent of total contributions required of all participating entities.

The Accumulated Sick Leave Conversion Credits (ASLCC) benefit program, reported in a fiduciary fund and also administered by DETF, allows employees at the time of their retirement to convert the value of their accumulated unused sick leave into an account to be used to pay for post-retirement health insurance. The actuarial value-based funded ratio of this program was 98.9 percent as of December 31, 2013 (the date of the most recent valuation).

## **ECONOMIC CONDITION AND OUTLOOK**

In 2014, Wisconsin continued its economic rebound from the Great Recession of 2007-09. While some components of our economy are linked to national trends, we have outperformed both the Great Lakes region and the nation on important indicators:

- Wisconsin's unemployment rate remains lower than the national rate and is below the rates of other states in the Great Lakes region.
- Wisconsin's labor force participation rate of 68.2 percent was the tenth highest nationally in 2013 and well above the national average of 63.2 percent.
- Wisconsin's growth in gross domestic product since 2007 exceeds the region's growth over the same period.
- Wisconsin's per capita income growth since 2007 has exceeded the nation's and the region's growth.
- Wisconsin's median household income, \$55,258, is 6.4 percent above the national average.

This recovery enabled substantial reductions in our state's tax burden. While total general fund revenues decreased by 1.0 percent compared to Fiscal Year 2013 tax collections, this was mostly driven by tax reductions enacted in the 2013-15 biennial budget as well as changes in income tax withholding tables. Individual income tax revenues decreased 5.8 percent, sales and use tax revenues increased 4.9 percent and corporate tax revenues increased 4.5 percent. These collections were about 2 percent below revised estimates mostly due to a larger than expected decline in individual income tax receipts as a consequence of income recognition shifts caused by the federal "fiscal cliff."

Looking ahead, Wisconsin's economic recovery is expected to gain momentum. Wisconsin's gross domestic product is projected to increase 3.6 percent in 2014 and 4.1 percent in 2015. Total nonfarm employment in Wisconsin is expected to increase 1.4 percent in 2014 and 1.2 percent in 2015. Nationally, nonfarm employment is expected to increase 1.8 percent in 2014 and 1.9 percent in 2015. Wisconsin personal income growth is projected to increase 3.1 percent in 2014 and 4.3 percent in 2015. This is similar to the expected personal income growth nationally of an increase of 3.6 percent in 2014 and 4.7 percent in 2015.

Wisconsin continued to build its economic recovery through economic development and infrastructure investment, reconciling government spending with revenues without raising taxes and providing \$751.1 million more to provide coverage to the Medicaid population over the 2013-15 biennium. Since Fiscal Year 2011, state funding for the Medicaid program has grown from \$1.45 billion to \$2.31 billion in Fiscal Year 2014. No other state program has received an increase approaching this level of magnitude.

Despite a reduced level of aid to local governments during the 2011-13 biennium necessitated by the recession and the termination of one-time federal stimulus funds, continued property tax controls have ensured that the reduction of State funding did not result in property tax increases. As a result, the property taxes on the

median value home in Wisconsin have declined slightly in each of the last three years. In addition, tuition at the University of Wisconsin for state residents was kept affordable through a tuition freeze for both the 2013-14 and 2014-15 academic years.

## MAJOR INITIATIVES

**Economic Development.** Wisconsin enacted a major individual income tax cut in 2013 Wisconsin Act 20, effective beginning with tax year 2013. A further tax rate reduction was enacted for tax year 2014 by 2013 Wisconsin Act 145. Together, the tax cuts reduced marginal rates in all income tax brackets, taking the rate structure from rates of 4.6 percent, 6.15 percent, 6.5 percent, 6.75 percent and 7.75 percent to 4.0 percent, 5.84 percent, 6.27 percent and 7.65 percent. The former 6.75 percent bracket was eliminated so that the range of taxable income previously subject to this bracket is now subject to the 6.27 percent rate. Over the biennium, these tax cuts will save Wisconsin income tax payers approximately \$750 million.

In addition to providing tax relief to individuals, Wisconsin has continued its commitment to improve the State's tax climate for manufacturing and agriculture. For taxable years beginning in 2013, the Manufacturing and Agriculture Tax Credit is available for income derived from manufacturing or agricultural property located in Wisconsin. The credit will be phased in over a four-year period and will offer significant income tax relief for eligible claimants.

To further spur economic growth, Act 20 provided \$25 million for a capital investment program to make investments in business start-ups and investment capital projects.

In addition, the State offers a variety of programs that target minority and rural business development, dairy manufacturing, and agricultural production. Through the end of Fiscal Year 2014, 700 businesses had been certified as minority-owned to increase the opportunity for these firms to sell their products and services to the State of Wisconsin. In addition, a variety of sales tax exemptions for fuel, electricity, farm machinery, veterinary services, and other personal property and supplies have reduced farming costs in the State by over \$200 million annually.

The Farmland Preservation Credit programs provide credits to approximately 14,000 farmers and 250 corporate claimants who qualify through exclusive agricultural or farmland preservation zoning or individual farmland preservation agreements. Two separate calculations of, and qualifications for, the credit were available in Fiscal Year 2014 – one based on income and the other based on the number of acres and other criteria. Combined expenditures under the Farmland Preservation Credit programs totaled \$19.3 million in Fiscal Year 2014, an increase of \$0.1 million over Fiscal Year 2013. Wisconsin's Farmland Preservation Credit is one of only two similar state programs in the country.

In 2014, Wisconsin was home to more than 10,000 dairy farms with more than 1.27 million cows. Wisconsin's milk production continues to grow as the dairy farms in the state yielded 27.6 billion pounds of milk in 2013, an increase of 1.3 percent over the all-time record of 27.2 billion set in 2012. Wisconsin accounts for 14 percent of the nation's milk production. Milk production per cow in Wisconsin continues to grow, at 21,693 pounds per year as of 2013. Dairy production and processing accounts for almost half of all the economic activity associated with agriculture: \$43.4 billion in economic activity, accounting for nearly 79,000 jobs. In 2013, Wisconsin was the nation's top cheese producing state with 2.86 billion pounds of cheese or nearly 26 percent of the nation's cheese production. Wisconsin's specialty cheese production continues to increase, producing 640 million pounds in 2013. Begun in 2012, the Grow Wisconsin Dairy 30x20 grant program is designed to sustain the long-term viability of Wisconsin's dairy industry by helping farmers improve efficiencies and enhance profitability, which in turn can help in achieving an annual milk production of 30 billion pounds by 2020. In 2014, the program awarded grants to 43 recipients to meet the growing demands of the marketplace.

In 2013, Wisconsin's \$3.2 billion in agricultural exports ranked 13th among U.S. states, moving up three spots from 2011. Top export markets were Canada, China, Mexico, South Korea and Japan, and top product categories included dairy products, food ingredients such as sauces and mustards, cereal grains and bakery-

related items, and beverages which include ethanol. In 2013, Wisconsin was the number three exporter of pure ethanol in the country, a value of \$175 million. Almost all of Wisconsin's ethanol exports went to Canada. Wisconsin led the nation in exports of whey, cranberries, sweet corn, and ginseng roots. Wisconsin ranked second among all states in the exportation of bovine genetic products in 2013.

In order to focus directly on private sector job creation, the Wisconsin Economic Development Corporation was created in 2011 Wisconsin Act 7 to serve as the State's economic development entity. A public-private partnership, this authority replaced the Department of Commerce, and focuses exclusively on developing and implementing economic programs to assist companies that are investing and creating jobs in Wisconsin, and supporting new business start-ups and business expansion and growth in the State.

Under the provisions of 2011 Wisconsin Act 4, the corporation was authorized an additional \$25 million in nonrefundable, nontransferable tax credits to distribute to businesses for projects that create jobs, purchase significant capital assets, train employees, or establish or retain a corporate headquarters in Wisconsin. This action increased the total amount of economic development credits that could be allocated to \$128.2 million through Fiscal Year 2013. A further commitment to economic growth was made in the 2013-15 biennial budget (2013 Wisconsin Act 20), which provided an immediate \$36.0 million increase to the maximum credits that may be awarded under the program and allowance for an additional increase of \$39.0 million if needed. Under Act 20, total credits available through the program may increase to up to \$203.2 million.

The State continued to encourage private investment in entrepreneurial activities by expanding the Angel Investment and Early Stage Seed Investment tax credit programs, which initially became effective for tax years beginning after January 1, 2005. Through the programs, individuals and businesses are eligible for tax credits equal to a portion of the investment made in qualified new business ventures. In Fiscal Year 2014, 26 new companies were certified as qualified new business ventures – raising the total number of qualified new business ventures to 154. In recognition of the corporation's continuing efforts in identifying qualifying new business ventures, the previous \$45 million cap on total tax credits allowable to angel investors was eliminated in Act 20.

During the recession, similar to much of the nation, Wisconsin experienced record claims for unemployment benefits. In June 2010, Wisconsin administered roughly 108,000 weekly continued claims. The number of continued claims had fallen to approximately 75,000 by the last week of June 2012 and continued to decrease as the economy improved and certain benefit extensions expired. As of late June 2014, weekly continued claims were approximately 54,700, a 29 percent decrease from Fiscal Year 2013.

As the economy has improved, the Governor addressed the state's need for an increasingly skilled workforce by creating the Wisconsin Fast Forward program in Fiscal Year 2014, administered by a new Office of Skills Development in the Department of Workforce Development. Wisconsin Fast Forward provides \$7.5 million in grants for employer-led worker training. The Governor augmented this funding in his Blueprint for Prosperity plan, which provided \$32.9 million in Fiscal Year 2014 to support job training for persons with disabilities, reducing waitlists in programs and courses for high-demand fields at the Wisconsin Technical College System, and partnerships among school districts, technical colleges and businesses to provide high school pupils with industry-recognized certifications in high-demand fields. The Governor also provided up to \$5 million to procure and implement a sophisticated labor market information system to better connect workers with employers. The system also forecasts employment, enabling the state to address the "skills gaps" proactively.

**Transportation.** The State continued to make significant investments in transportation infrastructure through expansion in highway capacity and reconstruction of existing highways and bridges.

In Fiscal Year 2014, 578 miles of State Trunk Highway and local highways were improved and 300 deficient state and local bridges were rehabilitated or replaced. Also in Fiscal Year 2014, the State contributed over \$29.7 million to continue work on the I-94 Southeast Freeway, \$236.2 million to begin work on the Zoo Interchange and \$218 million for work on USH 41. In all, more than \$1.3 billion in construction projects on State and local road systems was contracted through the Department of Transportation.

The State has also committed general fund revenue to support investments in transportation infrastructure. In Fiscal Year 2014, 0.25 percent of total annual general fund tax revenue, amounting to \$35.1 million, was

dedicated to the transportation fund. In addition, Act 20, the 2013-15 biennial budget, provided for a \$133.3 million one-time transfer from the general fund and authorized \$200 million of general fund supported general obligation bonds for transportation projects.

As part of the State's continuing commitment to efficiency, the Department of Transportation utilizes innovations in technology and construction methods that can save customers time and reduce long-term costs. Examples include:

- Constructability reviews performed by the joint department-consultant construction engineering team for the Zoo Interchange Core I project resulted in \$10 million of savings from the engineer's estimate.
- Civil Integrated Modeling and 4D Design, technology tools used on highway improvement projects such as the Zoo Interchange, provide planners, engineers and contractors real time information for scheduling and modeling, reducing field errors and contract modifications by an estimated 10 percent to 20 percent.
- The STH 73 alternate route for the I-39 corridor is one of three pilot projects put out for bid during Fiscal Year 2014 to evaluate the performance and cost of using increased recycled material (asphalt shingles) in asphalt pavement. The pilots showed a per ton cost savings of 10 percent to 15 percent.
- The Pile Driving Analyzer device is used to determine as-constructed bridge pile capacities at the time of installation. This can result in cost savings on certain projects because fewer pilings may need to be installed and foundation sizes can be decreased. For example, use of the device for the two flyover structures on USH 41 and STH 29 in Green Bay saved approximately \$350,000 compared to conventional pile installation methods.
- A savings of \$6 million was realized on the Little Lake Butte des Morts bridge on STH 441 by using concrete girders instead of steel.
- Customers at the department's Division of Motor Vehicles may now use an interactive on-line "wizard" that guides them through driver licensing information and renewal processes.

The department also continued its emphasis on transportation safety. The Bureau of Transportation Safety within the Division of State Patrol organized and funded 15 multijurisdictional operating while intoxicated (OWI) enforcement task forces, two seat belt task forces, and a special multicounty corridor task force. More than 100 law enforcement agencies participated in these efforts. Significant media attention helped reduce traffic fatalities and change roadway behavior related to drinking, speeding and seatbelt use.

The Division of State Patrol also implemented the Mobile Architecture for Communications Handling software (MACH) for improved location and management of troopers, inspectors and resources. The software provides cost savings over the Automatic Vehicle Locator (AVL) system previously used and is a major assistance in emergencies. The division has partnered with local law enforcement agencies, thereby enhancing the tools for commanders in emergencies and other incidents.

Wisconsin also distributes state transportation user fee revenues to local governments for transportation infrastructure improvements and transit operating assistance, targeting economic and infrastructure development. In Fiscal Year 2014, \$610.7 million was transferred to local governments for these purposes. For example, the Transportation Economic Assistance (TEA) program provides up to 50 percent State grant funding to governing bodies, private businesses and consortia for road, rail, harbor and airport projects that help attract employers to Wisconsin, or encourage business and industry to remain and expand within the State. In Fiscal Year 2014, this program leveraged \$36 in capital investments for every \$1 in grants.

**Environment.** Wisconsin's Warren Knowles-Gaylord Nelson Stewardship Program and its successor, the Warren Knowles-Gaylord Nelson Stewardship 2000 Program, are available for land acquisition, easements and nature-based outdoor recreational property development activities. The original Stewardship Program committed \$250 million through the sale of general obligation bonds and the use of federal grant monies for

various resource development and land protection activities, including acquisition of State park lands, protection of urban rivers and assistance to local parks. The program was reauthorized in 2007 Wisconsin Act 20 through Fiscal Year 2020 with an annual bonding authority of \$86 million beginning in Fiscal Year 2011. The 2011-13 biennial budget subsequently reduced the annual bonding authority to \$60 million beginning in Fiscal Year 2012. Under 2013 Wisconsin Act 20, the annual bonding authorization was reduced further to \$47.5 million in Fiscal Year 2014 and \$54.5 million in Fiscal Year 2015, with annual authorizations through Fiscal Year 2020 set at \$50 million in each year. During Fiscal Year 2013, the State used \$27.9 million in Stewardship Program financing to acquire over 56,155 acres of public recreational land through acquisition and recreational easements. This total includes Stewardship grants totaling \$16.3 million to local governments and nonprofit conservation organizations for the acquisition of easements and title in fee, and for the development of recreational properties.

In addition to land acquisition through the Stewardship Program, Wisconsin's efforts to protect and enhance its natural resources include partnerships with individual landowners. In November 2001, the State entered into an agreement with the U.S. Department of Agriculture for the authority to enroll up to 100,000 acres of Wisconsin farmland in the Conservation Reserve Enhancement Program. The federal government will provide up to \$200 million for the program, which will be matched by the State with up to \$28 million from the sale of general obligation bonds. As of October 1, 2013, about 44,400 acres had been enrolled in the program, and total State payments to landowners amounted to just over \$12.6 million. The state's payments to date will leverage an anticipated \$88 million in federal payments to program participants over the course of the program contracts.

Wisconsin's Environmental Improvement Fund program provides financial assistance to municipalities for the planning, design and construction of wastewater collection and treatment, and drinking water treatment and distribution facilities. Most communities applying for assistance receive subsidized loans, although some wastewater projects are eligible for partial grants through a hardship component of the program. Funding is provided from a State-matched federal capitalization grant and through State revenue and general obligation bonds and repayments from loans previously made. In Fiscal Year 2013, the Environmental Improvement Fund awarded \$210.3 million to municipalities, bringing the total amount of loans and grants awarded by the program to \$4.4 billion since its inception in 1991. The funding has financed high priority infrastructure projects to ensure clean water and safe drinking water across the state.

The Petroleum Environmental Cleanup Fund Award program (PECFA) assists owners of leaking petroleum storage tanks with environmental remediation costs and has provided \$1.53 billion for cleanups at 13,199 locations (12,420 now closed) since 1988. Efforts to minimize claim payment backlogs and improve site closure methodologies have streamlined the program while protecting the environment and public health.

**Human Resources.** In Fiscal Year 2014, Medical Assistance program expenditures continued to grow, although enrollment decreased for a second consecutive year. Fiscal Year 2014 expenditures for the Medical Assistance program increased 6 percent over the prior year, compared to the 3 percent growth in Fiscal Year 2013 and 4 percent growth in Fiscal Year 2012. Medical Assistance expenditures from all funds totaled \$8,225.9 million. Enrollment in the Medical Assistance programs decreased by 0.4 percent between Fiscal Years 2013 and 2014, compared to the growth rate of 0.8 percent between Fiscal Years 2012 and 2013, and 1.5 percent between Fiscal Years 2011 and 2012.

Enrollment trends varied within eligibility groups due to programmatic changes implemented on April 1, 2014. On that date, the enrollment cap for childless adults was removed and full Medicaid coverage under BadgerCare Plus was extended to all adults without dependent children at or below 100 percent of the federal poverty level. Additionally, BadgerCare Plus eligibility for parents and caretakers was reduced from 200 percent to 100 percent of the federal poverty level; and households above 100 percent of the federal poverty level were transitioned from Medicaid to the federal health exchange. These initiatives have combined to provide 100% access to coverage for Wisconsin residents, according to the Kaiser Family Foundation.

Average monthly enrollment of low-income adults and children in the BadgerCare Plus program decreased by 0.9 percent, approximately 4,100 individuals per month, while the average monthly enrollment of elderly individuals and people with disabilities increased by 2.4 percent, approximately 5,000 individuals per month.

Expenditures for the SeniorCare pharmacy assistance program totaled \$86 million all funds, an increase of \$8 million from Fiscal Year 2013. This increase is due to several factors including an increase in drug utilization and benefits paid to each enrollee in Fiscal Year 2014.

The Department of Children and Families continued the State's commitment to seek permanent placements for children referred to the State's child welfare system in Fiscal Year 2014. This included finalizing 784 adoptions for children with special needs in Fiscal Year 2014. In other program areas, the department continued to eliminate fraud from the Wisconsin Shares program, which provides subsidized child care to low-income working families. These efforts helped hold Wisconsin Shares program expenditures in Fiscal Year 2014 to \$255.2 million, which was approximately \$1.7 million below Fiscal Year 2013 expenditures and \$16.2 million below the amount originally budgeted for Fiscal Year 2014. Under Wisconsin Shares, a monthly average of 46,601 children received subsidies in Fiscal Year 2014. An average of 15,953 families received cash benefits each month under the Wisconsin Works (W-2) program. During Federal Fiscal Year 2014, state and county child support partnership efforts provided full case management services to 365,631 cases and provided financial management services to an additional 136,877 cases.

**Education.** School aids and property tax credits, which supported school districts' 2013-14 costs for elementary and secondary education, totaled \$5.98 billion.

In Fiscal Year 2014, the Governor provided school districts with augmented funding by increasing state support for schools by \$114.4 million or 1.9 percent, providing a \$75 per pupil adjustment to revenue limits, and providing a new categorical aid program of \$63.5 million to give districts additional budgeting flexibility outside of revenue caps. The low revenue threshold, below which school districts are exempt from revenue limit controls, remained frozen at \$9,000 per pupil. Additionally, the State-funded per pupil payment to schools participating in the state's three parental choice programs was maintained at Fiscal Year 2013 levels, as was the per pupil payment to schools participating in the Milwaukee and Racine independent charter schools program. Further, the Governor moderated the school aid reductions that comprise the local share of parental choice program funding; this modification shrinks or eliminates the portion of the property tax levy used to backfill the reductions in participating school districts. These measures helped keep the increase in the statewide school property tax levy under 1 percent.

State support for the University of Wisconsin System totaled \$911.4 million in 2013-14; a \$17.8 million or 2.0 percent increase over 2012-13 funding. To maintain a reasonable cost of higher education for state residents, the Governor implemented a freeze on in-state undergraduate tuition rates and maintained steady support for state financial aid programs. As a measure of affordability, the University of Wisconsin-Madison ranked eighth among public colleges and universities in Kiplinger's "Best Value Colleges" in 2014. The Governor also implemented reforms at both the University of Wisconsin System and the Wisconsin Technical College System to foster development of the state's workforce in high-need areas.

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Award**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the State of Wisconsin for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the 18th year the State has received this award. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

### **Acknowledgements**

We wish to express our appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial managers and accountants of the State agencies and component units, along with staff within the State Controller's Office.

Sincerely,



Michael Huebsch  
Secretary



Stephen J. Censky, CPA  
State Controller



Government Finance Officers Association

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Financial Report  
for the Fiscal Year Ended

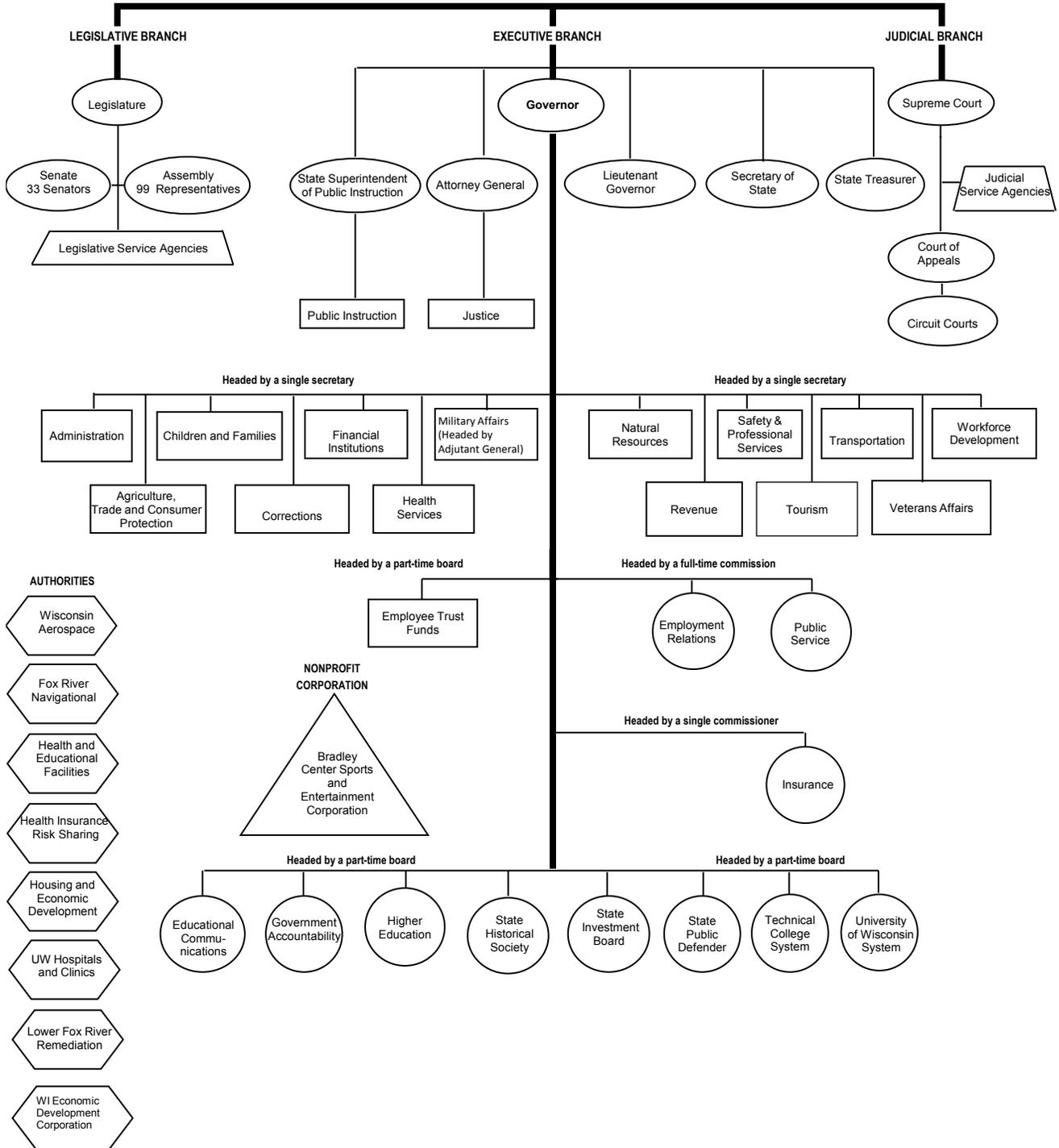
**June 30, 2013**

Executive Director/CEO

# Organizational Chart

WISCONSIN STATE GOVERNMENT ORGANIZATION

July 2014



KEY: ○ Constitutional Officer    □ Administrative Department    ○ Independent Agency    ⬡ Authority    ▭ Service Agency    ▴ Nonprofit Corporation

Excludes various units of State government (certain boards, commissions, councils, divisions, and offices), which are attached to agencies for administrative purposes.

Source: Wisconsin Blue Book 2013 - 2014

# Principal State Officials

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As of June 30, 2014:

## EXECUTIVE

Scott Walker  
*Governor*

Rebecca Kleefisch  
*Lieutenant Governor*

Douglas J. La Follette  
*Secretary of State*

Kurt Schuller  
*State Treasurer*

J. B. Van Hollen  
*Attorney General*

Tony Evers  
*State Superintendent of Public Instruction*

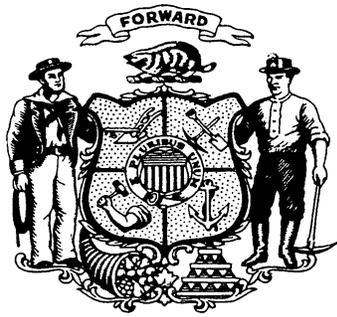
## LEGISLATIVE

Michael G. Ellis  
*President of the State Senate*

Robin Vos  
*Speaker of the Assembly*

## JUDICIAL

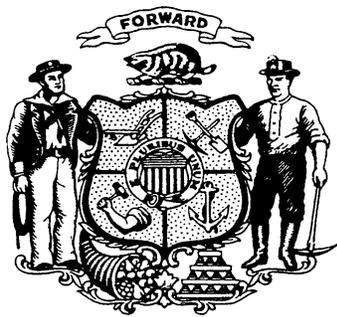
Shirley S. Abrahamson  
*Chief Justice of the Supreme Court*



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# **FINANCIAL SECTION**

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**STATE OF WISCONSIN**  
**Legislative Audit Bureau**

22 East Mifflin Street, Suite 500  
Madison, Wisconsin 53703  
(608) 266-2818  
Fax (608) 267-0410

[www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)

Toll-free hotline: 1-877-FRAUD-17

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, 2014, 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 20 percent of the assets and 18 percent of the liabilities of the business-type activities; or 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 entity'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, 2014, as well as 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 65, *Items Previously Reported as Assets and Liabilities*, which requires, among other things, that certain items previously reported as assets and liabilities be reported as deferred outflows of resources or deferred inflows of resources. Our opinions are not modified with respect to this matter.

As discussed in Note 1D to the basic financial statements, the State has presented the funds administered by the Department of Employee Trust Funds as of and for the year ended December 31, 2013. In prior years, these funds were presented as of and for the year ended June 30. The funds administered by the Department of Employee Trust Funds include benefit plans for public employees and retirees that operate on a calendar year basis. The beginning net positions for these funds were adjusted to January 1, 2013, to reflect the change in accounting period. The total amount of the restatement, by fund type, related to this matter is included in Note 24. Our opinions are not modified with respect to this matter.

As discussed in Note 20A(3) 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 Management's Discussion and Analysis, the schedule of funding progress for the state retiree health insurance postemployment benefit plan, 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 State's 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.

**Accompanying Information**—Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining statements and schedule in the supplementary information section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining statements and schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements; certain additional procedures performed, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves; and other additional procedures performed in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue a report dated December 12, 2014, 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

A handwritten signature in cursive script, appearing to read "Joe Chrisman".

Joe Chrisman  
State Auditor

December 12, 2014

## 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, 2014. 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 24 and 25)

- *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 2014 by \$19.4 billion (reported as "net position"). Of this amount, \$(8.1) 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 \$2.2 billion in Fiscal Year 2014. Net position of governmental activities increased by \$1.4 billion or 15.7 percent, while net position of the business-type activities showed an increase of \$754.3 million or 8.7 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities.* During Fiscal Year 2014, the State's total revenues for governmental activities of \$27.7 billion were \$2.3 billion more than total expenses (excluding transfers) for governmental activities of \$25.4 billion. Of these expenses, \$11.8 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled \$16.0 billion.

#### Fund

- *Governmental Funds -- Fund Balances.* As of the close of Fiscal Year 2014, the State's governmental funds reported combined ending fund balances of \$73.2 million, an increase of \$341.0 million in comparison with the prior year. Of this total amount, \$(2.7) billion represents the unassigned fund balances.
- *General Fund -- Fund Balance.* At the end of the current fiscal year, total fund balance was \$(1.4) billion, a change of \$354.7 million from a deficit of \$(1.7) billion reported in the prior year. The unassigned fund deficit for the General Fund was \$(2.0) billion, or (9.1) percent of total General Fund expenditures.

Additional information regarding individual funds begins on Page 29.

#### Long-term Debt

- The State's total long-term debt obligations (bonds and notes payable) decreased by \$251.6 million during the current fiscal year which represents the net difference between new issuances, payments and refundings of outstanding debt. Key factors contributing to this decrease include issuance of less new debt than was repaid. During the year there were debt repayments in excess of new debt issued in the amount of \$298.4 million for general obligation bonds. Additionally, annual appropriation bonds repayments totaled \$80.7 million. These decreases were partially offset by a net increase in revenue bonds outstanding by \$127.4 million as a result of the issuance of new transportation revenue bonds. Additional detail regarding these activities begins on Page 34.

### 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.

<b>Table 1</b> <b>Major Features of State of Wisconsin's Government-wide and Fund Financial Statements</b>				
	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	<p>Entire State government (except fiduciary funds) and the State's component units, reported as follows:</p> <ul style="list-style-type: none"> <li>• <i>Governmental Activities</i> – 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.</li> <li>• <i>Business-Type Activities</i> – Those operations for which a fee is charged to external users for goods and services are reported in this category.</li> <li>• <i>Discretely Presented Component Units</i> – 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.</li> </ul>	<p>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.</p> <p>Examples of the State's governmental funds (including the State's three major governmental funds), as reported within their respective fund types, follow:</p> <ul style="list-style-type: none"> <li>• <i>General Fund</i> (major fund)</li> <li>• <i>Special Revenue:</i> <ul style="list-style-type: none"> <li>-- Transportation (major fund)</li> </ul> </li> <li>• <i>Debt Service:</i> <ul style="list-style-type: none"> <li>-- Bond Security and Redemption</li> </ul> </li> <li>• <i>Capital Projects:</i> <ul style="list-style-type: none"> <li>-- Capital Improvement (major fund)</li> </ul> </li> <li>• <i>Permanent:</i> <ul style="list-style-type: none"> <li>-- Common School</li> </ul> </li> </ul>	<p>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.</p> <p>Examples of the State's proprietary funds, including the State's four major enterprise funds, follow:</p> <ul style="list-style-type: none"> <li>• <i>Enterprise:</i> <ul style="list-style-type: none"> <li>-- Injured Patients and Families Compensation (major fund)</li> <li>-- Environmental Improvement (major fund)</li> <li>-- University of Wisconsin System (major fund)</li> <li>-- Unemployment Reserve (major fund)</li> <li>-- Lottery</li> </ul> </li> <li>• <i>Internal services:</i> <ul style="list-style-type: none"> <li>-- Technology Services</li> <li>-- Facilities Operations and Maintenance</li> </ul> </li> </ul>	<p>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.</p> <p>Examples of the State's fiduciary funds, as reported within their respective fund types, follow:</p> <ul style="list-style-type: none"> <li>• <i>Pension and Other Employee Benefit Trust Funds:</i> <ul style="list-style-type: none"> <li>-- Wisconsin Retirement System</li> </ul> </li> <li>• <i>Investment Trust:</i> <ul style="list-style-type: none"> <li>-- Local Government Pooled Investment</li> </ul> </li> <li>• <i>Private Purpose Trust:</i> <ul style="list-style-type: none"> <li>-- College Savings Program Trust</li> </ul> </li> <li>• <i>Agency:</i> <ul style="list-style-type: none"> <li>-- Support Collection Trust</li> </ul> </li> </ul>
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul> <p>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.</p>

(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
<b>Accounting basis and measurement focus</b>	<p>Accrual accounting and economic resource focus</p> <p>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.</p>	<p>Modified accrual accounting and current financial resource focus</p> <p>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.</p>	<p>Accrual accounting and economic resources focus</p>	<p>Accrual accounting and economic resources focus</p>
<b>Type of asset, deferred outflows of resources, liability, deferred inflows of resources information</b>	<p>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.</p>	<p>Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included</p>	<p>All assets and liabilities, both financial and capital, and short-term and long-term</p>	<p>All assets and liabilities, both short-term and long-term</p>
<b>Type of inflow-outflow information</b>	<p>All revenues and expenses during the year, regardless of when cash is received or paid</p>	<ul style="list-style-type: none"> <li>• Revenues for which cash is received during or soon after the end of the year</li> <li>• Expenditures when goods or services have been received and payment is due during the year or soon thereafter</li> </ul>	<p>All revenues and expenses during the year, regardless of when cash is received or paid</p>	<p>All revenues and expenses during the year, regardless of when cash is received or paid</p>

### 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 (1) post-employment benefits - state health insurance program, (2) condition and maintenance data regarding the State's infrastructure, and (3) a budgetary comparison schedule of the General and the Transportation funds, including 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, 2014 were \$41.5 billion and deferred outflows of resources were \$326.4 million, while total liabilities were \$22.4 billion and deferred inflows of resources were \$12.2 million, resulting in combined net position (government and business-type activities) of \$19.4 billion. The largest component of the State's total net position consists of \$21.7 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 \$5.7 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 \$(8.1) 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 \$(1.4) billion at year-end, as discussed on Page 29, also contributed to the deficit unrestricted net position reported in the statement of net position.

During Fiscal Year 2014, the State issued \$1.2 billion of general obligation bonds, as well as \$58.8 million of general obligation commercial paper notes, primarily for the acquisition or improvement of land, water, property, highways, buildings, and equipment. General obligation bonds outstanding at June 30, 2014 totaled \$7.3 billion. Outstanding annual appropriation bonds were \$3.2 billion at June 30, 2014. Outstanding revenue bonds, which are not considered general obligation debt of the State, totaled \$3.1 billion at June 30, 2014.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2014-2013
	2014	2013*	2014	2013*	2014	2013*	
Current and Other Assets	\$ 6,280.9	\$ 6,593.8	\$ 7,815.9	\$ 7,935.9	\$ 14,096.8	\$ 14,529.7	(3.0) %
Capital Assets	21,176.8	20,201.5	6,216.1	6,058.7	27,392.9	26,260.3	4.3
Total Assets	<u>27,457.7</u>	<u>26,795.4</u>	<u>14,032.1</u>	<u>13,994.6</u>	<u>41,489.7</u>	<u>40,790.0</u>	1.7
Deferred Outflows of Resources	247.9	140.8	78.6	0.0	326.4	140.8	131.9
Long-term Liabilities	11,656.5	11,684.2	3,893.2	3,942.4	15,549.6	15,626.6	(0.5)
Other Liabilities	6,075.8	6,643.3	775.7	1,368.2	6,851.5	8,011.5	(14.5)
Total Liabilities	<u>17,732.3</u>	<u>18,327.5</u>	<u>4,668.9</u>	<u>5,310.6</u>	<u>22,401.1</u>	<u>23,638.1</u>	(5.2)
Deferred Inflows of Resources	11.6	0.0	0.6	0.0	12.2	0.0	
Net Position:							
Net investment In							
Capital Assets	17,185.2	16,284.9	4,540.4	4,383.5	21,725.5	20,668.4	5.1
Restricted	1,622.7	1,410.9	4,120.9	3,628.0	5,743.6	5,038.9	14.0
Unrestricted (deficit)	(8,846.2)	(9,087.1)	779.9	672.5	(8,066.4)	(8,414.6)	4.1
Total Net Position	<u>\$ 9,961.6</u>	<u>\$ 8,608.7</u>	<u>\$ 9,441.1</u>	<u>\$ 8,684.0</u>	<u>\$ 19,402.8</u>	<u>\$ 17,292.7</u>	12.2

\* Amounts for the prior fiscal year include restatements of prior year's balances, except for those related to the implementation of GASB Statement No. 65 and changes in accounting periods.

## 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 \$19.6 billion and general revenues of \$16.0 billion for total revenues of \$35.6 billion during Fiscal Year 2014. Expenses for the State during Fiscal Year 2014 were \$33.4 billion. As a result of the excess of revenues over expenses, the total net position of the State increased \$2.2 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
	2014	2013*	2014	2013*	2014	2013*	2014-2013
Program Revenues:							
Charges for Services	\$ 2,309.9	\$ 2,294.0	\$ 7,051.0	\$ 7,144.1	\$ 9,360.9	\$ 9,438.1	(0.8) %
Operating Grants and Contributions	8,727.4	8,582.4	711.3	976.7	9,438.7	9,559.1	(13)
Capital Grants and Contributions	730.0	776.0	54.4	68.8	784.4	844.8	(7.1)
General Revenues:							
Income Taxes	8,369.7	8,290.4	-	-	8,369.7	8,290.4	10
Sales and Excise Taxes	5,322.6	5,096.1	-	-	5,322.6	5,096.1	4.4
Public Utility Taxes	351.7	335.8	-	-	351.7	335.8	4.7
Motor Fuel Taxes	1,053.5	1,016.5	-	-	1,053.5	1,016.5	3.6
Other Taxes	471.1	436.8	-	-	471.1	436.8	7.9
Other General Revenues	386.3	402.1	22.0	1.1	408.3	403.1	1.3
<b>Total Revenues</b>	<b>27,722.1</b>	<b>27,230.1</b>	<b>7,838.8</b>	<b>8,190.7</b>	<b>35,560.9</b>	<b>35,420.8</b>	<b>0.4</b>
Program Expenses:							
Commerce	249.5	244.0	-	-	249.5	244.0	2.3
Education	6,405.0	6,234.9	-	-	6,405.0	6,234.9	2.7
Transportation	2,047.3	2,098.9	-	-	2,047.3	2,098.9	(2.5)
Environmental Resources	487.9	488.1	-	-	487.9	488.1	(0.0)
Human Relations and Resources	12,603.7	12,169.3	-	-	12,603.7	12,169.3	3.6
General Executive	598.3	594.7	-	-	598.3	594.7	0.6
Judicial	123.6	126.4	-	-	123.6	126.4	(2.2)
Legislative	63.8	63.7	-	-	63.8	63.7	0.1
Tax Relief and Other General Expenditures	1,350.6	1,328.8	-	-	1,350.6	1,328.8	1.6
Intergovernmental - Shared Revenue	960.9	957.1	-	-	960.9	957.1	0.4
Interest on Long-term Debt	487.5	518.4	-	-	487.5	518.4	(6.0)
Injured Patients and Families Compensation	-	-	(13.4)	(14.3)	(13.4)	(14.3)	6.5
Environmental Improvement	-	-	50.0	51.6	50.0	51.6	(3.2)
University of Wisconsin System	-	-	4,674.5	4,541.3	4,674.5	4,541.3	2.9
Unemployment Reserve	-	-	931.1	1,367.0	931.1	1,367.0	(31.9)
Lottery	-	-	570.9	542.2	570.9	542.2	5.3
Health Insurance	-	-	1,289.7	1,249.2	1,289.7	1,249.2	3.2
Care and Treatment Facilities	-	-	351.6	331.8	351.6	331.8	6.0
Other Business-type	-	-	194.0	160.3	194.0	160.3	21.1
<b>Total Expenses</b>	<b>25,378.1</b>	<b>24,824.2</b>	<b>8,048.5</b>	<b>8,229.1</b>	<b>33,426.6</b>	<b>33,053.3</b>	<b>1.1</b>
Excess (deficiency) before Contributions and Transfers	2,344.0	2,405.9	(209.7)	(38.3)	2,134.3	2,367.5	
Contributions to Term and Permanent Endowments	-	-	3.1	3.0	3.1	3.0	
Contributions to Permanent Fund Principal	17.3	17.4	-	-	17.3	17.4	
Transfers	(961.0)	(1,110.9)	961.0	1,110.9	-	-	
<b>Increase (decrease) in Net Position</b>	<b>1,400.3</b>	<b>1,312.4</b>	<b>754.3</b>	<b>1,075.6</b>	<b>2,154.6</b>	<b>2,388.0</b>	
<b>Net Position - Beginning (Restated)</b>	<b>8,561.3</b>	<b>7,296.3</b>	<b>8,686.8</b>	<b>7,608.5</b>	<b>17,248.1</b>	<b>14,904.7</b>	
<b>Net Position - Ending</b>	<b>\$ 9,961.6</b>	<b>\$ 8,608.7</b>	<b>\$ 9,441.1</b>	<b>\$ 8,684.0</b>	<b>\$ 19,402.8</b>	<b>\$ 17,292.7</b>	<b>12.2</b>

\* Amounts for the prior fiscal year include restatements of prior year's balances, except for those related to the implementation of GASB Statement No. 65 and changes in accounting periods.

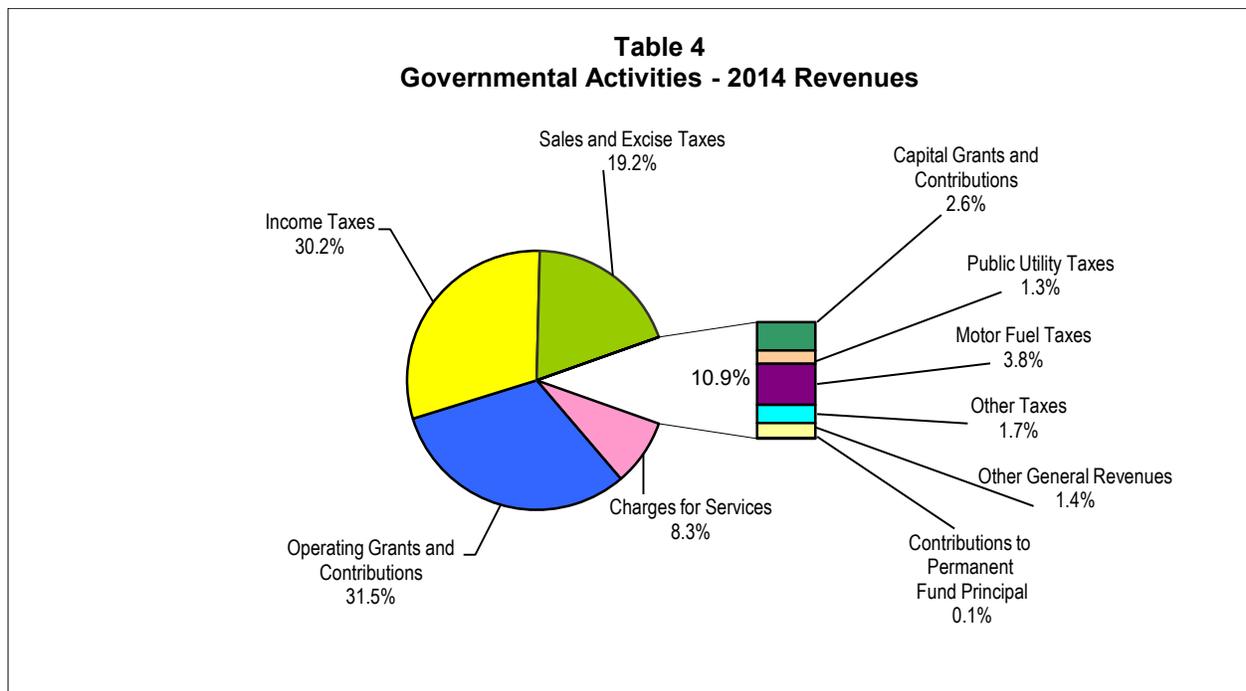
**Governmental Activities**

The net position of governmental activities increased \$1.4 billion in Fiscal Year 2014. Revenues for the governmental activities (including contributions to permanent fund principal) totaled \$27.7 billion, while expenses and net transfers totaled \$26.3 billion in Fiscal Year 2014.

General and program revenues of governmental activities increased \$492.0 million during this fiscal year. Tax revenues increased by \$392.9 million primarily due to enhanced sales and excise taxes of \$226.5 million. Income, motor fuel, other, and public utility taxes also increased by \$79.2 million, \$36.9 million, \$34.3 million, \$15.9 million, respectively. In addition, operating grants and charges for goods and services increased by \$145.0 million and \$15.9 million, respectively. Offsetting those increases was a decrease of \$46.0 million in capital grant revenue.

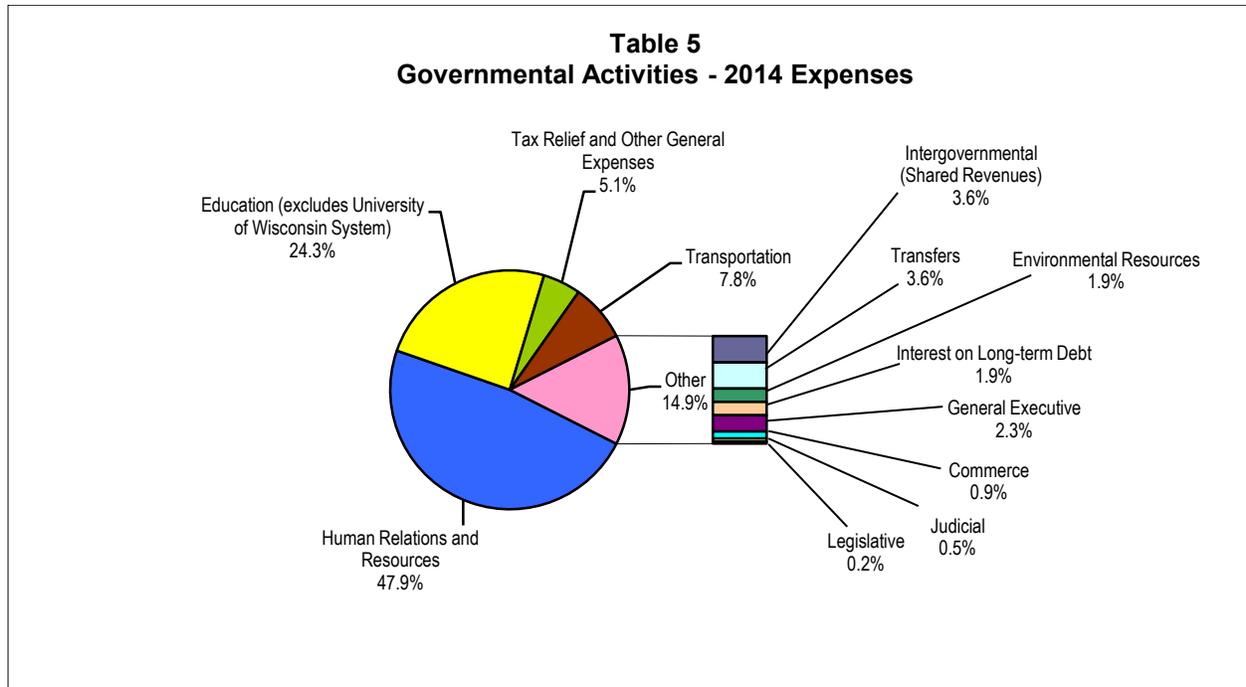
The State’s governmental activities program expenses increased \$553.9 million during Fiscal Year 2014. Contributing to the increase were human relations and resources and education expenses, which increased \$434.4 million, and \$170.1 million respectively. Human relations and resources expenses increased because of increased medical assistance payments. Education expenses increased because of additional aid payments. Tax relief and other general, commerce, intergovernmental, and general executive expenses increased \$21.8 million, \$5.5 million, \$3.9 million, and \$3.5 million, respectively. Conversely, transportation, interest, and judicial expenses decreased by \$51.6 million, \$30.9 million and \$2.7 million, respectively.

As shown in Table 4, below, approximately 56.1 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 31.5 percent of total revenues. Capital grants provided 2.6 percent, charges for services contributed 8.3 percent, and various other revenues provided 1.5 percent of the remaining governmental activity revenue sources.



As shown in Table 5, below, expenses for human relations and resources programs make up the largest portion – 47.9 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 24.3 percent of total expenses. Tax relief and other general expenses and the municipal and county shared revenue program represent 8.8 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 3.6 percent of the total expenses and transfers. The interest on long-term debt and remaining functional expenses total 7.6 percent.



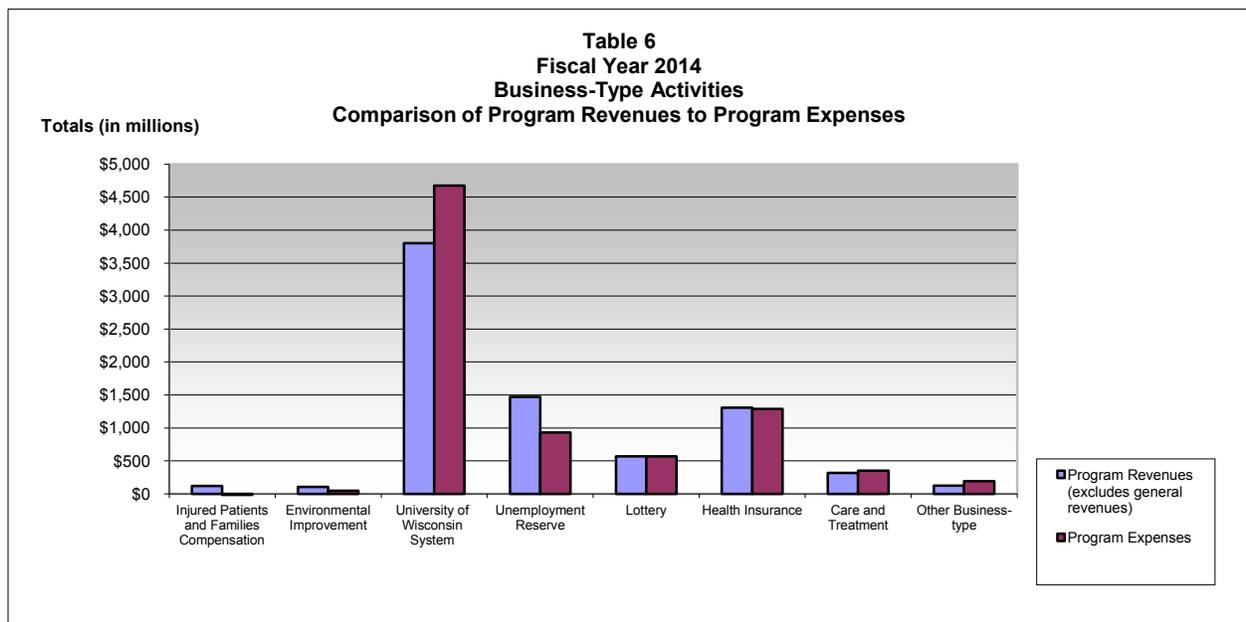
### Business-Type Activities

Net position of the State’s business-type activities increased \$754.3 million in Fiscal Year 2014.

Revenues of business-type activities totaled \$7.8 billion for Fiscal Year 2014, a decline of \$351.9 million from the prior year. Program revenues consisted of \$7.1 billion of charges for services, \$0.7 billion of operating grants and contributions, and \$54.4 million of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal, and net transfers totaled \$22.0 million, \$3.1 million, and \$961.0 million, respectively.

The total expenses for business-type activities were \$8.0 billion a decrease of \$180.6 million from the prior fiscal year. The largest decrease in program expenses, \$435.9 million, related to decreased benefit expenses for the Unemployment Reserve Fund. Offsetting that decrease was an increase in UW program expenses of \$133.2 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 2014, the State's governmental funds reported combined fund balance of \$73.2 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, 2014, the State's General Fund reported a total fund deficit of \$(1.4) billion. The net change in fund balance during Fiscal Year 2014 was \$354.7 million, in contrast to \$465.6 million in Fiscal Year 2013. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

#### Revenues

Revenues of the General Fund totaled \$24.3 billion in Fiscal Year 2014, an increase of \$476.0 million from Fiscal Year 2013. Factors contributing to this change included the following:

- Revenues from taxes increased \$341.5 million. The most significant increase relates to sales taxes, which increased \$219.6 million or 4.3 percent from Fiscal Year 2013. Sales tax revenue increases were driven by inflation and increased consumer expenditures. Income taxes increased \$73.9 million or 0.9 percent from Fiscal Year 2013. 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 income tax rate reduction.
- Intergovernmental revenues (i.e., federal assistance) increased \$144.8 million in Fiscal Year 2014. Human relations and resources programs (e.g. Medicaid) reported increased revenues of \$191.2 million. Because costs are split between federal and State sources, revenues associated with Medicaid related programs increase as costs increase. Conversely, the general executive function reported a decrease of \$65.6 million, due to the close out of remaining American Recovery and Reinvestment Act grants and a reduction of the Community Development Block Grant.

#### Expenditures

Expenditures of the General Fund totaled \$22.1 billion in Fiscal Year 2014, an increase of \$623.2 million from Fiscal Year 2013. Factors contributing to the change include the following:

- Human relations and resources expenditures grew \$420.8 million, primarily as a result of medical assistance costs. This growth is attributed to increased utilization of medical assistance programs; increased participants in the Include, Respect, I Self-Direct (IRIS) program, a Medicaid-based services program; and increased costs for specialized drugs available for the first time in Fiscal Year 2014.
- Education expenditures increased \$166.1 million as a result of increased spending authority for school aids payments, such as general, per pupil and school food aid, as well as for school improvement grants.

#### Other Financing Sources and Uses

Other financing sources/uses totaled a net \$(1.8) billion in Fiscal Year 2014, compared to \$(1.9 billion) in Fiscal Year 2013. The components of this change included the following:

- Transfers out of the General Fund totaled \$2.0 billion, an increase of \$49.7 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 \$1.0 billion, an increase of \$31.4 million from the prior year. The University of Wisconsin System, which receives the majority of the GPR supplement, received \$918.7 million in Fiscal Year 2014, an increase of \$25.1 million.

- Transfers out to the Transportation Fund were \$35.7 million in Fiscal Year 2014, a decrease of \$102.6 million. Under the requirements of 2011 Wisconsin Act 32, the General Fund made a one-time transfer of \$102.5 million in Fiscal Year 2013.
- Transfers out to the Bond Security and Redemption Fund of \$553.8 million were made in Fiscal Year 2014, an increase of \$48.4 million. Transfers out to the Capital Improvement Fund totaled \$152.8 million in the current year, an increase of \$38.1 million. These increases were to fund General Obligation debt service payments and notes payable, respectively.
- Transfers in to the General Fund increased by \$71.2 million (from \$77.5 million in Fiscal Year 2013 to \$148.7 million) as a result of increased lapses. A one-time, budgeted transfer of \$58.3 million from the University of Wisconsin System for the higher education grant program accounted for the largest portion of the transfers in.

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

As of June 30, 2014, the General Fund reported an unassigned fund balance deficit of \$(2.0) billion. This compares to a General Fund unassigned fund balance deficit of \$(2.3) billion as of June 30, 2013. 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 \$4.4 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	350.0
UW System, General Program Operations (part of Statutory General Fund)	344.3
Medical Assistance Program Benefits	103.6
Education Federal Aids; Local Aid	102.5

Actual charges to appropriations (expenditures) were \$3.3 billion below the final budgeted estimates. Large positive expenditure variances were reported in the UW System Federal Aid (\$229.4 million) and the Medical Assistance Federal Aid (\$186.7 million) appropriations.

During the past fiscal year, the budgetary-based fund balance decreased by \$214.7 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 \$47.4 million in Fiscal Year 2014 compared to (\$216.1) million in the prior fiscal year.

## Transportation Fund

In Fiscal Year 2014, the Transportation Fund reported a net decrease in fund balance of \$72.3 million. This compares to a \$41.2 million increase in fund balance in Fiscal Year 2013. This decrease resulted primarily from the following factors:

- Revenues of the Fund decreased \$28.9 million, to a total of \$2.4 billion. Intergovernmental revenues, which are primarily from federal sources, decreased \$82.1 million to a total of \$846.2 million. Contributing to the decrease were a reduction of expenditures in the State Highway Rehabilitation appropriation and the close out of ARRA funding.
- 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 decreased \$39.6 million to \$2.4 billion in Fiscal Year 2014 compared to \$2.5 billion in the prior year. However, offsetting the expenditure decrease in the Transportation Fund were long term debt-funded transportation expenditures of \$61.7 million and \$189.5 million reported in the Capital Improvement Fund and Transportation Revenue Bonds Fund, respectively. Expenditures of these two funds increased \$47.9 million and \$33.9 million, respectively in the current year.
- Transfers in to the Transportation Fund decreased \$106.1 million from the prior year to \$58.0 million. 2011 Wisconsin Act 32 required a one-time transfer of \$102.5 million from the General Fund to the Transportation Fund in Fiscal Year 2013. Transfers out of the Fund increased \$21.4 million from the prior year to \$109.7 million. Transfers out for debt service payments to the Bond Security and Redemption Fund increased by \$18 million in Fiscal Year 2014.

## Capital Improvement Fund

Fund balance of the Capital Improvement Fund decreased \$166.8 million from \$(512.0) million to \$(678.8) million. Assets of the fund, which are primarily comprised of cash, decreased \$209.8 million. Cash declined due to the timing of the issuance of debt during the year and increased payments of short-term debt. Short-term notes payable of \$565.1 million, which comprise the majority of fund liabilities, decreased \$119.7 million due to higher repayments during the current fiscal year.

Debt of \$222.7 million was issued during Fiscal Year 2014, a decrease of \$283.4 million from the prior year. During the year, debt and premium proceeds funded \$334.0 million of capital outlay expenditures in the Fund, an increase of \$24.5 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 \$126.0 million of maintenance and repair expenditures on state owned assets that are reported as functional expenditures. Transfers In to the Capital Improvement Fund, for debt service payments on outstanding notes payable, increased \$49.4 million to \$177.2 million. Transfers Out of the Capital Improvement Fund, which are also funded from debt proceeds, decreased \$92.2 million to \$127.9 million, because less debt was issued and subsequently distributed to proprietary funds.

## Proprietary Funds

The State's 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 2013 to Fiscal Year 2014 include the following:

### Environmental Improvement

Fund net position of the Environmental Improvement Fund increased \$76.3 million to \$1.9 billion. Total assets of the Fund increased by \$12.6 million while liabilities decreased by \$67.3 million. Loans to local governments increased by \$34.1 million to a total of \$2.0 billion. Conversely, liabilities decreased to \$832.3 million as a result of a \$68.2 million reduction in revenue bonds and notes payable that remained outstanding as of June 30, 2014.

Operating income of the Fund increased by \$2.1 million to \$11.9 million in Fiscal Year 2014. Non-operating revenue decreased by \$43.2 million due to federal grant funds, which decreased by \$57.6 million to \$51.2 million in Fiscal Year 2014. This reduction in grant funds was offset by an increase of \$14.6 million in non-operating investment income to \$12.8 million and an increase of \$15.8 million in net transfers to \$14.5 million.

### Injured Patients and Families Compensation

Fund net position of the Injured Patients and Families Compensation Fund increased by \$136.1 million from \$444.7 million to \$580.8 million at June 30, 2014. Total assets of the Fund, which increased \$101.8 million to \$1.2 billion, are primarily comprised of investments of \$1.1 billion. Fund liabilities, which decreased by \$34.4 million to \$600.5 million, are comprised primarily of future benefits and loss liabilities of \$596.5 million.

Operating revenue of the fund consisted of assessment income which decreased by \$1.6 million (4.2 percent) to \$37.0 million. The reduced revenue resulted from a 5.0 percent decrease in assessment rates and changes in the number of participating providers. Non-operating income consists solely of investment and interest income which increased by \$55.2 million to \$85.8 million due to increased investments and improved investment performance.

Fund operating expenses consist primarily of benefit expenses. Benefit expenses, which are determined by an actuary, were negative \$14.3 million for Fiscal Year 2014 compared to negative \$15.2 million the prior year. Benefit payments totaled \$17.2 million down \$5.5 million from Fiscal Year 2013 payments of \$22.7 million.

### Unemployment Reserve

Fund net position of the Unemployment Reserve Fund increased by \$537.9 million from \$(208.5) million to \$329.4 million at June 30, 2014. Benefit expenses decreased \$435.9 million from \$1.4 billion to \$931.1 million in Fiscal Year 2014, a decrease of 31.9 percent. The decrease is the result of the average unemployment rate falling from 6.97 percent to 6.22 percent. In addition, benefit periods were reduced from a possible 70 weeks to a possible 26 weeks during Fiscal Year 2014. While revenues of the fund also decreased, the decrease in expenses was larger resulting in an improved net position.

Operating revenues decreased by \$303.3 million from \$1.8 billion to \$1.5 billion in Fiscal Year 2014. Federal aids decreased by \$298.2 million from \$451.3 million to \$153.0 million because emergency federal benefit programs ended in December 2013. Employer contributions increased \$9.0 million to \$1.2 billion an increase of 0.7 percent. In Fiscal Year 2014, the federal government recovered the remaining balance of an advance owed to them by reducing the employers' federal unemployment tax credit by 0.9 percent. The revenue generated, which was credited to the Fund as employer contributions, was used to repay \$534.5 million. As a result of the current year payments, as well as payments made in the three prior fiscal years, the \$1.4 billion advance received by the Fund during Fiscal Years 2009 and 2010 is fully repaid.

Annual interest of approximately 2.5 percent was incurred during Fiscal Year 2014 on the outstanding advance balance. Because interest may not be paid from resources of the Unemployment Reserve Fund, the interest was paid from the General Fund. Interest of \$18.9 million was paid by the General Fund during Fiscal Year 2014. In addition, interest owed as of June 30, 2014 was \$5.9 million and is reported as a liability in the General Fund.

### University of Wisconsin System

Fund net position increased by \$2.9 million to \$6.1 billion. Assets, which consist primarily of capital assets and cash, decreased \$60.7 million to \$8.5 billion. Liabilities, which consist mostly of bonds and short term payables, decreased by \$45.0 million to \$2.4 billion.

Operating revenues of the University of Wisconsin System decreased \$127.6 million or approximately 3.6 percent to \$3.4 billion. Student tuition, and federal grants and contracts of \$1.1 billion and \$919.1 million, respectively, comprise 61.0 percent of operating revenues. Student tuition and fees decreased by \$36.4 million (3.1 percent) due to an enrollment decline of 0.6 percent combined with unchanged tuition rates. In addition, revenues decreased by \$55.5 million (21.2 percent), \$61.2 million (6.2 percent), and \$7.6 million (2.3 percent) for local and private grants and contracts, federal grants and contracts, and other operating revenues, respectively. Offsetting those declines were increases of \$18.1 million and \$16.7 million for sales and services of educational activities and sales and services of auxiliary enterprises, respectively. Operating expenses increased \$114.5 million or 2.6 percent. Personal services increased by \$95.0 million (3.2 percent). Scholarships and fellowships, supplies and services, and other expenses also increased by \$17.4 million, \$10.0 million, and \$9.1 million, respectively, while depreciation expense declined \$17.1 million.

Transfers in to the University of Wisconsin System declined by \$82.9 million to a total of \$1.1 billion in Fiscal Year 2014. The general purpose revenue supplement received from the State's General Fund, which comprises the majority of the amount transferred in, was \$918.7 million an increase of \$25.1 million. The Capital Improvement fund transferred \$96.0 million of bond proceeds to the University of Wisconsin System down from \$200.1 million in the prior year.

**GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION****Capital Assets**

At the close of Fiscal Year 2014, the State had \$27.4 billion invested in capital assets, net of accumulated depreciation of \$5.2 billion. This represents an increase of \$1.1 billion, or 4.3 percent, from Fiscal Year 2013. Depreciation charges totaled \$128.7 million and \$290.2 million for governmental and business-type activities, respectively, in Fiscal Year 2014. 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.

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Primary Government</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land and Land Improvements	\$ 2,666	\$ 2,568	\$ 170	\$ 167	\$ 2,836	\$ 2,734
Buildings and Improvements	1,333	1,339	4,226	3,774	5,559	5,112
Library Holdings	75	74	1,139	1,124	1,214	1,198
Machinery and Equipment	311	312	334	366	645	678
Infrastructure	14,018	13,860	-	-	14,018	13,860
Construction and Software in Progress	2,775	2,019	347	656	3,122	2,676
<b>Totals</b>	<b>\$ 21,177</b>	<b>\$ 20,171</b>	<b>\$ 6,216</b>	<b>\$ 6,087</b>	<b>\$ 27,393</b>	<b>\$ 26,258</b>

The major capital asset additions completed or acquired during Fiscal Year 2014 included the:

- Interdisciplinary Center – UW-Madison (\$107.5 million),
- Education & Services Building – UW-Eau Claire (\$43.7 million),
- Public Health & Ag Lab Hygiene (\$29.8 million),
- Charter Heating Plant Rebuild – UW-Madison (\$184.7 million),
- School of Nursing – UW-Madison (\$46.8 million),
- Lakeshore Residence Hall Phase 2 – UW-Madison (\$17.3 million),
- Athletic/ McClain Center – UW-Madison (\$84.9 million),
- Parking Ramp/Police Building – UW-La Crosse (\$11.1 million), and
- Ross/Hawkes Hall Renovate – UW-Superior (\$15.8 million).

In addition to these completed projects, construction and software in progress as of June 30, 2014 for governmental and business-type activities totaled \$2.8 billion and \$347.0 million, respectively. A list of those projects is provided in Note 7. The State's continuing or proposed major capital projects for Fiscal Year 2014 and future years include:

- I-94 North South Freeway Project (completion in 2022) \$1.7 billion,
- US 41 Winnebago and Brown Counties (completion in 2017) \$1.5 billion,
- Zoo Interchange (completion in 2019) \$1.7 billion,
- St. Croix Crossing (completion in 2018) \$647 million,
- Hoan Bridge (completion in 2017) \$290 million,
- Verona Road (completion in 2019) \$209 million,
- Highway 12 Lake Delton to Sauk City (completion in 2018) \$215 million,
- Renovation and Remodeling of the Charter Street Heating Plant (estimated cost \$251 million),
- Wisconsin Institutes for Medical Research – Center Tower – UW-Madison (estimated cost \$135 million),
- Wisconsin Energy Institute – UW-Madison (estimated cost \$100 million),
- UW-Milwaukee Facilities Master Plan (\$240 million for various projects),
- Joint Historical and Veterans Museum (estimated budget of \$75 million), and
- UW-Madison Athlete Performance Center (estimated budget of \$76.8 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, 2014 was \$7.3 billion, as shown in Table 8. During Fiscal Year 2014, \$1.2 billion of general obligation bonds 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 issued in the current year, \$440.1 million was to be used for University of Wisconsin System academic and self-amortizing facilities; \$291.8 million for transportation projects, \$70.8 million for correctional facilities, \$134.4 million for environmental programs, and \$281.7 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, 2014, \$3.2 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 \$3.1 billion outstanding at June 30, 2014, as shown in Table 8. These bonds included \$2.2 billion of Transportation Revenue Bonds, \$96.0 million of Petroleum Inspection Revenue Bonds, and \$826.4 million of Environmental Improvement Revenue Bonds.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
General obligation bonds	\$5,653.2	\$5,841.6	\$1,607.7	\$1,650.4	\$7,260.9	\$7,492.0
Annual appropriation bonds	3,175.8	3,256.5	--	--	3,175.8	3,256.5
Revenue bonds	2,290.1	2,084.8	826.4	873.3	3,116.5	2,958.1
<b>Totals</b>	<b>\$11,119.0</b>	<b>\$11,182.9</b>	<b>\$2,434.1</b>	<b>\$2,523.7</b>	<b>\$13,553.1</b>	<b>\$13,706.6</b>

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, 2014, 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 5,100 bridges with a combined value of \$14.0 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, 2014, 91.7 percent of the roads and 96.7 percent of bridges were in good or fair condition, consistent with State policies. This compares to 93.8 percent of the roads and 96.9 percent of bridges as of June 30, 2013.

For the fiscal year ended June 30, 2014, actual maintenance and preservation costs for the State's road network were \$605.9 million or \$13.5 million less than the estimated amount. On that same date, actual maintenance and preservation costs for the State's bridge network were \$135.0 million or \$160.0 million less 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 2013, the Wisconsin economy continued its expansion.

Wisconsin employment continued to grow throughout 2013. According to the federal Bureau of Labor Statistics, total nonfarm employment in Wisconsin increased 1.1 percent in both 2011 and 2012 and 1.0 percent during 2013. This performance generally followed national employment trends. Nationally, employment grew 1.2 percent in 2011 and 1.7 percent in both 2012 and 2013.

More recently, Wisconsin's growth in employment has accelerated. Between September 2013 and September 2014, Wisconsin employment has increased 1.5 percent. Nationally, employment is up 1.9 percent over the same period. However, Wisconsin's seasonally adjusted unemployment rate in September 2014 was 5.5 percent compared to 5.9 percent nationally.

Reflecting the continuing recovery, Wisconsin's state nominal gross domestic product increased 3.8 percent in 2013, exceeding the national pace of 3.5 percent. Wisconsin's 2013 growth also showed forward momentum, exceeding the state's increases of 3.5 percent in 2011 and 3.4 percent in 2012. These figures compare with the 50-state total gross domestic product increases of 3.8 percent in 2011 and 4.6 percent in 2012. Since 2007, Wisconsin's gross domestic product increased by a similar magnitude to the national average at 15.6 percent compared to 16.0 percent nationally.

Steady growth in output has caused similar growth in personal income. Wisconsin personal income grew 5.7 percent, 4.4 percent and 2.1 percent in 2011, 2012 and 2013, respectively. Nationally, personal income grew 6.2 percent, 5.2 percent and 2.0 percent in the same years. On a per capita basis, Wisconsin's income performance is similar to the nation's income performance. Per capita income in Wisconsin increased by 5.3 percent, 4.2 percent and 1.8 percent in 2011, 2012 and 2013, respectively. This compares to growth of 5.5 percent, 4.4 percent and 1.3 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

96.3 percent, 96.1 percent and 96.6 percent of the national average in 2011, 2012 and 2013, respectively. This represents an improvement from 2008 when Wisconsin per capita income was only 94.8 percent of the national average.

Wisconsin's statewide total property value increased in 2014 after five years of downward pressure on the real estate market. While property values in 2013 reflected both a modest overall decline and a mix among property sectors, 2014 values reflected a broader recovery. In 2013, overall property values declined 0.8 percent, residential real estate values fell 1.4 percent and commercial real estate values increased 0.6 percent. In 2014, total property value increased 2.5 percent, with residential property value growing at the same pace. In addition, commercial real estate values increased 2.9 percent and manufacturing property values rose 2.2 percent in 2014. Manufacturing values have now increased in three 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: [DOACapitalFinanceOffice@wisconsin.gov](mailto:DOACapitalFinanceOffice@wisconsin.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.

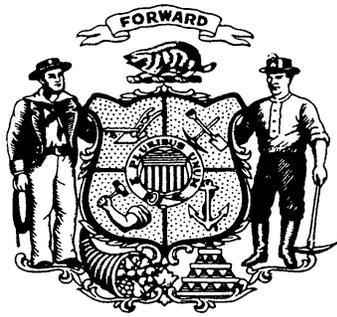
The State's component units issue their own separate audited financial statements. These statements may be obtained by directly contacting the component unit through their administrative offices identified in Note 1-B.

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## **Basic Financial Statements**

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Statement of Net Position  
June 30, 2014

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,508,454	\$ 2,471,386	\$ 3,979,841	\$ 479,023
Investments	544,865	1,946,025	2,490,890	753,664
Cash and Investments with Other Component Units	-	-	-	292,592
Receivables (net of allowance)	3,418,710	3,065,748	6,484,458	1,835,710
Internal Balances	52,181	(52,181)	-	-
Inventories	42,082	52,290	94,372	15,754
Prepaid Items	101,500	179,801	281,301	8,761
Capital Leases Receivable - Component Units	-	549	549	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	367,353	144,971	512,324	173,969
Investments	218,880	-	218,880	2,869,519
Other Assets	26,844	7,340	34,185	100,430
Capital Assets:				
Depreciable	1,544,365	4,568,795	6,113,160	474,802
Nondepreciable:				
Infrastructure	14,017,519	-	14,017,519	-
Other	5,614,902	1,647,339	7,262,241	162,681
Total Assets	27,457,656	14,032,064	41,489,720	7,166,905
<b>Deferred Outflows of Resources</b>	247,871	78,558	326,429	68,997
<b>Liabilities</b>				
Accounts Payable and Other Accrued Liabilities	1,254,757	295,308	1,550,065	269,456
Due to Other Governments	2,202,691	50,323	2,253,015	51,088
Tax Refunds Payable	1,156,780	-	1,156,780	-
Tax and Other Deposits	46,940	22,203	69,143	73,569
Amounts Held in Trust by Component Unit for Other Component Units	-	-	-	276,700
Amounts Held in Trust by Component Unit for Others	-	-	-	34,583
Unearned Revenue	336,590	293,590	630,180	853
Interest Payable	109,839	14,975	124,814	13,764
Short-term Notes Payable	822,667	99,331	921,999	-
Other Liabilities	145,500	-	145,500	60,958
Long-term Liabilities:				
Current Portion	894,087	358,505	1,252,592	49,533
Noncurrent Portion	10,762,404	3,534,649	14,297,053	1,967,131
Total Liabilities	17,732,255	4,668,884	22,401,139	2,797,634
<b>Deferred Inflows of Resources</b>	11,643	592	12,235	-
<b>Net Position</b>				
Net Investment in Capital Assets	17,185,161	4,540,378	21,725,539	305,041
Restricted for:				
Human Relations and Resources	114,943	-	114,943	-
Conservation Related	81,933	-	81,933	-
General Executive	129,237	-	129,237	-
Transportation	26,703	-	26,703	-
Debt Service	72,162	-	72,162	-
Capital Projects	101,754	-	101,754	-
Unemployment Compensation	-	329,431	329,431	-
Environmental Improvement	-	1,907,587	1,907,587	-
Permanent Trusts:				
Expendable	16,646	312,168	328,813	8,363
Nonexpendable	1,009,136	187,768	1,196,903	2,397
Future Benefits	-	827,546	827,546	30,509
Other Purposes	70,181	556,408	626,589	3,159,252
Unrestricted	(8,846,226)	779,860	(8,066,366)	932,707
Total Net Position	\$ 9,961,629	\$ 9,441,146	\$ 19,402,775	\$ 4,438,268

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

**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

(In Thousands)

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Primary Government:</b>				
Governmental Activities:				
Commerce	\$ 249,517	\$ 270,456	\$ 13,076	\$ -
Education	6,404,995	18,880	969,784	2,093
Transportation	2,047,341	733,592	130,253	718,664
Environmental Resources	487,948	218,338	88,538	1,630
Human Relations and Resources	12,603,671	712,035	7,288,706	7,620
General Executive	598,258	251,230	172,671	-
Judicial	123,616	51,191	662	-
Legislative	63,755	1,667	3	-
Tax Relief and Other General Expenses	1,350,637	-	63,670	-
Intergovernmental - Shared Revenue	960,926	52,548	-	-
Interest on Debt	487,477	-	-	-
Total Governmental Activities	25,378,140	2,309,937	8,727,362	730,007
Business-type Activities:				
Injured Patients and Families Compensation	(13,388)	37,011	85,770	-
Environmental Improvement	50,015	51,800	52,288	-
University of Wisconsin System	4,674,496	3,402,011	353,957	47,032
Unemployment Reserve	931,114	1,319,283	153,094	-
Lottery	570,895	568,916	(1,483)	-
Health Insurance	1,289,694	1,279,339	26,645	-
Care and Treatment Facilities	351,637	309,353	773	7,383
Other Business-type	194,003	83,240	40,300	-
Total Business-type Activities	8,048,466	7,050,954	711,345	54,415
Total Primary Government	\$ 33,426,606	\$ 9,360,890	\$ 9,438,707	\$ 784,422
<b>Component Units:</b>				
Housing and Economic Development Authority	\$ 261,783	\$ 112,089	\$ 169,891	\$ -
Health Care Liability Insurance Plan	883	1,799	1,224	-
University Hospitals and Clinics Authority	1,286,122	1,353,784	-	4,195
University of Wisconsin Foundation	271,975	328,716	266,855	-
Wisconsin Economic Development Corp	39,723	192	41,660	-
Total Component Units	\$ 1,860,486	\$ 1,796,580	\$ 479,630	\$ 4,195

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			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ 34,015		\$ 34,015	
(5,414,237)		(5,414,237)	
(464,832)		(464,832)	
(179,441)		(179,441)	
(4,595,311)		(4,595,311)	
(174,357)		(174,357)	
(71,763)		(71,763)	
(62,085)		(62,085)	
(1,286,967)		(1,286,967)	
(908,379)		(908,379)	
(487,477)		(487,477)	
<u>(13,610,834)</u>		<u>(13,610,834)</u>	
	\$ 136,169	136,169	
	54,073	54,073	
	(871,496)	(871,496)	
	541,264	541,264	
	(3,462)	(3,462)	
	16,291	16,291	
	(34,127)	(34,127)	
	(70,464)	(70,464)	
-	(231,752)	(231,752)	
<u>(13,610,834)</u>	<u>(231,752)</u>	<u>(13,842,587)</u>	
			\$ 20,197
			2,140
			71,857
			323,596
			2,129
			<u>419,919</u>
8,369,654	-	8,369,654	-
5,322,607	-	5,322,607	-
351,669	-	351,669	-
279,956	-	279,956	-
1,053,485	-	1,053,485	-
191,170	-	191,170	-
2,301	22,039	24,340	40,091
383,969	8	383,978	5,933
-	3,061	3,061	14
17,307	-	17,307	-
(960,987)	960,987	-	-
<u>15,011,132</u>	<u>986,097</u>	<u>15,997,229</u>	<u>46,038</u>
<u>1,400,298</u>	<u>754,344</u>	<u>2,154,642</u>	<u>465,957</u>
<u>8,561,331</u>	<u>8,686,802</u>	<u>17,248,133</u>	<u>3,972,311</u>
<u>\$ 9,961,629</u>	<u>\$ 9,441,146</u>	<u>\$ 19,402,775</u>	<u>\$ 4,438,268</u>

**Balance Sheet - Governmental Funds**  
**June 30, 2014**

(In Thousands)

	General	Transportation	Capital Improvement	Nonmajor Governmental	Total Governmental
<b>Assets and Deferred Outflows of Resources</b>					
Cash and Cash Equivalents	\$ 585,464	\$ 494,860	\$ 14,343	\$ 386,509	\$ 1,481,176
Investments	751	-	-	544,114	544,865
Receivables (net of allowance):					
Taxes	1,103,285	95,034	-	29,874	1,228,193
Loans to Local Governments	-	-	-	345,919	345,919
Other Loans Receivable	23,730	15,527	-	1	39,257
Other Receivables	506,513	9,589	7	65,060	581,170
Due from Other Funds	203,169	218,259	8,527	75,157	505,111
Due from Component Units	532	-	-	-	532
Interfund Receivables	85,975	-	-	-	85,975
Due from Other Governments	923,990	218,587	-	14,530	1,157,107
Inventories	18,761	17,458	-	1,837	38,056
Prepaid Items	73,572	4,730	-	13,877	92,179
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	367,353	367,353
Investments	-	-	-	218,880	218,880
Other Assets	26,844	-	-	-	26,844
<b>Total Assets</b>	<b>3,552,587</b>	<b>1,074,044</b>	<b>22,877</b>	<b>2,063,110</b>	<b>6,712,617</b>
Deferred Outflows of Resources	-	142	-	-	142
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 3,552,587</b>	<b>\$ 1,074,186</b>	<b>\$ 22,877</b>	<b>\$ 2,063,110</b>	<b>\$ 6,712,760</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
Liabilities:					
Accounts Payable and Other					
Accrued Liabilities	\$ 937,937	\$ 193,142	\$ 7,476	\$ 68,746	\$ 1,207,301
Due to Other Funds	199,712	50,747	129,103	101,258	480,820
Due to Component Units	756	-	-	-	756
Due to Other Governments	2,080,506	110,916	-	2,661	2,194,083
Tax Refunds Payable	1,153,981	2,199	-	600	1,156,780
Tax and Other Deposits	31,502	194	-	15,245	46,940
Unearned Revenue	307,353	25,625	-	3,606	336,584
Interest Payable	-	-	-	44,900	44,900
Advances from Other Funds	661	-	-	6,217	6,877
Short-term Notes Payable	-	-	565,094	234,818	799,912
Revenue Bonds and Notes Payable	-	-	-	133,730	133,730
<b>Total Liabilities</b>	<b>4,712,406</b>	<b>382,823</b>	<b>701,673</b>	<b>611,781</b>	<b>6,408,683</b>
Deferred Inflows of Resources	222,022	191	-	8,679	230,891
Fund Balances:					
Nonspendable	92,257	22,188	-	1,024,152	1,138,597
Restricted	264,057	26,703	-	323,496	614,256
Committed	279,693	642,282	-	144,052	1,066,026
Unassigned	(2,017,849)	-	(678,796)	(49,049)	(2,745,694)
<b>Total Fund Balances</b>	<b>(1,381,842)</b>	<b>691,172</b>	<b>(678,796)</b>	<b>1,442,651</b>	<b>73,185</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,552,587</b>	<b>\$ 1,074,186</b>	<b>\$ 22,877</b>	<b>\$ 2,063,110</b>	<b>\$ 6,712,760</b>

(Continued)

**Balance Sheet - Governmental Funds**  
**June 30, 2014**

(Continued)

**Total  
Governmental**

**Reconciliation to the Statement of Net Position:**

**Total Fund Balances - Governmental Funds** (from previous page) \$ 73,185

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Infrastructure	14,017,519	
Other Capital Assets	8,140,109	
Accumulated Depreciation	(1,298,099)	
		<u>20,859,530</u>

Other long-term assets that are not available to pay for current period expenditures and, therefore, are not recognized in the funds. 97,642

Deferred outflows of resources used to accumulate decreases in fair values of hedging derivatives that are not reported in the governmental funds. 145,500

Derivative instruments (interest rate swaps) that also are not reported in the governmental funds. (145,500) 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. 222,277

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. 7,913

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	(2,156,328)	
Appropriation Bonds Payable	(3,175,789)	
General Obligation Bonds Payable	(5,481,976)	
Accrued Interest on Bonds	(64,939)	
Capital Leases	(46,625)	
Installment Contracts	(1,826)	
Compensated Absences	(156,039)	
Pollution Remediation	(7,490)	
Claims and Judgments	(645)	
Other Postemployment Benefits Liability	(207,262)	
		<u>(11,298,919)</u>

**Net Position of Governmental Activities as reported on the Statement of Net Position** (See page 39) \$ 9,961,629

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, 2014**

(In Thousands)

	General	Transportation	Capital Improvement	Nonmajor Governmental	Total Governmental
<b>Revenues:</b>					
Taxes					
Income	\$ 8,377,683	\$ -	\$ -	\$ -	8,377,683
Sales and Excise	5,325,462	-	-	-	5,325,462
Public Utility	351,669	-	-	-	351,669
Other General Purpose	279,956	-	-	-	279,956
Motor Fuel	-	1,053,772	-	-	1,053,772
Other Dedicated	-	-	-	191,966	191,966
Intergovernmental	8,378,317	846,156	-	70,755	9,295,229
Licenses and Permits	810,158	495,447	-	618,544	1,924,149
Charges for Goods and Services	322,819	17,534	-	22,105	362,458
Investment and Interest Income	102	462	25	54,007	54,596
Fines and Forfeitures	40,347	687	-	20,951	61,985
Gifts and Donations	7,739	-	-	13,934	21,673
Miscellaneous:					
Tobacco Settlement	144,893	-	-	-	144,893
Other	219,756	16,767	-	6,692	243,215
<b>Total Revenues</b>	<b>24,258,902</b>	<b>2,430,825</b>	<b>25</b>	<b>998,955</b>	<b>27,688,707</b>
<b>Expenditures:</b>					
Current Operating:					
Commerce	162,497	-	3,528	87,839	253,864
Education	6,326,483	-	1,141	37,049	6,364,672
Transportation	10,816	1,923,077	61,747	176	1,995,816
Environmental Resources	111,408	-	35,130	328,673	475,212
Human Relations and Resources	12,466,492	-	14,704	23,756	12,504,952
General Executive	494,173	-	667	104,223	599,063
Judicial	122,311	-	-	198	122,509
Legislative	63,995	-	-	-	63,995
Tax Relief and Other General	1,340,127	-	9,123	1,444	1,350,694
Intergovernmental - Shared Revenue	908,289	-	-	52,637	960,926
Capital Outlay	63,490	525,090	333,960	205,324	1,127,863
Debt Service:					
Principal	-	-	-	655,551	655,551
Interest	-	-	2,877	523,151	526,028
Other Expenditures	-	-	555	5,104	5,660
<b>Total Expenditures</b>	<b>22,070,081</b>	<b>2,448,167</b>	<b>463,430</b>	<b>2,025,125</b>	<b>27,006,804</b>
Excess of Revenues Over (Under) Expenditures	2,188,822	(17,342)	(463,405)	(1,026,170)	681,903
<b>Other Financing Sources (Uses):</b>					
Long-term Debt Issued	-	-	222,662	300,000	522,662
Long-term Debt Issued - Refunding Bonds	-	-	-	662,340	662,340
Payments for Refunded Bonds	-	-	-	(199,715)	(199,715)
Payments to Refunding Bond Escrow Agent	-	-	-	(548,286)	(548,286)
Premium on Bonds	-	-	24,194	126,892	151,087
Transfers In	148,744	57,952	177,233	1,038,772	1,422,700
Transfers Out	(2,005,033)	(109,670)	(127,933)	(127,454)	(2,370,089)
Capital Lease Acquisitions	21,785	-	-	-	21,785
Installment Purchase Acquisitions	977	-	447	-	1,424
<b>Total Other Financing Sources (Uses)</b>	<b>(1,833,527)</b>	<b>(51,718)</b>	<b>296,603</b>	<b>1,252,550</b>	<b>(336,092)</b>
Net Change in Fund Balances	355,295	(69,061)	(166,803)	226,380	345,811
Fund Balances, Beginning of Year	(1,736,547)	763,512	(511,994)	1,217,245	(267,784)
Increase (Decrease) in Inventories	(590)	(3,279)	-	(974)	(4,843)
<b>Fund Balances, End of Year</b>	<b>\$ (1,381,842)</b>	<b>\$ 691,172</b>	<b>\$ (678,796)</b>	<b>\$ 1,442,651</b>	<b>\$ 73,185</b>

(Continued)

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014**

(Continued)

	<b>Total Governmental</b>
<b>Reconciliation to the Statement of Activities:</b>	
<b>Net Change in Fund Balances</b> (from previous page)	\$ 345,811
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.	(4,843)
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	1,117,847
Depreciation Expense	(103,965)
Grants and Contributions (Donated Assets)	<u>2,714</u>
	1,016,596
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.	(39,608)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(12,721)
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	(1,142,372)
Payments for Refunded Bonds	157,085
Payments to Refunding Bond Escrow Agent	548,286
Repayment of Bond Principal	655,551
Bond Premium	(151,087)
Prepaid Bond Insurance Costs (Amortization)	<u>(47)</u>
	67,416
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	70,357
Decrease (increase) in Capital Leases	(6,587)
Decrease (increase) in Installment Contracts	(842)
Decrease (increase) in Compensated Absences	(6,702)
Decrease (increase) in Claims and Judgments	(8,309)
Decrease (increase) in Postemployment Benefit Liabilities	<u>(11,461)</u>
	36,457
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.	<u>(8,810)</u>
<b>Changes in Net Position of Governmental Activities as reported on the Statement of Activities</b> (See page 41)	<u>\$ 1,400,298</u>

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

**State of Wisconsin**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

(In Thousands)

<b>Business-type Activities - Enterprise Funds</b>					
	<b>Injured Patients and Families Compensation</b>	<b>Environmental Improvement</b>	<b>University of Wisconsin System</b>	<b>Unemployment Reserve</b>	
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 29,099	\$ 375,033	\$ 1,398,745	\$ 6,876	
Investments	64,115	45,525	-	-	
Loans to Local Governments (net of allowance)	-	168,949	-	-	
Other Loans Receivable (net of allowance)	-	-	30,604	-	
Other Receivables (net of allowance)	10,497	261	187,804	305,190	
Due from Other Funds	-	661	22,426	502	
Due from Component Units	-	-	5,728	-	
Interfund Receivables	-	-	-	-	
Due from Other Governments	-	8,930	83,318	3,797	
Inventories	3	-	42,595	-	
Prepaid Items	8	22	75,329	-	
Capital Leases Receivable - Component Units	-	-	282	-	
Other Assets	-	-	-	-	
<b>Total Current Assets</b>	<b>103,722</b>	<b>599,381</b>	<b>1,846,831</b>	<b>316,366</b>	
<b>Noncurrent Assets:</b>					
Investments	1,037,368	188,915	457,517	-	
Loans to Local Governments (net of allowance)	-	1,840,696	-	-	
Other Loans Receivable (net of allowance)	-	-	168,491	-	
Other Receivables	-	-	2,614	68,477	
Prepaid Items	-	151	-	-	
Advances to Other Funds	-	6,217	-	-	
Capital Leases Receivable - Component Units	-	-	267	-	
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	39,605	102,561	-	2,805	
Other Assets	-	-	-	-	
Depreciable Capital Assets (net of accumulated depreciation)	672	-	4,367,349	-	
Nondepreciable Capital Assets	-	-	1,623,967	-	
<b>Total Noncurrent Assets</b>	<b>1,077,644</b>	<b>2,138,539</b>	<b>6,620,204</b>	<b>71,282</b>	
<b>Total Assets</b>	<b>1,181,366</b>	<b>2,737,919</b>	<b>8,467,035</b>	<b>387,648</b>	
<b>Deferred Outflows of Resources</b>					
	-	17,726	19,145	-	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,181,366</b>	<b>\$ 2,755,645</b>	<b>\$ 8,486,180</b>	<b>\$ 387,648</b>	
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts Payable and Other Accrued Liabilities	\$ 1,179	\$ 83	\$ 147,701	\$ 13,860	
Due to Other Funds	121	1,311	58,243	1,642	
Due to Component Units	-	-	1,649	-	
Interfund Payables	-	-	-	-	
Due to Other Governments	-	226	5,320	42,715	
Tax and Other Deposits	-	-	1,728	-	
Unearned Revenue	2,638	-	164,461	-	
Interest Payable	-	3,128	10,892	-	
Short-term Notes Payable	-	-	97,179	-	
Current Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	80,056	-	-	-	
Capital Leases	-	-	6,425	-	
Compensated Absences	19	39	61,532	-	
General Obligation Bonds Payable	-	-	62,931	-	
Revenue Bonds and Notes Payable	-	58,400	-	-	
<b>Total Current Liabilities</b>	<b>84,014</b>	<b>63,187</b>	<b>618,062</b>	<b>58,217</b>	
<b>Noncurrent Liabilities:</b>					
Accounts Payable and Other Accrued Liabilities	-	-	-	-	
Due to Other Governments	-	988	-	-	
Noncurrent Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	516,400	-	-	-	
Capital Leases	-	-	35,935	-	
Compensated Absences	64	47	69,653	-	
Other Postemployment Benefits	43	30	233,006	-	
General Obligation Bonds Payable	-	-	1,422,876	-	
Revenue Bonds and Notes Payable	-	768,022	-	-	
<b>Total Noncurrent Liabilities</b>	<b>516,507</b>	<b>769,087</b>	<b>1,761,470</b>	<b>-</b>	
<b>Total Liabilities</b>	<b>600,520</b>	<b>832,274</b>	<b>2,379,532</b>	<b>58,217</b>	
<b>Deferred Inflows of Resources</b>					
	-	-	551	-	
<b>Net Position:</b>					
Net Investment in Capital Assets	672	-	4,365,969	-	
Restricted for Unemployment Compensation	-	-	-	329,431	
Restricted for Environmental Improvement	-	1,907,587	-	-	
Restricted for Expendable Trusts	-	-	312,168	-	
Restricted for Nonexpendable Trusts	-	-	187,768	-	
Restricted for Future Benefits	580,174	-	-	-	
Restricted for Other Purposes	-	-	470,368	-	
Unrestricted	-	15,785	769,824	-	
<b>Total Net Position</b>	<b>580,846</b>	<b>1,923,371</b>	<b>6,106,096</b>	<b>329,431</b>	
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 1,181,366</b>	<b>\$ 2,755,645</b>	<b>\$ 8,486,180</b>	<b>\$ 387,648</b>	

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

**Business-type Activities - Enterprise Funds**

Nonmajor Enterprise		Totals	Governmental Activities - Internal Service Funds	
\$	661,633	\$ 2,471,386	\$	27,279
	6,277	115,917		-
	435	169,384		-
	3,431	34,035		-
	79,569	583,321		2,215
	36,313	59,902		35,358
	-	5,728		-
	37	37		-
	11,910	107,955		124
	9,692	52,290		4,021
	104,292	179,651		2,645
	-	282		-
	365	365		-
	<u>913,955</u>	<u>3,780,254</u>		<u>71,642</u>
	146,309	1,830,109		-
	974	1,841,670		-
	74,231	242,722		-
	115	71,205		-
	-	151		494
	661	6,877		-
	-	267		-
	-	144,971		-
	6,975	6,975		-
	200,774	4,568,795		275,770
	23,372	1,647,339		41,487
	<u>453,410</u>	<u>10,361,079</u>		<u>317,750</u>
	<u>1,367,365</u>	<u>14,141,333</u>		<u>389,392</u>
	<u>41,687</u>	<u>78,558</u>		<u>3,494</u>
\$	<u>1,409,052</u>	\$ <u>14,219,891</u>	\$	<u>392,887</u>
\$	75,504	\$ 238,327	\$	14,104
	33,945	95,263		10,709
	-	1,649		-
	41,305	41,305		44,670
	1,075	49,336		1,186
	20,475	22,203		-
	126,491	293,590		-
	955	14,975		1,249
	2,152	99,331		22,755
	78,834	158,890		75,000
	368	6,794		1,444
	5,669	67,260		1,373
	4,230	67,161		15,241
	-	58,400		-
	<u>391,004</u>	<u>1,214,484</u>		<u>187,730</u>
	29,231	29,231		32
	-	988		-
	333,686	850,086		30,036
	371	36,306		3,664
	7,934	77,698		2,925
	28,916	261,995		3,165
	117,666	1,540,541		155,934
	-	768,022		-
	<u>517,804</u>	<u>3,564,867</u>		<u>195,756</u>
	<u>908,808</u>	<u>4,779,351</u>		<u>383,486</u>
	<u>41</u>	<u>592</u>		<u>290</u>
	173,737	4,540,378		121,427
	-	329,431		-
	-	1,907,587		-
	-	312,168		-
	-	187,768		-
	247,372	827,546		-
	86,040	556,408		-
	(6,947)	778,662		(112,316)
	<u>500,203</u>	<u>9,439,948</u>		<u>9,111</u>
\$	<u>1,409,052</u>	\$ <u>14,219,891</u>	\$	<u>392,887</u>
Total Net Position Reported Above		\$ 9,439,948		
Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds		1,198		
Net Position of Business-type Activities		\$ <u>9,441,146</u>		

**Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Proprietary Funds  
For the Fiscal Year Ended June 30, 2014**

(In Thousands)

	Business-type Activities - Enterprise Funds			
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
<b>Operating Revenues:</b>				
Charges for Goods and Services	\$ 37,011	\$ -	\$ -	-
Participant and Employer Contributions	-	-	-	1,249,611
Tuition and Fees	-	-	1,138,306	-
Federal Grants and Contracts	-	-	919,123	-
Local and Private Grants and Contracts	-	-	206,945	-
Sales and Services of Educational Activities	-	-	312,040	-
Sales and Services of Auxiliary Enterprises	-	-	405,684	-
Sales and Services to UW Hospital Authority	-	-	65,236	-
Investment and Interest Income	-	31,356	-	-
Interest Income Used as Security for Revenue Bonds	-	20,409	-	-
Miscellaneous:				
Federal Aid for Unemployment Insurance Program	-	-	-	153,045
Reimbursing Financing Revenue	-	-	-	62,464
Other	-	34	323,857	7,209
<b>Total Operating Revenues</b>	<b>37,011</b>	<b>51,800</b>	<b>3,371,190</b>	<b>1,472,329</b>
<b>Operating Expenses:</b>				
Personal Services	419	3,836	2,985,014	-
Supplies and Services	409	2,263	1,147,891	-
Lottery Prize Awards	-	-	-	-
Scholarships and Fellowships	-	-	149,647	-
Depreciation	60	-	273,474	-
Benefit Expense	(14,276)	-	-	931,114
Interest Expense	-	33,783	-	-
Other Expenses	-	-	30,194	-
<b>Total Operating Expenses</b>	<b>(13,388)</b>	<b>39,882</b>	<b>4,586,220</b>	<b>931,114</b>
<b>Operating Income (Loss)</b>	<b>50,399</b>	<b>11,918</b>	<b>(1,215,030)</b>	<b>541,215</b>
<b>Nonoperating Revenues (Expenses):</b>				
Operating Grants	-	51,215	-	-
Investment and Interest Income	85,770	1,079	63,038	49
Investment Income Used as Security for Revenue Bonds	-	11,727	-	-
Gain (Loss) on Disposal of Capital Assets	-	-	(25,555)	-
Interest Expense	-	-	(62,591)	-
Gifts and Donations	-	-	292,335	-
Miscellaneous Revenues	-	-	30,821	-
Other Expenses:				
Property Tax Credits	-	-	-	-
Grants Disbursed	-	(10,133)	-	-
Federal Settlement	-	-	-	-
Other	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>85,770</b>	<b>53,888</b>	<b>298,049</b>	<b>49</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>136,169</b>	<b>65,806</b>	<b>(916,981)</b>	<b>541,264</b>
Capital Contributions	-	-	47,032	-
Additions to Endowments	-	-	3,061	-
Transfers In	-	22,486	1,051,571	-
Transfers Out	(17)	(8,017)	(177,007)	(3,358)
<b>Change in Net Position</b>	<b>136,152</b>	<b>80,276</b>	<b>7,676</b>	<b>537,906</b>
<b>Total Net Position, Beginning of Year</b>	<b>444,694</b>	<b>1,843,096</b>	<b>6,098,420</b>	<b>(208,474)</b>
<b>Total Net Position, End of Year</b>	<b>\$ 580,846</b>	<b>\$ 1,923,371</b>	<b>\$ 6,106,096</b>	<b>\$ 329,431</b>

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

<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>	
	<b>Nonmajor Enterprise</b>	<b>Totals</b>		
\$	938,558	\$ 975,569	\$	254,020
	1,294,321	2,543,932		-
	-	1,138,306		-
	-	919,123		-
	-	206,945		-
	-	312,040		-
	-	405,684		-
	-	65,236		-
	5,651	37,008		-
	-	20,409		-
	-	153,045		-
	-	62,464		-
	1,074	332,175		3,957
	<u>2,239,605</u>	<u>7,171,934</u>		<u>257,977</u>
	291,650	3,280,919		43,660
	179,495	1,330,059		144,163
	336,695	336,695		-
	-	149,647		-
	16,635	290,169		22,871
	1,398,633	2,315,470		36,724
	5,013	38,796		-
	11,357	41,551		-
	<u>2,239,478</u>	<u>7,783,305</u>		<u>247,417</u>
	127	(611,371)		10,559
	1,682	52,896		179
	72,699	222,635		21
	-	11,727		-
	5	(25,550)		372
	(2,019)	(64,610)		(7,386)
	469	292,805		-
	1,519	32,340		1,685
	(161,617)	(161,617)		-
	(3,023)	(13,156)		-
	-	-		(1,208)
	(29)	(29)		(164)
	<u>(90,313)</u>	<u>347,442</u>		<u>(6,501)</u>
	(90,186)	(263,929)		4,058
	7,383	54,415		-
	-	3,061		-
	96,317	1,170,374		5,323
	<u>(20,988)</u>	<u>(209,387)</u>		<u>(18,383)</u>
	(7,475)	754,535		(9,001)
	<u>507,678</u>	<u>8,685,413</u>		<u>18,112</u>
\$	<u>500,203</u>	<u>\$ 9,439,948</u>	\$	<u>9,111</u>
	Change in Net Position Reported Above	\$ 754,535		
	Consolidation Adjustment of Internal Services			
	Activities Related to Enterprise Funds	(191)		
	Change in Net Position of Business-Type Activities	<u>\$ 754,344</u>		

## Statement of Cash Flows - Proprietary Funds

### For the Fiscal Year Ended June 30, 2014

(In Thousands)

**Business-type Activities - Enterprise Funds**

	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
<b>Cash Flows from Operating Activities:</b>				
Cash Receipts from Customers	\$ 34,244	\$ -	\$ -	1,277,828
Cash Payments to Suppliers for Goods and Services	(273)	(2,130)	(1,163,203)	-
Cash Payments to Employees for Services	(412)	(4,027)	(2,979,636)	-
Tuition and Fees	-	-	1,130,910	-
Grants and Contracts	-	-	1,158,056	-
Cash Payments for Lottery Prizes	-	-	-	-
Cash Payments for Loans Originated	-	(201,054)	(39,191)	-
Collection of Loans	-	166,981	37,658	-
Interest Income	-	51,650	-	-
Cash Payments for Benefits	(17,241)	-	-	(989,657)
Sales and Services of Educational Activities	-	-	322,060	-
Sales and Services of Auxiliary Enterprises	-	-	406,761	-
Sales and Services to UW Hospital Authority	-	-	64,398	-
Scholarships and Fellowships	-	-	(149,647)	-
Other Operating Revenues	-	34	249,893	268,925
Other Operating Expenses	-	-	-	-
Other Sources of Cash	-	-	-	-
Other Uses of Cash	-	-	-	-
Net Cash Provided (Used) by Operating Activities	16,317	11,454	(961,941)	557,096
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Grants Receipts	-	51,298	-	-
Grants Disbursed	-	(10,133)	-	-
Repayment of Bonds and Notes	-	(58,195)	-	-
Interest Payments	-	(40,494)	-	-
Property Tax Credit Payments	-	-	-	-
Noncapital Gifts and Grants	-	-	295,397	-
Interfund Loans Received	-	-	-	-
Interfund Loans Repaid	-	-	-	-
Transfers In	-	22,486	1,187,290	-
Transfers Out	(17)	(8,017)	(174,526)	(3,741)
Student Direct Lending Receipts	-	-	750,293	-
Student Direct Lending Disbursements	-	-	(752,748)	-
Other Cash Inflows from Noncapital Financing Activities	-	-	23,966	738,979
Other Cash Outflows from Noncapital Financing Activities	-	(1,251)	(72)	(1,289,248)
Net Cash Provided (Used) by Noncapital Financing Activities	(17)	(44,306)	1,329,600	(554,010)
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from Issuance of Debt	-	-	24,283	-
Capital Contributions	-	-	94,546	-
Repayment of Bonds and Notes	-	-	(252,654)	-
Interest Payments	-	-	(141,477)	-
Transfers In	-	-	-	-
Capital Lease Obligations	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Payments for Purchase of Capital Assets	(170)	-	(435,739)	-
Other Cash Inflows from Capital Financing Activities	-	-	37,807	-
Other Cash Outflows from Capital Financing Activities	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(170)	-	(673,234)	-
<b>Cash Flows from Investing Activities:</b>				
Proceeds from Sale and Maturities of Investment Securities	125,605	5,930	100,796	-
Purchase of Investment Securities	(200,944)	(10,705)	(89,474)	-
Cash Payments for Loans Originated	-	-	-	-
Collection of Loans	-	-	-	-
Investment and Interest Receipts	45,335	9,069	7,669	49
Net Cash Provided (Used) by Investing Activities	(30,004)	4,294	18,991	49
Net Increase (Decrease) in Cash and Cash Equivalents	(13,874)	(28,558)	(286,584)	3,136
Cash and Cash Equivalents, Beginning of Year	82,578	506,153	1,685,329	6,546
Cash and Cash Equivalents, End of Year	\$ 68,703	\$ 477,594	\$ 1,398,745	\$ 9,682

<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>	
	<b>Nonmajor Enterprise</b>	<b>Totals</b>		
\$	2,236,373	\$ 3,548,445	\$	238,972
	(147,405)	(1,313,012)		(136,873)
	(290,489)	(3,274,565)		(43,063)
	-	1,130,910		-
	-	1,158,056		-
	(337,394)	(337,394)		-
	(30)	(240,276)		-
	20,176	224,815		-
	6,306	57,956		-
	(1,490,258)	(2,497,156)		(31,255)
	-	322,060		-
	-	406,761		-
	-	64,398		-
	-	(149,647)		-
	23,067	541,919		81
	(47,732)	(47,732)		-
	9,669	9,669		5,280
	(8,950)	(8,950)		(542)
	(26,666)	(403,740)		32,601
	1,482	52,780		-
	(2,973)	(13,106)		-
	(21,335)	(79,530)		-
	(5,012)	(45,506)		(5)
	(168,358)	(168,358)		-
	-	295,397		-
	7,290	7,290		2,155
	(15,608)	(15,608)		(2,994)
	94,211	1,303,987		5,323
	(33,936)	(220,236)		(18,335)
	-	750,293		-
	-	(752,748)		-
	498	763,443		-
	-	(1,290,571)		-
	(143,742)	587,525		(13,855)
	3,313	27,596		4,411
	7,347	101,893		-
	(5,636)	(258,290)		(15,652)
	(2,166)	(143,642)		(7,571)
	1,568	1,568		-
	(354)	(354)		(869)
	15	15		1,094
	(18,848)	(454,757)		(19,804)
	456	38,263		1,790
	(1,342)	(1,342)		-
	(15,647)	(689,051)		(36,601)
	8,826	241,158		-
	(4,420)	(305,543)		-
	(172)	(172)		-
	241	241		-
	71,310	133,431		-
	75,786	69,115		-
	(110,269)	(436,150)		(17,856)
	771,902	3,052,508		45,134
\$	661,633	\$ 2,616,358	\$	27,279

(Continued)

**Statement of Cash Flows - Proprietary Funds  
For the Fiscal Year Ended June 30, 2014**

(Continued)

	Business-type Activities - Enterprise Funds			
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:</b>				
Operating Income (Loss)	\$ 50,399	\$ 11,918	\$ (1,215,030)	\$ 541,215
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	60	-	273,474	-
Provision for Uncollectible Accounts	-	-	-	(9,325)
Operating Income (Investment Income) Classified as Investing Activity	-	-	-	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	33,783	-	-
Miscellaneous Nonoperating Income (Expense)	-	-	-	-
Changes in Assets and Liabilities:				
Decrease (Increase) in Receivables	245	(34,073)	(34,217)	36,403
Decrease (Increase) in Due from Other Funds	-	(673)	(493)	58
Decrease (Increase) in Due from Component Units	-	-	(838)	-
Decrease (Increase) in Due from Other Governments	-	-	15,375	9,328
Decrease (Increase) in Inventories	1	-	(1,486)	-
Decrease (Increase) in Prepaid Items	-	16	(11,552)	-
Decrease (Increase) in Other Assets	-	-	-	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(37)	58	10,292	(9,555)
Increase (Decrease) in Due to Other Funds	10	566	(13,531)	(1,205)
Increase (Decrease) in Due to Component Units	-	-	(129)	-
Increase (Decrease) in Due to Other Governments	-	(30)	(1,854)	(9,824)
Increase (Decrease) in Tax and Other Deposits	-	-	-	-
Increase (Decrease) in Unearned Revenue	(2,851)	-	7,268	-
Increase (Decrease) in Interest Payable	-	(116)	-	-
Increase (Decrease) in Compensated Absences	9	2	(4,802)	-
Increase (Decrease) in Postemployment Benefits	(2)	1	15,582	-
Increase (Decrease) in Future Benefits and Loss Liabilities	(31,518)	-	-	-
Total Adjustments	(34,082)	(464)	253,089	15,882
Net Cash Provided (Used) by Operating Activities	\$ 16,317	\$ 11,454	\$ (961,941)	\$ 557,096
<b>Noncash Investing, Capital and Financing Activities:</b>				
Assets Acquired through Capital Leases	\$ -	\$ -	\$ 30,265	\$ -
Lottery Prize Annuity Investment Liability	-	-	-	-
Net Change in Unrealized Gains and Losses	38,829	(4,020)	38,123	-
Other	715	10,027	16,191	-

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

<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>	
	<b>Nonmajor Enterprise</b>	<b>Totals</b>		
\$	127	\$ (611,371)	\$	10,559
	16,635	290,169		22,871
	(663)	(9,988)		-
	(253)	(253)		-
	5,013	38,796		-
	2,108	2,108		196
	24,548	(7,093)		(352)
	(22,548)	(23,657)		(15,136)
	-	(838)		-
	(2,542)	22,161		439
	(64)	(1,549)		447
	(98,434)	(109,970)		2,103
	(896)	(896)		-
	6,842	7,601		3,191
	(1,323)	(15,483)		1,525
	-	(129)		-
	(416)	(12,123)		924
	623	623		-
	7,437	11,854		-
	-	(116)		-
	865	(3,925)		375
	922	16,503		(11)
	35,354	3,836		5,469
	(26,793)	207,631		22,041
\$	(26,666)	\$ (403,740)	\$	32,601

\$	-	\$ 30,265	\$	5,175
	2,417	2,417		-
	1,599	74,532		-
	698	27,630		9

Statement of Fiduciary Net Position

June 30, 2014

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private- Purpose Trust	Agency
<b>Assets</b>				
Cash and Cash Equivalents	\$ 3,172,948	\$ 2,586,041	\$ 49,469	\$ 31,147
Securities Lending Collateral	1,002,722	-	-	-
Prepaid Items	38,601	-	9,881	1,300
Receivables (net of allowance):				
Prior Service Contributions Receivable	62,516	-	-	-
Benefits Overpayment Receivable	3,325	-	-	-
Due from Other Funds	33,516	-	17	2,036
Due from Component Units	5,663	-	-	-
Interfund Receivables	37,921	-	-	-
Due from Other Governments	108,399	-	6,837	720
Due from Employers	-	-	-	12,999
Interest and Dividends Receivable	236,577	-	-	-
Investment Sales Receivable	773,650	-	-	-
Other Receivables	14,439	-	29,047	1,218
Total Receivables	1,276,007	-	35,901	16,974
Investments:				
Fixed Income	26,372,170	-	-	-
Stocks	48,960,585	-	-	-
Options	5,070	-	-	-
Financial Futures Contracts and Swaps	49,076	-	-	-
Limited Partnerships	10,381,478	-	-	-
Preferred Securities	231,255	-	-	-
Convertible Securities	52,398	-	-	-
Real Estate	739,443	-	-	-
Investments of Private Purpose Trust Funds	-	-	3,678,835	-
Investments of Agency Funds	-	-	-	95
Multi-asset Investments	3,544,183	-	-	-
External Investment Pool	605,634	-	-	-
Foreign Currency Contracts	(12,130)	-	-	-
Total Investments	90,929,162	-	3,678,835	95
Capital Assets	3,365	-	-	-
Other Assets	-	-	-	319,199
Total Assets	96,422,804	2,586,041	3,774,086	\$ 368,715
<b>Liabilities</b>				
Accounts Payable and Other Accrued Liabilities	55,491	-	23,649	\$ 31,791
Reverse Repurchase Agreements	862,948	-	-	-
Securities Lending Collateral Liability	1,002,722	-	-	-
Annuities Payable	288,159	-	-	-
Due to Other Funds	63,595	112	9,816	-
Interfund Payables	37	-	37,921	-
Tax and Other Deposits	-	-	-	336,924
Future Benefits and Loss Liabilities	-	-	5,299	-
Short Sales of Securities	136,915	-	-	-
Investment Payable	518,245	-	-	-
Unearned Revenue	1,087	-	16,093	-
Compensated Absences Payable	2,267,704	-	-	-
Total Liabilities	5,196,903	112	92,777	\$ 368,715
<b>Net Position</b>				
Held in Trust for Pension Benefits, Pool Participants and Other Purposes	\$ 91,225,902	\$ 2,585,930	\$ 3,681,309	

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

**Statement of Changes in Fiduciary Net Position  
For the Fiscal Year Ended June 30, 2014**

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private- Purpose Trust
<b>Additions</b>			
Contributions:			
Employer Contributions	\$ 1,025,311	\$ -	\$ -
Employee Contributions	907,640	-	-
Other	-	-	190
Total Contributions	1,932,951	-	190
Deposits	-	9,625,967	381,954
Premiums	-	-	200,335
Federal Subsidy	-	-	19,438
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	10,135,139	-	-
Interest	645,745	-	-
Dividends	1,125,694	-	-
Securities Lending Income	26,091	-	-
Other	209,243	-	-
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	373,288	27,886	487,732
Less:			
Investment Expense	(362,011)	(529)	(5,834)
Securities Lending Rebates and Fees	(2,241)	-	-
Investment Income Distributed to Other Funds	(434,429)	-	-
Net Investment Income	11,716,519	27,357	481,897
Interest on Prior Service Receivable	3,533	-	-
Miscellaneous Income	318	-	3
Total Additions	13,653,321	9,653,324	1,083,817
<b>Deductions</b>			
Retirement Benefits and Refunds:			
Retirement, Disability, and Beneficiary Separations	4,224,358	-	-
	33,271	-	-
Total Retirement Benefits and Refunds	4,257,629	-	-
Distributions	25,918	9,893,672	296,312
Other Benefit Expense	338,596	-	231,174
Administrative Expense	28,052	113	10,589
Transfers Out	-	-	2
Total Deductions	4,650,195	9,893,785	538,077
Net Increase (Decrease)	9,003,126	(240,461)	545,740
Net Position - Beginning of Year	82,222,776	2,826,391	3,135,569
Net Position - End of Year	\$ 91,225,902	\$ 2,585,930	\$ 3,681,309

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..... 58

A. Basis of Presentation..... 58

B. Financial Reporting Entity..... 58

C. Government-wide and Fund Financial Statements..... 60

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation..... 60

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balances..... 63

    1. Cash and Cash Equivalents..... 63

    2. Investments..... 63

    3. Mortgage and Other Loans..... 63

    4. Forestation State Tax..... 63

    5. Interfund Assets/Liabilities..... 63

    6. Inventories and Prepaid Items..... 64

    7. Capital Assets..... 64

    8. Restricted and Limited Use Assets..... 65

    9. Local Assistance Aids..... 65

    10. Long-term Debt Obligations..... 65

    11. Compensated Absences..... 66

    12. Unearned Revenue..... 66

    13. Self-Insurance..... 66

    14. Deferred Outflows of Resources and Deferred Inflows of Resources..... 67

    15. Fund Balance Classification and Restricted Net Position..... 67

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

**Note 2.** Detailed Reconciliation of the Government-wide and Fund Statements..... 70

A. Explanation of Differences Between the Balance Sheet - Governmental Funds and the Statement of Net Position.. 70

B. Explanation of Differences Between the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds and the Statement of Activities..... 72

Stewardship and Compliance

**Note 3.** Budgetary Control..... 74

**Note 4.** Deficit Fund Balance/Fund Net Position, Restricted Net Position, Budget Stabilization Arrangement, Minimum Fund Balance Policy, and Fund Balance of Governmental Funds..... 74

Detailed Disclosures Regarding Assets and Revenues

**Note 5.** Deposits and Investments..... 76

A. Deposits..... 76

    1. Primary Government..... 76

B. Investments..... 77

    1. Primary Government..... 77

    2. State Investment Fund..... 91

    3. Lottery Investments and Related Future Prize Obligations..... 93

**Note 6.** Receivables and Net Revenues..... 95

A. Receivables..... 95

B. Net Revenues..... 95

**Note 7.** Capital Assets..... 96

**Note 8.** Endowments..... 100

**Note 9.** Interfund Receivables, Payables and Transfers..... 101

A. Due from/to Other Funds..... 101

B. Interfund Receivables/Payables..... 102

C. Advances to/from Other Funds..... 102

D. Interfund Transfers..... 103

	Page
<b>Detailed Disclosures Regarding Liabilities and Expenses/Expenditures</b>	
<b>Note 10.</b> Changes in Long-term Liabilities.....	104
<b>Note 11.</b> Bonds, Notes and Other Debt Obligations.....	106
A. General Obligation Bonds.....	106
B. Annual Appropriation Bonds.....	109
C. Revenue Bonds.....	112
D. Refundings, Exchanges and Early Extinguishments.....	114
E. Short-term Financing.....	115
F. Certificates of Participation.....	116
G. Arbitrage Rebate.....	116
H. Moral Obligation Debt.....	116
I. Credit Agreements.....	117
<b>Note 12.</b> Lease Commitments and Installment Purchases.....	118
A. Capital Leases.....	118
B. Operating Leases.....	119
C. Installment Purchases.....	119
<b>Note 13.</b> Pollution Remediation Obligations.....	120
<b>Note 14.</b> Retirement Plan.....	121
<b>Note 15.</b> Milwaukee Retirement System.....	123
<b>Note 16.</b> Postemployment Benefits - State Health Insurance Program.....	124
<b>Note 17.</b> Other Postemployment Benefit (OPEB) Plans.....	126
<b>Note 18.</b> Public Entity Risk Pools Administered by the Department of Employee Trust Funds.....	129
A. Description of Funds.....	129
B. Accounting Policies for Risk Pools.....	129
C. Unpaid Claims Liabilities.....	130
D. Trend Information.....	130
<b>Note 19.</b> Self-Insurance.....	131
<b>Note 20.</b> Insurance Funds.....	132
A. Primary Government	
1. Local Government Property Insurance Fund.....	132
2. State Life Insurance Fund.....	133
3. Injured Patients and Families Compensation Fund.....	134
<b>Note 21.</b> Deferred Outflows of Resources and Deferred Inflows of Resources.....	136
<b>Other Note Disclosures</b>	
<b>Note 22.</b> Segment Information and Condensed Financial Data.....	137
<b>Note 23.</b> Component Units - Condensed Financial Information.....	138
<b>Note 24.</b> Restatements of Beginning Fund Balances/Net Positions and Other Changes.....	140
A. Fund Statements - Governmental Funds.....	140
B. Fund Statements - Proprietary Funds.....	140
C. Fund Statements - Fiduciary Funds.....	141
D. Government-wide Statements.....	141
<b>Note 25.</b> Litigation, Contingencies and Commitments.....	142
A. Litigation and Contingencies.....	142
B. Commitments.....	143
<b>Note 26.</b> Subsequent Events.....	144

## Notes To The Financial Statements

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### 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 2013, the State implemented GASB Statement 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

In Fiscal Year 2014, the State implemented GASB Statement 65 *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

The *government-wide* 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 against 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* – account for the Wisconsin Retirement System as well as other employee benefit programs including accumulated sick leave, duty disability, employee reimbursement accounts, life insurance, and retiree life insurance.
- *Investment Trust Funds* – account for the local government investment pool managed by the State Treasurer and the Milwaukee Retirement System.
- *Private-purpose Trust Funds* – account for the State-sponsored college savings programs and the BadgerRx for Individuals Fund.
- *Agency Funds* – account for the assets of liquidated insurance companies to insure payments to claimants, transactions of the retiree health insurance program, assets held by the State for inmates and residents of state facilities, deposits of bank and insurance companies doing business in the state, and the collection and disbursement of court-ordered 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:

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Buildings and improvements	2 - 40 years
Equipment, machinery and furnishings	2 - 40 years

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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**

Governmental fund and proprietary fund assets required to be held and/or used as specified in 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, 2014, 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 \$440.9 million representing one-half of the total appropriated amount is reported at June 30, 2014 as Due to Other Governments.

**State Property Tax Credit Program**

At June 30, 2014, 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, 2014.

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, 2014.

The aggregated State Property Tax Credit Program liability of \$678.4 million is reported in the General Fund as Due to Other Governments. Of that amount, \$567.1 million relates to the school levy tax credit and \$111.3 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 2014 property tax bills, the State made this payment in March 2014. 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 2014, while the remaining portion represents advanced payments. The resulting deferred outflow of resources reported within the Lottery Fund totals \$40.6 million at June 30, 2014.

**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, 2014, the State was liable to various local governments and other taxing jurisdictions for unpaid exempt computer aid payments of \$61.2 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, 2014, 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.

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, 2014, 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
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 1,481,176	\$ -	\$ 27,279	\$ -	\$ 1,508,454
Investments	544,865	-	-	-	544,865
Receivables (net of allowance):					
Taxes	1,228,193	-	-	(1,228,193)	-
Loans to Local Governments	345,919	-	-	(345,919)	-
Other Loans Receivable	39,257	-	-	(39,257)	-
Other Receivables	581,170	4,074	2,340	2,831,127	3,418,710
Due from Other Funds	505,111	-	35,358	(540,469)	-
Due from Component Units	532	-	-	(532)	-
Interfund Receivables	85,975	-	-	(85,975)	-
Due from Other Governments	1,157,107	-	-	(1,157,107)	-
Internal Balances	-	-	(1,198)	53,379	52,181
Inventories	38,056	6	4,021	-	42,082
Prepaid Items	92,179	6,182	3,139	-	101,500
Restricted Assets:					
Cash and Cash Equivalents	367,353	-	-	-	367,353
Investments	218,880	-	-	-	218,880
Other Assets	26,844	-	-	-	26,844
Depreciable Capital Assets	-	1,268,596	275,770	-	1,544,365
Infrastructure	-	14,017,519	-	-	14,017,519
Other Non-depreciable Capital Assets	-	5,573,415	4,1487	-	5,614,902
<b>Total Assets</b>	<b>6,712,617</b>	<b>20,869,792</b>	<b>388,194</b>	<b>(512,947)</b>	<b>27,457,656</b>
<b>Deferred Outflows of Resources</b>	<b>142</b>	<b>244,235</b>	<b>3,494</b>	<b>-</b>	<b>247,871</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 6,712,760</b>	<b>\$ 21,114,026</b>	<b>\$ 391,688</b>	<b>\$ (512,947)</b>	<b>\$ 27,705,527</b>
<b>Liabilities:</b>					
Accounts Payable and Other					
Accrued Liabilities	1,207,301	-	16,571	30,885	1,254,757
Due to Other Funds	480,820	-	55,379	(536,199)	-
Due to Component Units	756	-	-	(756)	-
Due to Other Governments	2,194,083	8,608	-	-	2,202,691
Tax Refunds Payable	1,156,780	-	-	-	1,156,780
Tax and Other Deposits	46,940	-	-	-	46,940
Unearned Revenue	336,584	6	-	-	336,590
Interest Payable	44,900	64,939	-	-	109,839
Advances from Other Funds	6,877	-	-	(6,877)	-
Short-term Notes Payable	799,912	-	22,755	-	822,667
Other Liabilities	-	145,500	-	-	145,500
Long-term Liabilities:					
Current Portion	133,730	667,300	93,057	-	894,087
Noncurrent Portion	-	10,566,680	195,724	-	10,762,404
<b>Total Liabilities</b>	<b>6,408,683</b>	<b>11,453,033</b>	<b>383,486</b>	<b>(512,947)</b>	<b>17,732,255</b>
<b>Deferred Inflows of Resources</b>	<b>230,891</b>	<b>(219,538)</b>	<b>290</b>	<b>-</b>	<b>11,643</b>
<b>Fund Balances/Net Position</b>	<b>73,185</b>	<b>9,880,531</b>	<b>7,913</b>	<b>-</b>	<b>9,961,629</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances/Net Position</b>	<b>\$ 6,712,760</b>	<b>\$ 21,114,026</b>	<b>\$ 391,688</b>	<b>\$ (512,947)</b>	<b>\$ 27,705,527</b>

- (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, 2014, 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)
<b>Revenues:</b>			
Taxes			
Income Taxes	\$ 8,377,683	\$ (8,029)	-
Sales & Excise Taxes	5,325,462	(2,855)	-
Public Utility Taxes	351,669	-	-
Other Taxes	279,956	(0)	-
Motor Fuel (Transportation) Taxes	1,053,772	(288)	-
Other Dedicated Taxes	191,966	(796)	-
Intergovernmental	9,295,229	-	-
Operating Grants	-	-	120
Capital Grants	-	-	3,724
Licenses and Permits	1,924,149	-	-
Charges for Goods and Services	362,458	(695)	-
Investment and Interest Income	54,596	-	-
Fines and Forfeitures/Contributions to Permanent Fund	61,985	-	-
Gifts and Donations	21,673	-	-
Miscellaneous:		(42)	(4,636)
Tobacco Settlement	144,893	-	-
Other	243,215	-	-
<b>Total Revenues</b>	<b>27,688,707</b>	<b>(12,704)</b>	<b>(792)</b>
<b>Expenditures/Expenses:</b>			
Current Operating:			
Commerce	253,864	666	493
Education	6,364,672	294	7,972
Transportation	1,995,816	1,462	46,274
Environmental Resources	475,212	1,440	10,917
Human Relations and Resources	12,504,952	4,683	67,696
General Executive	599,063	424	15,895
Judicial	122,509	269	837
Legislative	63,995	(162)	-
Tax Relief and Other General Expenditures	1,350,694	-	-
Intergovernmental - Shared Revenue	960,926	-	-
Capital Outlay	1,127,863	-	(1,127,863)
Debt Service:			
Principal	655,551	-	-
Interest and Other Charges	531,687	1,931	-
<b>Total Expenditures/Expenses</b>	<b>27,006,804</b>	<b>11,007</b>	<b>(977,780)</b>
Excess of Revenues Over (Under) Expenditures/Expenses	681,903	(23,712)	976,988
<b>Other Financing Sources (Uses):</b>			
Net Transfers	(947,389)	-	-
Long-term Debt Issued	1,185,002	-	-
Premium/Discount on Bonds	151,087	-	-
Payments for Refunded Bonds	(199,715)	-	-
Payments to Refunding Bond Escrow Agent	(548,286)	-	-
Capital Lease Acquisitions	21,785	(21,785)	-
Installment Purchase Acquisitions	1,424	(1,424)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(336,092)</b>	<b>(23,209)</b>	<b>-</b>
<b>Net Change in Fund Balance/Net Position</b>	<b>345,811</b>	<b>\$ (46,921)</b>	<b>976,988</b>
Change in Inventories	(4,843)		
<b>Net Change for the Year</b>	<b>\$ 340,968</b>		

- (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
\$ -	\$ -	\$ -	\$ -	8,369,654
-	-	-	-	5,322,607
-	-	-	-	351,669
-	-	-	-	279,956
-	-	-	-	1,053,485
-	-	-	-	191,170
-	-	-	(9,295,229)	-
-	-	(634,356)	9,361,599	8,727,362
-	-	718,664	7,620	730,007
-	-	-	(1,924,149)	-
(8,197)	-	(12,457)	1,968,826	2,309,937
21	-	-	(52,316)	2,301
-	-	-	(44,677)	17,307
-	-	-	(21,673)	-
-	-	-	388,647	383,969
-	-	-	(144,893)	-
-	-	-	(243,215)	-
(8,176)	-	71,851	539	27,739,425
(90)	-	(5,387)	(28)	249,517
(1,640)	-	33,756	(59)	6,404,995
(1,787)	2,317	-	3,258	2,047,341
(621)	-	-	1,000	487,948
(5,639)	(299)	50,552	(18,274)	12,603,671
(9,955)	-	(7,070)	(98)	598,258
-	-	-	-	123,616
(78)	-	-	-	63,755
-	-	-	(57)	1,350,637
-	-	-	-	960,926
-	-	-	-	(0)
-	(655,551)	-	-	-
7,386	(72,628)	-	19,100	487,477
(12,425)	(726,161)	71,851	4,843	25,378,140
4,249	726,161	0	(4,304)	2,361,285
(13,059)	-	-	(539)	(960,987)
-	(1,185,002)	-	-	-
-	(151,087)	-	-	-
-	199,715	-	-	-
-	548,286	-	-	-
-	-	-	-	-
-	-	-	-	-
(13,059)	(588,088)	-	(539)	(960,987)
\$ (8,810)	\$ 138,073	\$ 0	(4,843)	1,400,298
			4,843	-
			\$ (0)	\$ 1,400,298

- (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, 2014 are (in thousands):

Special Revenue:		
Petroleum Inspection	\$	43,037
Dry Cleaner Environmental Response		5,959
Enterprise:		
Northern Developmental Disabilities Center		16,465
Local Government Property Insurance		703
Long Term Disability Insurance		39,225
Internal Service:		
Risk Management		96,237
Private-Purpose Trust:		
Retiree Health Insurance		45,897

**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, 2014 (in thousands):

Governmental Activities:	
Net Position Restricted by Enabling Legislation	41,029
Business-type Activities:	
Net Position Restricted by Enabling Legislation	218,108

**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 Statutes 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 2014. The balance of the budget stabilization arrangement as of June 30, 2014 was \$279.7 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 Statutes 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, 2014 was \$65.0 million.

**E. Fund Balance for Governmental Funds**

Governmental funds reported the following categories of fund balance as of June 30, 2014 (in thousands):

	General	Transportation	Capital Improvement	Nonmajor Governmental	Total Governmental
<b>Nonspendable for:</b>					
Inventory, Prepaid and Long-term					
Receivables	92,257	22,188	-	15,714	130,159
Legal or Contractual Purposes (Permanent Fund Principal)	-	-	-	1,008,438	1,008,438
<b>Restricted for:</b>					
Commerce	3,022	-	-	32	3,054
Education	12,849	-	-	33,132	45,981
Transportation	-	26,703	-	-	26,703
Environmental Resources	3,570	-	-	81,933	85,502
Human Relations and Resources	114,943	-	-	22,933	137,876
General Executive	129,237	-	-	11,356	140,593
Judicial	39	-	-	-	39
Tax Relief and Other General Expenditures	397	-	-	-	397
Intergovernmental - Shared Revenue	-	-	-	195	195
Debt Service	-	-	-	72,162	72,162
Capital Projects	-	-	-	101,754	101,754
<b>Committed to:</b>					
Commerce	-	-	-	29,115	29,115
Education	-	-	-	775	775
Transportation	-	642,282	-	-	642,282
Environmental Resources	-	-	-	62,797	62,797
Human Relations and Resources	-	-	-	21,356	21,356
General Executive	-	-	-	11,615	11,615
Judicial	-	-	-	163	163
Tax Relief and Other General Expenditures	279,693	-	-	-	279,693
Capital Projects	-	-	-	18,232	18,232
<b>Unassigned</b>	(2,017,849)	-	(678,796)	(49,049)	(2,745,694)
<b>Total Fund Balance</b>	(1,381,842)	691,172	(678,796)	1,442,651	73,185

**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, 2014, \$478.5 million of the primary government's bank balance of \$502.7 million was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	\$ 478.5
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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, 2014 are immaterial. The primary government does not have a formal policy specifically related to foreign currency risk.

The State's Unemployment Reserve Fund had \$9.5 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 2013.

**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 trust fund and the variable retirement trust fund.

The investments of the core retirement trust fund consist of a diversified portfolio of securities. Wis. Stat. Sec. 25.182 authorizes the Board to manage the core retirement trust fund 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 trust fund are authorized under Wis. Stat. Sec. 25.15 and 25.17. Wis. Stat. Sec. 25.17(5) states assets of the variable retirement trust fund 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 trust fund 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.

As of June 30, 2014, the above mentioned investments for the primary government including the Various Funds were rated by Standard and Poor’s, Moody’s Investors Service, and Fitch Ratings and the ratings are presented below using the Standard and Poor’s rating scale (in millions):

<b>Primary Government</b> (excluding the Various Funds, UWS, WRS and SIF)	
<b>Credit Quality Ratings</b>	<b>Fair Value</b>
AAA	\$ 808.9
AA	918.5
A	136.1
BBB	166.5
BB	69.9
B	91.1
C	34.2
Not Rated	346.4
<b>Total</b>	<b>\$ 2,571.5</b>

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, 2014, for the Various Funds (in millions):

	Various Funds			
	SLF	IPFCF	Historical Society	Tuition Trust
	Fair Value	Fair Value	Fair Value	Fair Value
AAA	\$ 1.2	\$ 15.8	\$ --	\$ --
AA	44.7	378.5	--	4.0
A	39.7	324.8	--	0.1
BBB	25.4	160.9	--	0.3
BB	0.6	10.7	--	--
B and below	--	--	--	--
Not Rated	--	--	--	--
Bond Fund	--	--	3.2	--
Totals	\$ 111.5	\$ 890.8	\$ 3.2	\$ 4.4

### University of Wisconsin System (UWS)

For the Long Term Fund, fund-level asset allocation constraints limit exposure to below investment grade debt securities to no more than 20.0 percent; for the Intermediate Term Fund, exposure is limited to 15.0 percent. The UWS currently holds below investment grade securities within commingled vehicles representing 6.7 percent of total assets of the Long Term Fund and 6.5 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, 2014 (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	\$ 55.4
Aa1	0.0
Aa2	0.8
Aa3	1.0
A1	1.7
A2	3.8
A3	1.9
Baa1	3.5
Baa2	3.4
Baa3	3.1
Ba2	9.9
B1	0.4
B2	17.4
B3	0.2
Caa2	0.8
No Rating	5.2
Unrated Pooled Cash	28.8
Total	\$ 137.4

### 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 out 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, 2013 (in millions).

WRS	
Rating	Fair Value
P-1 or A-1	\$ 417.3
P-2 or A-2	32.7
AAA/Aaa	632.1
AA/Aa	11,660.8
A	2,494.9
BBB/Baa	2,816.3
BB/Ba	461.4
B	519.6
CCC/Caa	199.8
CC/Ca	3.8
C	0.3
D	1.2
Commingled Fixed Income Funds	7,480.4
Not rated	1,775.2
Total	<u>\$ 28,495.6</u>

## Reverse Repurchase Agreements

### Wisconsin Retirement System (WRS)

SWIB held \$862.9 million in reverse repurchase agreements at December 31, 2013. 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 dealers 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, 2013 was \$8.2 million.

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 0.05 percent and 0.08 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, 2014, the primary government did not have any direct investment securities exposed to custodial credit risk.

### University of Wisconsin System (UWS)

At June 30, 2014, the UWS investments were \$485.1 million, of which \$28.8 million is reported as cash equivalents. 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)

At December 31, 2013, the WRS investments were \$90.3 billion. The WRS does not have a formal policy for custodial credit risk. As of December 31, 2013, the WRS held 27 repurchase agreements totaling \$1.1 billion. The securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of a repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreements is the counterparty, the securities are not held in the WRS's name. They are held in the counterparty's name and held by the counterparty's agent.

**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 \$442.5 million of the reported investments of the primary government were issued by the State of Wisconsin which represents 16.2 percent of total investments. Of that amount \$188.9 million belongs to the Environmental Improvement Fund, and represents 80.6 percent of that fund's investments. The non-major governmental funds in aggregate hold investments of \$253.6 million issued by the State of Wisconsin representing 33.2 percent of investments. The non-major governmental funds also hold investments in debt securities issued by the Federal Home Loan Mortgage Corp, the Farm Credit System, and the Federal Home Loan Bank totaling \$119.9 million, \$99.4 million, and \$65.0 million respectively. The dollar figures represent 15.7 percent, 13.0 percent, and 8.5 percent of 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, 2014, 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 2014, the largest concentration in a non-U.S. Government/Agency was Apple Inc., which represented 0.5 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, 2014, the primary government's investments were (in millions):

Investment Type	Investment Maturities					Fair Value
	Less Than	1 to 5	6 to 10	More Than		
	1 Year	Years	years	10 Years		
U.S. Government and U.S. agency holdings	\$ 192.1	\$ 24.8	\$ 12.7	\$ 100.0	\$ 329.6	
State and municipal bonds and notes	13.2	88.4	69.4	437.7	608.7	
Corporate notes and bonds	--	.8	--	--	.8	
Repurchase agreements	7.6	--	--	--	7.6	
Forward delivery agreements	45.5	--	--	--	45.5	
Money market funds	179.0	--	--	--	179.0	
Mutual funds – open ended	34.4	358.6	938.2	--	1,331.2	
Guaranteed Investment Contracts	--	110.1	--	--	110.1	
Total	\$ 471.8	\$ 582.8	\$ 1,020.4	\$ 537.7	\$ 2,612.6	

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, 2014, the Various Funds had interest rate risk statistics as detailed below (in millions):

Investment Type	Various Funds							
	Duration or WAM (in years) for Fixed Income Securities							
	SLF		IPFCF		Historical Society		Tuition Trust	
	Fair Value	WAM	Fair Value	Duration	Fair Value	Duration	Fair Value	Duration
Govt/Agency	\$ 41.8	13.22	\$ 347.0	5.77	\$ --	--	\$ 4.0	2.63
Corporate	69.7	16.73	543.8	6.06	--	--	0.5	3.00
Bond Fund	--	--	--	--	3.2	5.37	--	--
Total/Wtd Ave	\$ 111.5	15.41	\$ 890.8	5.95	\$ 3.2	5.37	\$ 4.4	2.67

*Interest Only Strips* — Interest only strips are securities that derive cash flow from the payment of interest on underlying debt securities. The Tuition Trust Fund held several interest only strips for yield enhancing purposes. Because the underlying securities are United States Treasury obligations, the credit risk is low. On the other hand, interest only strips may be more sensitive to interest rate fluctuations, which results in greater price volatility, and thus the market risk is higher than for traditional United States Treasury obligations.

As of June 30, 2014 the Tuition Trust Fund held interest only strips valued at \$3.8 million, representing approximately 85.7 percent of portfolio investments.

#### 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 5.6 and 7.9 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, 2014, the UWS had interest rate risk statistics as detailed below (in millions):

UWS		
Fixed Income Sector	Fair Value	Modified Duration
Corporates and Other Credit	\$ 16.5	3.41
Government	9.3	4.21
Collateralized Mortgage		
Obligations: U. S. Agencies	12.7	2.02
U.S. Private Placements	4.5	2.69
Asset Backed Securities	0.5	0.22
U.S. Agencies	0.4	0.56
Commercial Mortgage Backed		
Securities	3.1	7.22
Treasury Inflation Protected		
Securities	16.7	7.25
U.S. Government Mortgages	1.4	6.14
Total	<u>\$ 65.1</u>	
<b>Fixed Income Commingled Fund</b>		
Seix Advisors High Yield Fund	<u>\$ 32.2</u>	4.20

#### 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 use the weighted average maturity (to next reset) to analyze interest rate risk. 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, 2013, 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):

Investment Type	WRS	
	Fair Value	Modified Duration (Years)
Asset Backed Securities	\$ 42.6	2.70
Commercial Paper	469.6	0.14
Corporate Bonds & Private Placements	4,793.3	5.44
Corporate Bonds & Private Placements	1.1	Not Available
Foreign Government/Agency Bonds	4,026.1	7.03
Futures Contracts*	3,285.1	4.61
Municipal Bonds	113.4	10.18
U.S. Government Agencies	859.1	1.58
U.S. Treasury Inflation Protected Securities	6,218.1	7.37
U.S. Treasury Securities	3,413.2	5.02
Commingled Funds:		
Emerging Market Fixed Income	444.2	6.72
Global Fixed Income	546.9	4.51
Domestic Fixed Income	6,488.7	5.55
Subtotal	<u>\$ 30,701.3</u>	
Investment Type	Fair Value	Weighted Average Maturity (days)
Repurchase Agreements	\$ 1,078.8	2
Commingled Funds:		
Short Term Cash Management	0.7	1
Subtotal	<u>\$ 1,079.5</u>	
Total	<u>\$ 31,780.8</u>	

\*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, 2014, 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, 2014, the Various Funds did not directly own any issues denominated in a foreign currency.

### University of Wisconsin System (UWS)

As of June 30, 2014, the Long Term and Intermediate Term Funds held equity securities denominated in foreign currencies within pooled investment vehicles only, with market values totaling \$131.0 million and \$9.4 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, 2013, the WRS had the following currency exposure (all assets stated in millions of United States Dollars):

<b>Currency Exposures by Investment Type</b>									
<b>Currency</b>	<b>Cash &amp; Cash Equivalents</b>	<b>Stocks</b>	<b>Fixed Income</b>	<b>Limited Partnerships</b>	<b>Preferred Securities</b>	<b>Futures Contracts</b>	<b>Short Sell Obligations</b>	<b>Other Investments*</b>	<b>Total</b>
Australian Dollar	10.8	1,018.6	72.2	-	-	4.6	-	-	1,106.2
Brazilian Real	0.8	76.1	31.1	-	108.3	-	-	-	216.4
British Pound Sterling	29.9	4,047.6	329.5	114.4	-	8.1	-	-	4,529.4
Canadian Dollar	8.3	1,401.8	54.5	9.2	-	2.8	-	-	1,476.7
Chilean Peso	-	-	0.7	-	-	-	-	-	0.7
Colombian Peso	-	-	4.6	-	-	-	-	-	4.6
Czech Koruna	-	1.8	-	-	-	-	-	-	1.8
Danish Krone	0.7	154.9	28.0	-	-	-	-	-	183.6
Euro Currency Unit	52.5	5,037.6	1,718.1	850.0	96.5	8.2	(1.1)	-	7,761.8
Hong Kong Dollar	2.9	706.9	-	-	-	-	-	-	709.7
Hungarian Forint	-	-	8.3	-	-	-	-	-	8.3
Indian Rupee	0.1	80.7	-	-	-	-	-	-	80.8
Indonesian Rupiah	0.1	5.5	3.6	-	-	-	-	-	9.1
Israeli New Shekel	0.9	39.7	-	-	-	-	-	-	40.6
Japanese Yen	23.5	3,563.8	1,164.8	-	-	5.6	(12.6)	-	4,745.0
Malaysian Ringgit	2.8	44.3	32.8	-	-	-	-	-	79.8
Mexican New Peso	1.7	39.9	93.6	-	-	-	-	0.1	135.2
New Taiwan Dollar	-	198.2	-	-	-	-	-	-	198.3
New Zealand Dollar	0.1	15.0	5.8	-	-	-	-	-	20.9
Norwegian Krone	0.9	117.7	9.7	-	-	-	-	-	128.3
Peruvian Nuevo Sol	0.1	-	3.4	-	-	-	-	-	3.5
Philippine Peso	1.7	2.8	5.3	-	-	-	-	-	9.7
Polish Zloty	0.3	21.5	39.1	-	-	-	-	-	60.9
Russian Ruble	0.4	-	7.5	-	-	-	-	-	7.8
Singapore Dollar	1.3	173.3	0.8	-	-	-	(3.2)	-	172.1
South African Rand	0.6	44.0	31.4	-	-	-	-	-	75.9
South Korean Won	0.3	305.0	8.9	-	-	-	-	-	314.2
Swedish Krona	8.7	424.0	12.7	17.1	-	-	-	-	462.4
Swiss Franc	1.3	1,588.3	-	-	-	-	(6.4)	-	1,583.2
Thailand Baht	-	77.1	-	-	-	-	-	-	77.1
Turkish Lira	0.1	69.2	2.7	-	-	-	-	-	72.1
United States Dollar	1,207.1	29,705.6	22,698.0	9,390.7	26.5	19.5	(113.5)	4,341.3	67,275.1
Uruguayan Peso	-	-	5.1	-	-	-	-	-	5.1
<b>Total Investments by Currency Exposure</b>	<b>1,357.6</b>	<b>48,960.6</b>	<b>26,372.2</b>	<b>10,381.5</b>	<b>231.3</b>	<b>48.8</b>	<b>(136.9)</b>	<b>4,341.4</b>	<b>91,556.3</b>

\*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, 2013, 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, 2013, 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, 2013, SWIB posted \$15.1 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, 2013, the Core and Variable Funds posted \$84.7 million in cash and \$62.6 million in equity securities as collateral with exchange clearing brokers.

The aggregate fair value of receivables relating to OTC derivative contracts at December 31, 2013 was \$4.3 billion. This represents the maximum loss that would be recognized at the reporting date if all fifteen counterparties failed to perform as contracted. This maximum exposure is reduced to \$245.7 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, 2013 (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	\$ (705.7)	\$ 703.8	\$(1.9)
A	(2,164.5)	2,154.2	(10.4)
BBB	(1,437.9)	1,438.3	0.4
Total	\$(4,308.1)	\$4,296.3	\$(11.8)

*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, 2013 (in millions):

**Foreign Currency Spot and Forward Contracts**

Currency	Foreign Currency Contract Receivables			Foreign Currency Contract Payables		
	Notional (local currency)	Fair Value (\$US)	Unrealized Gain/(Loss) (\$US)	Notional (local currency)	Fair Value (\$US)	Unrealized Gain/(Loss) (\$US)
Australian Dollar	289.2	258.2	(3.9)	(28.8)	(25.7)	1.1
Brazilian Real	0.0	0.0	0.0	(24.4)	(10.2)	0.1
British Pound Sterling	164.5	272.4	6.8	(265.2)	(439.1)	(6.4)
Canadian Dollar	556.4	523.3	0.7	(202.0)	(190.0)	0.1
Chilean Peso	4,690.0	8.9	(0.2)	0.0	0.0	0.0
Danish Krone	211.0	39.0	0.5	(145.2)	(26.8)	(0.4)
Euro Currency Unit	304.0	418.9	2.0	(440.3)	(606.7)	(7.6)
Hong Kong Dollar	192.3	24.8	0.0	(650.2)	(83.9)	0.0
Indian Rupee	1,072.5	17.2	0.7	0.0	0.0	0.0
Indonesian Rupiah	44,640.0	3.6	(0.4)	0.0	0.0	0.0
Israeli New Shekel	41.1	11.8	0.2	(11.8)	(3.4)	(0.1)
Japanese Yen	47,358.4	450.6	(20.2)	(51,144.7)	(486.7)	14.1
Malaysian Ringgit	2.4	0.7	0.0	(48.0)	(14.6)	0.2
Mexican New Peso	1,011.3	77.0	(0.4)	(948.6)	(72.3)	0.1
New Zealand Dollar	3.8	3.1	0.0	(7.1)	(5.8)	0.0
Norwegian Krone	106.3	17.5	0.2	(41.8)	(6.9)	(0.1)
Peruvian Nuevo Sol	0.0	0.0	0.0	(9.9)	(3.5)	0.0
Polish Zloty	0.0	0.0	0.0	(61.6)	(20.4)	(0.4)
Russian Ruble	0.0	0.0	0.0	(256.4)	(7.7)	(0.1)
Singapore Dollar	82.3	65.1	(0.3)	(15.1)	(11.9)	0.1
South African Rand	1.3	0.1	0.0	(43.5)	(4.1)	0.0
South Korean Won	747.0	0.7	0.0	(747.0)	(0.7)	0.0
Swedish Krona	535.0	83.3	1.4	(188.6)	(29.4)	(0.4)
Swiss Franc	50.7	57.0	1.0	(124.0)	(139.5)	(0.6)
Turkish Lira	3.6	1.7	(0.1)	(3.6)	(1.7)	0.1
United States Dollar	1,950.9	<u>1,950.9</u>	<u>0.0</u>	(2,107.1)	<u>(2,107.1)</u>	<u>0.0</u>
Totals		4,286.0	(12.0)		(4,298.1)	(0.1)
Net Foreign Currency Contract Receivable / (Payable)					(12.1)	(12.1)

**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.

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.

The following table presents the investments in futures contracts as of December 31, 2013 (in millions).

<b>Futures Contracts</b>			
Description	Expiration	Notional Amount	Unrealized Appreciation (Depreciation) *
Fixed Income Futures	Mar 14	\$ 3,285.1	\$ (30.0)
Equity Index Futures	Jan – Mar 14	2,098.5	80.2
Commodity Futures	Jan – Mar 14	(43.2)	(1.4)
<b>Total</b>		<b>\$ 5,340.4</b>	<b>\$ 48.8</b>

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

**Swap Contracts** - Swaps are negotiated contractual agreements between two counterparties. During calendar year 2013, the WRS entered into a total return swap. Under the terms of the swap, the Retirement Funds receive the total return of an equity index while paying the counterparty a variable rate of return based on the London Interbank Offering Rate (LIBOR). The swap has a notional value of \$10 million and matures in December 2014. 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 \$0.3 million at calendar year-end, which also represents the unrealized gain 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, 2013 (in millions):

Option Contracts					
Security Description	Contract Type	Expiration	Notional	Unrealized Gain (Loss)	Fair Value
Options Sold					
Exchange-Traded					
Equity	Call	Jan - Apr 14	\$ (155.1)	\$ 2.3	\$ (3.3)
Equity	Put	Jan - Apr 14	(52.5)	0.6	(1.6)
Commodity	Put	Feb - Mar 14	(2.0)	--	--
Over-the-Counter					
Equity	Put	Jan 14	(2.0)	--	--
			<u>(211.4)</u>	<u>2.8</u>	<u>(4.9)</u>
Options Purchased					
Exchange-Traded					
Equity	Call	Jan - Feb 14	6,861.3	(12.0)	9.9
Equity	Put	Jan - Feb 14	8.0	--	--
			<u>6,869.2</u>	<u>(12.0)</u>	<u>9.9</u>
Total Option Contracts			<u>\$ 6,657.8</u>	<u>\$ (9.2)</u>	<u>\$ 5.1</u>

## 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, typically limit the total value of short sales in any portfolio to 20% 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, 2013, the WRS posted \$198.1 million in collateral to security lenders. This represented \$4.6 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, 2013, 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 \$31.5 million for the fiscal year ending June 30, 2014.

### Wisconsin Retirement System (WRS)

The Board has committed to fund various limited partnerships and side-by-side agreements related to its private equity and real estate holdings. Commitments that have not been funded total \$6.1 billion as of December 31, 2013.

## 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 direct 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. Other prudent investments may be approved by the State of Wisconsin Investment Board's (the Board) Board of Trustees.

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 SWIB valuation policy, all short-term investments with remaining maturities of over ninety days (certain U.S. Government/Agency securities) are valued at amortized cost, provided it approximates estimated fair value. Fair value is 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. Since amortized cost approximates estimated fair value, for financial statement purposes there is no unrealized gain or loss to report on the Statement of Net Position.

### 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.

At June 30, 2014, the reported amount of investments was \$7,722.3 million. The SIF had no custodial credit risk exposure for these investments.

**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, 2014, 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	\$ 699.0	1
Government & Agencies	6,936.1	97
Certificates of Deposit	52.8	83
Banker's Acceptances	34.5	42
<b>Total Investments</b>	<b>\$ 7,722.3</b>	
Portfolio Weighted Average Maturity (Days)		88

**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, 2014 the SIF has more than five percent of its investments in FHLB (29.8 percent), FHLMC (29.7 percent), FNMA (30.0 percent), and Repurchase Agreement collateral consisting of various securities issued by these same three U.S. Agencies (9.1 percent). 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, 2014 (in millions):

Investment Type	Ratings	Fair Value	Percent
Repurchase Agreements (Collateral):			
U.S. Government Debt & Agencies	AA	699.0	9.1
U.S. Treasury Notes	AA+	25.0	0.3
Government Sponsored Entity			
U.S. Agency:			
Federal Home Loan Bank (FHLB)	A-1+	2,164.8	28.0
Federal Home Loan Bank (FHLB)	AA+	137.5	1.8
Federal Home Loan Mortgage Corporation (FHLMC)	A-1+	2,272.2	29.4
Federal Home Loan Mortgage Corporation (FHLMC)	AA+	24.5	0.3
Federal National Mortgage Association (FNMA)	A-1+	2,174.7	28.2
Federal National Mortgage Association (FNMA)	AA+	137.4	1.8
Certificates of Deposit:			
Bank of Montreal - Chicago Non-Negotiable (Wisconsin CD Program)	A-1	25.0	0.3
	NR	27.8	0.4
Banker's Acceptances	A-1+	34.5	0.4
<b>Total Investments</b>		<b>\$ 7,722.3</b>	<b>100.0</b>

**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](http://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 \$41.1 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 thousands):

Fiscal Year	Amount
2015	\$ 6,274
2016	6,149
2017	6,343
2018	5,608
2019	4,566
Thereafter	<u>16,258</u>
Total future value	45,198
Less: Present value adjustment	<u>(9,874)</u>
Present value of payments	<u>\$ 35,324</u>

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**NOTE 6. RECEIVABLES AND NET REVENUES****A. Receivables**

Receivables at June 30, 2014 were as follows (in thousands):

	Loans to		Other Loans Receivable				Other Receivables	Due From Other Governments	Due From Component Units	Total Receivables
	Taxes	Local Governments	Student Loans	Veterans Loans	Mortgage Loans	Other Loans				
<b>Governmental Activities:</b>										
General	\$ 1,103,285	\$ -	\$ -	\$ -	\$ -	\$ 23,730	\$ 506,513	\$ 923,990	\$ 532	\$ 2,558,050
Transportation	95,034	-	-	-	-	15,527	9,589	218,587	-	338,737
Capital Improvement	-	-	-	-	-	-	7	-	-	7
Nonmajor Governmental	29,874	345,919	-	-	-	1	65,060	14,530	-	455,383
Total Governmental:	1,228,193	345,919	-	-	-	39,257	581,170	1,157,107	532	3,352,178
Government-wide										
Adjustments:										
Internal Service Funds	-	-	-	-	-	-	2,215	124	-	2,340
Accrual Adjustments	-	-	-	-	-	-	4,074	-	-	4,074
Fiduciary Receivables	-	-	-	-	-	-	60,119	-	-	60,119
<b>Total – Governmental Activities</b>	<b>\$ 1,228,193</b>	<b>\$ 345,919</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 39,257</b>	<b>\$ 647,577</b>	<b>\$ 1,157,232</b>	<b>\$ 532</b>	<b>\$ 3,418,710</b>
Related revenue not recognized in the funds because it is not available										
	\$ 187,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,037	\$ -	\$ -	\$ 206,462
<b>Business-type Activities:</b>										
Current:										
Injured Patients and Families Compensation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,497	\$ -	\$ -	\$ 10,497
Environmental Improvement	-	168,949	-	-	-	-	261	8,930	-	178,140
University of Wisconsin System Unemployment Reserve	-	-	30,604	-	-	-	187,804	83,318	5,728	307,454
Nonmajor Enterprise	-	435	-	825	2,606	-	79,569	11,910	-	95,345
Total Current:	-	169,384	30,604	825	2,606	-	583,321	107,955	5,728	900,424
Noncurrent:										
Environmental Improvement	-	1,840,696	-	-	-	-	-	-	-	1,840,696
University of Wisconsin System Unemployment Reserve	-	-	168,491	-	-	-	2,614	-	-	171,104
Nonmajor Enterprise	-	974	-	2,554	68,173	3,504	115	-	-	75,320
Total Noncurrent	-	1,841,670	168,491	2,554	68,173	3,504	71,205	-	-	2,155,597
Government-wide										
Adjustments:										
Fiduciary Receivables	-	-	-	-	-	-	9,728	-	-	9,728
<b>Total – Business-type Activities</b>	<b>\$ -</b>	<b>\$ 2,011,054</b>	<b>\$ 199,095</b>	<b>\$ 3,379</b>	<b>\$ 70,779</b>	<b>\$ 3,504</b>	<b>\$ 664,255</b>	<b>\$ 107,955</b>	<b>\$ 5,728</b>	<b>\$ 3,065,748</b>

**B. Net Revenues**

Certain revenues of the University of Wisconsin are reported net of scholarship allowances. For Fiscal Year 2014, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	\$ 204,522
Sales and Services of Auxiliary Enterprises	35,297
Total	<u>\$ 239,820</u>

**NOTE 7. CAPITAL ASSETS****Primary Government**

Capital asset activity for the fiscal year ended June 30, 2014 was as follows (in thousands):

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 2,499,341	\$ 99,683	\$ (3)	\$ 2,599,021
Buildings and Improvements	165,752	8	-	165,760
Library Holdings	74,308	750	(4)	75,054
Construction and Software in Progress	2,046,615	948,208	(219,757)	2,775,066
Infrastructure	13,867,268	189,980	(39,728)	14,017,519
Total capital assets, not being depreciated	18,653,284	1,238,629	(259,492)	19,632,421
Capital assets, being depreciated:				
Land Improvements	149,028	5,057	-	154,085
Buildings and Improvements	2,080,253	48,288	(569)	2,127,973
Equipment	851,377	67,212	(67,224)	851,365
Totals	3,080,659	120,557	(67,793)	3,133,423
Less accumulated depreciation for:				
Land Improvements	80,830	6,768	-	87,598
Buildings and Improvements	908,406	60,144	(7,738)	960,812
Equipment	543,116	61,781	(64,250)	540,648
Totals	1,532,352	128,693	(71,988)	1,589,058
Total Capital Assets, being depreciated, net	1,548,306	(8,137)	4,195	1,544,365
Governmental activities capital assets, net	\$ 20,201,591	\$ 1,230,492	\$ (255,296)	\$ 21,176,787
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 158,541	\$ 2,587	\$ -	\$ 161,128
Library Holdings	1,123,627	25,382	(9,823)	1,139,186
Construction and Software in Progress	660,554	150,538	(464,068)	347,024
Total Capital Assets, not being depreciated	1,942,723	178,507	(473,891)	1,647,339
Capital assets, being depreciated:				
Land Improvements	17,729	1,268	-	18,998
Buildings	6,435,711	658,433	(2,416)	7,091,728
Equipment	1,251,564	103,359	(253,837)	1,101,086
Totals	7,705,004	763,060	(256,253)	8,211,811
Less accumulated depreciation for:				
Land Improvements	9,324	766	-	10,090
Buildings	2,663,849	202,693	(441)	2,866,101
Equipment	915,832	86,711	(235,717)	766,826
Totals	3,589,006	290,169	(236,158)	3,643,017
Total Capital Assets, being depreciated, net	4,115,998	472,891	(20,095)	4,568,795
Business-type activities capital assets, net	\$ 6,058,721	\$ 651,398	\$ (493,985)	\$ 6,216,134

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of \$5.7 million, with accumulated depreciation totaling \$2.4 million.

Depreciation Expense

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

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
Commerce	\$ 2,456	University of Wisconsin System	\$ 273,474
Education	6,733	Lottery	20
Transportation	9,407	Veterans Mortgage Loan Repayment	7
Environmental Resources	10,896	Injured Patients and Families Compensation	60
Human Relations and Resources	66,426	Environmental Improvement	-
General Executive	9,067	Other Business-Type	16,608
Judicial	837	Total depreciation expense -	
Internal Service Funds	22,871	business-type activities	<u>\$ 290,169</u>
Total depreciation expense - governmental activities	<u>\$ 128,693</u>		

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, 2014 included the following projects (in thousands):

	Allotments	Expended to June 30, 2014	Encumbrances Outstanding	Unencumbered Allotment Balance
<b>Governmental Activities:</b>				
Reported through capital projects funds:				
Interstate 94 North and South Corridor Reconstruction	\$ 67,695	\$ 67,695	\$ -	\$ -
Capital Heating Power Plant - Facility Renovate and Upgrade	56,538	27,495	97	28,976
Preservation Storage Building	93,447	2,808	1,049	89,590
High Speed Rail	68,904	46,502	-	22,402
Armed Forces Reserve Center	41,061	33,034	15	8,015
Major Highway Projects	50,003	50,003	-	-
State Highway Rehabilitation	89,525	89,525	-	-
General Land Acquisition	19,888	16,551	30	3,307
Wisconsin Resource Center - Female Treatment Center	16,106	15,959	50	97
Construction Field Main Shop Wausau	14,059	3,599	7,480	3,216
Stillwater/St Croix Xing Bridge	84,081	84,081	-	-
Wisconsin Historical Society - Learning Visitor Center	12,110	10,685	66	1,391
Waupun Central Generating Plant	15,597	3,783	11,546	1,496
Zoo Interchange	139,880	139,880	-	-
BCPL Land Sale/Transfer to DNR	14,000	10,908	-	3,092
Other projects with allotments totaling less than \$10 million		81,108		
Subtotal		683,617		
Projects funded through sources other than capital projects funds:				
Transportation-related		2,033,430		
Department of Natural Resources		8,628		
Department of Administration		37,719		
Department of Health Services		9,285		
Other agency projects		2,387		
Total construction and software in progress – governmental activities		\$ 2,775,066		
<b>Business-type Activities:</b>				
Reported through capital projects funds - University of Wisconsin System:				
RVF Falcon Center For Health & Education	64,147	3,565	1,949	58,633
University Houses Renovate - Madison	15,000	1,342	12,616	1,457
Liz Waters Hall Renovate - Madison	10,142	491	142	9,651
West Campus Cogen Facility Addition & Chillers Install – Madison	64,621	36,386	8,470	20,875
Harvey Hall Renovation – STO	27,997	1,854	1,530	24,728
Freshwater Science Addition – Milwaukee	53,014	47,517	2,734	3,179
Children Center Renovation - Milwaukee	11,981	9,204	556	2,440
Social Science/Nursing & Education - Oshkosh	27,982	1,591	546	25,855
Kenwood IRC – Milwaukee	80,000	47,701	32,985	4,038
Memorial Theater Wing Renovation - Madison	118,043	55,967	5,036	57,952
Residence Hall Renovation - Whitewater	19,683	1,050	16,243	2,390
Lot 75 Parking Lot - Madison	32,670	1,490	472	30,985
Student Center – La Crosse	53,300	2,237	990	50,072
Multi-Building Energy Construction – Madison	17,031	16,773	239	36
Multi-Building Energy Conserve - Madison	16,324	15,372	670	666
Multi-Building Energy Conservation - Madison	12,032	4,637	6,694	969
North Depot Residential Hall – STP	13,477	760	12,272	569
Projects with allotments totaling less than \$10 million:				
University of Wisconsin System		57,845		
Other		17,890		
Total Construction in Progress – business-type activities		\$ 323,672		

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 \$329.0 million and \$18.0 million as of June 30, 2014, 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, 2014, net appreciation of \$150.9 million was available to meet spending rate distributions, of which \$15.5 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, 2014 was \$488.8 million including an unrealized gain of \$47.9 million when fair values as of June 30, 2014 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, 2014, 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	\$ 224.2
Realized Gains – Undistributed	216.7
Book Value	440.9
Unrealized Net Gains/Losses - Undistributed	47.9
Fair Value	<u>\$ 488.8</u>

On June 30, 2014, the portfolio at market, for the Long Term Fund, contained 39.7 percent in common stock and convertible securities, 10.9 percent in bonds and preferred stock, 20.3 percent in alternative assets, 20.9 percent in tactical allocation strategies, 6.5 percent in short-term investments, and 1.7 percent in real assets. The total return on the principal Long Term Fund including capital appreciation was 16.7 percent.

On June 30, 2014, the portfolio at market, for the Intermediate Fund, contained 21.9 percent in common stock and convertible securities, 74.9 percent in bonds and preferred stock, and 3.2 percent in short-term investments. The total return on the principal Intermediate Fund including capital appreciation was 7.8 percent.

External investment counsel was furnished for funds representing 91.1 percent of market value principal.

**NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances as of or for the year ended June 30, 2014 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, 2014 were as follows (in thousands):

		<b>Due to Other Funds:</b>											
		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	<b>Total</b>
<b>Due from Other Funds:</b>													
General	\$	-	\$ 27,377	\$ 849	\$ 52,004	\$ 111	\$ 398	\$ 36,953	\$ 1,448	\$ 17,144	\$ 7,370	\$ 59,516	\$ 203,169
Transportation		56,907	-	128,203	32,726	-	-	310	-	-	113	-	218,259
Capital Improvement		-	-	-	2	-	-	-	-	8,525	-	-	8,527
Nonmajor Governmental		48,723	15,559	51	8,657	-	900	443	194	630	-	-	75,157
Environmental Improvement		657	-	-	4	-	-	-	-	-	-	-	661
University of Wisconsin System		19,491	1,277	-	1,588	-	6	-	-	2	61	-	22,426
Unemployment Reserve		501	-	-	1	-	-	-	-	-	-	-	502
Nonmajor Enterprise		25,265	172	-	235	1	-	24	-	600	326	9,813	36,435
Internal Service		23,901	2,954	-	4,068	4	4	1,157	-	311	2,357	602	35,358
Fiduciary		24,266	3,407	-	1,973	6	4	19,357	-	1,397	482	83	50,977
<b>Total</b>	<b>\$</b>	<b>199,712</b>	<b>\$ 50,747</b>	<b>\$ 129,103</b>	<b>\$ 101,258</b>	<b>\$ 121</b>	<b>\$ 1,311</b>	<b>\$ 58,243</b>	<b>\$ 1,642</b>	<b>\$ 28,609</b>	<b>\$ 10,709</b>	<b>\$ 70,015</b>	<b>\$ 651,470</b>

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, 2014 were as follows (in thousands):

	<b>Interfund Receivable:</b>			
	General	Nonmajor Enterprise	Fiduciary	Total
<b>Interfund Payables:</b>				
Nonmajor				
Enterprise	\$ 41,305	\$ -	\$ -	\$ 41,305
Internal Service	44,670	-	-	44,670
Fiduciary	-	37	37,921	37,958
<b>Total</b>	<b>\$ 85,975</b>	<b>\$ 37</b>	<b>\$ 37,921</b>	<b>\$ 123,933</b>

**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, 2014 were as follows (in thousands):

	<b>Advances from Other Funds (liability):</b>		
	General	Nonmajor Governmental	Total
<b>Advances to Other Funds (asset):</b>			
Environmental Improvement	\$ -	\$ 6,217	\$ 6,217
Nonmajor Enterprise	661	-	661
<b>Total</b>	<b>\$ 661</b>	<b>\$ 6,217</b>	<b>\$ 6,878</b>

**D. Interfund Transfers**

Interfund Transfers in and out that occurred during Fiscal Year 2014 were as follows (in thousands):

<b>Transfers in:</b>										
	General	Trans- portation	Capital Improvement	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Nonmajor Enterprise	Internal Service		<b>Total</b>
<b>Transfers out:</b>										
General	\$ -	\$ 35,691	\$ 152,815	\$ 781,566	\$ -	\$ 948,313	\$ 81,896	\$ 4,752		\$ 2,005,033
Transportation	2,014	-	17,862	89,791	-	2	-	-		109,670
Capital Improvement	2,252	-	-	107	22,486	95,960	6,919	209		127,933
Nonmajor Governmental	19,466	22,259	4,091	70,715	-	7,281	3,597	46		127,454
Injured Patients and Families Compensation	-	-	-	17	-	-	-	-		17
Environmental Improvement	-	-	-	8,017	-	-	-	-		8,017
University of Wisconsin System	95,567	-	434	81,006	-	-	-	-		177,007
Unemployment Reserve	3,358	-	-	-	-	-	-	-		3,358
Nonmajor Enterprise	11,954	-	13	5,135	-	-	3,886	-		20,988
Internal Service	14,132	2	2,017	1,880	-	16	18	316		18,383
Fiduciary	-	-	-	539	-	-	-	-		539
<b>Total</b>	<b>\$ 148,744</b>	<b>\$ 57,952</b>	<b>\$ 177,233</b>	<b>\$ 1,038,772</b>	<b>\$ 22,486</b>	<b>\$ 1,051,571</b>	<b>\$ 96,317</b>	<b>\$ 5,323</b>		<b>\$ 2,598,398</b>

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, 2014, 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	\$ 74,300
Facilities Operations and Maintenance	6,451
Financial Services	1,000
Technology Services	1,000
Other Funds	367

Transfer out from the General Fund:

Fund Reporting the Transfer In	Amount
Transportation	\$ 35,127
Environmental	11,144
Veterans Trust	5,300

Transfers out from the Petroleum Inspection Fund:

Funds Reporting the Transfer In	Amount
Transportation	\$ 16,000

**NOTE 10. CHANGES IN LONG-TERM LIABILITIES**

During the year ended June 30, 2014, the following changes occurred in long-term liabilities (in thousands):

**Primary Government**

<b>Governmental Activities</b>	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2014</b>	<b>Amounts Due Within One Year</b>
<b>Bonds Payable:</b>					
General Obligation Bonds for Governmental Funds	\$ 5,423,671	\$ 845,257	\$ 1,103,748	\$ 5,165,180	\$ 525,086
General Obligation Bonds for Internal Services Funds	172,963	21,827	33,651	161,139	15,241
Annual Appropriation Bonds	3,259,490	-	80,260	3,179,230	63,295
Revenue Bonds	1,921,530	339,745	161,630	2,099,645	149,901
Less: Issuance Premiums and Discounts	467,041	155,545	108,781	513,804	-
Total Bonds Payable	11,244,695	1,362,374	1,488,071	11,118,998	753,523
<b>Other Liabilities:</b>					
Future Benefits and Loss Liability	99,568	67,601	62,132	105,036	75,000
Capital Leases	41,108	26,960	16,337	51,732	9,424
Installment Contracts	984	1,424	582	1,826	597
Compensated Absences	156,049	58,881	54,594	160,336	55,543
Other Postemployment Benefits	198,978	11,449	-	210,427	-
Claims, Judgments and Commitments	944	-	299	645	-
Pollution Remediation Obligations	7,490	-	-	7,490	-
Total Governmental Activities					
Long-term Liabilities	\$ 11,749,817	\$ 1,528,690	\$ 1,622,016	\$ 11,656,491	\$ 894,087

Repayment of the general obligation bonds 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 2014. 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.

<b>Business-type Activities</b>	<b>Balance</b>			<b>Balance</b>			<b>Amounts</b>
	<b>July 1, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2014</b>		<b>Due Within</b>	<b>One Year</b>
Bonds Payable:							
General Obligation Bonds	\$ 1,601,047	\$ 204,749	\$ 273,849	\$ 1,531,947	\$	67,161	
Revenue Bonds	822,940	-	58,195	764,745		58,400	
Less: Issuance Premiums and Discounts	136,049	27,634	26,251	137,432		-	
Total Bonds Payable	2,560,036	232,383	358,295	2,434,124		125,561	
Other Liabilities:							
Future Benefits and Loss Liability	1,004,005	154,207	149,235	1,008,977		158,890	
Capital Leases	20,292	30,265	7,457	43,100		6,794	
Compensated Absences	148,881	6,064	9,988	144,958		67,260	
Other Postemployment Benefits	245,491	16,503	-	261,995		-	
Total Business-type Activities							
Long-term Liabilities	\$ 3,978,706	\$ 439,422	\$ 524,975	\$ 3,893,154	\$	358,505	

**NOTE 11. BONDS, NOTES AND OTHER DEBT OBLIGATIONS**

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2014 (in thousands):

**Primary Government**

**Governmental Activities:**

General Obligation Bonds	\$ 5,653,151
Annual Appropriation Bonds	3,175,789
Revenue Bonds:	
Transportation	2,194,092
Petroleum Inspection	95,966
Total Governmental Activities	<u>11,118,998</u>

**Business-type Activities:**

General Obligation Bonds:	
University of Wisconsin System	1,485,807
Other Business-type	121,895
Revenue Bonds:	
Environmental Improvement	826,422
Total Business-type Activities	<u>2,434,124</u>
Total Primary Government	<u>\$ 13,553,123</u>

**A. General Obligation Bonds**

**Primary Government**

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 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 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, 2014, \$5,426.0 million of general obligation bonds were authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2014 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
1992	1992 Refunding Issue	3/92	6.25	5/15	448,935	305
1993	1992 Series 2	10/92	6.5	5/15	5,975	475
1999	1998 Series 1 and E;	8/98; 10/98	4.75 to 5.5	11/16	163,735	24,630
2001	2000 Series E; 2001 Series A	11/00; 2/01	7.0	5/31	20,000	2,090
2002	2001 Series 1; 2002 Series B, D	10/01; 3/02; 6/02	5.5 to 6.71	5/33	282,105	44,130
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	8,685
2004	2003 Series B, and 3; 2004 Series CWGBC	7/03; 10/03; 4/04	0 to 5.0	11/33	214,731	79,768
2005	2004 Series B, C, D and E; 2005 Series 1, B and C	8/04; 8/04; 8/04; 10/04; 2/05; 4/05; 4/05	4.0 to 5.65	5/35	830,755	433,980
2006	2005 Series D; 2006 Series 1 and A	8/05; 1/06; 3/06	4.0 to 5.25	5/26	614,635	151,105
2007	2006 Series B, C and D; 2007 Series AW, BW, 1 and B;	7/06; 8/06; 9/06; 2/07; 2/07; 2/07; 6/07	4.25 to 5.76	5/37	709,180	478,766
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	3.75 to 6.26	5/38	385,480	284,440
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 6.2	5/30	521,875	435,975
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	3.0 to 5.9	5/40	1,016,483	824,428
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 5.95	5/41	1,175,535	1,034,145
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	0.66 to 5.0	5/42	1,359,920	1,300,225
2013	2012 Series B; 2013 Series A	11/12; 5/13	2.55 to 5.0	5/33	703,320	683,965
2014	2013 Series 1; 2014 Series 1, 2, A, AW	11/13; 2/14, 4/14, 2/14, 4/14	0.2 to 5.0	5/34	1,071,155	1,071,155
Total					9,567,559	6,858,267
Premiums/Discounts					--	402,586
Total General Obligation Bonds					\$ 9,567,559	\$ 7,260,853

As of June 30, 2014, general obligation bond debt service requirements for principal and interest for governmental activities and business - type activities are as follows (in thousands):

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 467,061	\$ 252,273	\$ 53,542	\$ 72,333
2016	440,603	228,142	62,138	69,432
2017	396,390	206,691	62,450	66,349
2018	415,582	188,137	67,477	63,434
2019	408,811	168,242	71,751	60,144
2020-2024	1,615,584	578,433	378,130	248,540
2025-2029	1,084,175	255,587	412,048	151,914
2030-2034	498,112	46,211	325,326	62,604
2035-2039	--	--	69,235	17,456
2040-2042	--	--	29,850	2,262
Total	5,326,319	1,923,715	1,531,947	814,469
Premiums/Discounts	326,831	--	75,755	
Total	\$ 5,653,151	\$ 1,923,715	\$ 1,607,702	\$ 814,469

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, 2013 and ends September 30, 2014. The impact of these cuts for the current federal fiscal year is a 7.2% 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. 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 \$577.9 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 \$189.7 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 \$251.6 million (“2012 Series A Bonds”), bear interest at rates from 0.798 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, 2014, the debt service requirements for principal and interest on these bonds are as follows (in millions). 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:

<b>Fiscal Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>
2015	45.0	89.0
2016	51.3	88.2
2017	58.3	86.9
2018	429.0	85.2
2019	41.0	64.3
2020 – 2024	288.6	283.4
2025 – 2029	541.5	152.8
2030 – 2032	227.5	22.5
Total	1,682.1	872.2
Unamortized Prem./Discount	(0.9)	--
Total, net	\$ 1,681.2	\$ 872.2

**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, 2014, 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, 2014.

**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, 2014, interest rate exchange agreements remain to reduce the interest rate risk in connection with \$481.4 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 \$481.4 million as of June 30, 2014. 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, 2015 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, 2014, the aggregate fair value of the interest exchange agreements was negative \$145.5 million, a decrease of \$4.7 million compared to the aggregate fair value of negative \$140.8 million reported as of June 30, 2013. 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, 2014, 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	Interest Rate			Totals
	Principal	Interest	Swaps, Net	
2015	1.1	6.4	25.1	32.6
2016	1.1	6.4	25.1	32.6
2017	1.1	6.4	25.0	32.5
2018	1.1	6.4	25.0	32.5
2019	1.1	6.4	24.9	32.4
2020 – 2024	39.9	31.0	121.4	192.3
2025 – 2029	260.8	23.1	91.4	375.3
2030 – 2032	175.2	3.9	15.4	194.6
	<u>\$ 481.4</u>	<u>\$ 90.1</u>	<u>\$ 353.6</u>	<u>924.8</u>

**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, 2014, 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, 2014, 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, 2014, 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, 2014, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2015	18.3	85.9
2016	28.3	85.0
2017	22.2	83.6
2018	24.8	82.6
2019	32.7	81.4
2020 – 2024	173.2	383.3
2025 – 2029	255.1	327.5
2030 – 2034	527.3	224.2
2035 - 2037	415.2	51.6
Total	1,497.1	1,405.1
Unamortized Premium/Discount	(2.5)	--
Total, net	<u>\$ 1,494.6</u>	<u>\$ 1,405.1</u>

**C. Revenue Bonds**

**Primary Government**

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 \$3,768.1 million of revenue bonds. Presently, there are sixteen issues of Transportation Revenue Bonds totaling \$2,006.4 million. Debt service payments are secured by 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, 2014 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2014 1	4/14	2.0 to 5.0	7/34	\$ 339,745	\$ 339,745
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	313,980
2010B	12/10	4.7 to 6.0	7/31	123,925	123,925
2010A	12/10	5.0	7/21	76,075	63,675
2009B	10/09	3.54 to 5.84	7/30	147,130	147,130
2009A	10/09	3.5	7/14	17,870	6,170
2008A	8/08	5.0	7/29	185,000	160,885
2007A	3/07	4.25	7/27	148,710	18,340
2007 1	3/07	4.35 to 5.0	7/22	206,900	206,900
2005B	9/05	5.0	7/15	158,400	20,305
2005A	3/05	5.0 to 5.25	7/21	235,585	176,040
2004 1	9/04	5.25	7/14	95,905	16,345
2003A	11/03	5.0	7/14	250,000	11,730
1998A	8/98	5.5	7/16	130,590	25,100
				<u>2,835,640</u>	<u>2,006,350</u>
Unamortized Premium / Discount				--	<u>187,742</u>
Total				<u>\$ 2,835,640</u>	<u>\$ 2,194,092</u>

**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, 2014, PIF Bonds outstanding are \$93.3 million. Debt service payments are secured by petroleum inspection fees.

The PIF revenue bonds issued and outstanding as of June 30, 2014 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	\$ 93,295
Unamortized Premium / Discount				--	<u>2,671</u>
Total				<u>\$ 117,460</u>	<u>\$ 95,966</u>

**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 \$2,708.9 million in Revenue Bonds. At June 30, 2014, there were sixteen issues of Revenue Bonds outstanding totaling \$764.7 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, 2014 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2013-1	3/13	4.5 to 5.0	6/27	\$ 82,845	\$ 82,845
2012-2	7/12	3.96 to 5.0	6/24	92,450	92,450
2012-1	7/12	2.0 to 5.0	6/33	55,000	53,055
2010-5	11/10	5.0	6/23	36,760	36,760
2010-4	11/10	3.0 to 5.0	6/31	116,290	104,800
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	55,810
2008-3	12/08	3.0 to 5.5	6/18	92,210	75,680
2008-2	2/08	5.0	6/18	27,335	27,335
2008-1	2/08	4.0 to 5.0	6/18	100,000	80,010
2006-2	11/06	4.0 to 5.0	6/15	100,000	4,255
2006-1	3/06	3.5 to 5.0	6/15	80,000	6,980
2004-2	1/05	3.25 to 5.25	6/15	107,025	51,770
2002-2	8/02	3.0 to 5.5	6/16	85,575	7,675
1998-2	8/99	4.0 to 5.5	6/17	104,360	21560
				<u>1,211,025</u>	<u>764,745</u>
Unamortized Premium / Discount				--	<u>61,677</u>
Total				<u>\$ 1,211,025</u>	<u>\$ 826,422</u>

As of June 30, 2014, revenue bond debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities	
	Transportation Revenue Bonds		Petroleum Inspection Fee Revenue Bonds		Clean Water Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 108,385	\$ 92,516	\$ 25,345	\$ 3,817	\$ 58,400	\$ 37,532
2016	107,690	91,307	26,540	2,588	59,935	34,657
2017	104,840	86,311	27,800	1,270	60,775	31,729
2018	102,825	81,246	13,610	290	60,510	28,824
2019	118,065	75,900	--	--	55,316	25,857
2020-2024	631,510	286,597	--	--	253,335	90,508
2025-2029	485,655	144,782	--	--	168,170	33,889
2030-2034	320,495	39,078	--	--	48,305	4,213
2035-2038	26,885	605	--	--	--	--
Total	2,006,350	898,343	93,295	7,965	764,745	287,210
Unamortized Premium / Discount	187,742	--	2,671	--	61,677	--
Total	\$ 2,194,092	\$ 898,343	\$ 95,966	\$ 7,965	\$ 826,422	\$ 287,210

#### 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, 2013 and ends September 30, 2014. The impact of these cuts for the current federal fiscal year is a 7.2% 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.

## D. 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 November 2013, the State issued \$405.5 million of general obligation refunding bonds (2013 Series 1), the proceeds of \$466.2 were deposited into an escrow account to provide for future debt service payments and redemption of \$430.7 million of various general obligation bonds outstanding at the time of the refunding. As a result of the advance refunding, the \$430.7 million of various general obligation bond 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 \$27.4 million and an economic gain of \$25.5 million.

In February 2014, the State issued \$181.6 million of general obligation refunding bonds (2014 Series 1), the proceeds of which were used to current refund on May 1, 2014 principal of various general obligation bonds in the amount of \$197.0. The refunding resulted in a decrease in total debt service of \$19.0 million and an economic gain of \$18.6 million.

In March 2014, the State issued \$242.0 million of general obligation refunding bonds (2014 Series 2), the proceeds of which were used to current refund on May 1, 2014 principal of various general obligation bonds in the amount of \$7.8 million and advance refund various general obligation bonds in the amount of \$246.6 million. As a result of the advance refunding, the \$246.6 million of various general obligation bond 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 \$13.9 million and an economic gain of \$11.5 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, 2014, approximately \$841.6 million of general obligation bond principal have been defeased.

### Current Year Refundings/Revenue Bonds

In March 2014, the State issued \$39.7 million of Transportation Revenue Refunding Bonds (being a portion of 2014 Series 1), the proceeds of which were used to current refund on July 1, 2014 principal of various transportation revenue bonds in the amount of \$42.6 million. The refunding resulted in a decrease in total debt service of \$3.6 million and an economic gain of \$3.6 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, 2014, revenue bonds outstanding of \$124.4 million have been defeased.
- Transportation revenue bonds – At June 30, 2014, revenue bonds outstanding of \$465.3 million have been defeased.

**E. 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, 2014, the amount of commercial paper notes outstanding was \$155.1 million which had interest rates ranging from .06 percent to .10 percent and maturities ranging from July 8, 2014 to October 3, 2014.

Short-term debt activity for the year ended June 30, 2014 for general obligation commercial paper notes was as follows (in millions):

Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
\$ 141.0	\$ 58.8	\$ 44.7	\$ 155.1

**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, 2014, the amount of extendible municipal commercial paper outstanding was \$532.1 million which had interest rates ranging from .08 percent to .12 percent and maturities from July 1, 2014, to September 4, 2014.

Short-term debt activity for the year ended June 30, 2014 for general obligation extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
\$ 697.1	\$ --	\$ 165.1	\$ 532.1

**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, 2014, the amount of petroleum inspection fee revenue extendible commercial paper outstanding was \$71.2 million which had interest rates ranging from .11 percent to .12 percent and maturities ranging from August 12, 2014 to September 4, 2014.

Short-term debt activity for the year ended June 30, 2014 for the petroleum inspection fee revenue extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
\$ 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, 2014, the amount of transportation revenue commercial paper notes outstanding was \$163.7 million which had interest rates ranging from .09 percent to .10 percent and maturities ranging from July 9, 2014 to October 6, 2014.

Short-term debt activity for the year ended June 30, 2014 for the transportation revenue commercial paper notes was as follows (in millions):

Balance		Balance	
July 1, 2013	Additions	Reductions	June 30, 2014
\$ 112.2	\$ 70.0	\$ 18.5	\$ 163.7

**F. Certificates of Participation**

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 1992-1. 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. At June 30, 2014, the following parity Master Lease certificates were outstanding:

- Master Lease Certificates of Participation of 2006, Series A, in the amount of \$8.7 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 \$15.7 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 \$3.9 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 2012, Series A, in the amount of \$11.4 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 \$33.2 million. This series of Master Lease certificates has interest rates ranging from 2.0 percent to 5.0 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, 2014, the State has not deposited with the Trustee amounts, that when invested, will terminate lease schedules.

**G. 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, 2014, a liability for arbitrage rebate did not exist.

**H. 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 \$123.5 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 \$87.1 million have been issued that have a special debt service reserve fund secured by the State's moral obligation.

## **I. Credit Agreements**

### **Primary Government**

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, 2014, \$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 provides 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, 2014, \$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.

The State of Wisconsin entered into a loan agreement with JP Morgan on January 16, 2014 that, subject to the satisfaction of all of the conditions set forth in the loan agreement, allows the State between February 1, 2015 and May 1, 2015, to draw up to \$279.8 million from the bank to refund certain outstanding general obligation refunding bonds, pay a commitment fee and other costs of issuance related to this loan agreement. The State is not obligated to make any payment until an amount has been drawn on the loan. The State of Wisconsin may be subject to a breakage fee if the loan is never drawn upon.

**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, 2014 for capital leases (in thousands):

<b>Fiscal Year</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
2015	\$ 11,611	\$ 9,537
2016	10,074	7,080
2017	6,451	5,300
2018	5,469	2,958
2019	4,063	2,518
2020 - 2024	22,583	12,416
2025 - 2029	5,356	12,364
2030 - 2034	-	12,364
2035 - 2039	-	12,364
2040 - 2044	-	9,885
Total minimum future payments	65,608	86,787
Less: Interest	(13,876)	(43,687)
Present value of net minimum lease payments	\$ 51,732	\$ 43,100

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, 2014 (in thousands):

<b>Fiscal Year</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Land and Land Improvements	\$ 376	\$ -
Buildings and Improvements	1,000	100,237
Machinery and Improvements	149,819	13,439
Less: Accumulated Depreciation	(61,415)	(50,029)
Carrying Amount	\$ 89,779	\$ 63,646

**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 terms of the Master Lease, the Trustee for the facility issues parity Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. The outstanding balance as of June 30, 2014 was as follows:

<b>Balance Due</b>	<b>Average Life (Weighted Term)</b>
\$72,837,798	4.13 Years

**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 2014 were \$57.4 million. Of this amount, \$57.4 million relates to minimum rental payments stipulated in lease agreements, \$56.8 thousand relates to sub rental payments.

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
2015	\$ 50,247	\$ 23,351
2016	42,219	17,632
2017	35,480	15,785
2018	28,902	14,457
2019	20,376	12,818
2020 - 2024	63,358	54,514
2025 - 2029	4,989	42,462
2030 - 2034	479	28,139
2035 - 2039	413	305
2040 - 2044	420	-
2045 - 2049	449	-
2050 - 2054	223	-
Thereafter	6	-
Minimum lease payments	<u>\$ 247,561</u>	<u>\$ 209,464</u>

**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, 2014 for installment purchases (in thousands):

<b>Fiscal Year</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
2015	\$ 654	12
2016	672	13
2017	311	13
2018	221	8
2019	110	-
Total minimum future payments	1,969	45
Less: Interest	(143)	(3)
Present value of net minimum installment payments	<u>\$ 1,826</u>	<u>43</u>

**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 2014, the State did not recognize additional estimated liabilities for pollution remediation. The State expended nothing to clean up sites in fiscal year 2014; 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 2014 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, 2014 (in millions):

<b>Nature and Source of Pollution</b>	<b>Estimated Liability</b>	<b>Estimated Recovery</b>
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	<u>\$7.5</u>	<u>--</u>

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, 2012, is available at [doa.wi.gov/capitalfinance](http://doa.wi.gov/capitalfinance) or may be obtained upon request from:

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

The December 31, 2013 financial report will be available at a later date.

**Plan Description**

The WRS, governed by Chapter 40 of the Wisconsin Statutes, is a cost-sharing multiple-employer defined benefit pension plan. 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, 2013, the number of participating employers was:

State Agencies	57
Cities	152
Counties	71
4 <sup>th</sup> Class Cities	36
Villages	261
Towns	242
School Districts	424
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	209
<b>Total Employers</b>	<b>1,480</b>

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.

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 and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

**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.

**State Contributions Required and Contributions Made**

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to 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, 2014 are:

	<u>Employee</u>	<u>Employer</u>
General (including teachers)	7.0%	7.0%
Executives & Elected Officials	7.75%	7.75%
Protective with Social Security	7.0%	10.1%
Protective without Social Security	7.0%	13.7%

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

State contributions made for the years ended December 31, 2013, 2012, and 2011 were as follows (in millions):

	2013	2012	2011
Employer current service	\$ 282.3	\$ 243.2	\$ 226.6
Percent of payroll	7.0%	6.3%	5.9%
Employer prior service	\$ 3.8	\$ 3.6	\$ 2.9
Percent of payroll	0.1%	0.1%	0.1%
Employee required	\$ 269.2	\$ 230.7	\$ 208.9
Percent of payroll	6.7%	5.9%	5.4%
Benefit adjustment contributions	\$ 0.0	\$ 0.0	\$ 28.6
Percent of payroll	0.0%	0.0%	0.7%
Percent of Required Contributions	100%	100%	100%

The WRS uses the “Entry Age Normal with Frozen Initial Liability” actuarial method in establishing contribution rates. Under this method, the unfunded actuarial accrued liability (UAAL) is generally affected only by the monthly amortization payments, compound interest, the added liability created by new employer units, and any liabilities caused by changes in benefit provisions. The UAAL is being amortized over a 40 year period beginning January 1, 1990 for employers in the WRS prior to 2009. Beginning in 2009, liabilities for employers joining the WRS are amortized over 30 years. However, periodically, the Employee Trust Funds Board has reviewed and, when appropriate, adjusted the actuarial assumptions used to determine this liability. Changes in the assumptions may affect the UAAL, and the resulting actuarial gains or losses are credited or charged to employers’ unfunded liability accounts.

All actuarial gains or losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost.

As of December 31, 2013 and 2012, the WRS’s unfunded actuarial accrued liability was \$62.5 million and \$86.7 million, respectively. These amounts are presented as Prior Service Contributions Receivable on the financial statements. New prior service liabilities resulting from employers entering the WRS or increasing their prior service coverage are recognized as contributions in the year service is granted and are added to the Prior Service Contributions Receivable. Employer contributions for prior service reduce the receivable. The receivable is increased as of calendar year end with interest at the assumed interest rate of 7.2 percent.

**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 [doa.wi.gov/capitalfinance](http://doa.wi.gov/capitalfinance) 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 [doa.wi.gov/capitalfinance](http://doa.wi.gov/capitalfinance) 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 \$605.30 to \$1,246.70 for single coverage and \$1,506.70 to \$3,113.00 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, 2014, the ARC was \$84.5 million while the employer contributions were \$41.6 million, and the ARC adjustment, with interest, was \$32.6 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):

<b>Fiscal Year</b>	<b>Annual OPEB Cost</b>	<b>Employer Contributions</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2014	\$ 69,740	\$41,649	59.7%	\$473,851
2013	78,158	38,919	49.8	445,760
2012	77,432	38,396	49.6	406,522

Interest on the net OPEB obligation was \$17.8 million while the net OPEB obligation increased \$28.1 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)	<u>\$ 892,844</u>
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 2013 contribution rates ranged from 1.9 percent to 8.1 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, 2012 financial report is available at [doa.wi.gov/capitalfinance](http://doa.wi.gov/capitalfinance) 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, 2013 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, 2013.

**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 360 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 200 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 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.

**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. Claim adjustment expenses are also immaterial.

*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 2013 (in millions):

	Health Insurance		Income Continuation Insurance		Long-term Disability Insurance		Pharmacy Benefits	
	2012	2013	2012	2013	2012	2013	2012	2013
Unpaid claims at beginning of the calendar year	\$ 2.7	\$ 2.6	\$ 88.1	\$ 82.2	\$ 189.0	\$ 213.1	\$ (6.1)	\$ 7.1
Incurred claims:								
Provision for insured events of the current calendar year	17.7	16.9	33.4	36.0	52.0	50.6	141.3	149.0
Changes in provision for insured events of prior calendar years	(0.7)	(0.5)	(21.0)	(8.4)	5.4	7.2	0.5	(0.1)
Total incurred claims	17.0	16.4	12.4	27.6	57.4	57.8	141.8	148.9
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	15.1	14.6	5.9	6.4	2.5	2.2	134.2	156.6
Claims and claim adjustment expenses attributable to insured events of prior calendar years	2.0	2.1	12.4	12.7	30.8	35.1	(5.6)	7.0
Total payments	17.1	16.7	18.3	19.1	33.3	37.3	128.6	163.6
Total unpaid claims expenses at end of the calendar year	\$ 2.6	\$ 2.3	\$ 82.2	\$ 90.7	\$ 213.1	\$ 233.6	\$ 7.1*	\$ (7.6)*

\* Total unpaid claims at the end of 2013 is the net of \$4.2 million in unpaid claims and \$11.8 million in rebates due from pharmaceutical companies; unpaid claims at the end of 2012 is the net of \$3.7 million in unpaid claims and \$10.8 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, 2012 is available at [doa.wi.gov/capitalfinance](http://doa.wi.gov/capitalfinance) 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, 2013 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 2014, 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, 2014 are estimated to total \$46.5 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 2014 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, 2014 are estimated to total \$20.3 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, 2014 are estimated to total \$72.9 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):

	2014	2013
Beginning of fiscal year liability	\$ 99,567	\$ 95,754
Current year claims and changes in estimates	67,601	42,716
Claim payments	(27,502)	(24,882)
	139,666	113,588
Excess insurance reimbursable	(34,630)	(14,021)
Balance at fiscal year-end	\$ 105,036	\$ 99,567

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, 2014 is \$6.4 million.

**NOTE 20. INSURANCE FUNDS****A. Primary Government****1. Local Government Property Insurance Fund**

Created by the Legislature in 1911, 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, 2014 the Local Government Property Insurance Fund insured 982 local governmental units. The total amount of insurance in force as of June 30, 2014 was \$54.7 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, 2014, the fund had \$8.1 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, 2014 the fund had \$600.0 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 \$8.2 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 \$40.1 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):

	2014	2013
Unpaid loss liabilities at beginning of the year	\$10,606	\$13,018
Less: Excess-of-loss insurance recoverable	1,641	13
Net unpaid loss liabilities at beginning of year	<u>8,965</u>	<u>13,005</u>
Incurred losses and loss expenses:		
Provision for insured events of the current year	29,668	14,356
Increase (decrease) in provision for insured events of prior years	1,173	385
Total incurred losses and loss expenses	<u>30,841</u>	<u>14,741</u>
Payments:		
Losses and loss expenses attributable to insured events of the current year	17,757	7,508
Losses and loss expenses attributable to insured events prior years	8,605	11,273
Total payments	<u>26,362</u>	<u>18,781</u>
Net unpaid loss liabilities at end of year	13,444	8,965
Plus: Excess-of-loss liabilities recoverable	<u>16,920</u>	<u>1,641</u>
Total unpaid loss liabilities at end of year	<u>\$30,364</u>	<u>\$10,606</u>

**Trend Information**

Historical trend information showing revenue and claims development information is presented in the Office of the Commissioner of Insurance June 30, 2014 financial statements. Copies of these statements may be requested from:

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

**2. 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	\$ 7,992	6,277
1967-1976	27,789	16,227
1977-1985	68,518	24,526
1986-1994	47,567	9,466
1995-2012	45,160	6,843
2013+	1,651	93
	<u>\$ 198,677</u>	<u>\$ 63,432</u>

**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, 2013 were \$98.9 million and statutory capital and surplus was \$11.5 million. Fund equity at June 30, 2014 was \$29.4 million.

**3. 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, 2014, 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	\$ 1,291,897
Less: Net loss paid from inception	(846,242)
Less: Liability for reported losses	(11,055)
Risk Margin	111,414
Liability for incurred but not reported losses	<u>\$ 546,014</u>

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, 2014. 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, 2014, are deducted from the projected ultimate LAE to determine the liability for LAE as June 30, 2014 as follows (in thousands):

Projected ultimate LAE liability	\$ 166,773
Less: LAE paid from inception	(87,343)
Risk Margin	19,858
Liability for LAE	<u>\$ 99,288</u>

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 0.8484, 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, 2014 (in thousands):

Estimated liability for incurred but not reported losses	\$ 546,014
Estimated liability for reported losses	11,055
Estimated liability for loss adjustment expense	99,288
Total estimated loss liabilities	656,357
Less: Amount representing interest	(99,506)
Discounted loss liabilities	<u>\$ 556,851</u>

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 2014 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, 2014 (in thousands), is as follows:

Discounted loss liabilities	\$ 556,851
Future medical expense liability	39,605
Contributions being held liability	--
Total estimated loss liabilities	596,456
Current portion	<u>(80,056)</u>
Noncurrent portion	<u>\$ 516,400</u>

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 2014 (in thousands):

Liability at the beginning of the year	\$ 627,974
Incurred claims and related expenses for the current year and the change in estimated amounts for claims incurred in prior years	(14,276)
Less: current year payments attributable to claims incurred in current and prior years	<u>(17,242)</u>
Liability at the end of the year	<u>\$ 596,456</u>

**NOTE 21. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

Deferred outflows and resources and deferred inflows of resources at June 30, 2014 were as follows (in thousands):

	General	Transportation	Capital Improvement	Nonmajor Governmental	Internal Service	Full Accrual Adjustments	Total Governmental Activities
<b>Deferred Outflows of Resources</b>							
Accumulated Decreases in the Fair Value of Hedging Derivatives	\$ -	-	-	-	-	145,500	145,500
Debt Refunding	-	-	-	-	3,494	98,735	102,229
Advances by the State	-	142	-	-	-	-	142
<b>Total Deferred Outflows of Resources</b>	<b>\$ -</b>	<b>\$ 142</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,494</b>	<b>\$ 244,235</b>	<b>247,871</b>

	General	Transportation	Capital Improvement	Nonmajor Governmental	Internal Service	Full Accrual Adjustments	Total Governmental Activities
<b>Deferred Inflows of Resources</b>							
Debt Refunding	-	-	-	-	290	11,354	11,643
Unavailable Revenue	222,022	191	-	8,679	-	(230,891)	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 222,022</b>	<b>\$ 191</b>	<b>\$ -</b>	<b>\$ 8,679</b>	<b>\$ 290</b>	<b>\$ (219,538)</b>	<b>\$ 11,643</b>

	Injured Patients and Family Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Total Business-Type Activities
<b>Deferred Outflows of Resources</b>						
Debt Refunding	-	17,726	19,145	-	1,086	37,957
Advances by the State	-	-	-	-	40,601	40,601
<b>Total Deferred Outflows of Resources</b>	<b>\$ -</b>	<b>\$ 17,726</b>	<b>\$ 19,145</b>	<b>\$ -</b>	<b>\$ 41,687</b>	<b>\$ 78,558</b>

	Injured Patients and Family Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Total Business-Type Activities
<b>Deferred Inflows of Resources</b>						
Debt Refunding	-	-	551	-	41	592
<b>Total Deferred Inflows of Resources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 551</b>	<b>\$ -</b>	<b>\$ 41</b>	<b>\$ 592</b>

**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, 2014 is presented below (in thousands):

**Condensed Statement of Net Position**

Assets:	
Current Assets	\$ 96,873
Other Assets	963,555
Total Assets	<u>1,060,428</u>
Deferred Outflows of Resources	<u>17,726</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,078,154</u>
Liabilities:	
Due to Other Funds	\$ 1,181
Other Current Liabilities (Including Current Portion of Long-term Debt)	61,529
Noncurrent Liabilities	769,010
Total Liabilities	<u>831,720</u>
Net position:	
Restricted	<u>246,434</u>
Total Net Position	<u>246,434</u>
Total Liabilities and Net Position	<u>\$ 1,078,154</u>

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

Operating Revenues (Expenses):	
Interest Income used as Security for Revenue Bonds	\$ 20,409
Interest Expense	(33,783)
Other Operating Expenses	(1,280)
Operating Income (Loss)	<u>(14,653)</u>
Nonoperating Revenues (Expenses):	
Investment Income	<u>12,499</u>
Income (Loss) before Transfers	(2,155)
Transfers In (Out)	<u>10,700</u>
Change in Net Position	8,545
Beginning Net Position	<u>237,888</u>
Ending Net Position	<u>\$ 246,434</u>

**Condensed Statement of Cash Flows**

Net Cash Provided (Used) by:	
Operating Activities	\$ 70,394
Noncapital Financing Activities	(87,989)
Investing Activities	<u>3,987</u>
Net Increase (Decrease)	(13,608)
Beginning Cash and Cash Equivalents	<u>98,063</u>
Ending Cash and Cash Equivalents	<u>\$ 84,455</u>

**NOTE 23. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION**

Significant financial data for the State's discretely presented component units for the year ended December 31, 2013 or June 30, 2014 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
<b>Condensed Statement of Net Position</b>						
<b>Assets:</b>						
Cash, Investments and Other Assets	\$ 2,137,534	\$ 49,941	\$ 849,922	\$ 107,252	\$ 3,088,780	\$ 6,233,429
Due from Primary Governments	-	-	2,645	756	-	3,401
Cash and Investments with Other Component Units	-	-	292,592	-	-	292,592
Capital Assets, net	13,819	-	609,117	1,904	12,643	637,483
Total Assets	2,151,353	49,941	1,754,276	109,912	3,101,423	7,166,905
<b>Deferred Outflows of Resources</b>						
	52,252	-	16,745	-	-	68,997
Total Assets and Deferred Outflows	\$ 2,203,605	\$ 49,941	\$ 1,771,021	\$ 109,912	\$ 3,101,423	\$ 7,235,902
<b>Liabilities:</b>						
Accounts Payable and Other						
Current Liabilities	\$ 130,538	\$ 5,906	\$ 224,820	\$ 8,644	\$ 66,780	\$ 436,689
Due to Primary Government	-	-	6,092	532	-	6,624
Amounts Held for Other Component Units	-	-	-	-	276,700	276,700
Other Liabilities	52,252	-	8,706	-	-	60,958
Long-term Liabilities (Current and Noncurrent portions)	1,393,686	13,526	561,532	2,536	45,383	2,016,663
Total Liabilities	1,576,476	19,432	801,150	11,712	388,863	2,797,634
<b>Net Position:</b>						
Net Investment in Capital Assets	7,259	-	283,267	1,872	12,643	305,041
Restricted	612,494	30,509	10,760	25,471	2,521,286	3,200,520
Unrestricted	7,376	-	675,844	70,857	178,630	932,707
Total Net Position	627,129	30,509	969,871	98,200	2,712,559	4,438,268
Total Liabilities and Net Position	\$ 2,203,605	\$ 49,941	\$ 1,771,021	\$ 109,912	\$ 3,101,423	\$ 7,235,902
<b>Condensed Statement of Activities</b>						
<b>Program Expenses:</b>						
Depreciation	\$ 847	\$ -	\$ 50,085	\$ 343	\$ 573	\$ 51,848
Payments to Primary Government	-	-	15,272	-	236,943	252,215
Other	260,936	883	1,220,765	39,380	34,459	1,556,422
Total Program Expenses:	261,783	883	1,286,122	39,723	271,975	1,860,486
<b>Program Revenues:</b>						
Charges for Goods and Services	5,754	1,799	1,327,707	192	-	1,335,452
Investment and Interest Income	89,774	1,224	-	-	328,078	419,076
Operating Grants and Contributions	169,891	-	-	41,660	266,855	478,406
Capital Grants and Contributions	-	-	4,195	-	-	4,195
Miscellaneous	16,561	-	26,077	-	638	43,276
Total Program Revenues	281,980	3,023	1,357,979	41,852	595,571	2,280,404
Net Program Revenue/(Expense)	20,197	2,140	71,857	2,129	323,596	419,919
<b>General Revenues:</b>						
Interest and Investment Earnings	8,649	-	30,307	1,135	-	40,091
Miscellaneous	-	-	5,874	59	-	5,933
Contributions to Endowments	-	-	14	-	-	14
Change in Net Position	28,846	2,140	108,052	3,323	323,596	465,957
Net Position, Beginning of Year	598,283	28,368	861,819	94,877	2,388,963	3,972,311
Net Position, End of Year	\$ 627,129	\$ 30,509	\$ 969,871	\$ 98,200	\$ 2,712,559	\$ 4,438,268

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**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 2013 Comprehensive Annual Financial Report to the beginning-of-year amounts reported for Fiscal Year 2014 (in thousands):

**A. Fund Statements – Governmental Funds**

	Major Funds					Total Governmental
	General	Transportation	Capital Improvement	Nonmajor Funds		
Fund Balances June 30, 2013 as reported in the 2013 Comprehensive Annual Financial Report	\$ (1,733,789)	\$ 763,512	\$ (511,994)	\$ 1,215,587	\$ (266,683)	
DOR Correction of Unclaimed Property Liability	(14,000)	-	-	-	(14,000)	
DHS Correction of Intergovernmental Revenue	10,653	-	-	-	10,653	
Other adjustments of assets and liabilities as of June 30, 2013	589	-	-	1,658	2,247	
Fund Balances July 1, 2013 as restated	\$ (1,736,547)	\$ 763,512	\$ (511,994)	\$ 1,217,245	\$ (267,784)	
Effect of adjustments on the amount of excess revenues and other sources over expenditures and other uses of Fiscal Year 2013	\$ (2,758)	\$ -	\$ -	\$ 1,658	\$ (1,100)	

**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, 2013 as reported in the 2013 Comprehensive Annual Financial Report	\$ 444,694	\$ 1,847,038	\$ 6,131,281	\$ (208,474)	\$ 495,714	\$ 8,710,252	\$ 18,548
Adoption of GASB Statement No. 65, <i>Items Previously Reported as Assets and Liabilities</i>	-	(3,942)	(4,820)	-	(1,168)	(9,930)	(476)
Adjustment for Change in Accounting Period	-	-	-	-	12,696	12,696	-
University of Wisconsin System restatement of software in progress and additional depreciation	-	-	(28,041)	-	-	(28,041)	-
Other adjustments of assets and liabilities as of June 30, 2013	-	-	-	-	435	435	40
Net Positions July 1, 2013 as restated	\$ 444,694	\$ 1,843,096	\$ 6,098,420	\$ (208,474)	\$ 507,678	\$ 8,685,413	\$ 18,112
Effect of adjustments on the amount of net change in net positions of Fiscal Year 2013	\$ -	\$ (3,942)	\$ (32,861)	\$ -	\$ (733)	\$ (37,536)	\$ 37

## C. Fund Statements – Fiduciary Funds

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Total Fiduciary
Net Positions June 30, 2013 as reported in the 2013 Comprehensive Annual Financial Report	\$ 84,196,055	\$ 2,831,319	\$ 3,130,925	\$ 90,158,300
Adjustment for Change in Accounting Period	(1,973,280)	(4,929)	4,643	(1,973,565)
Net Positions July 1, 2013 as restated	\$ 82,222,776	\$ 2,826,391	\$ 3,135,569	\$ 88,184,735
Effect of prior period adjustments on the amount of net increase (decrease) in net positions of Fiscal Year 2013	\$ -	\$ -	\$ -	\$ -

## D. Government-wide Statements

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
Net Positions June 30, 2013 as reported in the 2013 Comprehensive Annual Financial Report	\$ 8,592,640	\$ 8,711,641	\$ 17,304,281
DOR Correction of Unclaimed Property Liability	(14,000)	-	(14,000)
DHS Correction of Intergovernmental Revenue	10,653	-	10,653
DOT restatement of capital assets and infrastructure	18,456	-	18,456
University of Wisconsin System restatement of software in progress and additional depreciation	-	(28,041)	(28,041)
Adoption of GASB Statement No. 65, <i>Items Previously reported as Assets and Liabilities</i>	(47,318)	(9,930)	(57,249)
Other adjustments of assets and liabilities as of June 30, 2013	900	13,132	14,032
Net Positions July 1, 2013 as restated	\$ 8,561,331	\$ 8,686,802	\$ 17,248,133
Effect of adjustments on the amount of net increase (decrease) in net positions of Fiscal Year 2013	\$ (19,061)	\$ (37,536)	\$ (56,597)

## 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 \$9.3 million on June 30, 2014 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, 2014.

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 has accepted HUD's finding of noncompliance and agreed to repay \$8.6 million to the federal government by September 30, 2015. A liability for \$8.6 million is reported at June 30, 2014. In addition, the State agreed to accept a voluntary reduction of future grant awards in the amount of \$7.6 million.

#### 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.

*Lawsuit and Related Claim* – 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 and the lawsuit is in the discovery phase. If Talgo were able to use the suit to fix the State's liability, Talgo could seek \$10 million in payments on the purchase agreement and a judgment in the \$26 million range if it could prove that the State improperly terminated the maintenance agreement. The matter is set for trial in March 2015. In November 2013, Talgo also filed a claim with the Wisconsin Claims Board.

The final outcome of the lawsuit and claim is unknown at this time. However, Talgo has offered the train sets to the State of Michigan and media reports in September 2014 indicated that Michigan has accepted the offer. The sale of the trains to Michigan may lead to settlement of the pending matters between the State of Wisconsin and Talgo.

*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, 2014, encumbrances of the General Fund totaled \$430.3 million, encumbrances of the Transportation Fund totaled \$1.39 billion, and encumbrances of other non-major governmental funds totaled \$675.1 million. Obligations at June 30, 2014 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	\$ 427,902
Capital Improvement Fund – WisDOT Harbors, Rails and Highway Programs	129,953
Transportation Revenue Bonds Capital Projects Fund	62,558
General Fund – Housing Programs	17,542

*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 \$167.5 million as of June 30, 2014. 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 \$109 thousand in annuity payments through June 30, 2014, 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, 2014. 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, 2014 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, 2014, the appropriation available totaled \$52.4 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 July 2014, the State issued \$251.0 million of 2014 Series B 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 5.0 percent payable semiannually, beginning November 1, 2014. The bonds mature beginning May 1, 2016 through May 1, 2031.

In August, 2014, the State issued \$275.9 million of 2014 Series 3 general obligation refunding bonds to be used for the advanced refunding of certain principal of previously issued general obligation bonds. The interest rates ranged from 2.0 percent to 5.0 percent payable semiannually beginning November 1, 2014. The bonds mature beginning November 1, 2020 through November 1, 2029.

In December, 2014, the State issued \$93.1 million of 2014 Series 2 transportation revenue refunding bonds to be used for the advanced refunding of certain principal of previously issued transportation revenue bonds. The interest rates associated with these bonds were all set at 5.0 percent payable semiannually beginning July 1, 2015. The bonds mature beginning July 1, 2019 through July 1, 2027.

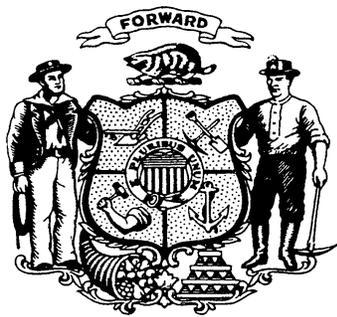
**Short-term Debt**

In December, 2014, the State issued \$105.1 million of general obligation extendable municipal commercial paper notes for the acquisition, construction, development, extension, enlargement or improvement of land, property, buildings, equipment, or facilities for public purposes.

**Certificates of Participation**

In October, 2014, the State issued \$37.6 million of 2014 Series B 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 ranged from 1.65 percent to 5.00 percent payable semiannually beginning March 1, 2015. The certificates mature beginning March 1, 2015 through March 1, 2023.

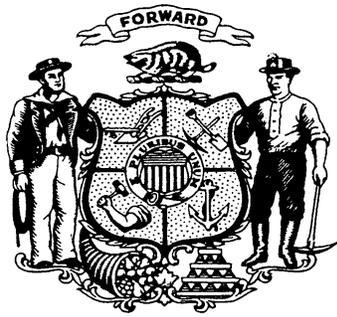
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## **Required Supplementary Information**

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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):

<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation Of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) – Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b – a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b – a) / c)</b>
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%

**Required Supplementary Information**

**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 5,100 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 its primary condition measure. 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 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)
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
2005	11,200	5.8	15.0	9.2

\* 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)
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
2005	366.6	333.8	32.8

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 2005

and actual costs for 2005 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)
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
2005	4,900	5.1	15.0	9.9

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)
2014	\$295.0	\$135.0	\$160.0
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
2005	28.3	38.6	(10.3)

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.

**Budgetary Comparison Schedule  
General Fund  
For the Fiscal Year Ended June 30, 2014**

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			\$ 2,528,740
<b>Revenues and Transfers (Inflows):</b>			
Taxes	\$ 14,043,569	\$ 14,259,341	13,978,172
Departmental:			
Tribal Gaming	26,260	23,704	-
Other	16,019,162 (A)	16,005,939 (A)	15,787,749
Transfers from:			
Nonmajor Governmental Funds	(A)	(A)	103,747
Nonmajor Enterprise Funds	(A)	(A)	367
<b>Total Revenues and Transfers (Inflows)</b>	<b>30,088,991</b>	<b>30,288,984</b>	<b>29,870,035</b>
Amounts Available for Appropriation			32,398,775
<b>Appropriations (Outflows):</b>			
Commerce	197,469	237,572	197,231
Education	12,337,928	13,010,931	12,451,421
Environmental Resources	432,571	494,863	434,227
Human Relations and Resources	12,245,971	15,594,788	13,384,611
General Executive	1,160,165	1,407,569	1,001,833
Judicial	135,807	137,284	126,672
Legislative	75,067	75,083	65,526
Tax Relief and Other General	2,332,470	2,345,398	2,296,867
Transfers to:			
Transportation Fund	60,877	60,877	35,127
Nonmajor Governmental Funds	-	-	16,322
Nonmajor Enterprise Funds	5,300	5,300	5,300
<b>Total Appropriations (Outflows)</b>	<b>\$ 28,983,625</b>	<b>\$ 33,369,665</b>	<b>30,015,137</b>
Fund Balances, End of Year			2,383,639
Less Encumbrances Outstanding at June 30, 2014			(591,995)
Fund Balances, End of Year Budgetary Basis			<u>\$ 1,791,644</u>
Reconciliation of the End of Year, Budgetary Basis, Fund Balance to the Detail Reported in the Annual Fiscal Report:			
General Purpose:			
Designated			\$ 122,411
Undesignated			516,891
Total General Purpose			<u>639,302</u>
Program Revenue			<u>1,152,342</u>
Fund Balances, End of Year Budgetary Basis			<u>\$ 1,791,644</u>

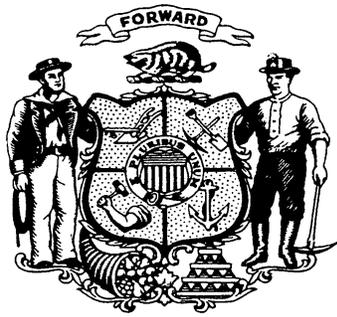
(A) Interfund transfers to the General Fund were budgeted under departmental revenue during Fiscal Year 2014.

State of Wisconsin

**Budgetary Comparison Schedule  
Transportation Fund  
For the Fiscal Year Ended June 30, 2014**

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			\$ 679,126
<b>Revenues (Inflows):</b>			
Taxes	\$ 1,047,980	\$ 1,047,980	1,047,980
Departmental	1,650,275	1,650,275	1,650,275
Transfers from:			
General Fund	60,877	60,877	35,127
Nonmajor Governmental Funds	16,000	16,000	16,000
Total Revenues (Inflows)	2,775,132	2,775,132	2,749,382
Amounts Available for Appropriation			3,428,508
<b>Appropriations and Transfers (Outflows):</b>			
Environmental Resources	2,838,918	5,576,333	2,757,710
General Executive	1,889	1,942	1,719
Tax Relief and Other General	21,814	22,364	22,288
Total Appropriations and Transfers (Outflows)	\$ 2,862,620	\$ 5,600,638	2,781,718
Fund Balances, End of Year			646,790
Less Encumbrances Outstanding at June 30, 2014			(2,014,570)
Fund Balances, End of Year Budgetary Basis			\$ (1,367,780)



Notes To Required Supplementary Information

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, 2014 is presented below (in thousands):

	General Fund	Transportation Fund
<b>Fund balance June 30, 2014 (budgetary basis – budgetary fund structure):</b>		
General Purpose Revenue – fund balance per budgetary basis <i>Annual Fiscal Report</i>		
Undesignated fund balance	\$ 516,891	
Designated fund balance	122,411	
Total General Purpose Revenue fund balance	639,302	
Program Revenue – fund balance per budgetary basis <i>Annual Fiscal Report</i>	1,152,342	
Fund balance June 30, 2014 (budgetary basis – budgetary fund structure)		
as reported on the budgetary comparison schedule	1,791,644	\$(1,367,780)
Reclassifications:		
To eliminate encumbrances reported as expenditures under budgetary reporting ( <i>basis difference</i> )	591,995	2,014,570
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 ( <i>perspective difference</i> )	345,362	--
To remove activities reported in another GAAP fund type ( <i>perspective differences</i> ):		
Enterprise funds (except for the University of Wisconsin System)	(32,458)	--
University of Wisconsin System	(1,192,315)	--
Internal Service funds	18,959	--
Fiduciary funds	(5,382)	--
Transportation Revenue Bonds capital project fund	--	4,050
Fund balance June 30, 2014 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	1,517,805	650,840
Adjustments ( <i>basis differences</i> ):		
To accrue receivables and establish payables for individual income taxes (net)	(725,932)	--
To defer revenues for gross receipts public utility taxes	(266,643)	--
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(464,657)	(1,654)
To adjust expenditures for the municipal and county shared revenue program	(502,083)	--
To adjust expenditures for State property tax credit program	(678,493)	--
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(228,729)	--
To adjust revenues and expenditures for certain major Health Services, and Children and Families human services payments to local governments	(146,785)	--
To accrue receivable for Medicaid drug rebates (net of payable to federal government)	114,023	--
To adjust expenditures/revenues for other Health Services, Workforce Development, and Children and Families accruals and deferrals	(85,014)	--
To recognize the tobacco settlement revenue receivable	69,911	--
To accrue State educational aids payments deferred until the subsequent year	(75,000)	--
To accrue Indian Gaming payments owed to the State	26,520	--
To adjust expenditures for State Energy Program loan activity	24,633	--
To adjust revenues and expenditures for other items (net)	38,601	41,987
<b>Fund balance June 30, 2014 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements</b>	<b>\$(1,381,842)</b>	<b>\$691,172</b>

## 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:

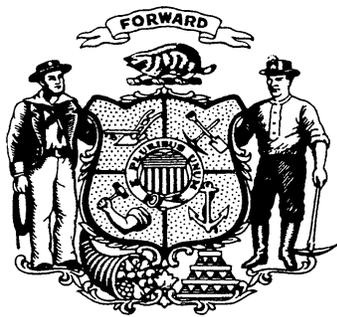
- 
- *Continuing* - unexpended balances automatically forward to ensuing years until fully depleted or repealed by subsequent action of the Legislature.
  - *Annual*:
    - *General Purpose Revenue* - unencumbered balances lapse at year end.
    - *Program Revenue* - unexpended cash balances may be forwarded 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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## **Supplementary Information**

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# Nonmajor Governmental Funds

**SPECIAL REVENUE:** Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specified purpose. The State's special revenue funds are described below:

The **Conservation Fund** accounts for the management of the State's fish, wildlife, parks and other natural resources with funds provided from hunting and fishing licenses, recreational fees and forestry taxes.

The **Police and Fire Protection Fund** accounts for the distribution of fees collected by communication providers and retailers for distribution to counties and municipalities as State shared revenue.

The **Utility Public Benefits Fund** accounts for voluntary contributions and public benefits fees collected from customers by utilities to assist in funding low income assistance grants and energy conservation and efficiency grants.

The **Petroleum Inspection Fund** accounts for revenues received from inspection fees on petroleum products shipped into Wisconsin and proceeds received from revenue bonds. These resources are used for petroleum inspection programs, environmental cleanup awards, clean air and water administration and other environmental programs in the State.

The **Wisconsin Public Broadcasting Foundation Fund** accounts for financial resources generated to support the activities of the Educational Communications Board. The primary revenue sources of the fund are from gifts, grants and contributions.

The **Economic Development Fund** accounts for economic development surcharges collected from Wisconsin businesses for the privilege of doing business in the state. Resources of the fund are provided to the Wisconsin Economic Development Corporation.

The **Other Environmental Special Revenue Funds**, in conjunction with the Conservation Fund, account for resources used to provide for the preservation of the State's parks, forests and environment, and includes the following:

- The **Heritage State Parks and Forests Fund** accounts for the funding for operations and maintenance of State parks, southern State forests, and recreation areas either by making partial matching grants to "friends groups" or by accepting expenditure transfers from park and forest programs in the Conservation Fund.

- The **Waste Management Fund** accounts for the closure and long-term care of approved landfills from fees imposed on landfill operators.
- The **Environmental Fund** accounts for the development and enforcement of groundwater standards, as well as assistance in the emergency response, investigation and clean up of contamination. This assistance is funded by fees on activities or substances which may contaminate groundwater and fees for solid waste tipping, pesticide licenses and oil inspections.
- The **Dry Cleaner Environmental Response Fund** accounts for the financial assistance for the remediation of environmental contamination caused by the spillage of dry cleaning solvents. Revenues used to fund this program are dry cleaning facility license and solvent fees.
- The **Recycling and Renewable Energy Fund** accounted for the moneys from the recycling surcharge tax and recycling fees, used to reduce the amount of solid waste disposed of in landfills and incinerators. 2011 Wisconsin Act 32 ended the program and most of the remaining resources were provided to the Economic Development Fund.

The **Other Special Revenue Funds** account for resources that must be used for specific purposes and include the following:

- The **Unemployment Interest Payment Fund** accounts for assessments collected on employers in the state. Revenues are used to pay interest due on outstanding advances from the federal government that were used to pay unemployment claims.
- The **Investment and Local Impact Fund** accounts for grants and loans to municipalities where metalliferous minerals exist to offset the negative effects of mining projects. These grants and loans are funded with taxes which have been imposed on mining activities.
- The **Industrial Building Construction Loan Fund** accounts for economic development grants and loans for the construction of industrial buildings. These grants and loans are funded primarily with investment income.

(Continued)

## Nonmajor Governmental Funds

- The **Election Administration Fund** accounts for federal and State moneys provided to develop, administer and manage a statewide voter registration system, enabling all qualified electors, including those with disabilities, the opportunity to vote while maintaining uniform standards within the voting process and safeguarding the vote of all electors.
- The **Self-insured Employers Liability Fund** collects fees assessed from employers who self-insure for workers compensation purposes. The reserve is used to pay judgements owed to employees of insolvent self-insured employers.
- The **Work Injury Supplemental Benefit Fund** accounts for compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. This compensation is provided with funds collected from State employers and insurance carriers.
- The **Workers Compensation Fund** accounts for the expenditures related to administering the worker's compensation laws in Wisconsin. These expenditures are funded by annual assessments of insurers and self-insured employers doing business in the State.
- The **Uninsured Employers Fund** accounts for the administration of insurance enforcement activities and compensation to injured employees of uninsured employers. The revenue is primarily provided by funds collected from uninsured employers.
- The **Mediation Fund** accounts for the resolution of disputes regarding medical malpractice. Primary revenue sources are dispute filing fees and fees charged to health care providers.
- The **Working Lands Fund** accounts for the deposit of farmland preservation conversion fees, gifts and grants. Proceeds are used to purchase agriculture conservation easements and to provide grants to counties for farmland preservation plan costs.
- The **State Capitol Restoration Fund** accounts for moneys from private donations used to offset the costs of restoration work at the State Capitol.
- The **Agricultural Chemical Cleanup Fund** accounts for the portion of the costs responsible persons pay to clean up fertilizer and pesticide spills and historical handling areas. Fertilizer and pesticide licenses and registration fees primarily provide the revenue.
- The **Agrichemical Management Fund** accounts for the regulation and enforcement of pesticide, feed and fertilizer industries. The revenue is generated by licenses and fees assessed to these industries.
- The **Agricultural Producer Security Fund** accounts for fees, surcharges, assessments, reimbursements and bond proceeds of surety bonds collected from contractors doing business with agricultural producers. Payments are made to producers from the fund if contractors default on amounts owed to producers.
- The **Historical Legacy Trust Fund** accounts for gifts, grants and bequests given to commemorate the 200th anniversary of statehood. The fund also reports all moneys received by the State Sesquicentennial Commission after September 30, 1998.
- The **History Preservation Partnership Trust Fund** accounts for moneys received from admissions, sales, and other receipts of the Historical Society. The fund is supported primarily by program revenues from daily receipts, site deposits and other generated income from goods and services.
- The **Wireless 911 Fund** accounts for residual assets from the wireless 911 program that provided grants to local governments. 2009 Wisconsin Act 28 ended the program.
- The **Military Family Relief Fund** accounts for donations received via designation on Wisconsin state income tax returns, gifts, and bequests. Resources are used to provide financial assistance to the spouse and dependent children of service members who are residents of this state and serving on active duty in the U.S. armed forces.
- The **Universal Service Fund** accounts for programs that ensure that all State residents receive essential telecommunication services at reasonable prices. Assessment of entities in the telecommunications industry is the primary source of revenues.
- The **Land Information Fund** receives a portion of fees counties collect pertaining to legal documents filed with the county register of deeds. The revenues are used to make grants to the counties to develop and operate a basic land information system.
- The **Children's Trust Fund** accounts for the program which provides information and encourages the development of child abuse and neglect prevention programs. This fund is supported primarily with investment income and moneys received as contributions, grants, gifts and bequests.

(Continued)

# Nonmajor Governmental Funds

**DEBT SERVICE:** Debt service funds account for the accumulation of resources for, and the payment of, principal, interest and related costs of general long-term obligations.

The **Bond Security and Redemption Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of, general obligation bond debt.

The **Annual Appropriation Bonds Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of, the appropriation obligations issued in Fiscal Year 2004 to pay the State's unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits.

The **2009 Annual Appropriation Bonds Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of, the appropriation obligations issued in Fiscal Year 2009 to purchase tobacco settlement revenues that were previously sold by the State to the Badger Tobacco Asset Securitization Corporation.

The **Petroleum Inspection Revenue Bonds Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of, petroleum inspection fee revenue bond obligations.

The **Transportation Revenue Bonds Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of, transportation revenue bond obligations.

**CAPITAL PROJECTS:** Capital projects funds account for financial resources used for the acquisition, construction, renovation or repair of major capital facilities (other than those financed by proprietary funds and trust funds). The State's capital projects funds are described below:

The **Building Trust Fund** accounts for repair projects of major capital facilities which are funded primarily through General Fund and agency transfers.

The **Transportation Revenue Bonds Fund** accounts for the accumulation of financing resources for the construction, maintenance, and repair of certain major highway projects and administrative facilities.

**PERMANENT:** Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used to support the State's programs.

The **Common School Fund** accounts for proceeds from the sale of land granted by the federal government to Wisconsin when it became a state. The fund also receives fines and forfeitures from penal law breaches and proceeds from the disposal of escheated property. The fund provides low cost loans to municipalities and school districts for public purposes. Earnings are distributed to aid local school districts as required by the state constitution.

The **Other Permanent Funds** account for various resources with legal restrictions requiring that principal remain intact and that only earnings be spent and includes the following:

- The **Historical Society** Fund accounts for investment income and donations received by the Wisconsin Historical Society to assist in the operations of the State's archives, research and library services, museums, historic preservation, and executive and administrative services.
- The **Agricultural College** and **University** statutory funds account for federal land grant revenues used as public purpose loans for municipalities and school districts.
- The **Normal School** statutory fund accounts for public purpose loans to municipalities and school districts. These loans are financed with revenues derived from the sale of federally granted land and timber. The interest generated from this fund is used to support and maintain State universities.
- The **Benevolent** statutory fund accounts for investment income used for the care, custody and education of residents committed to the Lincoln Hills School.

**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2014**

(In Thousands)

	Special Revenue Funds				
	Conservation	Police and Fire Protection	Utility Public Benefits	Petroleum Inspection	Wisconsin Public Broadcasting Foundation
<b>Assets and Deferred Outflows of Resources</b>					
Cash and Cash Equivalents	\$ 47,624	\$ 35,173	\$ 4,936	\$ 16,095	\$ 7,545
Investments	-	-	-	-	10,591
Receivables (net of allowance):					
Taxes	29,588	-	-	-	-
Loans to Local Governments	6,073	-	-	-	-
Other Loans Receivable	-	-	-	-	-
Other Receivables	8,109	4,452	6,970	20	171
Due from Other Funds	9,771	-	197	15,266	-
Due from Other Governments	8,019	-	-	-	-
Inventories	1,825	-	-	-	-
Prepaid Items	2,232	-	1,728	53	63
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Investments	-	-	-	-	-
<b>Total Assets</b>	<b>113,241</b>	<b>39,625</b>	<b>13,831</b>	<b>31,433</b>	<b>18,370</b>
Deferred Outflows of Resources	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 113,241</b>	<b>\$ 39,625</b>	<b>\$ 13,831</b>	<b>\$ 31,433</b>	<b>\$ 18,370</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
Liabilities:					
Accounts Payable and Other					
Accrued Liabilities	\$ 11,630	\$ 1	\$ 402	\$ 453	\$ 69
Due to Other Funds	11,430	39,429	156	2,463	499
Due to Other Governments	1,259	-	728	405	-
Tax Refunds Payable	-	-	-	-	-
Tax and Other Deposits	1,675	-	-	-	-
Unearned Revenue	3,462	-	-	-	144
Interest Payable	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Short-term Notes Payable	-	-	-	71,150	-
Revenue Bonds and Notes Payable	-	-	-	-	-
<b>Total Liabilities</b>	<b>29,457</b>	<b>39,430</b>	<b>1,286</b>	<b>74,471</b>	<b>712</b>
Deferred Inflows of Resources	179	-	-	-	-
Fund Balances:					
Nonspendable	4,056	-	1,728	53	220
Restricted	73,098	195	-	-	17,437
Committed	6,451	-	10,817	-	-
Unassigned	-	-	-	(43,091)	-
<b>Total Fund Balance</b>	<b>83,605</b>	<b>195</b>	<b>12,545</b>	<b>(43,037)</b>	<b>17,657</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 113,241</b>	<b>\$ 39,625</b>	<b>\$ 13,831</b>	<b>\$ 31,433</b>	<b>\$ 18,370</b>

Special Revenue Funds				Debt Service Funds		
Economic Development	Other Environmental Special Revenue	Other Special Revenue	Total Special Revenue Funds	Bond Security and Redemption	Annual Appropriation Bonds	2009 Annual Appropriation Bonds
\$ 405	\$ 25,358	\$ 79,471	\$ 216,607	\$ 5,640	\$ -	\$ -
-	-	-	10,591	-	-	-
285	-	-	29,874	-	-	-
-	-	-	6,073	-	-	-
-	-	1	1	-	-	-
-	14,616	26,133	60,471	1	-	-
1,572	40,929	5,150	72,885	162	-	-
-	2,404	8	10,431	-	-	-
-	-	13	1,837	-	-	-
1	9,707	89	13,873	-	-	-
-	-	-	-	-	-	63
-	-	-	-	-	33,962	-
2,263	93,015	110,864	422,642	5,803	33,962	63
-	-	-	-	-	-	-
\$ 2,263	\$ 93,015	\$ 110,864	\$ 422,642	\$ 5,803	\$ 33,962	\$ 63
\$ 572	\$ 1,056	\$ 9,338	\$ 23,521	\$ -	\$ -	\$ -
48	3,028	9,212	66,265	949	-	-
-	235	34	2,661	-	-	-
600	-	-	600	-	-	-
-	13,551	-	15,226	-	-	-
-	-	-	3,606	-	-	-
-	-	-	-	-	-	-
-	6,217	-	6,217	-	-	-
-	-	-	71,150	-	-	-
-	-	-	-	-	-	-
1,219	24,086	18,584	189,246	949	-	-
-	-	8,499	8,679	-	-	-
1	9,707	102	15,867	-	-	-
-	8,835	32,516	132,080	4,854	33,962	63
1,043	56,346	51,163	125,820	-	-	-
-	(5,959)	-	(49,049)	-	-	-
1,044	68,929	83,781	224,718	4,854	33,962	63
\$ 2,263	\$ 93,015	\$ 110,864	\$ 422,642	\$ 5,803	\$ 33,962	\$ 63

(Continued)

**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2014**

(Continued)

	Debt Service Funds			Capital Projects Funds	
	Petroleum Inspection Revenue Bonds	Transportation Revenue Bonds	Total Debt Service Funds	Building Trust	Transportation Revenue Bonds
<b>Assets and Deferred Outflows of Resources</b>					
Cash and Cash Equivalents	\$ -	\$ -	\$ 5,640	\$ 19,846	\$ -
Investments	-	-	-	-	-
Receivables (net of allowance):					
Taxes	-	-	-	-	-
Loans to Local Governments	-	-	-	-	-
Other Loans Receivable	-	-	-	-	-
Other Receivables	-	-	1	2	-
Due from Other Funds	-	-	162	978	202
Due from Other Governments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid Items	-	-	-	-	-
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	30,035	227,649	257,746	-	109,607
Investments	-	-	33,962	-	184,918
<b>Total Assets</b>	<b>30,035</b>	<b>227,649</b>	<b>297,511</b>	<b>20,825</b>	<b>294,727</b>
Deferred Outflows of Resources	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 30,035</b>	<b>\$ 227,649</b>	<b>\$ 297,511</b>	<b>\$ 20,825</b>	<b>\$ 294,727</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
Liabilities:					
Accounts Payable and Other					
Accrued Liabilities	\$ -	\$ 42,630	\$ 42,630	\$ 2,527	\$ 58
Due to Other Funds	-	3,141	4,090	67	29,247
Due to Other Governments	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-
Tax and Other Deposits	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Interest Payable	2,208	42,691	44,900	-	-
Advances from Other Funds	-	-	-	-	-
Short-term Notes Payable	-	-	-	-	163,668
Revenue Bonds and Notes Payable	25,345	108,385	133,730	-	-
<b>Total Liabilities</b>	<b>27,553</b>	<b>196,847</b>	<b>225,349</b>	<b>2,594</b>	<b>192,973</b>
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	2,482	30,801	72,162	-	101,754
Committed	-	-	-	18,232	-
Unassigned	-	-	-	-	-
<b>Total Fund Balance</b>	<b>2,482</b>	<b>30,801</b>	<b>72,162</b>	<b>18,232</b>	<b>101,754</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 30,035</b>	<b>\$ 227,649</b>	<b>\$ 297,511</b>	<b>\$ 20,825</b>	<b>\$ 294,727</b>

						Permanent Funds				
Total Capital Projects Funds		Common School		Other Permanent		Total Permanent Funds		Total Nonmajor Governmental Funds		
\$	19,846	\$	142,470	\$	1,947	\$	144,416	\$	386,509	
	-		509,183		24,340		533,523		544,114	
	-		-		-		-		29,874	
	-		325,327		14,518		339,846		345,919	
	-		-		-		-		1	
	2		4,344		243		4,587		65,060	
	1,180		680		249		929		75,157	
	-		3,927		172		4,099		14,530	
	-		-		-		-		1,837	
	-		-		4		4		13,877	
	109,607		-		-		-		367,353	
	184,918		-		-		-		218,880	
	315,552		985,931		41,473		1,027,404		2,063,110	
	-		-		-		-		-	
\$	315,552	\$	985,931	\$	41,473	\$	1,027,404	\$	2,063,110	

\$	2,585	\$	-	\$	10	\$	10	\$	68,746
	29,314		1,496		94		1,590		101,258
	-		-		-		-		2,661
	-		-		-		-		600
	-		-		19		19		15,245
	-		-		-		-		3,606
	-		-		-		-		44,900
	-		-		-		-		6,217
	163,668		-		-		-		234,818
	-		-		-		-		133,730
	195,567		1,496		123		1,619		611,781
	-		-		-		-		8,679
	-		967,790		40,496		1,008,285		1,024,152
	101,754		16,646		855		17,500		323,496
	18,232		-		-		-		144,052
	-		-		-		-		(49,049)
	119,985		984,435		41,350		1,025,785		1,442,651
\$	315,552	\$	985,931	\$	41,473	\$	1,027,404	\$	2,063,110

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2014**

(In Thousands)

	Special Revenue Funds				
	Conservation	Police and Fire Protection	Utility Public Benefits	Petroleum Inspection	Wisconsin Public Broadcasting Foundation
<b>Revenues:</b>					
Taxes					
Other Dedicated	\$ 97,312	\$ -	\$ -	\$ 45,348	\$ -
Intergovernmental	48,013	-	-	-	-
Licenses and Permits	105,534	52,548	103,544	73	-
Charges for Goods and Services	17,197	-	24	88	705
Investment and Interest Income	(62)	19	1	25	1,233
Fines and Forfeitures	260	-	-	-	-
Gifts and Donations	1,709	-	-	-	12,109
Miscellaneous:					
Other	1,576	-	-	43	-
<b>Total Revenues</b>	<b>271,538</b>	<b>52,566</b>	<b>103,569</b>	<b>45,577</b>	<b>14,048</b>
<b>Expenditures:</b>					
Current:					
Commerce	-	-	-	-	-
Education	-	-	-	-	2,760
Transportation	-	-	-	-	-
Environmental Resources	256,960	-	-	17,675	-
Human Relations and Resources	-	-	-	-	-
General Executive	-	-	100,609	-	-
Judicial	-	-	-	-	-
Tax Relief and Other General	-	-	-	-	-
Intergovernmental - Shared Revenue	-	52,637	-	-	-
Capital Outlay	4,518	-	-	58	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	144	-
Other Expenditures	-	-	-	-	-
<b>Total Expenditures</b>	<b>261,478</b>	<b>52,637</b>	<b>100,609</b>	<b>17,876</b>	<b>2,760</b>
Excess of Revenues Over (Under) Expenditures	10,061	(71)	2,959	27,700	11,287
<b>Other Financing Sources (Uses):</b>					
Long-term Debt Issued	-	-	-	-	-
Long-term Debt Issued - Refunding Bonds	-	-	-	-	-
Payments for Refunded Bonds	-	-	-	-	-
Payments to Refunding Bond Escrow Agent	-	-	-	-	-
Premium on Bonds	-	-	-	-	-
Transfers In	22,886	-	-	-	-
Transfers Out	(25,220)	-	(9,161)	(24,090)	(8,730)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,334)</b>	<b>-</b>	<b>(9,161)</b>	<b>(24,090)</b>	<b>(8,730)</b>
<b>Net Change in Fund Balances</b>	<b>7,727</b>	<b>(71)</b>	<b>(6,201)</b>	<b>3,611</b>	<b>2,558</b>
Fund Balances, Beginning of Year	76,849	265	18,746	(46,648)	15,100
Increase (Decrease) in Reserve for Inventories	(971)	-	-	-	-
<b>Fund Balances, End of Year</b>	<b>\$ 83,605</b>	<b>\$ 195</b>	<b>\$ 12,545</b>	<b>\$ (43,037)</b>	<b>\$ 17,657</b>

Special Revenue Funds				Debt Service Funds		
Economic Development	Other Environmental Special Revenue	Other Special Revenue	Total Special Revenue Funds	Bond Security and Redemption	Annual Appropriation Bonds	2009 Annual Appropriation Bonds
\$ 19,544	\$ -	\$ 2	\$ 162,205	\$ -	\$ -	\$ -
-	1,596	2,030	51,638	8,363	-	-
-	70,961	73,059	405,718	-	-	-
-	30	3,483	21,527	-	-	-
10	15	50	1,290	43	141	57
-	192	3,191	3,644	-	-	-
-	-	116	13,934	-	-	-
-	1,361	1,298	4,278	-	-	-
19,553	74,156	83,228	664,235	8,406	141	57
33,912	-	53,927	87,839	-	-	-
-	-	3,525	6,285	-	-	-
-	-	-	-	-	-	-
-	52,461	-	327,095	-	-	-
-	-	17,222	17,222	-	-	-
-	-	3,541	104,150	-	-	-
-	-	198	198	-	-	-
-	-	-	-	-	15	-
-	-	-	52,637	-	-	-
-	139	37	4,751	-	-	-
-	-	-	-	441,561	72,750	7,510
-	-	-	144	254,756	92,259	86,173
-	-	-	-	2,834	-	-
33,912	52,600	78,450	600,322	699,151	165,024	93,683
(14,358)	21,556	4,778	63,912	(690,745)	(164,883)	(93,626)
-	-	-	-	-	-	-
-	-	-	-	622,595	-	-
-	-	-	-	(157,085)	-	-
-	-	-	-	(548,286)	-	-
-	-	-	-	90,834	-	-
-	13,598	8	36,492	682,602	165,004	93,600
(3)	(34,523)	(2,521)	(104,247)	(1,373)	-	-
(3)	(20,925)	(2,513)	(67,755)	689,287	165,004	93,600
(14,362)	631	2,265	(3,842)	(1,459)	121	(26)
15,406	68,298	81,518	229,534	6,313	33,841	89
-	-	(3)	(974)	-	-	-
\$ 1,044	\$ 68,929	\$ 83,781	\$ 224,718	\$ 4,854	\$ 33,962	\$ 63

(Continued)

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2014**

(Continued)

	Debt Service Funds			Capital Projects Funds	
	Petroleum Inspection Revenue Bonds	Transportation Revenue Bonds	Total Debt Service Funds	Building Trust	Transportation Revenue Bonds
<b>Revenues:</b>					
Taxes					
Other Dedicated	\$ 29,761	\$ -	\$ 29,761	\$ -	\$ -
Intergovernmental	-	-	8,363	10,752	-
Licenses and Permits	-	212,118	212,118	-	708
Charges for Goods and Services	-	-	-	-	-
Investment and Interest Income	-	115	357	23	20
Fines and Forfeitures	-	-	-	-	-
Gifts and Donations	-	-	-	-	-
Miscellaneous:					
Other	-	-	-	1,523	-
<b>Total Revenues</b>	<b>29,761</b>	<b>212,233</b>	<b>250,598</b>	<b>12,298</b>	<b>728</b>
<b>Expenditures:</b>					
Current:					
Commerce	-	-	-	-	-
Education	-	-	-	134	-
Transportation	-	-	-	66	110
Environmental Resources	-	-	-	1,577	-
Human Relations and Resources	-	-	-	6,534	-
General Executive	-	-	-	73	-
Judicial	-	-	-	-	-
Tax Relief and Other General	-	-	15	768	661
Intergovernmental - Shared Revenue	-	-	-	-	-
Capital Outlay	-	-	-	8,021	189,350
Debt Service:					
Principal	25,345	108,385	655,551	-	-
Interest	4,417	85,402	523,007	-	-
Other Expenditures	-	152	2,986	-	2,118
<b>Total Expenditures</b>	<b>29,762</b>	<b>193,938</b>	<b>1,181,559</b>	<b>17,173</b>	<b>192,240</b>
Excess of Revenues Over (Under) Expenditures	(1)	18,295	(930,961)	(4,875)	(191,512)
<b>Other Financing Sources (Uses):</b>					
Long-term Debt Issued	-	-	-	-	300,000
Long-term Debt Issued - Refunding Bonds	-	39,745	662,340	-	-
Payments for Refunded Bonds	-	(42,630)	(199,715)	-	-
Payments to Refunding Bond Escrow Agent	-	-	(548,286)	-	-
Premium on Bonds	-	3,037	93,871	-	33,022
Transfers In	-	10	941,216	5,540	18,575
Transfers Out	-	(18,575)	(19,948)	(377)	(944)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(18,413)</b>	<b>929,477</b>	<b>5,162</b>	<b>350,653</b>
Net Change in Fund Balances	(1)	(118)	(1,483)	287	159,141
Fund Balances, Beginning of Year	2,482	30,920	73,645	17,944	(57,387)
Increase (Decrease) in Reserve for Inventories	-	-	-	-	-
<b>Fund Balances, End of Year</b>	<b>\$ 2,482</b>	<b>\$ 30,801</b>	<b>\$ 72,162</b>	<b>\$ 18,232</b>	<b>\$ 101,754</b>

Permanent Funds					
Total Capital Projects Funds	Common School	Other Permanent	Total Permanent Funds	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	191,966
10,752	2	-	2	2	70,755
708	-	-	-	-	618,544
-	108	470	578	578	22,105
43	49,453	2,863	52,316	52,316	54,007
-	17,307	-	17,307	17,307	20,951
-	-	-	-	-	13,934
1,523	65	827	892	892	6,692
13,026	66,936	4,160	71,096	71,096	998,955
-	-	-	-	-	87,839
134	30,200	429	30,629	30,629	37,049
176	-	-	-	-	176
1,577	-	-	-	-	328,673
6,534	-	-	-	-	23,756
73	-	-	-	-	104,223
-	-	-	-	-	198
1,429	-	-	-	-	1,444
-	-	-	-	-	52,637
197,370	1,274	1,928	3,202	3,202	205,324
-	-	-	-	-	655,551
-	-	-	-	-	523,151
2,118	-	-	-	-	5,104
209,413	31,474	2,357	33,831	33,831	2,025,125
(196,387)	35,462	1,803	37,265	37,265	(1,026,170)
300,000	-	-	-	-	300,000
-	-	-	-	-	662,340
-	-	-	-	-	(199,715)
-	-	-	-	-	(548,286)
33,022	-	-	-	-	126,892
24,115	36,650	300	36,950	36,950	1,038,772
(1,321)	(1,655)	(282)	(1,937)	(1,937)	(127,454)
355,815	34,994	18	35,012	35,012	1,252,550
159,428	70,456	1,821	72,277	72,277	226,380
(39,443)	913,979	39,529	953,508	953,508	1,217,245
-	-	-	-	-	(974)
\$ 119,985	\$ 984,435	\$ 41,350	\$ 1,025,785	\$ 1,025,785	\$ 1,442,651

**Budgetary Comparison Schedule  
Nonmajor Budgeted Governmental Funds  
For the Fiscal Year Ended June 30, 2014**

(In Thousands)

	Special Revenue							
	Conservation		Police and Fire Protection		Medical Assistance Trust		Hospital Assessment	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Unexpended Budgetary Fund Balances, Beginning of Year		\$ 70,123		\$ (10)		\$ (27)		\$ 28,350
<b>Revenues (Inflows):</b>								
Taxes	\$ 88,386	88,386	\$ -	-	\$ -	-	\$ -	-
Budgeted Transfers from:								
General Fund	-	-	-	-	15,955	15,955	-	-
Nonmajor Governmental Funds	-	-	-	-	204,488	204,488	-	-
Departmental	198,530	198,530	52,647	52,647	130,980	130,980	414,579	414,579
<b>Total Revenues</b>	<b>286,916</b>	<b>286,916</b>	<b>52,647</b>	<b>52,647</b>	<b>351,424</b>	<b>351,424</b>	<b>414,579</b>	<b>414,579</b>
Amounts Available for Appropriation		357,038		52,637		351,397		442,929
<b>Appropriations and Transfers (Outflows):</b>								
Commerce	1,657	1,657	167	5	-	-	-	-
Education	714	324	-	-	-	-	-	-
Environmental Resources	364,228	287,107	-	-	-	-	-	-
Human Relations and Resources	-	-	-	-	388,040	350,664	442,862	260,949
General Executive	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Tax Relief and Other General	75	17	53,250	52,632	-	-	-	-
Budgeted Transfers to:								
General Fund	-	-	-	-	760	760	-	-
Transportation Fund	-	-	-	-	-	-	-	-
Nonmajor Governmental Funds	-	-	-	-	-	-	151,940	151,940
<b>Total Appropriations and Transfers</b>	<b>\$ 366,674</b>	<b>289,105</b>	<b>\$ 53,417</b>	<b>52,637</b>	<b>\$ 388,799</b>	<b>351,424</b>	<b>\$ 594,802</b>	<b>412,889</b>
Fund Balances								
End of Year		67,934		-		(27)		30,040
Less Encumbrances Outstanding at June 30, 2014		(30,742)		-		(13)		(29,968)
<b>Fund Balances, End of Year Budgetary Basis</b>	<b>\$ 37,191</b>		<b>\$ 0</b>		<b>\$ (39)</b>		<b>\$ 72</b>	

**Special Revenue**

Utility Public Benefits		Critical Access Hospital Assessment		Economic Development		Read to Lead Development		Petroleum Inspection	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	\$ 8,975		\$ 1,938		\$ 16,040		\$ 400		\$ 14,721
\$ -	-	\$ -	-	19,280	19,280	-	-	41,150	41,150
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
103,193	103,193	8,791	8,791	10	10	-	-	228	228
103,193	103,193	8,791	8,791	19,289	19,289	-	-	41,379	41,379
	<u>112,168</u>		<u>10,729</u>		<u>35,330</u>		<u>401</u>		<u>56,100</u>
436	395	-	-	33,776	33,776	-	-	6,011	5,264
-	-	1,943	1,459	-	-	-	-	-	-
-	-	-	-	-	-	-	-	16,277	10,935
9,140	9,140	8,398	5,734	-	-	-	-	1,173	986
116,335	98,070	-	-	264	139	138	-	1,206	1,188
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	8,598	8,196
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	16,000	16,000
-	-	2,548	2,548	-	-	-	-	-	-
\$ 125,911	107,604	\$ 12,890	9,741	34,040	33,915	138	-	49,265	42,569
	4,563		989		1,415		401		13,531
	<u>(881)</u>		<u>(914)</u>		<u>(10)</u>		<u>(138)</u>		<u>(394)</u>
	<u>\$ 3,682</u>		<u>\$ 75</u>		<u>\$ 1,404</u>		<u>\$ 263</u>		<u>\$ 13,136</u>

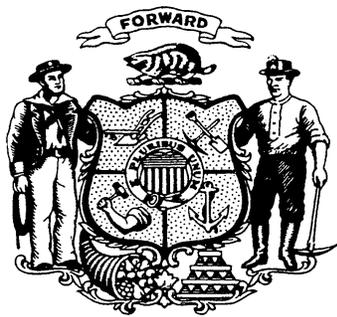
(Continued)

**Budgetary Comparison Schedule  
Nonmajor Budgeted Governmental Funds  
For the Fiscal Year Ended June 30, 2014**

(Continued)

	Special Revenue								
	Budget Stabilization		Permanent Endowment		Other Environmental Special Revenue		Other Special Revenue		
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	
Unexpended Budgetary Fund Balances, Beginning of Year		\$ 279,268		\$ -		\$ 40,544		\$ 64,638	
<b>Revenues (Inflows):</b>									
Taxes	-	-	\$ -	-	\$ -	-	-	\$ 2	2
Budgeted Transfers from:									
General Fund	-	-	-	-	-	-	-	-	-
Nonmajor Governmental Funds	-	-	-	-	750	750	-	-	-
Departmental	424	424	152,988	152,988	78,634	78,634	80,289	80,289	
Total Revenues	424	424	152,988	152,988	79,384	79,384	80,290	80,290	
Amounts Available for Appropriation		279,693		152,988		119,928		144,928	
<b>Appropriations and Transfers (Outflows):</b>									
Commerce	-	-	-	-	24,431	14,138	34,169	18,610	
Education	-	-	-	-	5,063	4,844	24,641	23,335	
Environmental Resources	-	-	-	-	82,378	67,868	-	-	
Human Relations and Resources	-	-	-	-	587	410	31,768	17,589	
General Executive	-	-	-	-	19	17	22,552	20,352	
Judicial	-	-	-	-	-	-	735	202	
Tax Relief and Other General	-	-	-	-	3	2	41	25	
Budgeted Transfers to:									
General Fund	-	-	102,988	102,988	-	-	-	-	
Transportation Fund	-	-	-	-	-	-	-	-	
Nonmajor Governmental Funds	-	-	50,000	50,000	-	-	750	750	
Total Appropriations and Transfers	-	-	\$ 152,988	152,988	\$ 112,481	87,280	\$ 114,656	80,863	
Fund Balances End of Year		279,693		-		32,648		64,065	
Less Encumbrances Outstanding at June 30, 2014		-		-		(14,102)		(3,718)	
Fund Balances, End of Year Budgetary Basis		\$ 279,693		\$ -		\$ 18,546		\$ 60,347	

<b>Permanent</b>			
<b>Common School</b>		<b>Other Permanent</b>	
<b>Budget</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<u>\$ 914,064</u>		<u>\$ 38,965</u>
\$ -	-	\$ -	-
-	-	-	-
-	-	-	-
84,240	84,240	2,236	2,236
84,240	84,240	2,236	2,236
	<u>998,304</u>		<u>41,201</u>
-	-	-	-
32,000	30,200	950	849
-	-	-	-
-	-	-	-
300	300	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 32,300</u>	<u>30,500</u>	<u>\$ 950</u>	<u>849</u>
	967,804		40,352
	<u>-</u>		<u>(1)</u>
	<u><u>\$ 967,804</u></u>		<u><u>\$ 40,351</u></u>



# Nonmajor Enterprise Funds

**ENTERPRISE:** Enterprise funds account for business-like State activities that provide goods and/or services to the public and are financed primarily through user charges. The State's enterprise funds are described below:

The **Lottery Fund** accounts for State managed lottery activities used to provide property tax relief to taxpayers. Revenues from ticket sales are used to pay winners, commissions to retailers, operating expenses and property tax relief.

The **Income Continuation Insurance Fund** accounts for long-term and short-term disability benefits for employees of the State and of participating local public employers and operates on a self-insured basis. Contributions and investment activity provide funding for the benefits.

The **Long-term Disability Insurance Fund** accounts for long-term disability benefits paid to State employees and participating local public employees. Contributions and investment activity provide funding for the benefits.

The **Health Insurance Fund** accounts for group health insurance plans provided on a self-insured, fee for service basis or prepaid basis to current employees of the State and of participating local public employers.

The **Veterans Trust Fund** accounts for various programs for veterans, including loans and grants to individuals and organizations and the operations of the State Veterans Museum. Revenues to finance this program are primarily derived from veteran loan payments and investment income.

The **Veterans Mortgage Loan Repayment Fund** accounts for the issuance and administration of veterans' first mortgage loans. Funding sources are primarily derived from bond proceeds, mortgage payments, and investment income.

The **Care and Treatment Facilities Funds**, account for various resident facilities including:

- The **Mendota Mental Health Institute Fund** and the **Winnebago Mental Health Institute Fund** account for the diagnosis, care and treatment of individuals with mental and emotional disturbances. The services are provided with funds collected from third parties and contributions from the State.
- The **Homes For Veterans Fund** accounts for nursing home and assisted living facilities for veterans and their spouses. The costs associated with providing this care are funded by private pay charges, the U.S. Department of Veterans Affairs and Medical Assistance.

- The **Northern, Central, and Southern Developmental Disabilities Center Funds** account for services provided to developmentally disabled citizens with the goal of ultimately returning such persons to the community if possible. These services are provided with funds collected from third parties and contributions from the State.

The **Other Enterprise Funds** account for the following programs:

- The **State Fair Park Fund** accounts for the annual State Fair, and various year round major sports events, agricultural and industrial expositions, and other programs of civic interest. Its revenues are derived from admissions, fees, rents and sales, with no contributions from the State.
- The **Institutional Farm Operations Fund** accounts for the revenues and expenses associated with employing inmates in agricultural and other work activities. The associated costs are funded from farm product sales and a General Fund supplement.
- The **Correctional Canteen Operations Fund** accounts for the program which provides goods for the education, recreation, and convenience of inmates. Charges made to inmates are the primary source of funds for these activities.
- The **Local Government Property Insurance Fund** accounts for property insurance coverage provided to local governments. This insurance is financed with premiums collected from policyholders and income on investments.
- The **State Life Insurance Fund** accounts for the program to provide State sponsored life insurance to residents in a manner consistent with private insurers. This insurance is financed with premiums collected from policyholders and investment earnings.
- The **Transportation Infrastructure Loan Fund** accounts for the development of innovative financing mechanisms that will more effectively use federal financial transportation resources. Federal Highway Administration funds, and interest from the fund balance and from loan recipients, are the primary revenues for this fund.
- The **Life Insurance Fund** accounts for the collection and payment of premiums for State and local participating employees' group life insurance contracts with a life insurance carrier.

## Combining Statement of Net Position - Nonmajor Enterprise Funds

June 30, 2014

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 45,460	\$ 94,451	\$ 199,794	\$ 213,847	\$ 13,077
Investments	6,277	-	-	-	-
Receivables (net of allowance):					
Loans to Local Governments	-	-	-	-	-
Loans Receivable	-	-	-	-	888
Other Receivables	23,573	3,679	99	13,076	156
Due from Other Funds	47	1,043	174	9,922	197
Interfund Receivables	-	-	-	-	-
Due from Other Governments	-	-	-	1	-
Inventories	1,690	-	-	-	80
Prepaid Items	1,400	7	-	97,917	67
Other Assets	365	-	-	-	-
Total Current Assets	78,812	99,181	200,067	334,763	14,464
Noncurrent Assets:					
Investments	34,785	-	-	-	-
Receivables (net of allowance):					
Loans to Local Governments	-	-	-	-	-
Loans Receivable	-	-	-	-	3,166
Other Receivables	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-
Other Assets	5,796	-	-	-	-
Depreciable Capital Assets (net of accumulated depreciation)	66	-	-	-	9,172
Nondepreciable Capital Assets	-	-	-	-	1,447
Total Noncurrent Assets	40,647	-	-	-	13,785
Total Assets	119,459	99,181	200,067	334,763	28,249
<b>Deferred Outflows of Resources</b>					
	40,601	-	-	-	5
Total Assets and Deferred Outflows of Resources	\$ 160,060	\$ 99,181	\$ 200,067	\$ 334,763	\$ 28,254
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable and Other Accrued Liabilities	\$ 44,321	\$ 344	\$ 505	\$ 6,455	\$ 1,025
Due to Other Funds	580	17	5,279	63	737
Interfund Payables	-	-	-	-	-
Due to Other Governments	526	-	-	-	-
Tax and Other Deposits	-	-	-	-	-
Unearned Revenue	916	-	-	112,051	-
Interest Payable	-	-	-	-	3
Short-term Notes Payable	-	-	-	-	-
Current Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	-	18,829	36,603	6,403	-
Capital Leases	-	-	-	-	-
Compensated Absences	178	-	-	-	125
General Obligation Bonds Payable	-	-	-	-	69
Total Current Liabilities	46,521	19,191	42,387	124,973	1,959
Noncurrent Liabilities:					
Accounts Payable and Other Accrued Liabilities	29,231	-	-	-	-
Noncurrent Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	-	71,925	196,906	-	-
Capital Leases	-	-	-	-	-
Compensated Absences	511	-	-	-	192
Other Postemployment Benefits	548	-	-	-	438
General Obligation Bonds Payable	-	-	-	-	272
Total Noncurrent Liabilities	30,290	71,925	196,906	-	901
Total Liabilities	76,811	91,117	239,293	124,973	2,860
<b>Deferred Inflows of Resources</b>					
	-	-	-	-	1
<b>Net Position</b>					
Net Investment in Capital Assets	66	-	-	-	10,278
Restricted for Future Benefits	-	8,064	-	209,790	-
Restricted for Other Purposes	83,183	-	-	-	-
Unrestricted	-	-	(39,225)	-	15,116
Total Net Position	83,249	8,064	(39,225)	209,790	25,394
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 160,060	\$ 99,181	\$ 200,067	\$ 334,763	\$ 28,254

Care and Treatment Facilities					
Veterans Mortgage Loan Repayment	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
9,414 \$	11,968 \$	16,620 \$	29,584 \$	27,417 \$	661,633
-	-	-	-	-	6,277
-	-	-	-	435	435
2,543	-	-	-	-	3,431
860	897	7,820	14,147	15,263	79,569
233	2,384	1,897	19,561	855	36,313
-	-	-	-	37	37
-	-	8	7,694	4,207	11,910
-	493	387	2,744	4,298	9,692
25	758	775	2,936	408	104,292
-	-	-	-	-	365
13,076	16,500	27,507	76,666	52,920	913,955
-	-	-	-	111,523	146,309
-	-	-	-	974	974
67,561	-	-	-	3,504	74,231
-	-	-	-	115	115
661	-	-	-	-	661
1,179	-	-	-	-	6,975
24	17,571	10,528	101,163	62,250	200,774
4	1,786	5,490	10,048	4,598	23,372
69,428	19,357	16,018	111,211	182,964	453,410
82,504	35,857	43,525	187,877	235,884	1,367,365
319	-	-	354	407	41,687
82,823 \$	35,857 \$	43,525 \$	188,231 \$	236,291 \$	1,409,052
179 \$	2,489 \$	3,289 \$	8,598 \$	8,298 \$	75,504
103	2,459	3,723	19,812	1,172	33,945
-	-	-	41,305	-	41,305
-	-	-	548	-	1,075
-	-	-	66	20,408	20,475
-	13	-	-	13,511	126,491
600	-	-	114	239	955
-	-	-	2,070	82	2,152
-	-	-	-	16,999	78,834
-	70	51	126	122	368
83	1,069	873	3,154	188	5,669
942	-	-	820	2,398	4,230
1,907	6,100	7,936	76,614	63,419	391,004
-	-	-	-	-	29,231
-	-	-	-	64,855	333,686
-	67	26	188	90	371
202	1,632	1,201	3,933	263	7,934
154	3,929	4,352	18,831	664	28,916
73,002	-	-	14,841	29,551	117,666
73,359	5,629	5,579	37,792	95,422	517,804
75,266	11,729	13,515	114,406	158,840	908,808
-	-	-	2	38	41
27	19,220	15,942	93,347	34,858	173,737
-	-	-	-	29,518	247,372
-	-	-	-	2,857	86,040
7,530	4,908	14,069	(19,524)	10,179	(6,947)
7,557	24,128	30,010	73,823	77,413	500,203
82,823 \$	35,857 \$	43,525 \$	188,231 \$	236,291 \$	1,409,052

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2014**

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
<b>Operating Revenues:</b>					
Charges for Goods and Services	\$ 568,837	\$ -	\$ -	\$ -	256
Participant and Employer Contributions	-	14,985	-	1,279,336	-
Investment and Interest Income	-	-	-	-	363
Miscellaneous	64	130	-	4	-
<b>Total Operating Revenues</b>	<b>568,901</b>	<b>15,116</b>	<b>-</b>	<b>1,279,339</b>	<b>620</b>
<b>Operating Expenses:</b>					
Personal Services	5,925	-	-	-	5,248
Supplies and Services	66,585	1,419	1,881	4,957	3,607
Lottery Prize Awards	336,695	-	-	-	-
Depreciation	20	-	-	-	1,323
Benefit Expense	-	27,668	57,787	1,279,717	-
Interest Expense	-	-	-	-	-
Other Expenses	54	566	386	5,020	-
<b>Total Operating Expenses</b>	<b>409,278</b>	<b>29,652</b>	<b>60,054</b>	<b>1,289,694</b>	<b>10,177</b>
<b>Operating Income (Loss)</b>	<b>159,623</b>	<b>(14,537)</b>	<b>(60,054)</b>	<b>(10,354)</b>	<b>(9,558)</b>
<b>Nonoperating Revenues (Expenses):</b>					
Operating Grants	-	-	-	-	1,168
Investment and Interest Income	(1,483)	10,741	28,182	26,645	36
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	1
Interest Expense	-	-	-	-	(20)
Gifts and Donations	-	-	-	-	162
Miscellaneous Revenues	15	-	3	-	41
Other Expenses:					
Property Tax Credits	(161,617)	-	-	-	-
Grants Disbursed	(7)	-	-	-	(2,620)
Other	-	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(163,091)</b>	<b>10,741</b>	<b>28,185</b>	<b>26,645</b>	<b>(1,232)</b>
<b>Income (Loss) before Transfers</b>	<b>(3,469)</b>	<b>(3,796)</b>	<b>(31,869)</b>	<b>16,291</b>	<b>(10,790)</b>
Capital Contributions	-	-	-	-	-
Transfers In	43	-	-	-	5,501
Transfers Out	(567)	-	-	-	(151)
<b>Change in Net Position</b>	<b>(3,993)</b>	<b>(3,796)</b>	<b>(31,869)</b>	<b>16,291</b>	<b>(5,441)</b>
Total Net Position, Beginning of Year	87,241	11,860	(7,356)	193,499	30,835
<b>Total Net Position, End of Year</b>	<b>\$ 83,249</b>	<b>\$ 8,064</b>	<b>\$ (39,225)</b>	<b>\$ 209,790</b>	<b>\$ 25,394</b>

Veterans Mortgage Loan Repayment	Care and Treatment Facilities			Other Enterprise	Total All Nonmajor Funds
	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities		
\$ -	\$ 17,761	\$ 32,699	\$ 257,687	\$ 61,317	938,558
-	-	-	-	-	1,294,321
5,013	-	-	-	275	5,651
-	-	-	-	877	1,074
5,013	17,761	32,699	257,687	62,469	2,239,605
2,560	52,227	43,459	171,053	11,178	291,650
549	11,470	9,911	51,673	27,444	179,495
-	-	-	-	-	336,695
7	1,661	1,113	8,095	4,417	16,635
-	-	-	-	33,461	1,398,633
4,400	-	-	-	613	5,013
342	-	-	237	4,752	11,357
7,859	65,358	54,484	231,057	81,864	2,239,478
(2,846)	(47,596)	(21,785)	26,630	(19,395)	127
-	101	198	215	-	1,682
37	-	-	3	8,539	72,699
-	(4)	-	7	-	5
-	(7)	(5)	(572)	(1,415)	(2,019)
-	-	-	260	48	469
17	377	580	249	236	1,519
-	-	-	-	-	(161,617)
(324)	-	-	(72)	-	(3,023)
-	-	-	(25)	(3)	(29)
(270)	468	773	64	7,404	(90,313)
(3,116)	(47,129)	(21,012)	26,694	(11,991)	(90,186)
-	-	-	7,383	-	7,383
207	51,153	31,134	6,268	2,010	96,317
(71)	(2,808)	(4,097)	(11,355)	(1,939)	(20,988)
(2,980)	1,217	6,025	28,990	(11,920)	(7,475)
10,537	22,911	23,985	44,833	89,332	507,678
\$ 7,557	\$ 24,128	\$ 30,010	\$ 73,823	\$ 77,413	500,203

**Combining Statement of Cash Flows - Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2014**

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
<b>Cash Flows from Operating Activities:</b>					
Cash Receipts from Customers	\$ 566,617	\$ 15,029	\$ -	\$ 1,273,376	\$ 256
Cash Payments to Suppliers for Goods and Services	(29,375)	(1,678)	(2,441)	(9,153)	(3,767)
Cash Payments to Employees for Services	(5,919)	-	-	-	(5,275)
Cash Payments for Lottery Prizes	(337,394)	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-	-
Collection of Loans	-	-	-	-	1,832
Interest Income	-	-	-	-	383
Cash Payments for Benefits	-	(18,889)	(36,651)	(1,395,378)	-
Other Operating Revenues	-	130	3	17,982	-
Other Operating Expenses	(39,330)	-	-	-	(46)
Other Sources of Cash	-	-	-	4	-
Other Uses of Cash	-	-	-	-	-
Net Cash Provided (Used) by Operating Activities	154,599	(5,408)	(39,089)	(113,171)	(6,617)
<b>Cash Flows from Noncapital Financing Activities:</b>					
Operating Grants Receipts	-	-	-	-	1,127
Grants Disbursed	-	-	-	-	(2,569)
Repayment of Bonds and Notes	-	-	-	-	-
Interest Payments	-	-	-	-	-
Property Tax Credit Payments	(168,358)	-	-	-	-
Interfund Loans Received	-	-	-	-	-
Interfund Loans Repaid	-	-	-	-	-
Transfers In	91	-	-	-	5,283
Transfers Out	(15,422)	-	-	-	(146)
Other Cash Inflows from Noncapital Financing Activities	-	-	-	-	214
Net Cash Provided (Used) by Noncapital Financing Activities	(183,689)	-	-	-	3,909
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from Issuance of Debt	-	-	-	-	-
Capital Contributions	-	-	-	-	-
Repayment of Bonds and Notes	-	-	-	-	(61)
Interest Payments	-	-	-	-	(19)
Transfers In	-	-	-	-	-
Capital Lease Obligations	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	1
Payments for Purchase of Capital Assets	-	-	-	-	(452)
Other Cash Inflows from Capital Financing Activities	-	-	-	-	201
Other Cash Outflows from Capital Financing Activities	-	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	-	(331)
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Sale and Maturities of Investment Securities	6,272	-	-	-	-
Purchase of Investment Securities	-	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-	-
Collection of Loans	-	-	-	-	-
Investment and Interest Receipts	66	10,741	28,182	26,645	36
Net Cash Provided (Used) by Investing Activities	6,338	10,741	28,182	26,645	36
Net Increase (Decrease) in Cash and Cash Equivalents	(22,751)	5,333	(10,908)	(86,525)	(3,002)
Cash and Cash Equivalents, Beginning of Year	68,212	89,118	210,702	300,373	16,078
Cash and Cash Equivalents, End of Year	\$ 45,460	\$ 94,451	\$ 199,794	\$ 213,847	\$ 13,077

Care and Treatment Facilities					
Veterans Mortgage Loan Repayment	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
\$ -	\$ 21,067	\$ 36,744	\$ 258,033	\$ 65,252	2,236,373
(545)	(13,244)	(9,370)	(51,518)	(26,313)	(147,405)
(2,559)	(52,809)	(42,960)	(169,699)	(11,268)	(290,489)
-	-	-	-	-	(337,394)
40	-	-	-	(70)	(30)
17,956	-	-	-	388	20,176
5,901	-	-	-	23	6,306
-	-	-	-	(39,339)	(1,490,258)
-	-	-	-	4,952	23,067
(760)	-	-	-	(7,597)	(47,732)
-	3,966	2,299	2,797	603	9,669
-	-	-	(8,949)	(1)	(8,950)
20,033	(41,020)	(13,287)	30,664	(13,371)	(26,666)
-	94	-	213	48	1,482
(333)	-	-	(72)	-	(2,973)
(21,335)	-	-	-	-	(21,335)
(4,399)	-	-	-	(613)	(5,012)
-	-	-	-	-	(168,358)
-	-	-	7,290	-	7,290
-	-	-	(15,608)	-	(15,608)
-	49,306	31,300	6,132	2,100	94,211
(71)	(2,808)	(4,105)	(9,445)	(1,939)	(33,936)
17	-	-	260	8	498
(26,121)	46,592	27,195	(11,231)	(397)	(143,742)
-	-	-	709	2,604	3,313
-	-	-	7,347	-	7,347
-	-	-	(880)	(4,694)	(5,636)
-	(7)	(5)	(698)	(1,436)	(2,166)
-	1,657	-	-	(89)	1,568
-	(71)	(49)	(117)	(117)	(354)
-	-	-	14	-	15
(23)	(1,708)	(3,286)	(12,481)	(898)	(18,848)
-	-	-	33	223	456
-	-	-	(935)	(407)	(1,342)
(23)	(130)	(3,339)	(7,008)	(4,816)	(15,647)
-	-	-	-	2,554	8,826
-	-	-	-	(4,420)	(4,420)
-	-	-	-	(172)	(172)
-	-	-	-	241	241
13	-	-	4	5,623	71,310
13	-	-	4	3,827	75,786
(6,098)	5,442	10,569	12,428	(14,757)	(110,269)
15,512	6,526	6,052	17,155	42,174	771,902
\$ 9,414	\$ 11,968	\$ 16,620	\$ 29,584	\$ 27,417	661,633

(Continued)

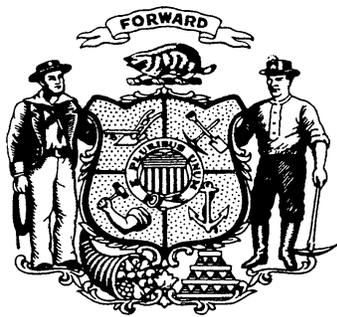
**Combining Statement of Cash Flows - Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2014**

(Continued)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:</b>					
Operating Income (Loss)	\$ 159,623	\$ (14,537)	\$ (60,054)	\$ (10,354)	\$ (9,558)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	20	-	-	-	1,323
Provision for Uncollectible Accounts	-	-	-	-	(53)
Operating Income (Investment Income) Classified as Investing Activity	-	-	-	-	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	-	-	-	-
Miscellaneous Nonoperating Income (Expense)	-	-	-	-	-
Changes in Assets and Liabilities:					
Decrease (Increase) in Receivables	(2,514)	54	(7)	(949)	1,872
Decrease (Increase) in Due from Other Funds	36	290	(174)	(10,688)	(74)
Decrease (Increase) in Due from Other Governments	-	-	-	-	-
Decrease (Increase) in Inventories	66	-	-	-	3
Decrease (Increase) in Prepaid Items	(208)	(7)	-	(97,917)	(4)
Decrease (Increase) in Other Assets	(341)	-	-	-	10
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(2,740)	223	357	1,508	(145)
Increase (Decrease) in Due to Other Funds	463	17	348	15	16
Increase (Decrease) in Due to Other Governments	-	-	-	-	(9)
Increase (Decrease) in Tax and Other Deposits	-	-	-	-	-
Increase (Decrease) in Unearned Revenue	162	-	-	5,150	-
Increase (Decrease) in Compensated Absences	(5)	-	-	-	42
Increase (Decrease) in Postemployment Benefits	38	-	-	-	(40)
Increase (Decrease) in Future Benefits and Loss Liabilities	-	8,552	20,441	64	-
Total Adjustments	(5,023)	9,129	20,964	(102,816)	2,941
Net Cash Provided (Used) by Operating Activities	\$ 154,599	\$ (5,408)	\$ (39,089)	\$ (113,171)	\$ (6,617)
<b>Noncash Investing, Capital and Financing Activities:</b>					
Change in Investments for Prize Annuities Payable	\$ 2,417	\$ -	\$ -	\$ -	\$ -
Net Change in Unrealized Gains and Losses	(1,551)	-	-	-	-
Other	-	-	-	-	-

Veterans Mortgage Loan Repayment	Care and Treatment Facilities			Other Enterprise	Total All Nonmajor Funds
	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities		
\$ (2,846) \$	(47,596) \$	(21,785) \$	26,630 \$	(19,395) \$	127
7	1,661	1,113	8,095	4,417	16,635
(417)	-	-	(134)	(59)	(663)
-	-	-	-	(253)	(253)
4,400	-	-	-	613	5,013
-	487	567	894	160	2,108
19,282	3,332	6,450	9,265	(12,237)	24,548
(24)	(273)	(702)	(11,673)	734	(22,548)
-	-	-	441	(2,983)	(2,542)
-	(75)	23	(427)	346	(64)
(1)	(72)	(31)	(64)	(130)	(98,434)
(463)	-	-	(102)	-	(896)
60	385	1,419	(149)	5,925	6,842
18	620	(835)	(2,417)	431	(1,323)
(9)	-	-	(398)	-	(416)
-	-	-	7	616	623
-	-	-	-	2,125	7,437
27	296	166	362	(23)	865
(1)	216	328	334	46	922
-	-	-	-	6,297	35,354
22,879	6,577	8,498	4,034	6,024	(26,793)
\$ 20,033 \$	(41,020) \$	(13,287) \$	30,664 \$	(13,371) \$	(26,666)

\$ - \$	- \$	- \$	- \$	- \$	- \$	2,417
-	-	-	-	-	3,150	1,599
-	-	-	-	-	698	698



# Internal Service Funds

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**INTERNAL SERVICE:** Internal service funds account for the operations of State agencies which render services to other State agencies, institutions, or other governmental units on a cost-reimbursement basis. The State's internal service funds are described below:

The **Technology Services Fund** accounts for computer and telephone services provided to State and local governmental agencies and school systems. The moneys to finance these services come from computing service charges and telephone and data network charges.

The **Fleet Services Fund** accounts for the costs associated with providing vehicle and aircraft services to State agencies. Moneys to finance these services come from user fees and the sale of used vehicles.

The **Financial Services Fund** accounts for the costs associated with providing accounting, auditing, payroll and other financial services to State agencies. Moneys to finance these services come from State agency user fees.

The **Facilities Operations and Maintenance Fund** accounts for the costs of operating State-owned facilities including utilities, heat, protective services, custodial and maintenance services and minor repair projects. The moneys to finance these costs are supplied from rents charged for facility and parking use and a general purpose revenue supplement for maintenance of the capitol and executive residence.

The **Risk Management Fund** accounts for the costs of losses for damage to property owned by agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, and workers' compensation costs for State employees. Moneys to finance these costs come from charges to State agencies.

The **Badger State Industries Fund** accounts for the program which gives inmates work experience in manufacturing goods and providing services. The sale of goods and services provides the moneys necessary to run the program.

**Combining Statement of Net Position - Internal Service Funds**  
**June 30, 2014**

(In Thousands)

	Technology Services	Fleet Services	Financial Services
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ -	\$ 5,013
Receivables (net of allowance):			
Other Receivables	1,026	183	373
Due from Other Funds	16,895	2,003	2,092
Due from Other Governments	-	20	-
Inventories	808	54	-
Prepaid Items	2,310	28	37
Total Current Assets	<u>21,038</u>	<u>2,288</u>	<u>7,516</u>
Noncurrent Assets:			
Prepaid Items	494	-	-
Depreciable Capital Assets (net of accumulated depreciation)	25,209	28,410	2
Nondepreciable Capital Assets	-	-	-
Total Noncurrent Assets	<u>25,704</u>	<u>28,410</u>	<u>2</u>
Total Assets	<u>46,742</u>	<u>30,698</u>	<u>7,517</u>
<b>Deferred Outflows of Resources</b>			
Total Assets and Deferred Outflows of Resources	<u>\$ 46,742</u>	<u>\$ 30,698</u>	<u>\$ 7,517</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	\$ 7,521	\$ 1,804	\$ 132
Due to Other Funds	1,490	418	3,310
Interfund Payables	18,653	23,474	-
Due to Other Governments	666	-	362
Interest Payable	-	-	-
Short-term Notes Payable	-	-	-
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	1,241	-	-
Compensated Absences	639	57	130
General Obligation Bonds Payable	-	-	-
Total Current Liabilities	<u>30,211</u>	<u>25,752</u>	<u>3,933</u>
Noncurrent Liabilities:			
Accounts Payable and Other Accrued Liabilities	-	-	-
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	3,163	-	-
Compensated Absences	1,731	93	347
Other Postemployment Benefits	1,039	167	229
General Obligation Bonds Payable	-	-	-
Total Noncurrent Liabilities	<u>5,932</u>	<u>260</u>	<u>576</u>
Total Liabilities	<u>36,144</u>	<u>26,012</u>	<u>4,509</u>
<b>Deferred Inflows of Resources</b>			
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	20,777	28,410	2
Unrestricted	(10,179)	(23,724)	3,007
Total Net Position	<u>10,598</u>	<u>4,686</u>	<u>3,008</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 46,742</u>	<u>\$ 30,698</u>	<u>\$ 7,517</u>

	Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
\$	21,810	\$ 455	\$ -	27,279
	349	150	134	2,215
	3,458	8,892	2,019	35,358
	63	-	41	124
	132	-	3,026	4,021
	182	16	73	2,645
	25,994	9,513	5,294	71,642
	-	-	-	494
	218,885	-	3,263	275,770
	41,412	-	74	41,487
	260,297	-	3,337	317,750
	286,291	9,513	8,631	389,392
	3,484	-	10	3,494
\$	289,775	\$ 9,513	\$ 8,642	392,887
\$	3,319	\$ 202	\$ 1,126	14,104
	4,735	327	430	10,709
	-	-	2,543	44,670
	157	-	1	1,186
	1,238	-	11	1,249
	22,751	-	4	22,755
	-	75,000	-	75,000
	24	-	178	1,444
	419	28	99	1,373
	15,171	-	71	15,241
	47,814	75,556	4,463	187,730
	-	-	32	32
	-	30,036	-	30,036
	25	-	476	3,664
	598	31	125	2,925
	1,072	126	532	3,165
	155,400	-	534	155,934
	157,096	30,193	1,699	195,756
	204,910	105,750	6,162	383,486
	287	-	3	290
	70,188	-	2,050	121,427
	14,391	(96,237)	427	(112,316)
	84,578	(96,237)	2,477	9,111
\$	289,775	\$ 9,513	\$ 8,642	392,887

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Internal Service Funds  
For the Fiscal Year Ended June 30, 2014**

(In Thousands)

	Technology Services	Fleet Services	Financial Services
<b>Operating Revenues:</b>			
Charges for Goods and Services	\$ 120,606	\$ 12,608	\$ 8,780
Miscellaneous	5	-	-
Total Operating Revenues	120,610	12,608	8,780
<b>Operating Expenses:</b>			
Personal Services	16,645	2,064	3,689
Supplies and Services	88,802	8,429	3,678
Depreciation	5,560	4,294	8
Benefit Expense	-	-	-
Total Operating Expenses	111,007	14,786	7,375
Operating Income (Loss)	9,603	(2,178)	1,405
<b>Nonoperating Revenues (Expenses):</b>			
Operating Grants	-	-	-
Investment and Interest Income	-	-	-
Gain (Loss) on Disposal of Capital Assets	(99)	447	-
Interest Expense	-	(1)	-
Miscellaneous Revenues	1,228	274	-
Other Expenses:			
Federal Settlement	(846)	-	(362)
Other Expenses	-	-	-
Total Nonoperating Revenues (Expenses)	282	721	(362)
Net Income (Loss)	9,886	(1,458)	1,043
Transfers In	13	474	7
Transfers Out	(6,039)	(86)	(1,102)
Net Change in Net Position	3,860	(1,070)	(52)
Total Net Position, Beginning	6,738	5,756	3,060
Total Net Position, Ending	\$ 10,598	\$ 4,686	\$ 3,008

	<b>Facilities Operations and Maintenance</b>	<b>Risk Management</b>	<b>Badger State Industries</b>	<b>Totals</b>
\$	60,064	\$ 33,578	\$ 18,385	254,020
	-	3,952	-	3,957
	60,064	37,530	18,385	257,977
	16,052	1,278	3,933	43,660
	23,225	6,854	13,175	144,163
	12,575	-	434	22,871
	-	36,724	-	36,724
	51,851	44,857	17,541	247,417
	8,213	(7,327)	844	10,559
	179	-	-	179
	21	-	-	21
	-	-	24	372
	(7,313)	(4)	(68)	(7,386)
	107	-	76	1,685
	-	-	-	(1,208)
	(164)	-	-	(164)
	(7,171)	(4)	33	(6,501)
	1,042	(7,331)	876	4,058
	4,822	-	8	5,323
	(10,841)	(127)	(188)	(18,383)
	(4,978)	(7,458)	696	(9,001)
	89,556	(88,779)	1,781	18,112
\$	84,578	\$ (96,237)	\$ 2,477	9,111

**Combining Statement of Cash Flows - Internal Service Funds  
For the Fiscal Year Ended June 30, 2014**

(In Thousands)

	Technology Services	Fleet Services	Financial Services
<b>Cash Flows from Operating Activities:</b>			
Cash Receipts from Customers	\$ 115,058	\$ 12,206	\$ 7,014
Cash Payments to Suppliers for Goods and Services	(83,390)	(7,548)	(1,103)
Cash Payments to Employees for Services	(16,569)	(2,077)	(3,669)
Cash Payments for Benefits	-	-	-
Other Operating Revenues	5	-	-
Other Sources of Cash	969	274	-
Other Uses of Cash	(180)	-	(362)
Net Cash Provided (Used) by Operating Activities	15,893	2,856	1,881
<b>Cash Flows from Noncapital Financing Activities:</b>			
Interest Payments	(4)	(1)	-
Interfund Loans Received	-	2,155	-
Interfund Loans Repaid	(1,900)	-	-
Transfers In	13	474	7
Transfers Out	(6,039)	(86)	(1,102)
Net Cash Provided (Used) by Noncapital Financing Activities	(7,931)	2,543	(1,095)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from Issuance of Debt	-	-	-
Repayment of Bonds and Notes	-	-	-
Interest Payments	(7)	-	-
Capital Lease Obligations	(707)	-	-
Proceeds from Sale of Capital Assets	-	1,061	-
Payments for Purchase of Capital Assets	(7,247)	(6,460)	-
Other Cash Inflows from Capital Financing Activities	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,962)	(5,399)	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	786
Cash and Cash Equivalents, Beginning of Year	0	0	4,227
Cash and Cash Equivalents, End of Year	\$ 0	\$ 0	\$ 5,013

	Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
\$	59,580	26,518	18,597	238,972
	(24,999)	(6,680)	(13,153)	(136,873)
	(15,521)	(1,252)	(3,977)	(43,063)
	-	(31,255)	-	(31,255)
	-	-	76	81
	85	3,952	-	5,280
	-	-	-	(542)
	19,145	(8,716)	1,543	32,601
	-	-	-	(5)
	-	-	-	2,155
	-	-	(1,094)	(2,994)
	4,822	-	8	5,323
	(10,794)	(127)	(188)	(18,335)
	(5,972)	(127)	(1,274)	(13,855)
	4,371	-	40	4,411
	(15,588)	-	(64)	(15,652)
	(7,495)	(4)	(65)	(7,571)
	(24)	-	(138)	(869)
	-	-	33	1,094
	(6,021)	-	(76)	(19,804)
	1,790	-	-	1,790
	(22,967)	(4)	(269)	(36,601)
	(9,794)	(8,847)	-	(17,856)
	31,604	9,303	-	45,134
\$	21,810	455	0	27,279

(Continued)

**Combining Statement of Cash Flows - Internal Service Funds  
For the Fiscal Year Ended June 30, 2014**

(Continued)

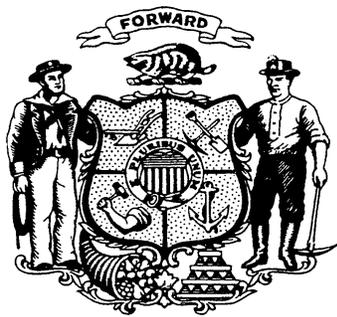
	Technology Services	Fleet Services	Financial Services
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 9,603	\$ (2,178)	\$ 1,405
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	5,560	4,294	8
Miscellaneous Nonoperating Income (Expense)	123	274	(362)
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	(396)	49	(249)
Decrease (Increase) in Due from Other Funds	(5,579)	(452)	(1,517)
Decrease (Increase) in Due from Other Governments	427	-	-
Decrease (Increase) in Inventories	91	23	-
Decrease (Increase) in Prepaid Items	2,105	(4)	(2)
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	2,750	613	16
Increase (Decrease) in Due to Other Funds	166	244	2,370
Increase (Decrease) in Due to Other Governments	666	-	198
Increase (Decrease) in Compensated Absences	410	3	3
Increase (Decrease) in Postemployment Benefits	(33)	(11)	11
Increase (Decrease) in Future Benefits and Loss Liabilities	-	-	-
Total Adjustments	6,289	5,034	476
Net Cash Provided (Used) by Operating Activities	\$ 15,893	\$ 2,856	\$ 1,881

**Noncash Investing, Capital and Financing Activities:**

Assets Acquired through Capital Leases	\$ 5,175	\$ -	\$ -
Other	\$ -	\$ -	\$ -

	<b>Facilities Operations and Maintenance</b>	<b>Risk Management</b>	<b>Badger State Industries</b>	<b>Totals</b>
\$	8,213 \$	(7,327) \$	844 \$	10,559
	12,575	-	434	22,871
	85	-	76	196
	259	23	(38)	(352)
	(722)	(7,083)	217	(15,136)
	(21)	-	32	439
	(45)	-	378	447
	(4)	2	7	2,103
	172	61	(421)	3,191
	(1,448)	129	64	1,525
	60	-	-	924
	(27)	(4)	(11)	375
	49	12	(39)	(11)
	-	5,469	-	5,469
	10,932	(1,390)	699	22,041
\$	19,145 \$	(8,716) \$	1,543 \$	32,601

\$	- \$	- \$	- \$	5,175
\$	- \$	- \$	9 \$	9



# Fiduciary Funds

**FIDUCIARY:** Fiduciary funds are maintained to account for assets held by the State acting in the capacity as a trustee or agent. The State's fiduciary funds, consisting of pension and other employee benefit trust, investment trust, private-purpose trust, and agency funds, are described below:

**PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS:** Pension and other employee benefit trust funds are used to report resources that are required to be held in trust for members and beneficiaries of the public employee retirement system or other employee benefit plans.

The **Wisconsin Retirement System Fund** accounts for the collection of employee and employer contributions, the investment of assets, and the payment of retirement, disability, and death benefits to current and former employees of the State and participating local Wisconsin governments and their beneficiaries.

The **Accumulated Sick Leave Fund** accounts for the collection of employer contributions, the investment of assets, and termination payments of employees' unused sick leave balances at the time they retire.

The **Duty Disability Fund** accounts for the compensation of protective category employees of the Wisconsin Retirement System for duty-related disabilities, as well as the collection of contributions and investment activity providing funding for the benefits.

The **Reimbursed Employee Expense Fund** accounts for the collection of voluntary payroll deferrals, the investment of assets, and the reimbursement of qualifying medical, dependent care, and transportation expenses of State employees, in compliance with Internal Revenue Code Sections 132 and 425.

The **Local Retiree Life Insurance Fund** accounts for the accumulation of employer contributions, during the course of local government employees working lifetimes, for postretirement life insurance coverage for retired participants.

The **Retiree Life Insurance Fund** accounts for the accumulation of employer contributions, during the course of State employees working lifetimes, for postretirement life insurance coverage for retired participants.

**INVESTMENT TRUST FUNDS:** Investment trust funds account for assets invested on a commingled basis by the State on behalf of other governmental entities. The State's investment trust funds are described below:

The **Local Government Pooled Investment Fund** was established to enable local governments in the State to voluntarily invest any idle local moneys. The sources of this fund are local government investment deposits and their share of the investment earnings of the fund. Deductions occur as withdrawals are requested by local governments.

The **Milwaukee Retirement System Fund** accounts for funds of the Milwaukee Public Schools invested as part of the fixed and variable investment trusts of the Wisconsin Retirement System.

**PRIVATE-PURPOSE TRUST:** Private-purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

The **Tuition Trust Fund** accounts for the program that allows participants to invest in order to meet the cost of future tuition expenses.

The **BadgerRx for Individuals Fund** accounts for the program that, through the leveraged bargaining powers established by the State for employee health insurance, provides discounts and rebates on prescription drugs to participants. The program is ending due to changes in state and federal laws.

The **College Savings Program Trust Fund** accounts for the program that allows participants to invest in a college savings account to cover tuition, fees and the costs of room and board, books, supplies and equipment required for the enrollment or attendance of a beneficiary at an eligible educational institution.

The **Retiree Health Insurance Fund** accounts for the accumulation of premiums for group health insurance plans provided on a self-insured, fee for service basis or prepaid basis to retired employees of the State.

**AGENCY FUNDS:** Agency funds report those assets for which the State acts solely in a custodial capacity. The State's agency funds are described below:

The **Insurance Company Liquidation Account Fund** accounts for the assets of insurance companies that are liquidated. These assets are used to pay claims and administrative costs associated with the liquidation.

The **Local Retiree Health Insurance Fund** accounts for the accumulation of premiums for group health insurance plans provided on a self-insured, fee for service basis or prepaid basis to retired employees of participating local public employers.

The **Inmate and Resident Fund** accounts for the assets of inmates and residents in State institutions.

The **Bank and Insurance Company Deposits Fund** accounts for the statutorily required deposits of securities with the State by banks and insurance companies doing business in the State.

The **Support Collection Trust Fund** accounts for the centralized receipt and disbursement of court ordered temporary or permanent maintenance, child support or family support and related fees.

*State of Wisconsin*

**Combining Statement of Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds**  
**June 30, 2014**

(In Thousands)

	Wisconsin Retirement System	Accumulated Sick Leave	Duty Disability	Reimbursed Employee Expense	Local Retiree Life Insurance	Retiree Life Insurance	Totals
<b>Assets</b>							
Cash and Cash Equivalents	\$ 220,604	\$ 2,349,564	\$ 597,723	\$ 5,056	\$ -	\$ -	3,172,948
Securities Lending Collateral	1,002,722	-	-	-	-	-	1,002,722
Prepaid Items	26,362	11,361	-	877	-	-	38,601
Receivables (net of allowance):							
Prior Service Contributions							
Receivable	62,516	-	-	-	-	-	62,516
Benefits Overpayment Receivable	2,968	4	353	-	-	-	3,325
Due from Other Funds	29,433	2,873	917	288	3	2	33,516
Due from Component Units	5,663	-	-	-	-	-	5,663
Interfund Receivables	37,921	-	-	-	-	-	37,921
Due from Other Governments	104,916	-	3,483	-	-	-	108,399
Interest and Dividends Receivable	236,577	-	-	-	-	-	236,577
Investment Sales Receivable	773,650	-	-	-	-	-	773,650
Other Receivables	13,804	-	-	604	18	13	14,439
Total Receivables	1,267,448	2,877	4,753	892	21	16	1,276,007
Investments:							
Fixed Income	26,372,170	-	-	-	-	-	26,372,170
Stocks	48,960,585	-	-	-	-	-	48,960,585
Options	5,070	-	-	-	-	-	5,070
Financial Futures Contracts and Swaps	49,076	-	-	-	-	-	49,076
Limited Partnerships	10,381,478	-	-	-	-	-	10,381,478
Preferred Securities	231,255	-	-	-	-	-	231,255
Convertible Securities	52,398	-	-	-	-	-	52,398
Real Estate	739,443	-	-	-	-	-	739,443
Multi-asset Investments	3,544,183	-	-	-	-	-	3,544,183
External Investment Pool	-	-	-	-	239,725	365,909	605,634
Foreign Currency Contracts	(12,130)	-	-	-	-	-	(12,130)
Total Investments	90,323,528	-	-	-	239,725	365,909	90,929,162
Capital Assets	3,365	-	-	-	-	-	3,365
<b>Total Assets</b>	<b>92,844,030</b>	<b>2,363,802</b>	<b>602,476</b>	<b>6,825</b>	<b>239,746</b>	<b>365,925</b>	<b>96,422,804</b>
<b>Liabilities</b>							
Accounts Payable and Other							
Accrued Liabilities	47,975	-	2,723	4,793	-	-	55,491
Reverse Repurchase Agreements	862,948	-	-	-	-	-	862,948
Securities Lending Collateral Liability	1,002,722	-	-	-	-	-	1,002,722
Annuities Payable	288,159	-	-	-	-	-	288,159
Due to Other Funds	62,173	755	361	306	-	-	63,595
Interfund Payables	-	-	-	-	21	16	37
Short Sales of Securities	136,915	-	-	-	-	-	136,915
Investment Payable	518,245	-	-	-	-	-	518,245
Unearned Revenue	146	-	-	941	-	-	1,087
Compensated Absences Payable	-	2,267,704	-	-	-	-	2,267,704
<b>Total Liabilities</b>	<b>2,919,283</b>	<b>2,268,458</b>	<b>3,083</b>	<b>6,041</b>	<b>21</b>	<b>16</b>	<b>5,196,903</b>
<b>Net Position</b>							
Held in Trust for Pension							
Benefits and Other Purposes	\$ 89,924,747	\$ 95,344	\$ 599,393	\$ 784	\$ 239,725	\$ 365,909	\$ 91,225,902

*State of Wisconsin*

**Combining Statement of Changes in Fiduciary Net Position - Pension and Other  
Employee Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2014**

(In Thousands)

	Wisconsin Retirement System	Accumulated Sick Leave	Duty Disability	Reimbursed Employee Expense	Local Retiree Life Insurance	Retiree Life Insurance	Totals
<b>Additions</b>							
Contributions:							
Employer Contributions	\$ 914,698	\$ 53,682	\$ 53,902	\$ -	\$ 1,753	\$ 1,277	\$ 1,025,311
Employee Contributions	871,260	-	-	27,101	5,820	3,459	907,640
Total Contributions	1,785,958	53,682	53,902	27,101	7,573	4,736	1,932,951
Investment Income:							
Net Appreciation (Depreciation) in Fair Value of Investments	10,135,139	-	-	-	-	-	10,135,139
Interest	645,745	-	-	-	-	-	645,745
Dividends	1,125,694	-	-	-	-	-	1,125,694
Securities Lending Income	26,091	-	-	-	-	-	26,091
Other	209,243	-	-	-	-	-	209,243
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	-	280,420	68,503	4	9,610	14,752	373,288
Less:							
Investment Expense	(362,011)	-	-	-	-	-	(362,011)
Securities Lending Rebates and Fees	(2,241)	-	-	-	-	-	(2,241)
Investment Income Distributed to Other Funds	(434,429)	-	-	-	-	-	(434,429)
Net Investment Income	11,343,231	280,420	68,503	4	9,610	14,752	11,716,519
Interest on Prior Service Receivable	3,533	-	-	-	-	-	3,533
Miscellaneous Income	189	-	7	53	39	29	318
Total Additions	13,132,912	334,102	122,411	27,157	17,222	19,517	13,653,321
<b>Deductions</b>							
Retirement Benefits and Refunds:							
Retirement, Disability, and Beneficiary	4,224,358	-	-	-	-	-	4,224,358
Separations	33,271	-	-	-	-	-	33,271
Total Retirement Benefits and Refunds	4,257,629	-	-	-	-	-	4,257,629
Distributions	-	-	-	25,918	-	-	25,918
Other Benefit Expense	-	276,577	31,427	-	11,984	18,608	338,596
Administrative Expense	22,858	1,249	820	1,175	1,228	722	28,052
Total Deductions	4,280,486	277,826	32,247	27,093	13,213	19,330	4,650,195
Net Increase (Decrease)	8,852,425	56,275	90,165	64	4,010	187	9,003,126
Net Position - Beginning of Year	81,072,322	39,069	509,228	720	235,715	365,722	82,222,776
Net Position - End of Year	\$ 89,924,747	\$ 95,344	\$ 599,393	\$ 784	\$ 239,725	\$ 365,909	\$ 91,225,902

**Combining Statement of Fiduciary Net Position - Investment Trust Funds  
June 30, 2014**

(In Thousands)

	<b>Local Government Pooled Investment</b>	<b>Milwaukee Retirement System</b>	<b>Totals</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,401,910	\$ 184,131	\$ 2,586,041
Total Assets	2,401,910	184,131	2,586,041
<b>Liabilities</b>			
Due to Other Funds	112	-	112
Total Liabilities	112	-	112
<b>Net Position</b>			
Held in Trust for Pool Participants and Other Purposes	\$ 2,401,798	\$ 184,131	\$ 2,585,930

**Combining Statement of Changes in Fiduciary Net Position - Investment Trust Funds  
For the Fiscal Year Ended June 30, 2014**

(In Thousands)

	<b>Local Government Pooled Investment</b>	<b>Milwaukee Retirement System</b>	<b>Totals</b>
<b>Additions</b>			
Deposits	\$ 9,617,467	\$ 8,500	\$ 9,625,967
Investment Income	2,950	24,936	27,886
Less: Investment Expense	(529)	-	(529)
Net Investment Income	2,421	24,936	27,357
Total Additions	9,619,888	33,436	9,653,324
<b>Deductions</b>			
Distributions	9,876,172	17,500	9,893,672
Administrative Expense	113	-	113
Total Deductions	9,876,285	17,500	9,893,785
Net Increase (Decrease)	(256,397)	15,936	(240,461)
Net Position - Beginning of Year	2,658,195	168,195	2,826,391
Net Position - End of Year	\$ 2,401,798	\$ 184,131	\$ 2,585,930

**Combining Statement of Fiduciary Net Position - Private-Purpose Trust Funds  
June 30, 2014**

(In Thousands)

	Tuition Trust	BadgerRx for Individuals	College Savings Program Trust	Retiree Health Insurance	Totals
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,543	\$ 403	\$ 47,523	\$ -	49,469
Prepaid Items	-	-	69	9,811	9,881
Receivables (net of allowance):					
Due from Other Funds	-	-	2	15	17
Other Receivables	8	-	20,425	8,613	29,047
Due From Other Governments	-	-	-	6,837	6,837
Total Receivables	8	-	20,428	15,465	35,901
Investments:					
Investments of Private Purpose Trust Funds	4,425	-	3,674,411	-	3,678,835
Total Investments	4,425	-	3,674,411	-	3,678,835
Total Assets	5,976	403	3,742,430	25,277	3,774,086
<b>Liabilities</b>					
Accounts Payable	-	-	21,599	2,050	23,649
Due to Other Funds	-	-	5	9,811	9,816
Interfund Payables	-	-	-	37,921	37,921
Future Benefit and Loss Liabilities	-	-	-	5,299	5,299
Unearned Revenue	-	-	-	16,093	16,093
Total Liabilities	-	-	21,604	71,173	92,777
<b>Net Position</b>					
Held in Trust	\$ 5,976	\$ 403	\$ 3,720,827	\$ (45,897)	3,681,309

## Combining Statement of Changes in Fiduciary Net Position - Private-Purpose Trust Funds For the Fiscal Year Ended June 30, 2014

(In Thousands)

	Tuition Trust	BadgerRx for Individuals	College Savings Program Trust	Retiree Health Insurance	Totals
<b>Additions</b>					
Contributions:					
Other	\$ -	\$ 190	\$ -	\$ -	190
Premiums				200,335	200,335
Federal Subsidy				19,438	19,438
Deposits	-	-	381,954	-	381,954
Investment Income	92	-	491,353	(3,713)	487,732
Less:					
Investment Expense	-	-	(5,834)	-	(5,834)
Net Investment Income	92	-	485,518	(3,713)	481,897
Miscellaneous Income	-	-	-	3	3
Total Additions	92	190	867,473	216,063	1,083,817
<b>Deductions</b>					
Distributions	695	-	295,617	-	296,312
Benefit Expense				231,174	231,174
Administrative Expense	9	120	3,302	7,158	10,589
Transfers Out	-	-	2	-	2
Total Deductions	704	120	298,921	238,332	538,077
Net Increase (Decrease)	(613)	70	568,551	(22,269)	545,740
Net Position - Beginning of Year	6,589	333	3,152,275	(23,628)	3,135,569
Net Position - End of Year	\$ 5,976	\$ 403	\$ 3,720,827	\$ (45,897)	\$ 3,681,309

**Combining Statement of Fiduciary Net Position - Agency Funds  
June 30, 2014**

(In Thousands)

	Insurance Company Liquidation Account	Local Retiree Health Insurance	Inmate and Resident	Bank and Insurance Company Deposits	Support Collection Trust	Totals
<b>Assets</b>						
Cash and Cash Equivalents	\$ 5,007	\$ -	\$ 13,502	\$ -	\$ 12,639	\$ 31,147
Prepaid Items	-	1,300	-	-	-	1,300
Receivables (net of allowance):						
Due from Other Funds	-	16	1,939	-	81	2,036
Due from Other Governments	-	720	-	-	-	720
Due from Employers	-	12,999	-	-	-	12,999
Other Receivables	-	829	389	-	-	1,218
Total Receivables	-	14,564	2,328	-	81	16,974
Investments	-	-	95	-	-	95
Other Assets	-	-	-	319,199	-	319,199
Total Assets	\$ 5,007	\$ 15,864	\$ 15,925	\$ 319,199	\$ 12,720	\$ 368,715
<b>Liabilities</b>						
Accounts Payable	\$ 5,007	\$ 14,064	\$ -	\$ -	\$ 12,720	\$ 31,791
Tax and Other Deposits	-	1,800	15,925	319,199	-	336,924
Total Liabilities	\$ 5,007	\$ 15,864	\$ 15,925	\$ 319,199	\$ 12,720	\$ 368,715

**Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Fiscal Year Ended June 30, 2014**

(In Thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Insurance Company Liquidation Account</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 5,259	\$ -	\$ 252	\$ 5,007
Total Assets	<u>\$ 5,259</u>	<u>\$ -</u>	<u>\$ 252</u>	<u>\$ 5,007</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 5,259	\$ -	\$ 252	\$ 5,007
Total Liabilities	<u>\$ 5,259</u>	<u>\$ -</u>	<u>\$ 252</u>	<u>\$ 5,007</u>
<b>Local Retiree Health Insurance</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ -	\$ 25,396	\$ 25,396	\$ -
Prepaid Items	-	1,300	-	1,300
Receivables (net of allowance):				
Due from Other Funds	-	1,296	1,280	16
Due from Other Governments	749	2,047	2,076	720
Due from Employers	10,269	27,191	24,461	12,999
Other Receivables	854	1,640	1,666	829
Total Assets	<u>\$ 11,872</u>	<u>\$ 58,870</u>	<u>\$ 54,878</u>	<u>\$ 15,864</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 10,109	\$ 14,898	\$ 10,943	\$ 14,064
Tax and Other Deposits	1,763	1,800	1,763	1,800
Total Liabilities	<u>\$ 11,872</u>	<u>\$ 16,698</u>	<u>\$ 12,706</u>	<u>\$ 15,864</u>
<b>Inmate and Resident</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 13,458	\$ 89,041	\$ 88,997	\$ 13,502
Receivables (net of allowance):				
Due from Other Funds	1,611	7,849	7,521	1,939
Other Receivables	479	5,800	5,889	389
Investments	131	16	52	95
Total Assets	<u>\$ 15,679</u>	<u>\$ 102,705</u>	<u>\$ 102,459</u>	<u>\$ 15,925</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 1	\$ 262	\$ 262	\$ -
Due to Other Funds	-	470	470	-
Tax and Other Deposits	15,678	77,098	76,851	15,925
Total Liabilities	<u>\$ 15,679</u>	<u>\$ 77,830</u>	<u>\$ 77,584</u>	<u>\$ 15,925</u>

(Continued)

**Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Fiscal Year Ended June 30, 2014**

(Continued)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Bank and Insurance Company Deposits</b>				
<b>Assets:</b>				
Other Assets:				
Assets Held in Custody for Others	\$ 313,035	\$ 86,662	\$ 80,498	\$ 319,199
Total Assets	<u>\$ 313,035</u>	<u>\$ 86,662</u>	<u>\$ 80,498</u>	<u>\$ 319,199</u>
<b>Liabilities:</b>				
Tax and Other Deposits	\$ 313,035	\$ 86,662	\$ 80,498	\$ 319,199
Total Liabilities	<u>\$ 313,035</u>	<u>\$ 86,662</u>	<u>\$ 80,498</u>	<u>\$ 319,199</u>
<b>Support Collection Trust</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 10,388	\$ 977,979	\$ 975,729	\$ 12,639
Receivables (net of allowance):				
Due from Other Funds	77	81	77	81
Total Assets	<u>\$ 10,465</u>	<u>\$ 978,061</u>	<u>\$ 975,806</u>	<u>\$ 12,720</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 10,465	\$ 978,061	\$ 975,806	\$ 12,720
Total Liabilities	<u>\$ 10,465</u>	<u>\$ 978,061</u>	<u>\$ 975,806</u>	<u>\$ 12,720</u>
<b>Total - All Agency Funds</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 29,105	\$ 1,092,416	\$ 1,090,373	\$ 31,147
Receivables (net of allowance):				
Due from Other Funds	1,688	9,226	8,877	2,036
Due from Other Governments	749	2,047	2,076	720
Due from Employers	10,269	27,191	24,461	12,999
Other Receivables	1,333	7,440	7,555	1,218
Investments	132	16	52	95
Other Assets:				
Assets Held in Custody for Others	313,035	86,662	80,498	319,199
Total Assets	<u>\$ 356,310</u>	<u>\$ 1,226,297</u>	<u>\$ 1,213,893</u>	<u>\$ 368,715</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 25,834	\$ 993,220	\$ 987,263	\$ 31,791
Due to Other Funds	-	470	470	-
Tax and Other Deposits	330,476	165,560	159,112	336,924
Total Liabilities	<u>\$ 356,310</u>	<u>\$ 1,159,250</u>	<u>\$ 1,146,846</u>	<u>\$ 368,715</u>

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# STATISTICAL SECTION

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**Statistical Section Narrative and Table of Contents**

**Narrative**

The statistical section of Wisconsin's Comprehensive Annual Financial Report provides additional historical perspective, context, and detail to assist financial statement users in understanding the government's economic condition. The State's financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information are presented in the following sections:

**Page**

**Financial Trends Information**

The following schedules are intended to assist users in understanding and assessing how the State's financial position has changed over time. Information is presented at both the entity wide and fund level perspective.

*Entity-Wide Perspective (Accrual Basis of Accounting)*

Schedule A-1	Net Position by Component .....	208
Schedule A-2	Changes in Net Position .....	210

*Fund-Level Perspective (Modified Accrual Basis of Accounting)*

Schedule A-3	Fund Balances of Governmental Funds .....	214
Schedule A-4	Changes in Fund Balances of Governmental Funds .....	216

**Revenue Capacity Information**

The following information is intended to assist users in understanding and assessing the factors affecting the State's ability to generate tax revenues to finance its continued operations.

Schedule B-1	Personal Income by Industry .....	218
Schedule B-2	Personal Income Tax Rates .....	219
Schedule B-3	Personal Income Filers and Liability by Income Level .....	220

**Debt Capacity Information**

The following information is presented to assist the user in understanding and assessing the State's debt burden and its ability to issue additional debt.

Schedule C-1	Ratio of Outstanding Debt by Type .....	221
Schedule C-2	Ratio of General Obligation Bonded Debt and Appropriation Bonds to Personal Income and Per Capita.....	222
Schedule C-3	Legal Debt Margin .....	224
Schedule C-4	Department of Transportation Revenue Bond Coverage .....	225
Schedule C-5	Environmental Improvement Fund Revenue Bond Coverage .....	226
Schedule C-6	Petroleum Inspection Fee Revenue Bond Coverage .....	227

**Demographic and Economic Information**

The following information provides demographic and economic indicators to assist the reader in understanding the socioeconomic environment within which the State's financial activities takes place.

Schedule D-1	Demographic and Economic Statistics .....	228
Schedule D-2	Principal Employers .....	229

Statistical Section Narrative and Table of Contents

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		Page
<b>Operating Information</b>		
The following information relates to the operations, services and resources provided within the State's financial environment.		
Schedule E-1	Full Time Equivalent State Government Employees by Function/Program.....	230
Schedule E-2	Operating Indicators by Function.....	232
Schedule E-3	Capital Asset Statistics by Function .....	234
Schedule E-4	Local Government Property Insurance Fund Ten-Year Claims Development Information .....	236
Schedule E-5	Income Continuation Insurance Risk Pool Ten-Year Claims Development Information .....	238
Schedule E-6	Long-term Disability Insurance Risk Pool Ten-Year Claims Development Information .....	239
Schedule E-7	Health Insurance Risk Pool (Standard Plan) Ten-Year Claims Development Information .....	240
Schedule E-8	Health Insurance Risk Pool (Pharmacy Benefit) Ten-Year Claims Development Information .....	241

## Net Position by Component (Accrual Basis of Accounting)

For the Last Ten Fiscal Years

	2014	2013	2012	2011
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 17,185,161	\$ 16,284,840	\$ 15,249,918	\$ 14,405,385
Restricted	1,622,695	1,409,449	1,392,163	1,269,746
Unrestricted	(8,846,226)	(9,101,649)	(9,402,946)	(9,751,338)
Total Governmental Activities Net Position	\$ 9,961,629	\$ 8,592,640	\$ 7,239,135	\$ 5,923,792
<b>Business-type Activities:</b>				
Net Investment in Capital Assets	\$ 4,540,378	\$ 4,383,457	\$ 4,270,087	\$ 4,108,668
Restricted	4,120,908	3,628,036	3,235,508	3,078,086
Unrestricted	779,860	700,149	105,083	(417,321)
Total Business-type Activities Net Position	\$ 9,441,146	\$ 8,711,641	\$ 7,610,678	\$ 6,769,433
<b>Primary Government:</b>				
Net Investment in Capital Assets	\$ 21,725,539	\$ 20,668,297	\$ 19,520,005	\$ 18,514,053
Restricted	5,743,603	5,037,485	4,627,671	4,347,832
Unrestricted	(8,066,366)	(8,401,500)	(9,297,863)	(10,168,659)
Total Primary Government Net Position	\$ 19,402,775	\$ 17,304,281	\$ 14,849,813	\$ 12,693,225

(a) In 2008, the Life Insurance Fund was reclassified from a fiduciary to a proprietary fund.

(b) In 2007, GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was implemented. In the same year, the Health Insurance Risk Sharing Plan, an enterprise fund, became an authority and is no longer included in the Comprehensive Annual Financial Report.

(c) In 2005, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, was implemented.

Source: State of Wisconsin, Department of Administration, State Controller's Office

**Schedule A-1**

(In Thousands)

	<b>2010</b>		<b>2009</b>		<b>2008 (a)</b>		<b>2007 (b)</b>		<b>2006</b>		<b>2005 (c)</b>
\$	13,914,376	\$	13,492,047	\$	12,900,350	\$	12,275,649	\$	12,291,617	\$	11,499,433
	1,125,016		1,105,242		1,309,409		1,331,102		1,218,005		1,314,931
	(9,456,213)		(8,939,033)		(8,322,198)		(8,168,852)		(8,238,766)		(7,723,238)
<b>\$</b>	<b>5,583,179</b>	<b>\$</b>	<b>5,658,256</b>	<b>\$</b>	<b>5,887,562</b>	<b>\$</b>	<b>5,437,898</b>	<b>\$</b>	<b>5,270,855</b>	<b>\$</b>	<b>5,091,125</b>
\$	3,932,783	\$	3,649,767	\$	3,438,954	\$	3,225,114	\$	3,243,637	\$	2,997,647
	2,668,608		2,494,489		3,161,901		3,503,289		3,336,784		3,222,638
	(491,209)		28,756		298,301		457,089		140,047		178,697
<b>\$</b>	<b>6,110,183</b>	<b>\$</b>	<b>6,173,012</b>	<b>\$</b>	<b>6,899,157</b>	<b>\$</b>	<b>7,185,492</b>	<b>\$</b>	<b>6,720,467</b>	<b>\$</b>	<b>6,398,984</b>
\$	17,847,159	\$	17,141,814	\$	16,339,304	\$	15,500,763	\$	15,535,254	\$	14,497,080
	3,793,624		3,599,731		4,471,310		4,834,391		4,554,789		4,537,569
	(9,947,422)		(8,910,277)		(8,023,897)		(7,711,763)		(8,098,719)		(7,544,541)
<b>\$</b>	<b>11,693,362</b>	<b>\$</b>	<b>11,831,268</b>	<b>\$</b>	<b>12,786,719</b>	<b>\$</b>	<b>12,623,390</b>	<b>\$</b>	<b>11,991,322</b>	<b>\$</b>	<b>11,490,109</b>

## Changes in Net Position (Accrual Basis of Accounting)

For the Last Ten Fiscal Years

	2014	2013	2012	2011
<b>Expenses</b>				
Governmental Activities:				
Commerce	\$ 249,517	\$ 244,141	\$ 274,384	\$ 411,297
Education	6,404,995	6,234,973	6,226,185	6,737,282
Transportation	2,047,341	2,117,768	1,967,864	2,264,460
Environmental Resources	487,948	488,515	431,983	506,235
Human Relations and Resources	12,603,671	12,169,309	12,157,044	11,970,708
General Executive	598,258	596,605	755,504	727,015
Judicial	123,616	126,399	124,784	132,940
Legislative	63,755	63,673	58,737	65,641
Tax Relief and Other General Expenses	1,350,637	1,327,934	1,359,015	1,352,293
Intergovernmental - Shared Revenue	960,926	957,061	989,906	1,023,532
Interest on Debt	487,477	518,277	523,737	479,142
Total Governmental Activities	25,378,140	24,844,656	24,869,142	25,670,547
Business-type Activities:				
Injured Patients and Families Compensation	(13,388)	(14,326)	36,725	(42,589)
Environmental Improvement	50,015	51,646	59,434	90,037
University of Wisconsin System	4,674,496	4,513,243	4,418,333	4,393,866
Unemployment Insurance Reserve	931,114	1,366,991	1,763,830	2,513,060
Other Business-type	2,406,229	2,282,914	2,283,938	2,273,768
Total Business-type Activities	8,048,466	8,200,467	8,562,260	9,228,143
Total Primary Government Expenses	\$ 33,426,606	\$ 33,045,124	\$ 33,431,402	\$ 34,898,690
<b>Revenues</b>				
<b>Program Revenues (All Types Consolidated):</b>				
Governmental Activities:				
Charges for Services:				
Commerce	\$ 270,456	\$ 240,663	\$ 248,448	\$ 245,893
Education	18,880	21,383	19,107	21,594
Transportation	733,592	707,599	713,537	678,493
Environmental Resources	218,338	249,807	222,587	231,990
Human Relations and Resources	712,035	718,946	705,026	701,312
General Executive	251,230	244,075	240,439	271,082
Judicial	51,191	56,636	60,593	63,623
Intergovernmental - Shared Revenue	52,548	53,126	53,490	54,199
Other	1,667	1,777	2,002	1,831
Operating Grants and Contributions	8,727,362	8,571,743	8,805,070	9,416,373
Capital Grants and Contributions	730,007	775,963	861,484	1,019,793
Total Governmental Activities	11,767,306	11,641,718	11,931,783	12,706,183
Business-type Activities:				
Charges for Services:				
University of Wisconsin System	3,402,011	3,541,438	3,461,615	3,284,047
Health Insurance	1,279,339	1,249,745	1,260,103	1,288,426
Unemployment Insurance Reserve	1,319,283	1,324,308	1,328,158	1,205,063
Other Activities	1,050,320	1,027,624	989,391	948,977
Operating Grants and Contributions	711,345	976,734	1,117,774	1,863,453
Capital Grants and Contributions	54,415	68,821	103,505	99,521
Total Business-type Activities	7,816,713	8,188,670	8,260,546	8,689,487
Total Primary Government Revenues	\$ 19,584,019	\$ 19,830,388	\$ 20,192,329	\$ 21,395,670
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (13,610,834)	\$ (13,202,938)	\$ (12,937,359)	\$ (12,964,364)
Business-type Activities	(231,753)	(11,797)	(301,714)	(538,656)
Total Primary Government Net Expense	\$ (13,842,587)	\$ (13,214,735)	\$ (13,239,074)	\$ (13,503,019)

(a) In 2004, Annual Appropriation Bonds were issued to payoff the State's unfunded accrued prior service (pension) liability and its unfunded accrued liability for accumulated sick leave. The 2004 balance for Tax Relief and Other General Expenses includes \$782.4 million of employee benefit liability expenses.

(b) In 2005, the Veterans Mortgage Loan Repayment Fund was no longer considered a major fund.

**Schedule A-2**

(In Thousands)

2010	2009	2008	2007	2006	2005
\$ 329,954	\$ 298,908	\$ 293,362	\$ 289,452	\$ 267,195	\$ 257,112
6,662,846	6,707,734	6,477,194	6,413,120	6,270,218	5,818,372
2,281,649	2,069,477	1,911,514	1,850,586	1,774,161	1,801,595
487,361	534,850	486,531	471,767	466,997	418,616
11,539,481	10,398,237	9,078,665	8,698,915	8,436,702	8,441,099
650,196	551,358	536,527	540,268	542,303	478,782
129,753	130,916	125,798	119,991	114,853	111,690
65,232	65,626	65,356	62,457	59,938	57,047
1,288,156	1,274,940	1,135,551	956,749	857,866	837,970 (a)
1,032,162	1,035,050	1,019,275	1,016,313	1,016,718	1,011,052
467,850	665,367	500,270	479,402	477,465	424,217
<b>24,934,640</b>	<b>23,732,463</b>	<b>21,630,043</b>	<b>20,899,020</b>	<b>20,284,418</b>	<b>19,657,549</b>
58,515	(58,215)	137,747	57,873	(2,307)	77,624
148,594	48,486	43,436	42,671	42,764	39,482
4,195,430	4,016,459	3,920,563	3,663,119	3,519,740	3,425,045
3,416,939	2,215,332	950,923	882,622	821,122	844,869
2,139,171	2,057,077	1,966,242	1,862,525	2,082,861	1,959,230 (b)
<b>9,958,649</b>	<b>8,279,139</b>	<b>7,018,911</b>	<b>6,508,810</b>	<b>6,464,181</b>	<b>6,346,250</b>
<b>\$ 34,893,289</b>	<b>\$ 32,011,602</b>	<b>\$ 28,648,954</b>	<b>\$ 27,407,830</b>	<b>\$ 26,748,598</b>	<b>\$ 26,003,799</b>
\$ 253,713	\$ 173,231	\$ 208,363	\$ 196,564	\$ 181,332	\$ 158,494
21,586	19,859	23,291	21,614	21,781	23,298
684,360	676,871	610,421	515,046	520,807	486,406
214,332	214,277	201,790	190,149	198,344	184,416
634,789	562,382	226,343	233,679	203,413	175,584
275,349	244,988	275,298	248,221	325,570	217,128
66,881	67,096	66,165	61,698	60,777	61,377
46,090	-	-	-	-	-
1,983	1,375	5,800	5,854	6,612	6,896
9,288,956	7,901,598	6,030,638	5,819,764	5,723,527	5,826,288
1,109,437	861,984	726,671	717,758	600,681	666,843
<b>12,597,476</b>	<b>10,723,661</b>	<b>8,374,780</b>	<b>8,010,347</b>	<b>7,842,844</b>	<b>7,806,730</b>
3,098,677	2,845,573	2,606,437	2,515,487	2,403,104	2,330,027
1,183,544	1,075,757	977,165	907,984	1,009,013	947,530
1,037,608	772,779	735,536	719,517	729,124	766,985
924,374	906,014	918,147	885,770	1,170,031	1,141,562
2,263,961	743,051	397,889	389,004	332,362	356,738
109,829	126,336	70,949	112,773	35,719	34,523
<b>8,617,993</b>	<b>6,469,510</b>	<b>5,706,123</b>	<b>5,530,535</b>	<b>5,679,353</b>	<b>5,577,365</b>
<b>\$ 21,215,469</b>	<b>\$ 17,193,171</b>	<b>\$ 14,080,903</b>	<b>\$ 13,540,882</b>	<b>\$ 13,522,197</b>	<b>\$ 13,384,095</b>
\$ (12,337,164)	\$ (13,008,802)	\$ (13,255,263)	\$ (12,888,673)	\$ (12,441,574)	\$ (11,850,819)
(1,340,656)	(1,809,629)	(1,312,788)	(978,275)	(784,827)	(768,884)
<b>\$ (13,677,818)</b>	<b>\$ (14,818,431)</b>	<b>\$ (14,568,050)</b>	<b>\$ (13,866,946)</b>	<b>\$ (13,226,400)</b>	<b>\$ (12,619,705)</b>

## Changes in Net Position (Accrual Basis of Accounting)

For the Last Ten Fiscal Years

	2014	2013	2012	2011
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities:				
Taxes:				
Income Taxes	\$ 8,369,654	\$ 8,290,429	\$ 8,059,907	\$ 7,478,058
Sales and Excise Taxes	5,322,607	5,096,132	4,978,948	4,820,894
Public Utility Taxes	351,669	335,753	358,822	324,480
Motor Fuel (Transportation-related) Taxes	1,053,485	1,016,542	1,026,181	1,029,857
Other Taxes	471,126	439,339	451,420	396,040
Investment Earnings	2,301	1,789	(204)	2,072
Contributions and Miscellaneous	401,276	431,680	422,722	402,172
Special Items - Sale of Future Tobacco Settlement Revenues	-	-	-	-
Special Items - Purchase of Future Tobacco Settlement Revenues	-	-	-	-
Transfers	(960,987)	(1,110,877)	(1,122,833)	(1,187,273)
Total Governmental Activities	15,011,132	14,500,788	14,174,963	13,266,301
Business-type Activities:				
Investment Earnings	22,039	(67)	20,607	6,286
Contributions and Miscellaneous	3,069	4,172	1,550	2,709
Transfers	960,987	1,110,877	1,122,833	1,187,273
Total Business-type Activities	986,097	1,114,983	1,144,990	1,196,268
Total Primary Government	\$ 15,997,229	\$ 15,615,771	\$ 15,319,952	\$ 14,462,568
<b>Change in Net Position</b>				
Governmental Activities	\$ 1,400,298	\$ 1,297,849	\$ 1,237,602	\$ 301,937
Business-type Activities	754,344	1,103,186	843,276	657,612
Total Primary Government	\$ 2,154,642	\$ 2,401,035	\$ 2,080,878	\$ 959,549

Source: State of Wisconsin, Department of Administration, State Controller's Office

**Schedule A-2**

(Continued)

(In Thousands)

2010	2009	2008	2007	2006	2005
\$ 6,798,690	\$ 6,809,733	\$ 7,503,616	\$ 7,365,400	\$ 6,867,020	\$ 6,467,377
4,700,287	4,755,163	4,809,262	4,517,594	4,489,663	4,395,292
309,983	307,552	286,501	271,222	250,088	255,727
1,008,047	1,001,921	1,037,740	1,020,793	990,688	989,638
403,369	425,665	575,251	565,583	565,252	564,583
4,847	40,112	75,998	80,472	72,643	42,710
406,971	498,044	366,080	422,605	405,356	444,184
-	1,518,000	-	-	-	-
-	(1,518,000)	-	-	-	-
(1,263,325)	(1,051,574)	(1,002,000)	(1,163,529)	(1,022,896)	(1,008,160)
12,368,869	12,786,616	13,652,449	13,080,141	12,617,813	12,151,349
15,664	8,455	15,460	213,850	49,660	11,484
1,236	795	1,283	3,062	9,388	678
1,262,747	1,052,151	1,002,000	1,163,529	1,022,896	1,008,160
1,279,648	1,061,401	1,018,743	1,380,441	1,081,945	1,020,323
\$ 13,648,517	\$ 13,848,017	\$ 14,671,191	\$ 14,460,582	\$ 13,699,757	\$ 13,171,672
\$ 31,706	\$ (222,186)	\$ 397,187	\$ 191,468	\$ 176,239	\$ 300,529
(61,008)	(748,227)	(294,045)	402,166	297,117	251,438
\$ (29,301)	\$ (970,414)	\$ 103,141	\$ 593,636	\$ 473,357	\$ 551,967

**Fund Balances of Governmental Funds  
(Modified Accrual Basis of Accounting)**

For the Last Ten Fiscal Years

	2014	2013	2012	2011
<b>General Fund (Per GASB 54) (a)</b>				
Nonspendable	\$ 92,257	\$ 90,971	\$ 92,164	\$ 158,629
Restricted	264,057	239,380	202,222	166,256
Committed	279,693	279,390	125,507	16,586
Unassigned	(2,017,849)	(2,343,530)	(2,630,900)	(3,336,276)
<b>General Fund (Prior to GASB 54) (a)</b>				
Reserved	-	-	-	-
Unreserved	-	-	-	-
<b>Total General Fund</b>	<b>\$ (1,381,842)</b>	<b>\$ (1,733,789)</b>	<b>\$ (2,211,006)</b>	<b>\$ (2,994,806)</b>
<b>All Other Governmental Funds (per GASB 54) (a)</b>				
Nonspendable	\$ 1,046,340	\$ 976,434	\$ 962,462	\$ 904,327
Restricted	350,199	233,968	275,264	231,609
Committed	786,334	875,162	771,591	909,973
Assigned	-	-	-	-
Unassigned	(727,845)	(618,459)	(705,021)	(706,066)
<b>All Other Governmental Funds (prior GASB 54) (a)</b>				
Reserved	-	-	-	-
Unreserved, Reported in:				
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b>\$ 1,455,028</b>	<b>\$ 1,467,105</b>	<b>\$ 1,304,296</b>	<b>\$ 1,339,843</b>

- (a) Prior to 2011 and the implementation of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, fund balances were classified as Reserved or Unreserved. Under GASB Statement 54, fund balances are classified as Nonspendable, Restricted, Committed, or Unassigned.
- (b) In 2008, the Medical Assistance Trust Fund (a special revenue fund with fund balance of \$2.7 million at June 30, 2007) was reclassified to be included in the General Fund. Prior years have not been restated.
- (c) In 2007, the Budget Stabilization Fund (a special revenue fund with fund balance of \$.6 million at June 30, 2006) was reclassified to be included in the General Fund. Prior years have not been restated.
- (d) In 2005, the Unclaimed Property Fund was reclassified from a private purpose trust fund to be included in the General Fund. Prior years have not been restated.

Source: State of Wisconsin, Department of Administration, State Controller's Office

**Schedule A-3**

(In Thousands)

2010	2009	2008	2007	2006	2005
\$ 510,083	\$ 409,756	\$ 349,825	\$ 419,680	\$ 356,451	\$ 337,245
(3,453,386)	(3,121,381)	(2,852,559) <sup>(b)</sup>	(2,863,822) <sup>(c)</sup>	(2,506,925)	(2,459,480) <sup>(d)</sup>
<u>\$ (2,943,303)</u>	<u>\$ (2,711,626)</u>	<u>\$ (2,502,734)</u>	<u>\$ (2,444,142)</u>	<u>\$ (2,150,474)</u>	<u>\$ (2,122,235)</u>

\$ 1,834,786	\$ 1,648,775	\$ 1,730,277	\$ 1,619,918	\$ 1,761,116	\$ 1,500,475
(177,799)	(302,048)	(232,826)	(158,992) <sup>(b)</sup>	(265,660)	(157,366)
80,780	78,222	82,691	62,612	123,093	231,994
(904,840)	(867,803)	(888,941)	(718,729)	(667,392)	(530,032)
247,142	296,675	337,560	301,394	230,420	241,776
<u>\$ 1,080,069</u>	<u>\$ 853,821</u>	<u>\$ 1,028,761</u>	<u>\$ 1,106,203</u>	<u>\$ 1,181,577</u>	<u>\$ 1,286,847</u>

## Changes in Fund Balances of Governmental Funds (Modified Accrual Basis of Accounting)

For the Last Ten Fiscal Years

	2014	2013	2012	2011
<b>Revenues:</b>				
Taxes	\$ 15,580,509	\$ 15,201,494	\$ 14,878,798	\$ 14,046,595
Intergovernmental	9,295,229	9,224,190	9,515,862	10,300,640
Licenses and Permits	1,924,149	1,892,709	1,901,824	1,876,325
Charges for Goods and Services	362,458	378,822	320,518	350,162
Investment and Interest Income	54,596	17,199	52,143	35,969
Fines and Forfeitures	61,985	59,687	59,606	61,716
Gifts and Donations	21,673	22,681	19,866	16,878
<b>Miscellaneous:</b>				
Intergovernmental Transfer	-	-	-	-
Tobacco Settlement	144,893	129,353	131,298	128,592
Other	243,215	289,133	292,854	271,657
<b>Total Revenues</b>	<b>27,688,707</b>	<b>27,215,268</b>	<b>27,172,768</b>	<b>27,088,534</b>
<b>Expenditures:</b>				
<b>Current Operating:</b>				
Commerce	253,864	249,012	280,640	416,201
Education	6,364,672	6,197,593	6,185,478	6,702,922
Transportation	1,995,816	1,995,910	1,939,758	2,210,158
Environmental Resources	475,212	475,755	425,009	498,620
Human Relations and Resources	12,504,952	12,083,013	12,080,339	11,851,182
General Executive	599,063	617,920	755,828	724,037
Judicial	122,509	124,420	125,010	129,386
Legislative	63,995	62,987	63,030	64,777
<b>Tax Relief and Other General Expenditures:</b>				
Employee Benefit Liability	-	-	-	-
Other	1,350,694	1,325,954	1,362,116	1,350,793
Intergovernmental - Shared Revenue	960,926	957,061	989,906	1,023,532
<b>Debt Service:</b>				
Principal	655,551	539,822	166,080	187,136
Interest and Other Charges	531,688	543,778	528,484	507,430
Capital Outlay	1,127,863	1,028,300	1,117,222	963,772
<b>Total Expenditures</b>	<b>27,006,804</b>	<b>26,201,524</b>	<b>26,018,901</b>	<b>26,629,947</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>681,903</b>	<b>1,013,744</b>	<b>1,153,867</b>	<b>458,587</b>
<b>Other Financing Sources (Uses):</b>				
Long-term Debt Issued	522,662	629,965	575,705	825,903
Long-term Debt Issued - Refunding Bonds	662,340	387,310	849,969	256,481
Payments for Refunded Bonds	(199,715)	-	(305,887)	(224,373)
Payment to Refunding Bond Escrow Agent	(548,286)	(414,970)	(693,061)	(69,960)
Discount on Bonds	-	-	-	(144)
Premium on Bonds	151,087	104,659	222,536	91,246
Transfers In	1,422,700	1,287,517	737,360	1,280,954
Transfers Out	(2,370,089)	(2,397,765)	(1,863,467)	(2,482,937)
Capital Leases Acquisitions	21,785	5,711	9,592	16,483
Installment Purchase Acquisitions	1,424	1,302	113	308
<b>Total Other Financing Sources (Uses)</b>	<b>(336,092)</b>	<b>(396,270)</b>	<b>(467,140)</b>	<b>(306,039)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 345,811</b>	<b>\$ 617,474</b>	<b>\$ 686,726</b>	<b>\$ 152,548</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>4.6%</b>	<b>4.3%</b>	<b>2.8%</b>	<b>2.7%</b>

(a) In 2009, the State issued \$1,518.0 million of Annual Appropriation Bonds to purchase tobacco settlement revenues that had been sold to the Badger Tobacco Asset Securitization Corporation.

(b) In 2005, the Unclaimed Property Fund was reclassified from a private purpose trust fund to the General Fund. Years prior to 2005 have not been restated for this reclassification.

Source: State of Wisconsin, Department of Administration, State Controller's Office

Schedule A-4

(In Thousands)

	2010	2009	2008	2007	2006	2005 (b)
\$	13,225,609	\$ 13,249,082	\$ 14,229,280	\$ 13,743,355	\$ 13,170,610	\$ 12,647,472
	10,258,850	8,680,730	6,638,741	6,428,024	6,230,782	6,399,774
	1,819,994	1,606,833	1,202,109	1,141,117	1,123,956	1,043,742
	330,513	316,781	378,769	307,449	361,804	230,479
	40,413	70,340	109,850	116,123	103,482	70,148
	66,140	66,782	58,430	57,976	72,263	66,764
	19,295	19,816	17,447	18,881	18,687	17,469
	-	-	-	-	-	87,300
	136,841	306,179	150,165	125,908	121,227	132,055
	250,139	238,194	191,087	279,590	274,820	216,117
	26,147,794	24,554,736	22,975,877	22,218,423	21,477,631	20,911,320
	333,287	301,885	294,650	294,861	270,530	260,077
	6,624,497	6,673,017	6,445,647	6,385,551	6,245,252	5,792,108
	2,244,078	2,029,347	1,857,435	1,767,266	1,672,697	1,684,549
	476,613	503,411	471,737	462,502	462,841	412,322
	11,417,637	10,298,086	8,969,935	8,620,586	8,375,997	8,370,108
	637,175	559,262	535,493	562,573	549,582	486,351
	125,803	126,851	121,720	117,289	111,495	108,184
	64,071	63,798	63,964	61,949	60,169	57,174
	-	-	-	-	-	-
	1,289,265	1,275,882	1,085,775	955,796	857,113	837,581
	1,032,162	1,035,050	1,019,275	1,016,313	1,016,718	1,011,052
	117,568	1,812,219	420,188	407,677	426,357	337,196
	487,853	678,052	542,458	493,397	482,815	425,349
	780,325	775,189	688,598	759,780	787,998	778,510
	25,630,333	26,132,047	22,516,874	21,905,540	21,319,565	20,560,561
	517,462	(1,577,311)	459,003	312,883	158,066	350,759
	725,132	2,172,974 (a)	284,979	454,408	627,497	455,845
	372,980	-	1,007,120	436,193	133,829	719,779
	(349,907)	-	-	-	-	-
	-	-	(944,850)	(472,849)	(93,592)	(780,044)
	(932)	(371)	(4,377)	-	-	-
	63,317	28,843	15,515	48,898	44,896	96,993
	850,773	1,157,010	1,003,771	1,026,728	1,454,568	1,028,319
	(2,095,926)	(2,196,922)	(2,007,375)	(2,192,666)	(2,466,960)	(2,038,387)
	10,044	20,077	8,529	12,712	5,985	5,875
	1,428	671	770	653	2,457	1,068
	(423,092)	1,182,281	(635,918)	(685,924)	(291,319)	(510,552)
\$	94,370	\$ (395,029)	\$ (176,915)	\$ (373,041)	\$ (133,253)	\$ (159,793)
	2.4%	9.8%	4.4%	4.3%	4.4%	3.9%

## Personal Income by Industry

For the Last Ten Calendar Years

(In Millions)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Personal Income by Source:</b>										
Farm Earnings	\$ 3,363	\$ 2,575	\$ 2,983	\$ 1,989	\$ 998	\$ 1,894	\$ 2,067	\$ 1,386	\$ 1,671	\$ 1,881
Forestry, Fishing, Related Activities	518	432	476	331	368	360	343	328	310	313
Mining	331	305	209	182	243	272	228	247	226	218
Utilities	1,749	1,626	1,500	1,458	1,339	1,298	1,193	1,206	1,158	1,165
Construction	9,589	8,604	8,475	8,266	8,167	9,698	10,193	10,292	9,942	9,650
Manufacturing	33,750	33,329	31,672	30,283	28,733	32,125	31,234	31,069	30,100	29,696
Wholesale Trade	9,485	9,099	8,675	8,284	8,131	8,645	8,459	8,198	7,721	7,225
Retail Trade	10,514	10,250	10,023	9,742	9,386	9,731	9,947	9,861	9,680	9,541
Transportation and Warehousing	6,099	6,015	5,544	5,268	5,565	5,867	5,838	5,718	5,583	5,273
Information	3,892	3,719	3,431	3,272	3,480	3,585	3,417	3,166	3,057	2,984
Finance and Insurance	11,278	10,985	10,996	10,316	9,602	9,640	9,761	9,813	9,037	8,755
Real Estate and Rental and Leasing	1,741	1,675	1,564	1,415	1,501	1,542	1,524	1,768	1,898	1,829
Professional and Technical Services	10,094	9,658	9,282	8,907	9,042	9,356	8,785	8,247	7,656	7,211
Management of Companies and Enterprises	6,260	5,707	5,235	4,851	4,424	4,392	4,456	4,237	3,752	3,703
Administrative and Waste Services	5,704	5,375	5,158	4,795	4,211	4,734	4,631	4,311	4,015	3,743
Educational Services	2,570	2,499	2,369	2,229	2,106	2,015	1,885	1,754	1,628	1,632
Health Care and Social Assistance	22,489	21,426	20,805	20,111	19,712	19,060	17,905	17,166	16,326	15,743
Arts, Entertainment, and Recreation	1,436	1,387	1,419	1,355	1,289	1,346	1,301	1,233	1,137	1,126
Accommodations and Food Services	4,609	4,468	4,141	4,092	3,748	3,825	3,943	3,829	3,698	3,623
Other Services, except Public Administration	6,246	6,070	5,968	5,694	5,554	5,660	5,626	5,562	5,359	5,017
Federal, Civilian	2,413	2,478	2,746	2,741	2,604	2,522	2,442	2,401	2,288	2,252
Military	606	607	807	856	886	801	708	706	742	679
State and Local	23,383	23,496	20,711	19,783	19,607	19,143	18,265	18,230	17,392	16,562
Other (a)	69,672	69,418	61,853	61,046	60,782	55,867	52,228	47,828	42,170	40,483
<b>Total Personal Income</b>	<b>\$ 247,791</b>	<b>\$ 241,203</b>	<b>\$ 226,042</b>	<b>\$ 217,265</b>	<b>\$ 211,478</b>	<b>\$ 213,379</b>	<b>\$ 206,380</b>	<b>\$ 198,556</b>	<b>\$ 186,545</b>	<b>\$ 180,303</b>
<b>Per Capita Personal Income (in Dollars)</b>	<b>\$ 43,149</b>	<b>\$ 42,121</b>	<b>\$ 39,575</b>	<b>\$ 38,177</b>	<b>\$ 37,398</b>	<b>\$ 37,916</b>	<b>\$ 36,843</b>	<b>\$ 35,637</b>	<b>\$ 33,664</b>	<b>\$ 32,715</b>

(a) Includes dividends, interest, rental income, residence adjustment, government transfer to individuals, and deductions for social insurance.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

## Personal Income Tax Rates

For the Last Ten Calendar Years

Year	Top Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of			Average Tax Rate (a)
		Single or Head of Household	Married Filing Jointly	Married Filing Separately	
2014	7.65 %	\$ 240,190	\$ 320,250	\$ 160,130	(b) %
2013	7.75	236,600	315,460	157,730	(b)
2012	7.75	232,660	310,210	155,110	(b)
2011	7.75	224,210	298,940	149,470	(b)
2010	7.75	221,660	295,550	147,770	4.48
2009	6.75	153,280	204,370	102,190	4.45
2008	6.75	145,460	193,950	96,980	4.43
2007	6.75	142,650	190,210	95,100	4.47
2006	6.75	137,410	183,210	91,600	4.44
2005	6.75	132,580	176,770	88,390	4.48
2004	6.75	129,150	172,200	86,100	4.47

(a) Average tax rate as a percentage of Wisconsin Adjusted Gross Income (WAGI)

(b) Information is currently not available.

Source: Wisconsin Department of Revenue

## Personal Income Filers and Liability by Income Level Calendar Year 2010<sup>(a)</sup> and Ten Years Prior

<b>2010</b>					
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Net Income Tax Rate (b)
\$1,000,000 and Higher	3,530	0.12 %	\$ 631,018,340	10.40 %	6.40 %
\$500,000 to 999,999	7,560	0.26	335,632,410	5.53	6.58
\$200,000 to 499,999	42,800	1.50	714,304,840	11.78	5.83
\$100,000 to 199,999	231,220	8.08	1,544,084,980	25.45	5.14
\$70,000 to 99,999	292,140	10.21	1,139,246,960	18.78	4.68
\$50,000 to 69,999	318,450	11.13	794,454,630	13.10	4.20
\$30,000 to 49,999	491,290	17.16	666,018,300	10.98	3.46
\$10,000 to 29,999	732,290	25.58	233,737,450	3.85	1.64
Less than \$10,000	743,120	25.96	7,732,370	0.13	0.53
<b>Total</b>	<b>2,862,400</b>	<b>100.00 %</b>	<b>\$ 6,066,230,280</b>	<b>100.00 %</b>	<b>4.48 %</b>

<b>2000</b>					
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Net Income Tax Rate (b)
\$1,000,000 and Higher	2,156	0.08 %	\$ 324,479,455	6.63 %	6.30 %
\$500,000 to 999,999	4,678	0.17	198,071,806	4.05	6.28
\$200,000 to 499,999	26,158	0.96	455,108,605	9.30	6.02
\$100,000 to 199,999	117,006	4.27	827,441,035	16.91	5.47
\$70,000 to 99,999	229,063	8.36	945,695,780	19.32	5.03
\$50,000 to 69,999	336,437	12.29	923,405,464	18.87	4.64
\$30,000 to 49,999	496,276	18.12	813,330,564	16.62	4.17
\$10,000 to 29,999	789,849	28.84	392,805,813	8.03	2.56
Less than \$10,000	736,798	26.91	14,219,372	0.29	0.60
<b>Total</b>	<b>2,738,421</b>	<b>100.00 %</b>	<b>\$ 4,894,557,894</b>	<b>100.00 %</b>	<b>4.58 %</b>

(a) Information from tax year 2010 is the most current data available.

(b) Net income tax rate equals personal income tax liability as a percentage of Wisconsin Adjusted Gross Income (WAGI).

Source: Wisconsin Department of Revenue

## Ratio of Outstanding Debt by Type

For the Last Ten Fiscal Years

(In Thousands, except for Per Capita Calculation)

	2014	2013	2012	2011	2010	2009	2008	2007 (a)	2006	2005
<b>Governmental Activities:</b>										
General Obligation Bonds	\$ 5,653,151	\$ 5,841,630	\$ 5,708,860	\$ 5,337,914	\$ 4,779,727	\$ 4,244,746	\$ 4,080,880	\$ 4,066,286	\$ 4,041,982	\$ 3,763,973
Annual Appropriation Bonds (b)	3,175,789	3,256,447	3,298,422	3,331,570	3,357,795	3,378,300	1,850,802	1,792,686	1,792,488	1,792,290
Transportation Revenue Bonds	2,194,092	1,963,177	1,914,824	1,796,522	1,671,255	1,591,971	1,485,849	1,566,842	1,485,558	1,386,493
Petroleum Inspection Revenue Bonds	95,966	121,636	124,381	127,133	129,878	89,373	111,142	132,189	190,984	210,446
Badger Tobacco Asset										
Securitization Corporation Bonds	-	-	-	-	-	-	1,388,778	1,436,063	1,474,084	1,520,788
Capital Leases	51,732	24,038	33,831	40,718	31,572	32,263	37,830	41,208	36,840	22,856
Installment Contracts	1,826	984	113	265	729	475	316	451	666	1,571
<b>Business-type Activities:</b>										
General Obligation Bonds	1,607,702	1,650,362	1,569,878	1,392,358	1,235,410	1,117,248	1,154,594	1,122,337	896,268	893,196
Environmental Improvement										
Revenue Bonds	826,422	873,355	873,650	936,960	882,167	829,269	797,979	746,181	690,873	652,213
Capital Leases	43,100	20,292	26,548	31,607	34,839	110,110	116,439	121,183	47,686	48,427
<b>Total Primary Government</b>	<b>\$ 13,649,780</b>	<b>\$ 13,751,921</b>	<b>\$ 13,550,507</b>	<b>\$ 12,995,047</b>	<b>\$ 12,123,372</b>	<b>\$ 11,393,755</b>	<b>\$ 11,024,609</b>	<b>\$ 11,025,426</b>	<b>\$ 10,657,429</b>	<b>\$ 10,292,253</b>
<b>Percentage of</b>										
<b>Personal Income (c)</b>	5.51%	5.70%	5.99%	5.98%	5.79%	5.29%	5.33%	5.55%	5.71%	5.71%
<b>Per Capita</b>	2,377	2,401	2,372	2,283	2,139	2,020	1,965	1,977	1,922	1,867

(a) 2007 bonds restated to report net of issuance premiums/discounts and refundings and to include internal service funds in governmental activities.

(b) In 2004, the State issued appropriation obligations to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits. In 2009, the State issued additional appropriation bonds to purchase future tobacco settlement revenues that had been sold.

(c) These ratios are calculated using personal income and population for the prior calendar year.

SOURCE: Details regarding the State's outstanding debt can be found in the notes to the financial statements. Schedule C-2 lists personal income and population data by year.

**Ratio of General Obligation Bonded Debt and Appropriation Bonds to Personal Income and Per Capita**

For the Last Ten Fiscal Years

	2014	2013	2012	2011
General Obligation Bonds:				
Payable from Governmental Funds	\$ 5,481,976	\$ 5,664,981	\$ 5,540,586	\$ 5,182,769
Payable from Internal Service Funds	171,175	176,649	168,274	155,145
Payable from Enterprise Funds	1,607,702	1,650,362	1,569,878	1,392,358
Total General Obligation Bonds	7,260,853	7,491,992	7,278,738	6,730,272
Annual Appropriation Bonds (b)	3,175,789	3,256,447	3,298,422	3,331,570
Bonded Debt to be Paid with General Resources	\$ 10,436,642	\$ 10,748,439	\$ 10,577,160	\$ 10,061,842
Personal Income	\$ 247,790,332	\$ 241,201,961	\$ 226,042,141	\$ 217,265,390
Ratio of Bonded Debt to Personal Income (c)	4.2%	4.5%	4.7%	4.6%
Population	5,743	5,726	5,712	5,691
Bonded Debt per Capita (in Dollars) (c)	\$ 1,817	\$ 1,877	\$ 1,852	\$ 1,768

(a) 2007 bonds restated to report net of issuance premiums/discounts and refundings.

(b) 2003 Wisconsin Acts 33 and 84 were enacted and authorized the issuance of appropriation obligations 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. 2007 Wisconsin Act 226 authorized the issuance of additional appropriation obligations for the purpose of purchasing tobacco settlement revenues that had been sold by the State under s. 16.63 of Wisconsin statutes. Appropriation bonds 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 bonds 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 on the Bonds.

(c) These ratios are calculated using personal income and population for the prior calendar year.

SOURCES OF INFORMATION:

- U.S. Department of Commerce, Bureau of Census
- U.S. Department of Commerce, Bureau of Economic Analysis
- Wisconsin Department of Administration
- Wisconsin Department of Revenue

**Schedule C-2**

(In Thousands, except for Net Bonded Debt Per Capita)

	2010		2009		2008		2007 (a)		2006		2005
\$	4,628,075	\$	4,091,223	\$	3,921,719	\$	3,907,010	\$	3,879,823	\$	3,596,453
	151,652		153,523		159,161		159,276		162,159		167,520
	1,235,410		1,117,248		1,154,594		1,122,337		896,267		893,195
	6,015,137		5,361,994		5,235,474		5,188,623		4,938,249		4,657,168
	3,357,795		3,378,300		1,850,802		1,792,686		1,792,488		1,792,290
\$	9,372,932	\$	8,740,294	\$	7,086,276	\$	6,981,309	\$	6,730,737	\$	6,449,458
\$	209,347,374	\$	215,207,301	\$	206,647,824	\$	198,556,011	\$	186,545,156	\$	180,303,031
	4.5%		4.1%		3.4%		3.5%		3.6%		3.6%
	5,669		5,641		5,611		5,578		5,546		5,514
\$	1,653	\$	1,549	\$	1,263	\$	1,252	\$	1,214	\$	1,170

**Legal Debt Margin**

For the Last Ten Calendar Years

(In Thousands)

Calendar Year	Annual Debt Limit	Total Net Debt Applicable to Limit (a)	Legal Debt Margin	Legal Debt Margin as a Percentage of Debt Limit
2014 (b)	\$ 3,596,100	\$ 493,095	\$ 3,103,005	86.3 %
2013	3,506,269	583,470	2,922,799	83.4
2012	3,533,194	735,585	2,797,609	79.2
2011	3,651,482	758,000	2,893,482	79.2
2010	3,719,281	809,293	2,909,988	78.2
2009	3,839,340	542,765	3,296,575	85.9
2008	3,857,955	493,635	3,364,320	87.2
2007	3,734,403	483,280	3,251,123	87.1
2006	3,517,374	891,285	2,626,089	74.7
2005	3,209,502	471,640	2,737,862	85.3

**Calculation of Annual Public Debt Limit for 2014:**

Wis. Stat. Sec. 18.05 limits the amount of public debt contracted in any calendar year to the lesser of:

(1) Three-fourths of one percent of the aggregate value of taxable property	<u>\$ 3,596,100</u>
or	
(2) Five percent of aggregate value of taxable property	\$ 23,973,998
<u>Less:</u> Net indebtedness at January 1	<u>8,344,531</u>
	<u>\$ 15,629,467</u>
 The lesser of (1) or (2) is:	 \$ 3,596,100

(a) Consists of bonds issued less refundings.

(b) Debt issued through October 21, 2014.

SOURCE: Wisconsin Department of Administration

## Department of Transportation Revenue Bond Coverage

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenues	Debt Service		Total Debt Service	Pledged Revenue Coverage
				Principal	Interest		
2014	\$ 661,559	\$ 26	\$ 661,533	\$ 94,835	\$ 84,950	\$ 179,785	3.68
2013	632,894	(c) 41	632,853	(c) 94,715	85,651	180,366	3.51
2012	634,334	44	634,290	81,200	84,623	165,823	3.83
2011	603,768	39	603,729	77,195	79,500	156,695	3.85
2010	610,471	66	610,405	79,395	73,018	152,413	4.00
2009	603,548	68	603,480	80,395	70,787	151,182	3.99
2008	544,739	89	544,650	75,065	68,173	143,238	3.80
2007	458,077	78	457,999	71,640	68,460	140,100	3.27
2006	467,368	98	467,270	61,120	63,739	124,859	3.74
2005	436,724	138	436,586	57,885	65,433	123,318	3.54

The State of Wisconsin, Department of Transportation finances certain state highway projects and related transportation facilities through the issuance of revenue bonds. The revenue bonds, \$2,006.4 million outstanding at June 30, 2014, are secured by a pledge of the registration and registration-related fees collected under Wis. Stat. Sec. 341.25 and investments.

(a) Includes revenues from Wis. Stat. Sec. 341.25 registration and registration-related fees including fees collected under the International Registration Plan (IRP), a multi-state plan for the collection of registration fees from interstate trucking, and interest earnings.

For fiscal years 2005 and 2006, IRP revenues due Wisconsin were mistakenly recorded as a liability to other states. Gross revenues are corrected (increased) for those years.

(b) Includes administrative operating expenses.

(c) The amounts presented for Gross and Net Revenues were corrected for the fiscal year 2013 presentation. However, the coverage ratio did not change as a result of those changes.

SOURCE: Wisconsin Department of Transportation

## Environmental Improvement Fund Revenue Bond Coverage

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenues	Debt Service			Pledged Revenue Coverage
				Principal	Interest	Total Debt Service	
2014	\$ 100,420	\$ 1,181	\$ 99,239	\$ 58,195	\$ 33,782	\$ 91,977	1.08
2013	106,343	1,165	105,178	59,170	35,616	94,786	1.11
2012	100,912	1,321	99,591	58,170	39,522	97,692	1.02
2011	117,325	2,163	115,162	70,690	41,783	112,473	1.02
2010	110,429	1,603	108,826	66,865	39,387	106,252	1.02
2009	106,305	2,346	103,959	60,730	39,282	100,012	1.04
2008	99,761	2,515	97,246	53,810	36,439	90,249	1.08
2007	98,288	2,416	95,872	47,085	36,163	83,248	1.15
2006	86,289	2,348	83,941	44,775	33,197	77,972	1.08
2005	64,321	2,292	62,029	39,340	33,677	73,017	0.85

(a) Includes operating revenue from loan repayment and interest income from revenue bonds.

(b) Includes allocated administrative and general costs.

SOURCE: Wisconsin Department of Administration

**Petroleum Inspection Fee Revenue Bond Coverage**

For Last Ten Fiscal Years

(In Thousands)

Year	Fees Remitted to the Trustees (a)	Debt Service			Pledged Revenue Coverage
		Principal	Interest	Total Debt Service	
2014	\$ 71,206	\$ 24,165	\$ 5,007	\$ 29,172	2.44
2013	71,900	0	5,749	5,749	12.51
2012	74,328	0	5,770	5,770	12.88
2011	73,809	0	6,985	6,985	10.57
2010	72,540	22,350	2,632	24,982	2.90
2009	73,359	21,280	6,898	28,178	2.60
2008	76,558	20,270	10,086	30,356	2.52
2007 (b)	75,361	19,775	12,722	32,497	2.32
2006	114,949	18,205	13,728	31,933	3.60
2005	115,901	12,735	13,555	26,290	4.41

(a) The table presents the calculation of revenue bond coverage based on a ratio of petroleum inspection fees remitted to the trustee during the respective fiscal years, divided by the senior debt service payments made from those fees during each fiscal year.

(b) The 2006-2007 information does not include \$37,885,000 in principal or \$36,140 interest that were paid with monies transferred from the State's Petroleum Inspection Fund. Fiscal year 2006-2007 is the first full fiscal year at the reduced rate for petroleum inspection fees. 2005 Wisconsin Acts 25 and 85 amended Wis. Stat. Sec. 168.12 (1) by reducing the petroleum inspection fee imposed from \$0.03 per gallon to \$0.02 per gallon, effective April 1, 2006.

**Demographic and Economic Statistics**

For the Last Ten Years

Calendar Year	Population (In Thousands)	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate (a)	Public School Enrollment (b)
2013	5,743	\$ 247,790,332	\$ 43,149	6.7 %	817,637
2012	5,726	241,201,961	42,121	6.9	817,436
2011	5,712	226,042,141	39,575	7.5	816,667
2010	5,691	217,265,390	38,177	8.3	822,086
2009	5,669	209,347,374	36,927	8.7	825,382
2008	5,641	215,207,301	38,151	4.9	830,433
2007	5,611	206,647,824	36,831	4.8	836,860
2006	5,578	198,556,011	35,598	4.7	842,879
2005	5,546	186,545,156	33,635	4.8	837,313
2004	5,514	180,303,031	32,699	5.0	853,363

(a) Not seasonally adjusted

(b) Data is based on school year for Kindergarten through Grade 12. For example, for the calendar year 2013, the school year is 2013-2014.

Calendar year information is not yet available for 2014.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis  
 Wisconsin Department of Public Instruction  
 Wisconsin Department of Workforce Development

## Principal Employers 2014 and Eight Years Prior (a)

Employer	2013 (a)		2005	
	Employees	Rank	Employees	Rank
Wal-mart Associates Inc.	Greater than 9,999	1	Greater than 9,999	1
UW-Madison	Greater than 9,999	2	Greater than 9,999	2
Milwaukee Public Schools	Greater than 9,999	3	Greater than 9,999	3
US Postal Service	Greater than 9,999	4		
Menards Inc.	7,500 - 9,999	5	7,500 - 9,999	5
Department of Corrections	7,500 - 9,999	6	Greater than 9,999	4
Marshfield Clinic	7,500 - 9,999	7	5,000 - 7,499	10
Department of Veterans Affairs	7,500 - 9,999	8		
City of Milwaukee	5,000 - 7,499	9	7,500 - 9,999	6
University of Wisconsin Hospitals	5,000 - 7,499	10		
Kohl's Department Stores, Inc.			5,000 - 7,499	8
Kohler Co.			5,000 - 7,499	7
Target Corporation				
Walgreen Co.			5,000 - 7,499	9

(a) Due to changes in employer confidentiality statutes in FY 2014, employer listings that include ranking and employment size rank are no longer available for presentation.

SOURCE: Wisconsin Department of Workforce Development

**Full Time Equivalent State Government Employees by Function/Program**

For the Last Ten Fiscal Years

<b>Functions/Programs</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Commerce	1,247	1,241	1,244	1,375	1,397
Education					
University of Wisconsin System	33,489	33,117	32,617	32,882	32,205
Other Education	836	830	807	838	859
Transportation	3,335	3,122	3,156	2,942	3,174
Environmental Resources	2,428	2,366	2,294	2,275	2,470
Human Relations and Resources	20,555	20,138	19,798	19,541	20,163
General Executive	2,947	2,897	2,874	2,774	2,877
Judicial	826	826	825	832	808
Legislative	695	717	704	710	726
<b>Totals</b>	<b>66,359</b>	<b>65,254</b>	<b>64,319</b>	<b>64,168</b>	<b>64,679</b>
<b>Percentage Change</b>	<b>1.69%</b>	<b>1.45%</b>	<b>0.24%</b>	<b>-0.79%</b>	<b>0.74%</b>

Totals exclude limited term employees.

Measurement date for most positions is the last full pay period prior to June 30. In the case of the University of Wisconsin System, the March payroll is used to better capture individuals who do not have full-year appointments.

**Sources:** State of Wisconsin, Department of Administration, State Controller's Office  
University of Wisconsin System  
Wisconsin State Legislature and legislative service agencies

**Schedule E-1**

<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>Change from 2005 to 2014</b>
1,424	1,467	1,468	1,476	1,499	-16.79%
31,552	30,982	30,668	30,458	30,443	10.01%
859	880	872	886	862	-3.02%
3,238	3,315	3,350	3,247	3,348	-0.36%
2,470	2,581	2,586	2,609	2,613	-7.08%
20,191	19,972	19,656	19,337	19,604	4.85%
2,935	2,953	2,990	3,036	2,985	-1.29%
804	802	784	783	779	6.03%
734	717	732	732	732	-5.06%
64,206	63,670	63,106	62,563	62,866	5.56%
0.84%	0.89%	0.87%	-0.48%		

## Operating Indicators by Function

For the Last Ten Fiscal Years

	2014	2013	2012	2011
<b>Commerce</b>				
Agriculture				
Farm Inspections (Calendar Year)	(a)	12,554	13,115	19,853
State Fair Park				
State Fair Attendance (Calendar Year)	1,030,881	1,012,552	920,962	911,231
<b>Education</b>				
Historical Society				
Visitors to Historic Sites and State Museum	259,307	248,166	262,441	230,001
Public Instruction				
Licensed School Staff	66,144	65,608	65,446	67,077
Ratio of Students to Licensed Staff	13.2	13.3	13.3	13.0
State's Share of Spending per Student	(a)	5,615	5,553	6,050
University of Wisconsin System				
Enrollment (Full Time Equivalent)	153,252	154,843	155,163	156,039
Number of Degrees Conferred	(a)	36,323	35,708	34,608
Technical College System				
Enrollment (Degree/Career Programs)	(a)	187,750	194,623	200,271
Number of Degrees Granted	(a)	27,394	28,167	27,837
<b>Transportation</b>				
Motor Vehicle Registrations (Calendar Year)	(a)	5,585,489	5,569,097	5,526,798
Licensed Drivers (Calendar Year)	(a)	4,188,194	4,171,428	4,142,823
<b>Environmental Resources</b>				
Natural Resources				
Park Visitors (Calendar Year) (Excludes Lakeshore Park)	(a)	15,110,701	15,480,894	14,176,871
Annual Park Admission Stickers (Calendar Year)	(a)	664,191	596,223	629,439
Fishing and Hunting Licenses (License Year)	(a)	4,664,186	4,699,572	4,633,559
State Hatchery Fish Stocked	(a)	7,057,107	7,600,000	12,000,000
<b>Human Relations and Resources</b>				
Corrections (Average Daily Population)				
Adults in Correctional Facilities	22,405	22,396	22,351	22,491
Juveniles in Detention Facilities	251	252	315	349
Health Services				
Medicaid Caseload (Average Monthly)	1,160,807	1,165,699	1,175,346	1,158,284
Clients in Care and Treatment Centers (b)	1,563	1,561	1,532	1,501
FoodShare Recipients (Average Monthly)	847,905	852,810	830,559	785,300
Children and Families (Calendar Year)				
Wisconsin Works (W-2) Participants	34,034	31,647	31,982	32,402
Workforce Development				
Unemployment Insurance Initial Claims	578,439	702,828	802,736	949,796
Unemployment Insurance Benefits (In Thousands)	\$956,741	\$1,400,524	\$1,798,590	\$2,415,151
Military Affairs				
National Guard Assigned Strength	9,825	9,886	9,825	9,717
Veterans Affairs (Calendar Year)				
Residents of Veterans Homes	(a)	915	851	1,032
<b>General Executive</b>				
Administration				
Construction Projects Initiated (Calendar Year)	(a)	812	874	723
State Patrol Troopers/Inspectors (Authorized)	377/112	377/112	382/112	382/112
State Patrol Citations Issued (Calendar Year)	113,997	136,410	141,728	136,671
Employee Trust Funds (Calendar Year)				
Active Employees in Pension Plan	(a)	73,091	72,269	70,391
Active Employees in Group Health Plan	(a)	69,772	69,650	70,656

(a) Information is currently not available.

(b) Care and Treatment Center population is based on a daily average, except for the Wisconsin Resource Center from 2002 through 2006 (which is based on a client count on the last day of the month).

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies

**Schedule E-2**

2010	2009	2008	2007	2006	2005
20,835	21,446	21,331	21,134	23,435	23,539
876,020	833,285	872,458	801,420	861,408	860,078
240,723	248,689	242,121	244,783	234,515	242,931
68,036	68,681	67,939	68,071	68,284	68,853
12.8	12.7	12.9	12.9	12.8	12.5
5,742	\$5,533	\$6,018	\$5,985	\$5,847	\$5,500
153,193	149,493	147,955	144,814	144,298	142,209
33,442	33,044	32,475	32,057	30,703	30,976
199,752	185,878	178,447	177,126	175,955	174,894
26,310	24,121	23,617	24,054	23,198	23,355
5,482,518	5,539,105	5,402,565	5,455,985	5,326,693	5,371,800
4,114,622	4,085,833	4,079,562	4,075,764	4,066,273	4,049,450
14,469,998	14,435,928	13,291,541	13,063,165	13,161,106	13,410,803
677,938	579,125	571,844	517,445	516,109	367,251
4,736,620	4,786,631	4,648,467	3,183,074	3,156,267	3,125,816
8,723,781	12,409,996	7,720,740	18,209,232	9,966,000	10,929,000
23,015	23,162	23,341	23,094	22,412	22,596
466	563	587	581	596	658
1,094,058	952,175	873,229	849,630	834,027	805,702
1,571	1,639	1,681	1,762	1,775	1,825
681,826	507,228	408,360	379,046	363,678	339,820
27,835	20,904	19,030	19,289	19,174	24,244
1,209,972	1,206,008	668,665	630,013	604,013	615,122
\$3,131,688	\$2,093,627	\$939,832	\$803,753	\$833,284	\$846,984
10,180	9,944	9,979	10,035	9,764	9,777
1,040	891	870	921	854	730
787	846	960	817	894	780
382/112	382/112	382/112	382/112	382/111	372/111
141,490	146,835	142,363	150,053	146,545	158,379
72,740	72,415	72,165	71,162	70,366	70,006
72,313	71,924	71,925	70,119	68,688	68,044

**Capital Asset Statistics by Function**

For the Last Ten Fiscal Years

	2014	2013	2012	2011
<b>Commerce</b>				
State Fair Park				
Number of Buildings	40	40	39	39
Acres of Land	188	190	191	191
<b>Education</b>				
Educational Communications Board				
Communication Tower Sites	17	17	17	16
Historical Society				
Historic Sites Operated by the Historical Society	10	9	9	9
Public Instruction				
Residential Schools	2	2	2	2
University of Wisconsin System				
Number of Campuses	26	26	26	26
Technical College System				
Number of Districts and Campuses	16 and 52	16 and 49	16 and 49	16 and 49
<b>Transportation</b>				
Miles of State Highways	11,800	11,800	11,800	11,774
<b>Environmental Resources</b>				
Natural Resources				
Number of State Parks and Recreational Areas	66	66	55	55
Acres of State Parks and Recreational Areas	102,254	102,043	93,925	85,424
Number of State Forests	14	14	14	12
Acres of State Forests	526,947	526,947	519,620	518,650
Number of State Trails	41	41	41	41
Miles of State Trails	1,998	1,998	1,980	1,980
Number of Fish Hatcheries	14	14	14	14
<b>Human Relations and Resources</b>				
Corrections				
Number of Adult Correctional Institutions	19	19	19	19
Number of Adult Correctional Centers	16	16	16	16
Number of Juvenile Facilities	2	2	2	3
Health and Family Services				
Number of Care and Treatment Centers	7	7	7	7
Military Affairs				
National Guard Armories	69	69	69	67
Flight Centers	3	3	3	3
Veterans Affairs				
Number of Veterans Homes	3	3	2	2
<b>General Executive</b>				
Administration				
Number of DOA Owned Buildings	26	26	26	26
Number of General Fleet Vehicles (All Agencies)	6,069	5,702	5,706	5,777
Number of Aircraft	20	20	20	20
Public Lands				
Acres of Land	76,663	75,322	74,907	76,508

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies

2010	2009	2008	2007	2006	2005
39	42	41	41	42	42
191	191	188	188	197	197
16	19	19	19	18	17
9	9	9	9	8	8
2	2	2	2	2	2
26	26	26	26	26	26
16 and 48	16 and 47				
11,774	11,774	11,783	11,782	11,782	11,772
54	54	54	50	50	50
85,045	85,001	85,001	83,582	83,304	82,083
12	12	12	13	13	13
508,734	506,727	506,727	506,727	506,620	506,620
42	42	42	35	33	33
1,908	1,898	1,762	1,104	987	984
14	14	13	13	13	14
19	19	19	19	19	19
16	16	16	16	16	16
4	4	4	4	4	4
7	7	7	7	7	7
69	69	77	76	76	(a)
3	3	3	3	3	3
2	2	2	2	2	2
26	26	26	24	24	24
5,762	6,087	6,202	6,285	6,261	6,350
19	19	19	19	19	21
76,292	78,000	75,700	76,200	77,845	77,755

## Local Government Property Insurance Fund Ten-Year Claims Development Information

Fiscal and Policy Year Ended June 30

(In Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Premium and investment revenues:										
Earned	\$ 26,291	\$ 27,018	\$ 24,732	\$ 23,929	\$ 22,644	\$ 21,919	\$ 21,179	\$ 21,370	\$ 23,898	26,238
Ceded	4,506	3,965	3,956	4,739	4,689	5,207	5,532	6,394	7,091	8,191
Net Earned	21,785	23,053	20,776	19,190	17,955	16,712	15,647	14,976	16,807	18,047
2. Loss expenses	623	522	404	182	247	408	440	554	536	2,123
3. Estimated incurred claims and allocated expense, end of policy year										
Direct incurred	11,367	16,564	22,226	22,037	11,372	12,113	42,174	20,301	14,356	65,223
Ceded	1,744	912	5,966	621	0	0	17,115	974	0	35,555
Net Incurred	9,623	15,652	16,260	21,416	11,372	12,113	25,059	19,327	14,356	29,668
4. Paid (cumulative) as of:										
End of policy year	6,074	8,790	7,855	9,917	6,896	6,228	11,426	8,959	7,508	17,757
One year later	9,313	16,498	16,387	19,416	11,137	13,033	21,646	17,836	13,378	
Two years later	9,983	16,286	16,619	21,353	11,500	13,872	23,309	19,602		
Three years later	9,983	16,475	16,740	21,392	11,514	13,885	24,454			
Four years later	10,844	16,580	16,740	21,403	11,514	13,885				
Five years later	10,844	16,580	16,740	22,123	11,514					
Six years later	10,844	16,580	16,740	22,123						
Seven years later	10,844	16,580	16,740							
Eight years later	10,844	16,580								
Nine years later	10,844									

The table above illustrates how the Local Government Property Insurance Fund's earned revenues (net of insurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

- (1) These lines show the total of each fiscal year's earned contribution revenues and investment revenues, amount of reinsurance premium ceded and net earned revenues.
- (2) This line shows each fiscal year's other operating cost of the fund including overhead and claims expense not allocable to individual claims.
- (3) This section shows the fund's incurred claims and allocated claims adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year.

SOURCE: Wisconsin Office of Commissioner of Insurance

(Continued)

**Local Government Property Insurance Fund  
Ten-Year Claims Development Information**

Fiscal and Policy Year Ended June 30

(Continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
5. Reestimated ceded losses and expenses	\$ 1,775	\$ 1,639	\$ 5,858	\$ 0	\$ 0	\$ 0	\$ 17,867	\$ 2,387	\$ 4,877	\$ 35,555
6. Reestimated incurred claims and expense:										
End of policy year	9,623	15,652	16,260	21,416	11,372	12,113	23,963	19,327	14,356	29,668
One year later	10,087	16,629	16,923	21,561	11,489	13,871	23,258	19,354	14,653	
Two years later	10,978	16,286	16,619	21,392	11,500	13,872	23,719	19,860		
Three years later	10,978	16,475	16,740	21,392	11,514	13,885	24,454			
Four years later	11,013	16,580	16,740	22,428	11,514	13,885				
Five years later	10,844	16,580	16,740	22,123	11,514					
Six years later	10,844	16,580	16,740	22,123						
Seven years later	10,844	16,580	16,740							
Eight years later	10,844	16,580								
Nine years later	10,844									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	1,221	928	480	707	142	1,772	491	275	297	N/A

(5) This line represents the reestimated losses assumed by reinsurers as of the end of the current fiscal year for each of the policy years presented.

(6) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

(7) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

## Income Continuation Insurance Risk Pool Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31

(In Millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Net earned required contributions and investment revenues	\$ 20.5	\$ 17.9	\$ 24.4	\$ 20.5	\$ (9.1)	\$ 28.8	\$ 25.0	\$ 16.6	\$ 25.0	\$ 25.7
2. Unallocated expenses	2.1	2.1	2.4	2.4	2.4	1.8	2.0	2.3	1.9	2.0
3. Estimated incurred claims as of the end of the policy year	29.2	31.6	29.1	27.4	22.4	33.4	34.3	42.4	33.4	36.0
4. Paid (cumulative) as of:										
End of policy year	4.5	5.1	4.4	2.5	5.1	5.5	6.0	6.7	5.9	6.4
One year later	9.7	12.9	9.3	6.8	9.2	9.7	11.0	11.9	11.0	
Two years later	11.9	17.0	10.4	7.8	10.0	10.8	12.2	12.8		
Three years later	13.1	18.1	11.2	8.6	10.6	11.7	13.3			
Four years later	13.6	18.8	11.7	9.3	11.1	12.6				
Five years later	14.1	19.5	12.2	10.0	11.6					
Six years later	14.6	20.2	12.7	10.6						
Seven years later	15.1	20.8	13.2							
Eight years later	15.5	21.4								
Nine years later	16.0									
5. Reestimated incurred claims:										
End of policy year	29.2	31.6	29.1	27.4	22.4	33.4	34.3	42.4	33.4	36.0
One year later	20.5	25.1	16.7	22.5	15.8	17.5	23.0	22.3	23.1	
Two years later	21.1	25.9	17.8	13.4	15.3	17.5	20.1	20.0		
Three years later	19.7	27.0	16.8	13.9	14.7	17.7	20.1			
Four years later	20.2	24.7	16.0	13.9	14.5	18.5				
Five years later	18.5	24.4	16.1	14.3	14.7					
Six years later	18.5	24.8	16.3	15.1						
Seven years later	18.2	24.7	16.9							
Eight years later	18.6	25.2								
Nine years later	19.0									
6. Increase (decrease) in estimated incurred claims from end of policy year	(10.2)	(6.4)	(12.2)	(12.3)	(7.7)	(14.9)	(14.2)	(22.4)	(10.3)	0.0

The table above illustrates how the Income Continuation Insurance Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

- (1) This line shows the total of each calendar year's earned contribution and investment revenues.
- (2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
- (3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.  
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

SOURCE: Wisconsin Department of Employee Trust Funds

## Long-term Disability Insurance Risk Pool Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31

(In Millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1 Net earned required contributions and investment revenues	\$ 33.4	\$ 24.1	\$ 47.3	\$ 27.8	\$ (88.3)	\$ 49.3	\$ 29.8	\$ 3.0	\$ 29.9	\$ 28.2
2 Unallocated expenses	1.1	1.0	1.1	1.4	1.3	2.2	2.0	2.1	2.4	2.3
3 Estimated incurred claims as of the end of the policy year	19.4	30.6	34.6	48.3	31.1	50.2	54.2	43.5	52.0	50.6
4 Paid (cumulative) as of:										
End of policy year	0.1	0.7	1.1	1.4	1.1	1.7	1.9	1.6	2.5	2.2
One year later	1.9	2.8	3.5	5.8	5.7	7.0	7.6	8.6	10.3	
Two years later	3.9	5.4	6.8	9.4	9.4	11.3	12.5	14.2		
Three years later	6.4	8.0	9.9	12.6	12.7	15.2	16.9			
Four years later	8.0	10.3	12.7	15.5	15.7	18.7				
Five years later	9.5	12.5	15.2	18.1	18.5					
Six years later	10.8	14.6	17.4	20.8						
Seven years later	12.0	16.5	19.5							
Eight years later	13.0	18.2								
Nine years later	14.0									
5 Reestimated incurred claims:										
End of policy year	19.4	30.6	34.6	48.3	31.1	50.2	54.2	43.5	52.0	50.6
One year later	14.1	22.2	26.2	25.6	26.9	32.3	35.8	41.4	48.3	
Two years later	14.9	22.1	29.5	29.9	29.5	35.0	39.6	44.5		
Three years later	16.1	24.7	27.1	31.0	31.8	36.6	41.3			
Four years later	17.7	23.4	28.3	33.7	32.7	38.0				
Five years later	19.2	24.5	30.5	34.8	33.4					
Six years later	17.8	26.6	30.9	36.3						
Seven years later	18.7	26.4	31.9							
Eight years later	18.7	27.1								
Nine years later	19.0									
6 Increase (decrease) in estimated incurred claims from end of policy year	(0.4)	(3.5)	(2.7)	(12.0)	2.3	(12.2)	(12.9)	1.0	(3.7)	0.0

The table above illustrates how the Long-term Disability Insurance Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

- (1) This line shows the total of each calendar year's earned contribution and investment revenues.
- (2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
- (3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

SOURCE: Wisconsin Department of Employee Trust Funds

## Health Insurance Risk Pool (Standard Plan) Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31

(In Millions)

	2004	2005	2006 (a)	2007	2008	2009	2010	2011	2012	2013
1 Net earned required contributions and investment revenues	\$ 90.4	\$ 90.9	\$ 82.9	\$ 42.1	\$ 22.5	\$ 41.5	\$ 36.6	\$ 27.9	\$ 33.1	\$ 29.9
2 Unallocated expenses	6.8	7.7	4.9	3.4	5.3	5.0	5.4	6.2	5.5	5.2
3 Estimated incurred claims as of the end of the policy year	74.6	73.6	60.1	23.7	30.5	25.9	24.0	21.4	17.7	16.9
4 Paid (cumulative) as of:										
End of policy year	65.2	65.8	51.8	20.3	25.7	21.6	20.5	18.7	15.1	14.6
One year later	72.2	73.6	58.3	23.5	28.3	23.4	22.6	20.7	17.2	
Two years later	72.3	73.7	58.2	23.5	28.2	23.5	22.6	20.7		
Three years later	72.3	73.7	58.2	23.5	28.2	23.5	22.6			
Four years later	72.3	73.7	58.2	23.5	28.2	23.5				
Five years later	72.3	73.7	58.2	23.5	28.2					
Six years later	72.3	73.7	58.2	23.5						
Seven years later	72.3	73.7	58.2							
Eight years later	72.3	73.7								
Nine years later	72.3									
5 Reestimated incurred claims:										
End of policy year	74.6	73.6	60.1	23.7	30.5	25.9	24.0	21.4	17.7	16.9
One year later	72.2	73.7	58.4	23.6	28.3	23.5	22.6	20.7	17.2	
Two years later	72.3	73.7	58.2	23.5	28.2	23.5	22.6	20.7		
Three years later	72.3	73.7	58.2	23.5	28.2	23.5	22.6			
Four years later	72.3	73.7	58.2	23.5	28.2	23.5				
Five years later	72.3	73.7	58.2	23.5	28.2					
Six years later	72.3	73.7	58.2	23.5						
Seven years later	72.3	73.7	58.2							
Eight years later	72.3	73.7								
Nine years later	72.3									
6 Increase (decrease) in estimated incurred claims from end of policy year	(2.3)	0.1	(1.9)	(0.2)	(2.3)	(2.4)	(1.4)	(0.7)	(0.5)	0.0

The table above illustrates how the Health Insurance Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

- (1) This line shows the total of each calendar year's earned contribution and investment revenues.
- (2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
- (3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

- (a) Starting in 2006, in accordance with GASB 43, retiree health is reported separately in an agency fund and is not included with the active health information in this table.

SOURCE: Wisconsin Department of Employee Trust Funds

## Health Insurance Risk Pool (Pharmacy Benefit) Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31

(In Millions)

	2004	2005	2006 (a)	2007	2008	2009	2010	2011	2012	2013
1. Net earned required contributions and investment revenues	\$ 205.7	\$ 191.6	\$ 164.7	\$ 170.0	\$ 138.8	\$ 155.5	\$ 178.9	\$ 169.9	\$ 153.7	\$ 159.6
2. Unallocated expenses	7.6	9.5	7.4	8.4	8.8	6.4	8.7	6.4	8.0	4.4
3. Estimated incurred claims as of the end of the policy year	158.1	160.6	110.1	116.9	124.0	134.8	148.4	144.6	141.3	149.0
4. Paid (cumulative) as of:										
End of policy year	162.4	168.8	116.8	118.0	126.3	139.1	155.8	150.7	134.2	156.6
One year later	159.8	159.6	111.0	119.4	123.9	134.1	147.3	145.1	141.2	
Two years later	159.8	159.6	111.0	119.4	123.9	134.1	147.3	145.1		
Three years later	159.8	159.6	111.0	119.4	123.9	134.1	147.3			
Four years later	159.8	159.6	111.0	119.4	123.9	134.1				
Five years later	159.8	159.6	111.0	119.4	123.9					
Six years later	159.8	159.6	111.0	119.4						
Seven years later	159.8	159.6	111.0							
Eight years later	159.8	159.6								
Nine years later	159.8									
5. Reestimated incurred claims:										
End of policy year	158.1	160.6	110.1	116.9	124.0	134.8	148.4	144.6	141.3	149.0
One year later	159.8	159.6	111.0	119.4	123.9	134.1	147.3	145.1	141.2	
Two years later	159.8	159.6	111.0	119.4	123.9	134.1	147.3	145.1		
Three years later	159.8	159.6	111.0	119.4	123.9	134.1	147.3			
Four years later	159.8	159.6	111.0	119.4	123.9	134.1				
Five years later	159.8	159.6	111.0	119.4	123.9					
Six years later	159.8	159.6	111.0	119.4						
Seven years later	159.8	159.6	111.0							
Eight years later	159.8	159.6								
Nine years later	159.8									
6. Increase (decrease) in estimated incurred claims from end of policy year	1.7	(1.0)	0.9	2.5	(0.1)	(0.7)	(1.1)	0.5	(0.1)	0.0

The table above illustrates how the BadgerRX for Individuals Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of the calendar year. The pharmacy benefit plan began operation in 2004. The rows of the table are defined as follows:

- (1) This line shows the total of each calendar year's earned contribution and investment revenues.
- (2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
- (3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year. Paid claims include payments expected to be reimbursed as rebate payments from participating pharmaceutical companies.
- (5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Incurred claims are presented net of anticipated rebates.
- (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.  
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy.

(a) Starting in 2006, in accordance with GASB 43, retiree health is reported separately in an agency fund and is not included with the active health information in this table.

SOURCE: Wisconsin Department of Employee Trust Funds

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Cover photo of Wisconsin's State Capitol courtesy of Man M. Le, photographer.