

STATE OF WISCONSIN

General Purpose External Financial Statements



For the fiscal year ended June 30, 2025

Tony Evers, Governor

Department of Administration
Kathy Blumenfeld, Secretary
Angela Thomas, State Controller

Prepared by the State Controller's Office

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December 18, 2025

The Honorable Tony Evers
The Honorable Members of the Legislature
Citizens of the State of Wisconsin

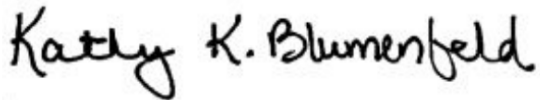
We are pleased to submit the General Purpose External Financial Statements of the State of Wisconsin for the fiscal year ended June 30, 2025. They are part of the audited Annual Comprehensive Financial Report and present financial information in conformity with generally accepted accounting principles.

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

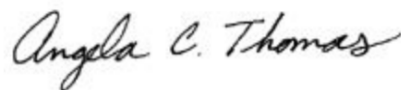
- MD&A presents a discussion and analysis of the State's financial performance during the fiscal year.
- The basic financial statements include an overview of the government as a whole (excluding the State's fiduciary activities) as well as detailed information on all governmental, proprietary, and fiduciary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

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

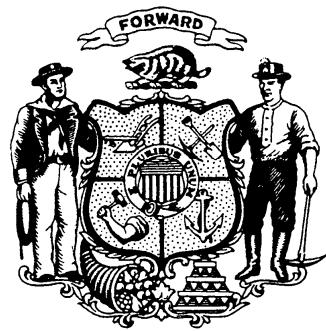
Sincerely,



Kathy Blumenfeld
Secretary



Angela Thomas, CPA
State Controller



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

Honorable Members of the Legislature

The Honorable Tony Evers, Governor

Report on the Audit of the Financial Statements**Opinions**

We have audited the financial statements 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 and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the State of Wisconsin's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above 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, 2025, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Environmental Improvement Fund, which is a major fund and represents 15.6 percent of the assets of the business-type activities, and the Deferred Compensation Fund, which represents 3.6 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 funds are based solely upon these audit reports. In addition, we did not audit the financial statements of the Wisconsin Housing and Economic Development Authority, the University of Wisconsin (UW) Hospitals and Clinics Authority, and the UW Foundation, which represent 99.1 percent of the total assets and deferred outflows of resources of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for the aggregate discretely presented component units is based solely upon these audit reports.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section. We are required to be independent of the State of Wisconsin and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The

financial statements of the Environmental Improvement Fund and the Wisconsin Housing and Economic Development Authority were audited by other auditors in accordance with these standards. The financial statements of the Deferred Compensation Fund, the UW Hospitals and Clinics Authority, and the UW 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*.

Emphases of Matter

As discussed in Note 5B, the financial statements include investments that do not have readily ascertainable market prices. Some of these investments are valued based on a variety of third-party pricing methods and others, such as private fund investments, are reported based on net asset value. Because of the inherent uncertainty of valuation, these estimated values may differ from the values that could be realized in a secondary market transaction or the amount ultimately realized.

As discussed in Note 5B, as of June 30, 2025, the State Investment Fund held \$5.8 billion in a repurchase agreement with the Wisconsin Retirement System (WRS). The investments of the State Investment Fund and the WRS are both administered by the State of Wisconsin Investment Board.

Certain account balances cannot be measured precisely but must be estimated, including actuarially accrued liabilities and infrastructure assets reported in the financial statements and notes. Notes 14, 17, 18, and 20 include a discussion of estimates used by funds that accrue liabilities based upon actuarial information, including assumptions used in their calculation, and other sources. Note 1E includes information related to the estimated historical cost of infrastructure assets constructed prior to July 1, 2000. Because estimates are based upon information available when the financial statements are prepared, actual value may differ from estimated amounts. These differences cannot be quantified.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Wisconsin's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance. Therefore, reasonable assurance is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercised professional judgment and maintained professional skepticism throughout the audit. We also identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

In addition, we obtained an understanding of internal control relevant to the audit in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Wisconsin's internal control. Accordingly, no such opinion is expressed. We also evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates and related disclosures made by management, and evaluated the overall presentation of the financial statements.

We also concluded, in our judgment, there were no conditions or events, considered in the aggregate, that raise substantial doubt about the State of Wisconsin's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the following items in the required supplementary information section, as listed in the table of contents—Postemployment Benefits-State Health Insurance Program, Postemployment Benefits-State Life Insurance Program, Postemployment Benefits-Supplemental Health Insurance Conversion Credit Program, State's Proportionate Share of Net Pension Liability or Net Pension (Asset), State's Pension Contributions, Infrastructure Assets Reported Using the Modified Approach, Budgetary Comparison Schedule-General Fund, Budgetary Comparison Schedule-Transportation Fund, and Notes to Required Supplementary Information-Budgetary Information—be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) that considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025, and published in report 25-33, on our consideration of the State of Wisconsin's internal control over financial reporting; our testing of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters. The purpose of that report is solely 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 effectiveness of the State of Wisconsin's 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 in considering State of Wisconsin's internal control over financial reporting and compliance. Report 25-33 is available on our website at www.legis.wisconsin.gov/lab.

LEGISLATIVE AUDIT BUREAU

Legislative Audit Bureau

December 17, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the State of Wisconsin's Annual Comprehensive Financial Report (ACFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended June 30, 2025. It should be read in conjunction with the transmittal letter located at the front of this ACFR, and the State's financial statements, including the note disclosures which are an integral part of the statements, that follow this part of the ACFR.

FINANCIAL HIGHLIGHTS -- PRIMARY GOVERNMENT

Government-wide (Tables 2 and 3 on Pages 11 and 12)

- *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 2025 by \$42.3 billion (reported as "net position"). Of this amount, \$637.3 million was reported as "unrestricted net position". The balance in unrestricted net position represents 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 \$960.7 million in Fiscal Year 2025. Net position of governmental activities increased by \$453.2 million or 1.6 percent, while net position of the business-type activities showed an increase of \$507.5 million or 3.9 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities.* During Fiscal Year 2025, the State's total revenues for governmental activities of \$43.3 billion were \$2.1 billion more than total expenses (excluding transfers) for governmental activities of \$41.2 billion. Of these expenses, \$18.7 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled \$24.6 billion.

Fund

- *Governmental Funds -- Fund Balances.* As of the close of Fiscal Year 2025, the State's governmental funds reported combined ending fund balances of \$10.2 billion, a decrease of \$214.6 million in comparison with the prior year. Of this total amount, \$1.1 billion represents the unassigned fund balances.
- *General Fund -- Fund Balance.* At the end of Fiscal Year 2025, total fund balance was \$3.9 billion, a change of \$556.7 million from \$4.5 billion in the prior year. The unassigned fund balance for the General Fund was \$1.1 billion, or 3.0 percent of total General Fund expenditures.

Additional information regarding individual funds begins on page 16.

Long-term Debt

- The State's total long-term debt obligations (bonds, notes, and certificates of participation payable) decreased by \$678.3 million during the current fiscal year which represents the net difference between new issuances, payments and refundings of outstanding debt. Decreases in debt resulted primarily from repayments in excess of new debt issued. During the year repayments of general obligation debt exceeded new issuances by \$79.6 million. Repayments of certificates of participation exceeded new issuances by \$13.5 million. Revenue bonds outstanding decreased by \$305.1 million. Annual appropriation bonds outstanding decreased by \$280.1 million.

Additional detail regarding these activities begins on page 21.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

- The *government-wide financial statements* provide a broad view of the State's operations. The statements provide both short-term and long-term information about the State's financial status, which assists in assessing the State's financial condition at the end of the fiscal year.
- The *fund financial statements* focus on individual parts of the State government, reporting the State's operations in greater detail than the government-wide statements. The basic fund financial statements provide more detailed information on the State's most significant funds.

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

Table 1 Major Features of State of Wisconsin's Government-wide and Fund Financial Statements				
	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	<p>Entire State government (except fiduciary funds) and the State's component units, reported as follows:</p> <ul style="list-style-type: none"> • <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. • <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. • <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. 	<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 two major governmental funds), as reported within their respective fund types, follow:</p> <ul style="list-style-type: none"> • <i>General Fund</i> (major fund) • <i>Special Revenue</i>: <ul style="list-style-type: none"> – Transportation (major fund) • <i>Debt Service</i>: <ul style="list-style-type: none"> – Bond Security and Redemption • <i>Capital Projects</i>: <ul style="list-style-type: none"> – Capital Improvement • <i>Permanent</i>: <ul style="list-style-type: none"> – Common School 	<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 three major enterprise funds, follow:</p> <ul style="list-style-type: none"> • <i>Enterprise</i>: <ul style="list-style-type: none"> – Environmental Improvement (major fund) – University of Wisconsin System (major fund) – Unemployment Reserve (major fund) – Lottery • <i>Internal services</i>: <ul style="list-style-type: none"> – Technology Services – Facilities Operations and Maintenance 	<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"> • <i>Pension and Other Employee Benefit Trust Funds</i>: <ul style="list-style-type: none"> – Wisconsin Retirement System • <i>Investment Trust</i>: <ul style="list-style-type: none"> – Local Government Pooled Investment • <i>Private Purpose Trust</i>: <ul style="list-style-type: none"> – Tuition Trust • <i>Custodial</i>: <ul style="list-style-type: none"> – Support Collection Trust
Required financial statements	<ul style="list-style-type: none"> • Statement of net position – Presents all of the government's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as "net position". Over time, increases or decreases in the State's net position is an indicator of whether its financial health is improving or weakening, respectively. • Statement of activities – Presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for different identifiable business-type activities of the State. 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position <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
Accounting basis and measurement focus	<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>
Type of asset, deferred outflows of resources, liability, deferred inflows of resources information	<p>All assets and liabilities, both financial and capital, and short-term and long-term.</p> <p>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>
Type of inflow-outflow information	<p>All revenues and expenses during the year, regardless of when cash is received or paid</p>	<ul style="list-style-type: none"> • Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter 	<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:

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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

Net Position

As presented in Table 2, total assets of the State on June 30, 2025 were \$68.6 billion and deferred outflows of resources were \$3.6 billion, while total liabilities were \$27.7 billion and deferred inflows of resources were \$2.2 billion, resulting in combined net position (governmental and business-type activities) of \$42.3 billion. The largest component of the State's total net position consists of \$27.7 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 \$13.9 billion of net position was restricted by external sources or the State Constitution or Statutes and was not available to finance the day-to-day operations of the State.

The unrestricted net position, when positive, can be used at the State's discretion, showed a balance of \$637.3 million. This is the third year the State has shown a positive unrestricted net position since the implementation of GASB 34 in Fiscal Year 2002.

During Fiscal Year 2025, the State issued \$1.8 billion of general obligation bonds, primarily for the acquisition or improvement of land, water, property, highways, buildings, and equipment. At June 30, 2025 general obligation bonds and long-term general obligation notes outstanding totaled \$6.9 billion. Certificates of participation, annual appropriation bonds, and revenue bonds are not considered general obligation debt of the State. The outstanding amount of these totaled \$43.7 million of certificates of participation, \$1.9 billion of annual appropriation bonds, and \$2.0 billion of revenue bonds.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2025	2024*	2025	2024*	2025	2024*	2025-2024
Current and Other Assets	\$ 21,099.4	\$ 21,471.5	\$ 12,140.8	\$ 11,567.7	\$ 33,240.2	\$ 33,039.2	0.6 %
Capital Assets	28,306.8	27,946.0	7,003.4	6,637.4	35,310.2	34,583.4	2.1
Total Assets	49,406.1	49,417.5	19,144.2	18,205.2	68,550.3	67,622.6	1.4
Deferred Outflows of Resources	1,860.2	2,305.2	1,736.0	2,392.7	3,596.2	4,697.9	(23.5)
Long-term Liabilities	13,196.3	13,713.0	5,078.9	4,949.9	18,275.3	18,662.9	(2.1)
Other Liabilities	8,094.0	8,119.9	1,337.3	1,210.6	9,431.3	9,330.4	1.1
Total Liabilities	21,290.3	21,832.9	6,416.2	6,160.5	27,706.6	27,993.3	(1.0)
Deferred Inflows of Resources	1,102.5	1,469.6	1,071.3	1,552.2	2,173.9	3,021.8	(28.1)
Net Position:							
Net investment in							
Capital Assets	24,442.8	23,701.9	5,005.7	4,672.6	27,749.3	26,755.4	3.7
Restricted	6,195.0	6,000.8	7,684.5	7,421.1	13,879.5	13,421.9	3.4
Unrestricted (deficit)	(1,764.3)	(1,282.5)	702.4	791.5	637.3	1,128.1	(43.5)
Total Net Position	\$ 28,873.5	\$ 28,420.2	\$ 13,392.6	\$ 12,885.2	\$ 42,266.1	\$ 41,305.4	2.3 %

* Amounts for the prior fiscal year include restatements of prior year's balances.

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 \$28.9 billion and general revenues of \$24.7 billion for total revenues of \$53.5 billion during Fiscal Year 2025. Expenses for the State during Fiscal Year 2025 were \$52.6 billion. As a result of the excess of revenues over expenses, the total net position of the State increased \$960.7 million, net of contributions and transfers.

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2025	2024*	2025	2024*	2025	2024*	2025-2024
Program Revenues:							
Charges for Services	\$ 2,621.6	\$ 2,617.2	\$ 8,629.0	\$ 8,361.6	\$ 11,250.6	\$ 10,978.8	2.5 %
Operating Grants and Contributions	14,985.7	15,427.1	1,345.5	1,269.7	16,331.2	16,696.8	(2.2)
Capital Grants and Contributions	1,114.0	1,101.4	161.0	107.2	1,275.0	1,208.6	5.5
General Revenues:							
Income Taxes	12,715.2	12,099.0	—	—	12,715.2	12,099.0	5.1
Sales and Excise Taxes	8,621.7	8,316.4	—	—	8,621.7	8,316.4	3.7
Public Utility Taxes	369.3	384.1	—	—	369.3	384.1	(3.9)
Motor Fuel Taxes	1,108.9	1,111.4	—	—	1,108.9	1,111.4	(0.2)
Other Taxes	561.2	520.2	—	—	561.2	520.2	7.9
Other General Revenues	1,235.2	1,471.1	64.1	68.4	1,299.3	1,539.5	(15.6)
Total Revenues	43,332.8	43,048.0	10,199.6	9,806.8	53,532.4	52,854.8	1.3
Program Expenses:							
Commerce	709.5	652.9	—	—	709.5	652.9	8.7
Education	9,939.3	10,410.9	—	—	9,939.3	10,410.9	(4.5)
Transportation	3,246.3	3,006.9	—	—	3,246.3	3,006.9	8.0
Environmental Resources	669.3	627.6	—	—	669.3	627.6	6.6
Human Relations and Resources	21,423.7	20,817.2	—	—	21,423.7	20,817.2	2.9
General Executive	1,145.9	1,168.1	—	—	1,145.9	1,168.1	(1.9)
Judicial	181.2	167.5	—	—	181.2	167.5	8.1
Legislative	93.8	90.7	—	—	93.8	90.7	3.4
Tax Relief and Other General Expenditures	2,025.1	1,829.9	—	—	2,025.1	1,829.9	10.7
Intergovernmental - Shared Revenue	1,498.0	1,222.5	—	—	1,498.0	1,222.5	22.5
Interest on Long-term Debt	295.5	308.6	—	—	295.5	308.6	(4.2)
Injured Patients and Families Compensation	—	—	147.9	98.9	147.9	98.9	49.5
Environmental Improvement	—	—	110.3	68.1	110.3	68.1	61.9
University of Wisconsin System	—	—	6,920.1	6,531.5	6,920.1	6,531.5	5.9
Unemployment Reserve	—	—	371.1	364.2	371.1	364.2	1.9
Lottery	—	—	981.5	1,056.7	981.5	1,056.7	(7.1)
Health Insurance	—	—	2,074.8	1,915.1	2,074.8	1,915.1	8.3
Care and Treatment Facilities	—	—	574.4	527.5	574.4	527.5	8.9
Other Business-type	—	—	180.4	171.9	180.4	171.9	5.0
Total Expenses	41,227.5	40,302.9	11,360.3	10,733.8	52,587.8	51,036.7	3.0
Excess (deficiency) before Contributions, Special Items and Transfers	2,105.3	2,745.1	(1,160.8)	(927.0)	944.6	1,818.1	
Contributions to Term and Permanent Endowments	—	—	3.4	2.9	3.4	2.9	
Contributions to Permanent Fund Principal	12.7	11.9	—	—	12.7	11.9	
Transfers	(1,664.8)	(1,613.8)	1,664.8	1,613.8	—	—	
Increase (decrease) in Net Position	453.2	1,143.1	507.5	689.7	960.7	1,832.9	
Net Position, July 1	28,371.3	24,732.0	12,882.6	12,147.7	41,253.9	36,879.6	
Restatements (Note 23)	48.9	144.5	2.5	(1.0)	51.5	143.4	
Net Position, July 1, Restated	28,420.2	27,277.1	12,885.2	12,195.4	41,305.4	39,472.5	
Net Position - Ending	\$ 28,873.5	\$ 28,420.2	\$ 13,392.6	\$ 12,885.2	\$ 42,266.1	\$ 41,305.4	2.3 %

* Amounts for the prior fiscal year include restatements of prior year's balances. Additional information regarding the restatements can be found in Note 23.

Governmental Activities

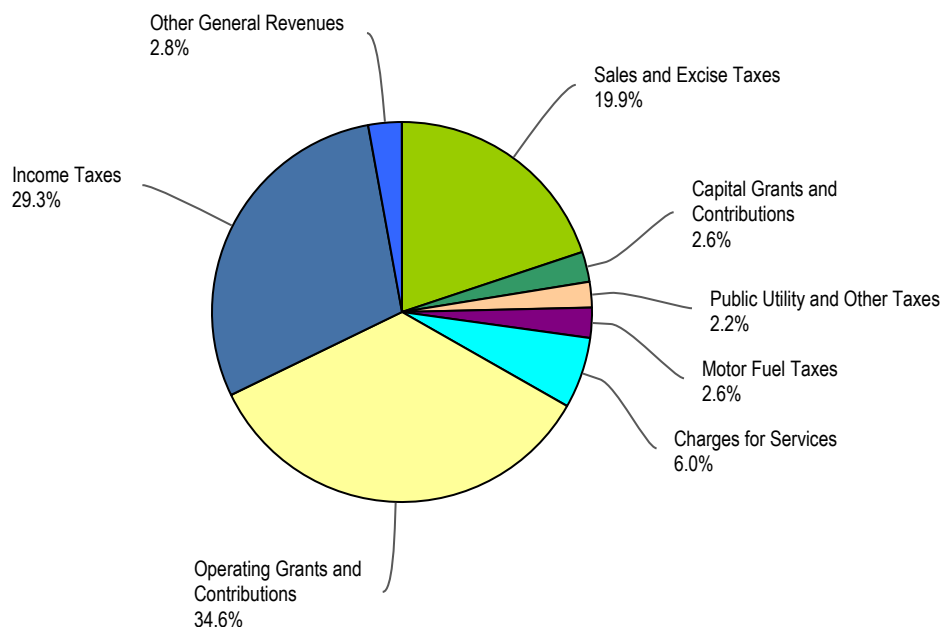
The net position of governmental activities increased \$453.2 million in Fiscal Year 2025. Revenues for governmental activities (including contributions to permanent fund principal) totaled \$43.3 billion, while expenses and net transfers totaled \$42.9 billion in Fiscal Year 2025.

General and program revenues of governmental activities increased \$284.8 million during Fiscal Year 2025. Tax revenues increased \$945.2 million primarily due to increases in income taxes, sales and excise taxes, and other taxes of \$616.2 million, \$305.2 million, and \$41.0 million, respectively. Conversely, public utility taxes and motor fuel taxes decreased \$14.8 million and \$2.5 million, respectively from the prior year. Operating grants and other revenues decreased by \$441.4 million and \$235.1 million, respectively. In addition, capital grants and charges for services increased \$12.6 million and \$4.4 million, respectively.

The State's governmental activities program expenses increased \$924.6 million to \$41.2 billion during Fiscal Year 2025. Human relations and resources expenses increased by \$606.5 million (2.9 percent) to a total of \$21.4 billion, due to increases in medical costs. Transportation expenses increased \$239.4 million (8.0 percent) to \$3.2 billion as the result of increased operating costs to maintain and preserve infrastructure. Education expenses decreased by \$471.7 million (4.5 percent) to \$9.9 billion, mainly due to decreased spending related to the ARP ESSER federal pandemic aid programs. Intergovernmental, tax relief and other general expenses, commerce, environmental resources, and judicial expenses increased \$275.5 million, \$195.2 million, \$56.6 million, \$41.7 million, and \$13.6 million, respectively. Conversely, general executive expenses decreased \$22.2 million (1.9 percent) to a total of \$1.1 billion, due to decreased Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) expenditures compared to Fiscal Year 2024. Interest on long-term debt also decreased \$13.1 million.

As shown in Table 4, below, approximately 54.0 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 34.6 percent of total revenues. Capital grants and contributions provided 2.6 percent, charges for services contributed 6.0 percent, while various other revenues provided 2.8 percent of the remaining governmental activity revenue sources.

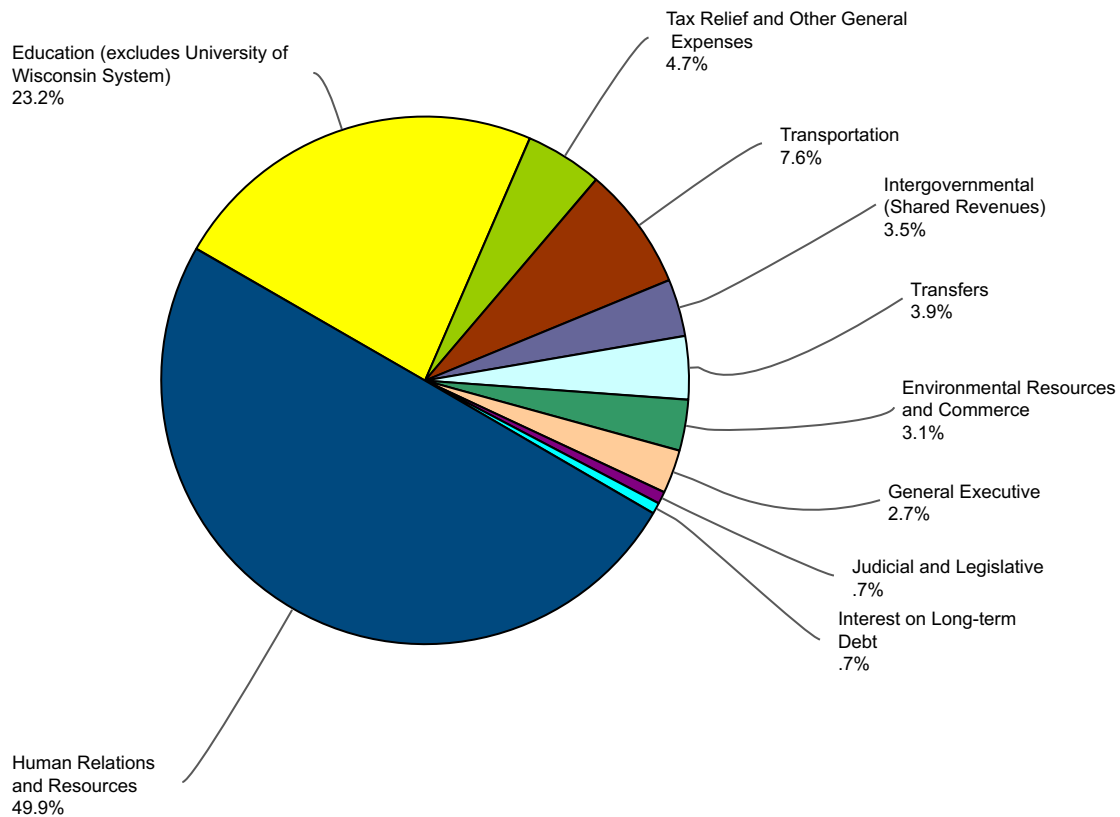
TABLE 4
Governmental Activities - 2025 Revenues



As shown in Table 5, below, expenses for human relations and resources programs make up the largest portion – 49.9 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 23.2 percent of total expenses. Tax relief and other general expenses and the intergovernmental-shared revenue program represent 8.2 percent of the total, while transportation expenses and general executive expenses represent 7.6 percent and 2.7 percent, respectively. Net transfers to business-type activities, which include a general purpose revenue subsidy to the University of Wisconsin System, make up 3.9 percent of the total expenses and transfers. Remaining functional expenses totaled 3.8 percent while interest on long-term debt totaled 0.7 percent.

TABLE 5
Governmental Activities - 2025 Expenses



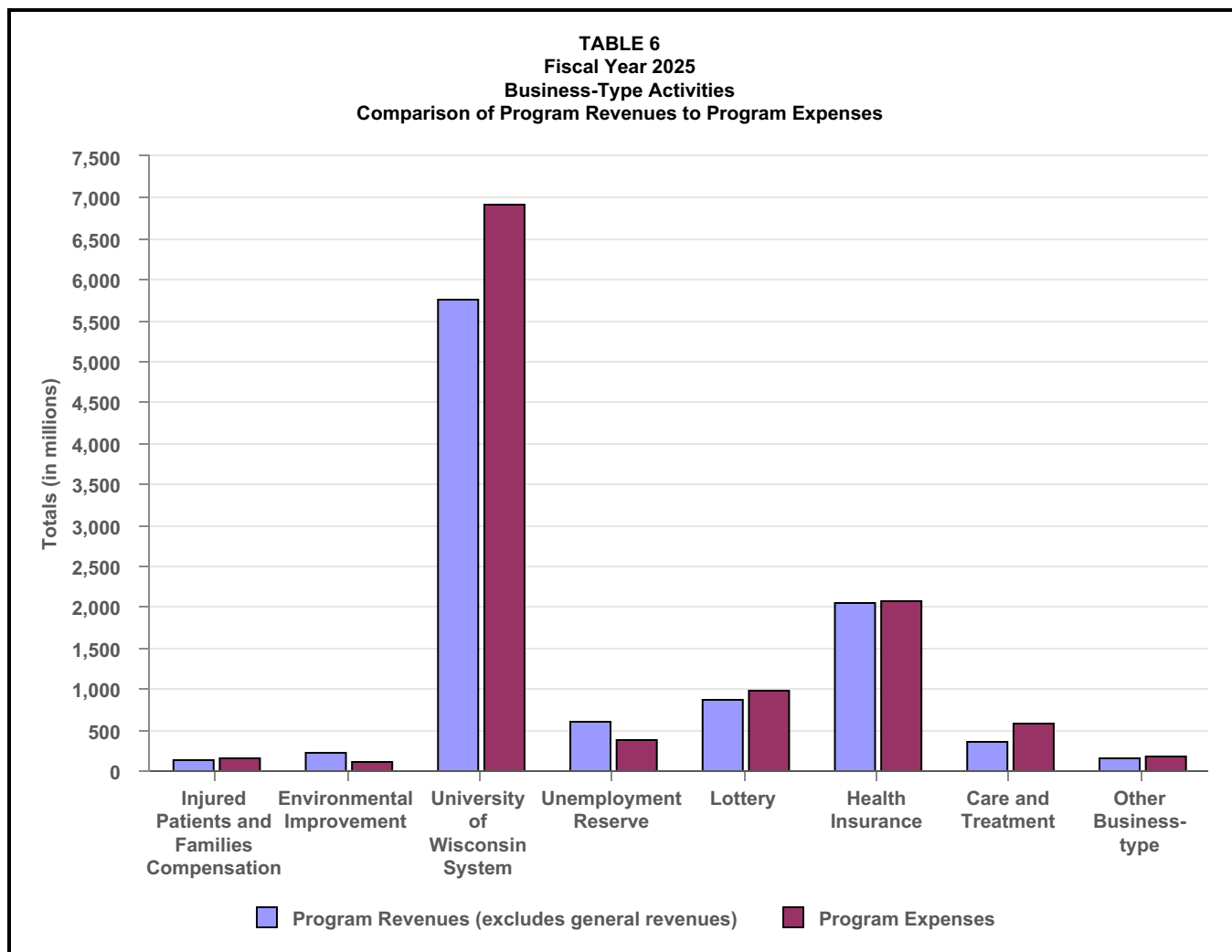
Business-type Activities

Net position of the State's business-type activities increased \$507.5 million in Fiscal Year 2025.

Revenues of business-type activities totaled \$10.2 billion for Fiscal Year 2025, an increase of \$392.7 million from the prior year. Program revenues consisted of \$8.6 billion of charges for services, \$1.3 billion of operating grants and contributions, and \$161.0 million of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal, and net transfers totaled \$64.1 million, \$3.4 million, and \$1.7 billion, respectively.

The total expenses for business-type activities were \$11.4 billion, an increase of \$626.5 million from the prior fiscal year. The largest increase in program expenses, \$388.6 million, related to increased expenses for the University of Wisconsin System. Expenses also increased for Health Insurance, Injured Patients and Families Compensation, Care and Treatment Facilities, Environmental Improvement, other business-type expenses, and Unemployment Reserve of \$159.7 million, \$48.9 million, \$46.8 million, \$42.1 million, \$8.5 million, and \$7.0 million, respectively. Offsetting those increases was a decrease of \$75.2 million in Lottery expenses.

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 2025, the State's governmental funds reported a combined fund balance of \$10.2 billion. 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, 2025, the State's General Fund reported a total fund balance of \$3.9 billion. The net change in fund balance during Fiscal Year 2025 was \$(556.7) million, in contrast to \$(2.1) billion in Fiscal Year 2024. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

Revenues

Revenues of the General Fund totaled \$38.7 billion in Fiscal Year 2025, an increase of \$292.8 million (0.8 percent) from the prior year. Factors contributing to this change included the following:

- Revenues from taxes increased \$934.5 million. The increase primarily relates to income and sale taxes, which increased \$654.7 million, and \$252.0 million, respectively, from Fiscal Year 2024. Wisconsin personal income increased 4.3 percent in Fiscal Year 2025, leading to a rise in income taxes. Personal consumption expenditures increased in Fiscal Year 2025, resulting in an increase in sales tax revenues.
- Intergovernmental revenues (i.e., federal assistance) decreased \$525.5 million to \$14.4 billion in Fiscal Year 2025. The decrease was mainly the result of less revenue received for education related grants of \$747.1 million and reductions in spending under the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) in Fiscal year 2025 than 2024. At the end of Fiscal Year 2024, the State recorded unearned revenue of \$878.7 million for unspent Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) and other programs. In Fiscal Year 2025, \$465.4 million of that amount was spent and subsequently earned and recorded as intergovernmental revenue. The remaining unspent amount was recorded as unearned revenue by the State and will be recorded as intergovernmental revenue in future years as the funds are spent. Offsetting these decreases, human relations and resources programs (e.g. Medicaid) reported increased revenues of \$241.6 million. Because costs are split between federal and State sources, revenues associated with Medicaid related programs increase as costs increase.
- Investment and interest income decreased \$96.2 million to \$431.7 million in Fiscal Year 2025 due to declining interest rates, along with CSLFRF funds received in advance in prior years being spent in Fiscal Year 2025.

Expenditures

2023 Wisconsin Act 19 established spending authority for the State of Wisconsin for Fiscal Year 2025. Expenditures of the General Fund totaled \$36.4 billion in Fiscal Year 2025, an increase of \$459.8 million from Fiscal Year 2024. Factors contributing to the change include the following:

- Human relations and resources expenditures increased by \$470.8 million to \$20.9 billion, primarily the result of increases of, approximately \$802.8 million for grants and aids to individuals and organizations related to medical assistance, emergency medical services, community youth and family aids and local law enforcement training and \$148.4 million for increased rates for juvenile correctional services. Offsetting those increases, Fiscal Year 2025 budget did not include aid to Wisconsin Housing and Economic Development Authority (WHEDA), whereas Fiscal Year 2024 included \$525.0 million aid to (WHEDA) to administer revolving loans. These costs comprise 57.4 percent of General Fund expenditures.
- Education expenditures decreased \$488.6 million to \$9.8 billion, the majority of this decrease is due to decreased spending related to the ARP ESSER federal pandemic aid programs of \$548.9 million. The decrease was partially offset by increases in general equalization aids, aids for special education, and parental choice programs for eligible school districts in Fiscal Year 2025. These costs comprise 26.8 percent of General Fund expenditures.
- Intergovernmental expenditures increased \$333.5 million to \$1.5 billion mainly due to shared revenue supplemental payment for county and municipal aid to local governments for the repeal of local property taxes. These costs comprise 4.1 percent of General Fund expenditures.
- Tax relief and other expenditures increased \$157.6 million to \$2.0 billion mainly due to an increase in school levy and first dollar property tax credits. These costs comprise 5.4 percent of General Fund expenditures.

Other Financing Sources and Uses

Other financing sources/(uses) totaled a net \$(2.7) billion in Fiscal Year 2025, an decrease of \$1.8 billion from Fiscal Year 2024. The components of this included the following:

- Transfers out of the General Fund totaled \$2.9 billion, a decrease of \$1.8 billion from the prior year.
 - The GPR supplement comprises a large portion of the transfers out and is provided to various enterprise funds. The supplement totaled \$1.3 billion, a decrease of \$5.9 million from the prior year. The University of Wisconsin System, which receives the majority of the GPR supplement, had \$1.1 billion in GPR expenses in Fiscal Year 2025, a decrease of \$6.3 million.
 - Transfers out for debt service payments to the Bond Security and Redemption Fund totaled \$431.5 million in Fiscal Year 2025 compared to \$408.1 million in Fiscal Year 2024. Transfers out to other nonmajor governmental funds were \$850.5 million in Fiscal Year 2025, compared to \$2.1 billion in Fiscal Year 2024 which included a one time transfer of \$1.2 billion to the Capital Improvement Fund to defray the issuance of debt.
 - Transfers out to Transportation and nonmajor enterprise funds were \$115.3 million and \$257.1 million, respectively.
- Transfers in to the General Fund decreased \$41.2 million (from \$90.2 million in Fiscal Year 2024 to \$48.7 million in Fiscal Year 2025). The University of Wisconsin System transferred \$17.9 million, while nonmajor governmental funds and nonmajor enterprise funds transferred \$14.4 million and \$14.6 million, respectively.

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

As of June 30, 2025, the General Fund reported an unassigned fund balance of \$1.1 billion, a change of \$(290.1) million from the prior year, which had a fund balance of \$1.4 billion. This is the fourth consecutive year the State's General Fund has ended with a positive unassigned fund balance since the State began issuing an ACFR in Fiscal Year 1990.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were significant and included a \$13.3 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
Federal Aid Medical Assistance	\$3,700.4
Food Stamps, Electronic Benefit Transfer*	2,324.5
Federal Aid Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)*	801.7
UW System, General Program Operations (part of Statutory General Fund)	747.4
UW Federal Aid	544.6
UW System, Gifts and Nonfederal Grants and Contracts	496.1
Inter agency Transfer*	201.5

Actual charges to appropriations (expenditures) were \$8.0 billion below the final budgeted estimates. Large positive expenditure variances were reported in the DHS Medical Assistance Federal Aid (\$3.0 billion), UW program operations and Federal Aid (\$473.9 million), and Federal Aid Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) (\$304.3 million) appropriations.

During the past fiscal year, the budgetary-based fund balance decreased \$855.7 million for the statutory General Fund due to general purpose expenditures, including transfers, exceeding general purpose tax revenues. Net transfers to other funds totaled \$2.4 billion in Fiscal Year 2025 compared to \$2.0 billion in the prior fiscal year.

Transportation Fund

In Fiscal Year 2025, the Transportation Fund's fund balance decreased \$0.7 million (0.03 percent) from \$2,030.4 million to \$2,029.7 million. The State constitutionally restricts use of state resources deposited into the Fund for transportation purposes. As such, \$2.0 billion or 97.4 percent of fund balance is reported as restricted for Fiscal Year 2025. Remaining fund balance is reported as nonspendable and correlates to prepaid and inventory assets.

Primary revenue sources of the fund include motor fuel taxes, intergovernmental, and license and permit revenue, as well as interfund transfers in. In Fiscal Year 2025 revenues of the fund increased \$54.4 million (1.6 percent) to a total of \$3.4 billion. Intergovernmental revenues increased \$50.8 million; use of external sources of funding for projects, rather than state resources regularly contributes to revenue fluctuations in this category between years. Investment and interest income increased \$9.8 million. Conversely license and permit revenues decreased \$20.1 million in Fiscal Year 2025 due to a decline in vehicle title registrations.

Transportation expenditures of \$3.3 billion increased 5.9 percent or \$185.4 million, including a 25.9 percent or \$99.0 million increase in capital outlay expenditures. The increase in capital outlay expenditures was the result of increased funding from the Infrastructure Investment and Jobs Act. In addition to the expenditures reported in the Transportation Fund, long-term debt-funded transportation expenditures of \$39.4 million and \$81.5 million were reported in the Capital Improvement Fund and Transportation Revenue Bonds Fund, respectively. In the current year, transportation-related expenditures decreased \$8.6 million in the Capital Improvement Fund and increased \$1.1 million in the Transportation Revenue Bonds Fund.

Transfers in decreased from \$664.3 million to \$136.4 million in Fiscal Year 2025. This is mainly due to a one time \$555.5 million transfer from the General Fund in Fiscal Year 2024. An on-going transfer equal to 0.25 percent of General Fund taxes as published in the General Fund condition statement is made annually with that amount being \$51.7 million in Fiscal Year 2025. In addition, \$21.2 million was transferred from the Petroleum Inspection Special Revenue Fund, compared to \$20.7 million transferred in Fiscal Year 2024. Transfers out increased \$6.3 million to \$188.7 million. Transfers out to the Bond Security and Redemption Fund for debt service were \$155.7 million, while transfers out to the Conservation Fund were \$21.3 million in Fiscal Year 2025.

Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Significant changes to balances of major proprietary funds from Fiscal Year 2024 to Fiscal Year 2025 include the following:

Environmental Improvement

Fund net position of the Environmental Improvement Fund increased \$103.2 million to \$2.5 billion. Total assets of the Fund increased by \$60.3 million, while total liabilities decreased by \$44.3 million. Assets increased to \$3.0 billion as the result of loans to local governments increasing \$127.1 million, while cash decreased \$66.8 million. Liabilities decreased to \$459.5 million due to a \$44.5 million decrease in revenue bonds payable.

Operating income of the Fund decreased by \$3.6 million to \$18.9 million in Fiscal Year 2025. Operating revenue of \$49.6 million, which consists primarily of investment and interest income, remained steady in Fiscal Year 2025. Operating expenses increased \$5.0 million in Fiscal Year 2025, mainly the result of a \$3.2 million increase in interest expense.

Unemployment Reserve

Net position of the Unemployment Reserve Fund increased by \$228.1 million during Fiscal Year 2025 from \$1.9 billion at June 30, 2024 to \$2.2 billion at June 30, 2025. Benefit expenses increased from \$350.1 million in Fiscal Year 2024 to \$359.7 million in Fiscal Year 2025, an increase of \$9.6 million (2.7 percent). This increase is attributed to the average unemployment rate increasing from 2.9 percent during Fiscal Year 2024 to 3.1 percent during Fiscal Year 2025.

Total operating revenues decreased by \$38.3 million from \$576.4 million in Fiscal Year 2024 to \$538.2 million in Fiscal Year 2025. Employer contributions decreased from \$552.6 million in Fiscal Year 2024 to \$514.0 million in Fiscal Year 2025, a decrease of \$38.6 million (7.0 percent). The average tax rate on taxable wages decreased from 1.5 percent during Calendar Year 2024 to an estimated 1.4 percent in Calendar Year 2025. Reimbursements of \$22.6 million in Fiscal Year 2025 represented an increase of \$0.7 million (3.1 percent) from Fiscal Year 2024.

University of Wisconsin System

Fund net position increased \$250.0 million to \$7.0 billion. Assets, which consist primarily of capital assets and cash, increased \$583.5 million to \$10.5 billion. The Fund reported a sick OPEB liability of \$6.3 million, compared to a restricted net OPEB asset of \$27.4 million in Fiscal Year 2024. The Fund reported increases in capital assets, cash, investments of \$323.7 million, \$125.3 million, and \$109.1 million, respectively, in Fiscal Year 2025. Total liabilities, which consists primarily of bonds payable, pension and OPEB, increased by \$180.5 million to \$4.1 billion. The Fund reported a net pension liability of \$217.4 million in Fiscal Year 2025, an increase of \$17.4 million from Fiscal Year 2024. Deferred outflows of resources decreased \$589.1 million to \$1.5 billion and deferred inflows of resources decreased \$436.2 million to \$949.9 million in Fiscal Year 2025. The changes in deferred outflows and inflows were primarily related to changes in pension related amounts.

Operating revenues increased \$88.9 million or 2.0 percent to \$4.6 billion. Student tuition and fees, and federal grants and contracts of \$1.6 billion and \$1.1 billion, respectively, comprise 57.9 percent of operating revenues. Other income revenues increased by \$100.0 million (21.2 percent). Increases of \$10.8 million, \$5.1 million, and \$4.7 million were reported for sales and services to UW Hospital Authority, sales and services of educational activities, and sales and services of auxiliary enterprises, respectively. Offsetting these increases, federal grants and contracts and tuition and fees decreased \$68.5 million and \$23.9 million, respectively. Operating expenses increased \$427.6 million or 6.6 percent to \$6.9 billion. Personal services and supplies services increased by \$420.1 million, and \$66.7 million, respectively. Offsetting those changes was a decrease in Nonoperating investment and interest income, scholarship and fellowships, and depreciation of \$53.4 million, \$15.8 million, and \$9.1 million, respectively. Gifts and donations, operating grants, other revenues, and interest expense increased \$57.0 million, \$44.0 million, \$38.3 million, \$0.7 million, respectively.

Transfers in to the University of Wisconsin System totaled \$1.5 billion in Fiscal Year 2025. The general purpose revenue supplement received from the State's General Fund was \$1.1 billion a decrease of \$6.3 million. The Capital Improvement Fund also transferred \$282.1 million of bond and note proceeds to the University of Wisconsin System, an increase of \$105.2 million from the prior year. Bond proceeds transferred in are a function of on-going capital projects funded with those bonds. Capital contributions increased \$62.7 million from the prior year to \$154.9 million in Fiscal Year 2025.

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the close of Fiscal Year 2025, the State reported \$35.3 billion invested in capital assets, net of accumulated depreciation of \$11.3 billion. This represents an increase of \$726.0 million, or 2.1 percent, from Fiscal Year 2024. Depreciation and amortization charges totaled \$260.6 million and \$491.8 million for governmental and business-type activities, respectively, in Fiscal Year 2025. The details of these assets are presented in Table 7, below. Additional information about the State's capital assets is presented in Note 7 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024*	2025	2024*	2025	2024*
Land and Land Improvements	\$ 3,189	\$ 3,108	\$ 216	\$ 198	\$ 3,405	\$ 3,306
Buildings and Improvements	1,342	1,359	4,643	4,631	5,985	5,990
Library Holdings	60	60	145	148	205	208
Machinery and Equipment	302	322	430	397	732	719
Infrastructure	21,009	20,492	—	—	21,009	20,492
Construction and Software in Progress	2,030	2,189	1,189	933	3,218	3,122
Right to Use Land	—	—	3	1	3	1
Right to Use Buildings	300	319	301	257	600	577
Right to Use Equipment	6	7	3	4	9	11
Right to Use SBITAs	70	91	73	68	143	159
Totals	\$ 28,307	\$ 27,947	\$ 7,003	\$ 6,637	\$ 35,310	\$ 34,584

*Amounts for the prior fiscal year have been restated

The major capital asset additions completed or acquired during Fiscal Year 2025 included the:

- UW Milwaukee Chemistry Building \$ 111.9 million
- UW Madison Sellery Hall Addition Renovation \$73.9 million
- UW Milwaukee NWQ Student Health Service Renovation \$57.3 million
- UW Madison Kohl Center Addition & Renovation \$45.7 million
- UW Milwaukee Student Union Renovation \$38.5 million
- UW Madison Engineering Drive Utilities Renovation \$30.0 million
- Appleton Readiness Center Renovation \$17.0 million
- Milwaukee Secure Detention Facility Ventilation Improvement \$10.4 million

In addition to these completed projects, construction and software in progress as of June 30, 2025 for governmental and business-type activities totaled \$2.0 billion and \$1,188.5 million, respectively. A list of those projects is provided in Note 7. The State's continuing or proposed major capital projects for Fiscal Year 2025 and future years include:

- I94 East Corridor (Completion 2034) \$1.7 billion
- I41 State Highway 96 to Scheuring Road (Completion in 2029) \$1.2 billion
- I43 Silver Spring to STH 60 (Completion in 2024) \$525.0 million
- STH 51 I39/90 to US 12 (Completion in 2029) \$208.6 million
- I39/90/94 Bridges over Wisconsin River (Completion in 2028) \$160.0 million
- STH 15 STH 76 New London (Completion in 2024) \$126.9 million
- USH 53 La Crosse Corridor (Completion and total estimated cost TBD)
- I-535 Blatnik Bridge & Approaches (Completion and total estimated cost TBD)

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, 2025 was \$6.9 billion, as shown in Table 8. During Fiscal Year 2025, \$1.8 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, \$666.9 million were to be used for University of Wisconsin System academic and self-amortizing facilities, \$403.0 million for transportation projects, \$161.9 million for environmental programs, and \$128.4 million for correctional and mental health facilities. The remaining proceeds from new bonds issued were used for various other projects.

In 1992 the State established a facility to provide lease purchase financing to state agencies (Master Lease). Lease purchase obligations under the Master Lease are not general obligations of the State but are payable from appropriations of participating state agencies, subject to annual appropriation. The trustee for the facility issues Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. As of June 30, 2025, \$43.7 million of these certificates were outstanding.

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 of June 30, 2025, \$1.9 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 \$2.0 billion outstanding at June 30, 2025, as shown in Table 8. These bonds included \$1.5 billion of Transportation Revenue Bonds, and \$451.4 million of Environmental Improvement Revenue Bonds.

TABLE 8 - Outstanding Debt as of June 30 (in millions)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds and long-term notes	\$ 5,365.5	\$ 5,426.4	\$ 1,578.7	\$ 1,597.3	\$ 6,944.1	\$ 7,023.7
Certificates of participation	37.3	49.4	6.4	7.8	43.7	57.3
Annual appropriation bonds	1,939.4	2,219.5	—	—	1,939.4	2,219.5
Revenue bonds	1,533.6	1,794.2	451.4	495.9	1,985.0	2,290.1
Totals	\$ 8,875.8	\$ 9,489.6	\$ 2,036.5	\$ 2,101.0	\$ 10,912.3	\$ 11,590.6

Article VIII of the Wisconsin Constitution and Wis. Stat. § 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, 2025, State of Wisconsin general obligation fixed rate bonds had a rating of AA+ from Fitch Ratings, AAA from Kroll Bond Rating Agency, Aa1 from Moody's Investors Services, and AA+ from Standard and Poor's Rating Services. General obligation variable rate notes are outstanding in different forms, with ratings from two or more rating agencies.

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 \$21.0 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 on or 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, 2025, 92.2 percent of the roads and 98.2 percent of bridges were in good or fair condition, consistent with State policies. This compares to 90.9 percent of the roads and 98.1 percent of bridges as of June 30, 2024.

For the fiscal year ended June 30, 2025, actual maintenance and preservation costs for the State's road network were \$843.0 million, or \$137.5 million less than the estimated amount. On the same date, actual maintenance and preservation costs for the State's bridge network were \$57.6 million, or \$13.7 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 estimate 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 2024, the Wisconsin economy continued its steady growth following the recovery from the COVID-19 global pandemic.

Wisconsin employment growth slowed in 2024 as the economic expansion entered a mature phase following the rapid growth coming out of the steep losses in 2020. According to the federal Bureau of Labor Statistics, total nonfarm employment in Wisconsin grew 0.7 percent in 2024 after growing 1.5 percent in 2023 and 2.7 percent in 2022. Nationally, nonfarm employment grew 1.3 percent in 2024, following growth of 2.2 percent in 2023 and 4.3 percent in 2022. As before the pandemic, Wisconsin employment growth has been constrained due to slower population growth and already high labor force participation, limiting room for further employment expansion.

More recently, Wisconsin's employment growth has remained steady at 0.7 percent from August 2024 to August 2025 while national employment growth has slowed to 0.9 percent over the same period compared to 1.3 percent growth at the beginning of the year. Wisconsin's seasonally adjusted unemployment rate in August 2025 was 3.1 percent, below the 4.3 percent national unemployment rate for the same month.

Wisconsin gross state product continued a strong pace of growth after the swift recovery from contraction caused by the pandemic in 2020. Wisconsin nominal GDP grew 5.0 percent in 2024 after 7.0 percent growth in 2023 and 9.4 percent growth in 2022. National nominal GDP growth in 2024 was marginally faster at 5.3 percent after growth of 6.7 percent in 2022 and 9.8 percent in 2022.

Personal income growth followed the trajectory of overall economic growth. Wisconsin personal income grew 5.0 percent in 2024 following growth of 5.4 percent in 2023 and 2.3 percent in 2022. National personal income growth followed the same pattern, with 5.6 percent growth in 2024 following 6.5 percent in 2023 and 3.1 percent in 2022. On a per capita basis, Wisconsin's income performance is similar to the nation's. Per capita income in Wisconsin increased by 1.9 percent in 2022, 4.9 percent in 2023 and 4.4 percent in 2024. This compares to growth nationally of 2.5 percent, 5.6 percent and 4.6 percent in the same years. Relative to the national average, Wisconsin per capita income has declined slightly from 93.3 percent in 2022 to 92.7 percent in 2023 and 92.6 percent in 2024.

Wisconsin's statewide total property value increased again in 2025 for the 12th straight year following five years of declines from 2009 through 2013. The increase in values has been broad-based, reflecting improvements in all major sectors. In 2025, total real estate property values increased 8.3 percent, with residential property values growing at a slightly faster pace of 8.6 percent. Commercial values grew 7.2 percent and manufacturing values increased 6.3 percent.

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 53703 or by email to: DOAWebMaster@wi.gov.

Some state agencies, such as the State of Wisconsin Investment Board, 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

Statement of Net Position

June 30, 2025

(In Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
Assets and Deferred Outflows of Resources				
Assets:				
Cash and Cash Equivalents	\$ 13,001,147	\$ 5,335,789	\$ 18,336,937	\$ 2,412,424
Investments	1,246,127	3,045,436	4,291,563	3,946,855
Securities Lending Collateral	—	219,450	219,450	—
Cash and Investments with Other Component Units	—	—	—	246,813
Receivables (net of allowance)	5,984,287	3,358,163	9,342,449	2,428,560
Internal Balances	231,415	(231,415)	—	—
Inventories	76,908	54,292	131,200	97,453
Prepaid Items	27,351	274,085	301,437	39,628
Leases Receivable	—	19,711	19,711	—
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	163,514	56,333	219,847	45,491
Investments	346,817	—	346,817	5,960,426
Net Other Post Employment Benefits Asset	—	—	—	—
Other Assets	21,792	8,951	30,743	271,108
Capital Assets:				
Depreciable	1,915,013	5,626,500	7,541,513	1,784,576
Nondepreciable:				
Infrastructure	21,009,145	—	21,009,145	—
Other	5,382,601	1,376,925	6,759,526	386,221
Total Assets	49,406,117	19,144,221	68,550,337	17,619,554
Deferred Outflows of Resources:				
Accumulated Change in the Fair Value of				
Hedging Derivatives	—	—	—	887
Loss on Debt Refunding	141,804	8,155	149,959	6,624
Advances by the State	163,474	81,102	244,576	—
Deferred Pension Outflows	1,312,152	1,334,436	2,646,588	383,689
Deferred Other Post Employment Benefits Outflows	242,788	305,588	548,376	105,028
Asset Retirement Obligation	—	6,695	6,695	—
Other Deferred Outflows	—	—	—	1,896
Total Deferred Outflows of Resources	1,860,218	1,735,975	3,596,193	498,124
Total Assets and Deferred Outflows of Resources	\$ 51,266,335	\$ 20,880,195	\$ 72,146,530	\$ 18,117,678

(Continued)

(Continued)

Statement of Net Position

June 30, 2025

(Continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Liabilities, Deferred Inflows of Resources, and Net Position				
Liabilities:				
Accounts Payable and Other Accrued Liabilities	\$ 1,922,180	\$ 599,956	\$ 2,522,136	\$ 1,364,487
Securities Lending Collateral Liabilities	—	219,450	219,450	—
Due to Other Governments	2,735,962	126,446	2,862,408	126,073
Tax Refunds Payable	2,274,957	—	2,274,957	—
Tax and Other Deposits	129,094	37,633	166,727	141,374
Amounts Held in Trust by Component Unit for:				
Other Component Units	—	—	—	231,112
Others	—	—	—	103,618
Unearned Revenue	844,605	321,012	1,165,617	1,269
Interest Payable	79,848	13,215	93,062	24,406
Short-term Notes Payable	107,349	19,603	126,952	—
Other Liabilities	—	—	—	1,468
Long-term Liabilities:				
Current Portion	1,432,588	461,796	1,894,384	291,553
Noncurrent Portion	11,763,746	4,617,133	16,380,879	4,206,802
Total Liabilities	21,290,327	6,416,245	27,706,572	6,492,162
Deferred Inflows of Resources:				
Accumulated Change in the Fair Value of				
Hedging Derivatives	—	—	—	20,659
Gain on Debt Refunding	140,339	27,652	167,990	—
Deferred Pension Inflows	706,907	721,904	1,428,811	208,884
Deferred Other Post Employment Benefits Inflows	255,283	303,119	558,402	80,441
Other Deferred Inflows	—	18,660	18,660	9,168
Total Deferred Inflows of Resources	1,102,529	1,071,335	2,173,864	319,153
Net Position:				
Net Investment in Capital Assets	24,442,788	5,005,704	27,749,269	881,857
Restricted for:				
Human Relations and Resources	388,477	—	388,477	—
Conservation Related	328,945	—	328,945	—
General Executive	282,721	—	282,721	—
Transportation	1,976,863	—	1,976,863	—
Capital Projects	1,338,736	—	1,338,736	—
Unemployment Compensation	—	2,173,012	2,173,012	—
Environmental Improvement	—	2,494,267	2,494,267	—
Permanent Trusts - Expendable	47,082	398,573	445,655	44,452
Permanent Trusts - Nonexpendable	1,584,501	272,901	1,857,402	32,526
Future Benefits	—	1,323,011	1,323,011	45,853
Pension and Other Post Employment Benefits	—	—	—	2,120
Other Purposes	247,713	1,022,725	1,270,439	6,772,684
Unrestricted	(1,764,346)	702,422	637,299	3,526,871
Total Net Position	28,873,479	13,392,616	42,266,094	11,306,363
Total Liabilities, Deferred Inflows of Resources, and Net Position				
	\$ 51,266,335	\$ 20,880,196	\$ 72,146,530	\$ 18,117,678

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

Statement of Activities

For the Fiscal Year Ended June 30, 2025

(In Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Primary Government:				
Governmental Activities:				
Commerce	\$ 709,480	\$ 306,204	\$ 285,579	\$ —
Education	9,939,256	16,842	1,640,669	—
Transportation	3,246,330	1,006,427	215,086	1,104,376
Environmental Resources	669,280	253,865	139,094	207
Human Relations and Resources	21,423,680	711,805	12,207,556	9,464
General Executive	1,145,903	220,228	497,016	—
Judicial	181,179	47,366	742	—
Legislative	93,783	2,955	3	—
Tax Relief and Other General Expenses	2,025,065	—	—	—
Intergovernmental - Shared Revenue	1,497,971	55,914	—	—
Interest on Debt	295,550	—	—	—
Total Governmental Activities	41,227,478	2,621,605	14,985,746	1,114,047
Business-type Activities:				
Injured Patients and Families Compensation	147,875	10,364	118,070	—
Environmental Improvement	110,265	49,620	168,194	—
University of Wisconsin System	6,920,050	4,686,358	910,362	154,884
Unemployment Reserve	371,140	538,141	61,144	—
Lottery	981,470	863,737	5,535	—
Health Insurance	2,074,804	2,051,508	(564)	—
Care and Treatment Facilities	574,359	358,007	653	254
Other Business-type	180,379	71,240	82,080	5,827
Total Business-type Activities	11,360,343	8,628,975	1,345,476	160,965
Total Primary Government	\$ 52,587,820	\$ 11,250,580	\$ 16,331,222	\$ 1,275,012
Component Units:				
Housing and Economic Development Authority	\$ 392,395	\$ 102,021	\$ 300,115	\$ —
Health Care Liability Insurance Plan	922	6,537	—	—
University Hospitals and Clinics Authority	5,560,178	5,561,059	—	—
University of Wisconsin Foundation	619,231	725,444	343,019	—
Wisconsin Economic Development Corporation	63,615	96	60,020	—
Total Component Units	\$ 6,636,341	\$ 6,395,157	\$ 703,154	\$ —

General Revenues:

Dedicated for General Purposes:

Income Taxes

Sales and Excise Taxes

Public Utility Taxes

Other Taxes

Motor Fuel and 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, July 1, 2024

Restatements (Note 23)

Net Position, July 1, 2024, Restated

Net Position - Ending

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

Net Revenue (Expense) and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (117,697)		\$ (117,697)	
(8,281,745)		(8,281,745)	
(920,442)		(920,442)	
(276,113)		(276,113)	
(8,494,855)		(8,494,855)	
(428,659)		(428,659)	
(133,072)		(133,072)	
(90,825)		(90,825)	
(2,025,065)		(2,025,065)	
(1,442,057)		(1,442,057)	
(295,550)		(295,550)	
(22,506,080)		(22,506,080)	
	\$ (19,441)	(19,441)	
	107,549	107,549	
	(1,168,445)	(1,168,445)	
	228,144	228,144	
	(112,197)	(112,197)	
	(23,860)	(23,860)	
	(215,444)	(215,444)	
	(21,232)	(21,232)	
	(1,224,926)	(1,224,926)	
\$ (22,506,080)	\$ (1,224,926)	\$ (23,731,007)	

\$	9,741
	5,616
	881
	449,232
	(3,499)
	461,971

\$ 12,715,204	\$ —	\$ 12,715,204	—
8,621,663	—	8,621,663	—
369,263	—	369,263	—
436,354	—	436,354	—
1,108,928	—	1,108,928	—
124,851	—	124,851	—
761,516	64,139	825,655	425,715
473,641	—	473,641	29,320
—	3,418	3,418	20,116
12,729	—	12,729	—
(1,664,827)	1,664,827	—	—
22,959,322	1,732,384	24,691,706	475,150
453,242	507,458	960,699	937,121
28,371,334	12,882,611	41,253,944	10,369,242
48,903	2,547	51,450	—
28,420,237	12,885,158	41,305,395	10,369,242
\$ 28,873,479	\$ 13,392,616	\$ 42,266,094	\$ 11,306,363

Balance Sheet - Governmental Funds

June 30, 2025

(In Thousands)

	General	Transportation	Nonmajor Governmental	Total Governmental
Assets and Deferred Outflows of Resources				
Assets:				
Cash and Cash Equivalents	\$ 7,567,025	\$ 1,885,319	\$ 2,412,434	\$ 11,864,778
Investments	—	—	1,246,127	1,246,127
Receivables (net of allowance):				
Taxes	1,926,983	105,985	—	2,032,968
Loans to Local Governments	492	—	312,476	312,967
Other Loans Receivable	20	15,753	—	15,773
Other Receivables	792,314	4,942	78,997	876,253
Due from Other Funds	183,872	15,363	46,341	245,576
Due from Component Units	—	—	—	—
Interfund Receivables	98,868	—	—	98,868
Due from Other Governments	1,424,016	288,324	29,409	1,741,749
Inventories	12,040	51,934	3,157	67,131
Prepaid Items	2,330	934	12,193	15,456
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	14,943	—	148,571	163,514
Investments	675	—	346,142	346,817
Other Assets	21,516	—	276	21,792
Total Assets	12,045,094	2,368,554	4,636,122	19,049,769
Deferred Outflows of Resources:				
Advances by the State	163,314	160	—	163,474
Total Assets and Deferred Outflows of Resources	\$ 12,208,407	\$ 2,368,714	\$ 4,636,122	\$ 19,213,243
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts Payable and Other Accrued Liabilities	\$ 1,625,119	\$ 221,575	\$ 36,562	\$ 1,883,257
Due to Other Funds	56,679	51,781	22,311	130,771
Due to Component Units	2,430	—	—	2,430
Interfund Payables	—	—	—	—
Due to Other Governments	2,663,203	61,495	11,236	2,735,933
Tax Refunds Payable	2,272,625	2,332	—	2,274,957
Tax and Other Deposits	106,526	458	22,110	129,094
Unearned Revenue	828,649	781	14,069	843,500
Interest Payable	—	—	29,432	29,432
Advances from Other Funds	—	—	7,453	7,453
Short-term Notes Payable	—	—	106,491	106,491
Revenue Bonds and Notes Payable	—	—	159,380	159,380
Total Liabilities	7,555,231	338,422	409,044	8,302,696
Deferred Inflows of Resources:				
Unavailable Revenue	734,073	562	10,859	745,493
Fund Balances:				
Nonspendable	14,370	52,868	1,598,447	1,665,685
Restricted	555,942	1,976,863	2,231,084	4,763,889
Committed	1,990,971	—	393,490	2,384,461
Assigned	277,535	—	—	277,535
Unassigned	1,080,286	—	(6,802)	1,073,484
Total Fund Balances	3,919,104	2,029,731	4,216,219	10,165,054
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,208,407	\$ 2,368,714	\$ 4,636,122	\$ 19,213,243

(Continued)

Balance Sheet - Governmental Funds

June 30, 2025

(Continued)

Total Governmental

Reconciliation to the Statement of Net Position:

Total Fund Balances - Governmental Funds (from previous page) \$ 10,165,054

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

Infrastructure	21,009,145	
Other Capital Assets	8,942,301	
Accumulated Depreciation	(2,432,522)	
		27,518,923

Other long-term assets and deferred outflows and inflows of resources that are not available to pay for current period expenditures and, therefore, are not recognized in the funds. 593,991

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. 744,387

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. (632,754)

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	(1,374,204)	
Appropriation Bonds Payable	(1,939,418)	
General Obligation Bonds and Notes Payable	(5,075,684)	
Accrued Interest on Bonds	(48,312)	
Leases/SBITAs	(14,531)	
Certificates of Participation	(29,675)	
Compensated Absences	(207,633)	
Pollution Remediation	—	
Claims and Judgments	(756)	
Net Pension Liability	(235,327)	
Other Postemployment Benefits Liability	(590,584)	
		(9,516,124)

Net Position of Governmental Activities as reported on the Statement of Net Position (See page 27) \$ 28,873,479

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, 2025

(In Thousands)

	General	Transportation	Nonmajor Governmental	Total Governmental
Revenues:				
Taxes:				
Income	\$ 12,698,360	\$ —	\$ —	\$ 12,698,360
Sales and Excise	8,608,559	—	—	8,608,559
Public Utility	369,263	—	—	369,263
Other General Purpose	436,229	—	—	436,229
Motor Fuel	—	1,108,830	—	1,108,830
Other Dedicated	—	39,580	85,271	124,851
Intergovernmental	14,394,439	1,319,462	91,949	15,805,850
Licenses and Permits	814,217	779,634	662,047	2,255,898
Charges for Goods and Services	395,012	25,573	22,040	442,625
Investment and Interest Income	431,703	79,846	219,503	731,051
Fines and Forfeitures	58,415	1,113	20,847	80,375
Gifts and Donations	8,050	—	23,914	31,964
Miscellaneous:				
Tobacco Settlement	76,912	—	—	76,912
Other	364,439	10,514	22,878	397,831
Total Revenues	38,655,598	3,364,551	1,148,450	43,168,599
Expenditures:				
Current Operating:				
Commerce	546,228	—	150,833	697,061
Education	9,778,933	—	96,910	9,875,843
Transportation	146,689	2,829,387	30,148	3,006,224
Environmental Resources	152,738	—	469,356	622,094
Human Relations and Resources	20,921,703	—	145,274	21,066,977
General Executive	1,001,312	—	133,934	1,135,245
Judicial	170,162	—	177	170,340
Legislative	89,272	—	—	89,272
Tax Relief and Other General	1,974,436	—	50,629	2,025,065
Intergovernmental - Shared Revenue	1,497,971	—	—	1,497,971
Capital Outlay	107,657	480,505	235,821	823,982
Debt Service:				
Principal	49,377	5,221	824,177	878,775
Interest	8,904	709	356,497	366,109
Other Debt Related Expenditures	—	—	5,285	5,285
Total Expenditures	36,445,383	3,315,821	2,499,041	42,260,245
Excess of Revenues Over (Under) Expenditures	2,210,214	48,730	(1,350,591)	908,353
Other Financing Sources (Uses):				
Long-term Debt Issued	2,889	—	433,459	436,348
Long-term Debt Issued - Refundings	—	—	991,678	991,678
Payments for Refunded Debt	—	—	(946,652)	(946,652)
Payments to Refunded Debt Escrow Agent	—	—	(125,901)	(125,901)
Premium on Bonds and Certificates of Participation	—	—	148,347	148,347
Transfers In	48,690	136,443	1,642,921	1,828,054
Transfers Out	(2,851,327)	(188,651)	(449,575)	(3,489,553)
Lease/SBITA Acquisitions	53,029	1,001	99	54,129
Total Other Financing Sources (Uses)	(2,746,719)	(51,207)	1,694,377	(1,103,549)
Net Change in Fund Balances	(536,505)	(2,477)	343,786	(195,196)
Fund Balances, July 1, 2024	4,475,845	2,030,400	3,873,432	10,379,678
Restatements (Note 23)	—	—	—	—
Fund Balances, July 1, 2024, as Restated	4,475,845	2,030,400	3,873,432	10,379,678
Increase (Decrease) in Inventories	(20,236)	1,808	(999)	(19,428)
Fund Balances, End of Year	\$ 3,919,104	\$ 2,029,731	\$ 4,216,219	\$ 10,165,054

(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Fiscal Year Ended June 30, 2025

(Continued)

Total
Governmental

Reconciliation to the Statement of Activities:

Net Change in Fund Balances (from previous page) \$ (195,196)

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.

(19,428)

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 acquisition value with a corresponding amount of revenue recognized.

In the current period, these amounts are:

Capital Outlay/Functional Expenditures	567,483	
Depreciation Expense	(151,864)	
Grants and Contributions (Donated Assets)	(49)	
		415,570

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.

(14,874)

Revenues in the Statement of Activities that do not provide current financial are not reported as revenues in the funds.

30,566

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	(1,424,522)	
Payments for Refunded Bonds	946,652	
Payments to Refunding Bond Escrow Agent	125,901	
Repayment of Bond Principal	823,393	
Bond Premium	(148,347)	
		323,077

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	83,708	
Decrease (increase) in Leases	(2,929)	
Decrease (increase) in Certificates of Participation	6,615	
Decrease (increase) in Compensated Absences	(4,862)	
Decrease (increase) in Pollution Remediation Liabilities	322	
Decrease (increase) in Claims and Judgments	(305)	
Change in net pension assets, net pension liabilities, and pension-related deferred outflows and inflows of resources	(84,504)	
Decrease (increase) in Postemployment Benefit Liabilities	(25,365)	
		(27,319)

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.

(59,154)

Changes in Net Position of Governmental Activities as reported on the Statement of Activities (See page 29)

\$ 453,242

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

Statement of Net Position - Proprietary Funds

June 30, 2025

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 523,761	\$ 1,634,432	\$ 2,069,771
Investments	73	763,596	—
Securities Lending Collateral	—	219,450	—
Loans to Local Governments (net of allowance)	211,920	—	—
Other Loans Receivable (net of allowance)	—	9,573	—
Other Receivables (net of allowance)	40	222,374	142,377
Due from Other Funds	150	18,158	90
Due from Component Units	—	7,470	—
Interfund Receivables	—	—	—
Due from Other Governments	12,296	137,841	865
Inventories	—	45,887	—
Prepaid Items	—	271,589	—
Leases Receivable	—	1,329	—
Other Assets	—	—	—
Total Current Assets	748,240	3,331,700	2,213,103
Noncurrent Assets:			
Investments	—	625,981	—
Loans to Local Governments (net of allowance)	2,220,869	—	—
Other Loans Receivable (net of allowance)	—	62,936	—
Other Receivables	—	—	75,299
Advances to Other Funds	7,453	—	—
Leases Receivable	—	18,382	—
Restricted and Limited Use Assets:			
Cash and Cash Equivalents	—	—	285
Other Assets	—	—	—
Depreciable Capital Assets (net of accum. depreciation)	—	5,300,717	—
Nondepreciable Capital Assets	—	1,184,037	—
Total Noncurrent Assets	2,228,322	7,192,052	75,583
Total Assets	2,976,562	10,523,752	2,288,687
Deferred Outflows of Resources			
Debt Refunding	—	8,077	—
Advances by the State	—	—	—
Deferred Pension Outflows	265	1,177,583	—
Deferred Other Post Employment Benefits Outflows	34	275,360	—
Asset Retirement Obligation	—	6,695	—
Total Deferred Outflows of Resources	300	1,467,714	—
Total Assets and Deferred Outflows of Resources	\$ 2,976,862	\$ 11,991,467	\$ 2,288,687

Business-type Activities - Enterprise Funds			Governmental Activities	
Nonmajor Enterprise	Totals		Internal Service Funds	
\$ 1,107,826	\$ 5,335,789		\$ 1,136,369	
10,370	774,040		—	
—	219,450		—	
141	212,061		—	
—	9,573		—	
216,367	581,158		1,533	
112,619	131,017		17,748	
—	7,470		—	
—	—		924,510	
23,180	174,182		820	
8,405	54,292		8,671	
2,496	274,085		11,831	
—	1,329		—	
3,321	3,321		—	
1,484,724	7,777,767		2,101,483	
1,645,416	2,271,397		—	
1,149	2,222,018		—	
2,322	65,258		—	
—	75,299		—	
—	7,453		—	
—	18,382		—	
56,049	56,333		—	
5,630	5,630		—	
325,783	5,626,500		407,601	
192,888	1,376,925		56,123	
2,229,237	11,725,195		463,724	
3,713,961	19,502,962		2,565,207	
78	8,155		742	
81,102	81,102		—	
156,587	1,334,436		40,263	
30,194	305,588		7,358	
—	6,695		—	
267,961	1,735,975		48,363	
\$ 3,981,922	\$ 21,238,937		\$ 2,613,570	
			(Continued)	

Statement of Net Position - Proprietary Funds

June 30, 2025

(Continued)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	\$ 304	\$ 362,045	\$ 30,595
Securities Lending Collateral Liabilities	—	219,450	—
Due to Other Funds	5,008	110,343	2,738
Due to Component Units	—	34	—
Interfund Payables	—	—	—
Due to Other Governments	148	22,907	36,100
Tax and Other Deposits	—	7,661	—
Unearned Revenue	—	271,805	—
Interest Payable	1,645	10,909	—
Short-term Notes Payable	—	18,980	—
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	—	—	—
Leases and SBITAs	—	44,684	—
Compensated Absences	240	106,743	—
Certificates of Participation	—	852	—
General Obligation Bonds and Notes Payable	—	123,582	—
Revenue Bonds and Notes Payable	33,330	—	—
Total Current Liabilities	40,675	1,299,997	69,433
Noncurrent Liabilities:			
Accounts Payable and Other Accrued Liabilities	—	—	—
Due to Other Governments	—	21,043	46,242
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	—	—	—
Leases and SBITAs	—	326,969	—
Compensated Absences	605	100,809	—
Net Pension Liability	36	217,431	—
Other Postemployment Benefits	56	675,153	—
Asset Retirement Obligation	—	13,846	—
Certificates of Participation	—	2,926	—
General Obligation Bonds and Notes Payable	—	1,410,217	—
Revenue Bonds and Notes Payable	418,104	—	—
Total Noncurrent Liabilities	418,800	2,768,393	46,242
Total Liabilities	459,475	4,068,390	115,675
Deferred Inflows of Resources			
Debt Refunding	1,270	25,876	—
Deferred Pension Inflows	138	635,741	—
Deferred Other Post Employment Benefits Inflows	33	269,653	—
Other Deferred Inflows	—	18,660	—
Total Deferred Inflows of Resources	1,442	949,929	—
Net Position:			
Net Investment in Capital Assets	—	4,556,543	—
Restricted for Unemployment Compensation	—	—	2,173,012
Restricted for Environmental Improvement	2,494,267	—	—
Restricted for Expendable Trusts	—	398,573	—
Restricted for Nonexpendable Trusts	—	272,901	—
Restricted for Future Benefits	—	—	—
Restricted for Other Purposes	—	905,963	—
Unrestricted	21,678	839,167	—
Total Net Position	2,515,945	6,973,147	2,173,012
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,976,862	\$ 11,991,467	\$ 2,288,687

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

Business-type Activities - Enterprise Funds				Governmental Activities	
Nonmajor Enterprise		Totals		Internal Service Funds	
\$	149,021	\$	541,965	\$	14,027
	—		219,450		—
	109,930		228,020		13,954
	203		237		—
	81,225		81,225		31,107
	6		59,161		29
	29,972		37,633		—
	49,207		321,012		—
	661		13,215		2,104
	623		19,603		858
	139,828		139,828		49,964
	1,192		45,876		20,488
	6,314		113,297		121,280
	1,037		1,889		3,645
	3,994		127,576		20,096
	—		33,330		—
	573,213		1,983,318		277,551
	1,291		1,291		—
	—		67,285		—
	1,295,738		1,295,738		103,753
	612		327,581		28,368
	11,563		112,977		2,596,887
	27,228		244,695		5,966
	73,381		748,589		20,876
	—		13,846		—
	1,570		4,496		4,022
	40,892		1,451,109		269,686
	—		418,104		—
	1,452,274		4,685,710		3,029,558
	2,025,487		6,669,028		3,307,109
	505		27,652		13,805
	86,026		721,904		22,554
	33,433		303,119		8,814
	—		18,660		—
	119,964		1,071,335		45,173
	449,161		5,005,704		142,818
	—		2,173,012		—
	—		2,494,267		—
	—		398,573		—
	—		272,901		—
	1,322,996		1,322,996		—
	116,762		1,022,725		—
	(52,449)		808,396		(881,530)
	1,836,470		13,498,574		(738,712)
\$	3,981,922	\$	21,238,937	\$	2,613,570
			13,498,574	Total Net Position Reported Above	
			(105,959)	Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds	
		\$	13,392,616	Net Position of Business-type Activities	

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds

For the Fiscal Year Ended June 30, 2025

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Operating Revenues:			
Charges for Goods and Services	\$ —	\$ —	\$ —
Participant and Employer Contributions	—	—	513,988
Tuition and Fees	—	1,568,736	—
Federal Grants and Contracts	—	1,088,734	—
Local and Private Grants and Contracts	—	377,362	—
Sales and Services of Educational Activities	—	444,214	—
Sales and Services of Auxiliary Enterprises	—	475,176	—
Sales and Services to UW Hospital Authority	—	67,059	—
Investment and Interest Income	45,556	—	—
Miscellaneous:			
Federal Aid for Unemployment Insurance Program	—	—	27
Reimbursing Financing Revenue	—	—	22,639
Other	4,065	570,959	1,514
Total Operating Revenues	49,620	4,592,240	538,168
Operating Expenses:			
Personal Services	12,095	4,646,756	—
Supplies and Services	6,416	1,568,149	—
Lottery Prize Awards	—	—	—
Scholarships and Fellowships	—	189,818	—
Depreciation	—	466,616	—
Benefit Expense	—	—	359,711
Interest Expense	12,187	—	—
Other Expenses	—	7,431	11,429
Total Operating Expenses	30,699	6,878,770	371,140
Operating Income (Loss)	18,922	(2,286,530)	167,028
Nonoperating Revenues (Expenses):			
Operating Grants	144,085	228,919	—
Investment and Interest Income	24,311	117,424	61,117
Gain (Loss) on Disposal of Capital Assets	—	(7,181)	—
Interest Expense	—	(52,558)	—
Gifts and Donations	—	624,900	—
Miscellaneous Revenues	—	94,118	—
Other Expenses:			
Property Tax Credits	—	—	—
Grants Disbursed	(79,566)	—	—
Other	—	—	—
Total Nonoperating Revenues (Expenses)	88,830	1,005,623	61,117
Income (Loss) Before Contributions, Transfers and Special Item	107,751	(1,280,908)	228,144
Capital Contributions	—	154,884	—
Additions to Endowments	—	3,418	—
Transfers In	—	1,480,677	—
Transfers Out	(4,512)	(108,022)	—
Change in Net Position	103,240	250,049	228,144
Total Net Position, July 1, 2024	2,412,705	6,723,098	1,944,867
Restatements (Note 23)	—	—	—
Total Net Position, July 1, 2024, Restated	2,412,705	6,723,098	1,944,867
Total Net Position, End of Year	\$ 2,515,945	\$ 6,973,147	\$ 2,173,012

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	
\$	1,275,064	\$	1,275,064	\$	403,269
	2,019,802		2,533,789		—
	—		1,568,736		—
	—		1,088,734		—
	—		377,362		—
	—		444,214		—
	—		475,176		—
	—		67,059		—
	61		45,616		—
	—		27		—
	—		22,639		—
	53,908		630,445		—
	3,348,835		8,528,863		403,269
	442,429		5,101,281		110,764
	333,580		1,908,145		147,060
	548,040		548,040		—
	—		189,818		—
	25,218		491,834		58,273
	2,274,131		2,633,843		272,144
	—		12,187		—
	2,825		21,685		545
	3,626,223		10,906,833		588,786
	(277,389)		(2,377,970)		(185,517)
	1,739		374,744		17
	206,098		408,950		157,949
	(120)		(7,301)		187
	(2,534)		(55,092)		(9,058)
	957		625,857		—
	6,059		100,177		187
	(329,154)		(329,154)		—
	(1,505)		(81,071)		—
	(65)		(65)		(1,120)
	(118,526)		1,037,044		148,162
	(395,914)		(1,340,926)		(37,355)
	6,081		160,965		—
	—		3,418		—
	322,643		1,803,320		3,234
	(25,959)		(138,493)		(5,859)
	(93,150)		488,284		(39,980)
	1,927,073		13,007,743		(701,660)
	2,547		2,547		2,928
	1,929,620		13,010,290		(698,732)
\$	1,836,470	\$	13,498,574	\$	(738,712)
			488,284		Change in Net Position Reported Above
			19,174		Activities Related to Enterprise Funds
		\$	507,458		Change in Net Position of Business-type Activities

Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended June 30, 2025

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Cash Flows From Operating Activities:			
Cash Receipts from Customers	\$ —	\$ —	\$ 518,634
Receipts from Other Funds for Services	—	—	—
Cash Payments to Suppliers for Goods and Services	(6,744)	(1,567,535)	—
Payments to Other Funds for Services	(49)	(50,518)	—
Cash Payments to Employees for Services	(11,780)	(4,370,471)	—
Tuition and Fees	—	1,592,036	—
Grants and Contracts	—	1,497,140	—
Cash Payments for Lottery Prizes	—	—	—
Cash Payments for Loans Originated	(342,031)	(531,079)	—
Collection of Loans	214,895	533,606	—
Interest Income	45,136	—	—
Cash Payments for Benefits	—	—	(387,527)
Sales and Services of Educational Activities	—	452,462	—
Sales and Services of Auxiliary Enterprises	—	490,160	—
Sales and Services to UW Hospital Authority	—	64,544	—
Scholarships and Fellowships	—	(189,818)	—
Other Operating Revenues	4,065	577,152	51,325
Other Operating Expenses	—	—	(11,714)
Other Sources of Cash	—	—	—
Net Cash Provided (Used) by Operating Activities	(96,508)	(1,502,322)	170,717
Cash Flows From Noncapital Financing Activities:			
Operating Grants Receipts	144,949	228,919	—
Grants Disbursed	(79,566)	—	—
Proceeds from Issuance of Debt	30,345	—	—
Repayment of Bonds, Notes and Certificates of Participation	(63,690)	—	—
Interest Payments	(21,831)	—	—
Property Tax Credit Payments	—	—	—
Non Capital Gifts and Grants	—	630,763	—
Interfund Loans Received	—	—	—
Interfund Loans Repaid	—	—	—
Interfund Borrowing to Other Funds	—	—	—
Transfers In	—	1,392,886	—
Transfers Out	(4,512)	(107,729)	—
Other Cash Inflows from Non capital Financing Activities	—	(41,001)	—
Other Cash Outflows from Non capital Financing Activities	(291)	—	—
Net Cash Provided (Used) by Non Capital Financing Activities	5,404	2,103,839	—
Cash Flows From Capital and Related Financing Activities:			
Proceeds from Issuance of Debt	—	272,897	—
Capital Contributions	—	283,018	—
Repayment of Bonds, Notes and Certificates of Participation	—	(441,530)	—
Interest Payments	—	(134,932)	—
Transfers In	—	—	—
Lease Obligations	—	(18,408)	—
Proceeds from Sale of Capital Assets	—	—	—
Payments for Purchase of Capital Assets	—	(720,797)	—
Other Cash Inflows from Capital Financing Activities	—	209,241	—
Other Cash Outflows from Capital Financing Activities	—	—	—
Net Cash Provided (Used) by Capital and Related Financing Activities	—	(550,510)	—
Cash Flows From Investing Activities:			
Proceeds from Sale and Maturities of Investment Securities	—	108,468	—
Purchase of Investment Securities	—	(104,346)	—
Investment and Interest Receipts	24,301	70,146	61,117
Net Cash Provided (Used) by Investing Activities	24,301	74,268	61,117
Net Increase (Decrease) in Cash and Cash Equivalents	(66,803)	125,275	231,834
Cash and Cash Equivalents, Beginning of Year	590,564	1,509,157	1,838,222
Cash and Cash Equivalents, End of Year	\$ 523,761	\$ 1,634,432	\$ 2,070,055

Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
Nonmajor Enterprise		Totals					
\$	3,353,895	\$	3,872,529	\$	21,685		
	—		—		382,708		
	(275,087)		(1,849,365)		(127,534)		
	(10,262)		(60,830)		(18,821)		
	(427,947)		(4,810,199)		(107,546)		
	—		1,592,036		—		
	—		1,497,140		—		
	(547,399)		(547,399)		—		
	—		(873,110)		—		
	804		749,305		—		
	61		45,196		—		
	(2,325,560)		(2,713,088)		(166,787)		
	—		452,462		—		
	—		490,160		—		
	—		64,544		—		
	—		(189,818)		—		
	—		632,542		60		
	(59,382)		(71,096)		(12)		
	222,234		222,234		142		
	(68,645)		(1,496,758)		(16,104)		
	2,186		376,055		—		
	(3,138)		(82,705)		—		
	—		30,345		—		
	—		(63,690)		—		
	(5)		(21,836)		(2)		
	(315,142)		(315,142)		—		
	569		631,332		—		
	45,199		45,199		2,511		
	(20,685)		(20,685)		(359)		
	—		—		(924,510)		
	272,279		1,665,166		919		
	(24,041)		(136,281)		(5,859)		
	581		(40,420)		131		
	(7)		(298)		—		
	(42,204)		2,067,039		(927,169)		
	8,326		281,223		89,836		
	6,081		289,099		—		
	(11,490)		(453,020)		(96,026)		
	(1,716)		(136,648)		(9,045)		
	48,806		48,806		2,316		
	(1,319)		(19,727)		(27,990)		
	52		52		82		
	(71,987)		(792,784)		(29,543)		
	5,984		215,225		—		
	(2,068)		(2,068)		—		
	(19,332)		(569,841)		(70,370)		
	610,447		718,915		—		
	(654,757)		(759,104)		—		
	136,309		291,873		157,945		
	91,999		251,684		157,945		
	(38,181)		252,124		(855,699)		
	1,202,056		5,139,999		1,992,068		
\$	1,163,875	\$	5,392,123	\$	1,136,369		

(Continued)

Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended June 30, 2025

(Continued)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:			
Operating Income (Loss)	\$ 18,922	\$ (2,286,530)	\$ 167,028
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	—	466,616	—
Provision for Uncollectible Accounts	—	—	(6,440)
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	11,984	—	—
Miscellaneous Nonoperating Income (Expense)	—	—	—
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Decrease (Increase) in Assets and Deferred Outflows:			
Receivables	(19)	(13,759)	31,168
Due from Other Funds	(153)	4,554	(8)
Due from Component Units	—	(2,515)	—
Due from Other Governments	(127,556)	19,043	281
Inventories	—	(146)	—
Prepaid Items	—	(1,242)	—
Net OPEB Assets	—	27,351	—
Other Assets	—	—	—
Deferred Outflows of Resources	64	582,432	—
Increase (Decrease) Liabilities and Deferred Inflows:			
Accounts Payable and Other Accrued Liabilities	(258)	109,751	(5,551)
Due to Other Funds	685	(7,878)	(37)
Due to Other Component Unit	—	4	—
Due to Other Governments	4	(17,772)	(15,724)
Tax and Other Deposits	—	—	—
Unearned Revenue	—	66,220	—
Interest Payable	—	—	—
Compensated Absences	(105)	(330)	—
Net Pension Liability	(12)	17,398	—
Postemployment Benefits	—	(26,047)	—
Future Benefits and Loss Liability	—	—	—
Deferred Inflows of Resources	(64)	(439,474)	—
Total Adjustments	(115,430)	784,208	3,689
Net Cash Provided Used by Operating Activities	\$ (96,508)	\$ (1,502,322)	\$ 170,717
Noncash Investing, Capital and Financing Activities:			
Assets Acquired through Leases	\$ —	\$ 125,227	\$ —
Amortization of Premium/Discount	11,135	27,007	—
Contributions/Transfers In (Out) of Noncash Assets and Liabilities From/To Other Funds	—	—	—
Lottery Prize Annuity Investment Assumption	—	—	—
Net Change in Unrealized Gains and (Losses)	—	87,014	—
Other	—	19,286	—

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

Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
Nonmajor Enterprise		Totals					
\$	(277,389)	\$	(2,377,970)	\$		(185,517)	
	25,218		491,834			58,273	
	196		(6,243)			—	
	—		11,984			77	
	7,132		7,132			112	
	14,639		32,029			133	
	66,789		71,182			978	
	—		(2,515)			(73)	
	7,265		(100,967)			105	
	(561)		(707)			1,562	
	(1,168)		(2,410)			(623)	
	2,721		30,072			657	
	(2,008)		(2,008)			—	
	53,346		635,843			12,148	
	8,394		112,337			322	
	(75,870)		(83,100)			108	
	78		82			—	
	1		(33,491)			(30)	
	454		454			—	
	4,902		71,122			—	
	96		96			—	
	324		(112)			420	
	3,572		20,958			254	
	(2,207)		(28,253)			(1,012)	
	141,583		141,583			105,948	
	(46,152)		(485,690)			(9,946)	
	208,744		881,212			169,413	
\$	(68,645)	\$	(1,496,758)	\$		(16,104)	
\$	—	\$	125,227	\$		10,120	
	889		39,031			4,861	
	(7)		(7)			—	
	86		86			—	
	(37,862)		49,152			—	
	—		19,286			—	

Statement of Fiduciary Net Position
June 30, 2025

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Custodial
Assets				
Cash and Cash Equivalents	\$ 1,472,319	\$ 7,395,662	\$ 1,160	\$ 208,842
Securities Lending Collateral	3,683,652	—	—	—
Prepaid Items	38,009	—	—	39
Receivables (net of allowance):				
Prior Service Contributions Receivable	2,117	—	—	—
Benefits Overpayment Receivable	3,292	—	—	—
Due from Other Funds	67,529	—	—	5,628
Due from Component Units	10,964	—	—	—
Due from Other Governments	154,653	—	—	2,051
Interfund Receivables	—	—	—	—
Interest and Dividends Receivable	644,033	—	—	—
Investment Sales Receivable	8,586,135	—	—	—
Other Receivables	5,576	—	—	7,282
Total Receivables	9,474,299	—	—	14,961
Investments:				
Fixed Income	60,929,198	—	—	—
Stocks	63,806,026	—	—	—
Options	1,551	—	—	—
Financial Futures Contracts and Swaps	2,737	—	—	—
Private Fund Investments	36,387,238	—	—	—
Preferred Securities	439,914	—	—	—
Convertible Securities	1,275	—	—	—
Multi-asset Investments	9,836,015	—	—	—
Investment Contract	507,849	—	—	—
Foreign Currency Contracts	(6,233)	—	—	—
To Be Announced Securities	1,219,426	—	—	—
Deferred Compensation Plan Investments:				
Collective Investment Trust Funds	4,646,144	—	—	—
Mutual Funds	2,178,303	—	—	—
Stable Value Fund	641,942	—	—	—
Investments of Custodial Funds	—	—	—	28
Total Investments	180,591,384	—	—	28
Capital Assets	74,846	—	—	—
Other Assets	—	—	—	371,147
Total Assets	\$ 195,334,510	\$ 7,395,662	\$ 1,160	\$ 595,129

(Continued)

Statement of Fiduciary Net Position
June 30, 2025

(Continued)

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Custodial
Liabilities				
Accounts Payable and Other Accrued Liabilities	\$ 108,759	\$ 88	\$ —	\$ 6,643
Reverse Repurchase Agreements	19,794,050	—	—	—
Securities Lending Collateral Liability	12,247,652	—	—	—
Annuities Payable	545,771	—	—	—
Due to Other Funds	88,435	195	—	7,416
Interfund Payables	911,045	—	—	—
Tax and Other Deposits	—	—	—	1,506
Due to Other Governments	—	—	—	157,804
Short Sales of Securities	7,848,151	—	—	—
Investment Payable	9,760,243	—	—	—
Unearned Revenue	621	—	—	—
Leases and SBITAs	45,771	—	—	—
Total Liabilities	51,350,498	284	—	173,368
Deferred Inflows of Resources				
	—	—	—	—
Net Position				
Restricted for Pensions	134,541,468	—	—	—
Restricted for Other Postemployment Benefits	9,438,485	—	—	—
Restricted for Pool Participants	—	7,395,378	—	—
Restricted for Individuals, Organizations and Other Governments	4,058	—	1,160	421,761
Total Net Position	\$ 143,984,012	\$ 7,395,378	\$ 1,160	\$ 421,761

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

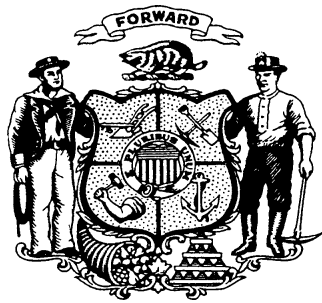
Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2025

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Custodial
Additions				
Contributions:				
Employer Contributions	\$ 1,479,532	\$ —	\$ —	\$ —
Employee Contributions	1,583,272	—	—	—
Transfer-in From Other Plans	49,387	—	—	—
Total Contributions	3,112,191	—	—	—
Deposits	—	13,220,922	—	1,139,890
Premiums	—	—	—	23,412
Federal Subsidy	—	—	—	3,809
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	12,099,819	—	—	—
Interest and Dividends	2,855,921	—	—	—
Securities Lending Income	595,063	—	—	—
Investment Income of Investment Trusts, Private Purpose Trusts, Other Employee Benefit Trusts and Custodial Funds	16,832	346,179	53	(329)
Less:				
Investment Expense	(1,930,205)	(1,993)	—	—
Securities Lending Rebates and Fees	(549,950)	—	—	—
Investment Income Distributed to Other Funds	(255,660)	—	—	—
Net Investment Income	12,831,819	344,186	53	(329)
Interest on Prior Service Receivable	134	—	—	—
Tax Collections for Other Governments	—	—	—	1,014,297
Miscellaneous Income	1,014	—	—	4
Total Additions	15,945,157	13,565,108	53	2,181,082
Deductions				
Retirement Benefits and Refunds:				
Retirement, Disability, and Beneficiary	7,559,645	—	—	—
Separations	68,959	—	—	—
Total Retirement Benefits and Refunds	7,628,604	—	—	—
Distributions	518,058	13,248,420	—	1,120,251
Benefits and Other Expenses	139,122	—	—	26,159
Administrative Expense	43,356	407	—	2,753
Payments of Tax to Other Governments	—	—	—	1,014,111
Total Deductions	8,329,141	13,248,827	—	2,163,274
Net Increase (Decrease)	7,616,017	316,281	53	17,808
Net Position - Beginning of Year	136,367,995	7,079,096	1,107	403,953
Net Position - End of Year	\$ 143,984,012	\$ 7,395,378	\$ 1,160	\$ 421,761

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**

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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 modified certain requirements for inclusion in the financial reporting entity, especially in regard to the fiscal dependency criterion where a financial benefit or burden relationship is now required. It also amended the "blending" criteria for component units and clarified 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
908 East Main Street, Suite 501
Madison, WI 53703
<http://www.wheda.com>

Wisconsin Health Care Liability Insurance Plan
Office of the Commissioner of Insurance
101 E Wilson Street
Madison, WI 53702
<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
2352 South Park Street, Suite 303
Madison, Wisconsin 53713
<http://www.wedc.org>

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 also 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 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 mostly to the University of Wisconsin-Madison (UW-Madison) as well as several other units of the University of Wisconsin System in support of its programs. These include scientific, literary, athletic and educational program purposes. The University of Wisconsin System is reported as an enterprise fund of the State. 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 UW-Madison by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the UW-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 June 30.

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.

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.

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.

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 Annual Comprehensive Financial Report are presented on a fiscal year ended June 30. However, because funds of the Department of Employee Trust Funds (DETFF) are administered on a calendar year basis, they are presented on a fiscal year ended December 31. This may result in GASB standards being implemented in different fiscal years for the DETFF GAAP funds. Funds reported as of December 31 include: Wisconsin Retirement System, Accumulated Sick Leave Conversion Credit, Supplemental Health Insurance Conversion Credit, Wisconsin Deferred Compensation, 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, and Health 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 differences 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.

Major Enterprise Funds

- *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 four-year universities, seven additional campuses affiliated with five of the four-year institutions, 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, risk management, human resource services and accumulated sick leave. Additional goods and services are provided by the inmate work experience program, Badger State Industries.

Fiduciary Funds

- *Pension and Other Employee Benefit Trust Funds* – used to account for resources that are required to be held in trust for members and beneficiaries for public employee retirement or other benefit plans e.g. Wisconsin Retirement System.
- *Investment Trust Funds* – account for assets invested on a commingled basis by the State on behalf of other governmental entities e.g. local government pooled investments.
- *Private-purpose Trust Funds* – account for all other trust arrangements which benefit individuals, private organizations, or other governments e.g. the state-sponsored college savings program.
- *Custodial Funds* – account for those assets for which the State acts solely in a custodial capacity e.g. the collection and disbursement of court-ordered child support payments.

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

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

The revenues and expenses shown on the proprietary fund statements are identified as either operating or nonoperating.

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

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

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

GASB Standards Implemented During the Fiscal Year

Effective for Fiscal Year 2025, the State implemented the following new standards issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 101, *Compensated Absences*, supersedes GASB Statement No. 16 and establishes new requirements for when a liability for compensated absences is required to be recognized.

GASB Statement No. 102, *Certain Risk Disclosures*, requires governments to disclose risks related to vulnerabilities due to certain concentrations or constraints on the government.

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 (DOA) 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. 72, *Fair Value Measurement and Application*. Cash balances not controlled by DOA 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, 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, banker's 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).

Investments of the primary government are reported at fair value consistent with the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. 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.

In some instances, securities are reported 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

3. Mortgage and Other Loans

Mortgage loans of the Veterans Trust Fund program, a business-type activity, are stated at the outstanding loan balance less an allowance for doubtful accounts.

4. Forestation State Tax

2017 Wis. Act 59 (the Budget Act) ended the forestry mill tax, the only property tax that had been levied by the State. The proceeds of the tax had been paid to the Conservation Fund. The tax ended effective with the January 1, 2017 property tax assessments (property taxes levied in 2017 for payment in 2018).

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 Primary Government" or "Due from Primary Government" and, correspondingly, "Due to Component Units" or "Due 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, library holdings, 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, and right-to-use 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 more than one year. Right-to-use assets are capitalized when they have a contract carrying cost equal to or greater than \$100,000 and extend more than one year. 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 acquisition 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 which was determined by calculating the current cost of a similar asset and deflating that cost using 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, and infrastructure. In addition, depreciation is not recorded for certain other capital assets including the State Capitol, Executive Residence and associated furnishings, and the Historical Society library collection. Generally, estimated useful lives are as follows:

Buildings and improvements	6 - 40 years
Equipment, machinery and furnishings	3 - 15 years
Library Holdings	15 years
Right to Use-Leases	1.5 - 25 years
Right to Use-SBITA	1.5 - 12 years

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

8. Restricted and Limited Use Assets

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

9. Local Assistance Aids**Municipal and County Shared Revenue Program**

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

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 \$607.5 million representing one-half of the total appropriated amount is reported at June 30, 2025 as Due to Other Governments.

State Property Tax Credit Program

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 May and July. Although the state property tax credit is calculated on the property tax levy for school purposes, the State's payments are 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 May payment to school districts for the school levy tax credit represents the amount earned over the school districts' previous fiscal year ended June 30. Since the entire school districts' portion of the May payment occurs within the State's fiscal year, 100 percent of the May payment relating to the school taxing jurisdictions' levy is reported as an expenditure at June 30, 2025.

A portion of the May payment to general governments for the school levy tax credit applies to their fiscal year that ends on December 31. Therefore, part of the May payment represents an expenditure of the State in Fiscal Year 2025, while the remaining portion represents advanced payments. The resulting deferred outflow of resources reported within the General Fund totals \$86.2 million at June 30, 2025.

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, 2025.

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, 2025.

The aggregated State Property Tax Credit Program liability of \$808.9 million is reported in the General Fund as Due to Other Governments. Of that amount, \$698.1 million relates to the school levy tax credit and \$110.8 million relates to the first dollar tax credit related to the July payments.

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 2025 property tax bills, the State made this payment in March 2025. 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 2025, while the remaining portion represents advanced payments. The resulting deferred outflow of resources reported within the Lottery Fund totals \$81.1 million at June 30, 2025.

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, 2025, the State was liable to various local governments and other taxing jurisdictions for unpaid exempt computer aid payments of \$68.2 million.

State Aid for Exempt Personal Property

2017 Wis. Act 59 (the Budget Act) exempted machinery, tools, and patterns, not including such items considered manufacturing property under current law, from the property tax effective with property assessed as of January 1, 2018 (the 2018(19) property tax levy). The Act also created a state aid program administered by DOR to make payments to each local taxing jurisdiction, including tax increment districts, that imposed property taxes on those items that were not manufacturing property in 2017(18).

Upon certification by DOR, payments are made to local taxing jurisdictions on or before the first Monday in May. Under the Act, aid payments totaling \$75.6 million were made in May 2025 of which \$21.5 million are deferred outflow of resources to general government taxing jurisdictions.

2023 Wisconsin Act 12 repealed the remaining property taxed as personal property and created a state aid program administered by DOR to make payments to each local taxing jurisdiction, including tax increment districts for the repeal of personal property taxes.

Upon certification by DOR, payments are made to local taxing jurisdictions on or before the first Monday in May. Under the Act, aid payments totaling \$173.8 million were made in May 2025 of which \$55.6 million are deferred outflow of resources to general government taxing jurisdictions.

State Aid for Video Service Provider Fee

2019 Wis. Act 9 (the Budget Act) reduced the fee rate municipalities can charge cable and phone companies. This state aid to municipalities replaces the lost revenue related to the fee reduction. Payments to local governments are made on the fourth Monday in July.

At June 30, 2025, the State was liable to various local governments and other taxing jurisdictions for unpaid aid for video service fees of \$5.0 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, which finance programs in a capital projects fund, 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. 101, *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. 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, personal holiday hours, and Saturday/legal holiday 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 as two funds. The basic component of sick leave is presented as an internal service fund and the supplementary component of sick leave is presented as 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, 2025, 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. § 16.865(8).

14. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

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

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

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

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

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

Contributions to the pension or OPEB plans from the State subsequent to the measurement date of the pension or OPEB liabilities and before the end of the State's fiscal year-end are reported as deferred outflows of resources.

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

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

When asset retirement obligations (ARO) are recognized, a corresponding deferred outflow of resources is also recognized and reduced in a systematic and rational manner over the estimated useful life of the capital asset.

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 restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts nonspendable, restricted or committed for those purposes. 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.

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, 2025, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Balance Sheet – Governmental Funds to the amounts presented in the governmental activities section of the Statement of Net Position (in thousands). The differences result primarily from the long-term economic focus of the Statement of Net Position compared to the current financial focus of the Balance Sheet – Governmental Funds.

	Total Governmental Funds	Long-term Assets and Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations (3)	Total Amount for Statement of Net Position
Assets:					
Cash and Cash Equivalents	\$ 11,864,778	\$ —	\$ 1,136,369	\$ —	\$ 13,001,147
Investments	1,246,127	—	—	—	1,246,127
Receivables (net of allowance):					
Taxes	2,032,968	—	—	(2,032,968)	—
Loans to Local Governments	312,967	—	—	(312,967)	—
Other Loans Receivable	15,773	—	—	(15,773)	—
Other Receivables	876,253	1,796	2,353	5,103,884	5,984,287
Due from Other Funds	245,576	—	942,258	(1,187,834)	—
Due from Component Units	—	—	—	—	—
Interfund Receivables	98,868	—	—	(98,868)	—
Due from Other Governments	1,741,749	—	—	(1,741,749)	—
Internal Balances	—	—	105,959	125,456	231,415
Inventories	67,131	1,106	8,671	—	76,908
Prepaid Items	15,456	64	11,831	—	27,351
Restricted Assets:					
Cash and Cash Equivalents	163,514	—	—	—	163,514
Investments	346,817	—	—	—	346,817
Sick Leave OPEB Asset	—	—	—	—	—
Other Assets	21,792	—	—	—	21,792
Depreciable Capital Assets	—	1,507,412	407,601	—	1,915,013
Infrastructure	—	21,009,145	—	—	21,009,145
Other Non-depreciable Capital Assets	—	5,326,478	56,123	—	5,382,601
Total Assets	19,049,769	27,846,001	2,671,165	(160,819)	49,406,117
Deferred Outflows of Resources	163,474	1,648,381	48,363	—	1,860,218
Total Assets and Deferred Outflows	\$ 19,213,243	\$ 29,494,382	\$ 2,719,528	\$ (160,819)	\$ 51,266,335
Liabilities:					
Accounts Payable and Other Accrued Liabilities	\$ 1,883,257	\$ —	\$ 14,027	\$ 24,897	\$ 1,922,180
Due to Other Funds	130,771	—	45,061	(175,832)	—
Due to Component Units	2,430	—	—	(2,430)	—
Interfund Payables	—	—	—	—	—
Due to Other Governments	2,735,933	—	29	—	2,735,962
Tax Refunds Payable	2,274,957	—	—	—	2,274,957
Tax and Other Deposits	129,094	—	—	—	129,094
Unearned Revenue	843,500	1,106	—	—	844,605
Interest Payable	29,432	48,312	2,104	—	79,848
Advances from Other Funds	7,453	—	—	(7,453)	—
Short-term Notes Payable	106,491	—	858	—	107,349
Long-term Liabilities:					
Current Portion	159,380	1,057,735	215,473	—	1,432,588
Noncurrent Portion	—	8,734,188	3,029,558	—	11,763,746
Total Liabilities	8,302,696	9,841,341	3,307,109	(160,819)	21,290,327
Deferred Inflows of Resources	745,493	311,863	45,173	—	1,102,529
Fund Balances/Net Position	10,165,054	19,341,178	(632,754)	—	28,873,479
Total Liabilities, Deferred Inflows, and Fund Balances/Net Position	\$ 19,213,243	\$ 29,494,382	\$ 2,719,528	\$ (160,819)	\$ 51,266,335

- (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, 2025, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the amounts presented in the governmental section of the Statement of Activities (in thousands). The differences result primarily from the long-term economic focus of the Statement of Activities compared to the current financial focus of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.

	Total Governmental Funds	Long-term Revenues and Expenses (1)	Capital Related Items (2)
Revenues:			
Taxes			
Income Taxes	\$ 12,698,360	\$ 16,844	\$ —
Sales & Excise Taxes	8,608,559	13,104	—
Public Utility Taxes	369,263	—	—
Other Taxes	436,229	125	—
Motor Fuel (Transportation) Taxes	1,108,830	98	—
Other Dedicated Taxes	124,851	—	—
Intergovernmental	15,805,850	—	—
Operating Grants	—	(474)	—
Capital Grants	—	—	207
Licenses and Permits	2,255,898	—	—
Charges for Goods and Services	442,625	2,418	—
Investment and Interest Income	731,051	—	—
Fines and Forfeitures/Contributions to Permanent Fund	80,375	—	—
Gifts and Donations	31,964	—	—
Miscellaneous:	—	(2,024)	218
Tobacco Settlement	76,912	—	—
Other	397,831	—	—
Total Revenues	43,168,599	30,092	425
Expenditures/Expenses:			
Current Operating:			
Commerce	697,061	4,885	4,113
Education	9,875,843	4,333	3,563
Transportation	3,006,224	16,515	216,328
Environmental Resources	622,094	11,800	27,380
Human Relations and Resources	21,066,977	101,365	107,465
General Executive	1,135,245	16,186	8,899
Judicial	170,340	6,308	1,360
Legislative	89,272	2,725	—
Tax Relief and Other General Expenditures	2,025,065	—	—
Intergovernmental - Shared Revenue	1,497,971	—	—
Capital Outlay	823,982	—	(823,982)
Debt Service:			
Principal	878,775	—	—
Interest and Other Charges	371,394	—	—
Total Expenditures/Expenses	42,260,245	164,117	(454,874)
Excess of Revenues Over (Under)			
Expenditures/Expenses	908,353	(134,025)	455,299
Other Financing Sources (Uses):			
Net Transfers	(1,661,498)	—	—
Long-term Debt Issued	1,428,026	—	—
Premium/Discount on Bonds	148,347	—	—
Payments for Refunded Bonds	(946,652)	—	—
Payments to Refunding Bond Escrow Agent	(125,901)	—	—
Lease Acquisitions	54,129	(54,129)	—
Total Other Financing Sources (Uses)	(1,103,549)	(54,129)	—
Net Change in Fund Balance/Net Position	(195,196)	(188,155)	455,299
Change in Inventories	(19,428)	—	—
Net Change for the Year	<u>\$ (214,624)</u>		

- (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.

Internal Service Funds (3)	Long-term Debt Transactions (4)	Eliminations (5)	Revenue/Expense Reclassifications (6)	Total Amount for Statement of Activities
\$ —	\$ —	\$ —	\$ —	12,715,204
—	—	—	—	8,621,663
—	—	—	—	369,263
—	—	—	—	436,354
—	—	—	—	1,108,928
—	—	—	—	124,851
—	—	—	(15,805,850)	—
—	—	134,776	14,851,443	14,985,746
—	—	—	1,113,840	1,114,047
—	—	—	(2,255,898)	—
(137,526)	—	(9,472)	2,323,560	2,621,605
157,949	—	—	(127,484)	761,516
—	—	—	(67,647)	12,729
—	—	—	(31,964)	—
—	—	—	475,447	473,641
—	—	—	(76,912)	—
—	—	—	(397,831)	—
20,423	—	125,304	704	43,345,546
3,245	—	—	175	709,480
1,748	—	53,735	33	9,939,256
9,071	—	—	(1,808)	3,246,330
7,779	(322)	—	549	669,280
45,959	305	81,041	20,568	21,423,680
(4,865)	—	(9,472)	(90)	1,145,903
3,171	—	—	—	181,179
1,786	—	—	—	93,783
—	—	—	—	2,025,065
—	—	—	—	1,497,971
—	—	—	—	—
—	(878,775)	—	—	—
9,058	(84,902)	—	—	295,550
76,952	(963,695)	125,304	19,428	41,227,478
(56,530)	963,695	—	(18,724)	2,118,068
(2,625)	—	—	(704)	(1,664,827)
—	(1,428,026)	—	—	—
—	(148,347)	—	—	—
—	946,652	—	—	—
—	125,901	—	—	—
—	—	—	—	—
(2,625)	(503,820)	—	(704)	(1,664,827)
\$ (59,154)	\$ 459,875	\$ —	(19,428)	453,242
			19,428	—
			\$ —	\$ 453,242

- (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.
- (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

Funds reporting a deficit fund balance or net position at June 30, 2025 are (in thousands):

Special Revenue:		
Dry Cleaner Environmental Response	\$	6,774
Capital Projects:		
Transportation Revenue Bonds		28
Enterprise:		
Northern Developmental Disabilities Center		9,144
Winnebago Mental Health Institute		14,938
Internal Service:		
Accumulated Sick Leave Basic Plan		754,041
Fleet Services		6,137
Human Resource Services		7,625
Risk Management		131,057

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, 2025 (in thousands):

Governmental Activities:

Net Position Restricted by Enabling Legislation \$ 148,626

Business-type Activities:

Net Position Restricted by Enabling Legislation 299,605

C. Budget Stabilization Arrangement

Wis. Stat. § 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. Wis. Stat. § 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 Wis. Stat. § 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.

Wis. Stat. § 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.

The balance of the budget stabilization arrangement as of June 30, 2025 was \$2.0 billion. There was no transfer to the budget stabilization fund in Fiscal Year 2025 since the current balance exceeded 5.0 percent of the estimated General Fund expenditures for the fiscal year.

D. Minimum Fund Balance

Wis. Stat. § 20.003(4) establishes a minimum General Fund balance. Under the statutes, no bill directly or indirectly affecting general purpose revenues as defined in Wis. Stat. § 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, 2025 was \$105.0 million.

E. Fund Balance for Governmental Funds

Governmental funds reported the following categories of fund balance as of June 30, 2025 (in thousands):

	General	Transportation	Nonmajor Governmental	Total Governmental
Nonspendable for:				
Inventory, Prepaid and Long-term Receivables	\$ 14,370	\$ 52,868	\$ 15,626	\$ 82,864
Legal or Contractual Purposes (Permanent Fund Principal)	—	—	1,582,821	1,582,821
Restricted for:				
Commerce	20,561	—	—	20,561
Education	19,652	—	112,163	131,814
Transportation	—	1,976,863	—	1,976,863
Environmental Resources	4,515	—	328,945	333,460
Human Relations and Resources	227,981	—	86,846	314,828
General Executive	282,721	—	7,613	290,334
Judicial	91	—	—	91
Legislative	10	—	—	10
Tax Relief and Other General Expenditures	412	—	—	412
Intergovernmental - Shared Revenue	—	—	44,613	44,613
Debt Service	—	—	312,169	312,169
Capital Projects	—	—	1,338,736	1,338,736
Committed to:				
Commerce	—	—	79,506	79,506
Education	—	—	473	473
Environmental Resources	—	—	116,901	116,901
Human Relations and Resources	—	—	54,048	54,048
General Executive	—	—	68,578	68,578
Judicial	—	—	97	97
Tax Relief and Other General Expenditures	1,990,971	—	—	1,990,971
Capital Projects	—	—	73,887	73,887
Assigned to:				
Commerce	14,470	—	—	14,470
Education	18,627	—	—	18,627
Transportation	26,620	—	—	26,620
Environmental Resources	25,997	—	—	25,997
Human Relations and Resources	180,132	—	—	180,132
General Executive	11,438	—	—	11,438
Judicial	234	—	—	234
Legislative	16	—	—	16
Tax Relief and Other General Expenditures	—	—	—	—
Unassigned	1,080,286	—	(6,802)	1,073,484
Total Fund Balance	\$ 3,919,104	\$ 2,029,731	\$ 4,216,219	\$ 10,165,054

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 (SWIB) which is further authorized to carry out investment activities for certain enterprise, trust and custodial funds. A small number of State agencies also carry out investment activities separate from the SWIB.

The State of Wisconsin Investment Board also issues separate financial reports for the investments they manage, including the State Investment Fund (SIF), and the Wisconsin Retirement System (WRS). Copies of the separately issued financial reports may be obtained at www.swib.state.wi.us or by writing to:

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

The Department of Employee Trust Funds issues separate financial reports for the State of Wisconsin Public Employees Deferred Compensation Plan and Trust (Deferred Compensation). Copies of the separately issued financial reports may be obtained at etf.wi.gov or by writing to:

Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931

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 Wisconsin 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 \$1,000,000 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, 2025, \$552.2 million of the primary government's bank balance of \$562.7 million was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	\$	552.2
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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, 2025 are immaterial. The primary government does not have a formal policy specifically related to foreign currency risk.

The State's Unemployment Reserve Fund had \$2.1 billion 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.

Certificates of Deposit are carried at cost as they are considered nonparticipating interest-earning investment contracts. Because they are valued at cost, they are not included in the fair value hierarchy established by GASB Statement 72, Fair Value Measurement and Application.

2. Wisconsin Retirement System (WRS)

As of December 31, 2024, WRS cash deposits totaled \$630.0 million. Of the total, \$425.5 million was collateralized by securities borrowed. Deposits totaling \$148.2 million, were uninsured and uncollateralized. These uninsured deposits represent the US dollar equivalent of balances held in foreign currencies in the WRS' custodian's nominee name, cash posted as collateral for derivatives transactions, and cash collateral posted in excess of the market value of securities borrowed by the WRS for short sales.

3. Deferred Compensation

Cash and cash equivalents for the Deferred Compensation Fund represent the balance of the FDIC Bank Option. The FDIC Bank option provides safety of principal and a stable credited rate of interest and is insured up to \$250,000 per participant. As of December 31, 2024, 159 individual participant accounts held more than \$250,000 totaling \$64.5 million.

4. State Investment Fund

The State of Wisconsin appropriation for losses on public deposits protects a depositing municipality up to \$1,000,000 (or less if the appropriation is exhausted) on its proportionate share of all losses of principal invested if the local governing body has designated the Local Government Investment Pool (LGIP) as a public depository. The actual coverage of these deposits can fluctuate daily based on the allocable share of participants' accounts.

The SIF held time deposits with financial institutions with fair values of \$109.0 million, which were uncollateralized and uninsured as of June 30, 2025.

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, Wisconsin Retirement System and the State Investment Fund. The primary government portfolios include funds separately managed by the State of Wisconsin Investment Board consisting of the following:
 - State Life Insurance Fund (SLIF)
 - Injured Patients and Families Compensation Fund (IPFCF)
 - Historical Society Fund
- The University of Wisconsin System (UWS)
- State of Wisconsin Public Employees Deferred Compensation Plan and Trust (Deferred Compensation)
- 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 UWS, WRS, and SIF)

For the primary government, except for the Separately Managed 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; banker's 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 SWIB has control of the investment and collection of principal, interest, and dividends of all monies invested of the State Life Insurance Fund (SLIF), the Injured Patients and Families Compensation Fund (IPFCF), and the Historical Society Trust Fund, which are collectively known as the "Separately Managed Funds".

Permitted classes of investments of the SLIF 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.

University of Wisconsin System (UWS)

The UWS Board of Regents authorize and govern the UWS investment policies and guidelines. Beginning in Fiscal Year 2018, the UWS Board of Regents has delegated investment management authority to the SWIB and is responsible for monitoring its delegation of this investment management authority. The SWIB determines and sets UWS asset allocation targets which are reviewed quarterly.

In addition, UWS continues to have an allocation to private markets through a "legacy" portfolio that will self-liquidate over time as investments are sold and cash proceeds are received.

The Intermediate Term Cash Management Fund was established in 2022 in accordance with the investment policies and guidelines governed and authorized by the UWS Board of Regents, and is currently distributed among fixed income funds, bank loans, and global equities. The objective of the Intermediate Term Fund is to manage principal, ensure liquidity for anticipated needs, and maintain purchasing power for existing assets. The Intermediate Term Fund has a target asset allocation to public markets of the following: 83.3 percent fixed income and 16.7 percent public equities. The target allocations were last approved by the University Investment Committee in January 2022. The Intermediate Term Fund is an intermediate portfolio, governed by and subject to a Memorandum of Understanding between University of Wisconsin System Administration and the University of Wisconsin - Madison.

An internally managed investment fund was established for a limited and select number of participating Trust Funds accounts by the University Board of Regents to provide an educational investment management opportunity for the UW-Madison School of Business's Applied Security Analysis Program. The "RegentFund" is an intermediate-term fixed income portfolio, governed by and subject to a Board-approved Memorandum of Understanding, which includes detailed investment guidelines.

The UWS also issues separate financial reports. Copies of these separately issued financial reports may be obtained at www.wisconsin.edu or by writing to:

Office of Financial Administration
780 Regent Street, Suite 255
Madison, WI 53715

Deferred Compensation

The State of Wisconsin Public Employees Deferred Compensation Plan and Trust (Deferred Compensation) was established in 1981 pursuant to Wis. Stat. § 40.80. Deferred Compensation is governed by the Wisconsin Deferred Compensation Board and is administered by a third party.

Under Deferred Compensation Plan provisions, employees of the State of Wisconsin and public employers in Wisconsin that elect to participate are eligible to contribute to the Plan through payroll deductions. Employees electing to participate in the plan may contribute to or exchange within several available investment options.

Wisconsin Retirement System (WRS)

All assets of the WRS are invested by the SWIB. The WRS consists of shares in the Core Retirement Investment Trust and the Variable Retirement Investment Trust.

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

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

Valuation

Investments of the State are reported at Fair Value as defined by GASB Statement Number 72 – Fair Value Measurement and Application and are categorized based on the investment valuation hierarchy established by GASB. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 investments reflect unadjusted quoted prices in active markets for identical assets. Level 2 investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active. Level 3 investments reflect prices based upon valuation techniques in which significant inputs or significant value drivers are unobservable.

The fair value of investments are obtained or estimated using information provided by custodial banks and brokerages. A variety of independent pricing sources are used to price assets based on type, class, or issue, including published quotations from active markets, pricing models and other methods deemed acceptable by industry standards.

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

The following tables present fair value measurements as of June 30, 2025, in millions:

Primary Government

(excluding the UWS, WRS, SIF and Separately Managed Funds)

		Fair Value Measurement Using	
	Fair Value	Level 1 Inputs	Level 2 Inputs
Investments by Fair Value Level:			
U.S. Government & Agency Securities	\$ 172.3	\$ 81.4	\$ 90.9
State or Municipal Bonds & Notes	75.1	—	75.1
Corporate and Other Bonds and Notes	12.8	—	12.8
Closed-End Funds	7.9	7.9	—
Exchange Traded Funds	306.3	306.3	—
Equity Securities	22.8	22.8	—
Total by Fair Value Level	597.2	\$ 418.3	\$ 178.9
Investments Valued at Net Asset Value (NAV):			
U.S. Government & Agency Securities	289.3		
Money Market Funds	516.5		
Mutual Funds	121.8		
Limited Partnerships	569.9		
Investments Valued at Cost:			
Private Placement	6.3		
Total Investments	\$ 2,101.1		

The following tables present fair value measurements as of June 30, 2025 for the Separately Managed Funds (in millions):

Separately Managed Funds	Fair Value Measurement Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs
IPFCF			
Investments by Fair Value Level:			
U.S. Government and Agency Securities	\$ 792.5	\$ 8.5	\$ 783.9
Corporate Bonds	435.9	—	435.9
Municipal Bonds	17.6	—	17.6
Foreign Bonds	32.7	—	32.7
Asset Backed Securities	1.7	—	1.7
Total by Fair Value Level	1,280.3	\$ 8.5	\$ 1,271.7
Investments Valued at Net Asset Value (NAV):			
Equity Index Funds	278.9		
Short-Term Investment Fund	10.3		
Total IPFCF	\$ 1,569.4		
Historical Society			
Investments Valued at Net Asset Value (NAV):			
Equity Index Fund	\$ 23.5		
Fixed Income Fund	6.3		
Total Historical Society	\$ 29.8		
SLIF			
Investments by Fair Value Level:			
U.S. Government and Agency Securities	\$ 37.6	\$ —	\$ 37.6
Corporate Bonds	55.2	—	55.2
Total by Fair Value Level	92.8	\$ —	\$ 92.8
Investments Valued at Net Asset Value (NAV):			
U.S. Fixed Income Fund	2.2		
Total SLIF	\$ 94.9		

Securities categorized as Level 1 are valued using prices quoted in active markets for those securities.

Debt securities categorized as Level 2 are valued by third party pricing services using a matrix-pricing technique that values securities based on their relationship to quoted market prices for securities with similar interest rates, maturities and credit ratings.

Securities categorized as NAV include certain Limited Partnership interests in the amount of \$569.9 million held by the Common School and Normal School funds. These limited partnerships invest in small non-public companies. Shares may typically be redeemed through the investment manager, though the ability to redeem shares may be curtailed during an acute financial crisis. The Common School fund has committed to invest up to \$81.8 million in limited partnerships as of June 30, 2025.

The Injured Patients and Families Compensation fund holds Investments in the amount of \$10.3 million in the Short-Term Investment Fund, a short-term investment pool. Investments of the Short-Term Investment Fund are reported at net asset value (NAV).

Fair values of investments in equity and fixed income co-mingled index funds, mutual funds, real estate investment trusts, privately traded limited partnerships, and money market funds are based on the investments' published NAV per share (or its equivalent) provided by the investee. These investments are considered Level 1 in the GASB fair value hierarchy.

Investments Valued at Cost or Amortized Cost — Certain investments are valued at cost or amortized cost. Investments valued at cost are not included in the GASB fair value hierarchy.

Deferred Compensation

The following schedule presents fair value measurements at December 31, 2024 (in millions):

Deferred Compensation	Fair Value Measurement Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs
Investments by Fair Value Level:			
Mutual Funds	\$ 2,178.3	\$ 2,178.3	\$ —
Total by Fair Value Level	2,178.3	\$ 2,178.3	\$ —
Investments Valued at Net Asset Value (NAV):			
Stable Value Fund	641.9		
Collective Investment Trust Funds (CIT)	4,646.1		
Total Investments	\$ 7,466.4		

Mutual Funds are valued at the daily closing price as reported by the fund on an active market, which is based on the underlying net asset value (NAV) of the shares held by the Plan at year-end. Mutual Funds held by the Plan are open-end Mutual Funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish daily NAV and to transact at that price. The Mutual Funds held by the Plan are deemed to be actively traded.

CIT Funds are similar in structure to Mutual Funds but are not regulated by the SEC and are not publicly traded. CIT Funds are valued at NAV, which approximates fair value as a practical expedient. The NAV, as provided by fund administrator, is based on the fair value of the underlying investments held by the fund less liabilities. Participant transactions may occur daily. There are no unfunded commitments and no restrictions on the redemption of these investments.

The Stable Value Fund investments are valued at NAV, which consists of contract value less fees and expenses, and approximates fair value as a practical expedient. Participants can transact daily at the NAV. There are no unfunded commitments and no restrictions on redemptions.

University of Wisconsin System (UWS)

The following schedule presents fair value measurements at June 30, 2025 (in millions):

UWS		Fair Value Measurement Using			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Investments by Fair Value Level:					
Investments Reported as Cash & Cash Equivalents	\$ 0.4	\$ 0.3	\$ —	\$ —	0.1
Fixed Income Securities	6.4	1.3	5.1	—	—
Fixed Income Index Funds	311.9	311.9	—	—	—
Total by Fair Value Level	318.7	\$ 313.6	\$ 5.1	\$ —	0.1
Investments Valued at Net Asset Value (NAV):					
Equity Index Funds	477.3				
Fixed Income Index Funds	518.4				
Real Estate Index Fund	14.9				
Investments Reported as Cash & Cash Equivalents	3.9				
Private Equity Limited Partnerships	56.3				
Total Investments	\$ 1,389.6				

The UWS measures the fair value of investments in certain entities that do not have a quoted market price at the calculated net asset value (NAV) per share or its equivalent. As these investments are not readily marketable the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investments existed.

The equity index funds include a global equity index fund (89 percent) with an investment strategy designed to track the return of equity securities traded both inside and outside of the United States. An additional 3 percent of this category includes an emerging markets index fund with an investment strategy designed to track the return of equity securities in emerging markets. The remaining 8 percent is included in an international currency hedged equity index fund with an investment strategy designed to track the return of the markets in certain countries for equity securities outside of the United States while mitigating exposure to fluctuations between the value of the currencies in the fund and the U.S. dollar. The international and emerging markets index funds have daily liquidity with 2 days notice. The international hedged index fund has monthly liquidity with 2 days notice.

The fixed income index funds category includes government/credit bond index funds (27 percent) primarily invested in debt securities to approximate the total rate of return with maturities between one and ten years, a U.S. TIPS index fund (12 percent) with an investment strategy of closely approximating the return of all outstanding U.S. TIPS with a maturity of one year or greater, a U.S. Debt Index Fund (16 percent) and U.S. High Yield Bond Index Fund (7 percent) with the objective of approximating the total return of the market for debt securities and a floating rate income fund (8 percent) with an investment strategy focused on seeking high-quality loans with attractive risk-adjusted returns. Also included is a 1-5 year USD Bond ETF (30 percent) that provides exposure to short-term high yield bonds with maturities between one and five years. The index funds have daily liquidity with 2 days notice. The ETF has a 1-2 day trade settlement.

The real estate index fund includes an investment strategy designed to track the return of publicly traded real estate equity securities. The real estate index fund has daily liquidity with 2 days' notice.

Private Equity Limited Partnership Funds

As part of the investment management transfer to the SWIB, Terrace Investment Holdings SMF, LLC was created to centrally hold and manage the University's investments in private markets Limited Partnership Funds. This investment is illiquid and is generally not resold or redeemed. Distributions from the fund will be received over the life of the investment as the underlying investments are liquidated. The investment strategy of the limited partnership focuses globally on corporate finance, venture capital, and forestry/agricultural investments. The fund-of-funds limited partnership is estimated to have an average remaining life of approximately 2.32 years at June 30, 2025. The estimated remaining life of the underlying investments is 6 years at June 30, 2025.

The UWS has an unfunded commitment in the amount of \$3.5 million to private markets Limited Partnership Funds. No further new commitments to these or other private markets funds are anticipated. The existing positions in the private markets Limited Partnership Funds will eventually self-liquidate, as underlying private investments are sold off and distributions are made to investors.

Wisconsin Retirement System (WRS)

The following schedules present fair value measurements at December 31, 2024 (in millions):

WRS	Fair Value Measurement Using			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level:				
Cash Equivalents				
Money Market Funds	\$ 400.0	\$ 400.0	\$ —	\$ —
Total Cash Equivalents	400.0	400.0	—	—
Equities				
Domestic	37,983.9	37,875.2	—	108.7
International	12,016.2	12,001.6	—	14.5
Total Equities	50,000.1	49,876.8	—	123.3
Fixed Income				
Asset Backed Securities	1,777.1	—	1,664.9	112.2
Corporate Bonds & Private Placements	15,885.5	—	15,762.0	123.6
Exchange Traded Funds	291.9	291.9	—	—
Foreign Government / Agency Bonds	1,352.7	—	1,352.7	—
Leveraged Loans	3,134.8	—	2,710.4	424.5
Municipal Bonds	176.2	—	176.2	—
U.S. Government Agencies	1,988.2	—	1,988.2	—
U.S. Treasury Inflation Protected Securities	24,151.2	—	24,151.2	—
U.S. Treasury Securities	8,572.1	96.7	8,475.5	—
Total Fixed Income	57,329.9	388.6	56,281.1	660.2
Multi Asset and Other	321.5	321.5	—	—
Preferred Securities				
Domestic	373.9	—	17.2	356.6
International	66.0	38.9	15.2	11.9
Total Preferred Securities	439.9	38.9	32.5	368.5
Convertibles	1.3	—	—	1.3
Derivatives				
Foreign Exchange Contracts	(6.2)	—	(6.2)	—
Futures	58.8	58.8	—	—
Options	1.6	1.3	0.2	—
Swaps	(56.0)	—	(55.7)	(0.4)
To Be Announced Securities	1,219.4	—	1,219.4	—
Total Derivatives	1,217.5	60.1	1,157.8	(0.4)
Short Sales	(7,848.2)	(4,563.4)	(3,284.5)	(0.2)
Total	\$ 101,862.0	\$ 46,522.5	\$ 54,186.8	\$ 1,152.8

WRS	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (8)
Investments Measured at NAV:				
Cash and Cash Equivalents (1)	\$ 2,903.9	\$ —	Daily	Same Day
Fixed Income (2)	1,674.2	—	Daily, Monthly	5-30 days
Fixed Income Limited Partnerships (3)	1,925.1	205.0	Monthly, N/A	5-45 days
Private Fund Investments (4)	36,387.2	13,684.2	N/A	N/A
Equities (5)	9,068.0	—	Daily, Monthly, Quarterly	1-50 days
Equity Limited Partnerships (6)	4,738.0	—	Daily, Monthly	1-30 days
Hedge Funds (7)	9,514.5	1,055.9	Various	Various
Total	\$ 66,210.9	\$ 14,945.1		

(1) This category consists of short term cash funds with the investment objective of safety of principal and liquidity while earning a competitive money market rate of return. The short-term cash funds have daily liquidity with same day notice.

(2) This category includes fixed income managers which can invest across the credit quality spectrum, in varying geographies. The external asset managers require a redemption notice period of between 5 and 30 days, and the funds have daily and monthly liquidity. As of December 31, 2024, there is one full redemption sale planned in 2025. The anticipated sale price of the fund is not expected to be materially different than the NAV as of December 31, 2024.

(3) The Fixed Income Limited Partnership funds invest in leveraged loans and emerging markets. The funds require a redemption notice period of either 5 or 45 days and assets can be redeemed monthly.

(4) Private Fund Investments include direct, co-investments, limited liability corporations (LLCs) with existing SWIB general partners, direct secondary investments, and fund of funds. These investments are illiquid and are generally not resold or redeemed. Distributions from each fund are received as the underlying investments are liquidated or over the life of the investment. Unfunded commitments for older funds in the liquidation stage are not included in the table above as the likelihood of additional capital being called by these funds is remote. As of December 31, 2024, there are two partial and two full redemption sales planned in 2025 on the secondary market. The anticipated sale prices of these funds is not expected to be materially different than the NAV as of December 31, 2024.

(5) This category includes long-only equity managers with various fundamental, quantitative, and other approaches spanning various styles, geographies and market cap weights. These long-only manager investments can be redeemed either daily, monthly, or quarterly with between 1 and 50 business days notice. One investment is subject to a fund level redemption gate.

(6) Equity Limited Partnership funds invest in US and global equity. The external asset managers require a redemption notice period between 1 and 30 days and can be redeemed monthly. These investments represent open-ended funds that are readily redeemable.

(7) Hedge Fund investments are private investment funds that seek to produce positive absolute returns using a broad range of strategies. In certain instances, Hedge Fund investments are closed-end funds, whereby participants receive distributions over the life of the fund. The estimated remaining life for closed-end funds can be up to 10 years.

(8) Redemption terms described for NAV investments reflect contractual agreements and assume withdrawals are made without adverse market impact and under normal market conditions.

Private Fund Investments

Private Fund Investments include private equity and real estate.

Private Equity Limited Partnerships included the following investment strategies as of December 31, 2024:

Leveraged Buyout – This strategy acquires the controlling interest of a private company using a significant amount of borrowed capital (leverage).

Distressed Debt – This strategy can invest in public and private companies undergoing financial distress, a turnaround in business operations, or which are believed to be undervalued because of a discrete extraordinary event.

Growth Equity – This strategy is an investment opportunity in relatively mature companies that are going through a transformational event in their lifecycle with potential for significant growth.

Venture Capital – This strategy invests in companies with potential for significant growth (generally small to early stage emerging firms).

Private Debt – This strategy includes any debt held by or extended to privately-held companies. The debt securities can be senior debt, mezzanine debt, and structured capital but commonly involve non-bank institutions making loans to private companies or buying those loans on the secondary market.

Secondaries – This strategy provides a market for investors to sell or purchase positions in private market funds.

Real Estate Limited Partnerships generally consisted of the following investment strategies as of December 31, 2024:

Core – Core investments are expected to deliver a significant percentage of their return from income and should experience lower volatility than Opportunistic and Value investments due to lower leverage, higher occupancy, and asset location.

Value – Value investments typically have significant near-term leasing, repositioning, and/or renovation risk. This strategy is expected to have modest initial operating revenues with potential for substantial income growth and will likely encounter greater volatility than Core strategies, but lower volatility than Opportunistic strategies.

Opportunistic – Opportunistic investments usually have significant development, lease-up, financial restructuring, and/or liquidity risk with little or no initial operating income. This strategy typically uses the highest leverage, is expected to achieve most of its return from future capital gains and is likely to encounter greater volatility than Core and Value strategies.

Hedge Funds

Hedge Fund investments are private investment funds that seek to produce absolute returns using a broad range of strategies. When redeeming Hedge Fund investments, the agreements governing the investment often require advanced notice and may restrict the timing of withdrawals. Hedge Fund agreements can also include lock-up periods, which restrict investors from redeeming their investment during a specified time frame. Lock-up periods help portfolio managers mitigate liquidity risks. Lock-ups can be hard, where redemptions are not permitted for a specified time period, or soft, where redemptions are permitted provided the investor pays a penalty. In certain instances, a fund may have both hard and soft lock-up restrictions. In addition, in certain investments, Hedge Fund managers may be allowed to institute a rolling lock-up. A fund with a rolling lock-up period requires investors to commit to an initial lock-up period, and, if the investor does not submit a redemption notice within a set time prior to expiration of the lock-up, the lock-up is reset.

Similar to lock-ups, Hedge Fund agreements also commonly incorporate gating restrictions. An investor level gate limits redemption on a particular redemption date to a specified percentage of the investor's account value, while a fund level gate may limit total investor withdrawals on a particular redemption date to a percentage of aggregated fund level (or master fund level) net asset value. In certain instances, funds can have both investor and fund level gates in place. Such funds are reflected in the investor level category.

The WRS participated in the following Hedge Fund strategies as of December 31, 2024:

Relative Value – This strategy seeks to take advantage of price differentials by buying and selling different yet related securities. Relative value strategies include fixed income arbitrage, insurance linked, quantitative strategies, merger arbitrage, convertible arbitrage, and volatility-related investments.

Credit - This strategy includes long/short and event driven investment strategies to various fixed-income instruments including bank loans, corporate, government bonds, distressed debt, and securitized credit.

Equity Long-Short – This strategy invests both long and short in publicly-traded stocks and related securities. These managers vary in their use of short selling and leverage.

Tactical Trading – This strategy invests globally in indices, commodities, interest rate instruments, and currencies and, as needed, their derivatives as a result of relative value or directional forecasts from a systematic or discretionary approach.

Event-Driven – This strategy seeks to gain an advantage from pricing inefficiencies that may occur before or after a corporate action or related event, such as a merger, spinoff, earnings call, bankruptcy, or restructuring.

Multi Strategy – This strategy seeks to maximize risk-adjusted returns by investing in a variety of underlying investment strategies. They often employ flexibility in terms of capital, aiming to allocate dynamically to the best opportunities and shifting resources to where they are most needed.

Specialty Finance - This strategy invests in a broad collection of lending strategies which typically have private customized structures with short duration and asset backed collateral.

Special Opportunities and Co-investments - This strategy seeks to invest in special situations, which may include co-investments or interests in the equity or revenues of external investment managers.

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 UWS, WRS and SIF)

The primary government, except for the Separately Managed 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.

Regarding the Separately Managed Funds, investment guidelines require that the bond portfolios shall maintain an average quality rating of A- or better at time of purchase, using the lower of split ratings at the time of purchase.

The following schedule displays the credit ratings for debt securities held as of June 30, 2025 (in millions).

Primary Government (excluding the UWS, WRS, SIF and Separately Managed Funds)	
Ratings	Fair Value
AAA/Aaa	\$ 812.3
AA/Aa	233.5
A	4.3
BB/Bb	5.7
Not Rated	25.9
Total	\$ 1,081.6

The following schedule displays the credit ratings at June 30, 2025, for the Separately Managed Funds (fair values in millions):

Separately Managed Funds			
	IPFCF	Historical Society	SLIF
AAA	\$ 14.4	\$ —	\$ 1.0
AA	816.2	—	42.1
A	145.0	—	31.5
BBB	258.1	—	17.2
BB	42.1	—	0.9
B	4.5	—	—
Short-term Investment Fund (Not Rated)	10.3	—	—
Bond Fund (Not Rated)	—	6.3	2.2
Total	\$ 1,290.5	\$ 6.3	\$ 94.9

Deferred Compensation

The following schedule displays the average credit ratings for the fixed income securities included in the Stable Value Fund, mutual funds, and CIT funds held as of December 31, 2024 (in millions):

Deferred Compensation	
Ratings	Fair Value
AA	\$ 939.9
AA-	814.6
A+	1,392.3
Total	\$ 3,146.7

University of Wisconsin System (UWS)

As of June 30, 2025, the University was exposed to credit risk directly through its singular separately-managed fixed income portfolio, the RegentFund, and indirectly through the ownership of shares of commingled or mutual funds.

The following schedule displays the credit ratings for debt securities held as of June 30, 2025 (in millions). Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the Aaa rating.

UWS	
Ratings	Fair Value
AA/Aa	\$ 1.3
A	1.7
BBB/Baa	2.7
BB/Ba	0.3
B	0.1
Commingled Fixed Income Funds	830.3
Not Rated	4.6
Total	\$ 841.0

Wisconsin Retirement System (WRS)

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

The following schedule displays the lowest credit rating assigned by nationally recognized statistical rating organizations on debt securities held as of December 31, 2024 (in millions).

WRS	
Ratings	Fair Value
AAA/Aaa	\$ 628.9
AA/Aa	35,226.3
A	2,443.2
BBB/Baa	5,113.2
BB/Ba	4,367.9
B	5,608.3
CCC/Caa or below	632.2
Not Rated	6,389.3
Commingled Fixed Income Funds	6,513.2
Total	\$ 66,922.6

Reverse Repurchase Agreements

Wisconsin Retirement System (WRS)

The WRS held \$19.8 billion in reverse repurchase agreements as of December 31, 2024. Investment guidelines permit certain portfolios to enter into reverse repurchase agreements, which are a sale of securities with a simultaneous agreement to repurchase the securities in the future at the same price plus a stated rate of interest. The market value of the securities underlying reverse repurchase agreements exceeds the cash received, providing the counterparty a margin against a decline in market value of the securities. If the counterparty defaults on their obligations to sell these securities back to the WRS or provide cash of equal value, the WRS 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.

Counterparty credit risk is mitigated by an intermediary for cleared reverse repurchase agreements. For these types of investments, a clearinghouse interposes itself as counterparty to all trades, extending a guarantee that trades will be settled as originally intended and ensuring performance and margin requirements are imposed. The requirements are established with the intent to cover nearly all expected price changes based on market risk.

The WRS enters into uncleared reverse repurchase agreements with various counterparties and such transactions are governed by Master Repurchase Agreements (MRA). MRAs are negotiated contracts and contain terms in which the WRS seeks to minimize counterparty credit risk. The WRS also controls credit exposures by limiting trades with any one counterparty to stipulated amounts. The counterparty credit exposure is managed through the transfer of margin, in the form of cash or securities, between the WRS and the counterparty. This credit exposure at December 31, 2024 was \$163.1 million.

The cash proceeds from reverse repurchase agreements are reinvested by the Retirement Funds. 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 for the reverse repurchase agreements held were between 4.4 percent and 4.9 percent as of December 31, 2024.

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 UWS, WRS, and SIF)

The primary government, including the Separately Managed Funds, does not have an investment policy specifically for custodial credit risk. As of June 30, 2025, the primary government did not have any direct investment securities exposed to custodial credit risk.

Deferred Compensation

The Stable Value fund, CIT Funds, and Mutual Funds do not have securities that are used as evidence of the investments and therefore are not exposed to custodial credit risk. Deferred Compensation does not have a formal policy for custodial credit risk.

Wisconsin Retirement System (WRS)

The WRS's custodial credit risk policy addresses the primary risks associated with safekeeping and custody. It requires that the WRS's custodial institution be selected through a competitive bid process and that the institution be designated a Systemically Important Financial Institution by the U.S. Federal Reserve. The policy also requires that the WRS be reflected as beneficial owner on all securities entrusted to the custodian and that the WRS have access to safekeeping and custody accounts. The custodian is also required to carry insurance covering errors and omissions and they must provide the WRS with an annual report on internal controls, prepared in accordance with the Statement on Standards for Attestation Engagements. In addition, the WRS management has established a system of controls for the oversight of services and related processes performed by the custodian. The WRS's current custodial bank was selected in accordance with these guidelines and meets all the requirements stipulated in the custodial credit risk policy.

The WRS held repurchase agreements totaling \$3.1 billion as of December 31, 2024. These repurchase agreements were tri-party agreements held in a short-term cash management portfolio managed by the WRS's custodian. The underlying securities for these agreements were held by the tri-party agent, not in the WRS's name.

Concentration of Credit Risk

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

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

Although the primary government, except for the Separately Managed 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.

Debt securities issued by the State of Wisconsin represent the largest concentration of investments in a single issuer. In total, approximately \$30.9 million of the reported investments of the permanent funds (a category within nonmajor governmental funds) were issued by the State of Wisconsin, which represents approximately 2.6 percent of their total investments.

The Separately Managed 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 5.0 percent of the fund investments, with the exception of U.S. Government and its Agencies, whose exposure is unlimited.

Excluding investments issued or explicitly guaranteed by the U.S. government and pooled investments, as of June 30, 2025, none of the Separately Managed Funds had more than 5.0 percent of their total investments in a single issuer.

University of Wisconsin System (UWS)

UWS separately managed, debt/fixed income accounts are limited to holding no more than 5.0 percent in any one issuer (U.S. Government/Agencies were exempted).

Wisconsin Retirement System (WRS)

The WRS limits concentrations of credit risk by establishing investment guidelines for individual portfolios or groups of portfolios that generally restrict issuer concentrations in any one company or to a certain percentage of the portfolio's market value. The WRS did not hold any investments with a single issuer, exclusive of investments issued or explicitly guaranteed by the U.S. government, representing 5.0 percent or more of the value of the WRS investments' value as of December 31, 2024.

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 UWS, WRS, and SIF)

Although the primary government, except for the Separately Managed 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 Separately Managed Funds. The investments include certain short-term cash equivalents, and various long-term items. At June 30, 2025, the primary government's investments were (in millions):

Primary Government (excluding the Separately Managed Funds, UWS, WRS, SIF, and investments in an external investment pool)						
Investment Type	Fair Value	Investment Maturities				
		Less Than 1 Year	1 to 5 Years	6 to 10 years	More Than 10 Years	
U.S. Government and U.S. Agency holdings	\$ 461.7	\$ 346.5	\$ 1.0	\$ 10.1	\$ 104.1	
State and municipal bonds and notes	75.1	0.2	7.1	22.5	45.3	
Other Bonds and Notes	10.8	—	—	—	10.8	
Money market funds	508.2	508.2	—	—	—	
Mutual funds – open ended	19.5	0.6	8.4	10.4	0.2	
Private Placement	6.3	0.2	1.0	1.6	3.6	
Total	\$ 1,081.6	\$ 855.7	\$ 17.4	\$ 44.5	\$ 164.0	

As of June 30, 2025, the Separately Managed Funds had interest rate risk statistics as detailed below (in millions):

Separately Managed Funds						
Investment Type	Duration or WAM (in years) for Fixed Income Securities					
	IPFCF		Historical Society		SLIF	
	Fair Value	Duration	Fair Value	Duration	Fair Value	WAM
Govt/Agency	\$ 794.1	6.35	\$ —		\$ 37.6	20.73
Corporate Bonds	435.9	5.62	—		55.2	12.27
Municipal Bonds	17.6	8.37	—		—	
Foreign Bonds (Govt/Agency)	32.7	5.21	—		—	
Bond Fund	—		6.3	6.02	2.2	12.07
Short-Term Investment Fund	10.3	0.03	—		—	
Total	\$ 1,290.5		\$ 6.3		\$ 94.9	

The Separately Managed Funds, which are managed by the SWIB, use the duration method to identify and manage interest rate risk. Two of the Separately Managed Funds have investment guidelines relating to interest rate risk. The SLIF guidelines require the Weighted Average Maturity (WAM) of the portfolio, including cash, to be a minimum of ten years. The IPFCF guidelines require that effective duration of the bond portfolio shall remain within 15 percent of the assigned benchmark's duration and that the average duration should be less than ten years.

External Investment Pools

The Injured Patients and Families Compensation Fund has investments totaling \$10.3 million at June 30, 2025 in the Short-Term Investment Fund, a pooled short-term investment fund. This balance is reported as "Cash and Cash Equivalents" on the Statement of Net Position.

Investments for the Retiree Life Insurance Funds are held with the insurance carrier, Securian. In accordance with the administrative agreement between the GIB and Securian, interest is calculated and credited to the Retiree Life Insurance plans based on the rate of return for a segment of the insurance carrier's general fund, specifically, 10 Year A- Bonds (as a proxy and not tied to any specific investments). The funds invested during the year earn interest based on that year's rate of return for 10 Year A- Bonds. The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto. No significant contract changes occurred during the year.

Deferred Compensation

Deferred Compensation uses weighted average effective duration to analyze interest rate risk. As of December 31, 2024, Deferred Compensation had interest rate risk statistics as detailed below (in millions):

Deferred Compensation		
	Fair Value	Effective Duration (years)
Stable Value Investments:		
Stable Value Fund	\$ 641.9	2.94
Mutual and Collective Investment Funds:		
Vanguard Target Retirement:		
2020	5.0	5.32
2025	340.6	5.68
2030	36.8	6.33
2035	360.0	6.33
2040	15.8	6.33
2045	264.2	6.33
2050	9.0	6.34
2055	120.2	6.34
2060	3.7	6.34
2065	4.9	6.34
Income Trust	152.6	5.22
Vanguard Wellington Admiral	611.9	6.55
BlackRock U.S. Debt Index M	294.4	6.00
Dodge and Cox Income Fund	83.4	6.30
Vanguard Long-Term Investment Grade Fund	138.4	12.93
Vanguard Treasury Money Market Fund	63.8	34 days
Total	\$ 3,146.7	

University of Wisconsin System (UWS)

The UWS uses the option adjusted modified duration method to analyze interest rate risk. As of June 30, 2025, the UWS had interest rate risk statistics as detailed below (in millions):

UWS		
	Fair Value	Effective Duration (In Years)
Fixed Income Sector:		
Government Debt	\$ 5.6	5.9
Corporate Debt	5.1	4.6
Total	\$ 10.7	
Fixed Income Commingled Funds:		
BlackRock U.S. TIPS Fund B	\$ 100.4	6..4
BlackRock Government/Credit Bond Index Fund B	100.6	6.1
iShares Core 1-5 Year USD Bond Fund	249.5	2.6
Intermediate Government/Credit Bond Index Fund B	126.6	3.7
U.S. Debt Index Fund B	135.1	6.0
U.S. High Yield Bond Index Non-Lendable Fund B	55.6	2.9
BlackRock Floating Rate Income Portfolio	62.4	0.3
Total	\$ 830.3	

Wisconsin Retirement System (WRS)

The WRS analyzes long and intermediate term portfolios' interest rate risk 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 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. Duration statistics are weighted by the dollar value of the position to compute an average duration for each investment type.

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

The WRS's investment guidelines related to interest rate risk vary by portfolio. Fixed income portfolios generally require management within a range above or below the benchmark's

duration, while others have certain limits on weighted average maturity.

Aggregated interest rate risk exposure as of December 31, 2024, stated in terms of modified duration (for long term instruments) and weighted average maturity (for repurchase agreements and short-term pooled investments), is presented below (in millions):

WRS		
Investment Type ¹	Fair Value	Modified Duration (Years)
U.S. Treasury Inflation Protected Securities	\$ 24,151.2	6.4
Corporate Bonds & Private Placements	15,902.4	5.4
Corporate Bonds & Private Placements	16.9	N/A ²
U.S. Treasury Securities	8,572.1	7.2
Leveraged Loans	3,134.8	N/A ³
Asset Backed Securities	1,724.5	2.2
Asset Backed Securities	52.7	N/A ²
U.S. Government Agencies	1,988.2	5.8
Foreign Government/Agency Bonds	1,344.0	6.7
Foreign Government/Agency Bonds	8.7	N/A ²
Municipal Bonds	176.2	7.4
Commingled Funds:		
Emerging Market Fixed Income	1,909.1	5.5
U.S. Fixed Income	1,645.3	1.6
U.S. Fixed Income	45.0	N/A ²
Exchange Traded	291.9	5.3
Subtotal	60,962.9	
		Weighted Average Maturity (days)
Repurchase Agreements	3,055.7	86
Commingled Funds:		
Short Term Cash Management	2,903.9	11
Subtotal	5,959.6	
Total	\$ 66,922.6	

(1) Excludes derivatives which are separately disclosed.

(2) Duration statistic unavailable.

(3) Leverage Loans have limited exposure to interest rate risk as they are floating rate instrument that typically reset monthly. The WRS monitors interest rate risk through several mechanisms and assesses the impact on the borrower's financial health/credit profile.

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 UWS, WRS, and SIF)

The primary government, except for the Separately Managed 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, 2025, the primary government, excluding the Separately Managed Funds, held foreign denominated equity securities fair valued at \$0.5 million.

The Separately Managed Funds' investment guidelines do not specifically address foreign currency risk with the exception that the SLIF only allows investments in U.S. dollar denominated instruments. As of June 30, 2025, the Separately Managed Funds did not directly own any issues denominated in a foreign currency.

Deferred Compensation

Deferred Compensation allows the option of investments in Mutual Funds and CIT Funds that make investments in foreign securities. The fair value of these investments was \$554.4 million as of December 31, 2024.

University of Wisconsin System (UWS)

The UWS held positions only in passively-managed, indexed commingled funds which may invest in securities denominated in foreign currencies. However, the fund used for exposure to developed market equities generally seeks to hedge against the variations in returns deriving solely from the value of the foreign currencies in the fund relative to the U.S. dollar. The fund used for exposure to emerging market equities generally does not engage in similar foreign currency hedging efforts, due largely to the high cost and more limited efficacy of such hedging. Deposits in foreign currency for the RegentFund at June 30, 2025 are immaterial.

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, 2024, the WRS had the following currency exposure (all assets stated in millions of United States Dollars):

Currency	Currency Exposures by Investment Type								Total
	Cash & Cash Equivalents	Equities	Fixed Income	Private Fund Investments	Preferred Securities	Futures Contracts	Equity Short Sales	Swaps	
Australia Dollar	\$ (0.8)	\$ 538.0	\$ 1.0	\$ —	\$ —	\$ (0.2)	\$ (18.1)	\$ —	\$ 519.9
Brazil Real	—	14.4	—	—	—	—	—	(0.4)	14.0
Canada Dollar	19.1	1,256.3	1.1	—	—	(2.4)	(59.7)	—	1,214.4
Chile Peso	—	—	—	—	—	—	—	—	—
Colombia Peso	—	—	—	—	—	—	—	0.1	0.1
Czech Republic Koruna	1.0	—	—	—	—	—	—	(0.6)	0.4
Denmark Krone	0.2	287.0	—	1.7	—	—	(36.9)	—	252.0
Euro Member Countries	—	3,535.8	107.9	2,289.7	38.9	0.8	(439.5)	(2.0)	5,531.7
Hong Kong Dollar	(0.3)	228.3	—	—	—	0.6	(3.2)	—	225.3
Hungary Forint	0.2	—	—	—	—	—	—	0.1	0.3
India Rupee	0.5	172.7	—	—	—	—	—	(0.1)	173.2
Indonesia Rupiah	—	14.3	—	—	—	—	—	—	14.3
Israel Shekel	0.3	25.9	—	—	—	—	—	—	26.2
Japan Yen	4.3	2,713.4	—	—	—	(0.1)	(222.2)	—	2,495.4
Malaysia Ringgit	—	1.0	—	—	—	—	—	—	1.0
Mexico Peso	(0.4)	25.1	—	—	—	—	—	—	24.7
New Zealand Dollar	0.2	10.8	—	—	—	—	—	—	11.0
Norway Krone	0.3	62.4	—	—	11.9	—	(5.9)	—	68.7
Philippines Peso	—	18.0	—	—	—	—	—	—	18.0
Poland Zloty	(2.3)	—	—	—	—	—	—	0.4	(1.9)
Singapore Dollar	0.9	167.9	—	—	—	—	(2.4)	—	166.4
South African Rand	0.1	34.5	—	—	—	—	—	(0.1)	34.5
South Korea Won	—	104.3	—	—	—	—	—	0.3	104.6
Sweden Krona	0.5	314.2	—	—	—	0.1	(81.7)	—	233.1
Switzerland Franc	0.1	826.5	—	—	—	—	(112.3)	—	714.4
Taiwan New Dollar	—	162.5	—	—	—	—	—	—	162.5
Thailand Baht	—	0.5	—	—	—	—	—	—	0.5
United Kingdom Pound	0.3	1,502.4	2.7	416.4	—	(0.3)	(83.6)	—	1,837.9
Total	\$ 24.1	\$12,016.2	\$ 112.6	\$ 2,707.8	\$ 50.8	\$ (1.5)	\$ (1,065.4)	\$ (2.2)	\$13,842.4

Securities Lending Transactions

University of Wisconsin System (UWS)

The UWS has an agreement with BlackRock Institutional Trust Company, N.A., which acts as custodian for the University's Long Term Fund and Intermediate Term Fund investments and authorizes the bank to lend securities held in the UWS accounts to third parties. The bank must obtain collateral from the borrower, or acceptable securities. When the UWS securities are delivered to a borrower as part of a securities lending arrangement, the borrower is required to place collateral with the lending agent equal to at least 102 percent of the loaned securities' fair value, including interest accrued, as of the delivery date. Both the collateral and the securities loaned are marked to market on a daily basis, with additional collateral obtained or refunded as necessary. In the event that the loaned securities are not returned by the borrower, the bank will, at its own expense, either replace the loaned securities or, if unable to purchase those securities on the open market, credit UWS accounts with cash equal to the fair value of the loaned securities.

The UWS receives 75 percent of the net revenue derived from all securities lending activities and the bank receives the remainder of the net revenue. Interest and dividend income earned in conjunction with the securities lending program is reported as part of non-operating investment income in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

Although the UWS securities lending activities are collateralized as described above, the securities lending program involves both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize the loan upon a sudden material change in the fair value of the loaned securities or the collateral, or that the bank's investment of collateral received from the borrowers of the UWS securities may be subject to unfavorable market fluctuations. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

At June 30, 2025, the fair value of securities loaned, was \$218.6 million. Collateral received consisted of \$219.3 million in cash and \$0.2 million in non-cash collateral. In accordance with accounting standards the value of the collateral held and a corresponding liability to return the collateral have been reported on the accompanying Statement of Net Position.

Wisconsin Retirement System (WRS)

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 acts as an agent in lending the directly held 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 with the lending agent equal to at least 102 percent of the loaned securities' fair value, including interest accrued, as of the delivery date, if the securities and the collateral are denominated in the same currency. If securities are loaned against collateral denominated in a different currency, the borrower is required to place collateral with the lending agent totaling at least 105 percent of the loaned securities' fair value, including interest accrued, as of the delivery date. Collateral is marked to market daily and adjusted as needed to maintain the required minimum

level. Pledging or selling non-cash collateral securities cannot be done without a borrower default. On December 31, 2024, the fair value of the securities on loan to counterparties was approximately \$18.3 billion.

Cash collateral is reinvested by the lending agents in either a U.S. dollar cash collateral pool or a pool denominated in Euros. These pools are administered 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 repurchase agreements collateralized with high quality U.S. government, U.S. government agencies, and sovereign debt securities. To further reduce credit risk, in addition to maintaining collateral greater than 100 percent of the loaned securities, the WRS's agents provide indemnification to the WRS against counterparty default. The earnings generated from the collateral investments or fees, 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. Cash from the U.S. dollar pool may be posted as collateral relating to short sale transactions and it earns the Overnight Bank Funding rate plus 10 basis points.

As of December 31, 2024, a total of \$8.6 billion in cash was released from the invested securities lending collateral pool to the WRS. The cash released is used to provide liquidity for other WRS investment strategies. The Securities Lending Collateral Liability is fully collateralized when the cash released is combined with the Invested Securities Lending Collateral.

As of December 31, 2024, the WRS had minimal credit risk exposure to borrowers as loans are collateralized in excess of 100 percent. In addition to the cash collateral reinvestment indemnification, the contracts with the lending agents require indemnification for the WRS if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent. The WRS is also indemnified against losses resulting from violations of investment guidelines.

The majority of security loans are open-ended and can be terminated on demand by the WRS or the borrower. Maturities of investments made with cash collateral are not necessarily matched to the maturities of the securities loaned because most loans do not have a fixed maturity date. The risk that the WRS would be unable to return collateral to securities borrowers upon termination of the loan is mitigated by the highly liquid nature of investments held in the collateral reinvestment pools and investments held by the WRS. The average maturities of the loans and the average maturities of the assets held in the collateral reinvestment pools were similar at December 31, 2024.

Securities lending is allowed in certain commingled fund investments. As an investor in such funds, the WRS does not own the underlying securities. External asset managers of commingled funds manage securities lending activity for all investors within the fund and do not separately report on securities lending activity. All earnings of these commingled funds are reported in the Statement of Changes in Fiduciary Net Position.

Derivative Instruments**Wisconsin Retirement System (WRS)**

Derivative instruments may be used to implement investment strategies for the WRS. 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 SWIB. Where derivative instruments are permitted, guidelines stipulate allowable instruments and the manner to which they can be used.

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

The WRS seeks to mitigate counterparty credit risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. 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 upon the occurrence of certain events, such as payment default, rating downgrade, bankruptcy, illegality, or force majeure. Agreements may also require daily collateral postings to further mitigate credit risk.

As of December 31, 2024, there were 28 counterparties making up the WRS's exposure to counterparty credit risk for uncleared OTC derivative contracts. The exposure of the WRS to counterparty credit risk relating to these was as follows (in millions of US Dollars):

OTC Derivative Instruments Subject to Counterparty Credit Risk		
	Counterparty Credit Rating	
FX Receivables:	AA	\$ 1,515.3
	A	1,817.6
To Be Announced Securities	AA	0.4
	A	2.5
Swap Receivables	AA	2,587.7
	A	860.9
Warrants	Not Rated	0.2
Total		6,784.6
Less Collateral and MNA Offsets		6,702.5
Total OTC Counterparty Credit Risk		\$ 82.1

Foreign Currency Spot and Forward Contracts – Foreign Currency Spot and Forward contracts are uncleared OTC agreements between two parties 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 US 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 also permitted. Discretionary currency overlay strategies at the total fund and asset class level may be employed when currency market conditions suggest such strategies are warranted.

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 "Net Appreciation (Depreciation) in Fair Value of Investments" on the Statement of Changes in Fiduciary Net Position. The net receivable or payable for spot and forward contracts is reflected as "Foreign Currency Contracts" on the Statement of 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, 2024 (in millions):

Foreign Currency Spot and Forward Contracts

Currency	Foreign Currency Contract Receivables			Foreign Currency Contract Payables		
	Notional (local currency)	Fair Value US Dollars	Unrealized Gain/(Loss) US Dollars	Notional (local currency)	Fair Value US Dollars	Unrealized Gain/(Loss) US Dollars
Australia Dollar	121.7	\$ 75.4	\$ (2.4)	(79.1)	\$ (49.0)	\$ 1.1
Brazil Real	516.4	83.0	(2.5)	(17.3)	(2.8)	0.2
Canada Dollar	142.7	99.3	(2.1)	(43.9)	(30.6)	0.1
Chile Peso	14,853.8	14.9	(0.1)	(38,374.3)	(38.6)	0.5
China Yuan Renminbi	38.0	5.2	(0.1)	(381.7)	(52.6)	—
Czech Republic Koruna	284.3	11.7	(0.4)	(778.0)	(32.0)	1.4
Denmark Krone	15.0	2.1	—	(33.3)	(4.6)	0.1
Egypt Pound	1,123.0	21.1	0.2	—	—	—
Euro Member Countries	177.0	183.7	(3.0)	(1,038.0)	(1,077.4)	21.6
Hong Kong Dollar	17.3	2.2	—	(7.0)	(0.9)	—
Hungary Forint	2,441.5	6.1	(0.4)	(10,534.9)	(26.4)	0.6
India Rupee	3,432.1	39.8	(0.4)	—	—	—
Indonesia Rupiah	645,094.0	39.6	(0.6)	—	—	—
Israel Shekel	0.4	0.1	—	(4.2)	(1.1)	—
Japan Yen	101,952.4	654.1	(13.5)	(19,404.9)	(124.0)	3.4
Mexico Peso	1,201.3	57.0	(1.6)	—	—	—
New Zealand Dollar	6.4	3.6	—	(6.3)	(3.5)	0.1
Norway Krone	3,765.0	331.4	(6.0)	(162.6)	(14.3)	—
Philippines Peso	949.9	16.2	0.1	—	—	—
Peru Sol	—	—	—	(31.1)	(8.3)	0.1
Poland Zloty	67.2	16.3	(0.5)	(47.1)	(11.4)	0.2
Singapore Dollar	1.4	1.0	—	(33.5)	(24.6)	0.4
South African Rand	191.1	10.1	(0.6)	(364.5)	(19.2)	0.8
South Korea Won	—	—	—	(68,554.5)	(46.5)	1.5
Sweden Krona	3,886.2	353.1	(5.4)	(545.0)	(49.4)	0.1
Switzerland Franc	32.5	35.9	(0.9)	(81.9)	(91.1)	1.4
Taiwan New Dollar	565.5	17.2	(0.2)	(1,368.0)	(41.7)	0.6
Thailand Baht	300.4	8.9	0.1	(809.8)	(23.9)	(0.1)
Turkey Lira	1,413.6	38.1	0.3	(72.3)	(2.0)	—
United Kingdom Pound	31.8	39.8	(0.3)	(13.4)	(16.8)	—
United States Dollar	1,166.1	1,166.1	—	(1,546.5)	(1,546.5)	—
Totals		\$ 3,332.9	\$ (40.4)		\$ (3,339.1)	\$ 34.1
Net Foreign Currency Contract Receivable / (Payable)					\$ (6.2)	\$ (6.3)

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 specified date in the future.

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

The following table presents the investments in futures contracts as of December 31, 2024 (in millions).

Futures Contracts			
Futures Contract Description	Expiration	Notional Amount	Fair Value*
Long Positions:			
Commodity	Jan 25 - Dec 25	\$ 364.9	\$ (4.3)
Currency	Jan 25	0.6	—
Equity Index	Jan 25 - Mar 25	1,316.1	(40.1)
Fixed Income	Mar 25	2,824.8	(33.4)
Interest Rate	Feb 25 - Mar 26	1,439.3	0.3
Short Positions:			
Commodity	Jan 25 - Sep 25	(407.4)	—
Currency	Jan 25 - Mar 25	(754.5)	25.3
Equity Index	Jan 25 - May 25	(2,931.9)	96.0
Fixed Income	Mar 25	(1,709.1)	14.3
Interest Rate	Dec 25 - Mar 29	(962.2)	0.8
Total		\$ (819.3)	\$ 58.8

* Fair Value includes foreign currency gains/(losses).

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

Futures contracts may be entered into for purposes such as 1) to efficiently gain or adjust market exposures for rebalancing, 2) to adjust sector, interest rate, or duration exposure, or 3) to securitize cash or act as a substitute for cash market transactions.

Swap Contracts - Swaps are negotiated contractual agreements between two parties which can be either cleared or uncleared OTC investments. As is specified in the WRS's investment guidelines, 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 WRS. Certain guideline limits and soft risk parameters for portfolios are applied to the aggregate exposures which includes both physical and synthetic securities. A synthetic security is a security or combination of securities that mirrors the properties of another reference security.

Open CDS contracts represent cleared OTC positions where the WRS gains exposure to credit protection. Under the terms of the contracts, the WRS receives or pays periodic payments and, in exchange, agrees to pay or receive a formula-driven amount to or from counterparties for losses incurred if stipulated credit events occur. CDS spreads are sensitive to credit spread and interest rate changes. The fair value of a CDS is determined using the closing price as reported by the applicable clearinghouse.

IRS positions represent cleared OTC contracts where fair value is determined using the closing price as reported by the applicable clearinghouse. The open TRS contracts represent uncleared OTC positions where the WRS gains exposure to the return of the underlying equity index and, in exchange, agrees to pay or receive the stipulated rate benchmark, plus or minus a spread. The rate benchmark is based on the 1-day Fed Funds Rate set by the Federal Open Market Committee (FOMC), or the 1-day U.S. Secured Overnight Financing Rate (SOFR) published by the Federal Reserve of New York and is sensitive to interest rate changes. The fair value of a TRS is based on the change in quoted market price of the underlying equity index and represents the unrealized gain/(loss) on the contracts since trade inception.

The fair value of CDS, IRS, and TRS is included in “Financial Futures Contracts and Swaps” on the Statement of Fiduciary Net Position. Gains and losses resulting from investments in swap contracts are included in the “Net Appreciation (Depreciation) in the Fair Value of Investments” on the Statement of Changes in Fiduciary Net Position. Any interest owed but not yet paid relating to swap contracts is reported within “Accounts Payable and Other Accrued Liabilities” on the Statement of Fiduciary Net Position. Interest Expense relating to swap contracts is reported as “Investment Expense” on the Statement of Changes in Fiduciary Net Position.

IRS and TRS contracts are highly sensitive to interest rate changes because they are based on fluctuating benchmark rates. As rates fluctuate, the total expected cash flows will fluctuate.

During the year, the WRS held positions in Total Return (TRS), Interest Rate Swaps (IRS), and Credit Default Swaps (CDS). The following table presents the investments in open Swap positions as of December 31, 2024 (in millions):

Open Swap Positions				
Type / Maturity Date(s) / Description	Reference Rate	Notional Amount	Fair Value	Unrealized Gain/ (Loss)
Credit Default				
Dec-26	N/A ¹	\$ 70.6	\$ —	\$ 0.4
Dec-29	N/A ¹	62.7	(2.0)	(0.4)
¹ Sold credit protection in exchange for periodic payments				
Credit Default				
Dec-29	N/A ²	116.2	(5.6)	0.5
² Bought credit protection in exchange for periodic payments				
Interest Rate				
Jun-25	Receive Floating 6-Month CZK-PRIBOR, Pay Fixed 5.92%	5.7	(0.1)	(0.1)
Jun-25	Receive Floating 6-Month PLN-WIBOR, Pay Fixed 6.02%	11.6	—	—
Dec-25	Receive COP-IBR-OIS-Compound, Pay Fixed 9.7%	10.0	(0.1)	(0.1)
Mar-26	Receive Floating 6-Month HUF-BUBOR, Pay Fixed 6.2%	5.2	—	—
Sep-26	Receive COP-IBR-OIS-Compound, Pay Fixed 8.32%	9.3	—	—
Jan-27	Pay Floating 1-Day BRL-CDI, Receive Fixed 10.04%	2.7	(0.3)	(0.3)
Jan-27	Pay Floating 1-Day BRL-CDI, Receive Fixed 11.16%	0.1	—	—
Jan-27	Receive Floating 1-Day BRL-CDI, Pay Fixed 12.68%	8.2	0.3	0.6
Jan-27	Receive Floating 1-Day BRL-CDI, Pay Fixed 14.09%	2.8	0.1	0.1
Jan-27	Receive Floating 1-Day BRL-CDI, Pay Fixed 14.6%	9.7	0.2	0.2
Jun-27	Pay Floating 6-Month PLN-WIBOR, Receive Fixed 4.97%	3.2	—	0.2
Sep-27	Pay Floating 3-Month ZAR-JIBAR, Receive Fixed 8.0%	12.0	0.2	0.2
Sep-27	Receive Floating 3-Month KRW-CD, Pay Fixed 3.64%	6.4	(0.2)	(0.1)
Sep-27	Receive Floating 3-Month ZAR-JIBAR, Pay Fixed 7.49%	22.4	(0.1)	(0.4)
Sep-27	Receive Floating 6-Month PLN-WIBOR, Pay Fixed 5.49%	5.3	(0.1)	(0.1)
Oct-27	Pay Floating 6-Month PLN-WIBOR, Receive Fixed 6.83%	2.4	0.1	0.1
Oct-27	Pay Floating 6-Month PLN-WIBOR, Receive Fixed 7.9%	1.8	0.1	0.1
Dec-27	Pay Floating 3-Month KRW-CD, Receive Fixed 4.2%	8.2	0.4	(0.1)
Dec-27	Receive Floating 6-Month PLN-WIBOR, Pay Fixed 6.85%	0.1	—	0.2
Mar-28	Pay Floating 3-Month KRW-CD, Receive Fixed 2.97%	4.0	—	—
Jun-28	Receive Floating 3-Month ZAR-JIBAR, Pay Fixed 8.46%	1.6	(0.4)	(0.4)
Dec-28	Pay Floating 3-Month KRW-CD, Receive Fixed 3.83%	3.1	0.1	0.1
Jan-29	Pay Floating 1-Day BRL-CDI, Receive Fixed 11.86%	4.6	(0.4)	(0.4)
Jan-29	Pay Floating 1-Day BRL-CDI, Receive Fixed 13.91%	6.5	(0.2)	(0.2)
Jun-29	Pay Floating 6-Month PLN-WIBOR, Receive Fixed 4.81%	1.0	—	—
Sep-29	Pay Floating 6-Month HUF-BUBOR, Receive Fixed 6.2%	2.5	—	—
Dec-29	Pay MXN-TIIE ON-OIS Compound, Receive Fixed 9.01%	4.0	—	—
Dec-29	Pay Floating 3-Month ZAR-JIBAR, Receive Fixed 7.83%	5.4	—	—
Dec-29	Pay Floating 6-Month CZK-PRIBOR, Receive Fixed 3.04%	18.2	(0.5)	(0.3)
Dec-29	Pay INR-MIBOR-OIS Compound, Receive Fixed 5.99%	6.5	(0.1)	(0.1)
Dec-29	Receive Floating 3-Month KRW-CD, Pay Fixed 2.89%	6.8	(0.1)	(0.1)
Dec-29	Receive Floating 6-Month HUF-BUBOR, Pay Fixed 5.91%	3.9	0.1	0.1
Mar-30	Pay Floating 6-Month HUF-BUBOR, Receive Fixed 6.29%	6.8	(0.1)	(0.1)
Mar-30	Receive COP-IBR-OIS-Compound, Pay Fixed 8.1%	6.6	0.2	0.2
Mar-30	Receive COP-IBR-OIS-Compound, Pay Fixed 8.13%	2.2	0.1	0.1
Mar-30	Receive Floating 1-Day CLP-ICP, Pay Fixed 5.29%	4.1	—	—
Mar-30	Receive Floating 6-Month PLN-WIBOR, Pay Fixed 4.65%	21.0	0.3	0.2
Nov-32	Pay Floating 3-Month ZAR-JIBAR, Receive Fixed 9.16%	2.6	0.1	0.1
Dec-33	Pay Floating 6-Month HUF-BUBOR, Receive Fixed 7.42%	2.5	0.1	0.1
Dec-34	Pay Floating 3-Month ZAR-JIBAR, Receive Fixed 8.68%	4.7	—	—

Continued on next page

Open Swap Positions (Continued)

Type / Maturity Date(s) / Description	Reference Rate	Notional Amount	Fair Value	Unrealized Gain/ (Loss)
Total Return				
Jan-25	Receive 1-Day Fed Funds Plus Spread, Pay Equity Index Return	\$ 376.2	\$ (9.7)	\$ (9.7)
Jan-25	Pay 1-Day Fed Funds Plus Spread, Receive Equity Index Return	(395.3)	(3.8)	(3.8)
Jan-25	Receive 1-Day Fed Funds Plus Spread, Pay Equity Index Return	332.2	(5.8)	(5.8)
Jan-25	Pay 1-Day US SOFR plus Spread, Receive MBS Index Return	(51.0)	(0.2)	(0.2)
Jan-25	Pay 1-Day US SOFR plus Spread, Receive US Credit Index Return	(102.9)	(0.7)	(0.7)
Feb-25	Receive 1-Day Fed Funds plus Spread, Pay Equity Index Return	817.7	7.7	7.7
Feb-25	Receive 1-Day Fed Funds plus Spread, Pay Equity Index Return	(817.7)	(28.8)	(28.8)
Apr-25	Pay 1-Day US SOFR plus Spread, Receive MBS Index Return	(76.5)	(0.3)	(0.3)
May-25	Receive 1-Day Fed Funds plus Spread, Pay Equity Index Return	(206.5)	(2.7)	(2.7)
May-25	Pay 1-Day US SOFR plus Spread, Receive US Credit Index Return	(109.1)	(2.1)	(2.1)
Jul-25	Pay 1-Day US SOFR plus Spread, Receive MBS Index Return	(113.2)	(1.2)	(1.2)
Oct-25	Pay 1-Day US SOFR plus Spread, Receive MBS Index Return	(77.8)	(0.8)	(0.8)
Total		\$ 71.4	\$ (56.0)	\$ (48.0)

Options – An options 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 date of the 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.

Trust fund rebalancing policies and certain portfolio investment guidelines permit the use of exchange-traded and over-the-counter (OTC) options. Options can be used to improve market exposure efficiency, enhance expected returns, or provide market exposure hedges. Exchange rules require that the seller of short exchange traded option contracts cover these positions either by collateral deposits in the form of cash or by pledging, in escrow, the actual securities that would be transferred to the contract purchaser in the event the options contract was exercised. In the case of OTC options, investment guidelines mitigate counterparty credit risk by establishing minimum credit ratings and requiring master netting agreements with provisions for collateral exchanges.

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, 2024 (in millions):

To Be Announced Securities - To be announced mortgage-backed (TBA) securities are uncleared OTC forward contracts consisting of mortgage-backed securities (MBS) issued by Government National Mortgage Association, a government entity, and by government-sponsored enterprises such as, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corp. The term TBA is derived from the fact that the actual MBS that will be delivered to fulfill a TBA trade is not designated at the time the trade is made. Instead, the specific pool of mortgages making up the MBS is announced 48 hours prior to the established trade settlement date. Eligibility rules and standards for MBS pools deliverable into TBA contracts ensure that delivered MBS pools are fungible. Payment for TBA securities is not made until the settlement date.

Certain portfolio investment guidelines allow for both long and short TBA positions. To mitigate counterparty credit risk, guidelines establish minimum credit ratings and require master netting agreements which include provisions for collateral exchanges.

TBAs, much like their underlying MBS securities, may be highly sensitive to interest rate changes. This is because the MBS pool on which these forward contracts are based can be subject to early payment in a period of declining interest rates. The price of TBAs can fluctuate as the marketplace predicts changes in timing, or possible reductions in expected cash flows, associated with a change in interest rates.

Option Contracts

Security Description	Contract Type	Position	Exchange- Traded vs. OTC	Expiration	Notional	Fair Value	Unrealized Gain (Loss)
Equity	Call	Long	Exchange	Jan 25 - Feb 25	\$ 338.9	\$ 0.1	\$ (1.5)
Equity	Call	Short	Exchange	Jan 25 - Sep 25	(58.5)	(1.3)	0.4
Equity	Put	Long	Exchange	May 25 - Sep 25	146.3	1.2	(1.2)
Equity	Put	Short	Exchange	Jan 25 - Sep 25	(118.3)	(0.4)	0.4
Fixed Income	Call	Long	Exchange	May 25	131.0	0.9	(1.1)
Futures	Call	Long	Exchange	Mar 25	46.0	1.3	(0.8)
Futures	Call	Short	Exchange	Mar 25	(46.0)	(0.2)	1.3
Total					\$ 439.4	\$ 1.6	\$ (2.3)

The table below presents the fair value of TBA securities as of December 31, 2024 (in millions). 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. Duration statistics are weighted by the fair value of each position to compute an average duration for the contracts held.

TBA Contracts			
Position /		Unrealized	Weighted Avg.
Maturity	Fair Value	Gain / (Loss)	Duration (years)
Long	\$ 3,304.8	\$ (11.1)	5.8
Jan - Feb 25			
Short	(2,085.4)	(2.7)	7.1
Jan - Feb 25			
Total	\$ 1,219.4	\$ (13.8)	

The fair value of TBAs is reflected in "To Be Announced Securities" on the Statement of Fiduciary Net Position. The unrealized gain/loss associated with these contracts is included within the "Net Appreciation (Depreciation) in the Fair Value of Investments" on the Statement of Changes in Fiduciary Net Position.

Warrants — A warrant is a contract that entitles the holder to buy the underlying stock of the issuing company at a specified price. Warrants and options are similar in that the two instruments allow the holder special rights to buy securities. However, warrants differ from options in that they provide additional financing to the issuing company when exercised.

As of December 31, 2024, the WRS held warrant contracts valued at \$0.4 million. Warrants are included in the "Equities" section on the Statement of Fiduciary Net Position. The associated unrealized loss of \$0.5 million is included in the "Net Appreciation (Depreciation) in the Fair Value of Investments" on the Statement of Changes in Fiduciary Net Position.

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 different 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.

The WRS complies with all securities regulations and requirements to obtain access to borrowed securities prior to executing a short sale. 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, and such payments must be remitted to the security lender during the loan. During the duration of the borrow, there may be corporate action elections requiring the borrower to deliver items such as cash or securities to the lender. Expenses resulting from short sales 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 as there is no upward limit on the price a shorted security could reach. Certain portfolio guidelines permit short sales and mitigate risks in various ways including limiting the total value of short sales as a percentage of portfolio value, establishing portfolio versus benchmark tracking error limits, and monitoring other statistical and economic risk measures of the portfolio. 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. In addition to borrowing securities from existing WRS portfolios, the WRS may borrow securities from external sources. These borrowings are facilitated by the WRS's custodian.

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 dictated by the type of collateral posted. Collateral posted ranges between 102 percent and 115 percent of the market value of the shorted securities. The WRS posted \$445.8 million in cash and \$5.4 billion in securities as collateral to external security lenders representing approximately \$914.5 million in excess of the fair market value of the securities borrowed as of December 31, 2024. If the security lender recalled the security and the WRS was not able to supply the lender with the security, the lender would be permitted to use the WRS's collateral to fund the purchase of the security.

2. State Investment Fund

The State Investment Fund (SIF) pools the cash of the State of Wisconsin and its agencies, the WRS, and various local government units (Local Government Investment Pool - LGIP) into a commingled fund with the investment objective of safety of principal and liquidity while earning a competitive money market rate of return. State of Wisconsin agencies are required to invest their operating cash in the SIF. In the State's Annual Comprehensive 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 Investment Pool, an investment trust fund.

Wis. Stat. § 25.17(3)(b), (ba), (bd) and (dg) enumerate the various types of securities in which the SIF can be invested, which include obligations of the United States or its agencies, corporations wholly owned by the United States or chartered by an act of Congress, securities guaranteed by the United States, the unsecured notes of financial and industrial issuers, direct obligations of or guaranteed by the government of Canada, certificates of deposit issued by banks in the United States including financial institutions in Wisconsin and banker's acceptances, as well as other loans, securities or investments that meet the SWIB's standard of responsibility within Wis. Stat. § 25.15(2).

For financial statement purposes, the valuation methodology of securities varies depending on the asset class. Repurchase Agreements and non-negotiable Certificates of Deposit and Time Deposits are carried at cost because they are non-participating contracts that do not capture interest rate changes in their value.

All remaining debt investments are carried at fair value. Because quoted market prices for SIF securities are often not available at month end, BNY, as the SWIB's custodial bank, compiles fair values from third-party pricing services which use matrix pricing models to estimate a security's fair value.

For purposes of calculating earnings to each participant, all investments are valued at amortized cost. Specifically, the SIF distributes income 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 constant yield 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.

SIF pool shares are bought and redeemed at \$1.00 based on the amortized cost of the investments in the SIF. The State of Wisconsin does not provide any legally binding guarantees to support the value of pool shares.

Fair Value Reporting

The SIF categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 investments reflect unadjusted quoted prices in active markets for identical assets. Level 2 investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active. Level 3 investments reflect prices based upon valuation techniques in which significant inputs or significant value drivers are unobservable.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to fair value. The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and does not represent the investment's overall risk.

Securities classified in Level 1 are generally valued at the official closing price (usually the last trade prices) or the last bid price on the security's primary exchange. Such investments include U.S. Treasury bills and only the most recently issued U.S. Treasury notes and bonds are classified as Level 1 because available pricing for these securities is similarly reliable to exchange-traded securities.

Securities classified as Level 2 are valued using observable inputs by third party pricing services using a matrix pricing technique. Matrix-pricing is used to value securities based on their relationship to quoted market prices for securities with similar interest rates, maturities, and credit ratings. Most debt securities are classified as Level 2 because they are generally traded using a dealer market, with lower trading volumes than Level 1 securities.

Level 3 investments are generally valued using significant inputs that are unobservable to the marketplace.

Investments held at cost (Repurchase Agreements, Time Deposits, and investments with maturities less than 90 days) are not reported within the fair value hierarchy.

The following table presents the recurring fair value measurements as of June 30, 2025 (in millions):

SIF	Fair Value Measurement Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs
Investments by Fair Value Level:			
Government & Agencies	\$ 8,519.3	\$ 3,359.6	\$ 5,159.7
Commercial Paper	419.6	—	419.6
Total by Fair Value Level	8,938.8	\$ 3,359.6	\$ 5,579.3
Short-Term Reported at Cost or Amortized Cost:			
Repurchase Agreements	15,045.1		
Time Deposits (non- negotiable)	109.0		
Total	\$24,092.9		

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 SWIB 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 SWIB. The SIF held repurchase agreements totaling \$15.0 billion as of June 30, 2025. Repurchase agreements, totaling \$4.0 billion, were bilateral agreements with the underlying securities held as collateral at the SWIB's custodian (\$1.0 billion of which were cleared repurchase agreements not subject to custodial credit risk). Repurchase agreements, totaling \$5.2 billion, were tri-party agreements. The underlying securities (collateral) for these repurchase agreements were held by the tri-party's agent and not in the SWIB's name. The remaining repurchase agreements, totaling \$5.8 billion, were related party, bilateral agreements with the WRS. The underlying securities for these repurchase agreements were held by the SWIB's custodian, in the SIF's name.

The related party repurchase transactions with the WRS were overnight agreements collateralized with U.S. Treasury securities. The WRS is also a participant in the SIF, with investments totaling \$2.7 billion (Core Fund) and \$305.5 million (Variable Fund) as of June 30, 2025.

The SIF's custodial credit risk policy addresses the primary risks associated with safekeeping and custody. It requires that the custodial institution be selected through a competitive bid process and that the institution be designated a "Systemically Important Financial Institution" by the U.S. Federal Reserve. The policy also requires that the SIF be reflected as beneficial owner on all securities entrusted to the custodian and that the SIF has access to safekeeping and custody accounts.

The custodian is also required to be insured for errors and omissions and must provide the SIF with an annual report on internal controls. The SIF's current custodial bank was selected in accordance with these guidelines and meets all requirements stipulated in the custodial credit risk policy.

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 for certain investment types. These guidelines do not place a limit on maximum exposure for instruments issued or guaranteed by the U.S. Government and its agencies, repurchase agreements (collateralized with U.S. Treasury and Agency securities), or deposit instruments guaranteed or secured by letters of credit issued by U.S. Agencies or government-sponsored enterprises (GSEs). As of June 30, 2025, the SIF had more than five percent of its investments in Federal Home Loan Bank (16.2 percent), and U.S. Treasury (17.5 percent), as well as Repurchase Agreement collateral (62.4 percent) consisting of various securities issued by the U.S. Treasury. Since the Repurchase Agreements generally mature each day, new collateral, consisting of a different blend of U.S. Treasury securities, is assigned each day.

Credit Quality Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The SWIB established SIF investment guidelines require at least 70 percent of the market value of the portfolio to be invested in: (1) instruments issued or guaranteed by the U.S. Government and its agencies (maturing in 10 years or less), (2) repurchase agreements (collateralized with Treasury and agency securities maturing in 10 years or less), (3) deposit instruments guaranteed or secured by letters of credit issued by U.S. agencies or government-sponsored enterprises (GSEs), and (4) FDIC insured bank instruments.

The following table presents these credit ratings and aggregate exposures by investment type as of June 30, 2025 (in millions):

Investment Type	Ratings	Fair Value
Repurchase Agreements (Collateral):		
U.S. Government & Agencies Debt	AA	\$ 15,045.1
Government Sponsored Entity		
U.S. Agency:		
Federal Home Loan Bank (FHLB)	A-1+	3,853.0
Federal Farm Credit Bank (FFCB)	A-1+	424.8
Federal Home Loan Bank (FHLB)	AA	45.0
U.S. Treasury:		
Short-Term (Bills and Notes)	A-1+	3,746.6
Long-Term (Notes)	AA	449.9
Commercial Paper	A-1+	319.6
Commercial Paper	A-1	100.0
Time Deposits	A-1+	49.0
Time Deposits	A-1	60.0
Total Investments		\$ 24,092.9

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 and investment guidelines mandate that the WAM for the entire portfolio will not exceed one year.

At June 30, 2025, 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	\$ 15,045.1	1
Government & Agencies	8,519.3	7
Commercial Paper	419.6	9
Time Deposits	109.0	1
Total Investments	\$ 24,092.9	
Portfolio Weighted Average Maturity (Days)		3

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. At June 30, 2025, the SIF was not exposed to foreign currency risk.

3. Lottery Investments and Related Future Prize Obligations

Investments of the State Lottery Fund totaling \$1.6 million are held to finance grand prizes payable over a 20-year, 25-year or 30-year period. The investments in prize annuities are debt obligations of the U.S. government backed by its full faith and credit as to both principal and interest. Liabilities related to the future prize obligations are presented at their present value and included in "Accounts Payable and Other Accrued Liabilities".

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

Fiscal Year	Amount
2026	\$ 0.3
2027	0.3
2028	0.4
2029	0.2
2030	0.1
Thereafter	0.6
Total future value	1.9
Less: Present value adjustment	(0.3)
Present value of payments	\$ 1.6

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

Receivables at June 30, 2025 were as follows (in thousands):

	Taxes	Loans to Local Governments	Other Loans Receivable			Other Receivables	Due From Other Governments	Due From Component Units	Lease Receivables	Total Receivables
			Student Loans	Veterans Loans	Other Loans					
Governmental Activities:										
General	\$1,926,983	\$ 492	\$ —	\$ —	\$ 20	\$ 792,314	\$ 1,424,016	\$ —	\$ —	\$ 4,143,824
Transportation	105,985	—	—	—	15,753	4,942	288,324	—	—	415,004
Nonmajor Governmental	—	312,476	—	—	—	78,997	29,409	—	—	420,882
Total Governmental:	2,032,968	312,967	—	—	15,773	876,253	1,741,749	—	—	4,979,711
Government-wide Adjustments:										
Internal Service Funds	—	—	—	—	—	1,533	820	—	—	2,353
Accrual Adjustments	—	—	—	—	—	1,796	—	—	—	1,796
Fiduciary Receivables	—	—	—	—	—	1,000,427	—	—	—	1,000,427
Total - Governmental Activities	\$2,032,968	\$ 312,967	\$ —	\$ —	\$ 15,773	\$ 1,880,009	\$ 1,742,569	\$ —	\$ —	\$ 5,984,287
Related revenue not recognized in the funds because it is not available	\$ 456,063	\$ —	\$ —	\$ —	\$ —	\$ 51,052	\$ 76,918	\$ —	\$ —	\$ 584,033
Business-type Activities:										
Current:										
Environmental Improvement	\$ —	\$ 211,920	\$ —	\$ —	\$ —	\$ 40	\$ 12,296	\$ —	\$ —	\$ 224,255
University of Wisconsin System	—	—	9,573	—	—	222,374	137,841	7,470	1,329	378,587
Unemployment Reserve	—	—	—	—	—	142,377	865	—	—	143,243
Nonmajor Enterprise	—	141	—	—	—	216,367	23,180	—	—	239,688
Total Current:	—	212,061	9,573	—	—	581,158	174,182	7,470	1,329	985,773
Noncurrent:										
Environmental Improvement	—	2,220,869	—	—	—	—	—	—	—	2,220,869
University of Wisconsin System	—	—	62,936	—	—	—	—	—	18,382	81,318
Unemployment Reserve	—	—	—	—	—	75,299	—	—	—	75,299
Nonmajor Enterprise	—	1,149	—	—	2,322	—	—	—	—	3,471
Total Noncurrent	—	2,222,018	62,936	—	2,322	75,299	—	—	18,382	2,380,957
Government-wide Adjustments:										
Fiduciary Receivables	—	—	—	—	—	11,144	—	—	—	11,144
Total - Business-type Activities	\$ —	\$ 2,434,079	\$ 72,509	\$ —	\$ 2,322	\$ 667,600	\$ 174,182	\$ 7,470	\$ 19,711	\$ 3,377,874

B. Net Revenues

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2025, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	\$ 408,226
Sales and Services of Auxiliary Enterprises	60,610
Total	\$ 468,836

NOTE 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025 was as follows (in thousands):

Primary Government	Beginning Balance *	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 3,048,193	\$ 73,217	\$ (79)	\$ 3,121,330
Buildings and Improvements	171,060	23	—	171,083
Library Holdings	60,037	274	—	60,310
Equipment	216	15	(9)	222
Construction and Software in Progress	2,189,160	606,414	(765,919)	2,029,655
Infrastructure	20,491,901	719,706	(202,462)	21,009,145
Total capital assets, not being depreciated	25,960,566	1,399,649	(968,469)	26,391,746
Capital assets, being depreciated:				
Land Improvements	268,078	19,366	(410)	287,034
Buildings and Improvements	2,828,935	59,653	(3,182)	2,885,407
Equipment	1,315,885	86,938	(48,835)	1,353,987
Right to Use Buildings	408,555	38,772	(40,140)	407,187
Right to Use Equipment	9,024	—	—	9,024
Right to Use SBITAs	166,585	25,487	(9,948)	182,124
Totals	4,997,062	230,216	(102,516)	5,124,762
Less accumulated depreciation for:				
Land Improvements	208,314	11,506	(410)	219,410
Buildings and Improvements	1,641,209	75,864	(2,441)	1,714,631
Equipment	993,918	94,018	(35,682)	1,052,254
Right to Use Buildings	89,327	33,305	(15,081)	107,551
Right to Use Equipment	2,271	1,204	—	3,475
Right to Use SBITAs	75,500	44,702	(7,774)	112,428
Totals	3,010,539	260,598	(61,388)	3,209,749
Total Capital Assets, being depreciated, net	1,986,523	(30,382)	(41,128)	1,915,013
Governmental activities capital assets, net	\$ 27,947,090	\$ 1,369,266	\$ (1,009,597)	\$ 28,306,759
Business-type activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 182,365	\$ 6,044	\$ —	\$ 188,409
Construction and Software in Progress	932,699	520,928	(265,112)	1,188,515
Total Capital Assets, not being depreciated	1,115,064	526,973	(265,112)	1,376,925
Capital assets, being depreciated:				
Land Improvements	42,900	16,072	(97)	58,875
Library Holdings	1,130,519	18,302	(10,868)	1,137,953
Buildings	9,977,593	322,865	(16,522)	10,283,936
Equipment	1,551,605	113,246	(55,684)	1,609,167
Right to Use Land	1,693	3,158	(105)	4,745
Right to Use Buildings	351,629	71,270	(19,659)	403,239
Right to Use Equipment	13,587	1,956	(3,182)	12,362
Right to Use SBITAs	153,743	48,843	(29,123)	173,463
Totals	13,223,269	595,712	(135,240)	13,683,741
Less accumulated depreciation for:				
Land Improvements	27,401	3,942	(62)	31,282
Library Holdings	982,151	21,586	(10,868)	992,868
Buildings	5,346,746	307,388	(13,247)	5,640,888
Equipment	1,154,684	85,651	(61,140)	1,179,195
Right to Use Land	889	591	(100)	1,380
Right to Use Buildings	94,335	26,460	(18,200)	102,595
Right to Use Equipment	9,284	2,863	(3,188)	8,959
Right to Use SBITAs	85,779	43,353	(29,060)	100,073
Totals	7,701,270	491,834	(135,863)	8,057,241
Total Capital Assets, being depreciated, net	5,521,999	103,878	623	5,626,500
Business-type activities capital assets, net	\$ 6,637,063	\$ 630,851	\$ (264,489)	\$ 7,003,425

* Amounts for beginning balance include restatements of prior year's balances.

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of \$104.8 million, with accumulated depreciation totaling \$29.9 million.

Depreciation Expense

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

Governmental Activities		Business-type Activities	
Commerce	\$ 4,787	University of Wisconsin System	\$ 466,616
Education	4,830	Lottery	43
Transportation	16,145	Care and Treatment Facilities	17,413
Environmental Resources	28,427	Other Business-type	7,762
Human Relations and Resources	128,211	Total depreciation expense - business-type activities	<u>\$ 491,834</u>
General Executive	15,759		
Judicial	3,485		
Legislative	680		
Internal Service Funds	58,273		
Total depreciation expense - governmental activities	<u>\$ 260,598</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 fiscal year-end included the following projects (in thousands):

Governmental Activities:	Allotments	Expended through June 30, 2025	Adjusted Encumbrances Outstanding	Unencumbered Allotment Balance
Reported through capital projects funds:				
Zoo Interchange	\$ 541,156	\$ 541,156	\$ —	\$ —
Major Highway and Rehabilitation	73,043	73,043	—	—
Kettle Moraine Springs Hatchery Renovation	29,890	29,888	—	2
Old World Wisconsin Guest Entry Expansion	16,922	4,979	5,869	6,074
Interstate 94 North South Freeway Project	214,445	214,445	—	—
Viroqua Readiness Center Replacement	23,994	5,864	15,197	2,933
Juvenile Corrections Regional Facilities	78,400	16,293	40,347	21,759
Milwaukee Secure Detention Facility Ventilation Improvement	10,765	10,419	38	309
Stanley Correction Institution New Health Service Unit	17,835	12,858	2,464	2,513
Wisconsin History Center	160,625	14,202	93,263	53,160
Sand Ridge Secure Treatment Center- Skilled Care Unit Expansion	18,175	2,671	4,187	11,317
Design Build Highway Program	20,000	20,000	—	—
WSD New Student Dormitory	25,000	1,214	564	23,221
Other Projects with allotments totaling less than \$10 million		114,729		
Subtotal		\$ 1,061,761		
Projects funded with sources other than capital projects funds:				
Transportation-related		829,857		
Department of Health Services		66,697		
Department of Workforce Development		47,245		
Department of Children and Families		23,349		
Department of Natural Resources		—		
Department of Administration		747		
Total construction and software in progress - governmental		\$ 2,029,655		
Business Activities:				
UW Stevens Point Student Health and Wellness Center	\$ 32,906	\$ 23,657	\$ 2,679	\$ 6,570
UW Madison Veterinary Medicine Addition & Renovation	152,603	129,606	2,322	20,675
UW Madison Gymnasium-Natatorium Replacement	97,162	90,053	283	6,826
UW Stevens Point Albertson Hall Renovation	96,000	58,358	17,568	20,074
UW River Falls Science and Technology Innovation Center	114,796	84,468	5,640	24,687
UW Eau Claire Science/Health Sciences Building	274,026	57,859	127,136	89,031
UW LaCrosse Center for the Arts Parking & Police Building Addition	13,822	10,114	1,931	1,777
UW LaCrosse Graff Main Hall HVAC System Renovation	27,642	15,119	5,466	7,056
UW Madison College of Letters & Sciences Academic Building	115,991	42,271	39,692	34,028
UW Stout Heritage Hall Addition and Renovation	144,311	5,454	64,690	74,167
UW Green Bay Cofrin Technology and Education Center	101,715	6,081	62,677	32,957
UW Milwaukee Central Heating Plant Chiller Replacement	24,128	2,642	18,103	3,383
UW Madison Engineering Replacement Building	419,800	22,844	3,032	393,924
UW Madison Camp Randall Sports Center	285,163	41,468	88,659	155,035
UW Milwaukee Chemistry Building Demolition	12,756	211	7,418	5,126
UW Madison Computer, Data & Information Sciences Building	267,000	233,130	8,900	24,970
CWC Building 6 Remodeling Funding LTR	17,846	16,995	2,670	(1,819)
Milwaukee Crime Lab	115,497	15,997	94,498	5,002
MMHI MJTC Expansion Project	65,955	65,053	441	461
MMHI Food Service Renovation BTF Release	28,924	28,325	(9)	608
MMHI Utility Improvements	19,920	1,506	423	17,991
Cream Puff Pavilion Renovation	12,500	10,601	(128)	2,027
WI Veterans Home at King, Chiller Modifications	14,494	866	1,794	11,835
Winnebago Mental Health Institute Patient Admissions Area	34,511	3,072	27,728	3,711
Subtotal		\$ 965,751		
Projects with allotments totaling less than \$10 million:				
University of Wisconsin System		177,663		
Other Projects with allotments totaling less than \$10 million		45,102		
Total construction and software in progress - Business-type		\$ 1,188,515		

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 \$1,001.0 million and \$187.5 million, respectively.

NOTE 8. ENDOWMENTS**Primary Government****University of Wisconsin System**

The University of Wisconsin System invested 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 Applied Security Analysis Program "RegentFund." In Fiscal Year 2018, the Board of Regents transferred its investment management responsibilities of the Long Term Fund to the State of Wisconsin Investment Board (SWIB) as permitted through Wis. Stat. § 36.11 (11m). The RegentFund was established on April 1, 2019, as an investment fund for a limited number of participating Trust Funds accounts. The RegentFund is an intermediate-term fixed income portfolio, governed by and subject to a Board-approved Memorandum of Understanding, which includes detailed investment guidelines.

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 RegentFund, 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, 2025, net appreciation of the endowment accounts was \$192.9 million which was available to meet spending rate distributions, of which \$22.4 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 are governed and authorized by the Board of Regents. The approved asset allocation for the Long Term Fund has a target to public markets of the following: 57.0 percent public equities, 20.0 percent fixed income, and 23.0 percent inflation sensitive securities. Private markets are not included in the target asset allocation. The legacy private markets investments will self-liquidate as distributions are made from existing funds with no new commitments intended.

The fair value of Endowments as of June 30, 2025 was \$626.0 million including an unrealized gain of \$44.3 million when fair values as of June 30, 2025 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, 2025, 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	\$ 400.3
Realized Gains – Undistributed	181.4
Book Value	581.7
Unrealized Net Gains/Losses – Undistributed	44.3
Fair Value	\$ 626.0

On June 30, 2025, the portfolio at market, for the Long Term Fund, contained 47.2 percent in global equities, 16.2 percent in Treasury Inflation Protection Securities (TIPS), 16.2 percent in investment grade government/credit, 6.2 percent in hedged non-U.S. equities, 2.4 percent in real estate investment trusts, 2.6 percent in emerging markets equities, and 9.2 percent in private markets. The total return (loss) on the principal Long Term Fund including capital appreciation was 10.4 percent for the year.

On June 30, 2025, the portfolio at market, for the RegentFund, contained 94.2 percent in fixed income securities and 5.8 percent in cash and cash equivalents. The total return on the principal RegentFund including capital appreciation was 7.0 percent for the year.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances as of or for the year ended June 30, 2025 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, 2025 were as follows (in thousands):

Due to Other Funds:											
	General	Transportation	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Internal Service	Fiduciary	Total	
Due from Other Funds:											
General	\$ —	\$ 32,493	\$ 3,445	\$ 4,886	\$ 52,378	\$ 2,738	\$ 1,114	\$ 903	\$ 85,916	\$ 183,872	
Transportation	80	—	15,283	—	—	—	—	—	—	15,363	
Nonmajor Governmental	170	14,393	1,878	89	7,796	—	9,580	12,436	—	46,341	
Environmental Improvement	95	—	55	—	—	—	—	—	—	150	
University of Wisconsin System	16,757	724	643	30	—	—	—	4	—	18,158	
Unemployment Reserve	16	—	—	—	74	—	—	—	—	90	
Nonmajor Enterprise	12,878	—	—	—	7	—	91,534	93	8,090	112,602	
Internal Service	6,953	2,080	879	—	779	—	553	—	3,466	14,710	
Fiduciary	19,730	2,091	128	3	49,309	—	7,476	517	1,224	80,478	
Total	\$ 56,679	\$ 51,781	\$ 22,311	\$ 5,008	\$ 110,343	\$ 2,738	\$ 110,256	\$ 13,954	\$ 98,695	\$ 471,764	

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, 2025 were as follows (in thousands):

	Interfund Receivable:		
	General	Internal Service	Total
Interfund Payables:			
Nonmajor Enterprise	\$ 67,760	\$ 13,465	\$ 81,225
Internal Service	31,107	—	31,107
Fiduciary	—	911,045	911,045
Total	\$ 98,868	\$ 924,510	\$ 1,023,378

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, 2025 were as follows (in thousands):

	Advances from Other Funds (liability):	
	Nonmajor Governmental	Total
Advances to Other Funds (asset):		
Environmental Improvement	\$ 7,453	\$ 7,453
Nonmajor Enterprise	—	—
Total	\$ 7,453	\$ 7,453

D. Interfund Transfers

Interfund Transfers in and out that occurred during Fiscal Year 2025 were as follows (in thousands):

Transfers In:

	General	Transportation	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Nonmajor Enterprise	Internal Service	Total
Transfers Out:								
General	\$ —	\$ 115,266	\$ 1,282,009	\$ —	\$ 1,196,953	\$ 257,070	\$ 29	\$ 2,851,327
Transportation	854	—	187,798	—	—	—	—	188,651
Nonmajor Governmental	14,395	21,177	62,639	—	283,724	65,271	2,368	449,575
Environmental Improvement	—	—	4,512	—	—	—	—	4,512
University of Wisconsin System	17,867	—	90,111	—	—	—	44	108,022
Nonmajor Enterprise	14,613	—	11,044	—	—	302	—	25,959
Internal Service	959	—	4,108	—	—	—	793	5,859
Fiduciary	2	—	701	—	—	—	—	704
Total	\$ 48,690	\$ 136,443	\$ 1,642,921	\$ —	\$ 1,480,677	\$ 322,643	\$ 3,234	\$ 3,634,608

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. In addition, the transfer of capital assets between governmental and enterprise funds will result in an inconsistency.

Nonroutine and Other Transfers

Transfers considered non-routine or inconsistent with the fund making the transfer included the following (in thousands):

Transfer out from the General Fund:

Funds Reporting the Transfer In	Amount
Veterans Trust Fund	\$ 18,266

Transfers in to the General Fund:

Funds Reporting the Transfer Out	Amount
University of Wisconsin System	\$ 8,342

Transfers out from the Petroleum Inspection Fund:

Fund Reporting the Transfer In	Amount
Transportation	\$ 14,918

NOTE 10. CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2025, the following changes occurred in long term liabilities (in thousands):

Primary Government

Governmental Activities	Balance July 1, 2024	Additions *	Reductions *	Balance June 30, 2025	Amounts Due Within One Year
Bonds, Long Term Notes and Certificates Payable:					
General Obligation Bonds and Notes for:					
Governmental Funds	\$ 4,726,878	\$ 1,280,492	\$ 1,333,708	\$ 4,673,662	\$ 515,998
Internal Service Funds	280,142	79,532	96,458	263,217	20,096
Annual Appropriation Bonds	2,187,345	—	274,940	1,912,405	404,636
Revenue Bonds	1,616,630	144,030	377,650	1,383,010	175,622
Certificates of Participation for:					
Governmental Funds	33,466	3,504	8,925	28,045	9,265
Internal Service Funds	12,999	399	5,917	7,481	3,645
Issuance Premiums and (Discounts) for:					
Governmental Funds	607,252	148,347	174,362	581,237	—
Internal Service Funds	24,855	9,905	8,008	26,752	—
Total Bonds, Long Term Notes and Certificates Payable	9,489,567	1,666,209	2,279,967	8,875,809	1,129,261
Other Liabilities:					
Future Benefits and Loss Liability	142,613	51,605	40,501	153,717	49,964
Leases for:					
Governmental Funds	321,600	31,962	50,252	303,310	28,067
Internal Service Funds	18,162	6,680	7,713	17,128	2,966
SBITAs for:					
Governmental Funds	31,134	22,167	17,969	35,333	11,681
Internal Service Funds	59,245	3,225	30,742	31,728	17,522
Compensated Absences	2,825,675	100,125	—	2,925,800	193,127
Net Pension Liability	207,315	33,978	—	241,292	—
Other Postemployment Benefits	622,350	19,602	30,492	611,460	—
Claims, Judgments and Commitments	451	305	—	756	—
Pollution Remediation Obligations	322	—	322	—	—
Total Governmental Activities Long-term Liabilities	\$ 13,718,433	\$ 1,935,857	\$ 2,457,957	\$ 13,196,334	\$ 1,432,588

* Additions to general obligation bonds and notes for governmental funds and reductions to general obligation bonds and notes across the internal service funds and business-type activities include \$5.2 million of a Fiscal Year 2024 unfinalized debt estimate reallocation.

Beginning in Fiscal Year 2025, compensated absence additions and reductions will be presented net of each other in the change in long-term liabilities tables.

Repayment of the general obligation bonds and notes is made from the Bond Security and Redemption Fund. The amount presented in this fund represents the liability to be paid from resources accumulated to provide debt service payments in Fiscal Year 2025.

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, pension and other postemployment benefits liabilities are attributed to the General, Transportation and Conservation funds. Long-term liabilities for claims, judgments and commitments are generally liquidated with resources of the governmental activities.

Business-type Activities	Balance July 1, 2024	Additions	Reductions *	Balance June 30, 2025	Amounts Due Within One Year
Bonds, Long Term Notes and Certificates Payable:					
General Obligation Bonds & Notes	\$ 1,459,955	\$ 262,408	\$ 272,571	\$ 1,449,791	\$ 127,576
Revenue Bonds	430,800	28,645	63,690	395,755	33,330
Certificates of Participation	7,178	544	1,762	5,960	1,889
Issuance Premiums and (Discounts)	203,077	29,521	47,600	184,997	—
Total Bonds, Long Term Notes, and Certificates Payable	2,101,010	321,117	385,623	2,036,504	162,795
Other Liabilities:					
Future Benefits and Loss Liability	1,293,983	275,829	134,247	1,435,565	139,828
Leases	275,060	76,384	26,561	324,882	23,686
SBITAs	39,041	41,267	31,734	48,574	22,189
Compensated Absences	226,386	—	112	226,274	113,297
Net Pension Liability	223,725	20,970	—	244,695	—
Other Postemployment Benefits	776,859	21,375	49,645	748,589	—
Asset Retirement Obligations	13,834	12	—	13,846	—
Total Business-type Activities Long-term Liabilities	\$ 4,949,896	\$ 756,955	\$ 627,922	\$ 5,078,930	\$ 461,796

* Additions to general obligation bonds and notes for governmental funds and reductions to general obligation bonds and notes across the internal service funds and business-type activities include \$5.2 million of a Fiscal Year 2024 unfinalized debt estimate reallocation.

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

The following schedule summarizes outstanding bonds and long-term notes payable at June 30, 2025 (in millions):

Primary Government		
Governmental Activities:		
General Obligation Bonds and Notes	\$	5,365.5
Annual Appropriation Bonds		1,939.4
Transportation Revenue Bonds		1,533.6
Certificates of Participation		37.3
Total Governmental Activities		8,875.8
Business-type Activities:		
General Obligation Bonds and Notes:		
University of Wisconsin System		1,533.8
Other Business-type		44.9
Environmental Improvement Revenue Bonds		451.4
Certificates of Participation		6.4
Total Business-type Activities		2,036.5
Total Primary Government	\$	10,912.3

A. General Obligation Bonds

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

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

At June 30, 2025, \$5.3 billion of general obligation bonds were legislatively authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2025 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
2017	2016 Series C, 2	7/16, 8/16	0.80 to 5.0	5/30	\$ 380,585	\$ 152,920
2018	2017 Series 1, 2, 3; 2018 Series A	7/17, 11/17, 12/17; 3/18	2.0 to 5.0	5/36	1,363,310	666,275
2019	2018 Series B	10/18	5.0	5/33	258,965	4,950
2020	2019 Series A, B, 1; 2020 Series A, 1, and 2	8/19, 12/19, 10/19 6/20, 2/20, 2/20	1.63 to 5.0	5/40	1,355,910	644,405
2021	2020 Series B, 3; 2021 Series A, 1, 2, and 3	11/20, 7/20; 6/21, 2/21, 2/21, 3/21	0.11 to 5.0	5/42	1,274,610	774,945
2022	2021 Series B, 4; 2022 Series A, 1, and 2	12/21, 9/21; 5/22, 3/22, 3/22	1.08 to 5.0	5/42	977,610	670,170
2023	2022 Series 4, 5; 2023 Series A, 1, and 2	11/22, 11/22; 1/23, 1/23, 5/23	4.0 to 5.7	5/43	1,098,040	1,024,320
2024	2023 Series B; 2024 Series A, 1, and B	8/23; 2/24, 3/24, 6/24	5.0	5/44	965,525	925,210
2025	2024 Series 2, C; 2025 Series A, 1, 2, and 3	8/24, 9/24; 3/25, 2/25, 2/25, 2/25	5.0	5/45	1,617,260	1,523,475
					9,291,815	6,386,670
Premiums/Discounts						557,480
Total General Obligation Bonds					\$ 9,291,815	\$ 6,944,150

As of June 30, 2025, 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
2026	\$ 450,394	\$ 228,678	\$ 103,591	\$ 67,439
2027	433,565	203,547	91,290	62,285
2028	407,117	182,166	108,703	57,435
2029	401,116	163,851	110,164	52,548
2030	383,511	147,392	106,794	48,023
2031 - 2035	1,534,227	503,545	424,663	173,897
2036 - 2040	1,021,373	191,364	395,307	75,713
2041 - 2045	305,576	32,368	109,279	9,702
	4,936,879	1,652,911	1,449,791	547,041
Premiums/Discounts	428,586		128,894	
Total	\$ 5,365,465	\$ 1,652,911	\$ 1,578,685	\$ 547,041

A portion of the general obligation bonds are issued to purchase capital assets in business-type activities, but repaid using governmental activities resources. Therefore, these amounts are not included in the net investment in capital assets in government-wide statement of net position for either governmental or business-type activities, but are included in the total column since both the capital assets and debt liability are part of the primary government. At June 30, 2025 this amount was \$1.7 billion.

B. General Obligation Notes

Floating Rate Notes

In July 2022, the State issued \$134.8 million of General Obligation Floating Rate Notes ("2022 Series A Notes") used for the acquisition, construction, development, extension, enlargement or improvement of land, water, property, highways, buildings, equipment of facilities for public purposes. The interest rates associated with these notes are variable rate with interest payable monthly beginning August 1, 2022. The notes mature May 1, 2023 and May 1, 2025.

The face value of the floating rate notes are reported as part of General Obligation Bonds and Notes in the Statements of Net Position and bear interest at rates determined and reset every seven days and computed on the basis of a 365/366 day year for the actual number of days elapsed and payable monthly on the first business day of the month.

With the issuance on August 8, 2024 of its General Obligation Refunding Bonds ("2024 Series 2 Bonds"), the State retired all outstanding 2022 Series A Notes and as of June 30, 2025, no floating rate notes remain outstanding.

C. Annual Appropriation Bonds

2003 Annual Appropriation Bonds

In December 2003, the State issued \$1.8 billion of General Fund Annual Appropriation Bonds consisting of Series A (Taxable Fixed Rate) ("2003 Series A Bonds") and Series B (Taxable Auction Rate Certificates) ("2003 Series B Bonds"). 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. § 40.05(2)(b) and its unfunded accrued liability for sick leave conversion credits under Wis. Stat. § 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40.

In April 2008, the State issued \$498.1 million of General Fund Annual Appropriation Refunding Bonds (Taxable Fixed Rate) ("2008 Series A Bonds") and \$300.0 million of General Fund Annual Appropriation Refunding Bonds (Taxable Floating Rate Notes) ("2008 Series B Bonds"), to refund certain maturities of the 2003 Series A Bonds.

In June 2008, the State issued \$209.0 million of General Fund Annual Appropriation Refunding Bonds (Taxable Floating Rate Notes) ("2008 Series C Bonds") to refund certain maturities of the 2003 Series A Bonds.

In November 2012, the State issued \$251.6 million of General Fund Annual Appropriation Refunding Bonds (Taxable) ("2012 Series A Bonds") to refund certain maturities of the 2003 Series A Bonds.

In August 2016, the State issued \$400.1 million of General Fund Annual Appropriation Refunding Bonds (Taxable) ("2016 Series A Bonds") to refund the May 2018 maturities of the 2008 Series A Bonds.

In February 2020, the State issued \$623.3 million of General Fund Annual Appropriation Refunding Bonds (Taxable) ("2020 Series A Bonds") to refund the 2008 Series B Bonds and 2008 Series C Bonds, and make termination payments on the interest rate exchange agreements, or swap agreements relating to the 2008 Series B Bonds and 2008 Series C Bonds.

In March 2021, the State issued \$118.7 million of General Fund Annual Appropriation Refunding Bonds (Taxable) ("2021 Series A Bonds") to refund the 2012 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 2003 Series A Bonds in the outstanding principal amount of \$107.5 million, bear interest at a rate of 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 2016 Series A Bonds in the outstanding principal amount of \$44.7 million, bear interest at rates from 2.38 percent to 2.48 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 2020 Series A Bonds in the outstanding principal amount of \$488.7 million, bear interest at rates from 2.10 percent to 2.50 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.

The 2021 Series A Bonds in the outstanding principal amount of \$114.8 million, bear interest at rates from 0.86 percent to 1.64 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, 2025, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2026	\$ 195.6	\$ 20.1
2027	145.7	12.1
2028	89.3	9.0
2029	90.1	7.2
2030	96.1	5.3
2031 - 2032	138.9	4.1
	<u>755.7</u>	<u>57.9</u>
Unamortized Prem./Discount	—	
Total, net	\$ 755.7	\$ 57.9

2009 Annual Appropriation Bonds

In April 2009, the State issued \$1.5 billion of General Fund Annual Appropriation Bonds ("2009 Series A 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.

In August 2016, the State issued \$200.5 million of General Fund Annual Appropriation Refunding Bonds (Taxable) ("2016 Series B Bonds") to refund certain maturities of the 2009 Series A Bonds.

In January 2017, the State issued \$427.8 million of General Fund Annual Appropriation Refunding Bonds (Federally Taxable) ("2017 Series A Bonds") and \$102.1 million of General Fund Annual Appropriation Refunding Bonds (Federally Tax-Exempt) ("2017 Series B Bonds"), to refund certain maturities of the 2009 Series A bonds.

In May 2017, the State issued \$402.1 million of General Fund Annual Appropriation Refunding Bonds (Taxable) ("2017 Series C Bonds") to refund certain maturities of the 2009 Series A bonds.

In January 2019, the State issued \$360.0 million of General Fund Annual Appropriation Refunding Bonds (Forward Delivery) ("2019 Series A Bonds") to refund certain maturities of the 2009 Series A bonds.

In February 2023, the State issued \$383.8 million of General Fund Annual Appropriation Refunding Bonds (Taxable) ("2023 Series A Bonds") to refund certain maturities of the 2017 Series B Bonds and 2019 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 2016 Series B Bonds in the outstanding principal amount of \$184.0 million bear interest rates from 2.38 percent to 3.29 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 2017 Series A Bonds in the outstanding principal amount of \$405.1 million bear interest rates from 3.12 percent to 3.95 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 2017 Series B Bonds in the outstanding principal amount of \$93.2 million bear interest at a rate of 5.00 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. While these bonds have been refunded, they are not considered defeased for GAAP purposes.

The 2017 Series C Bonds in the outstanding principal amount of \$2.9 million bear interest at a rate of 3.05 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 2019 Series A Bonds in the outstanding principal amount of \$196.1 million bear interest at a rate at 5.00 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. While these bonds have been refunded, they are not considered defeased for GAAP purposes.

The 2023 Series A Bonds in the outstanding principal amount of \$275.3 million bear interest rates from 4.33 percent to 4.87 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.

As of June 30, 2025, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2026	\$ 194.8	\$ 48.6
2027	174.0	39.4
2028	70.4	30.9
2029	76.0	28.0
2030	17.4	24.8
2031 - 2035	330.3	107.9
2036 - 2037	293.9	15.6
	1,156.7	295.1
Unamortized Prem./Discount	27.0	
Total	\$ 1,183.7	\$ 295.1

D. Revenue Bonds

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

Transportation Revenue Bonds

Transportation Revenue Bonds are issued to finance part of the costs of certain transportation facilities and major highway projects. Chapter 18, Subchapter II of the Wisconsin Statutes as amended, Wis. Stat. § 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 \$4.3 billion of revenue bonds. Presently, there are 12 issues of Transportation Revenue Bonds outstanding totaling \$1.4 billion. Debt service payments are secured by driver and vehicle registration fees and the program resolution provides for a reserve fund, which if funded, will be used in the event that a deficiency exists in the redemption fund.

The Transportation Revenue Bonds issued and outstanding as of June 30, 2025 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2025-1	4/25	5.0	7/41	\$ 144,030	\$ 144,030
2024-2	4/24	5.0	7/37	207,580	207,580
2024-1	4/24	5.0	7/31	43,325	43,325
2023-1	4/23	5.0	7/37	187,270	187,270
2023-A	4/23	5.0	7/43	142,510	138,205
2021-1	8/21	1.3 - 2.3	7/37	143,180	55,930
2021-A	3/21	3.0 - 5.0	7/41	148,490	130,680
2020-1	7/20	0.8 - 1.9	7/34	315,840	98,495
2019-A	4/19	5.0	7/39	155,950	33,925
2017-2	12/17	5.0	7/32	368,595	166,205
2017-1	5/17	5.0	7/28	284,520	127,300
2015-1	4/15	5.0	7/29	207,240	50,065
Total				2,348,530	1,383,010
Unamortized Premium / Discount					150,574
Total				\$ 2,348,530	\$ 1,533,584

Environmental Improvement Fund 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 Clean Water Revenue Bonds and Environmental Improvement Fund Revenue Bonds up to an amount of \$2.6 billion in total.

Environmental Improvement Fund revenue bonds are payable only from revenues derived from 1) pledged loan amounts, 2) amounts in the Loan Fund, Reserve Fund (if any), and 3) all other pledged receipts.

The Environmental Improvement Fund has pledged future loan revenues, net of specified operating expenses, to repay outstanding revenue bonds. Proceeds from the bonds provided financing for loans to municipalities to construct or improve water and wastewater projects.

At June 30, 2025, there were seven issues of Environmental Improvement Fund Revenue Bonds outstanding totaling \$395.8 million.

Bonds issued and outstanding for the Environmental Improvement Fund as of June 30, 2025 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2025-1	3/25	5.0	6/29	\$ 28,645	\$ 28,645
2024-A	2/24	5.0 - 8.0	6/33	150,000	150,000
2022-A	11/22	5.0	6/43	50,000	44,195
2021-A	9/21	4.0 - 5.0	6/40	100,000	86,280
2020-A	5/20	5.0	6/39	80,000	71,000
2018-A	9/18	5.0	6/26	92,080	15,635
				500,725	395,755
Unamortized Premium / Discount					55,679
Total				\$ 500,725	\$ 451,434

As of June 30, 2025, 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		Environmental Improvement Fund Revenue Bonds	
	Principal	Interest	Principal	Interest
2026	\$ 159,380	\$ 59,259	\$ 33,330	\$ 19,740
2027	111,340	53,509	27,555	18,074
2028	130,880	47,708	26,790	16,427
2029	119,455	41,650	27,670	14,819
2030	126,260	35,705	21,450	13,436
2031 - 2035	478,510	103,066	180,345	43,458
2036 - 2040	195,565	33,029	72,460	9,978
2041 - 2043	61,620	4,957	6,155	626
	1,383,010	378,883	395,755	136,557
Unamortized Premium / Discount	150,574		55,679	
Total	\$ 1,533,584	\$ 378,883	\$ 451,434	\$ 136,557

E. 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 between the State acting by and through the Department of Administration and U.S. Bank National Association, as lessor. Lease purchase obligations under the Master Lease are not general obligations of the State but are payable from appropriations of State agencies participating in the Master Lease Program, subject to annual appropriation. The interest component of each lease/purchase payment is subject to a separate determination.

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

The outstanding balance as of June 30, 2025 was as follows:

Balance Due	Average Life (Weighted Term)
\$43.7 Million	1.78 Years

At June 30, 2025, the following parity Master Lease certificates were outstanding (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2024-A	8/24	variable*	3/32	\$ 4,669	\$ 4,672
2023-A	5/23	5.0	3/29	19,285	10,040
2022-A	1/22	3.0 - 5.0	9/31	23,960	10,145
2021-A	2/21	3.0 - 5.0	3/29	31,375	16,629
				79,289	41,486
Unamortized Premium / Discount					2,241
Total				\$ 79,289	\$ 43,728
*see Revolving Credit Agreement					

As of June 30, 2025, Master Lease certificate 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
2026	\$ 12,026	\$ 1,474	\$ 1,719	\$ 250
2027	10,115	911	1,709	171
2028	7,671	441	1,092	92
2029	5,204	159	468	55
2030	360	19	375	36
2031-2035	150	6	598	25
	35,526	3,011	5,960	629
Unamortized Premium / Discount	1,816		425	
Total	\$ 37,342	\$ 3,011	\$ 6,385	\$ 629

Revolving Credit Agreement

Master Lease Certificates of Participation of 2024, Series A (Revolving Credit Agreement – Taxable) had a \$4.7 million balance as of June 30, 2025. This Master Lease certificate evidences the State's obligation to repay advances under a Revolving Credit Agreement, dated August 30, 2024, between U.S. Bank National Association (as trustee), the State of Wisconsin, acting by and through its Department of Administration, as lessee, and Johnson Bank. The scheduled termination date under the Revolving Credit Agreement is September 1, 2027. 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.

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, 2025, the State has not deposited with the Trustee amounts, that when invested, will terminate lease schedules.

F. 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 Fiscal Year Refundings/General Obligation Bonds

In August 2024, the State issued \$301.2 million of General Obligation Refunding Bonds ("2024 Series 2 Bonds"), with \$205.1 million of the proceeds deposited into the bond security and redemption fund for the purchase and or redemption of \$207.0 million of various general obligation bonds for which the redemption was paid from the bond security and redemption fund and the redeemed bonds are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by \$4.3 million and an economic gain of \$4.0 million. Remaining proceeds of \$109.8 million were deposited in the capital improvement fund and used for the funding of outstanding floating rate notes.

In February 2025, the State issued \$89.0 million of General Obligation Refunding Bonds ("2025 Series 1 Bonds"), with \$102.5 million of the proceeds deposited into the bond security and redemption fund for the redemption of \$102.5 million of various general obligation bonds for which the redemption was paid from the bond security and redemption fund and the redeemed bonds are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by \$18.7 million and an economic gain of \$14.7 million.

In February 2025, the State issued \$253.8 million of General Obligation Refunding Bonds ("2025 Series 2 Bonds"), with \$265.8 million of the proceeds deposited into the bond security and redemption fund for the redemption of \$265.8 million of various general obligation bonds for which the redemption was paid from the bond security and redemption fund and the redeemed bonds are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by \$7.2 million and an economic gain of \$7.5 million.

In February 2025, the State issued \$454.3 million of General Obligation Refunding Bonds ("2025 Series 3 Bonds"), with \$509.0 million of the proceeds deposited into the bond security and redemption fund for the purchase and redemption of \$499.1 million of various general obligation bonds for which the redemption was paid from the bond security and redemption fund and the redeemed bonds are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by \$34.7 million and an economic gain of \$29.9 million.

Prior Year Refundings/General Obligation Bonds

Government Accounting Standards Board Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. At June 30, 2025, \$81.3 million of general obligation bond principal has been defeased.

Current Fiscal Year Refundings/Revenue Bonds

In March 2025, the State issued \$28.6 million of Environmental Improvement Fund Revenue Refunding Bonds ("2025 Series 1 Bonds"), the proceeds of \$30.2 were deposited into the redemption fund for the redemption of various Environmental Improvement Fund revenue bonds and the redeemed bonds considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by \$1.6 million and an economic gain of \$1.5 million.

In April 2025, the State issued \$144.0 million of Transportation Revenue Refunding Bonds ("2025 Series 1 Bonds"), the proceeds of \$157.3 million were deposited into the debt service account for the purchase and or redemption of \$155.3 million of various Transportation revenue bonds for which the redemption was paid from the debt service account and the redeemed bonds considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by \$8.1 million and an economic gain of \$6.4 million.

G. 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 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, 2025, the amount of extendible municipal commercial paper outstanding was \$127.0 million which had interest rates ranging from 2.95 percent to 3.10 percent and maturities from August 6, 2025, to September 16, 2025.

Short-term debt activity for the year ended June 30, 2025 for general obligation extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
\$ 153.4	\$ —	\$ 26.4	\$ 127.0

H. Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of June 30, 2025, the following liability for arbitrage rebate existed:

- Transportation Revenue Bonds – The 2023 Series A Bonds had a liability for arbitrage rebate in the amount of \$1.9 million with the payment of the liability due in August 2025.

I. Moral Obligation Debt

Through legislation enacted in 1999, the State authorized the creation of local districts. One district, the Wisconsin Center District, is currently authorized to issue bonds for specific purposes, 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 district's special debt service reserve fund. To date, the Wisconsin Center District has the authority for up to \$300.0 million in bonds for this purpose, plus refunding bonds.

The Wisconsin Center District has one outstanding series of bonds in the outstanding balance of \$300.0 million and two outstanding refunding series with an outstanding balance of \$91.8 million that are subject to the moral obligation pledge to appropriate moneys to make up deficiencies in the debt service reserve funds.

Through legislation enacted in 2017, subject to the Secretary of Administration's designation and determination of certain conditions being met, the State may provide a moral obligation pledge for up to 40 percent of a local governmental unit's aggregate municipal obligations issued to finance costs related to development occurring in, or for the benefit of, the electronics and information technology manufacturing zone. To date, one series of the Village of Mount Pleasant Tax Increment Revenue Bonds were issued (in 2018) with an outstanding balance of \$118.9 million that is subject to the moral obligation.

NOTE 12. LEASE COMMITMENTS, SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS 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. Lease payments are generally fixed monthly or annually.

Additionally, the State obtains the right to use vendors' information technology software through various long-term contracts. Payments are generally fixed monthly or annually with certain variable payments not included in the measurement of the lease liability required based on their nature.

The State also leases land, facility space, and equipment to various third parties as the lessor. The University of Wisconsin System recognized revenue related to these leases totaling \$2.8 million during Fiscal Year 2025.

The University also leases certain assets that are subsequently subleased by the University to a third party. The non-cancelable terms of these leasing arrangements mature between 2025 and 2036. The discount rates applicable to these leasing arrangements range from 1.81 percent to 3.46 percent.

The State does not currently report any sale-leaseback or lease-leaseback transactions under GASB 87 as of June 30, 2025.

The State does not currently report any contracts with residual value guarantees, termination penalties, commitments prior to the commencement of the lease, or impairment under GASB 87 or GASB 96 as of June 30, 2025.

A. GASB 87 Leases

GASB Statement No. 87, *Leases*, became effective for the reporting period ending June 30, 2022. With certain exceptions, under GASB 87 all leases are considered finance leases and are reported accordingly. The concept is that leases represent a means to finance the right to use an underlying asset. Lease commitments in the government-wide and proprietary fund statements are reported as liabilities at lease inception. The related assets along with the amortization are also reported at that time as right-to-use assets. Right-to-use assets at inception are recorded at the present value of total lease payments as shown in Note 7. These payments are discounted at the State's incremental borrowing rate. Lease payments are reported as a reduction of the liability.

For lessor transactions, the State records lease receivables and deferred inflows of resources based on the present value of expected receipts over the lease term. The expected receipts are recorded at the present value of total lease payments using the State's incremental borrowing rate.

Primary Government

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

The following is an analysis of future principal and interest payment requirements related to the State's lease liability as of June 30, 2025 (in thousands):

Fiscal Year	Governmental Activities	
	Principal	Interest
2026	\$ 31,033	\$ 7,234
2027	30,350	6,573
2028	30,702	5,903
2029	29,946	5,228
2030	27,164	4,587
2031-2035	106,839	14,959
2036-2040	55,142	4,412
2041-2045	7,666	867
2046-2050	1,596	66
Total	\$ 320,438	\$ 49,830

Fiscal Year	Business-type Activities	
	Principal	Interest
2026	\$ 23,686	\$ 7,693
2027	21,216	7,215
2028	20,684	6,754
2029	19,791	6,302
2030	19,267	5,855
2031-2035	91,280	22,691
2036-2040	71,199	12,081
2041-2045	52,810	3,640
2046-2050	4,948	25
Total	\$ 324,881	\$ 72,256

Fiduciary Funds

In addition to the lease liability reported by governmental and business-type activities, the fiduciary funds reported a lease liability of \$28.7 million.

B. GASB 96 Subscription-Based Information Technology Arrangements (SBITAs)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, became effective for the reporting period ending June 30, 2023. A SBITA is a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The standards for SBITAs are based on the standards established for leases in GASB 87. Like leases, SBITA commitments in the government-wide and proprietary fund statements are reported as liabilities at inception. The related assets along with the amortization are also reported at that time as right-to-use assets. Right-to-use assets at inception are recorded at the present value of total SBITA payments as shown in Note 7. These payments are discounted at the State's incremental borrowing rate. SBITA payments are reported as a reduction of the liability.

The following is an analysis of future principal and interest payment requirements related to the State's SBITA liability as of June 30, 2025 (in thousands):

Fiscal Year	Governmental Activities	
	Principal	Interest
2026	\$ 29,203	\$ 1,502
2027	19,958	819
2028	6,235	460
2029	2,750	329
2030	1,876	262
2031-2035	7,038	479
Total	\$ 67,061	\$ 3,851

Fiscal Year	Business-type Activities	
	Principal	Interest
2026	\$ 22,189	\$ 1,332
2027	14,934	751
2028	8,331	338
2029	3,005	96
2030	114	2
Total	\$ 48,573	\$ 2,519

Fiduciary Funds

In addition to the SBITA liability reported by governmental and business-type activities, the fiduciary funds reported SBITA liability of \$17.1 million.

**NOTE 13. POLLUTION REMEDIATION AND
ASSET RETIREMENT OBLIGATIONS****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.

The State did not record a pollution remediation obligation in Fiscal Year 2025.

Asset Retirement Obligations

GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83), establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. In accordance with the statement, the University of Wisconsin System has recognized asset retirement obligations of \$13.8 million as of June 30, 2025, related to decommissioning costs for a nuclear research reactor. This obligation was recognized based on the best estimate of the current value of outlays expected to be incurred. The corresponding deferred outflow of resources is amortized over the estimated remaining useful life of the associated tangible capital asset coinciding with a licensure period through the year 2031. The University of Wisconsin System has issued a statement to the U.S. Nuclear Regulatory Commission of intent to obtain funds necessary for decommissioning, when necessary. No restricted assets are set aside for payment of the asset retirement obligations.

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, 2024, is available at www.etf.wi.gov.

Plan Description

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

As of December 31, 2024, the number of participating employers was:

State Agencies	57
Cities	190
Counties	71
Villages	312
Towns	329
School Districts	421
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	220
Total Employers	1,628

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 annual earnings periods. Creditable service includes current service and prior service for which a participant receives earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the member's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested employees may retire at age 55 (50 for protective occupation employees) and receive an actuarially-reduced benefit. Employees terminating covered employment prior to eligibility for an annuity may either receive member-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit. The WRS also provides death and disability benefits for employees.

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

Accounting Policies and Plan Asset Matters

The financial statements of the WRS have been prepared in accordance with generally accepted accounting principles, using the flow of economic resources measurement focus and the 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. Employer contributions 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 the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the WRS. Securities transaction and the related gains and losses are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date, and interest income is accrued as earned.

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

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

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

Contributions Required

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. In 2016, executives & elected officials' contributions rates were changed to match General. 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, 2025 are:

	Employee	Employer
General (including teachers)	6.95 %	6.95 %
Executives & Elected Officials	6.95 %	6.95 %
Protective with Social Security	6.95 %	14.95 %
Protective without Social Security	6.95 %	18.95 %

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

State of Wisconsin Net Pension Asset/Liability, Pension Contributions, Pension Revenue/Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2025 the State reported a net pension liability of \$486.0 million for its proportionate share of the WRS' net pension liability. It is presented as a net pension liability on the Statement of Net Position for proprietary funds and on the government-wide Statement of Net Position.

The net pension liability was measured as of December 31, 2024, and the total pension liability was based on an actuarial valuation as of December 31, 2023. Update procedures were used to roll forward the total pension liability to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

The State's proportionate share of the net pension liability was determined based on the State's share of contributions to the WRS relative to the contributions of all participating employers. At December 31, 2024, the State's proportionate share was 29.6 percent, which is an increase of 0.6 percent from its proportionate share as of December 31, 2023.

For calendar year 2024, State employers made \$444.2 million in contributions recognized by the WRS.

For the year ended June 30, 2025, the State recognized pension expense of \$652.1 million. At June 30, 2025, the State reported deferred outflows and inflows of resources related to pensions of \$2.65 billion and \$1.43 billion, respectively. Deferred outflows and inflows related to pensions, including the types and the amounts applicable to each type, can be found in table below (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Pension Experience	\$ 1,509,323	\$ (1,418,290)
Changes of Pension Assumptions	144,208	—
Net Difference Between Projected and Actual Earnings on Pension Investments	738,516	—
Changes in Proportionate Share	6,736	(10,588)
Pension Contributions Subsequent to the Measurement Date	247,919	—
Total	<u>\$ 2,646,702</u>	<u>\$ (1,428,878)</u>

The \$247.9 million in deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability or an increase to the net pension asset in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

Fiscal Year Ended June 30	Amount
2026	\$ 290,483
2027	1,006,602
2028	(249,487)
2029	(77,693)
2030	—
	<u>\$ 969,906</u>

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

Actuarial Valuation

The pension measurements as of December 31, 2024 were based upon the following actuarial assumptions:

Actuarial Valuation Date	December 31, 2023
Measurement Date of Net Pension Liability (Asset)	December 31, 2024
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Long-Term Expected Rate of Return	6.8%
Discount Rate	6.8%
Salary Increases	
Inflation	3.0%
Seniority/Merit	0.1% - 5.7%
Mortality	2020 WRS Experience Mortality Table
Post-retirement Adjustments*	1.7%

* No post-retirement adjustments are guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. The assumed annual adjustment is 1.7%, based on the investment return assumption and the post-retirement discount rate. This includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.

Actuarial assumptions are based upon an experience study conducted in 2024 using experience from 2021-2023. The total pension liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the December 31, 2023 actuarial valuation.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on WRS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return, net of WRS investment expense and inflation, are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return is reviewed every three years in conjunction with the WRS experience study. For each major asset class that is included in the Core Retirement Investment Trust fund's target asset allocation as of December 31, 2024, these best estimates of geometric long-term real rates of return were used:

Asset Class	Target Allocation	Rate of Return
Public Equities	38.0 %	4.3 %
Public Fixed Income	27.0 %	3.4 %
Inflation Sensitive	19.0 %	2.1 %
Real Estate	8.0 %	3.8 %
Private Equity/Debt	20.0 %	6.7 %
Leverage	(12.0)%	1.1 %

For each major asset class that is included in the Variable Retirement Investment Trust fund's target asset allocation as of December 31, 2024, these best estimates of geometric long-term real rates of return were used:

Asset Class	Target Allocation	Rate of Return
Domestic Equity	70.0%	3.8%
International Equity	30.0%	4.7%

The money-weighted rates of return on pension plan investment for the Core and Variable funds for the calendar year ended 2024 were 8.70 percent and 18.83 percent, respectively. The money-weighted rate of return expresses investment performance, net of pension plan expenses, adjusted for the changing amount actually invested.

Discount Rate

A single discount rate of 6.8 percent was used to measure the total pension liability. The discount rate is based on the expected rate of return on pension plan investments. Because of the unique structure of the WRS, the 6.8 percent expected rate of return implies that a dividend of approximately 1.7 percent will always be paid after reflecting known changes in the Market Recognition Account. For purposes of the single discount rate, it was assumed that the dividend would always be paid.

The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the State's proportionate share of the net pension liability (asset), calculated using a single discount rate of 6.8 percent, as well as what the State's net pension liability (asset) would be if it were calculated using a single discount rate that is 1 percent lower or 1 percent higher:

	State's share of the net pension liability (asset)	
1% Decrease (5.8%)	\$	4,559,396,453
Current Rate (6.8%)	\$	486,008,694
1% Increase (7.8%)	\$	(2,408,016,396)

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 the 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. The SWIB is not registered with the Securities and Exchange Commission as an investment company.

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

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

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

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

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

NOTE 16. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PROGRAMS

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures in financial reports of state and local governmental employers. GASB statement 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, establishes reporting standards for other postemployment benefits included in the general purpose external financial reports of state and local governmental OPEB plans.

Under Chapter 40 of Wisconsin Statutes, the Department of Employee Trust Funds (ETF) and Group Insurance Board (GIB) have statutory authority for program administration and oversight of post-employment benefits. ETF administers postemployment benefit plans other than pension plans for the Retiree Health Insurance and Retiree Life Insurance plans, along with the Supplemental Health Insurance Conversion Credit Program (for retired state employees). ETF also administers the Local Retiree Health Insurance and the Local Retiree Life Insurance plans (for retired local government employees). The plans are reported as fiduciary funds in the State's ACFR.

ETF's separately issued financial statements contain further information. ETF's report may be obtained at www.etf.wi.gov and on request from:

The Department of Employee Trust Funds
PO Box 7931
Madison, Wisconsin 53707-7931

Basis of Accounting

The OPEB plans are reported in accordance with GASB standards and accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. The OPEB liability, deferred outflows of resources and deferred inflows of resources, OPEB expense/(revenue), and fiduciary net position, if any, have been determined on the same basis. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

Retiree Health Insurance Funds

The Retiree Health Insurance plans offer group health insurance to retired State of Wisconsin and local government employees. Retirees pay the full premium amount. The State Retiree Health Insurance Fund includes the State, the University of Wisconsin, and other component units of the State. The Local Retiree Health Insurance Fund includes 439 local government employers. The plans are not administered through a trust. The Retiree Health Insurance Funds contain certain non-OPEB components relating to post-Medicare pharmacy and health insurance benefits. ETF and the GIB have statutory authority for program administration and oversight under Wis. Stat. § 15.165 (2) and Wis. Stat. § 40.03 (6).

State of Wisconsin and local government employees participating in the State Health Insurance Plan or the Wisconsin Public Employers Insurance Plan (local government plans) are eligible to continue their health insurance coverage after leaving covered employment. Membership as of December 31, 2024, included 29,226 former state employees or their beneficiaries and 1,870 former local government employees and beneficiaries.

Retirees may choose between several health plans with specific provider networks (i.e., Health Maintenance Organizations (HMO), Preferred Provider Organizations (PPO) or Medicare Advantage). The health plans must follow GIB guidelines for eligibility and program requirements. All health plans offer a prescribed benefit package called Uniform Benefits and participate in a yearly competitive premium rate bid process.

The pharmacy benefit is self-insured by the GIB and administered by Navitus Health Solutions. The dental benefit is self-insured by the GIB and administered by Delta Dental.

Effective January 1, 2012, prescription drug coverage for Medicare eligible retirees enrolled in the State group health insurance program is provided by 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."

Retiree Life Insurance Funds

The State Retiree Life Insurance Fund includes the State, the University of Wisconsin, and other component units of the State, and is considered a single-employer defined benefit OPEB plan. The Local Government Retiree Life Insurance Fund included 747 local government employers as of December 31, 2024, and is considered a cost-sharing multiple-employer defined benefit OPEB plan. The plans are administered through a trust.

The plans provide post-employment life insurance coverage to all eligible employees of participating employers. The plans are established by Wis. Stat. § 40.70. ETF contracts with Securian Financial Group, Inc (Securian) as a third-party administrator for the Retiree Life Insurance plans. Benefit terms may be modified by the GIB, subject to state and federal legislative constraints.

Generally, members may enroll during a 30-day enrollment period after their date of hire. Members may also 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.

Contributions

The GIB approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

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.

Coverage Type	State	Local
50% post retirement coverage	28% of employee contribution	40% of employee contribution
25% post retirement coverage	N/A	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2024 are as listed below:

Attained Age	State		Local	
	Basic	Supplemental	Basic	Supplemental
Under 30	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
30-34	0.05	0.05	0.06	0.06
35-39	0.05	0.05	0.07	0.07
40-44	0.08	0.08	0.08	0.08
45-49	0.13	0.13	0.12	0.12
50-54	0.21	0.21	0.22	0.22
55-59	0.29	0.29	0.39	0.39
60-64	0.40	0.40	0.49	0.49
65-69	0.52	0.52	0.57	0.57

*Disabled members under age 70 receive a waiver-of-premium benefit.

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

- WRS coverage prior to January 1, 1990; 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 contributions until age 65 (age 70 if active).

Benefits and Membership

After retirement, basic coverage is continued for life in these amounts of the insurance in force before retirement:

Age	State	Local
Before age 65	100%	100%
While age 65	75%	75%
While age 66	50%	50%
After age 66	50%	50% / 25% Employer Election

After retirement, supplemental and 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 is terminated.

Membership for basic coverage as of December 31, 2024, included:

	State	Local	Total
Active*	53,559	74,396	127,955
Inactive:			
Pre-Age 65 Annuitants	5,635	9,556	15,191
Post-Age 64 Annuitants	31,257	42,868	74,125
Totals	90,451	126,820	217,271

* Active members include disabled

Supplemental Health Insurance Conversion Credit (SHICC) Program

The SHICC program includes the State, the University of Wisconsin, and other component units of the State and is considered a single-employer defined benefit OPEB plan. The Department of Employee Trust Funds (ETF) and the ETF Board have the authority for program administration and oversight. The SHICC program is reported as an Other Post-Employment Benefit Trust Fund. The SHICC program was established by Wis. Stat. § 40.95 and is defined in the state compensation plan (Wis. Stat. § 230.12(9)).

The SHICC program allows members with more than 15 years of adjusted continuous state service to convert unused sick leave balances into credits to pay for post-retirement health insurance premiums. The SHICC benefit provides a limited match of the members credits earned through the Accumulated Sick Leave Conversion Credit (ASLCC) program. ASLCC program credits are computed at the time of retirement, layoff, or death by multiplying the number of hours of unused sick leave by the highest hourly pay rate at which the employee accrued sick leave that is eligible for conversion. Employment category and number of years of service are also factored into the calculation. The SHICC program also includes a provision for the restoration of 500 hours of credits upon retirement, layoff or death provided at least 500 hours or accrued sick leave were used for a single injury or illness during the three years immediately preceding the retirement, layoff or death while in state service.

All ASLCC program credits must be used before the SHICC program credits. Unused ASLCC and SHICC credits have no cash value, are carried forward from year to year without interest, and when total health insurance premiums paid on behalf of the retired employee equal or exceed the conversion credits, no further payments are made under the ASLCC and SHICC programs. ASLCC and SHICC credits may be escrowed indefinitely after retirement for participants who provide evidence of comparable health insurance coverage from another source.

Eligibility and Membership

Generally to be eligible to use SHICC credits to pay post-retirement health insurance premiums, members with 15 or more years of adjusted continuous service (or their insured surviving spouse and/or dependents) must be covered under the State of Wisconsin Group Health Insurance Program. If a member with 20 years of service leaves eligible service prior to retirement, the benefit is vested.

Membership as of December 31, 2024, included:

Employment Status	Count
Retirees and Beneficiaries	22,302
Inactive, Non-retired Members	446
Active Members	79,162
Total	101,910

At retirement, the member must have State of Wisconsin Group Health Insurance Program coverage and satisfy the following:

- Retire on an immediate annuity; or
- Retire and receive a lump-sum benefit; or
- Qualify for a Wisconsin Retirement System (WRS) disability retirement benefit, long-term disability benefit or a protective occupation duty disability benefit under Wis. Stat. § 40.65; or
- Have 20 years of WRS creditable service and are eligible for an immediate retirement benefit, but have chosen not to apply for retirement or disability benefit immediately

Eligible members may elect to escrow their SHICC credits (to be used at a later date) if they have comparable health insurance coverage through another source. If SHICC eligible members are not immediately eligible for an annuity, they must satisfy the following to defer vested (preserved) SHICC credits to pay health premiums when becoming a WRS annuitant:

- Terminate with 20 years of WRS creditable service (providing they do not elect a WRS separation benefit); or
- State constitutional officer, a member or an officer of the legislature of the head of a state department or agency who was appointed by the governor with senate confirmation and are not eligible for an immediate annuity when terminating from state employment (providing they do not elect a WRS separation benefit).

If not eligible for an immediate annuity and the member is permanently laid off from State employment, the member must have 15 or more years of adjusted continuous service to use SHICC credits to pay health premiums for up to five years after the layoff begins.

Contributions and Benefits

The ETF Board approves contribution rates annually, based on recommendations from the actuary. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions, in accordance with Wis. Stat. § 40.05 (4) (by). Employer contributions made during a member's working lifetime funds a post-retirement benefit. Employers made contributions totaling \$13.0 million based upon a percentage of active member earnings for the year ending December 31, 2024.

The SHICC program provides matching sick leave hours that are in addition to, but generally not to exceed, the unused sick leave balances that are used to calculate benefits provided under the ASLCC program, to participants retiring (or terminating employment) with 15 or more years of eligible service, as follows:

Employment Category	Benefit Eligible Hours*
Protective	Match up to 78 hours (9.75 days) per full year of service through 24 years, plus 104 hours (13 days) per full year of service over 24 years.
Others	Match up to 52 hours (6.5 days) per full year of service through 24 years, plus up to 104 hours (13 days) per full year of service over 24 years.

*The SHICC program also includes a restoration benefit of up to 500 hours when certain criteria are met.

The SHICC program also provides benefits after a member's death. The member's surviving spouse and/or dependents may be eligible to use SHICC credits to pay State of Wisconsin Group Health Insurance premiums under the following conditions:

- Member was covered by the State of Wisconsin Group Health Insurance Program under a family policy on the member's date of death or the member is receiving a retirement disability benefit; or
- Member has preserved SHICC credits and the member dies before becoming a WRS annuitant; or
- Member has escrowed SHICC credits and the member dies.

All Plans Total OPEB Expense/(Revenue)

For the year ended June 30, 2025, OPEB expense/(Revenue) for all plans combined was \$88.7 million by participating employers:

Primary Government

State of Wisconsin	\$ 36,256,900
University of WI System	37,927,810

Component Units

UW Hospital and Clinics Auth.	14,162,103
WI Housing & Economic Development Auth.	237,352
WI Economic Development Corp.	75,843
Total	<u>\$ 88,660,008</u>

A detailed schedule of OPEB expense (revenue) by plan can be found in note 17.

NOTE 17. OTHER POSTEMPLOYMENT BENEFIT PLANS**A. State Retiree Health Insurance OPEB**

The State Retiree Health Insurance program provides postemployment health insurance coverage to all eligible retired employees of the State, the University of Wisconsin, University of Wisconsin Hospital and Clinics Authority, Wisconsin Housing and Economic Development Authority and Wisconsin Economic Development Corporation. The employers do not directly pay any portion of the premium for participating retirees. However, because retirees pay the same premium rate set for active employees, an implicit rate subsidy exists for employers. This implicit rate subsidy is reported as an OPEB liability. At age 65, when eligible, retirees are required to enroll in Medicare. No assets have accumulated because there is no trust.

Retiree Health Insurance Plan Description

GASB standards classify the State Retiree Health Insurance program as a single employer defined benefit OPEB plan with multiple participating employers. Medical, prescription drug and dental benefits are provided to eligible retirees.

Retirees pay the full premium until age 65 directly to the plan either through "out-of-pocket" or from unused accumulated sick leave conversion credits or supplemental health insurance 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 GIB. Premiums for non-Medicare retirees are based on an effective rate structure for the health care service provider selected. Monthly rates range from \$760 to \$1,298 for single coverage and \$1,857 to \$3,202 for family coverage.

As of January 1, 2023 (most recent actuarial valuation date), membership consisted of:

Member Type	Number
Retired members or beneficiaries receiving OPEB benefits	7,802
Vested terminated members not yet receiving OPEB benefits	1,271
Active members	61,593
Total Members	70,666

Inclusion of OPEB Information for Component Units

GASB standards require the presentation of OPEB related amounts and information in the State's financial statements for both the State of Wisconsin (the primary government) and the component units. The component units are responsible for their share of the OPEB liabilities. Reported amounts related to the OPEB liability, OPEB expense/(revenue) and related deferred inflows and outflows for the OPEB plans may vary by an immaterial amount from the final amounts due to the timing of available information.

Total Retiree Health OPEB Liability

The actuarial valuation was based on the plan of retiree benefits and was made for purposes of fulfilling GASB accounting standards which require recognition of the employer cost of postemployment benefits over an employee's career. The total cost of providing postemployment benefits is projected, considering relevant assumptions, then discounted to determine the total OPEB liability.

To determine the total OPEB liability for the program, the actuary performed an actuarial valuation as of January 1, 2024 and adjusted for changes such as interest earned, contributions paid, and benefits paid through June 30, 2024. Based on this, the actuary determined the OPEB liability totaled \$838.5 million.

The total OPEB liability was allocated to participating employers based on their proportionate share of health insurance premiums contributed for active employees. Amounts by participating employers as of a June 30, 2025 reporting date, are indicated in the table below (in millions):

Participating Employer	OPEB Liability
Primary Government	
State of Wisconsin	\$ 360.2
University of Wisconsin System	374.6
Component Units	
UW Hospital and Clinics Auth.	100.3
WI Housing & Economic Development Auth.	2.2
WI Economic Development Corp.	1.2
Total OPEB Liability	<u>\$ 838.5</u>

Changes in the Total OPEB Liability

Changes to the total OPEB plan liability during the fiscal year include the following (in millions):

Total OPEB Liability June 30, 2023	\$ 802.4
Changes for the Year:	
Service cost	58.9
Interest	30.4
Changes of assumptions	3.4
Benefit payments*	(56.6)
Net Change in Total OPEB Liability	36.1
Total OPEB Liability June 30, 2024	<u>\$ 838.5</u>

* Employer benefit payments of \$56.6 million were actuarially determined and pertain to the implicit rate subsidy.

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.

The total OPEB liability in the January 1, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Actuarial Valuation Date	January 1, 2023
Measurement Date of Total OPEB Liability	June 30, 2024
Actuarial cost method	Entry Age Normal
Asset Valuation Method	N/A
Inflation	2.40%
Salary increases	Separate merit and longevity increase rates by employer and service, plus 3%
Discount Rate	Discount rate was changed to 3.93% for the June 30, 2024 measurement from 3.65% for the June 30, 2023 measurement
Healthcare Cost Trend Rates	
Medical	5.32%, 5.8%, then 6.5% grading down 0.25% per year to 4.5%
Prescription drug	6.44%, 11.58%, then 8.25% grading down 0.50% per year to 4.5%
Dental	3.0%, 2.05%, then 3.0% and every year after
Administrative Costs	11.78%, 12.25%, then 4.0% and every year after
Mortality Rates	Separate rates for actives, healthy retirees and disabled retirees, based on the 2021-2023 WRS experience study performed by GRS. Mortality improvement is projected with scale MP 2021 from 2020.
Benefit Changes	None
Participation Rates	Active: 70% are assumed to elect coverage at retirement, and 3.33% of the 30% that defer are assumed to be covered over the next 5 years (1.0% per year), so 75% assumed to be covered after 5 years Deferred: 54% of participants deferring benefits are assumed to be covered over the next 8 years (i.e., 10% for the first year, 9% for the second year, 8% for the third year, 7% for the fourth year, then 5% for the following 4 years).

Assumed Claims	Per capita claims costs were based on premium equivalent rates for plan year 2023 and actuarial factors applied to weighted average premium rates to estimate costs
Termination Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2021-2023 experience study for the pension valuation
Disability Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2021-2023 experience study for the pension valuation
Normal Retirement Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2021-2023 experience study for the pension valuation
Lapse Rate	5% per year after the later of assumed commencement or the valuation date
Retiree Contribution Increase Rate	Retiree Contributions are expected to increase by 10.90% in the first year and 7.30% in the second year to reflect known premium rates for 2024 and 2025, and with average benefit trend thereafter.
Benefit End Date	Benefits end when participants turn 65 years old

Actuarial assumptions are based on the Wisconsin Retirement System experience study conducted in 2024 using experience from 2021 to 2023. There was no actuarial experience gain or loss that impacted the liability because actual contributions matched the expected benefit payments for 2024. Valuation assumption changes increased the liability by \$3.4 million as the net result of (1) an increase in obligations due to adopting demographic assumptions based on the WRS Experience Study for the period 2021-2023 and updating the participation rate to reflect recent experience, which was partially offset by (2) a decrease in obligation due to updating the healthcare and contribution trend rates to reflect recent experience and raising the discount rate.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents each employer's proportionate share of the total liability and what it would be if it were calculated using a discount rate that is 1-percentage-point lower or higher than the current discount rate (in millions):

	1% Decrease in Discount Rate (2.93)%	Current Discount Rate (3.93)%	1% Increase in Discount Rate (4.93)%
Primary Government	\$ 790.8	\$ 734.8	\$ 682.5
Component Units	111.6	103.7	96.3
Total OPEB Liability	\$ 902.4	\$ 838.5	\$ 778.8

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents each employer's proportionate share of the total liability and what it would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or higher than the current healthcare trend rate (in millions):

	1% Increase in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Primary Government	\$ 649.2	\$ 734.8	\$ 836.4
Component Units	91.6	103.7	118.0
Total OPEB Liability	\$ 740.8	\$ 838.5	\$ 954.4

OPEB Expense/(Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, OPEB expense/(revenue) of \$15.6 million was recognized by participating employers:

Primary Government	
State of Wisconsin	\$ 4,856,884
University of WI System	7,266,756
Component Units	
UW Hospital and Clinics Auth.	3,315,243
WI Housing & Economic Development Auth.	37,775
WI Economic Development Corp	78,367
Total	\$ 15,555,025

At June 30, 2025, deferred outflows of resources and deferred inflows of resources for both the state and component units were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 95,990,613	\$ (22,990,740)
Changes of Assumptions	63,904,280	(150,845,233)
Changes in Proportion	20,134,695	(20,134,695)
Amounts Paid Subsequent to the Measurement Date	54,621,317	
Total	\$ 234,650,905	\$ (193,970,668)

Deferred outflows of resources and deferred inflows of resources for the state (primary government) as of a June 30, 2025 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 84,119,397	\$ (20,147,462)
Changes of Assumptions	56,001,201	(132,190,115)
Changes in Proportion	9,232,816	(19,457,324)
Amounts Paid Subsequent to the Measurement Date	47,866,267	
Total	\$ 197,219,681	\$ (171,794,901)

Deferred outflows of resources and deferred inflows of resources for component units as of a June 30, 2025 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 11,871,216	\$ (2,843,278)
Changes of Assumptions	7,903,079	(18,655,118)
Changes in Proportion	10,901,879	(677,371)
Amounts Paid Subsequent to the Measurement Date	6,755,050	
Total	\$ 37,431,224	\$ (22,175,767)

The \$54,621,317 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2026 for the state and component units. Other amounts reported as deferred outflows of resources and deferred inflows of resources for the state and component units will be recognized in future OPEB expense/(revenue) as follows:

FY 2026	\$ (19,108,237)
FY 2027	(19,108,237)
FY 2028	(19,108,237)
FY 2029	13,588,632
FY 2030	13,588,632
Thereafter	16,206,367

The \$47,866,267 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2026 for the state (primary government). Other amounts reported as deferred outflows of resources and deferred inflows of resources for the state will be recognized in future OPEB expense/(revenue) as follows:

FY 2026	\$ (18,488,571)
FY 2027	(18,488,571)
FY 2028	(18,488,571)
FY 2029	10,972,466
FY 2030	10,972,466
Thereafter	11,079,292

The \$6,755,050 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2026 for component units. Other amounts reported as deferred outflows of resources and deferred inflows of resources for component units will be recognized in future OPEB expense/(revenue) as follows:

FY 2026	\$ (619,666)
FY 2027	(619,666)
FY 2028	(619,666)
FY 2029	2,616,166
FY 2030	2,616,166
Thereafter	5,127,075

The Schedule of Changes in the Total OPEB Liability and Related Ratios is presented as required supplementary information following the notes to the financial statements.

B. State Retiree Life Insurance OPEB

The State Retiree Life Insurance program provides postemployment life insurance coverage to all eligible retired employees of the State, the University of Wisconsin, University of Wisconsin Hospital and Clinics Authority, Wisconsin Housing and Economic Development Authority and Wisconsin Economic Development Corporation. Each employer's proportionate share of the net OPEB liability and collective OPEB expense, deferred inflows and outflows is based on the employer's contributions for the most recent calendar year compared to the total contributions of all employers.

Inclusion of OPEB Information for Component Units

GASB standards require the presentation of OPEB related amounts and information in the State's financial statements for both the State of Wisconsin (the primary government) and the component units. The component units are responsible for their share of the OPEB liabilities. Reported amounts related to the OPEB liability, OPEB expense and related deferred inflows and outflows for the OPEB plans may vary by an immaterial amount from the final amounts due to the timing of available information.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the State, including the University of Wisconsin System, reported a liability of \$619.4 million for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024 rolled forward to December 31, 2024. The State's proportion of the net OPEB liability was based on the State's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2024, the State's proportion was 87.3 percent which was a decrease of 0.6 percent from its proportion of 87.9 percent measured as of December 31, 2023.

Net OPEB liability amounts, by participating employers as of a June 30, 2025 reporting date, are indicated in the table below (in millions):

Participating Employer	Net OPEB Liability
Primary Government	
State of Wisconsin	\$ 325.2
University of Wisconsin System	294.2
Component Units	
UW Hospital and Clinics Auth.	86.9
WI Housing & Economic Development Auth.	2.2
Wisconsin Economic Development Corp.	0.7
Total Net OPEB Liability	\$ 709.2

For the year ended June 30, 2025, OPEB expense of \$40.2 million was recognized by participating employers:

Primary Government

State of Wisconsin	\$ 17,272,091
University of WI System	16,370,679

Component Units

UW Hospital and Clinics Auth.	6,462,549
WI Housing & Economic Development Auth.	118,047
WI Economic Development Corp.	(2,524)
Total	\$ 40,220,842

For the year ended June 30, 2025, contributions of \$2.2 million were recognized by the plan from participating employers:

Primary Government

State of Wisconsin	\$ 1,013,100
University of WI System	916,725

Component Units

UW Hospital and Clinics Auth.	270,648
WI Housing & Economic Development Auth.	6,708
WI Economic Development Corp.	2,223
Total	\$ 2,209,404

Changes in the Net OPEB Liability

Changes to the net OPEB plan liability during the fiscal year include the following (in millions):

Total OPEB Liability December 31, 2023	\$ 1,084.8
Changes for the Year:	
Service cost	35.2
Interest	36.5
Difference between expected & actual experience	(0.3)
Changes of assumptions	(149.0)
Benefit payments	(25.4)
Net Change in Total OPEB Liability	(103.0)
Total OPEB Liability December 31, 2024	\$ 981.8
Plan Fiduciary Net Position December 31, 2023	\$ 287.8
Changes for the Year:	
Contributions from employers	2.2
Net investment income	9.2
Administrative expense	(1.1)
Benefit payments	(25.4)
Net change in Plan Fiduciary Net Position	(15.1)
Plan Fiduciary Net Position December 31, 2024	\$ 272.7
Collective Net OPEB Liability December 31, 2023	\$ 797.0
Net change in Collective Net OPEB Liability	(87.9)
Collective Net OPEB Liability December 31, 2024	\$ 709.2

At June 30, 2025, deferred outflows of resources and deferred inflows of resources for the state and component units were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 1,267,746	\$ (10,148,187)
Changes of Assumptions	125,746,723	(314,163,519)
Changes in Proportion	23,600,893	(23,600,886)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	6,487,192	—
Total	<u>\$ 157,102,554</u>	<u>\$ (347,912,592)</u>

Deferred outflows of resources and deferred inflows of resources for the state (primary government) as of a June 30, 2025 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 1,107,324	\$ (8,864,030)
Changes of Assumptions	109,834,675	(274,409,121)
Changes in Proportion	13,918,830	(21,269,408)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	5,666,300	—
Total	<u>\$ 130,527,129</u>	<u>\$ (304,542,559)</u>

Deferred outflows of resources and deferred inflows of resources for component units as of a June 30, 2025 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 160,422	\$ (1,284,157)
Changes of Assumptions	15,912,048	(39,754,398)
Changes in Proportion	9,682,063	(2,331,478)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	820,892	—
Total	<u>\$ 26,575,425</u>	<u>\$ (43,370,033)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources for the state and component units will be recognized in future OPEB expense/(revenue) as follows:

FY 2026	\$ (16,805,403)
FY 2027	(46,430,272)
FY 2028	(62,619,611)
FY 2029	(36,872,534)
FY 2030	(17,877,329)
Thereafter	(10,204,889)

Amounts reported as deferred outflows of resources and deferred inflows of resources for the state (primary government) will be recognized in future OPEB expense/(revenue) as follows:

FY 2026	\$ (16,058,873)
FY 2027	(41,897,739)
FY 2028	(56,145,674)
FY 2029	(33,977,686)
FY 2030	(16,723,236)
Thereafter	(9,212,224)

Amounts reported as deferred outflows of resources and deferred inflows of resources for component units will be recognized in future OPEB expense/(revenue) as follows:

FY 2026	\$ (746,530)
FY 2027	(4,532,533)
FY 2028	(6,473,937)
FY 2029	(2,894,848)
FY 2030	(1,154,093)
Thereafter	(992,665)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents participating employer's proportionate share of the net OPEB liability and what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower and 1-percentage-point higher than the current discount rate (in millions):

	1% Decrease in Discount Rate (3.09%)	Current Discount Rate (4.09%)	1% Increase in Discount Rate (5.09%)
Primary Government	\$ 792.4	\$ 619.4	\$ 484.9
Component Units	114.8	89.7	70.2
Net OPEB Liability	<u>\$ 907.2</u>	<u>\$ 709.2</u>	<u>\$ 555.1</u>

Single Discount Rate

A single discount rate of 4.09 percent was used to measure the Total OPEB liability for the current year, as opposed to a discount rate of 3.30 percent for the prior year. The change in the discount rate was primarily caused by the increase in the municipal bond rate from 3.26 percent as of December 31, 2023 to 4.08 percent as of December 31, 2024. The plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments to the extent that the plan's fiduciary net position is projected to be insufficient. The source of the municipal bond rate used is the Bond Buyers GO Index. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2033. Therefore, the long-term expected rate of return on plan investments was applied through 2033 and the municipal bond index rate was applied for all remaining periods of projected benefit payments to determine the Total OPEB Liability.

Long-term expected Return on Plan Assets

The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the retiree life insurance plans are held with the insurance carrier, Securian. Interest is calculated and credited to the plans based on the rate of return for a segment of the insurance carriers' general fund, specifically, 10 year A-Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Asset allocation targets and expected returns as of December 31, 2024 were:

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Intermediate Credit Bonds	Bloomberg US Interm Credit	40 %	2.41 %
US Mortgages	Bloomberg US MBS	60 %	2.71 %
Inflation			2.30 %
Long-Term Expected Rate of Return			4.25 %

Actuarial assumptions

Actuarial assumptions are based on the Wisconsin Retirement System experience study conducted in 2024 using experience from 2021 to 2023. The projections of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer

contribution schedule and that contributions are made by plan members retiring prior to age 65. The total OPEB liability in the January 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2024
Measurement Date of Net OPEB Liability:	December 31, 2024
Experience Study:	January 1, 2021 - December 31, 2023, Published November 19, 2024
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	4.08%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	4.09%
Salary Increases:	
Wage Inflation	3.00%
Senior/Merit	0.1% - 5.7%
Mortality:	2020 WRS Experience Mortality Table

C. Supplemental Health Insurance Conversion Credit OPEB

The Supplemental Health Insurance Conversion Credit plan provides all eligible employees of the State, the University of Wisconsin, University of Wisconsin Hospital and Clinics Authority and Wisconsin Housing and Economic Development Authority with credits that can be used to pay for post-retirement health insurance. Each employer's proportionate share of the net OPEB liability/(asset) and collective OPEB expense/(revenue), deferred inflows and outflows is based on the employer's contributions for the most recent calendar year compared to the total contributions of all employers.

Inclusion of OPEB Information for Component Units

GASB standards require the presentation of OPEB related amounts and information in the State's financial statements for both the State of Wisconsin (the primary government) and the component units. The component units are responsible for their share of the OPEB liabilities. Reported amounts related to the OPEB liability, OPEB expense and related deferred inflows and outflows for the OPEB plans may vary by an immaterial amount from the final amounts due to the timing of available information.

OPEB Assets, OPEB Expense/(Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the State, including the University of Wisconsin System, reported an asset of \$12.8 million for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2024. The State's proportion of the net OPEB liability was based on the State's share of contributions to the OPEB plan relative to the contributions of all

participating employers. At December 31, 2024, the State's proportion was 85.6 percent which was a decrease of 0.7 percent from its proportion of 86.3 percent measured as of December 31, 2023.

Net OPEB liability/(asset) amounts, by participating employers as of a June 30, 2025 reporting date, are indicated in the table below (in millions):

Participating Employer	Net OPEB Liability/(Asset)
Primary Government	
State of Wisconsin	\$ 6.5
University of Wisconsin System	6.3
Component Units	
UW Hospital and Clinics Auth.	2.1
WI Housing & Economic Development Auth.	—
Total Net OPEB Liability/(Asset)	<u>\$ 15.0</u>

For the year ended June 30, 2025, OPEB expense/(revenue) of \$32.9 million was recognized by participating employers:

Primary Government	
State of Wisconsin	\$ 14,127,925
University of WI System	14,290,375
Component Units	
UW Hospital and Clinics Auth.	4,384,311
WI Housing & Economic Development Auth.	81,530
Total	<u>\$ 32,884,141</u>

For the year ended June 30, 2025, contributions of \$13.0 million were recognized by the plan from participating employers:

Primary Government	
State of Wisconsin	\$ 5,627,108
University of WI System	5,503,289
Component Units	
UW Hospital and Clinics Auth.	1,843,839
WI Housing & Economic Development Auth.	33,112
Total	<u>\$ 13,007,348</u>

Changes in the Net OPEB Liability/(Asset)

Changes to the net OPEB plan liability/(asset) during the fiscal year include the following (in millions):

Total OPEB Liability December 31, 2023	\$ 1,172.1
Changes for the Year:	
Service cost	31.0
Interest	78.6
Difference between expected & actual experience	31.1
Changes of assumptions	52.3
Benefit payments	(63.1)
Net Change in Total OPEB Liability	<u>129.9</u>
Total OPEB Liability December 31, 2024	\$ 1,302.0
Plan Fiduciary Net Position December 31, 2023	\$ 1,234.9
Changes for the Year:	
Contributions from employers	13.0
Net investment income	102.8
Administrative expense	(0.5)
Benefit payments	(63.1)
Net change in Plan Fiduciary Net Position	<u>52.2</u>
Plan Fiduciary Net Position December 31, 2024	\$ 1,287.1
Collective Net OPEB Liability/(Asset) December 31, 2023	\$ (62.8)
Net change in Collective Net OPEB Liability/(Asset)	<u>77.8</u>
Collective Net OPEB Liability/(Asset) December 31, 2024	\$ 15.0

At June 30, 2025, deferred outflows of resources and deferred inflows of resources for the state and component units were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 91,479,889	\$ (96,816,308)
Changes of Assumptions	119,201,679	—
Changes in Proportion	4,097,227	(4,097,226)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	36,152,910	—
OPEB Contributions Subsequent to the Measurement Date	14,239,334	—
Total	<u>\$ 265,171,039</u>	<u>\$ (100,913,534)</u>

Deferred outflows of resources and deferred inflows of resources for the state (primary government) as of a June 30, 2025 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 78,279,406	\$ (82,845,784)
Changes of Assumptions	102,000,962	—
Changes in Proportion	4,027,396	(2,104,919)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	30,936,071	—
OPEB Contributions Subsequent to the Measurement Date	7,688,334	—
Total	<u>\$ 222,932,170</u>	<u>\$ (84,950,703)</u>

Deferred outflows of resources and deferred inflows of resources for component units as of a June 30, 2025 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 91,479,889	\$ (96,816,308)
Changes of Assumptions	119,201,679	—
Changes in Proportion	4,097,227	(4,097,226)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	36,152,910	—
OPEB Contributions Subsequent to the Measurement Date	6,551,000	—
Total	<u>\$ 257,482,705</u>	<u>\$ (100,913,534)</u>

The \$14,239,333.79 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2026 for the state and component units. Other amounts reported as deferred outflows of resources and deferred inflows of resources for the state and component units will be recognized in future OPEB expense/(revenue) as follows:

FY 2026	\$ 21,995,817
FY 2027	48,293,670
FY 2028	(401,783)
FY 2029	16,183,432
FY 2030	23,551,923
Thereafter	40,395,109

The \$7,688,334 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2026 for the state (primary government). Other amounts reported as deferred outflows of resources and deferred inflows of resources for the state will be recognized in future OPEB expense/(revenue) as follows:

FY 2026	\$ 19,101,154
FY 2027	41,613,661
FY 2028	(53,464)
FY 2029	14,145,036
FY 2030	20,457,433
Thereafter	35,029,313

The \$6,551,000 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2026 for component units. Other amounts reported as deferred outflows of resources and deferred inflows of resources for component units will be recognized in future OPEB expense/(revenue) as follows:

FY 2026	\$ 2,894,663
FY 2027	6,680,009
FY 2028	(348,319)
FY 2029	2,038,396
FY 2030	3,094,490
Thereafter	5,365,796

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

The following presents participating employer's proportionate share of the net OPEB liability/(asset) and what the liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower and 1-percentage-point higher than the current discount rate (in millions):

	1% Decrease in Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase in Discount Rate (7.80%)
Primary Government	\$ 127.7	\$ 12.8	\$ (86.8)
Component Units	21.5	2.2	(14.6)
Net OPEB Liability/ (Asset)	<u>\$ 149.3</u>	<u>\$ 15.0</u>	<u>\$ (101.5)</u>

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Healthcare Cost Trend Rates

The following presents each employer's proportionate share of the net OPEB liability/(asset) and what it would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or higher than the current healthcare trend rate (in millions):

	1% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Primary Government	\$ (50.4)	\$ 12.8	\$ 71.3
Component Units	(8.5)	2.2	12.0
Net OPEB Liability/ (Asset)	<u>\$ (58.9)</u>	<u>\$ 15.0</u>	<u>\$ 83.3</u>

Single Discount Rate

A single discount rate of 6.8 percent was used to measure the Total OPEB Liability for the current year. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.8 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability and projections were excluded from this report.

Long-term expected Return on Plan Assets

The assets of the SHICC are commingled with assets from other benefit programs and invested in the Core Retirement Investment Trust (Core Fund). Earnings are allocated between the benefit programs based on the average balance invested for each program. The State of Wisconsin Investment Board (SWIB) manages the Core Fund with oversight by the SWIB Board of Trustees, as authorized in Wis. Stat. § 25.17. The long-term expected rate of return is reviewed every three years in conjunction with the Wisconsin Retirement System experience study. Best estimates of geometric real rates of return of each major asset class included in the OPEB plan's target allocation as of December 31, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Public Equity	38.0 %	4.3 %
Public Fixed Income	27.0 %	3.4 %
Inflation Sensitive Assets	19.0 %	2.1 %
Real Estate	8.0 %	3.8 %
Private Equity/Debt	20.0 %	6.7 %
Cash	(12.0)%	1.1 %
Total Fund	100.0 %	4.8 %
Inflation		2.6 %
Long-Term Expected Rate of Return		6.8 %

The long-term expected rate of return is 6.8 percent. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Actuarial assumptions

Actuarial assumptions are based on the Wisconsin Retirement System experience study conducted in 2024 using experience from 2021 to 2023. The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2024
Measurement Date of Net OPEB Liability/ (Asset):	December 31, 2024
Experience Study	January 1, 2021 - December 31, 2023 Published November 18, 2024
Actuarial Cost Method:	Entry Age Normal
Long-Term Expected Rate of Return:	6.80%
Discount Rate:	6.80%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.7%
Mortality:	2020 WRS Experience Mortality Table
Health Care Cost Trend Rate:	6.5% for the first year grading down to an ultimate health care trend rate of 4.5% over a 10 year period.
Health Care Premiums:	Actual premium amounts are used for current annuitants. For all non annuitants (active, preserved, and escrowed members), average premiums are calculated based on non Medicare and Medicare rates for one person and two person coverages.
Participation:	95% of active and preserved members will begin using sick leave credits immediately upon reaching eligibility.
Usage for Escrowed Benefits:	45% of members currently in escrow status will at some point begin using their sick leave balances to pay for health care costs.
Sick Leave Accumulation:	For purposes of estimating sick leave balances at retirement, each individual was assumed to continue using sick leave at the same rate as in the past, but not more than 75% of the person's annual gross accrual rate based on the person's employer. The member can accrue at most 100% of their gross accrual rate but not less than 25% of their gross accrual rate. The assumed annual gross accrual rates used are 6.5 days for Beyond Vision, 12 days for University Hospital and Non-Staff University employees and 16.25 days for all other members.

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements from ETF. The report can be obtained at www.etf.wi.gov and on request from:

The Department of Employee Trust Funds
PO Box 7931
Madison, Wisconsin 53707-7931

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

The Department of Employee Trust Funds operates three public entity risk pools: group health insurance, group income continuation insurance and duty disability insurance. ETF's separately issued financial statements, which contain historical trend, revenue, and claims development information, are available at www.etf.wi.gov and on request from:

Wisconsin Department of Employee Trust Funds
PO Box 7931
Madison, WI 53707-7931
1-877-533-5020

The information provided in this note applies to the period ending December 31, 2024.

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. The State and 439 local employers 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), a self-insured plan that provides for pharmacy benefits of covered members and a self-insured dental plan that provides dental benefits for members selecting dental insurance.

The Income Continuation Insurance Fund offers both long-term and short-term disability benefits (up to 75 percent of the average monthly earnings) for current employees of the State and of participating local public employers. All public employers in the State are eligible to participate. The State and 337 local employers currently participate in the plan and it is self-insured. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. Since March 2012, premiums have been suspended for the local employers as a result of the funded status of the local employer program.

The Duty Disability Fund offers special disability insurance for the State and local WRS participants in protective occupations. Participation in the program is mandatory for all WRS employers with protective occupation employees. The State and 504 local employers currently participate. The plan is self-insured, and the risk is shared between the State and local government employers in the plan. Contributions are actuarially determined and are employer paid. Contributions are based on a graduated, experience-rated formula. During 2024, contribution rates ranged from 0.02 percent to 0.57 percent of covered payroll based on employer experience.

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, Income Continuation Insurance and Duty 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 6.8 percent for income continuation and duty disability insurance, as face value of the liability for these programs is not available. The liabilities for income continuation, duty disability, and health insurance were determined by actuarial methods.

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

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

Risk Transfer - For the fully insured medical plan, risk of loss is transferred to the commercial health providers. Participating employers are not subject to supplemental assessments in the event of deficiencies. The self-insured pharmacy, dental, income continuation insurance and duty disability plans retain the risk of loss for allowable claims. To ensure plans remain financially solvent, reserving is required, as recommended by the governing board's consulting actuary. Reserve targets are considered in the annual premium rate setting, which impact future premiums to be paid by participating employers and employees. 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 GIB (Health Insurance and ICI) and ETF Board for Duty Disability in consultation with actuaries.

Statutory Authority - All programs are operated under the authority of Chapter 40, Wisconsin Statutes.

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 2024 (in millions):

	Income Continuation Insurance		Duty Disability Insurance		Pharmacy Benefits		Dental	
	2024	2023	2024	2023	2024	2023	2024	2023
Unpaid claims and claim adjustment expenses at beginning of the calendar year	\$ 92.8	\$ 96.7	\$ 594.1	\$ 556.8	\$ (72.5)	\$ (54.9)	\$ 1.4	\$ 1.4
Incurred claims and claim adjustment expenses:								
Provision for insured events of the current calendar year	27.3	20.5	59.7	59.8	242.5	219.3	52.8	49.2
Changes in provision for insured events of prior calendar years	(4.0)	(4.0)	4.2	17.8	(0.1)	0.6	(0.6)	(0.1)
Total incurred claims and claim adjustment expenses	23.3	16.5	63.9	77.6	242.4	219.9	52.2	49.1
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	5.1	4.2	0.0	0.1	298.8	292.0	51.1	47.7
Claims and claim adjustment expenses attributable to insured events of prior calendar years	15.4	16.2	42.2	40.1	(72.7)	(54.5)	0.8	1.4
Total payments	20.5	20.4	42.2	40.2	226.1	237.5	51.9	49.1
Total unpaid claims and claim adjustment expenses at end of the calendar year	<u>\$ 95.6</u>	<u>\$ 92.8</u>	<u>\$ 615.9</u>	<u>\$ 594.1</u>	<u>\$ (56.2)*</u>	<u>\$ (72.5)*</u>	<u>\$ 1.7</u>	<u>\$ 1.4</u>

*Total unpaid claims at the end of 2024 is \$56.2 million in rebates due from pharmaceutical companies. Total unpaid claims at the end of 2023 is \$72.5 million in rebates due from pharmaceutical companies.

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 \$4.0 million per occurrence and \$6.5 million annual aggregate. Effective 7/1/23, the program participates in a 20 percent quota share (co-participation) of the primary \$10 million excess property insurance layer should a loss occur which exceeds the State's self-funded program. When claims exceed \$100,000 per occurrence, are greater than \$4 million for an occurrence or total \$6.5 million annually, the State's private insurance becomes available. Losses to property occurring after the annual aggregate are subject to a \$100,000 deductible. During Fiscal Year 2025, the excess insurance limits were written to \$500 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, 2025 are estimated to total \$11.5 million.

Property Damages and Bodily Injuries to Third Parties

The State is self-funded for third party liability and retains \$5.0 million per occurrence. An excess insurance program is placed and effective 7/1/23 a primary \$5 million coverage layer sits above the retention, with the State participating in a 20 percent quota share (co-participation) of the next \$5 million layer should a covered loss exceed \$10 million. Additional layers of excess insurance are in place above \$15 million, with total excess insurance policy limits during Fiscal Year 2025 at \$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, 2025 are estimated to total \$49.6 million.

Worker's Compensation

The Worker's Compensation Program was created by Chapter 102 of the Wisconsin Statutes 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, 2025 are estimated to total \$94.0 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):

	2025	2024
Beginning of fiscal year liability	\$ 142,612	\$ 143,962
Current year claims and changes in estimates	51,606	33,480
Claim payments	(39,068)	(34,117)
	155,150	143,325
Excess insurance reimbursable	(1,433)	(713)
Balance at fiscal year-end	\$ 153,717	\$ 142,612

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, 2025 is \$3.9 million.

NOTE 20. INSURANCE FUNDS**A. 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. § 655.23(4), or the maximum liability limit for which the health care provider 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, 2025, 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	\$ 1,453,932
Less: Net loss paid from inception	(1,009,332)
Less: Liability for reported losses	(433,480)
Risk Margin	111,150
Liability for incurred but not reported losses	\$ 122,270

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 estimated the liability for LAE as 20 percent of the estimated unpaid losses as of June 30, 2025. The percentage used in the financial statements was different, since the actuary's estimate was adjusted to reflect actual LAE payments. Specifically, the loss adjustment expenses paid from the inception of the Fund through June 30, 2025, are deducted from the projected ultimate LAE to determine the liability for LAE as June 30, 2025 as follows (in thousands):

Projected ultimate LAE liability	\$ 202,102
Less: LAE paid from inception	(127,502)
Risk Margin	18,650
Liability for LAE	\$ 93,250

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 0.9061, which is based on an investment yield assumption of 3.0 percent approved by the Board of Governors, the discounted loss liability would be as follows as of June 30, 2025 (in thousands):

Estimated liability for incurred but not reported losses	\$ 122,270
Estimated liability for reported losses	433,480
Estimated liability for loss adjustment expense	93,250
Total estimated loss liabilities	649,000
Less: Amount representing interest	(60,962)
Discounted loss liabilities	\$ 588,038

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 periodic actuarial audits 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 2025 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. § 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, 2025 (in thousands), is as follows:

Discounted loss liabilities	\$ 588,038
Future medical expense liability	56,049
Total estimated loss liabilities	644,087
Current portion	(62,745)
Noncurrent portion	\$ 581,342

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 2025 (in thousands):

Liability at the beginning of the year	\$	530,392
Incurred claims and related expenses for the current year and the change in estimated amounts for claims incurred in prior years		144,564
Less: current year payments attributable to claims incurred in current and prior years		(30,868)
Liability at the end of the year	\$	644,088

B. State Life Insurance Fund

The State Life Insurance Fund was created under Chapter 607 of the 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	\$ 4,032	\$ 3,464
1967-1976	20,175	14,101
1977-1985	52,110	25,582
1986-1994	38,997	10,956
1995-2012	38,979	9,100
2013-2018	5,600	693
2019-2020	1,362	100
2021+	2,325	177
	\$ 163,580	\$ 64,173

Basis of Assumption

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
2013-2018	3.5	2001 CSO, ALB, Aggregate
2019-2020	3.5	2017 CSO, ALB, Aggregate
2021+	3.0	2017 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 statutorily 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, 2024 were \$112.5 million and statutory capital and surplus was \$11.0 million. Fund equity at June 30, 2025 was \$333.3 thousand.

NOTE 21. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA**Primary Government**

The State issues revenue bonds as a component of the total funding for the Direct Loan Portfolio, which is accounted for as part of the Environmental Improvement Fund. The Direct Loan Portfolio is also funded by grants from the U.S. Environmental Protection Agency (the "EPA"). Loans in this portfolio are made for water and wastewater projects. Repayments from loans in this portfolio, grants and revenue bond proceeds are used to fund new loans.

The Environmental Improvement Fund has pledged future loan revenues, net of specified operating expenses, to repay outstanding revenue bonds. Investors in these revenue bonds rely solely on the revenues generated from the loans within the Direct Loan Portfolio. Condensed financial statement information of the Direct Loan Portfolio as of and for the year ended June 30, 2025 is presented below (in thousands):

Condensed Statement of Net Position		Condensed Statement of Revenues, Expenses and Changes in Net Position	
Assets:		Operating Revenues (Expenses):	
Current Assets	\$ 505,906	Loan Interest	\$ —
Other Assets	1,743,414	Interest Income used as Security for Revenue Bonds	37,213
Total Assets	<u>2,249,320</u>	Miscellaneous Other	3,103
Deferred Outflows of Resources	<u>—</u>	Interest Expense	(8,974)
Total Assets and Deferred Outflows of Resources	<u>\$ 2,249,320</u>	Other Operating Expenses	(5,405)
		Operating Income (Loss)	25,937
Liabilities:		Nonoperating Revenues (Expenses):	
Due to Other Funds	\$ 11,600	Investment Income	14,808
Other Current Liabilities (Including Current Portion of Long-term Debt)	31,890	Intergovernmental Grants	70,080
Noncurrent Liabilities	<u>301,725</u>	Grants Awarded	(31,977)
Total Liabilities	<u>345,215</u>	Income (Loss) before Transfers	<u>78,848</u>
Deferred Inflows of Resources	1,270	Transfers In (Out)	<u>(4,500)</u>
Net position:		Change in Net Position	74,348
Restricted	<u>1,902,835</u>	Beginning Net Position	1,828,487
Total Net Position	<u>1,902,835</u>	Ending Net Position	<u>\$ 1,902,835</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,249,320</u>	Condensed Statement of Cash Flows	
		Net Cash Provided (Used) by:	
		Operating Activities	\$ (27,507)
		Noncapital Financing Activities	(13,339)
		Investing Activities	<u>14,808</u>
		Net Increase (Decrease)	<u>(26,038)</u>
		Beginning Cash and Cash Equivalents	<u>353,107</u>
		Ending Cash and Cash Equivalents	<u>\$ 327,069</u>

NOTE 22. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION

Significant financial data for the State's discretely presented component units for the year ended December 31, 2024 or June 30, 2025 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority	Wisconsin Health Care Liability Insurance Plan	University of Wisconsin Hospitals and Clinics Authority	Wisconsin Economic Development Corporation	University of Wisconsin Foundation	Total
Condensed Statement of Net Position						
Assets:						
Cash, Investments and Other Assets	\$ 4,431,921	\$ 64,088	\$ 4,304,300	\$ 90,248	\$ 6,297,538	\$ 15,188,096
Due from Primary Governments	—	—	13,848	—	—	13,848
Cash and Investments with other Component Units	—	—	246,813	—	—	246,813
Capital Assets, net	35,444	—	2,109,843	5,370	20,141	2,170,797
Total Assets	4,467,365	64,088	6,674,804	95,618	6,317,679	17,619,554
Deferred Outflows of Resources						
	8,948	—	484,005	5,171	—	498,124
Total Assets and Deferred Outflows	\$ 4,476,313	\$ 64,088	\$ 7,158,809	\$ 100,788	\$ 6,317,679	\$ 18,117,678
Liabilities:						
Accounts Payable and Other Current Liabilities	\$ 727,861	\$ 2,128	\$ 832,749	\$ 6,183	\$ 154,111	\$ 1,723,032
Due to Primary Government	—	—	38,195	—	—	38,195
Amounts Held for Other Component Units	—	—	—	—	231,112	231,112
Other Liabilities	887	—	581	—	—	1,468
Long-term Liabilities (Current and Noncurrent portions)	2,587,556	15,313	1,843,785	6,819	44,882	4,498,355
Total Liabilities	3,316,304	17,440	2,715,310	13,003	430,105	6,492,162
Deferred Inflows of Resources	25,951	—	290,338	2,864	—	319,153
Net Position:						
Net Investment in Capital Assets	17,444	—	843,850	2,785	17,778	881,857
Restricted	1,091,402	46,648	79,098	66,363	5,614,125	6,897,635
Unrestricted	25,212	—	3,230,213	15,774	255,672	3,526,871
Total Net Position	1,134,058	46,648	4,153,161	84,922	5,887,574	11,306,363
Total Liabilities, Deferred Inflows and Net Position	\$ 4,476,313	\$ 64,088	\$ 7,158,809	\$ 100,788	\$ 6,317,679	\$ 18,117,678
Condensed Statement of Activities						
Program Expenses:						
Depreciation	\$ 1,180	\$ —	\$ 217,022	\$ 1,152	\$ 2,794	\$ 222,148
Payments to Primary Government	—	—	76,575	—	548,752	625,327
Other	391,215	922	5,266,581	62,463	67,685	5,788,866
Total Program Expenses:	392,395	922	5,560,178	63,615	619,231	6,636,341
Program Revenues:						
Charges for Goods and Services	10,628	2,813	5,467,810	96	—	5,481,346
Investment and Interest Income	71,186	1,203	—	—	722,512	794,902
Operating Grants and Contributions	300,115	—	—	60,020	343,019	703,154
Miscellaneous	20,207	2,521	93,249	—	2,932	118,909
Total Program Revenues	402,136	6,537	5,561,059	60,116	1,068,464	7,098,311
Net Program Revenue/(Expense)	9,741	5,616	881	(3,499)	449,232	461,971
General Revenues:						
Interest and Investment Earnings	160,120	—	261,626	3,969	—	425,715
Miscellaneous	—	—	28,649	671	—	29,320
Contributions to Endowments	—	—	20,116	—	—	20,116
Change in Net Position	169,861	5,616	311,272	1,140	449,232	937,121
Net Position, Beginning of Year	964,197	41,032	3,841,889	83,782	5,438,342	10,369,242
Net Position, End of Year	\$ 1,134,058	\$ 46,648	\$ 4,153,161	\$ 84,922	\$ 5,887,574	\$ 11,306,363

NOTE 23. 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 2024 Annual Comprehensive Financial Report to the beginning-of-year amounts reported for Fiscal Year 2025 (in thousands):

	06/30/2024 As Previously Reported	Change in Financial Reporting Entity	Change in Accounting Principle	Prior Year Error Corrections	06/30/2024 Restated
Governmental Fund Activities					
Major Funds:					
General Fund	\$ 4,475,845	\$ —	\$ —	\$ —	\$ 4,475,845
Transportation	2,030,400	—	—	—	2,030,400
Nonmajor Governmental Funds	3,873,432	—	—	—	3,873,432
Total Governmental Funds	10,379,678	—	—	—	10,379,678
Government-wide Adjustments					
Capital Assets, net of depreciation	27,072,637	—	—	47,391	27,120,029
Other Long Term Assets and Deferrals	743,042	—	—	—	743,042
Deferred Inflows/Outflows of Resources	711,329	—	—	—	711,329
Long-term Liabilities:					
Revenue Bond Payable	(1,537,900)	—	—	—	(1,537,900)
Appropriation Bonds Payable	(2,219,478)	—	—	—	(2,219,478)
General Obligation Bonds and Long-term Notes Payable	(5,121,763)	—	—	—	(5,121,763)
Net Pension Liability	(201,603)	—	—	—	(201,603)
Other Postemployment Benefits Liability	(577,277)	—	—	—	(577,277)
Compensated Absences	(202,771)	—	—	—	(202,771)
Other Long-term Liabilities	(98,033)	—	—	(1,416)	(99,448)
Inclusion of Internal Service Funds	(576,527)	—	—	2,928	(573,599)
Total Governmental Funds Activities	\$ 28,371,334	\$ —	\$ —	\$ 48,903	\$ 28,420,237
Proprietary Funds and Business-type Activities					
Major Funds:					
Environmental Improvement	\$ 2,412,705	\$ —	\$ —	\$ —	\$ 2,412,705
University of Wisconsin System	6,723,098	—	—	—	6,723,098
Unemployment Reserve	1,944,867	—	—	—	1,944,867
Nonmajor Funds:					
Nonmajor Enterprise Funds	1,927,073	—	—	2,547	1,929,620
Internal Service Funds	(701,660)	—	—	2,928	(698,732)
Removal of Internal Service Funds Relating to Governmental Activities	576,527	—	—	(2,928)	573,599
Total Proprietary Funds and Business-type Activities	\$ 12,882,611	\$ —	\$ —	\$ 2,547	\$ 12,885,158
Fiduciary Funds					
Pension and Other Employee Benefit Trust	\$ 136,367,995	\$ —	\$ —	\$ —	\$ 136,367,995
Investment Trust	7,079,096	—	—	—	7,079,096
Private Purpose Trust	1,107	—	—	—	1,107
Custodial	403,953	—	—	—	403,953
Total Fiduciary Funds	\$ 143,852,151	\$ —	\$ —	\$ —	\$ 143,852,151

A. Accounting Changes

Change in the Reporting Entity - No change in the reporting entity occurred for the State during Fiscal Year 2025.

Change in Accounting Principle - No change in accounting principles occurred for the State during Fiscal Year 2025.

Change in Accounting Estimate - No change in accounting estimate occurred for the State during Fiscal Year 2025.

B. Prior Year Error Corrections

Primary Government

During the fiscal year, it was determined that over the prior eight years at the Department of Transportation, capital infrastructure assets were erroneously reported as capital construction in progress, capital land, and expensed. These errors resulted in a net \$55.3 million understatement of capital assets in the governmental activities. An adjustment was made in Fiscal Year 2025 to increase net position to reflect correction to the prior year amounts.

Wisconsin Supreme Court converted to the central asset management tracking system beginning for Fiscal Year 2024. It was determined that errors during and following the conversion resulted in capital assets, net of depreciation/amortization, and associated liabilities were understated in Fiscal Year 2024 by \$1.6 million and \$0.4 million. An adjustment was made in Fiscal Year 2025 to increase net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that in Fiscal Year 2024, \$1.5 million of capital construction in progress was erroneously expensed at the Department of Children and Families. This error resulted in an understatement of capital assets in governmental activities. An adjustment was made in Fiscal Year 2025 to increase net position to reflect correction to the prior year.

During the fiscal year, it was determined that in Fiscal Year 2024, \$4.1 million and \$1.3 million of capital construction in progress in the Capital Improvement Fund and the Building Trust Fund respectively, were erroneously expensed, and capital assets understated. This error resulted in a net \$5.4 million understatement of capital assets in governmental activities. An adjustment was made in Fiscal Year 2025 to increase net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that in Fiscal Year 2024, at the Department of Natural Resources, \$18.3 million of capital completed construction assets were erroneously reported as capital construction in progress assets as well. This error resulted in a net overstatement of capital assets in governmental activities. An adjustment was made in Fiscal Year 2025 to decrease net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that capital right to use assets, net of amortization, and associated liabilities, were understated in Fiscal Year 2024 by \$1.7 million and \$1.0 million, across the Educational Communications Board, the Wisconsin Historical Society, the Department of Corrections, the Department of Military Affairs, and the Public Defender Board, resulting in a net understatement of net position in the governmental activities. An adjustment was made in Fiscal Year 2025 to increase net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that in Fiscal Year 2024, capital right to use assets, net of amortization, were understated by \$2.6 million, and the associated liabilities were overstated by \$0.3 million, in the Internal Service funds. These errors resulted in a net \$2.9 million understatement of fund balance. An adjustment was made in Fiscal Year 2025 to increase fund balance to reflect correction to the prior year amounts.

During the fiscal year, it was determined that in Fiscal Year 2024, \$0.5 million of revenue was erroneously recorded to unearned revenue, and \$2.0 million of investment revenue was not included in revenues for the nonmajor enterprise funds. These errors resulted in a net understatement of revenues of \$2.5 million in the nonmajor enterprise funds. An adjustment was made in Fiscal Year 2025 to increase fund balance to reflect correction to the prior year amounts.

During Fiscal Year 2024, the State Retiree Health Insurance, Health Insurance, and Income Continuation Insurance funds began reporting capital assets. \$1.6 million of restricted for future benefit payments and \$0.5 of unrestricted net position in the nonmajor enterprise funds should have been reported as Net Investment in Capital Assets. This error had no effect on overall fund balance.

NOTE 24. 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 \$0.8 million on June 30, 2025 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 \$0.8 million at June 30, 2025.

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 loss 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.

In August 2018, the Department of Health Services (DHS) received notification from the U.S. Department of Health and Human Services (DHHS) recommending a \$27.6 million disallowance related to the Medicaid program. DHHS concluded DHS did not refund the full federal share of Medicaid-related settlements and judgments from October 2008 through September 2016. DHS partially disagreed with the report. The Centers for Medicare and Medicaid Services (CMS) reviewed the report and determined that DHHS underreported the settlement and requested that DHS refund \$31.0 million to the federal government. In February 2021 DHS submitted a formal objection letter to CMS and in August 2022 CMS issued a disallowance in the amount of \$24.9 million. On behalf of DHS, the Department of Justice (DOJ) appealed this disallowance to the Disallowance Appeals Board (DAB) on February 1, 2023. DAB is currently deliberating on a decision.

In Fiscal Year 2024, DHS was made aware of a potential disallowance related to an audit by the federal DHHS Office of Inspector General (OIG) of Applied Behavior Analysis (ABA). DHHS OIG identified \$12.3 million in payments that did not contain appropriate documentation to support the claim. In July 2025, DHHS provided a draft report identifying \$12.2 million in unallowable costs. DHS partially disagreed with the report and is currently working with CMS on a corrective action plan.

KJS Amoco Inc. filed a civil lawsuit against the Department of Transportation (DOT) for relocation benefits due to commercial displacement following DOT's total acquisition of leased property. The plaintiff is seeking payment of approximately \$11.4 million. DOT successfully obtained dismissal of a second plaintiff and the claims of that plaintiff. Cross motions for summary judgment on the remaining claim were filed and on September 5, 2023, the court entered summary judgment in favor of DOT. The court entered a final appealable order on May 13, 2024 and the plaintiffs appealed the final order.

At the end of Fiscal Year 2025, the Unemployment Reserve Fund, administered by the Department of Workforce Development (DWD), had outstanding weekly claims filed. DWD accrued a liability in the Unemployment Reserve Fund for benefits paid through August 31, 2025 that were related to weeks prior to June 30, 2025. However, an estimate of payments related to the remaining claims, totaling 1,781 adjudication issues and 709 appeals as of September 27, 2025, cannot be estimated and therefore a liability for these claims has not been reported.

A class action lawsuit alleging discrimination under the Rehabilitation Act and the ADA as well violation of the "when due" clause of the Social Security Act and the Due Process Clause of the Fourteenth Amendment was filed against the DWD in September 2021. The plaintiffs sought to invalidate Wis Stat. 108.04(12)(f) and 108.04(2)(h) which prohibit recipients of social security disability insurance (SSDI) payments from receiving regular unemployment compensation benefits. In addition to an injunction, the plaintiffs sought back payments for any weeks that members of the class would have been eligible for regular unemployment benefits, excluding the weeks for which they received PUA instead, and reimbursement for any collection costs and penalties.

The case was pled as a class action, but the State successfully moved for an order allowing the district court to rule on a summary judgment motion first. In July 2024 the court granted summary judgment to the plaintiffs and the case went forward to address whether the plaintiffs' proposed class could be certified and determine proper remedy. In July 2025 the court enjoined DWD from enforcing the disqualification for claimants who receive SSDI. And in August 2025 the court ordered DWD to process claims for those who were denied SSDI prohibition under state law for claims filed between September 2015 and July 2025. Because an estimate of the claims cannot be determined, a liability has not been reported. However, DWD believes the orders will have minimal impact on the Unemployment Insurance Trust Fund.

Several employees of the Department of Corrections (DOC) filed a Wisconsin Statute Chapter 109 wage claim action against DOC seeking unpaid wages for tasks they claim are integral and indispensable to their primary work duties. The plaintiffs are seeking class action certification, which was granted in September 2022 by the circuit court. DOJ appealed the decision certifying the class and the court of appeals reversed the circuit court's decision granting class certification. The plaintiffs petitioned for review from the Wisconsin Supreme Court, which was granted and reversed the court of appeals decision and affirmed the class certification. The case has returned to the circuit court, with DOC planning to file a summary judgment in the Spring of 2026.

In Fiscal Year 2020, Intersystems Corporation filed a claim against the Department of Revenue (DOR) asserting that DOR owed Intersystems Corporation a refund of \$73.9 million plus interest for 2010-2017. The issue is whether or not fees from sublicensing software sold to Epic, who is domiciled in Wisconsin, may be treated as Wisconsin sales in the sales factor. The case is currently being appealed to the Wisconsin Tax Appeals Commission, but DOR believes that its position is meritorious and will defend the matter vigorously.

In Fiscal Year 2022, Caidan Enterprises Incorporated filed a claim against DOR asserting that DOR owed Caidan approximately \$15.0 million in income tax and interest for the 2015-2018 tax years because Caidan should not pay taxes on gain that was not unitary. The case is currently being appealed to the Wisconsin Tax Appeals Commission, but DOR believes the gain was not unitary and will defend the matter vigorously.

In Fiscal Year 2024, Encore Capital Group Incorporated filed a claim against DOR asserting that DOR owed Encore a refund for over \$2 million in income tax and interest because DOR should not have apportioned income derived from Encore's collection of receivables in Wisconsin to Wisconsin. The case is currently being appealed to the Wisconsin Tax Appeals Commission, but DOR believes the gain was not unitary and will defend the matter vigorously.

In Fiscal Year 2025, Wisconsin Power and Light filed a claim against DOR asserting that DOR owed Wisconsin Power and Light a refund for over \$6 million in use tax for the period of 2014-2020 for a variety of equipment because it was exempt manufacturing equipment. The case is currently being appealed to the Wisconsin Tax Appeals Commission, but DOR believes that its position is meritorious and will defend the matter vigorously.

In Fiscal Year 2025, Enbridge Energy Limited Partnership filed a claim against DOR asserting that DOR owed Enbridge a refund for over \$16 million for sales tax paid on electricity used at pipeline pumping stations to pump oil through Wisconsin from Canada to other states from 2014-2017. The case is currently being appealed to the Wisconsin Tax Appeals Commission, but DOR believes that its position is meritorious and will defend the matter vigorously.

In Fiscal Year 2023 a taking clause case was filed against the State challenging the failure of the unclaimed property program, administered by DOR, to pay interest on certain forms of abandoned property. The plaintiffs sought to certify a class of individuals whose property had been presumed abandoned and put into the unclaimed property program. The circuit court granted a motion to dismiss this case on October 11, 2023. The plaintiffs appealed and the appeal has been fully briefed and is now awaiting a decision.

In Fiscal Year 2024 a representative for the Estate of Dean Henry Hoffman brought an Eighth Amendment deliberate indifference action against the Wisconsin DOC and other named defendants. The action alleges prison officials were deliberately indifferent to Hoffman's mental health needs, resulting in Hoffman's suicide. Discovery in this case is ongoing and the State will defend the matter vigorously.

In Fiscal Year 2024 a representative for Cameron Williams brought an Eighth Amendment deliberate indifference action against the Wisconsin DOC and other named defendants. The action alleges prison officials were deliberately indifferent to Williams's health needs, resulting in Williams's death. Discovery in this case is ongoing and the State will defend the matter vigorously.

In Fiscal Year 2024 a representative for the Estate of Tyshun Lemons brought an Eighth and Fourteenth Amendment action against the Wisconsin DOC and other named defendants. The action alleges prison officials were deliberately indifferent to Lemons who died while incarcerated. Discovery in this case is ongoing and the State will defend the matter vigorously.

In Fiscal Year 2025 a representative for Donald Maier brought an Eighth Amendment, Fourteenth Amendment, Rehabilitation Act, and various state law claims against the Wisconsin DOC and other named defendants. The action alleges prison officials were deliberately indifferent to Maier who died while incarcerated. Discovery in this case is ongoing and the State will defend the matter vigorously.

In Fiscal Year 2025 a representative for Micah Laureano brought an Eighth Amendment action against the Wisconsin DOC and other named defendants. The action alleges prison officials were

deliberately indifferent to Laureano, resulting in Laureano's death. Discovery in this case is just beginning and the State will defend the matter vigorously.

B. Commitments

Primary Government

As of June 30, 2025, encumbrances of the General Fund totaled \$1.0 billion, encumbrances of the Transportation Fund totaled \$2.7 billion, and encumbrances of other nonmajor governmental funds totaled \$178.6 million. Obligations at June 30, 2025 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	\$	872,154
Capital Improvement Fund – WisDOT Harbors, Rails and Highway Programs		14,909
Transportation Revenue Bonds Capital Projects Fund		9,213
General Fund – Housing Programs		32,659

The Environmental Improvement Fund (the Fund) was established to administer the Clean Water Fund Loan Program. Loans and grants are made to local units of government for wastewater treatment projects for terms of up to 20 years. 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 units. Additionally, various statutory provisions exist which provide further security for payment. The Fund has made financial assistance commitments of \$550.6 million as of June 30, 2025. These loan and grant commitments are expected to be met through proceeds from issuance of revenue obligations and additional federal grants.

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. The total estimated replacement value of the Fund's annuities as of June 30, 2025 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. § 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, 2025, the appropriation available totaled \$87.3 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 25. TAX ABATEMENTS

Wisconsin statutes authorize tax abatements to encourage economic development and other actions beneficial to the State or its citizens resulting in a reduction in tax revenue the State would otherwise be entitled to collect. GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement agreements entered into by a reporting government, along with agreements entered into by other governments, which reduce the reporting government's tax revenues. Most tax abatement programs meeting the criteria for disclosure in the State's ACFR are certified by the Wisconsin Economic Development Corporation (WEDC), a separate legal entity also reported as a component unit in the ACFR. The WEDC enters into the abatement agreements and administers the programs. The Wisconsin Department of Revenue (DOR) is responsible for ensuring the certified tax abatements were properly applied when processing income tax returns filed by recipients. The table below describes abatement programs that impact tax revenues for the State of Wisconsin.

State Agency Programs	Authority	Purpose	Tax Abated	Primary Criteria	Mechanism	Abatement Calculation	Recapturing Abatements
Historical Homeowners Tax Credit - Administered by Wisconsin Historical Society	Wis. Stats. 44.02(24)	Preserving or rehabilitating historic property located in Wisconsin	Income Tax	Own and occupy as personal residence property Costs must relate only to preservation or rehabilitation work done Costs must be more than \$10,000	Nonrefundable state income tax credit	25% of qualified expenditures for the current year for individuals	DOR may recover all or a portion of the credit if the claimant has not complied with all requirements
WHEDA Programs	Authority	Purpose	Tax Abated	Primary Criteria	Mechanism	Abatement Calculation	Recapturing Abatements
Low Income Housing Tax Credit Administered by Wisconsin Housing and Economic Development Authority	Wis. Stats. 234.45	Low-income housing tax credits	Income Tax	Person has an ownership interest in the qualified development The tax credit is necessary for financial feasibility of the qualified development Maintenance and operation as a qualified development for the compliance period and in compliance with Title VIII of the federal Civil Rights Act of 1968, as amended The allocation certificate is issued in accordance with the qualified allocation plan	Nonrefundable state income tax credit	A claimant may claim as a credit against the taxes imposed, up to the amount of the tax, the amount allocated by the authority	DOR may recover the credit based on the amount determined under section 42(j) of the Internal Revenue Code

WEDC Programs	Authority	Purpose	Tax Abated	Primary Criteria	Mechanism	Abatement Calculation	Recapturing Abatements
Business Development Credit (also includes the Economic Development and Jobs Tax Credit programs)	Wis. Stats. 238.308	Provides incentives for job creation, capital investment, training, and corporate location or retention for new and current businesses in Wisconsin	Income Tax	Person increases net employment in the state from net employment in the state during the year before certification	Refundable state income tax credit or offset against economic development surcharge	<p>Up to 10% of eligible employee wages</p> <p>Up to 5% of additional eligible employee wages in economically distressed area</p> <p>Up to 50% of eligible training costs</p> <p>For investments of \$1.0 million or greater or investments of less than \$1.0 million but at least \$10,000 per eligible employee: Up to 3% of personal property investment and up to 5% of real property investment</p> <p>Certain percentage of wages paid to eligible headquarters employees</p>	The WEDC may require repayment of tax benefits claimed for a year in which the person failed to employ an eligible employee required by the agreement
Development Opportunity Zone Tax Credit	Wis. Stats. 238.395	<p>Incent new and expanding businesses in the cities of Beloit, Janesville, and Kenosha</p> <p>Incent the creation of jobs for target group members</p>	Income Tax	Business located in or relocating to, Beloit, Janesville, or Kenosha	Nonrefundable state income tax credit	<p>Credits ranging from \$6,000 to \$8,000 per job for an FTE paying at least 150% of federal minimum wage</p> <p>Up to 3% of all eligible capital investments</p> <p>Up to 50% of eligible environmental remediation costs</p>	The WEDC may revoke tax benefits if false or misleading information is provided, if the business ceases to operate in the zone or moves outside the development zone
Enterprise Zone Tax Credit	Wis. Stats. 238.399	Incent expansion of existing Wisconsin businesses or relocation of major business operations from other states to Wisconsin	Income Tax	<p>Businesses located in, or relocating to, an enterprise zone in Wisconsin</p> <p>Business that begins or expands operations in an enterprise zone</p> <p>Business makes a significant capital contribution</p> <p>Positions created as a result of tax credits must be maintained for at least five years</p>	Refundable state income tax credit	<p>The WEDC determines the maximum amount of tax credits a business may claim</p> <p>Credit of up to 7% of the net increase in zone payroll less certain adjustments</p> <p>Credit up to 100% of job-related training costs</p> <p>Up to 10% of significant capital expenditures</p> <p>Up to 1% of amount paid for property, goods or services purchased from Wisconsin vendors</p>	The WEDC may require a business to repay tax benefits for which the business failed to maintain employment levels or a significant capital investment in property. The WEDC may revoke tax benefits if false or misleading information is provided, if the business ceases to operate in the zone or moves outside the development zone
Electronics and Information Technology Manufacturing Zone Tax Credit	Wis. Stats. 238.396	Incent a project (Foxconn) involving the attraction of major business operations to Wisconsin to support the creation of jobs	Income Tax	<p>Business that begins operations in the zone</p> <p>Services must be performed in the state</p> <p>Business maintains job creation threshold and requirements as designated by the WEDC</p> <p>Business makes a significant capital expenditure in the zone</p>	Refundable state income tax credit	<p>Job creation credit equal to no more than 17% of payroll within the state for the benefit of the operations within the zone</p> <p>Investment credit where the business may claim up to 15% of its significant capital expenditures</p>	The WEDC may require the business to repay any tax benefits the business claims for a year in which the business failed to maintain employment levels or a significant capital investment in property

WEDC Programs, continued	Authority	Purpose	Tax Abated	Primary Criteria	Mechanism	Abatement Calculation	Recapturing Abatements
Qualified New Business Venture (Consists of Early Stage Seed Investment and Angel Investment Credits)	Wis. Stats. 238.15	Promote development of research and development and early-stage capital availability by providing tax credit incentives for private equity investment in technology-based Wisconsin businesses with significant long-term growth potential	Income Tax	Investor must keep investment in a certified business or with a certified fund manager for no less than 3 years unless the investment becomes worthless or the person has kept the investment for at least 12 months and a bona fide liquidity event occurs during the 3 year period Certified businesses are those headquartered in the State and engaged in innovation within certain sectors such as manufacturing, biotechnology, agriculture, etc. or that process or assemble items such as medical devices, pharmaceuticals, computer hardware or software, etc.	Nonrefundable state income tax credit	25% of the value of the investment made in the certified company	The certified business must pay a penalty ranging from 60% to 100% of the tax credit provided if it relocates out of state during the 3 years after it received an investment
Historical Preservation Tax Credit (Supplement to Federal Historic Rehabilitation Tax Credit)	Wis. Stats. 238.17	Incentive for businesses to rehabilitate historic structures in Wisconsin used for production of income	Income Tax	Must own the historic property Building must be depreciable property that is either nonresidential real property, residential rental property, or real property with a class life of more than 12.5 years Rehabilitation expenditures are more than the greater of \$50,000 or the adjusted basis Expenditure test must be met within a 24-month (or, for phased rehabilitation projects, a 60-month) period	Nonrefundable state income tax credit	20% of qualified rehabilitation expenditures for the current year The state credit must be claimed ratably over a five-year period beginning in the taxable year the building is placed in service effective for amounts paid or incurred after December 31, 2017 ¹	If sale or noncompliance occurs within 5 years then a prorated amount of the credit received will be added back to the individual's tax liability

¹ State law automatically adopted the provision in the federal Tax Cuts and Jobs Act signed into law on December 22, 2017. The federal law effectively modified the timing for claiming the state credit from one year to over five years with a transition rule in place that applies to projects contracted and completed prior to tax year 2021.

The gross dollar amount by which the State's tax revenues were reduced as a result of abatement agreements during the fiscal year ended June 30, 2025 (in millions):

	Amount
State Agency Administered Program	
Historical Homeowners Tax Credit	\$ 2.0
WHEDA Administered Programs	
Low Income Housing Tax Credit	8.2
WEDC Administered Programs	
Business Development Credit *	16.5
Development Opportunity Zone Tax Credit	0.4
Enterprise Zone Tax Credit	29.2
Qualified New Business Venture	5.7
Historical Preservation Tax Credit	62.8
Total State Agency and WEDC:	\$ 124.8

* Includes Economic Development, Jobs Tax Credit and Business Development Credit abatements

Tax Abatement-related Commitments

2017 Wis. Act 58 created an electronics and information technology manufacturing zone in southeast Wisconsin (the Foxconn project). Subject to the Act, the state may contract public debt in an amount not to exceed \$252.4 million in general fund-supported general obligation bonds to be used for road expansion and improvements to the I-94 North-South corridor. The Act also recognized a moral obligation in which the legislature expresses its expectation and aspiration, if ever called upon to do so, to make an appropriation to pay no more than 40 percent of the principal and interest of a local governmental unit's municipal obligations used to finance costs related to the zone.

NOTE 26. SUBSEQUENT EVENTS**Primary Government****Long-term Debt**

General Obligation Bonds – In August 2025, the State issued \$263.5 million of General Obligation Bonds ("2025 Series B Bonds") to be used for the acquisition, construction, development, extension, enlargement or improvement of land, water, property, highways, buildings, equipment of facilities for public purposes. The interest rates associated with these bonds were set at 5.0 percent payable semiannually beginning November 1, 2025. The bonds mature annually beginning May 1, 2027 through and including May 1, 2036.

Environmental Improvement Fund Revenue Bonds – In August 2025, the State issued \$100.0 million of Environmental Improvement Fund Revenue Bonds ("2025 Series A Bonds") to be used to make pledged loans under the fund. The interest rates associated with these bonds were set at 5.0 percent payable semiannually beginning November 1, 2025. The bonds mature annually beginning June 1, 2027 through and including June 1, 2034.

Arbitrage Rebate

Transportation Revenue Bonds – In August 2025, payment of the \$1.9 million liability of arbitrage rebate for the 2023 Series A Bonds was made to the United States Treasury.

Required Supplementary Information

Postemployment Benefits - State Health Insurance Program

Schedule of Changes to the Total OPEB Liability and Related Ratios (in millions)

As of the Measurement Date June 30

	2024	2023	2022	2021	2020
Total OPEB Liability:					
Service cost	\$ 58.9	\$ 54.3	\$ 62.0	\$ 52.5	\$ 48.5
Interest	30.4	26.5	16.2	14.9	24.5
Difference between expected & actual experience	—	9.4	—	92.1	(40.1)
Changes of assumptions	3.4	43.9	(26.2)	(41.2)	(16.6)
Benefit payments	(56.6)	(48.8)	(47.7)	(47.4)	(56.8)
Net Change in Total OPEB Liability	36.1	85.2	4.3	70.9	(40.5)
Total OPEB Liability – Beginning	802.4	717.2	712.9	642.0	682.5
Total OPEB Liability – Ending	\$ 838.5	\$ 802.4	\$ 717.2	\$ 712.9	\$ 642.0
Covered-employee payroll	\$ 4,655.3	\$ 4,519.7	\$ 4,230.1	\$ 4,107.0	\$ 4,030.8
Total OPEB Liability as a percentage of covered-employee payroll	18.01 %	17.75 %	16.95 %	17.36 %	15.93 %

GASB standards require the presentation of 10 years of information. Because Fiscal Year 2018 (6/30/17 measurement date) was the first year for reporting this information, a full 10-year schedule will not be available until Fiscal Year 2027 (6/30/26 measurement date).

Note to preceding required supplementary information - State Health Insurance Program

The State Health Insurance OPEB plan does not have assets in trust or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, and participation rate assumptions. Employer benefit payments were actuarially determined and pertain to the implicit rate subsidy.

Postemployment Benefits - State Health Insurance Program

Schedule of Changes to the Total OPEB Liability and Related Ratios (in millions)

As of the Measurement Date June 30

	2019	2018	2017
Total OPEB Liability:			
Service cost	\$ 40.3	\$ 58.0	\$ 72.1
Interest	21.7	27.1	23.6
Difference between expected & actual experience	65.1	0.8	(4.1)
Changes of assumptions	56.7	(224.8)	(109.3)
Benefit payments	(40.9)	(40.8)	(38.4)
Net Change in Total OPEB Liability	142.9	(179.7)	(56.1)
Total OPEB Liability – Beginning	539.6	719.3	775.4
Total OPEB Liability – Ending	\$ 682.5	\$ 539.6	\$ 719.3
Covered-employee payroll	\$ 3,905.8	\$ 3,729.7	\$ 3,690.7
Total OPEB Liability as a percentage of covered-employee payroll	17.47 %	14.47 %	19.49 %

GASB standards require the presentation of 10 years of information. Because Fiscal Year 2018 (6/30/17 measurement date) was the first year for reporting this information, a full 10-year schedule will not be available until Fiscal Year 2027 (6/30/26 measurement date).

Postemployment Benefits - State Life Insurance Program

Schedule of Changes in the Total OPEB Liability/(Asset) and Related Ratios (in millions)

As of the Measurement Date December 31

	2024	2023	2022	2021	2020
Total OPEB Liability:					
Service cost	\$ 35.2	\$ 29.5	\$ 49.0	\$ 46.3	\$ 36.3
Interest	36.5	36.7	28.0	27.4	29.9
Difference between expected & actual experience	(0.3)	(5.3)	(5.3)	3.3	(10.4)
Changes of assumptions	(149.0)	86.6	(350.1)	13.4	138.5
Benefit payments	(25.4)	(25.6)	(26.0)	(23.7)	(24.7)
Net Change in Total OPEB Liability	(103.0)	121.8	(304.4)	66.7	169.6
Total OPEB Liability - Beginning	1,084.8	963.0	1,267.4	1,200.7	1,031.1
Total OPEB Liability - Ending	981.8	1,084.8	963.0	1,267.4	1,200.7
Plan Fiduciary Net Position:					
Contributions from employers	2.2	1.9	1.8	1.7	1.5
Transfer from active life insurance program	—	—	—	—	—
Net investment income	9.2	9.3	8.9	8.8	9.8
Administrative expense	(1.1)	(1.1)	(1.0)	(0.9)	(0.9)
Benefit payments	(25.4)	(25.6)	(26.0)	(23.7)	(24.7)
Net change in Plan Fiduciary Net Position	(15.1)	(15.5)	(16.3)	(14.1)	(14.3)
Plan Fiduciary Net Position – Beginning	287.8	303.2	319.6	333.7	348.0
Plan Fiduciary Net Position – Ending	272.7	287.7	303.3	319.6	333.7
Collective Net OPEB Liability/(Asset) – Beginning	797.1	659.7	947.8	867.0	683.1
Net change in Collective Net OPEB Liability/(Asset)	(87.9)	137.3	(288.1)	80.8	183.9
Collective Net OPEB Liability/(Asset) – Ending	\$ 709.2	\$ 797.1	\$ 659.7	\$ 947.8	\$ 867.0
Plan Fiduciary Net Position as a percentage of the total OPEB Liability/(Asset)	27.77 %	26.53 %	31.50 %	25.22 %	27.79 %
Covered-employee payroll	\$ 4,362.5	\$ 3,894.0	\$ 3,645.2	\$ 3,529.3	\$ 3,456.5
Net OPEB Liability as a percentage of covered-employee payroll	16.26 %	20.47 %	18.10 %	26.86 %	25.08 %

GASB standards require the presentation of 10 years of information. Because Fiscal Year 2018 (12/31/17 measurement date) was the first year for reporting this information, a full 10-year schedule will not be available until Fiscal Year 2027 (12/31/26 measurement date).

Schedule of Contributions to State Life Insurance OPEB Plan (in millions)

As of the Measurement Date December 31

	2024	2023	2022	2021	2020
Contractually required contribution	\$ 2.2	\$ 1.9	\$ 1.8	\$ 1.7	\$ 1.5
Contributions in relation to the contractually required contribution	2.2	1.9	1.8	1.7	1.5
Contribution deficiency	—	—	—	—	—
Covered-employee payroll	\$ 4,362.5	\$ 3,894.0	\$ 3,645.2	\$ 3,529.3	\$ 3,456.5
Contributions as a percentage of covered-employee payroll	0.05 %	0.05 %	0.05 %	0.05 %	0.04 %

GASB standards require the presentation of 10 years of information. Because Fiscal Year 2018 (12/31/17 measurement date) was the first year for reporting this information, a full 10-year schedule will not be available until Fiscal Year 2027 (12/31/26 measurement date).

Postemployment Benefits - State Life Insurance Program

Schedule of Changes in the Total OPEB Liability/(Asset) and Related Ratios (in millions)

As of the Measurement Date December 31

	2019	2018	2017
Total OPEB Liability:			
Service cost	\$ 25.4	\$ 30.7	\$ 26.2
Interest	33.2	31.2	30.7
Difference between expected & actual experience	(6.1)	(17.5)	(5.3)
Changes of assumptions	223.0	(94.9)	49.0
Benefit payments	(19.9)	(19.5)	(17.7)
Net Change in Total OPEB Liability	255.6	(70.1)	82.9
Total OPEB Liability - Beginning	775.5	845.5	762.6
Total OPEB Liability - Ending	1,031.1	775.5	845.5
Plan Fiduciary Net Position:			
Contributions from employers	1.2	1.4	1.4
Transfer from active life insurance program	13.1	—	—
Net investment income	10.4	10.9	11.6
Administrative expense	(0.8)	(0.7)	(0.7)
Benefit payments	(19.9)	(19.5)	(17.7)
Net change in Plan Fiduciary Net Position	4.0	(8.0)	(5.4)
Plan Fiduciary Net Position – Beginning	344.0	352.0	357.4
Plan Fiduciary Net Position – Ending	348.0	344.0	352.0
Collective Net OPEB Liability/(Asset) – Beginning	431.5	493.5	405.1
Net change in Collective Net OPEB Liability/(Asset)	251.6	(62.0)	88.4
Collective Net OPEB Liability/(Asset) – Ending	\$ 683.1	\$ 431.5	\$ 493.5
Plan Fiduciary Net Position as a percentage of the total OPEB Liability/(Asset)	33.75 %	44.36 %	41.63 %
Covered-employee payroll	\$ 3,299.5	\$ 3,182.5	\$ 3,184.0
Net OPEB Liability as a percentage of covered-employee payroll	20.70 %	13.56 %	15.50 %

GASB standards require the presentation of 10 years of information. Because Fiscal Year 2018 (12/31/17 measurement date) was the first year for reporting this information, a full 10-year schedule will not be available until Fiscal Year 2027 (12/31/26 measurement date).

Schedule of Contributions to State Life Insurance OPEB Plan (in millions)

As of the Measurement Date December 31

	2019	2018	2017
Contractually required contribution	\$ 1.1	\$ 1.4	\$ 1.4
Contributions in relation to the contractually required contribution	1.1	1.4	1.4
Contribution deficiency	—	—	—
Covered-employee payroll	\$ 3,299.5	\$ 3,182.5	\$ 3,184.0
Contributions as a percentage of covered-employee payroll	0.03 %	0.04 %	0.04 %

GASB standards require the presentation of 10 years of information. Because Fiscal Year 2018 (12/31/17 measurement date) was the first year for reporting this information, a full 10-year schedule will not be available until Fiscal Year 2027 (12/31/26 measurement date).

Postemployment Benefits - Supplemental Health Insurance Conversion Credit Program

Schedule of Changes in the Total OPEB Liability/(Asset) and Related Ratios (in millions)

As of the Measurement Date December 31

	2024	2023	2022	2021	2020
Total OPEB Liability:					
Service cost	\$ 31.0	\$ 26.3	\$ 25.7	\$ 23.5	\$ 24.1
Interest	78.6	70.2	70.0	63.7	64.4
Difference between expected & actual experience	31.1	82.7	(39.9)	(36.2)	(47.6)
Changes of assumptions	52.3	—	—	120.4	—
Benefit payments	(63.1)	(53.0)	(52.5)	(52.6)	(49.5)
Net Change in Total OPEB Liability	129.9	126.1	3.2	118.8	(8.6)
Total OPEB Liability - Beginning	1,172.1	1,046.0	1,042.7	924.0	932.6
Total OPEB Liability - Ending	1,302.0	1,172.1	1,046.0	1,042.8	924.0
Plan Fiduciary Net Position:					
Contributions from employers	13.0	11.9	5.4	15.7	15.1
Net investment income	102.8	127.8	(175.2)	200.6	159.4
Administrative expense	(0.5)	(0.6)	(0.7)	(0.7)	(0.6)
Benefit payments	(63.1)	(53.0)	(52.5)	(52.6)	(49.5)
Net change in Plan Fiduciary Net Position	52.2	86.1	(223.0)	163.0	124.4
Plan Fiduciary Net Position – Beginning	1,234.9	1,148.8	1,371.8	1,208.8	1,084.4
Plan Fiduciary Net Position – Ending	1,287.1	1,234.9	1,148.8	1,371.8	1,208.8
Collective Net OPEB Liability/(Asset) – Beginning	(62.7)	(102.8)	(329.0)	(284.8)	(151.8)
Net change in Collective Net OPEB Liability/(Asset)	77.7	40.0	226.2	(44.2)	(133.0)
Collective Net OPEB Liability/(Asset) – Ending	\$ 15.0	\$ (62.7)	\$ (102.8)	\$ (329.0)	\$ (284.8)
Plan Fiduciary Net Position as a percentage of the total OPEB Liability/(Asset)	98.85 %	105.35 %	109.83 %	131.55 %	130.82 %
Covered-employee payroll	\$ 6,497.9	\$ 5,935.8	\$ 5,423.5	\$ 5,215.5	\$ 5,018.5
Net OPEB Liability as a percentage of covered-employee payroll	0.23 %	(1.60)%	(1.90)%	(6.31)%	(5.68)%

GASB standards require the presentation of 10 years of information. Because Fiscal Year 2018 (12/31/17 measurement date) was the first year for reporting* this information, a full 10-year schedule will not be available until Fiscal Year 2027 (12/31/26 measurement date).

Schedule of Contributions to Supplemental Health Insurance Conversion Credit OPEB Plan (in millions)

As of the Measurement Date December 31

	2024	2023	2022	2021	2020
Contractually required contribution	\$ 13.0	\$ 11.9	\$ 5.4	\$ 15.7	\$ 15.1
Contributions in relation to the contractually required contribution	13.0	11.9	5.4	15.7	15.1
Contribution deficiency	—	—	—	—	—
Covered-employee payroll	\$ 6,497.9	\$ 5,935.8	\$ 5,423.5	\$ 5,215.5	\$ 5,018.5
Contributions as a percentage of covered-employee payroll	0.20 %	0.20 %	0.10 %	0.30 %	0.30 %

GASB standards require the presentation of 10 years of information. Because Fiscal Year 2018 (12/31/17 measurement date) was the first year for reporting* this information, a full 10-year schedule will not be available until Fiscal Year 2027 (12/31/26 measurement date).

*In FY 2020 it was determined that the SHICC Program was an OPEB to the State and should've been reported with the implementation of GASB 75. Therefore, FY 2020 was the first year it is reported in the statements.

Postemployment Benefits - Supplemental Health Insurance Conversion Credit Program

Schedule of Changes in the Total OPEB Liability/(Asset) and Related Ratios (in millions)

As of the Measurement Date December 31

	2019	2018	2017
Total OPEB Liability:			
Service cost	\$ 25.5	\$ 23.4	\$ 23.1
Interest	65.5	66.0	65.8
Difference between expected & actual experience	(55.3)	(41.6)	(31.6)
Changes of assumptions	—	25.2	—
Benefit payments	(52.9)	(55.4)	(56.4)
Net Change in Total OPEB Liability	(17.2)	17.6	0.9
Total OPEB Liability - Beginning	949.8	932.2	931.3
Total OPEB Liability - Ending	932.6	949.8	932.2
Plan Fiduciary Net Position:			
Contributions from employers	14.3	18.2	17.9
Net investment income	180.2	(36.5)	141.7
Administrative expense	(0.3)	(0.2)	(0.3)
Benefit payments	(52.9)	(55.4)	(56.4)
Net change in Plan Fiduciary Net Position	141.3	(73.9)	102.9
Plan Fiduciary Net Position – Beginning	943.1	1,017.0	914.1
Plan Fiduciary Net Position – Ending	1,084.4	943.1	1,017.0
Collective Net OPEB Liability/(Asset) – Beginning	6.7	(84.8)	17.2
Net change in Collective Net OPEB Liability/(Asset)	(158.5)	91.5	(102.0)
Collective Net OPEB Liability/(Asset) – Ending	\$ (151.8)	\$ 6.7	\$ (84.8)
Plan Fiduciary Net Position as a percentage of the total OPEB Liability/(Asset)	116.28 %	99.29 %	109.10 %
Covered-employee payroll	\$ 4,796.1	\$ 4,562.6	\$ 4,454.5
Net OPEB Liability as a percentage of covered-employee payroll	(3.17)%	0.15 %	(1.90)%

GASB standards require the presentation of 10 years of information. Because Fiscal Year 2018 (12/31/17 measurement date) was the first year for reporting* this information, a full 10-year schedule will not be available until Fiscal Year 2027 (12/31/26 measurement date).

Schedule of Contributions to Supplemental Health Insurance Conversion Credit OPEB Plan (in millions)
As of the Measurement Date December 31

	2019	2018	2017
Contractually required contribution	\$ 14.4	\$ 18.2	\$ 17.9
Contributions in relation to the contractually required contribution	14.4	18.2	17.9
Contribution deficiency	—	—	—
Covered-employee payroll	\$ 4,796.1	\$ 4,562.6	\$ 4,454.5
Contributions as a percentage of covered-employee payroll	0.30 %	0.40 %	0.40 %

GASB standards require the presentation of 10 years of information. Because Fiscal Year 2018 (12/31/17 measurement date) was the first year for reporting* this information, a full 10-year schedule will not be available until Fiscal Year 2027 (12/31/26 measurement date).

*In FY 2020 it was determined that the SHICC Program was an OPEB to the State and should've been reported with the implementation of GASB 75. Therefore, FY 2020 was the first year it is reported in the statements.

State's Proportionate Share of the Net Pension Liability or Net Pension (Asset)

The State's proportionate share of the net pension liability (NPL) or net pension (asset) (NPA) of the Wisconsin Retirement System is provided below:

Fiscal Year*	State's Proportion of the NPL/(NPA) (a)	State's Proportionate Share of the NPL/(NPA) (b)	State's Covered Payroll (c)	State's Share of the NPL/(NPA) as a Percentage of Covered Payroll (b / c)	WRS' Net Position as a Percentage of the Total Pension Liability (d)
2025	29.6 %	\$ 486,008,694	\$ 5,554,917,672	8.7 %	98.8 %
2024	29.0	431,055,982	5,114,726,881	8.4	98.9
2023	28.7	1,519,439,625	4,678,449,239	32.5	95.7
2022	(28.5)	(2,293,804,977)	4,540,800,913	(50.5)	106.0
2021	(28.1)	(1,756,102,234)	4,401,057,149	(39.9)	105.3
2020	(27.7)	(895,288,646)	4,159,693,791	(21.5)	103.0
2019	27.7	985,537,744	3,972,324,722	24.8	96.5
2018	(27.8)	(826,113,891)	3,867,555,186	(21.4)	102.9
2017	28.0	232,791,419	3,806,871,835	6.1	99.1
2016	28.1	455,475,378	3,790,475,424	12.0	98.2

* The amounts presented were measured as of the calendar year-end or for the calendar year ended that occurred within the fiscal year listed.

State's Pension Contributions

The State's pension contributions to the Wisconsin Retirement System are provided below:

Fiscal Year*		State's Actuarially Determined Contributions (a)		State's Contributions Made (b)		Contribution Excess/ (Deficiency) (b - a)		State's Covered Payroll (c)		State's Contributions Made as a Percentage of Covered Payroll (b / c)
2025	\$	444,224,087	\$	444,224,087	\$	—	\$	5,554,917,672		8.0 %
2024		392,059,628		392,059,628		—		5,114,726,881		7.7
2023		336,675,729		336,675,729		—		4,678,449,239		7.2
2022		333,860,600		333,860,600		—		4,540,800,913		7.4
2021		324,683,196		324,683,196		—		4,401,057,149		7.4
2020		292,078,527		292,078,527		—		4,159,693,791		7.0
2019		284,968,840		284,968,840		—		3,972,324,722		7.2
2018		280,500,929		280,500,929		—		3,867,555,186		7.3
2017		263,970,133		263,970,133		—		3,806,871,835		6.9
2016		270,985,300		270,985,300		—		3,790,475,424		7.2

* The amounts presented were measured for the calendar year ended that occurred within the fiscal year listed.

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 one of its condition measures. IRI is a direct measure of road roughness, with an IRI of 2.69 mm/m (170 inches/mile) or greater being defined as a "poor" ride. Roads with a "poor" IRI assessment may cause negative impacts for the traveling public by decreasing driver comfort and potentially increasing the damage to vehicles and goods. It is the State's policy to ensure no more than 15 percent of its roads receive a "poor" IRI assessment.

Recent condition assessment results are as follows:

Year Ended June 30	Miles of Road	Percent Rated "Poor"	Established Percent	Variance Favorable/ (Unfavorable)
2025	11,200	7.8 %	15.0 %	7.2 %
2024	11,200	9.1	15.0	5.9
2023	11,200	8.8	15.0	6.2
2022	11,200	7.8	15.0	7.2
2021	11,200	7.5	15.0	7.5
2020	11,200	7.6	15.0	7.4
2019	11,200	7.6	15.0	7.4
2018	11,200	7.4	15.0	7.6
2017	11,200	7.4	15.0	7.6
2016	11,200	8.9	15.0	6.1

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)
2025	\$ 980.5	\$ 843.0	\$ 137.5
2024	1,140.5	851.7	288.8
2023	1,199.6	627.5	572.1
2022	1,265.2	688.9	576.3
2021	939.8	571.4	368.4
2020	828.6	671.0	157.6
2019	847.9	612.0	235.9
2018	748.0	616.7	131.3
2017	770.3	629.3	141.0
2016	617.6	564.7	52.9

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.

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)
2025	5,100	1.8 %	15.0 %	13.2 %
2024	5,100	1.9	15.0	13.1
2023	5,100	2.1	15.0	12.9
2022	5,100	2.5	15.0	12.5
2021	5,100	2.3	15.0	12.7
2020	5,200	2.3	15.0	12.7
2019	5,200	2.6	15.0	12.4
2018	5,200	3.0	15.0	12.0
2017	5,200	3.1	15.0	11.9
2016	5,200	3.1	15.0	11.9

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)
2025	\$ 71.3	\$ 57.6	\$ 13.7
2024	62.4	37.8	24.6
2023	47.5	37.0	10.5
2022	58.0	58.6	(0.6)
2021	59.0	77.2	(18.2)
2020	107.3	67.5	39.8
2019	63.1	65.8	(2.7)
2018	92.1	89.9	2.2
2017	56.9	59.3	(2.4)
2016	78.6	128.3	(49.7)

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, 2025

(In Thousands)

	Original Budget		Final Budget		Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year					<u>\$ 8,323,911</u>
Revenues and Transfers (Inflows):					
Taxes	\$ 20,721,829		\$ 22,316,129		22,404,734
Departmental:					
Tribal Gaming	6,893		18,849		32,550
Other	25,698,450	(A)	25,821,147	(A)	25,710,474
Transfers from:					
Nonmajor Governmental Funds	(A)		(A)		—
Nonmajor Enterprise Funds	(A)		(A)		—
Total Revenues and Transfers (Inflows)	<u>46,427,172</u>		<u>48,156,125</u>		<u>48,147,758</u>
Amounts Available for Appropriation					<u>56,471,669</u>
Appropriations (Outflows):					
Commerce	459,024		780,399		577,595
Education	16,454,172		19,160,549		18,031,984
Environmental Resources	385,907		611,925		449,273
Human Relations and Resources	19,952,679		28,630,110		22,975,677
General Executive	1,398,625		2,649,749		2,078,691
Judicial	171,702		177,524		175,577
Legislative	95,283		97,955		91,474
Tax Relief and Other General	2,257,824		2,383,105		2,245,754
Transfers to:					
Transportation Fund	106,800		106,800		106,800
Nonmajor Governmental Funds	—		—		2,297,995
Nonmajor Enterprise Funds	—		—		—
Total Appropriations (Outflows)	<u>\$ 41,282,015</u>		<u>\$ 54,598,116</u>		<u>49,030,820</u>
Fund Balances, End of Year					<u>7,440,849</u>
Less Encumbrances Outstanding at June 30, 2025					<u>(1,480,566)</u>
Fund Balances, End of Year - Budgetary Basis					<u><u>\$ 5,960,283</u></u>
Reconciliation of the End of Year,					
Budgetary Basis, Fund Balance to the Detail					
Reported in the Annual Fiscal Report:					
General Purpose:					
Designated				\$	147,294
Undesignated					<u>4,605,574</u>
Total General Purpose					<u>4,752,868</u>
Program Revenue					<u>1,207,418</u>
Fund Balances, End of Year Budgetary Basis				<u>\$</u>	<u><u>5,960,286</u></u>

(A) Interfund transfers to the General Fund were budgeted under departmental revenue during Fiscal Year 2025.

Budgetary Comparison Schedule - Transportation Fund

For the Fiscal Year Ended June 30, 2025

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			<u>\$ 1,704,006</u>
Revenues (Inflows):			
Taxes	\$ 1,151,262	\$ 1,151,262	1,151,262
Departmental	2,444,325	2,444,325	2,444,325
Transfers from:			
General Fund	106,800	106,800	106,800
Nonmajor Governmental Funds	22,918	22,918	22,918
Total Revenues (Inflows)	<u>3,725,305</u>	<u>3,725,305</u>	<u>3,725,305</u>
Amounts Available for Appropriation			<u>5,429,312</u>
Appropriations and Transfers (Outflows):			
Environmental Resources	3,314,566	8,062,181	3,636,688
General Executive	2,342	2,352	2,010
Tax Relief and Other General	24,258	25,115	23,366
Total Appropriations and Transfers (Outflows)	<u>\$ 3,341,166</u>	<u>\$ 8,089,648</u>	<u>3,662,064</u>
Fund Balances, End of Year			1,767,247
Less Encumbrances Outstanding at June 30, 2025			<u>(2,704,580)</u>
Fund Balances, End of Year			
Budgetary Basis			<u><u>\$ (937,333)</u></u>

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, 2025 is presented below (in thousands):

	General Fund	Transportation Fund
Fund balance June 30, 2025 (budgetary basis – budgetary fund structure):		
General Purpose Revenue – fund balance per budgetary basis <i>Annual Fiscal Report</i>		
Undesignated fund balance	\$ 4,605,574	
Designated fund balance	147,294	
Total General Purpose Revenue fund balance	4,752,868	
Program Revenue – fund balance per budgetary basis <i>Annual Fiscal Report</i>	1,207,418	
Fund balance June 30, 2025 (budgetary basis – budgetary fund structure) as reported on the budgetary comparison schedule	5,960,286	\$ (937,333)
Reclassifications:		
To eliminate encumbrances reported as expenditures under budgetary reporting (<i>basis difference</i>)	1,480,566	2,704,580
To eliminate the effect of uncollected revenue adjustments under budgetary reporting (<i>basis difference</i>)	450,963	—
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>)	2,570,691	—
To remove activities reported in another GAAP fund type (<i>perspective differences</i>):		
Enterprise funds (except for the University of Wisconsin System)	60,486	—
University of Wisconsin System	(1,638,701)	—
Internal Service funds	(65,988)	—
Transportation Revenue Bonds capital project fund	—	—
Fund balance June 30, 2025 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	8,818,304	1,767,247
Adjustments (<i>basis differences</i>):		
To accrue receivables and establish payables for individual income taxes (net)	(1,598,457)	—
To defer revenues for gross receipts public utility taxes	(334,058)	—
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(795,235)	(4,580)
To adjust expenditures for the intergovernmental shared revenue program	(603,684)	—
To adjust expenditures for State property tax credit/relief program	(722,652)	—
To record unspent Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) as unearned as of 6/30/2025	(413,232)	—
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(192,537)	—
To adjust revenues and expenditures for certain major Health Services, and Children and Families human services payments to local governments	(182,543)	—
To accrue receivable for Medicaid drug rebates (net of payable to federal government)	158,106	—
To accrue WHISP payments and claims	(124,786)	—
To adjust expenditures/revenues for other Health Services, Workforce Development, Children and Families, and Corrections accruals and deferrals	(74,537)	—
To recognize the tobacco settlement revenue receivable	47,780	—
To adjust expenditures and revenues for State Energy Program and other revolving loan programs	20	—
To adjust revenues and expenditures for other items (net)	(63,384)	267,064
Fund balance June 30, 2025 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements	\$ 3,919,104	\$ 2,029,731

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 statutorily 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 statutorily 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 July 5, 2023 and published on July 6, 2023. 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 Annual Comprehensive Financial Report. Accordingly, a supplementary report is available upon request which provides budgetary comparisons at the legal level of control.

Unexpended appropriation balances lapse at year-end or forward to the subsequent fiscal year depending on the type of appropriation involved:

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- *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.
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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.

