

# Wisconsin



## Annual Comprehensive Financial Report

For the fiscal year ended June 30, 2022

# STATE OF WISCONSIN

## Annual Comprehensive Financial Report



For the fiscal year ended June 30, 2022

**Tony Evers, Governor**

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

Prepared by the State Controller's Office

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Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2022

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# **INTRODUCTORY SECTION**

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STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor  
Kathy Blumenfeld, Secretary-designee  
Brian Pahnke, Administrator

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December 21, 2022

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

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) for the State of Wisconsin for the fiscal year ended June 30, 2022.

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

This report has been prepared in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). To report the State's financial activity, the State's budgetary funds are grouped into the fund types required by GAAP. As a result, the State's 66 budgetary funds have been analyzed, restructured and are currently reported in 88 GAAP funds. The most significant change has been to reclassify certain activities from the budgetary General Fund and present them in proprietary and fiduciary fund types more appropriate for the financial reporting of transactions related to commercial and trust activities. Notes 1-C and 1-D to the financial statements include a more detailed discussion of the GAAP fund types.

### **Independent Audit**

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

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

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

## **PROFILE OF THE STATE**

The State of Wisconsin was admitted to the Union as the 30th state in 1848. Wisconsin, situated between Lake Michigan and the Mississippi River, covers 65,498 square miles and serves a population of 5.9 million.

Wisconsin government is divided into three branches. The executive branch, headed by the governor, includes five other elected constitutional officers, as shown on the organization chart on Page 14. The legislative branch includes the Wisconsin Legislature, which is composed of a 33-member senate and a 99-member assembly. The judicial branch includes the Wisconsin Supreme Court, the Court of Appeals, and Circuit Courts.

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

### **Component Units**

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

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

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

### **Budgetary Process**

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

The State Constitution provides that no money shall be paid out of the Treasury except in pursuance of an appropriation by law. State statutes vest the responsibility of auditing claims against the State with the Secretary of the Department of Administration, who may elect to delegate this authority, in writing, to the head of any agency under terms and standards set by the Secretary. Through written agreements, agencies are responsible for auditing claims against their appropriations, while the Department of Administration maintains and exercises detailed allotment control over all agency appropriations.

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

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

The Wisconsin Retirement System (WRS) is a pension plan administered by the Department of Employee Trust Funds (ETF). The WRS provides coverage to all eligible employees of the State of Wisconsin and other participating local units of government. The most current actuarial valuations of this pension plan indicated that the WRS was funded at approximately 100.0 percent of liabilities for the 663,000 participants of the WRS. The State's contribution to WRS represents approximately 32.4 percent of total contributions required of all participating entities.

The Accumulated Sick Leave Conversion Credit (ASLCC) benefit program, reported as an internal service fund and also administered by ETF, allows employees at the time of their retirement to convert the value of their accumulated unused sick leave into an account to be used to pay for post-retirement health insurance. The actuarial value-based funded ratio of this program was 100.0 percent as of December 31, 2021 (the date of the most recent valuation).

## **ECONOMIC CONDITION AND OUTLOOK**

In 2022, Wisconsin and the rest of the country continued recovering from the sudden and severe economic shock precipitated by the COVID-19 global pandemic. In both Wisconsin and the nation as a whole, employment losses during the pandemic have been either entirely or nearly entirely reversed across most sectors.

Key highlights of Wisconsin's relative economic performance include:

- Wisconsin's unemployment rate increased drastically along with the national rate during the early stages of the pandemic, but has since fallen to 3.2 percent as of September 2022, slightly below the national rate of 3.5 percent for the same month. Unemployment rates for Wisconsin and the nation have matched prepandemic lows in recent months.
- Wisconsin's labor force participation rate remains higher than the national average at 65.6 percent as of September 2022 compared to a national rate of 62.3 percent for the same month. Wisconsin's labor force participation rate is the 13th highest nationally based on September data, maintaining the state's strong relative standing.
- Since the low point in employment in April 2020, Wisconsin nonfarm payrolls have risen 13.9 percent. Relative to prepandemic employment levels in February 2020, Wisconsin is 1.5 percent below February 2020 levels, comparable to the median state's 0.5 percent decline.
- Adjusting for unusual transfer payment activity resulting from federal relief packages, Wisconsin's per capita personal income has remained at between 93 percent and 94 percent of the national average throughout the pandemic, reflecting a steady rate of economic performance despite severe economic volatility.

Revenues continued to perform strongly in Fiscal Year 2022, with higher than expected collections. Total General Fund tax collections increased 5.0 percent in Fiscal Year 2022 from Fiscal Year 2021, following 11.6 percent growth in the prior year. Individual income tax collections fell slightly, declining 0.7 percent due to significant individual income tax rate reductions and withholding table updates. Sales and use taxes rose 9.5 percent, while corporate income taxes surged 15.6 percent. Overall collections were well ahead of both budgeted levels and revised projections. Collections exceeded the revised January 2022 revenue forecast by \$1.621 billion and the adopted budget revenue estimate for the 2021-23 biennial budget by roughly \$2.0 billion. Individual income tax collections and corporate income tax collections provided the large majority of these excess collections, supported by rapid growth in capital gains realizations and corporate profits.

Looking ahead, Wisconsin's economy is expected to be heavily affected by national trends as the economy slows. The following projections are from the November 2022 Wisconsin Economic Forecast produced by the Department of Revenue. Wisconsin nonfarm payrolls are expected to grow 2.0 percent in 2022, followed by declines of 0.4 percent and 0.7 percent in 2023 and 2024, respectively, reflecting IHS Markit projections for a mild national recession in 2023. Growth in nonfarm payrolls will resume at 0.4 percent in 2025. Growth in personal income is projected at 2.0 percent in 2022, 4.0 percent in 2023, 3.7 percent in 2024 and 3.9 percent in 2025. Wages and salaries, which exclude the effect of pandemic-related transfer payments in 2021, are projected to grow 7.8 percent in 2022, 3.0 percent in 2023, 3.3 percent in 2024 and 4.2 percent in 2025. While a mild recession is projected in 2023, reductions in employment are not projected to be deep enough to turn nominal personal income growth negative.

The State of Wisconsin continues to maintain its commitment to solid financial responsibility. In August 2021, S&P Global Ratings and Kroll Bond Rating Agency raised Wisconsin's credit ratings to AA+ from AA and to

AAA from AA+, respectively. Kroll Bond Rating Agency cited Wisconsin's substantial liquidity, continuing healthy revenue growth and an ongoing COVID-19 recovery. S&P Global Ratings noted an expectation that the State will continue to take responsive budgetary actions to ensure the State's fiscal stability. Higher credit ratings will lower borrowing costs and continue to improve Wisconsin's fiscal position.

The rating upgrades reflected a combination of the following. First, a deposit of \$967.4 million was made into the state's Budget Stabilization Fund in Fiscal Year 2021. This deposit raised the balance in the state's "rainy day" fund to \$1.73 billion at the end of Fiscal Year 2021. This balance is the highest ever, more than double the amount of just a year prior and greater than five times the balance at the end of Fiscal Year 2018. Second, Fiscal Year 2020 marked the first time that the State's General Fund ended a fiscal year with a positive fund balance under Generally Accepted Accounting Principles (GAAP) since the State began issuing an ACFR in Fiscal Year 1990 – eliminating a deficit that, at one point, had exceeded 20 percent of General Fund expenditures. Finally, investors and independent research recognize the strengths of the Wisconsin retirement system; Wisconsin's fully funded pension system and minimal other postemployment benefit (OPEB) liabilities continue to be recognized by the credit rating agencies.

Sound fiscal management has allowed critical expenditure needs to be addressed without raising taxes. From Fiscal Year 2017 to Fiscal Year 2022, school aids increased by \$1.1 billion (18.6 percent). During this same period, Medicaid expenditures increased by \$3.7 billion all funds (40.5 percent), of which the General Fund increase was \$306.3 million (11.6 percent). The Medicaid expenditure growth in Fiscal Year 2022 was significant – the five-year all funds expenditure growth for Medicaid from Fiscal Year 2015 to Fiscal Year 2020 was \$2.1 billion (24.1 percent). The current five-year growth figure reflects the impact of the economic effects of the COVID-19 pandemic and the continuous coverage provision of the federal Families First Coronavirus Response Act, which caused Fiscal Year 2022 Medicaid expenditures from all funds to increase 19.6 percent from Fiscal Year 2020.

In total, the State of Wisconsin's continued commitment to tax relief, financial responsibility and investments in our shared Wisconsin values are yielding positive results. Wisconsin's combined state and local tax ranking has fallen from the 10th highest in Fiscal Year 2011 to the 18th highest in Fiscal Year 2020 as the State reduced the tax burden on both households and businesses. The Fiscal Year 2020 rankings included some unfavorable distortions for Wisconsin as some states did not record pandemic-delayed tax filings in Fiscal Year 2020, but rather in Fiscal Year 2021. Wisconsin's underlying tax ranking is likely closer to the 2019 ranking of 24th as a result.

## **MAJOR INITIATIVES**

**Economic Development.** The State of Wisconsin's 2021-23 Biennial Budget furthered the State's existing economic development efforts by providing additional resources to improve broadband service, improve roads and boost household buying power through a major income tax reduction.

The 2021-23 Biennial Budget provided \$129 million over the biennium to support the Broadband Expansion Grant program to reach more underserved areas of the state. This new investment follows the \$48 million investment made in broadband service in the 2019-21 Biennial Budget. In addition, the Governor allocated \$5.3 million in federal funding from the CARES Act to broadband projects across the state, as well as an additional \$99.9 million from the federal American Rescue Plan Act to provide broadband grants under the newly created Broadband Access Grant Program.

The 2021-23 Biennial Budget also created a one-time \$100 million local road improvement program and provided back-to-back 2 percent increases to State general transportation aid to local governments in both 2022 and 2023. These changes follow the prior budget's ongoing \$312 million biennial lift in state highway rehabilitation funding and a strong 10 percent increase in annual general transportation aids to counties, towns, villages and cities. Continued enhancement of state and local transportation infrastructure will enable and promote greater economic activity.

The 2021-23 Biennial Budget included one of the largest individual income tax reductions in history with a reduction in the third marginal individual income tax rate from 6.27 percent to 5.3 percent, providing

approximately \$1 billion annually in individual income tax relief, predominantly for middle class Wisconsinites. This income tax cut follows relief provided in the 2019-21 Biennial Budget and 2019 Wisconsin Act 10, which provided approximately \$400 million in annual income tax relief via reductions to the bottom two individual income tax rates. Taken together, these cuts provide historic income tax relief to Wisconsin middle class taxpayers.

Complementing more general tax relief initiatives, the State has also expanded targeted business incentives in recent years to enhance the State's ability to attract and retain key employers. The State's two primary economic development tax incentives are the Enterprise Zone Jobs Credit and the Business Development Credit. Both are refundable credits that provide incentives for businesses retaining or creating jobs or making substantial capital investments in the state. The Enterprise Zone Jobs Credit program was formerly limited to 30 zones in the state, but those limits were repealed by 2017 Wisconsin Act 369, which allows the Wisconsin Economic Development Corporation to request the creation of an unlimited number of zones, subject to approval by the Joint Committee on Finance. The Business Development Credit program is subject to a \$22 million annual award limit and provides incentives related to job creation and retention, workforce training, capital investment, and headquarters retention and relocation.

In addition, the State offers a variety of programs that target minority and rural business development, dairy manufacturing, and agricultural production. Through the end of Fiscal Year 2022, over 700 businesses had been certified as minority-owned to increase the opportunity for these firms to sell their products and services to the State of Wisconsin. Further, a variety of sales tax exemptions for fuel, electricity, farm machinery, veterinary services, and other personal property and supplies have reduced farming costs in the state by over \$200 million annually.

Wisconsin's Farmland Preservation Credit programs provide credits to approximately 11,000 farmers, who qualify through farmland preservation zoning or individual farmland preservation agreements. The credit is calculated based on qualifying acres and certain other criteria. Expenditures under the program were \$16.4 million in Fiscal Year 2022.

At the end of 2021, Wisconsin was home to nearly 6,300 dairy farms with almost 1.28 million cows. Wisconsin's milk production continues to grow as the dairy farms in the state yielded more than 31.7 billion pounds of milk in 2021. Wisconsin accounts for more than 14 percent of the nation's milk production. Milk production per cow in Wisconsin continues to grow and was at 24,884 pounds per year in 2021. Dairy production and processing accounts for \$45.6 billion in economic activity, almost half of all economic activity associated with agriculture, and accounts for nearly 157,100 jobs.

In 2020, Wisconsin was the nation's top cheese producing state with over 3.47 billion pounds of cheese, more than 25 percent of the nation's cheese production. Wisconsin's nearly 1,200 licensed cheesemakers produce over 600 types, styles and varieties of cheese. Wisconsin's specialty cheese production also continues to be strong, producing over 877 million pounds in 2021.

Wisconsin exported \$3.96 billion in agricultural products to 146 countries in 2021, an increase of \$590 million over 2020. Wisconsin currently ranks 13th among U.S. states in agricultural exports. Wisconsin's top five markets for agricultural exports were Canada, China, Mexico, Korea and Japan. Wisconsin ranked first in the export of bovine genetics, ginseng, raw furskins, prepared/preserved cranberries, prepared/preserved sweet corn, sausages and whey.

The State continued to encourage private investment in entrepreneurial activities with the Angel Investment and Early Stage Seed Investment tax credit programs, which initially became effective for tax years beginning after January 1, 2005. Through the programs, individuals and businesses are eligible for tax credits equal to a portion of the investment made in qualified new business ventures. In Fiscal Year 2022, 38 new companies were certified as qualified new business ventures. There were 270 active qualified new business ventures in total as of June 30, 2022.

Similar to other states, in mid-2020, Wisconsin experienced a spike in unemployment claims due to the COVID-19 pandemic. However, Wisconsin's unemployment rate improved more quickly than many other

states. As of September 2022, Wisconsin's unemployment rate was still lower than the national unemployment rate with Wisconsin's seasonally adjusted unemployment rate at 3.2 percent, compared to the national unemployment rate of the 3.5 percent.

The Department of Workforce Development's efforts related to the State's Fast Forward program continue to address the state's need for an increasingly skilled workforce. The program provides funding for employer-led customized training for new or current employees, high school technical education (including certifications, dual enrollment programs and advanced manufacturing equipment), internships in high-demand fields for University of Wisconsin System students, and employee resource networks. Through the program, the Department of Corrections received grants to support training and career preparation for incarcerated or formerly incarcerated individuals reentering the workforce, especially through the use of mobile training labs. In 2021, Wisconsin Fast Forward awarded \$6.25 million in grants.

**Transportation.** The State of Wisconsin continued to make significant investments in transportation infrastructure with construction on state and local roadways and bridges. In State Fiscal Year 2022, work was initiated on over 431 projects totaling 1,065 miles and the rehabilitation or replacement of 343 bridges through the State letting process. This work totaled more than \$1.3 billion in construction projects. In addition, in Calendar Year 2022, 97.5 percent of state bridges were rated in fair or better condition.

Significant road project milestones in Fiscal Year 2022 include:

- a. The I-43 North-South reconstruction project began in earnest in early 2022. The \$550 million project is currently modernizing the 14-mile corridor from Glendale to Grafton in Milwaukee and Ozaukee counties. As part of the project, the new Highland Road interchange opened this fall, making it one of the few brand-new interchanges to be built in the Milwaukee area since the early 1970s.
- b. The I-94 East/West and WIS 175 project designs are currently underway. The Wisconsin Department of Transportation completed the Supplemental Environmental Impact Statement (EIS) for the I-94 East/West project and submitted it to the Federal Highway Administration for a Record of Decision review. The WIS 175 study is adjacent to the East/West project and will investigate reimagining the layout of the roadway. The study team is seeking a Reconnecting Communities Program grant.
- c. The North Leg of the Zoo Interchange is finishing the second year of construction. The project will complete the \$1.7 billion Zoo Interchange Project by investing the final \$150.4 million. The focus of this year's work included construction of northbound lanes on I-41, the new Union Pacific railroad bridge and lowering North Avenue to accommodate the new I-41 structure.
- d. The Flex Lane, on US 12/18 (Madison Beltline) in Dane County, opened in 2022. It has so far shown to improve travel time reliability by roughly 30 percent. As an additional travel lane during peak periods, the Flex Lane improves traffic by using the inside median shoulder on the highway.
- e. The WIS 23 project will be complete in December 2022. The project is reconstructing 19.1 miles of WIS 23 as a four-lane divided highway from US 151 in Fond du Lac east to County P in Plymouth. Numerous WIS 23 intersections were also improved as part of the project with three new interchanges (County K, County UU and County G) in Fond du Lac County.
- f. The I-94 project in Jackson County from County F to Perry Creek in the Black River Falls area will provide motorists with a smoother ride. The \$14.3 million project, which is nearly complete, removed a portion of the existing pavement, made spot repairs to the underlying concrete pavement, and placed new asphalt pavement and pavement markings on I-94 and the US 12/WIS 27 and WIS 54 interchange ramps, and adjusted guardrails.

The department continued its focus on effective use of resources, performance improvement, innovative programs and transportation safety:

- a. In Fiscal Year 2022 department staff repurposed over 9,316 staff hours with nearly \$51,029 in annual cost savings and over \$710,550 in one-time cost savings across 39 initiatives. The department's continuous improvement efforts include quarterly MAPSS performance data updates, progress reports in key goal areas to promote data-driven decision making, and communication with the public and policymakers on department progress to promote transparency and accountability.
- b. The department enhanced the 511wi.gov website to include a more robust winter road condition feature, as well as live action traffic cameras along major roadways. The condition reporting uses technology that color codes 14,000 centerline miles of roadway in the map for drivers to plan for wintery conditions. These condition reports update at least twice hourly, 24 hours a day.
- c. Statewide efforts in the 2021-22 winter saved 236 million pounds of salt, worth more than \$10.1 million, by working with county highway departments on liquid deicing strategies and other winter best practices.
- d. Dual language roadway signs welcome travelers to tribal communities in English and native languages. The dual language signage program launched in 2021 with the first signage installed in Bayfield County, in partnership with the Red Cliff Band of Lake Superior Chippewa.
- e. Completed an update to the department's multimodal long-range transportation plan, Connect 2050. The new plan is a streamlined planning document that will stay relevant over time by referencing other department plans, technical reports and policy documents. This includes the creation of a website that improves transparency for the department's planning efforts and better communicates how modal plans work together to support the multimodal long-range plan. Connect 2050 included extensive public and stakeholder engagement, receiving over 2,500 comments representing all counties of the State. In addition, the department has made significant progress on updating the Wisconsin Rail Plan and Wisconsin State Freight Plan, and initiated the Wisconsin Active Transportation Plan that consolidates the Wisconsin Bicycle Transportation Plan and Wisconsin Pedestrian Policy Plan. These plan updates follow the schedule outlined in Connect 2050.
- f. Wisconsin continued to make use of the road test waiver pilot in Fiscal Year 2022 with 87.5 percent of parents/guardians of eligible drivers choosing the waiver alternative. In addition, this road test waiver pilot has produced no negative impacts on citation or crash rates postlicensure.
- g. Wisconsin continued to make use of the online driver license renewal pilot in Fiscal Year 2022, with 107,287 eligible customers choosing to renew their driver license online. Renewing online prevented the need for an in-person Division of Motor Vehicles (DMV) visit and has shown no negative impact on citation or crash rates postrenewal.
- h. The department launched a new feature in the eMV Public Online Title and Registration System that allows vehicle owners to initiate title only and title with registration applications for vehicles newly purchased with an out-of-state title or vehicles already titled in their name in another state (when moving to Wisconsin). Previously, eMV Public was offered only to vehicle owners who had purchased a vehicle with a current Wisconsin title.
- i. The department's DMV launched the Customer Payment Web App (ePay), an application that allows customers to pay online for DMV products and professional credentials. Upon completion of payment, products and credentials are issued with little or no manual processing. Instructions for submitting payment via ePay is included on DMV correspondence requesting payment, if ePay is a viable option. Using DMV online services ensures that proper payment is received. Having this alternative provides a convenient online alternative for customers to finalize their transaction.
- j. In Fiscal Year 2022, the State Patrol organized and funded multijurisdictional, high-visibility enforcement task forces to improve services statewide. The department handled 267 safety grants, delivering funds for 140 agencies in a total obligation of \$14.44 million for enforcement, education and

data improvement. During the fiscal year, there were 36 seat belt task forces, 24 impaired driving task forces, 29 speed enforcement task forces and 2 task forces focusing on pedestrian right-of-way laws.

**Environment.** Wisconsin's Warren Knowles-Gaylord Nelson Stewardship Program and its successor, the Warren Knowles-Gaylord Nelson Stewardship 2000 Program, are available for land acquisition, easements and nature-based outdoor recreational property development activities. The original Stewardship Program committed \$250 million through the sale of general obligation bonds and the use of federal grant monies for various resource development and land protection activities, including acquisition of State park lands, protection of urban rivers and assistance to local parks. The program was reauthorized in 2007 Wisconsin Act 20 through Fiscal Year 2020 with an annual bonding authority of \$86 million beginning in Fiscal Year 2011. The 2011-13 Biennial Budget subsequently reduced the annual bonding authority to \$60 million beginning in Fiscal Year 2012. Under 2013 Wisconsin Act 20, the annual bonding authorization was reduced further to \$47.5 million in Fiscal Year 2014 and \$54.5 million in Fiscal Year 2015. Finally, under 2015 Wisconsin Act 55, 2019 Wisconsin Act 9 and 2021 Wisconsin Act 58, the annual authorization was reduced to \$33.3 million in Fiscal Year 2016 through Fiscal Year 2024, the revised program end date. During Fiscal Year 2022, the State expended and encumbered approximately \$2.6 million in Stewardship Program financing to acquire over 14,675 acres of public recreational land through acquisition and recreational easement. Some encumbered Fiscal Year 2022 properties may include acquisitions that will close in Fiscal Year 2023. An additional \$10.9 million in Stewardship grants was awarded to local governments and nonprofit conservation organizations for the acquisition of easements and title in fee.

In addition to land acquisition through the Stewardship Program, Wisconsin's efforts to protect and enhance its natural resources include partnerships with individual landowners. In November 2001, the State entered into an agreement with the U.S. Department of Agriculture for the authority to enroll up to 100,000 acres of Wisconsin farmland in the Conservation Reserve Enhancement Program. The federal government will provide up to \$200 million for the program, which will be matched by the State with up to \$28 million from the sale of general obligation bonds. As of October 1, 2021, total State payments to landowners for both newly-enrolled and reenrolled contracts amounted to just over \$21.0 million on approximately 73,000 acres. The State's payments to date will leverage federal payments to program participants 7 to 1 over the course of the program contracts.

Wisconsin's Environmental Improvement Fund (clean water fund program and safe drinking water loan program) provides financial assistance to municipalities for the planning, design and construction of wastewater collection and treatment, and drinking water treatment and distribution facilities. Most communities applying for assistance receive subsidized loans. Funding is provided from a State-matched federal capitalization grant and through State revenue bonds and repayments from loans previously made. In addition, the federal capitalization grant has been leveraged through the issuance of revenue bonds on the clean water side of the fund, and since November 2019, on the safe drinking water loan program side. In Fiscal Year 2021, the Environmental Improvement Fund awarded \$377.0 million to municipalities for 78 projects and amendments; this amount includes \$12.4 million awarded as grants commencing in Fiscal Year 2021 for 17 projects specifically to address private lead service line replacements under a one-time transfer of funds from the clean water fund program to the safe drinking water loan program. This brings the total amount of loans and grants awarded to \$6.246 billion since its inception in 1991. The funding has financed high-priority infrastructure projects to ensure clean water and safe drinking water across the state.

**Human Resources.** In Fiscal Year 2022, Medical Assistance program expenditures were lower than budgeted, and program enrollment increased in several key enrollment groups. Fiscal Year 2022 expenditures for the Medical Assistance program increased by approximately 5.1 percent over the prior year, compared with a 13.8 percent increase in Fiscal Year 2021 and 5.4 percent growth in Fiscal Year 2020. Medical Assistance expenditures from all funds totaled \$12.9 billion in Fiscal Year 2022. In Fiscal Year 2022, GPR expenditures decreased by \$324.4 million from Fiscal Year 2021. The decrease was primarily driven by two matching rate changes. First, the annual base federal matching rate was increased. Second, the federal Families First Coronavirus Response Act provided all states an increase of 6.2 percentage points to the MA federal matching rate. Average monthly enrollment in Medical Assistance programs increased by 9.89 percent between Fiscal Years 2021 and 2022, compared to an increase of 15.99 percent between Fiscal Years 2020 and 2021 and an increase of 1.92 percent between Fiscal Years 2019 and 2020.

In Fiscal Year 2022, average monthly enrollment of low-income adults and children in the BadgerCare Plus program increased by 11.82 percent, approximately 115,800 individuals, while the average monthly enrollment of elderly individuals and people with disabilities increased by 3.63 percent, approximately 9,200 individuals. In Fiscal Year 2022, the enrollment increase was driven by the continuous coverage provision of the federal Families First Coronavirus Response Act.

Expenditures for the SeniorCare pharmacy assistance program totaled \$115.9 million from all funding sources, representing a 5.8 percent increase over the prior year. Of the "all funds" amounts, actual Fiscal Year 2022 GPR expenditures totaled \$13.7 million, a \$1.2 million increase from Fiscal Year 2021. Average monthly enrollment in SeniorCare increased by 6.9 percent in Fiscal Year 2022.

The Department of Children and Families continued the State's commitment to seek permanent placements for children referred to the State's child welfare system in Fiscal Year 2022. This included finalizing 699 public adoptions in Fiscal Year 2022. In other program areas, the Wisconsin Shares subsidy program had expenditures in Fiscal Year 2022 of \$268.9 million, which was approximately \$20.6 million below Fiscal Year 2021 expenditures, and \$92.9 million below the amount originally budgeted for Fiscal Year 2022. Under Wisconsin Shares, a monthly average of 30,441 children received subsidies in Fiscal Year 2022. Benefit payments under the Wisconsin Works (W-2) program for Fiscal Year 2022 totaled \$27 million, a decrease of \$12.7 million from the Fiscal Year 2021 amount. An average of 4,262 families received cash benefits each month in Fiscal Year 2022 under the W-2 program. During Federal Fiscal Year 2022, state and county child support partnership efforts provided full case management services to 337,233 cases and provided financial management services to an additional 170,900 cases.

**Education.** Overall State school aids and property tax credits totaled approximately \$7.5 billion in 2021-22. This was a \$140.8 million increase from the 2020-21 figure. Actual State school aids, not including property tax credits, that are paid directly to school districts totaled roughly \$6.4 billion in 2021-22.

The largest increases in individual state school aid appropriations were in State general equalization aid, which continued to be the State's largest GPR-funded appropriation, and special education aid, which reimburses school districts for a portion of special education costs. The State also made significant investments in student transportation and mental health programs. The State further eliminated deductions to public school district general aid that in prior years funded per pupil payments to independent charter schools.

In addition, the portion of Wisconsin Technical College System general aid allocated on the basis of performance on ten criteria remained at 30 percent. These criteria measure individual campuses on metrics related to state workforce and educational needs, such as job placement, technical skill attainment and dual enrollment. Further, the University of Wisconsin System distributed \$48.8 million of state funding using an outcomes-based formula.

State support for the University of Wisconsin System totaled \$1,204.8 million in Fiscal Year 2022, a \$42.7 million, or 3.7 percent, increase from Fiscal Year 2021. Resident undergraduate tuition rates remained frozen for the ninth consecutive year, maintaining a reasonable cost of higher education. The State also maintained support for State need-based financial aid programs in Fiscal Year 2022.

## **AWARDS AND ACKNOWLEDGMENTS**

### **Award**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the State of Wisconsin for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

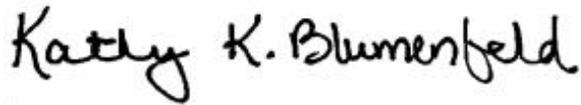
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal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

A Certificate of Achievement is valid for a period of one year only. This is the 26th year the State has received this award. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we plan to submit it to the GFOA.

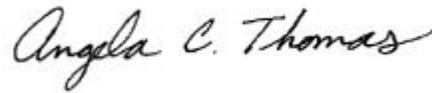
**Acknowledgments**

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

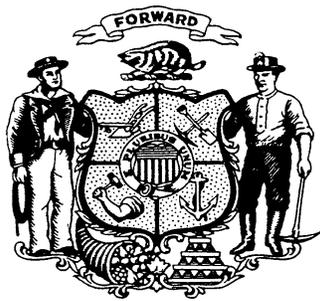
Sincerely,



Kathy Blumenfeld  
Secretary-designee of Administration



Angela Thomas, CPA  
State Controller





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**State of Wisconsin**

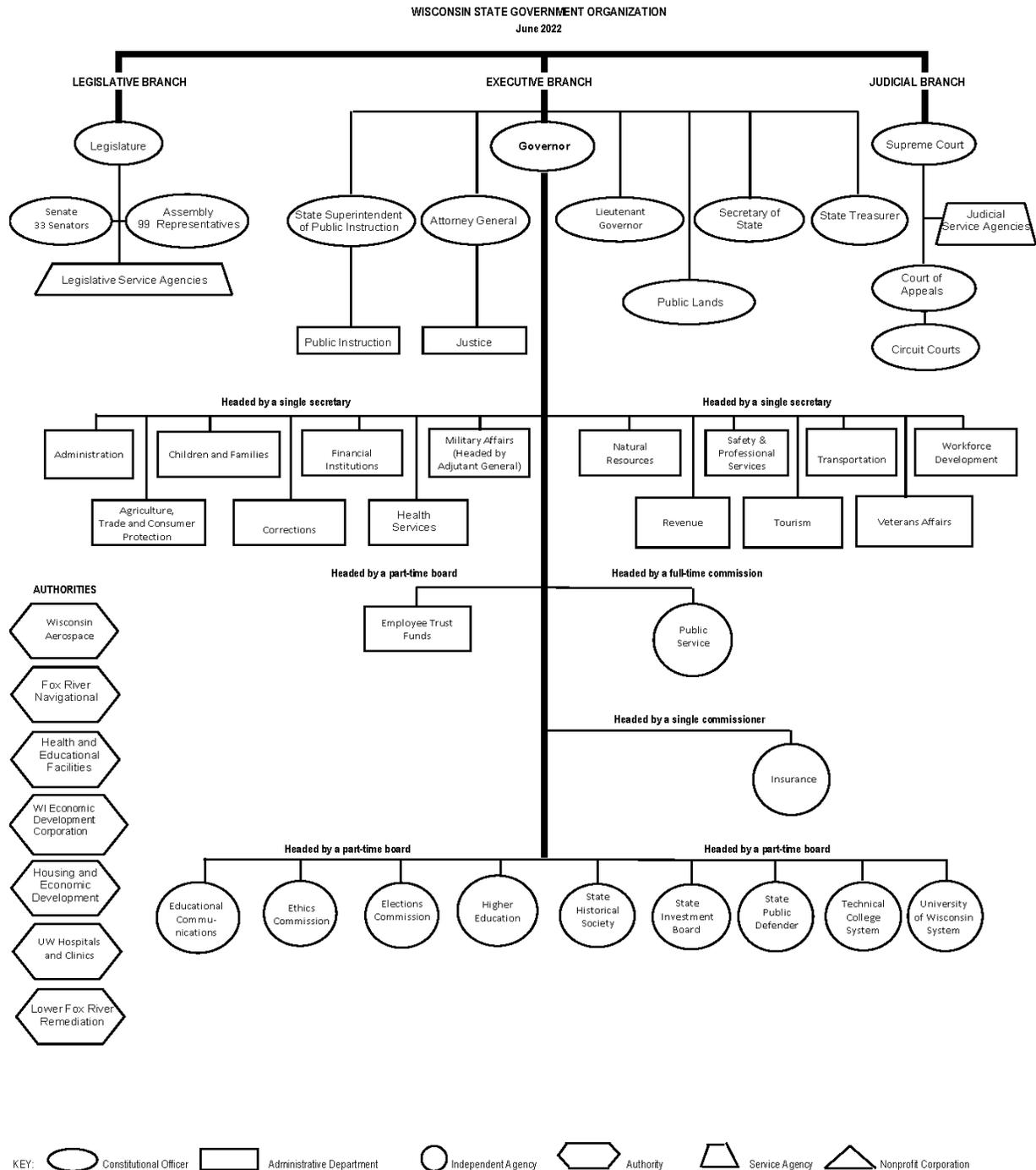
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

# Organizational Chart



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

Source: Wisconsin Legislative Reference Bureau

# Principal State Officials

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As of June 30, 2022:

## EXECUTIVE

Tony Evers  
*Governor*

Mandela Barnes  
*Lieutenant Governor*

Douglas J. La Follette  
*Secretary of State*

Sarah Godlewski  
*State Treasurer*

Josh Kaul  
*Attorney General*

Jill Underly  
*State Superintendent of Public Instruction*

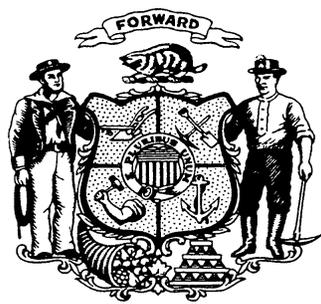
## LEGISLATIVE

Chris Kapenga  
*President of the State Senate*

Robin Vos  
*Speaker of the Assembly*

## JUDICIAL

Annette Kingsland Ziegler  
*Chief Justice of the Supreme Court*



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# **FINANCIAL SECTION**

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STATE OF WISCONSIN

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# Legislative Audit Bureau

Joe Chrisman  
State Auditor

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Madison, Wisconsin 53703

Main: (608) 266-2818  
Hotline: 1-877-FRAUD-17

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

## **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, 2022, 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 reports 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, 2022, 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 for the Environmental Improvement Fund, which is a major fund and represents 14.2 percent of the assets of the business-type activities, and the Deferred Compensation Fund, which represents 3.5 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 on the reports of the other auditors. 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 98.9 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 on 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 Responsibility for the Audit of the Financial Statements section of our report. 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 for the Environmental Improvement Fund, UW Hospitals and Clinics Authority, 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 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 and are valued based on a variety of third-party pricing methods. However, because of the inherent uncertainty of valuation, those estimated values may differ from the values that would have been used had a ready market for the investments existed.

As discussed in Note 5B to the financial statements, as of June 30, 2022, the State Investment Fund held \$4.7 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, particularly 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 values may differ from the estimated amounts. These differences cannot be quantified.

As discussed in Note 1D to the financial statements, the State of Wisconsin implemented Governmental Accounting Standards Board (GASB) Statement Number 87, *Leases*, which changed accounting and financial reporting for leases. As reported in Note 23 to the financial statements some beginning net position amounts were restated to reflect implementation of this new standard.

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 Responsibility 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 include 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 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Wisconsin's basic financial statements. The combining statements and budgetary comparison schedule in the supplementary information section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any other form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, and published in report 22-26, on our consideration of the State of Wisconsin's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 when considering the State of Wisconsin's internal control over financial reporting and compliance.

LEGISLATIVE AUDIT BUREAU



December 20, 2022

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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, 2022. 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 26 and 27)

- *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 2022 by \$36.9 billion (reported as "net position"). Of this amount, \$(2.8) billion was reported as "unrestricted net position". A positive balance in unrestricted net position would represent the amount available to be used to meet a government's ongoing obligations to citizens and creditors.
- *Changes in Net Position.* The State's total net position increased by \$5.7 billion in Fiscal Year 2022. Net position of governmental activities increased by \$5.2 billion or 26.4 percent, while net position of the business-type activities showed an increase of \$558.8 million or 4.8 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities.* During Fiscal Year 2022, the State's total revenues for governmental activities of \$43.7 billion were \$6.6 billion more than total expenses (excluding transfers) for governmental activities of \$37.1 billion. Of these expenses, \$20.1 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled \$23.5 billion.

#### Fund

- *Governmental Funds -- Fund Balances.* As of the close of Fiscal Year 2022, the State's governmental funds reported combined ending fund balances of \$8.1 billion, an increase of \$3.7 billion in comparison with the prior year. Of this total amount, \$2.2 billion represents the unassigned fund balances.
- *General Fund -- Fund Balance.* At the end of Fiscal Year 2022, total fund balance was \$4.6 billion, a change of \$3.5 billion from \$1.2 billion in the prior year. The unassigned fund balance for the General Fund was \$2.2 billion, or 6.7 percent of total General Fund expenditures.

Additional information regarding individual funds begins on page 31.

#### Long-term Debt

- The State's total long-term debt obligations (bonds, notes, and certificates of participation payable) decreased by \$365.7 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 \$102.1 million. Repayments of certificates of participation exceeded new issuances by \$1.5 million. Revenue bonds outstanding decreased by \$78.8 million. Annual appropriation bonds outstanding decreased by \$183.3 million.

Additional detail regarding these activities begins on page 36.

### 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.

<b>Table 1</b>				
<b>Major Features of State of Wisconsin’s Government-wide and Fund Financial Statements</b>				
	<b>GOVERNMENT-WIDE STATEMENTS</b>	<b>FUND STATEMENTS</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	<p>Entire State government (except fiduciary funds) and the State’s component units, reported as follows:</p> <ul style="list-style-type: none"> <li>• <i>Governmental Activities</i> – Most services generally associated with State government fall into this category, including commerce, education, transportation, environmental resources, human relations and resources, general executive, judicial and legislative.</li> <li>• <i>Business-Type Activities</i> – Those operations for which a fee is charged to external users for goods and services are reported in this category.</li> <li>• <i>Discretely Presented Component Units</i> – These are operations for which the State has financial accountability but that have certain independent qualities. The State’s discretely presented component units are discussed in Note 1-B to the financial statements.</li> </ul>	<p>These funds report activities of the State that are not proprietary or fiduciary in nature. Most of the basic services provided by the State, which are primarily financed through taxes, intergovernmental revenues, and other nonexchange revenues, are reported as governmental funds.</p> <p>Examples of the State’s governmental funds (including the State’s two major governmental funds), as reported within their respective fund types, follow:</p> <ul style="list-style-type: none"> <li>• <i>General Fund</i> (major fund)</li> <li>• <i>Special Revenue:</i> <ul style="list-style-type: none"> <li>– Transportation (major fund)</li> </ul> </li> <li>• <i>Debt Service:</i> <ul style="list-style-type: none"> <li>– Bond Security and Redemption</li> </ul> </li> <li>• <i>Capital Projects:</i> <ul style="list-style-type: none"> <li>– Capital Improvement</li> </ul> </li> <li>• <i>Permanent:</i> <ul style="list-style-type: none"> <li>– Common School</li> </ul> </li> </ul>	<p>The activities the State operates similar to private business. These funds are used to show activities that operate more like those of commercial enterprises. Fees are charged for services provided, both to outside customers and to other units of the State.</p> <p>Examples of the State’s proprietary funds, including the State’s three major enterprise funds, follow:</p> <ul style="list-style-type: none"> <li>• <i>Enterprise:</i> <ul style="list-style-type: none"> <li>– Environmental Improvement (major fund)</li> <li>– University of Wisconsin System (major fund)</li> <li>– Unemployment Reserve (major fund)</li> <li>– Lottery</li> </ul> </li> <li>• <i>Internal services:</i> <ul style="list-style-type: none"> <li>– Technology Services</li> <li>– Facilities Operations and Maintenance</li> </ul> </li> </ul>	<p>These funds are used to show assets held by the State as trustee or agent for others and cannot be used to support the State’s own programs.</p> <p>Examples of the State’s fiduciary funds, as reported within their respective fund types, follow:</p> <ul style="list-style-type: none"> <li>• <i>Pension and Other Employee Benefit Trust Funds:</i> <ul style="list-style-type: none"> <li>– Wisconsin Retirement System</li> </ul> </li> <li>• <i>Investment Trust:</i> <ul style="list-style-type: none"> <li>– Local Government Pooled Investment</li> </ul> </li> <li>• <i>Private Purpose Trust:</i> <ul style="list-style-type: none"> <li>– Tuition Trust</li> </ul> </li> <li>• <i>Custodial:</i> <ul style="list-style-type: none"> <li>– Support Collection Trust</li> </ul> </li> </ul>
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net position – Presents all of the government’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as “net position”. Over time, increases or decreases in the State’s net position is an indicator of whether its financial health is improving or weakening, respectively.</li> <li>• Statement of activities – Presents a comparison between direct expenses and program revenues for each function of the State’s governmental activities and for different identifiable business-type activities of the State.</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul> <p>Because the State cannot use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed in the left column.</p>

(Table 1, continued)

Table 1 (Continued)

Major Features of State of Wisconsin’s Government-wide and Fund Financial Statements

	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resource focus  The accrual basis of accounting, which is similar to the methods used by most businesses, takes into account all revenues and expenses associated with the fiscal year even if cash involved has not been received or paid.	Modified accrual accounting and current financial resource focus  These statements provide a detailed short-term view of the State’s finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State. Because this information does not encompass the long-term focus of the government-wide statements, reconciliations are provided on the subsequent page of the governmental fund statements.	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset, deferred outflows of resources, liability, deferred inflows of resources information</b>	All assets and liabilities, both financial and capital, and short-term and long-term. Deferred inflows/outflows of resources reported only in limited instances as required by GASB standards.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
<b>Type of inflow-outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> <li>Revenues for which cash is received during or soon after the end of the year</li> <li>Expenditures when goods or services have been received and payment is due during the year or soon thereafter</li> </ul>	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**Additional Required Supplementary Information**

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

- Postemployment Benefits - State Health Insurance Program, State 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, 2022 were \$65.8 billion and deferred outflows of resources were \$5.3 billion, while total liabilities were \$28.2 billion and deferred inflows of resources were \$6.0 billion, resulting in combined net position (governmental and business-type activities) of \$36.9 billion. The largest component of the State's total net position consists of \$26.5 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 \$13.2 billion of net position was restricted by external sources or the State Constitution or Statutes and was not available to finance the day-to-day operations of the State.

The unrestricted net position, which, if positive, could be used at the State's discretion, showed a negative balance of \$(2.8) billion. Therefore, based on this measurement, no funds were available for discretionary purposes. A contributing factor to the negative balance is that governments recognize a liability on the government-wide statement of net position as soon as an obligation is incurred. While financing focuses on when a liability will be paid, accounting is primarily concerned with when a liability is incurred. Accordingly, the State recognizes long-term liabilities (such as general obligation debt, compensated absences, other postemployment benefits and future benefits and loss liabilities – listed in Note 10 to the financial statements) on the statement of net position.

During Fiscal Year 2022, the State issued \$1.0 billion of general obligation bonds, primarily for the acquisition or improvement of land, water, property, highways, buildings, and equipment. At June 30, 2022 general obligation bonds and long-term general obligation notes outstanding totaled \$7.5 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 \$67.7 million of certificates of participation, \$2.7 billion of annual appropriation bonds, and \$2.3 billion of revenue bonds.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2022	2021*	2022	2021*	2022	2021*	
Current and Other Assets	\$ 20,433.9	\$ 16,966.8	\$ 12,265.4	\$ 11,710.5	\$ 32,699.3	\$ 28,677.3	14.0 %
Capital Assets	26,902.7	26,075.0	6,185.2	5,989.7	33,087.9	32,064.8	3.2
Total Assets	47,336.6	43,041.8	18,450.6	17,700.2	65,787.2	60,742.0	8.3
Deferred Outflows of Resources	2,596.6	1,848.0	2,699.0	1,794.8	5,295.6	3,642.7	45.4
Long-term Liabilities	14,070.0	14,117.4	4,585.9	4,339.0	18,655.8	18,456.4	1.1
Other Liabilities	8,309.3	9,147.1	1,213.9	1,231.5	9,523.2	10,378.6	(8.2)
Total Liabilities	22,379.2	23,264.5	5,799.8	5,570.5	28,179.0	28,835.1	(2.3)
Deferred Inflows of Resources	2,822.0	2,064.0	3,202.1	2,335.6	6,024.1	4,399.6	36.9
Net Position:							
Net investment In							
Capital Assets	22,367.6	21,717.4	4,128.8	3,956.0	26,496.4	25,673.4	3.2
Restricted	4,889.6	4,103.2	8,305.9	7,898.3	13,195.5	12,001.4	9.9
Unrestricted (deficit)	(2,525.2)	(6,259.4)	(286.9)	(265.4)	(2,812.2)	(6,524.8)	56.9
Total Net Position	\$ 24,732.0	\$ 19,561.2	\$ 12,147.7	\$ 11,588.9	\$ 36,879.6	\$ 31,150.1	18.4 %

\* 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 \$28.7 billion and general revenues of \$23.5 billion for total revenues of \$52.2 billion during Fiscal Year 2022. Expenses for the State during Fiscal Year 2022 were \$46.5 billion. As a result of the excess of revenues over expenses, the total net position of the State increased \$5.7 billion, net of contributions and transfers.

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change 2022-2021
	2022	2021*	2022	2021*	2022	2021*	
<b>Program Revenues:</b>							
Charges for Services	\$ 2,620.0	\$ 2,538.0	\$ 7,353.8	\$ 6,910.7	\$ 9,973.8	\$ 9,448.7	5.6 %
Operating Grants and Contributions	16,527.0	14,724.5	1,206.2	3,770.6	17,733.2	18,495.1	(4.1)
Capital Grants and Contributions	1,002.7	917.5	18.9	103.0	1,021.6	1,020.5	0.1
<b>General Revenues:</b>							
Income Taxes	12,902.6	10,942.7	—	—	12,902.6	10,942.7	17.9
Sales and Excise Taxes	7,827.2	7,206.1	—	—	7,827.2	7,206.1	8.6
Public Utility Taxes	378.2	365.5	—	—	378.2	365.5	3.5
Motor Fuel Taxes	1,120.0	1,079.3	—	—	1,120.0	1,079.3	3.8
Other Taxes	501.4	467.6	—	—	501.4	467.6	7.2
Other General Revenues	791.9	759.6	(14.9)	1.3	777.0	760.9	2.1
<b>Total Revenues</b>	<b>43,671.0</b>	<b>39,000.8</b>	<b>8,564.0</b>	<b>10,785.6</b>	<b>52,235.0</b>	<b>49,786.4</b>	<b>4.9</b>
<b>Program Expenses:</b>							
Commerce	516.4	491.7	—	—	516.4	491.7	5.0
Education	9,102.3	8,376.2	—	—	9,102.3	8,376.2	8.7
Transportation	2,577.4	2,399.7	—	—	2,577.4	2,399.7	7.4
Environmental Resources	500.0	522.2	—	—	500.0	522.2	(4.3)
Human Relations and Resources	19,470.0	17,653.8	—	—	19,470.0	17,653.8	10.3
General Executive	1,723.0	2,098.0	—	—	1,723.0	2,098.0	(17.9)
Judicial	146.9	147.3	—	—	146.9	147.3	(0.2)
Legislative	76.2	69.2	—	—	76.2	69.2	10.2
Tax Relief and Other General Expenditures	1,591.2	1,639.5	—	—	1,591.2	1,639.5	(2.9)
Intergovernmental - Shared Revenue	1,074.9	1,064.3	—	—	1,074.9	1,064.3	1.0
Interest on Long-term Debt	313.3	355.3	—	—	313.3	355.3	(11.8)
Injured Patients and Families Compensation	—	—	50.3	116.8	50.3	116.8	(57.0)
Environmental Improvement	—	—	66.0	41.0	66.0	41.0	60.9
University of Wisconsin System	—	—	5,377.2	5,051.7	5,377.2	5,051.7	6.4
Unemployment Reserve	—	—	684.5	3,488.5	684.5	3,488.5	(80.4)
Lottery	—	—	973.5	912.4	973.5	912.4	6.7
Health Insurance	—	—	1,691.3	1,661.0	1,691.3	1,661.0	1.8
Care and Treatment Facilities	—	—	408.1	398.2	408.1	398.2	2.5
Other Business-type	—	—	176.2	113.9	176.2	113.9	54.7
<b>Total Expenses</b>	<b>37,091.6</b>	<b>34,817.2</b>	<b>9,427.0</b>	<b>11,783.6</b>	<b>46,518.6</b>	<b>46,600.8</b>	<b>(0.2)</b>
<b>Excess (deficiency) before Contributions, Special Items and Transfers</b>							
	6,579.4	4,183.6	(863.0)	(998.0)	5,716.4	3,185.7	
Endowments	—	—	1.1	11.5	1.1	11.5	
Contributions to Permanent Fund Principal	12.1	11.0	—	—	12.1	11.0	
Transfers	(1,420.7)	(1,313.8)	1,420.7	1,313.8	—	—	
<b>Increase (decrease) in Net Position</b>	<b>5,170.8</b>	<b>2,880.8</b>	<b>558.8</b>	<b>327.3</b>	<b>5,729.6</b>	<b>3,208.1</b>	
<b>Net Position - Beginning (Restated)</b>	<b>19,561.2</b>	<b>16,680.4</b>	<b>11,588.9</b>	<b>11,261.6</b>	<b>31,150.1</b>	<b>27,941.9</b>	
<b>Net Position - Ending</b>	<b>\$ 24,732.0</b>	<b>\$ 19,561.2</b>	<b>\$ 12,147.7</b>	<b>\$ 11,588.9</b>	<b>\$ 36,879.6</b>	<b>\$ 31,150.1</b>	<b>18.4 %</b>

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

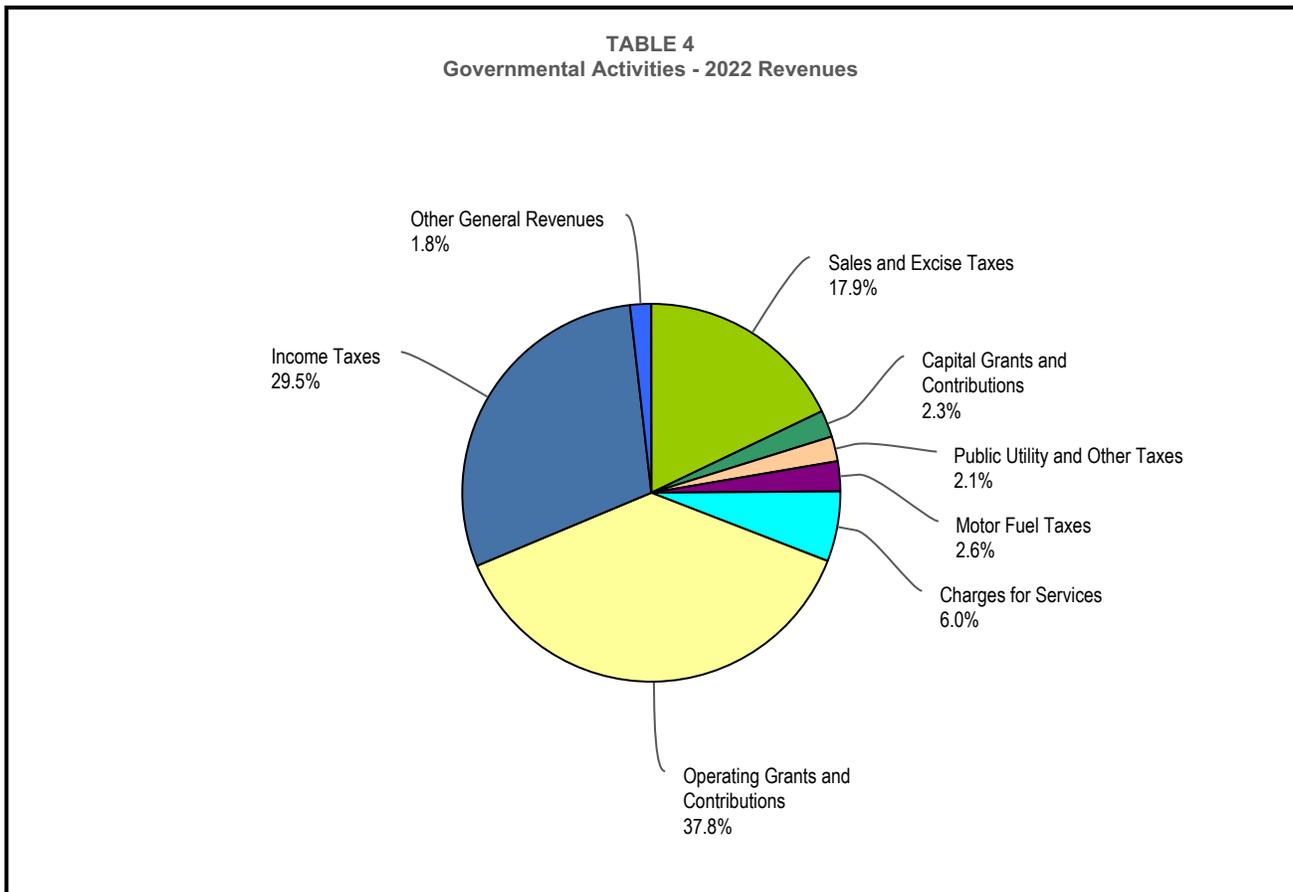
**Governmental Activities**

The net position of governmental activities increased \$5.2 billion in Fiscal Year 2022. Revenues for the governmental activities (including contributions to permanent fund principal) totaled \$43.7 billion, while expenses and net transfers totaled \$38.5 billion in Fiscal Year 2022.

General and program revenues of governmental activities increased \$4.7 billion during Fiscal Year 2022. Tax revenues increased \$2.7 billion primarily due to enhanced income taxes and sales and excise taxes of \$2.0 billion and \$621.1 million, respectively. Motor fuel taxes, other taxes and public utility taxes also increased \$40.7 million, \$33.7 million and \$12.7 million, respectively, from the prior year. Operating grants and capital grants increased by \$1.8 billion and \$85.2 million, respectively. In addition charges for services and other revenues increased \$82.0 million and \$33.4 million, respectively.

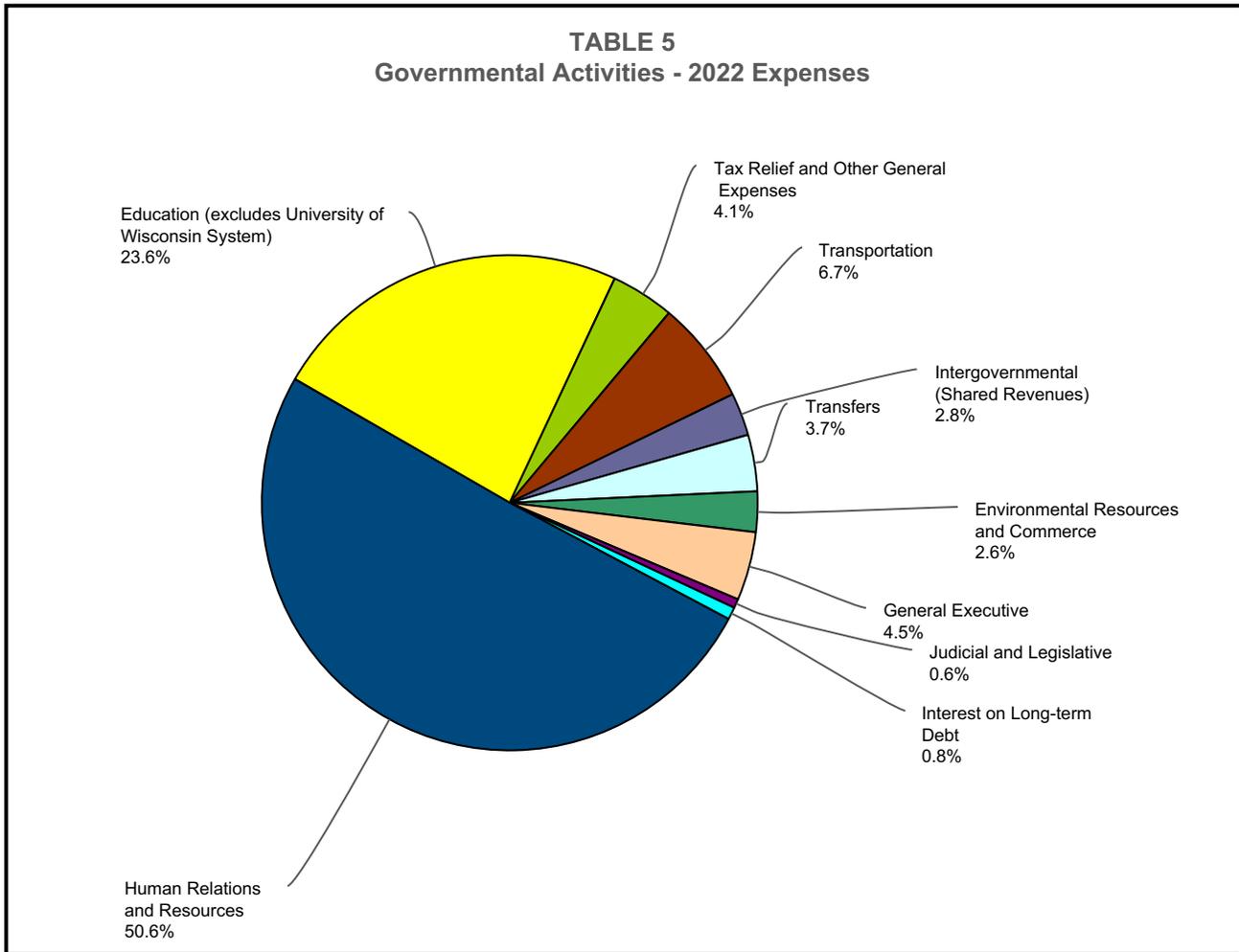
The State’s governmental activities program expenses increased \$2.3 billion to \$37.1 billion during Fiscal Year 2022. Human relations and resources expenses increased by \$1.8 billion (10.3 percent) to a total of \$19.5 billion, due to increases in medical costs. General executive expenses decreased \$(375.0) million (17.9 percent) to a total of \$1.7 billion, due to decreased CARES and ARPA expenditures compared to Fiscal Year 2021. Education expenses increased by \$726.1 million (8.7 percent) to \$9.1 billion, due to increases in general equalization aids, parental choice program for eligible school districts, per pupil aid and aids for special education and school-age parents programs. Commerce, intergovernmental, and legislative expenses increased \$24.6 million, \$10.6 million, and \$7.1 million, respectively. Conversely, tax relief and other general expenses, environmental resource and judicial expenses decreased \$48.3 million, \$22.2 million, and \$0.4 million, respectively. Interest on long-term debt also decreased \$42.1 million.

As shown in Table 4, below, approximately 52.0 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 37.8 percent of total revenues. Capital grants and contributions provided 2.3 percent, charges for services contributed 6.0 percent, while various other revenues provided 1.8 percent of the remaining governmental activity revenue sources.



As shown in Table 5, below, expenses for human relations and resources programs make up the largest portion – 50.6 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 23.6 percent of total expenses. Tax relief and other general expenses and the intergovernmental-shared revenue program represent 6.9 percent of the total, while transportation expenses and general executive expenses represent 6.7 percent and 4.5 percent, respectively. Net transfers to business-type activities, which include a general purpose revenue subsidy to the University of Wisconsin System, make up 3.7 percent of the total expenses and transfers. Remaining functional expenses totaled 3.2 percent while interest on long-term debt totaled 0.8 percent.



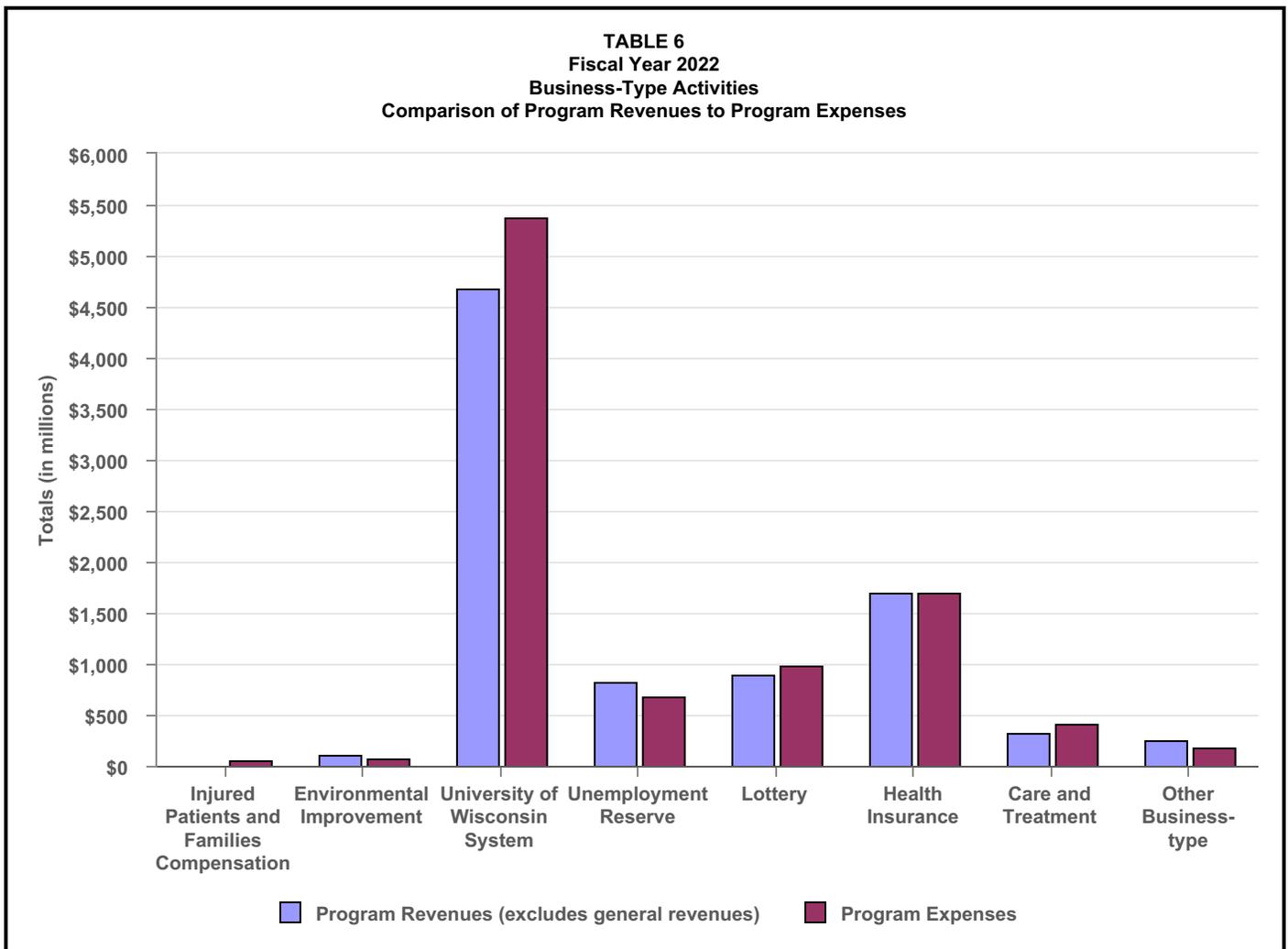
### Business-Type Activities

Net position of the State’s business-type activities increased \$558.8 million in Fiscal Year 2022.

Revenues of business-type activities totaled \$8.6 billion for Fiscal Year 2022, a decrease of \$2.2 billion from the prior year. Program revenues consisted of \$7.4 billion of charges for services, \$1.2 billion of operating grants and contributions, and \$18.9 million of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal and net transfers totaled \$(14.9) million, \$1.1 million, and \$1.4 billion, respectively.

The total expenses for business-type activities were \$9.4 billion, a decrease of \$2.4 billion from the prior fiscal year. The largest decrease in program expenses, \$2.8 billion, related to decreased expenses for the Unemployment Insurance Reserve. Expenses for Injured Patients and Family Compensation also decreased \$66.5 million. Offsetting those decreases were increases in University of Wisconsin System, other business-type expenses, Lottery, Health Insurance, Environmental Improvement and Care and Treatment Facilities of \$325.5 million, \$62.3 million, \$61.1 million, \$30.3 million, \$25.0 million and \$10.0 million, respectively.

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 2022, the State's governmental funds reported a combined fund balance of \$8.1 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, 2022, the State's General Fund reported a total fund balance of \$4.6 billion. The net change in fund balance during Fiscal Year 2022 was \$3.5 billion, in contrast to \$1.2 billion in Fiscal Year 2021. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

##### Revenues

Revenues of the General Fund totaled \$39.3 billion in Fiscal Year 2022, an increase of \$4.8 billion (13.8 percent) from the prior year. Factors contributing to this change included the following:

- Revenues from taxes increased \$2.6 billion. The increase primarily relates to income and sales taxes, which increased \$1.9 billion and \$663.2 million, respectively, from Fiscal Year 2021. The income tax increase was the result of growth in personal income, while sales tax revenue increases were driven by increased consumer expenditures for taxable goods.
- Intergovernmental revenues (i.e., federal assistance) increased \$2.0 billion to \$16.2 billion in Fiscal Year 2022. Human relations and resources programs (e.g., Medicaid) reported increased revenues of \$2.4 billion. Federal reimbursements for grant expenditures increased due to COVID-19 along with a general increase in medical assistance costs. At the end of Fiscal Year 2021, the State recorded unearned revenue of \$1.6 billion for unspent American Rescue Plan Act (ARPA) and Coronavirus Relief Funds. In Fiscal Year 2022, \$766.3 million of that amount was spent and subsequently earned and recorded as intergovernmental revenue. During Fiscal Year 2022, the State received an additional \$1.3 billion under ARPA. 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.

##### Expenditures

2021 Wisconsin Act 58 established spending authority for the State of Wisconsin for Fiscal Year 2022. Expenditures of the General Fund totaled \$33.6 billion in Fiscal Year 2022, an increase of \$2.2 billion from Fiscal Year 2021. Factors contributing to the change include the following:

- Human relations and resources expenditures increased by \$1.8 billion to \$19.4 billion, primarily the result of increased grants and aids to individuals and organizations, in part for coronavirus relief and other medical assistance costs. These costs comprise 57.7 percent of General Fund expenditures.
- Education expenditures increased \$718.7 million to 9.0 billion, due in part to increases in parental choice program for eligible school districts, per pupil aid, special needs scholarship program and aids for special education and school-age parents programs in Fiscal Year 2022. These costs comprise 26.8 percent of General Fund expenditures.

##### Other Financing Sources and Uses

Other financing sources/(uses) totaled a net \$(2.3) billion in Fiscal Year 2022, a \$262.1 million decrease from Fiscal Year 2021. The components of this included the following:

- Transfers out of the General Fund totaled \$2.4 billion, an increase of \$285.3 million 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 \$1.1 billion, an increase of \$37.4 million from the prior year. The University of Wisconsin System, which receives the majority of the GPR supplement, had \$998.2 million in GPR expenses in Fiscal Year 2022, an increase of \$36.6 million.

- Transfers out for debt service payments to the Bond Security and Redemption Fund totaled \$425.0 million in Fiscal Year 2022 compared to \$429.2 million in Fiscal Year 2021. Transfers out to other nonmajor governmental funds were \$417.1 million in Fiscal Year 2022 compared to \$398.8 million in Fiscal Year 2021.
- Transfers out to nonmajor enterprise funds, Transportation Fund and Unemployment Reserve were \$205.8 million, \$205.2 million and \$60.0 million, respectively.
- Transfers in to the General Fund increased \$2.5 million (from \$61.4 million in Fiscal Year 2021 to \$63.9 million in Fiscal Year 2022). The University of Wisconsin System transferred \$23.9 million, while nonmajor governmental funds and nonmajor enterprise funds transferred \$22.1 million and \$13.9 million, respectively.

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

As of June 30, 2022, the General Fund reported an unassigned fund balance of \$2.2 billion, a change of \$3.2 billion from the prior year, which had a deficit of \$(912.0) million. This is the first 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 \$15.0 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 CRF and ARPA*	\$2,939.8
Food Stamps, Electronic Benefit Transfer*	2,529.8
UW System, General Program Operations (part of Statutory General Fund)	1,127.7
Federal Aid Medical Assistance	1,119.2
UW Federal Aid	775.0
DOR Grants	535.4
UW System, Gifts and Nonfederal Grants and Contracts	357.3
Inter agency CRF and ARPA Transfer*	345.9

Actual charges to appropriations (expenditures) were \$8.7 billion below the final budgeted estimates. Large positive expenditure variances were reported in the the Federal Aid CRF and ARPA (\$1.8 billion) appropriations, UW program operations and Federal Aid (\$1.7 billion), DCF Medical Assistance Program Benefits (\$450.4 million) and DHS Medical Assistance Federal Aid (\$426.8 million).

During the past fiscal year, the budgetary-based fund balance increased \$2.5 billion for the statutory General Fund, mainly the result of federal funds received under the American Rescue Plan Act (ARPA) which the State has until 2024 to spend and an increase in tax revenues. Net transfers from other funds totaled \$(442.3) million in Fiscal Year 2022 compared to \$(972.6) million in the prior fiscal year.

**Transportation Fund**

In Fiscal Year 2022, the Transportation Fund's fund balance increased \$275.2 million (26.4 percent) from \$1.0 billion to \$1.3 billion. The State constitutionally restricts use of state resources deposited into the Fund for transportation purposes. As such, \$1.3 billion or 96.7 percent of fund balance is reported as restricted for Fiscal Year 2022. 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 sources, as well as interfund transfers in. In Fiscal Year 2022 revenues of the fund increased \$103.9 million (3.5 percent) to a total of \$3.1 billion. Intergovernmental revenues increased \$66.5 million; use of external sources of funding for projects, rather than state resources regularly contributes to revenue fluctuations in this category between years. License and permit revenues decreased \$13.9 million in Fiscal Year 2022 due to decline in vehicle titles registrations, while taxes increased \$44.2 million due mainly to an increase in fuel taxes.

Transportation expenditures of \$2.9 billion increased 8.1 percent or \$215.6 million, including a 16.4 percent or \$57.8 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 \$72.6 million and \$72.6 million were reported in the Capital Improvement Fund and Transportation Revenue Bonds Fund, respectively. In the current year, transportation-related expenditures decreased \$35.8 million in the Capital Improvement Fund, and \$1.0 million in the Transportation Revenue Bonds Fund.

Transfers in increased from \$62.7 million to \$228.6 million in Fiscal Year 2022. This increase is mainly due to a one time transfer from the General Fund of \$134.2 million. 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 \$44.7 million in Fiscal Year 2022. In addition, \$23.3 million was transferred from the Petroleum Inspection Special Revenue Fund, compared to \$16.2 million transferred in Fiscal Year 2021. Transfers out decreased \$20.4 million to \$175.0 million. Transfers out to the Bond Security and Redemption Fund for debt service were \$134.5 million, while transfers out to the Conservation Fund were \$21.6 million in Fiscal Year 2022.

**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 2021 to Fiscal Year 2022 include the following:

**Environmental Improvement**

Fund net position of the Environmental Improvement Fund increased \$34.6 million to \$2.2 billion. Total assets of the Fund increased by \$108.9 million, while total liabilities also increased by \$74.2 million. Assets increased to \$2.6 billion as the result of loans to local governments increasing \$147.4 million, while cash decreased \$37.2 million. Liabilities increased to \$402.6 million due to a \$73.4 million increase in revenue bonds payable.

Operating income of the Fund increased by \$1.8 million to \$27.4 million in Fiscal Year 2022. Operating revenue of \$46.7 million, which consists primarily of investment and interest income, remained steady in Fiscal Year 2022. Operating expenses increased \$0.2 million in Fiscal Year 2022, the result of a \$1.3 million increase in interest expense and a \$0.8 million decrease in salaries and benefits.

## Unemployment Reserve

Net position of the Unemployment Reserve Fund increased by \$203.0 million during Fiscal Year 2022 from \$1.2 billion at June 30, 2021 to \$1.4 billion at June 30, 2022. Benefit expenses decreased from \$3.5 billion in Fiscal Year 2021 to \$683.0 million in Fiscal Year 2022, a decrease of \$2.8 billion (80.4 percent). This decrease is attributed to the average unemployment rate decreasing from 4.9 percent during Fiscal Year 2021 to 3.1 percent during Fiscal Year 2022, along with pandemic-related unemployment programs ending on September 4, 2021.

Total operating revenues decreased by \$2.1 billion from \$2.9 billion in Fiscal Year 2021 to \$811.2 million in Fiscal Year 2022. This decrease is mainly the result of Federal aids revenue for the unemployment program decreasing from \$2.5 billion in Fiscal Year 2021 to \$334.1 million in Fiscal Year 2022, a decrease of \$2.1 billion (86.1 percent). Employer contributions decreased from \$463.6 million in Fiscal Year 2021 to \$451.3 million in Fiscal Year 2022, a decrease of \$12.3 million (2.7 percent). The average tax rate on taxable wages decreased from 1.4 percent during Calendar Year 2021 to an estimated 1.1 percent in Calendar Year 2022. Reimbursements of \$20.4 million in Fiscal Year 2022 represented an increase of \$14.7 million (259.5 percent) from Fiscal Year 2021.

## University of Wisconsin System

Fund net position increased \$435.7 million to \$6.4 billion. Assets, which consist primarily of capital assets and cash, increased \$650.6 million to \$10.7 billion. The Fund reported a restricted net pension asset of \$1.1 billion in Fiscal Year 2022, an increase of \$253.4 million from Fiscal Year 2021, along with a restricted net OPEB asset of \$148.3 million, which was an increase of \$23.8 million from \$124.5 million in Fiscal Year 2021. The Fund also reported an increase of \$418.2 million in investments and a decrease of \$328.7 million in cash in Fiscal Year 2022. Total liabilities, which consists primarily of bonds payable and OPEB, increased by \$220.3 million to \$3.8 billion. Deferred outflows of resources increased \$784.4 million to \$2.3 billion and deferred inflows of resources also increased \$778.9 million to \$2.9 billion in Fiscal Year 2022. The changes in deferred outflows and inflows were primarily related to changes in pension related amounts.

Operating revenues increased \$419.6 million or 12.2 percent to \$3.9 billion. Student tuition, and federal grants and contracts of \$1.4 billion and \$917.9 million, respectively, comprise 60.8 percent of operating revenues. Increases of \$141.7 million, \$87.4 million and \$86.8 million were reported for sales and services of auxiliary enterprises, sales and services of educational activities, federal grants and contracts, respectively. Local and private grants and contracts and sales and services to UW Hospital Authority reported increases of \$6.6 million and \$3.7 million, respectively. Other income revenues also increased by \$73.9 million (19.8 percent). Operating expenses increased \$417.1 million or 8.5 percent. Personal services, supplies and services, scholarship and fellowships, depreciation and other expenses increased by \$156.9 million, \$125.1 million, \$83.8 million, \$44.6 million and \$6.7 million, respectively. Offsetting those changes were decreases in nonoperating investment and interest income, gifts and donations and miscellaneous revenues of \$192.7 million, \$22.3 million, and \$10.1 million, respectively, while operating grants increased \$44.8 million.

Transfers in to the University of Wisconsin System totaled \$1.3 billion in Fiscal Year 2022. The general purpose revenue supplement received from the State's General Fund was \$998.2 million an increase of \$36.6 million. The Capital Improvement Fund also transferred \$191.3 million of bond and note proceeds to the University of Wisconsin System, an increase of \$2.7 million from the prior year. Bond proceeds transferred in are a function of on-going capital projects funded with those bonds. Capital contributions decreased \$36.5 million from the prior year to \$18.7 million in Fiscal Year 2022.

## GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the close of Fiscal Year 2022, the State reported \$33.1 billion invested in capital assets, net of accumulated depreciation of \$9.6 billion. This represents an increase of \$1.0 billion, or 3.2 percent, from Fiscal Year 2021. Depreciation and amortization charges totaled \$202.9 million and \$414.3 million for governmental and business-type activities, respectively, in Fiscal Year 2022. 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	
	2022	2021*	2022	2021*	2022	2021*
Land and Land Improvements	\$ 3,066	\$ 3,029	\$ 188	\$ 184	\$ 3,254	\$ 3,213
Buildings and Improvements	1,390	1,418	4,587	4,479	5,977	5,896
Library Holdings	60	60	151	150	210	209
Machinery and Equipment	318	323	350	342	668	665
Infrastructure	19,392	18,839	—	—	19,392	18,839
Construction and Software in Progress	2,357	2,407	641	547	2,998	2,954
Right to Use Land	—	—	1	1	1	1
Right to Use Buildings	317	—	262	280	579	280
Right to Use Equipment	3	—	5	8	8	8
Totals	\$ 26,903	\$ 26,075	\$ 6,185	\$ 5,990	\$ 33,088	\$ 32,065

\*Amounts for the prior fiscal year have been restated

The major capital asset additions completed or acquired during Fiscal Year 2022 included the:

- I39/90: USH 12 to Illinois (Completion 2021) \$1.2 billion
- UW Madison Chemistry Addition and Renovation \$119.2 million
- UW Madison Babcock Hall Renovation \$62.0 million
- UW Whitewater Chiller Plant Upgrade \$32.8 million
- UW Madison BSM Hill Lathrop Dr Utility Replacement \$12.1 million

In addition to these completed projects, construction and software in progress as of June 30, 2022 for governmental and business-type activities totaled \$2.4 billion and \$641.1 million, respectively. A list of those projects is provided in Note 7. The State's continuing or proposed major capital projects for Fiscal Year 2022 and future years include:

- Zoo Interchange (Completion in 2023) \$1.5 billion
- I41 State Highway 96 to Scheuring Road (Completion in 2029) \$1.2 billion
- I43 Silver Spring to STH 60 (Completion in 2024) \$535.9 million
- STH 51 I39/90 to US 12 (Completion in 2029) \$195.7M
- STH 23 State Highway 67 / US 41 (Completion in 2022) \$173.4 million
- I39/90/94 Bridges over Wisconsin River (Completion in 2027) \$146.9 million
- STH 15 STH 76 New London (Completion in 2024) \$138.0 million
- STH 50 I94 43rd Avenue (Completion in 2023) \$119.1 million
- USH 53 La Crosse Corridor (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, 2022 was \$7.5 billion, as shown in Table 8. During Fiscal Year 2022, \$1.0 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, \$378.2 million were to be used for University of Wisconsin System academic and self-amortizing facilities, \$315.1 million for transportation projects, \$78.5 million for environmental programs, and \$29.6 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, 2022, \$67.7 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, 2022, \$2.7 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 \$2.3 billion outstanding at June 30, 2022, as shown in Table 8. These bonds included \$1.9 billion of Transportation Revenue Bonds, and \$398.6 million of Environmental Improvement Revenue Bonds.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds and long-term notes	\$5,724.9	\$5,862.6	\$1,742.8	\$1,707.1	\$7,467.7	\$7,569.7
Certificates of participation	57.4	61.3	10.2	7.8	67.7	69.1
Annual appropriation bonds	2,703.2	2,886.5	—	—	2,703.2	2,886.5
Revenue bonds	1,885.2	2,037.5	398.6	325.2	2,283.8	2,362.7
Totals	\$10,370.7	\$10,848.0	\$2,151.7	\$2,040.1	\$12,522.4	\$12,888.1

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

At June 30, 2022, 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 \$19.4 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, 2022, 92.2 percent of the roads and 97.5 percent of bridges were in good or fair condition, consistent with State policies. This compares to 92.5 percent of the roads and 97.7 percent of bridges as of June 30, 2021.

For the fiscal year ended June 30, 2022, actual maintenance and preservation costs for the State's road network were \$688.9 million, or \$576.3 million less than the estimated amount. On the same date, actual maintenance and preservation costs for the State's bridge network were \$58.6 million, or \$0.6 million more than the estimated amount. In developing estimated costs at the beginning of the fiscal year, it is difficult to predict the types of projects that will actually incur costs during the year. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to 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 2021, the Wisconsin economy recovered strongly from the COVID-19 global pandemic with solid growth throughout the year.

Wisconsin employment grew rapidly in 2021 after steep declines in employment in 2020 as a result of the pandemic's economic effects. According to the federal Bureau of Labor Statistics, total nonfarm employment in Wisconsin increased 0.3 percent in 2019, fell 5.5 percent in 2020, and rose 2.1 percent during 2021. Nationally, employment increased 1.3 percent in 2019, fell 5.8 percent in 2020, and rose 2.8 percent during 2021. Wisconsin employment growth had been constrained before the shocks of the COVID-19 pandemic due to slower population growth and already high labor force participation, limiting room for growth.

More recently, employment has recovered substantially with the overall national economic recovery. Since the trough in employment in April 2020, national employment is up 15.7 percent and Wisconsin employment is up 13.9 percent through September 2022. Relative to prepandemic February 2020 levels, Wisconsin employment is down 1.5 percent while employment nationally is up 0.3 percent. Wisconsin's seasonally adjusted unemployment rate in September 2022 was 3.2 percent, below the 3.5 percent national unemployment rate for the same month.

Wisconsin gross state product bounced back along with the overall national recovery in 2021, posting growth of 8.2 percent compared to 10.7 percent growth nationally. In 2020, Wisconsin gross state product declined by 1.3 percent compared to 1.5 percent nationally. Prior to the pandemic, Wisconsin grew 3.8 percent in 2019 compared to 4.1 percent nationally.

Personal income growth followed the trajectory of overall economic growth, with a recovery in wages supplanting large transfer payments as the driver of growth. Wisconsin personal income grew by 6.7 percent in 2021 compared to 7.5 percent nationally. In 2019 and 2020, Wisconsin personal income grew 4.3 percent and 6.0 percent, similar to the national growth rates of 5.1 percent and 6.7 percent. On a per capita basis, Wisconsin's income performance is similar to the nation's. Per capita income in Wisconsin increased by 3.9 percent, 5.8 percent and 6.6 percent in 2019, 2020 and 2021, respectively. This compares to growth of 4.6 percent, 6.2 percent and 7.3 percent in the same years nationally. Relative to the national average, Wisconsin per capita income has remained in approximately the same range for the past three years at 94.0 percent, 93.6 percent and 93.0 percent of the national average in 2019, 2020 and 2021, respectively.

Wisconsin's statewide total property value increased again in 2022 for the ninth 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 2022,

total property values increased 13.8 percent, with residential property value growing at 14.9 percent. In addition, commercial real estate values grew 13.2 percent and manufacturing values grew 4.8 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](mailto: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**

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## Statement of Net Position

### June 30, 2022

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Assets and Deferred Outflows of Resources</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 12,577,475	\$ 4,999,821	\$ 17,577,295	\$ 1,672,525
Investments	1,080,328	2,485,945	3,566,274	2,959,055
Securities Lending Collateral	—	228,877	228,877	—
Cash and Investments with Other Component Units	—	—	—	170,783
Receivables (net of allowance)	5,011,546	3,105,557	8,117,102	2,007,207
Internal Balances	129,163	(129,163)	—	—
Inventories	117,531	46,519	164,050	83,815
Prepaid Items	29,609	50,840	80,449	45,205
Leases Receivable	—	14,790	14,790	—
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	197,027	80,907	277,934	137,513
Investments	70,796	—	70,796	4,513,308
Net Pension Asset	1,081,994	1,211,694	2,293,688	313,625
Net Other Post Employment Benefits Asset	122,890	162,708	285,598	41,523
Other Assets	15,515	6,882	22,397	227,988
Capital Assets:				
Depreciable	1,921,837	5,371,081	7,292,919	1,276,406
Nondepreciable:				
Infrastructure	19,391,974	—	19,391,974	—
Other	5,588,881	814,130	6,403,011	182,972
Total Assets	47,336,568	18,450,588	65,787,156	13,631,926
<b>Deferred Outflows of Resources:</b>				
Accumulated Change in the Fair Value of				
Hedging Derivatives	—	—	—	5,913
Loss on Debt Refunding	287,356	33,774	321,130	10,053
Advances by the State	23,041	88,332	111,372	—
Deferred Pension Outflows	2,035,511	2,267,187	4,302,698	589,196
Deferred Other Post Employment Benefits Outflows	250,723	300,494	551,217	79,303
Asset Retirement Obligation	—	9,225	9,225	—
Other Deferred Outflows	—	—	—	2,240
Total Deferred Outflows of Resources	\$ 2,596,631	\$ 2,699,012	\$ 5,295,643	\$ 686,705
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 49,933,199</b>	<b>\$ 21,149,601</b>	<b>\$ 71,082,799</b>	<b>\$ 14,318,630</b>

(Continued)

## Statement of Net Position

### June 30, 2022

(Continued)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 1,521,321	\$ 487,088	\$ 2,008,409	\$ 805,867
Securities Lending Collateral Liabilities	—	228,877	228,877	—
Due to Other Governments	2,555,389	197,249	2,752,639	170,259
Tax Refunds Payable	1,470,910	—	1,470,910	—
Tax and Other Deposits	130,505	34,162	164,667	104,233
Amounts Held in Trust by Component Unit for:				
Other Component Units	—	—	—	162,860
Others	—	—	—	69,544
Unearned Revenue	2,483,798	241,419	2,725,217	983
Interest Payable	86,856	12,178	99,034	12,030
Short-term Notes Payable	60,474	12,974	73,448	—
Other Liabilities	—	—	—	7,789
Long-term Liabilities:				
Current Portion	1,166,928	399,213	1,566,141	175,423
Noncurrent Portion	12,903,057	4,186,646	17,089,703	3,225,251
Total Liabilities	22,379,238	5,799,807	28,179,045	4,734,239
<b>Deferred Inflows of Resources:</b>				
Accumulated Change in the Fair Value of				
Hedging Derivatives	—	—	—	10,429
Gain on Debt Refunding	13,634	633	14,268	—
Deferred Pension Inflows	2,550,311	2,852,730	5,403,041	739,438
Deferred Other Post Employment Benefits Inflows	258,052	334,074	592,125	82,553
Other Deferred Inflows	—	14,671	14,671	14,582
Total Deferred Inflows of Resources	2,821,997	3,202,108	6,024,105	847,002
<b>Net Position:</b>				
Net Investment in Capital Assets	22,367,607	4,128,754	26,496,361	581,998
Restricted for:				
Human Relations and Resources	489,507	—	489,507	—
Conservation Related	222,047	—	222,047	—
General Executive	65,551	—	65,551	—
Transportation	1,274,850	—	1,274,850	—
Capital Projects	83,802	—	83,802	—
Unemployment Compensation	—	1,354,749	1,354,749	—
Environmental Improvement	—	2,188,384	2,188,384	—
Permanent Trusts - Expendable	33,119	354,716	387,835	19,575
Permanent Trusts - Nonexpendable	1,352,725	229,619	1,582,344	24,421
Future Benefits	—	1,738,911	1,738,911	41,044
Pension and Other Post Employment Benefits	1,204,884	1,374,402	2,579,286	349,261
Other Purposes	163,120	1,065,082	1,228,202	5,307,833
Unrestricted	(2,525,248)	(286,932)	(2,812,180)	2,413,257
Total Net Position	24,731,964	12,147,686	36,879,650	8,737,389
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 49,933,199</b>	<b>\$ 21,149,601</b>	<b>\$ 71,082,799</b>	<b>\$ 14,318,630</b>

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

**Statement of Activities  
For the Fiscal Year Ended June 30, 2022**

(In Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Primary Government:</b>				
Governmental Activities:				
Commerce	\$ 516,392	\$ 291,539	\$ 242,465	\$ —
Education	9,102,302	14,441	1,532,553	73
Transportation	2,577,391	1,005,098	177,166	992,262
Environmental Resources	499,972	250,259	106,855	623
Human Relations and Resources	19,470,003	701,958	13,287,372	—
General Executive	1,723,024	255,848	1,193,517	9,767
Judicial	146,920	41,893	863	—
Legislative	76,245	1,848	3	—
Tax Relief and Other General Expenses	1,591,184	—	(13,829)	—
Intergovernmental - Shared Revenue	1,074,920	57,117	—	—
Interest on Debt	313,266	—	—	—
<b>Total Governmental Activities</b>	<b>37,091,619</b>	<b>2,620,001</b>	<b>16,526,965</b>	<b>1,002,726</b>
Business-type Activities:				
Injured Patients and Families Compensation	50,269	—	(179,196)	—
Environmental Improvement	65,952	46,670	61,810	—
University of Wisconsin System	5,377,192	3,876,404	774,886	18,676
Unemployment Reserve	684,509	477,071	351,914	—
Lottery	973,512	888,012	(357)	—
Health Insurance	1,691,304	1,662,680	35,443	—
Care and Treatment Facilities	408,070	321,860	1,629	—
Other Business-type	176,205	81,120	160,064	235
<b>Total Business-Type Activities</b>	<b>9,427,013</b>	<b>7,353,817</b>	<b>1,206,193</b>	<b>18,911</b>
<b>Total Primary Government</b>	<b>\$ 46,518,632</b>	<b>\$ 9,973,818</b>	<b>\$ 17,733,158</b>	<b>\$ 1,021,637</b>
<b>Component Units:</b>				
Housing and Economic Development Authority	\$ 284,547	\$ 81,801	\$ 208,454	\$ —
Health Care Liability Insurance Plan	4,778	3,427	—	—
University Hospitals and Clinics Authority	3,905,209	4,027,946	—	—
University of Wisconsin Foundation	332,274	(461,810)	378,420	—
Wisconsin Economic Development Corporation	108,966	170	106,681	—
<b>Total Component Units</b>	<b>\$ 4,635,774</b>	<b>\$ 3,651,534</b>	<b>\$ 693,555</b>	<b>\$ —</b>
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 - Beginning				
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**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ 17,612		\$ 17,612	
(7,555,234)		(7,555,234)	
(402,865)		(402,865)	
(142,235)		(142,235)	
(5,480,674)		(5,480,674)	
(263,892)		(263,892)	
(104,164)		(104,164)	
(74,394)		(74,394)	
(1,605,013)		(1,605,013)	
(1,017,804)		(1,017,804)	
<u>(313,266)</u>		<u>(313,266)</u>	
(16,941,927)		(16,941,927)	
	\$ (229,465)	(229,465)	
	42,528	42,528	
	(707,226)	(707,226)	
	144,476	144,476	
	(85,858)	(85,858)	
	6,819	6,819	
	(84,581)	(84,581)	
	65,215	65,215	
	<u>(848,092)</u>	<u>(848,092)</u>	
<u>(16,941,927)</u>	<u>(848,092)</u>	<u>(17,790,019)</u>	
			\$ 5,708
			(1,352)
			122,737
			(415,664)
			<u>(2,114)</u>
			(290,685)
12,902,644	—	12,902,644	—
7,827,191	—	7,827,191	—
378,193	—	378,193	—
382,523	—	382,523	—
1,120,012	—	1,120,012	—
118,830	—	118,830	—
327,129	(14,907)	312,222	(315,571)
464,800	—	464,800	60,600
—	1,073	1,073	13,799
12,097	—	12,097	—
<u>(1,420,718)</u>	<u>1,420,718</u>	<u>—</u>	<u>—</u>
<u>22,112,701</u>	<u>1,406,883</u>	<u>23,519,584</u>	<u>(241,173)</u>
5,170,774	558,792	5,729,565	(531,858)
19,561,190	11,588,894	31,150,084	9,269,246
<u>\$ 24,731,964</u>	<u>\$ 12,147,686</u>	<u>\$ 36,879,650</u>	<u>\$ 8,737,389</u>

## Balance Sheet - Governmental Funds

### June 30, 2022

(In Thousands)

	General	Transportation	Nonmajor Governmental	Total Governmental
<b>Assets and Deferred Outflows of Resources</b>				
Assets:				
Cash and Cash Equivalents	\$ 8,486,668	\$ 1,179,957	\$ 694,104	\$ 10,360,729
Investments	1,737	—	1,078,592	1,080,328
Receivables (net of allowance):				
Taxes	1,747,269	105,425	—	1,852,694
Loans to Local Governments	—	—	230,197	230,197
Other Loans Receivable	673	14,093	—	14,766
Other Receivables	873,984	9,230	139,390	1,022,605
Due from Other Funds	153,127	19,768	25,532	198,427
Due from Component Units	2	—	—	2
Interfund Receivables	67,452	—	—	67,452
Due from Other Governments	1,551,438	234,495	21,144	1,807,076
Inventories	58,256	42,090	3,180	103,525
Prepaid Items	4,496	971	14,093	19,560
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	—	—	197,027	197,027
Investments	—	—	70,796	70,796
Other Assets	15,109	—	407	15,515
Total Assets	12,960,210	1,606,028	2,474,462	17,040,701
Deferred Outflows of Resources:				
Advances by the State	22,881	160	—	23,041
Total Assets and Deferred Outflows of Resources	\$ 12,983,091	\$ 1,606,188	\$ 2,474,462	\$ 17,063,742
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
Liabilities:				
Accounts Payable and Other Accrued Liabilities	\$ 1,285,521	\$ 170,275	\$ 38,607	\$ 1,494,403
Due to Other Funds	39,887	39,052	29,564	108,503
Due to Component Units	29	—	—	29
Interfund Payables	—	—	3,028	3,028
Due to Other Governments	2,476,403	76,309	2,551	2,555,263
Tax Refunds Payable	1,469,856	1,054	—	1,470,910
Tax and Other Deposits	111,820	346	18,338	130,505
Unearned Revenue	2,467,773	976	11,266	2,480,015
Interest Payable	—	—	33,999	33,999
Advances from Other Funds	—	—	6,599	6,599
Short-term Notes Payable	—	—	58,623	58,623
Revenue Bonds and Notes Payable	—	—	145,685	145,685
Total Liabilities	7,851,289	288,013	348,261	8,487,563
Deferred Inflows of Resources:				
Unavailable Revenue	486,320	265	7,267	493,851
Fund Balances:				
Nonspendable	62,721	43,061	1,369,855	1,475,638
Restricted	607,223	1,274,850	456,754	2,338,827
Committed	1,733,754	—	313,944	2,047,697
Unassigned	2,241,783	—	(21,618)	2,220,165
Total Fund Balances	4,645,482	1,317,911	2,118,935	8,082,327
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,983,091	\$ 1,606,188	\$ 2,474,462	\$ 17,063,742

(Continued)

**Balance Sheet - Governmental Funds**  
**June 30, 2022**

(Continued)

**Total**  
**Governmental**

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

**Total Fund Balances - Governmental Funds (from previous page)** \$ 8,082,327

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

Infrastructure	19,391,974	
Other Capital Assets	8,860,620	
Accumulated Depreciation	(2,114,378)	
		26,138,216

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. 824,988

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. 490,069

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. (136,417)

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	(1,739,544)	
Appropriation Bonds Payable	(2,703,208)	
General Obligation Bonds and Notes Payable	(5,401,466)	
Accrued Interest on Bonds	(50,848)	
Leases	(4,508)	
Certificates of Participation	(53,703)	
Compensated Absences	(182,312)	
Pollution Remediation	(238)	
Claims and Judgments	(592)	
Other Postemployment Benefits Liability	(530,800)	
		(10,667,219)

**Net Position of Governmental Activities as reported on the Statement of Net Position (See page 41)** \$ 24,731,964

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, 2022

(In Thousands)

	General	Transportation	Nonmajor Governmental	Total Governmental
<b>Revenues:</b>				
Taxes:				
Income	\$ 12,855,090	\$ —	\$ —	\$ 12,855,090
Sales and Excise	7,827,251	—	—	7,827,251
Public Utility	378,193	—	—	378,193
Other General Purpose	382,568	—	—	382,568
Motor Fuel	—	1,119,949	—	1,119,949
Other Dedicated	—	39,972	78,858	118,830
Intergovernmental	16,187,181	1,143,713	82,498	17,413,392
Licenses and Permits	811,656	756,340	676,854	2,244,850
Charges for Goods and Services	402,125	17,436	17,627	437,188
Investment and Interest Income	16,381	1,934	(26,335)	(8,020)
Fines and Forfeitures	52,787	623	19,421	72,831
Gifts and Donations	3,324	4	19,578	22,905
Miscellaneous:				
Tobacco Settlement	124,521	—	—	124,521
Other	299,876	23,170	16,328	339,373
Total Revenues	39,340,952	3,103,140	884,828	43,328,920
<b>Expenditures:</b>				
Current Operating:				
Commerce	407,077	—	113,547	520,624
Education	8,995,774	—	52,781	9,048,555
Transportation	37,300	2,478,834	27,019	2,543,153
Environmental Resources	118,172	—	382,605	500,778
Human Relations and Resources	19,387,987	—	41,027	19,429,014
General Executive	1,640,673	—	110,635	1,751,308
Judicial	147,676	—	174	147,850
Legislative	79,288	—	—	79,288
Tax Relief and Other General	1,588,525	—	2,659	1,591,184
Intergovernmental - Shared Revenue	1,018,981	—	55,940	1,074,920
Capital Outlay	118,192	409,460	204,581	732,234
Debt Service:				
Principal	32,468	2,573	720,310	755,352
Interest	4,577	319	382,936	387,832
Other Debt Related Expenditures	—	—	2,275	2,275
Total Expenditures	33,576,689	2,891,187	2,096,491	38,564,367
Excess of Revenues Over (Under) Expenditures	5,764,263	211,953	(1,211,663)	4,764,553
<b>Other Financing Sources (Uses):</b>				
Long-term Debt Issued	—	9,186	282,970	292,157
Long-term Debt Issued - Refundings	13,634	117	600,719	614,470
Payments for Refunded Debt	(14,929)	(128)	(23,314)	(38,371)
Payments to Refunded Debt Escrow Agent	—	—	(543,481)	(543,481)
Premium on Bonds and Certificates of Deposit	1,295	210	50,883	52,388
Transfers In	63,889	228,561	1,171,104	1,463,554
Transfers Out	(2,382,955)	(175,043)	(321,975)	(2,879,973)
Lease Acquisitions	22,586	2,066	546	25,197
Total Other Financing Sources (Uses)	(2,296,481)	64,969	1,217,453	(1,014,059)
Net Change in Fund Balances	3,467,782	276,921	5,790	3,750,494
Fund Balances, Beginning of Year	1,185,789	1,042,737	2,112,866	4,341,392
Increase (Decrease) in Inventories	(8,089)	(1,747)	278	(9,558)
Fund Balances, End of Year	\$ 4,645,482	\$ 1,317,911	\$ 2,118,935	\$ 8,082,327

(Continued)

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds**  
**For the Fiscal Year Ended June 30, 2022**

(Continued)

**Total  
Governmental**

**Reconciliation to the Statement of Activities:**

<b>Net Change in Fund Balances (from previous page)</b>	\$	3,750,494	
<p>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.</p>			
			(9,558)
<p>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:</p>			
Capital Outlay/Functional Expenditures	706,716		
Depreciation Expense	(133,248)		
Grants and Contributions (Donated Assets)	4,699		578,168
<p>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.</p>			
			(44,877)
<p>Revenues in the Statement of Activities that do not provide current financial are not reported as revenues in the funds.</p>			
			26,888
<p>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.</p>			
Bonds Issued	(883,022)		
Payments for Refunded Bonds	23,065		
Payments to Refunding Bond Escrow Agent	543,481		
Repayment of Bond Principal	719,660		
Bond Premium	(50,820)		352,365
<p>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.</p>			
Net Decrease (increase) in Accrued Interest	84,740		
Decrease (increase) in Leases	(4,052)		
Decrease (increase) in Certificates of Participation	(1,915)		
Decrease (increase) in Compensated Absences	(1,895)		
Decrease (increase) in Pollution Remediation Liabilities	5,258		
Decrease (increase) in Claims and Judgments	125		
Change in net pension assets, net pension liabilities, and pension-related deferred outflows and inflows of resources	242,078		
Decrease (increase) in Postemployment Benefit Liabilities	(17,884)		306,455
<p>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.</p>			
			210,839
<b>Changes in Net Position of Governmental Activities as reported on the Statement of Activities (See page 43)</b>	<b>\$</b>		<b>5,170,774</b>

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

## Statement of Net Position - Proprietary Funds

June 30, 2022

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 394,460	\$ 1,890,634	\$ 1,258,003
Investments	8	479,347	—
Securities Lending Collateral	—	228,877	—
Loans to Local Governments (net of allowance)	197,114	—	—
Other Loans Receivable (net of allowance)	—	17,470	—
Other Receivables (net of allowance)	32	151,153	157,691
Due from Other Funds	283	20,378	48
Due from Component Units	—	3,518	—
Due from Other Governments	10,181	161,121	1,023
Inventories	—	38,536	—
Prepaid Items	17	48,772	—
Leases Receivable	—	2,983	—
Other Assets	—	—	—
Total Current Assets	602,095	3,042,788	1,416,766
Noncurrent Assets:			
Investments	—	530,190	—
Loans to Local Governments (net of allowance)	2,002,366	—	—
Other Loans Receivable (net of allowance)	—	89,454	—
Other Receivables	—	—	93,369
Prepaid Items	15	—	—
Advances to Other Funds	6,599	—	—
Leases Receivable	—	11,807	—
Restricted and Limited Use Assets:			
Cash and Cash Equivalents	—	—	19,199
Net Pension Asset	211	1,085,067	—
Net Other Post Employment Benefit Asset	24	148,326	—
Other Assets	—	—	—
Depreciable Capital Assets (net of accum. depreciation)	—	5,183,787	—
Nondepreciable Capital Assets	—	637,263	—
Total Noncurrent Assets	2,009,215	7,685,894	112,568
Total Assets	2,611,310	10,728,681	1,529,334
<b>Deferred Outflows of Resources</b>			
Debt Refunding	819	32,622	—
Advances by the State	—	—	—
Deferred Pension Outflows	376	2,030,018	—
Deferred Other Post Employment Benefits Outflows	30	268,682	—
Asset Retirement Obligation	—	9,225	—
Total Deferred Outflows of Resources	1,224	2,340,547	—
Total Assets and Deferred Outflows of Resources	\$ 2,612,535	\$ 13,069,228	\$ 1,529,334

<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>		
<b>Nonmajor Enterprise</b>		<b>Totals</b>	<b>Internal Service Funds</b>		
\$	1,456,723	\$	4,999,821	\$	2,216,746
	17,665		497,020		—
	—		228,877		—
	214		197,328		—
	1		17,470		—
	168,583		477,459		2,452
	111,268		131,977		18,534
	—		3,518		—
	35,859		208,184		656
	7,983		46,519		10,223
	2,035		50,824		9,108
	—		2,983		—
	784		784		—
	<u>1,801,116</u>		<u>6,862,764</u>		<u>2,257,719</u>
	1,458,736		1,988,925		—
	2,205		2,004,571		—
	2,642		92,097		—
	—		93,369		—
	—		15		494
	—		6,599		—
	—		11,807		—
	61,708		80,907		—
	126,416		1,211,694		30,379
	14,358		162,708		3,450
	6,099		6,099		—
	187,295		5,371,081		430,854
	176,866		814,130		31,476
	<u>2,036,325</u>		<u>11,844,002</u>		<u>496,653</u>
	<u>3,837,441</u>		<u>18,706,767</u>		<u>2,754,372</u>
	334		33,774		2,232
	88,332		88,332		—
	236,794		2,267,187		59,036
	31,782		300,494		8,184
	—		9,225		—
	<u>357,241</u>		<u>2,699,012</u>		<u>69,452</u>
\$	<u>4,194,682</u>	\$	<u>21,405,779</u>	\$	<u>2,823,824</u>

(Continued)

## Statement of Net Position - Proprietary Funds

June 30, 2022

(Continued)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	\$ 72	\$ 271,820	\$ 53,412
Securities Lending Collateral Liabilities	—	228,877	—
Due to Other Funds	1,334	78,741	3,715
Due to Component Units	—	2,497	—
Interfund Payables	—	—	—
Due to Other Governments	378	5,851	58,268
Tax and Other Deposits	—	6,308	—
Unearned Revenue	—	203,715	—
Interest Payable	1,389	10,335	—
Short-term Notes Payable	—	12,974	—
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	—	—	—
Leases	—	23,905	—
Compensated Absences	207	98,759	—
Certificates of Participation	—	603	—
General Obligation Bonds and Notes Payable	—	109,336	—
Revenue Bonds and Notes Payable	29,375	—	—
Total Current Liabilities	32,755	1,053,723	115,395
Noncurrent Liabilities:			
Accounts Payable and Other Accrued Liabilities	—	—	—
Due to Other Governments	—	73,557	59,190
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	—	—	—
Leases	—	245,882	—
Compensated Absences	549	79,709	—
Other Postemployment Benefits	74	709,192	—
Asset Retirement Obligation	—	13,056	—
Certificates of Participation	—	3,927	—
General Obligation Bonds and Notes Payable	—	1,584,386	—
Revenue Bonds and Notes Payable	369,235	—	—
Total Noncurrent Liabilities	369,859	2,709,710	59,190
Total Liabilities	402,614	3,763,432	174,585
<b>Deferred Inflows of Resources</b>			
Debt Refunding	—	612	—
Deferred Pension Inflows	462	2,554,689	—
Deferred Other Post Employment Benefits Inflows	41	301,304	—
Other Deferred Inflows	—	14,671	—
Total Deferred Inflows of Resources	503	2,871,277	—
<b>Net Position:</b>			
Net Investment in Capital Assets	—	3,840,653	—
Restricted for Unemployment Compensation	—	—	1,354,749
Restricted for Environmental Improvement	2,188,384	—	—
Restricted for Expendable Trusts	—	354,716	—
Restricted for Nonexpendable Trusts	—	229,619	—
Restricted for Future Benefits	—	—	—
Restricted for Pension and Other Post Employment Benefits	235	1,233,393	—
Restricted for Other Purposes	—	923,905	—
Unrestricted	20,800	(147,767)	—
Total Net Position	2,209,418	6,434,519	1,354,749
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,612,535	\$ 13,069,228	\$ 1,529,334

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	
\$ 119,121	\$ 444,425		\$ 7,647	
—	228,877		—	
121,509	205,300		2,973	
191	2,688		—	
36,709	36,709		27,715	
6	64,503		126	
27,854	34,162		—	
37,704	241,419		—	
454	12,178		2,009	
—	12,974		1,850	
124,176	124,176		48,096	
1,195	25,100		1,815	
5,944	104,909		111,969	
1,038	1,641		2,718	
4,675	114,011		15,159	
—	29,375		—	
480,575	1,682,448		222,078	
2,634	2,634		—	
—	132,747		—	
1,033,807	1,033,807		104,826	
4,356	250,238		16,127	
9,133	89,392		2,253,308	
84,253	793,519		23,077	
—	13,056		—	
4,667	8,594		1,229	
44,417	1,628,803		308,244	
—	369,235		—	
1,183,268	4,322,026		2,706,811	
1,663,843	6,004,474		2,928,889	
21	633		1,167	
297,579	2,852,730		74,046	
32,728	334,074		7,649	
—	14,671		—	
330,328	3,202,108		82,863	
288,101	4,128,754		115,697	
—	1,354,749		—	
—	2,188,384		—	
—	354,716		—	
—	229,619		—	
1,738,865	1,738,865		—	
140,774	1,374,402		33,829	
141,177	1,065,082		—	
(108,408)	(235,375)		(337,454)	
2,200,510	12,199,197		(187,928)	
\$ 4,194,682	\$ 21,405,779		\$ 2,823,824	
	12,199,197	Total Net Position Reported Above		
	(51,511)	Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds		
\$	\$ 12,147,686	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, 2022

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
<b>Operating Revenues:</b>			
Charges for Goods and Services	\$ —	\$ —	\$ —
Participant and Employer Contributions	—	—	451,292
Tuition and Fees	—	1,422,724	—
Federal Grants and Contracts	—	917,864	—
Local and Private Grants and Contracts	—	269,376	—
Sales and Services of Educational Activities	—	328,539	—
Sales and Services of Auxiliary Enterprises	—	404,998	—
Sales and Services to UW Hospital Authority	—	60,561	—
Investment and Interest Income	44,660	—	—
Miscellaneous:			
Federal Aid for Unemployment Insurance Program	—	—	334,097
Reimbursing Financing Revenue	—	—	20,417
Other	2,010	447,682	5,362
Total Operating Revenues	<u>46,670</u>	<u>3,851,744</u>	<u>811,168</u>
<b>Operating Expenses:</b>			
Personal Services	5,720	3,435,917	—
Supplies and Services	3,299	1,228,956	—
Lottery Prize Awards	—	—	—
Scholarships and Fellowships	—	269,921	—
Depreciation	—	393,469	—
Benefit Expense	—	—	682,959
Interest Expense	10,241	—	—
Other Expenses	—	24,795	1,550
Total Operating Expenses	<u>19,260</u>	<u>5,353,059</u>	<u>684,509</u>
Operating Income (Loss)	<u>27,410</u>	<u>(1,501,314)</u>	<u>126,659</u>
<b>Nonoperating Revenues (Expenses):</b>			
Operating Grants	61,464	426,324	—
Investment and Interest Income	349	(63,792)	17,817
Gain (Loss) on Disposal of Capital Assets	—	(2,790)	—
Interest Expense	—	(46,151)	—
Gifts and Donations	—	415,777	—
Miscellaneous Revenues	—	24,660	—
Other Expenses:			
Property Tax Credits	—	—	—
Grants Disbursed	(46,692)	—	—
Other	—	—	—
Total Nonoperating Revenues (Expenses)	<u>15,121</u>	<u>754,027</u>	<u>17,817</u>
Income (Loss) Before Contributions, Transfers and Special Item	<u>42,531</u>	<u>(747,288)</u>	<u>144,476</u>
Capital Contributions	—	18,676	—
Additions to Endowments	—	1,073	—
Transfers In	52	1,264,017	60,000
Transfers Out	(8,013)	(100,773)	(1,486)
Change in Net Position	<u>34,570</u>	<u>435,705</u>	<u>202,990</u>
Total Net Position, Beginning of Year	2,174,848	5,998,814	1,151,759
Total Net Position, End of Year	<u>\$ 2,209,418</u>	<u>\$ 6,434,519</u>	<u>\$ 1,354,749</u>

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

<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>	
<b>Nonmajor Enterprise</b>		<b>Totals</b>			
\$	1,240,503	\$	1,240,503	\$	383,876
	1,673,650		2,124,943		—
	—		1,422,724		—
	—		917,864		—
	—		269,376		—
	—		328,539		—
	—		404,998		—
	—		60,561		—
	81		44,741		—
	—		334,097		—
	—		20,417		—
	33,061		488,115		1,050
	2,947,295		7,656,878		384,926
	298,305		3,739,943		84,389
	273,538		1,505,794		142,404
	557,117		557,117		—
	—		269,921		—
	20,860		414,329		36,745
	1,818,268		2,501,227		179,747
	—		10,241		—
	19,603		45,948		805
	2,987,692		9,044,520		444,090
	(40,397)		(1,387,643)		(59,164)
	3,214		491,002		—
	(4,522)		(50,148)		311,620
	(1,192)		(3,982)		343
	(951)		(47,102)		(9,189)
	509		416,286		—
	6,382		31,041		711
	(312,332)		(312,332)		—
	(1,580)		(48,272)		—
	5		5		(856)
	(310,467)		476,499		302,630
	(350,864)		(911,144)		243,466
	235		18,911		—
	—		1,073		—
	231,121		1,555,190		1,546
	(24,200)		(134,472)		(4,940)
	(143,707)		529,558		240,073
	2,344,217		11,669,639		(428,001)
\$	2,200,510	\$	12,199,197	\$	(187,928)
			529,558		Change in Net Position Reported Above
			29,234		Activities Related to Enterprise Funds
		\$	558,792		Change in Net Position of Business-Type Activities

## Statement of Cash Flows - Proprietary Funds For the Fiscal Year Ended June 30, 2022

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
<b>Cash Flows From Operating Activities:</b>			
Cash Receipts from Customers	\$ —	\$ —	\$ 506,636
Cash Payments to Suppliers for Goods and Services	(3,160)	(1,209,424)	—
Cash Payments to Employees for Services	(4,874)	(3,673,128)	—
Tuition and Fees	—	1,432,888	—
Grants and Contracts	—	1,187,852	—
Cash Payments for Lottery Prizes	—	—	—
Cash Payments for Loans Originated	(347,780)	(536,737)	—
Collection of Loans	200,359	551,853	—
Interest Income	44,443	—	—
Cash Payments for Benefits	—	—	(806,303)
Sales and Services of Educational Activities	—	322,552	—
Sales and Services of Auxiliary Enterprises	—	416,044	—
Sales and Services to UW Hospital Authority	—	54,050	—
Scholarships and Fellowships	—	(269,921)	—
Other Operating Revenues	2,010	408,299	470,319
Other Operating Expenses	—	—	(1,639)
Other Sources of Cash	—	—	—
Other Uses of Cash	—	—	—
Net Cash Provided (Used) by Operating Activities	(109,002)	(1,315,671)	169,013
<b>Cash Flows From Noncapital Financing Activities:</b>			
Operating Grants Receipts	61,927	430,869	—
Grants Disbursed	(46,675)	—	—
Proceeds from Issuance of Debt	122,842	—	—
Repayment of Bonds, Notes and Certificates of Participation	(42,530)	—	—
Interest Payments	(16,568)	—	—
Property Tax Credit Payments	—	—	—
Non Capital Gifts and Grants	—	416,933	—
Interfund Loans Received	—	—	—
Interfund Loans Repaid	—	—	—
Interfund Borrowing to Other Funds	—	—	—
Transfers In	520	1,275,393	60,000
Transfers Out	(8,013)	(100,452)	(1,506)
Other Cash Inflows from Non capital Financing Activities	—	17,057	—
Other Cash Outflows from Non capital Financing Activities	(12)	—	—
Net Cash Provided (Used) by Non Capital Financing Activities	71,491	2,039,799	58,494
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Proceeds from Issuance of Debt	—	192,832	—
Capital Contributions	—	191,288	—
Repayment of Bonds, Notes and Certificates of Deposit	—	(324,081)	—
Interest Payments	—	(126,433)	—
Transfers In	—	—	—
Lease Obligations	—	—	—
Proceeds from Sale of Capital Assets	—	—	—
Payments for Purchase of Capital Assets	—	(509,798)	—
Other Cash Inflows from Capital Financing Activities	—	5,357	—
Other Cash Outflows from Capital Financing Activities	—	—	—
Net Cash Provided (Used) by Capital and Related Financing Activities	—	(570,835)	—
<b>Cash Flows From Investing Activities:</b>			
Proceeds from Sale and Maturities of Investment Securities	—	183,304	—
Purchase of Investment Securities	—	(666,515)	—
Investment and Interest Receipts	345	1,181	17,817
Net Cash Provided (Used) by Investing Activities	345	(482,031)	17,817
Net Increase (Decrease) in Cash and Cash Equivalents	(37,167)	(328,738)	245,324
Cash and Cash Equivalents, Beginning of Year	431,627	2,219,372	1,031,879
Cash and Cash Equivalents, End of Year	\$ 394,460	\$ 1,890,634	\$ 1,277,203

<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>	
<b>Nonmajor Enterprise</b>		<b>Totals</b>			
\$	2,881,811	\$	3,388,447	\$	383,449
	(230,178)		(1,442,762)		(156,980)
	(328,276)		(4,006,279)		(86,754)
	—		1,432,888		—
	—		1,187,852		—
	(552,614)		(552,614)		—
	—		(884,517)		—
	204		752,416		—
	77		44,520		—
	(1,807,653)		(2,613,955)		(143,309)
	—		322,552		—
	—		416,044		—
	—		54,050		—
	—		(269,921)		—
	393		881,022		955
	(62,193)		(63,833)		—
	112,320		112,320		335
	(44)		(44)		(1)
	13,846		(1,241,814)		(2,305)
	3,215		496,011		—
	(2,824)		(49,500)		—
	—		122,842		—
	—		(42,530)		—
	—		(16,568)		(172)
	(340,206)		(340,206)		—
	145		417,078		—
	3,487		3,487		253
	(2,702)		(2,702)		(1,189)
	—		—		—
	229,453		1,565,366		2,340
	(24,212)		(134,183)		(4,886)
	475		17,532		—
	(7,045)		(7,058)		(14)
	(140,213)		2,029,571		(3,668)
	3,394		196,226		59,421
	235		191,523		—
	(4,334)		(328,415)		(80,814)
	(1,776)		(128,209)		(12,645)
	1,688		1,688		—
	(1,040)		(1,040)		(1,829)
	—		—		345
	(36,459)		(546,257)		(13,174)
	3,936		9,293		100
	(3,924)		(3,924)		(141)
	(38,280)		(609,116)		(48,737)
	394,483		577,787		—
	(378,820)		(1,045,335)		—
	231,984		251,327		311,518
	247,647		(216,222)		311,518
	83,000		(37,580)		256,808
	1,435,431		5,118,308		1,959,938
\$	1,518,431	\$	5,080,728	\$	2,216,746

(continued)

## Statement of Cash Flows - Proprietary Funds For the Fiscal Year Ended June 30, 2022

(Continued)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:</b>			
Operating Income (Loss)	\$ 27,410	\$ (1,501,314)	\$ 126,659
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	—	393,469	—
Provision for Uncollectible Accounts	—	—	16,627
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	10,064	—	—
Miscellaneous Nonoperating Income (Expense)	—	—	—
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Decrease (Increase) in Assets and Deferred Outflows:			
Receivables	(18)	124,529	(53,012)
Due from Other Funds	663	17,277	64,862
Due from Component Units	—	3,294	—
Due from Other Governments	(147,639)	(151,167)	203,399
Inventories	—	(7,710)	—
Prepaid Items	17	(9,520)	—
Net Pension Asset	(45)	(253,438)	—
Net OPEB Assets	—	(23,786)	—
Other Assets	—	—	—
Deferred Outflows of Resources	(151)	(790,048)	—
Increase (Decrease) Liabilities and Deferred Inflows:			
Accounts Payable and Other Accrued Liabilities	(21)	44,692	(168,168)
Due to Other Funds	489	9,227	(32,182)
Due to Other Component Unit	—	1,023	—
Due to Other Governments	(27)	(23,086)	10,828
Tax and Other Deposits	—	—	—
Unearned Revenue	—	35,496	—
Interest Payable	—	—	—
Compensated Absences	97	(6,121)	—
Postemployment Benefits	12	57,848	—
Future Benefits and Loss Liability	—	—	—
Deferred Inflows of Resources	147	763,666	—
Total Adjustments	(136,412)	185,644	42,354
Net Cash Provided Used by Operating Activities	\$ (109,002)	\$ (1,315,671)	\$ 169,013
<b>Noncash Investing, Capital and Financing Activities:</b>			
Assets Acquired through Leases	\$ —	\$ 9,023	\$ —
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)	—	(62,607)	—
Other	—	17,134	—

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

<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>	
<b>Nonmajor Enterprise</b>		<b>Totals</b>			
\$	(40,397)	\$	(1,387,643)	\$	(59,164)
	20,860		414,329		36,745
	131		16,758		—
	—		10,064		(1)
	8,250		8,250		317
	(14,030)		57,470		(601)
	(18,425)		64,377		199
	—		3,294		107
	(10,680)		(106,087)		(94)
	(360)		(8,070)		(2,713)
	(284)		(9,787)		1,560
	(30,614)		(284,097)		(6,662)
	(2,194)		(25,980)		(257)
	(30)		(30)		—
	(92,312)		(882,511)		(22,010)
	(9,261)		(132,758)		(9,683)
	15,634		(6,832)		410
	191		1,214		—
	—		(12,285)		126
	(78)		(78)		(1)
	366		35,862		—
	(9)		(9)		—
	217		(5,806)		(23)
	7,958		65,818		2,528
	91,260		91,260		35,895
	87,651		851,465		21,016
	54,243		145,829		56,859
\$	13,846	\$	(1,241,814)	\$	(2,305)
\$	—	\$	9,023	\$	—
	(1)		(1)		—
	(492)		(492)		—
	(214,983)		(277,589)		—
	664		17,798		—

**Statement of Fiduciary Net Position  
June 30, 2022**

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Custodial
<b>Assets</b>				
Cash and Cash Equivalents	\$ 3,343,739	\$ 6,291,680	\$ 1,010	\$ 137,833
Securities Lending Collateral	396,434	—	—	—
Prepaid Items	25,699	—	—	13
Receivables (net of allowance):				
Prior Service Contributions Receivable	5,789	—	—	—
Benefits Overpayment Receivable	2,095	—	—	—
Due from Other Funds	79,887	—	—	5,359
Due from Component Units	7,541	—	—	—
Due from Other Governments	148,011	—	—	1,940
Interest and Dividends Receivable	450,913	—	—	—
Investment Sales Receivable	10,869,737	—	—	—
Other Receivables	4,319	143	—	3,893
Total Receivables	11,568,292	143	—	11,193
Investments:				
Fixed Income	48,219,267	—	—	—
Stocks	83,778,808	—	—	—
Options	(1,946)	—	—	—
Financial Futures Contracts and Swaps	102,478	—	—	—
Private Fund Investments	26,573,553	—	—	—
Preferred Securities	703,312	—	—	—
Convertible Securities	2,153	—	—	—
Multi-asset Investments	6,227,923	—	—	—
Investment Contract	569,905	—	—	—
Foreign Currency Contracts	3,794	—	—	—
To Be Announced Securities	2,899,255	—	—	—
Deferred Compensation Plan Investments:				
Collective Investment Trust Funds	3,985,491	—	—	—
Mutual Funds	2,398,095	—	—	—
Stable Value Fund	782,330	—	—	—
Investments of Custodial Funds	—	—	—	35
Total Investments	176,244,418	—	—	35
Capital Assets	4,865	—	—	—
Other Assets	—	—	—	339,490
Total Assets	\$ 191,583,447	\$ 6,291,823	\$ 1,010	\$ 488,563

(continued)

(continued)

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Custodial
<b>Liabilities</b>				
Accounts Payable and Other Accrued Liabilities	\$ 200,634	\$ 13	\$ —	\$ 10,746
Reverse Repurchase Agreements	17,012,077	—	—	—
Securities Lending Collateral Liability	1,157,434	—	—	—
Annuities Payable	455,788	—	—	—
Due to Other Funds	88,433	156	—	5,593
Tax and Other Deposits	—	—	—	1,640
Due to Other Governments	—	—	—	91,200
Short Sales of Securities	8,050,666	—	—	—
Investment Payable	13,532,952	—	—	—
Unearned Revenue	495	—	—	—
Total Liabilities	40,498,479	169	—	109,179
<b>Net Position</b>				
Restricted for Pensions	141,847,870	—	—	—
Restricted for Other Postemployment Benefits	9,235,149	—	—	—
Restricted for Pool Participants	—	6,291,654	—	—
Restricted for Individuals, Organizations and Other Governments	1,950	—	1,010	379,385
Total Net Position	<u>\$ 151,084,969</u>	<u>\$ 6,291,654</u>	<u>\$ 1,010</u>	<u>\$ 379,385</u>

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, 2022**

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private- Purpose Trust	Custodial
<b>Additions</b>				
Contributions:				
Employer Contributions	\$ 1,183,961	\$ —	\$ —	\$ —
Employee Contributions	1,330,696	—	—	—
Transfer-in From Other Plans	38,909	—	—	—
Total Contributions	2,553,565	—	—	—
Deposits	—	11,432,810	—	1,152,331
Premiums	—	—	—	23,944
Federal Subsidy	—	—	—	1,945
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	20,384,784	—	—	—
Interest and Dividends	2,759,636	—	—	—
Securities Lending Income	47,080	—	—	—
Investment Income of Investment Trusts, Private Purpose Trusts, Other Employee Benefit Trusts and Custodial Funds	15,297	50,545	11	(165)
Less:				
Investment Expense	(451,445)	(1,014)	—	(3)
Securities Lending Rebates and Fees	(3,282)	—	—	—
Investment Income Distributed to Other Funds	(542,070)	—	—	—
Net Investment Income	22,210,000	49,531	11	(168)
Interest on Prior Service Receivable	366	—	—	—
Tax Collections for Other Governments	—	—	—	619,847
Miscellaneous Income	256	—	—	1
Total Additions	24,764,187	11,482,341	11	1,797,901
<b>Deductions</b>				
Retirement Benefits and Refunds:				
Retirement, Disability, and Beneficiary Separations	6,352,664	—	—	—
Total Retirement Benefits and Refunds	6,394,709	—	—	—
Distributions	358,098	10,779,634	—	1,145,760
Benefits and Other Expenses	124,347	—	—	25,393
Administrative Expense	43,875	186	—	2,647
Payments of Tax to Other Governments	—	—	—	619,671
Total Deductions	6,921,028	10,779,820	—	1,793,472
Net Increase (Decrease)	17,843,159	702,520	11	4,429
Net Position - Beginning of Year	133,241,810	5,589,134	1,000	374,956
Net Position - End of Year	\$ 151,084,969	\$ 6,291,654	\$ 1,010	\$ 379,385

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



Notes To The Financial Statements

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## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of Presentation

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

### B. Financial Reporting Entity

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

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

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

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

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

Wisconsin Housing and Economic Development Authority  
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  
125 South Webster Street  
Madison, WI 53703  
<http://oci.wi.gov>

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

Wisconsin Economic Development Corporation  
201 West Washington Avenue  
Madison, Wisconsin 53703  
<http://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 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 (DETF) 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 DETF 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, 13 additional campuses affiliated with seven 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 2022, the State implemented the following new standards issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset.

GASB Statement No. 92, *Omnibus 2020*, addresses practice issues that were identified during the implementation of certain GASB standards. The standard addresses a variety of topics including leases, intra-entity transfers, pensions, fiduciary activities, asset retirement obligations, public entity risk pools, fair value measurements and derivative instruments.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses the accounting and financial reporting implications that result from the replacement of an interbank offered rate.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, established the term annual comprehensive financial report and the acronym ACFR.

GASB Statement No. 99, *Omnibus 2022*, paragraphs 26-32 relating to the replacement of LIBOR, SNAP benefits, disclosure of nonmonetary transactions, pledges of future revenues when

resources are not received by the pledging government and terminology updates.

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

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

**6. Inventories and Prepaid Items**

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

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

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

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

**7. Capital Assets**

Capital assets, which include property, plant, equipment, intangibles, land, 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, 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. 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

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 \$448.9 million representing one-half of the total appropriated amount is reported at June 30, 2022 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 July. Although the state property tax credit is calculated on the property tax levy for school purposes, the State's July payment is paid to an administering municipality who treats the payment the same as other tax collections and distributes the collections to the various tax levying jurisdictions (e.g., cities, towns, and school districts).

The portion of the liability payable to school districts for the school levy and first dollar tax credits represents the amount of the July payment earned over the school districts' previous fiscal year ended June 30. Since the entire school districts' portion of the July payment occurs within the State's fiscal year, 100 percent of the July payment relating to the school taxing jurisdictions' levy is reported as a liability at June 30, 2022.

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, 2022.

The aggregated State Property Tax Credit Program liability of \$804.9 million is reported in the General Fund as Due to Other Governments. Of that amount, \$695.9 million relates to the school levy tax credit and \$109.0 million relates to the first dollar tax credit.

The lottery property tax credit is accounted for in the Lottery Fund, an enterprise fund that records revenues and expenses on the accrual basis. The State pays municipal treasurers for lottery credits who distribute the moneys to the various taxing jurisdictions. For credits reducing the calendar year 2022 property tax bills, the State made this payment in March 2022. 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 2022, while the remaining portion represents advanced payments. The resulting deferred outflow of resources reported within the Lottery Fund totals \$88.3 million at June 30, 2022.

#### 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, 2022, the State was liable to various local governments and other taxing jurisdictions for unpaid exempt computer aid payments of \$67.4 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 will be made to local taxing jurisdictions on or before the first Monday in May. Under the Act, aid payments totaling \$78.2 million were made in May 2022.

#### 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, 2022, 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. 16, *Accounting for Compensated Absences*, an accrual for certain salary-related payments associated with annual leave and an accrual for a certain portion of sick leave is included in the compensated absences liability at year end.

##### Annual Leave

Full-time employees' annual leave days are credited on January 1 of each calendar year in general at a minimum of 15 or 13 days per year, depending on Fair Labor Standards Act (FLSA) status. There is no requirement to use annual leave. However, unused leave is lost unless approval to carry over the unused portion is obtained from the employing agency. 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, 2022, primarily for summer session tuition, tuition and room deposits for the next fall term, advance ticket sales for upcoming intercollegiate athletic events, and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement.

**13. Self-Insurance**

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

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

agency for its proportionate share of the estimated cost attributable to the program per Wis. Stat. Sec. 16.865(8).

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

Deferred outflows of resources 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 restricted, committed, or assigned 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, 2022, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Balance Sheet – Governmental Funds to the amounts presented in the governmental activities section of the Statement of Net Position (in thousands). The differences result primarily from the long-term economic focus of the Statement of Net Position compared to the current financial focus of the Balance Sheet – Governmental Funds.

	Total Governmental Funds	Long-term Assets and Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations (3)	Total Amount for Statement of Net Position
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 10,360,729	\$ —	\$ 2,216,746	\$ —	\$ 12,577,475
Investments	1,080,328	—	—	—	1,080,328
Receivables (net of allowance):					
Taxes	1,852,694	—	—	(1,852,694)	—
Loans to Local Governments	230,197	—	—	(230,197)	—
Other Loans Receivable	14,766	—	—	(14,766)	—
Other Receivables	1,022,605	2,837	3,108	3,982,996	5,011,546
Due from Other Funds	198,427	—	18,534	(216,961)	—
Due from Component Units	2	—	—	(2)	—
Interfund Receivables	67,452	—	—	(67,452)	—
Due from Other Governments	1,807,076	—	—	(1,807,076)	—
Internal Balances	—	—	51,511	77,651	129,163
Inventories	103,525	3,783	10,223	—	117,531
Prepaid Items	19,560	447	9,602	—	29,609
Restricted Assets:					
Cash and Cash Equivalents	197,027	—	—	—	197,027
Investments	70,796	—	—	—	70,796
Net Pension Asset	—	1,051,616	30,379	—	1,081,994
Sick Leave OPEB Asset	—	119,440	3,450	—	122,890
Other Assets	15,515	—	—	—	15,515
Depreciable Capital Assets	—	1,490,983	430,854	—	1,921,837
Infrastructure	—	19,391,974	—	—	19,391,974
Other Non-depreciable Capital Assets	—	5,557,406	31,476	—	5,588,881
<b>Total Assets</b>	<b>17,040,701</b>	<b>27,618,486</b>	<b>2,805,883</b>	<b>(128,502)</b>	<b>47,336,568</b>
<b>Deferred Outflows of Resources</b>	<b>23,041</b>	<b>2,504,139</b>	<b>69,452</b>	<b>—</b>	<b>2,596,631</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 17,063,742</b>	<b>\$ 30,122,624</b>	<b>\$ 2,875,335</b>	<b>\$ (128,502)</b>	<b>\$ 49,933,199</b>
<b>Liabilities:</b>					
Accounts Payable and Other Accrued Liabilities	1,494,403	(1,075)	7,647	20,345	1,521,321
Due to Other Funds	108,503	—	30,688	(139,191)	—
Due to Component Units	29	—	—	(29)	—
Interfund Payables	3,028	—	—	(3,028)	—
Due to Other Governments	2,555,263	—	126	—	2,555,389
Tax Refunds Payable	1,470,910	—	—	—	1,470,910
Tax and Other Deposits	130,505	—	—	—	130,505
Unearned Revenue	2,480,015	3,783	—	—	2,483,798
Interest Payable	33,999	50,848	2,009	—	86,856
Advances from Other Funds	6,599	—	—	(6,599)	—
Short-term Notes Payable	58,623	—	1,850	—	60,474
Long-term Liabilities:					
Current Portion	145,685	841,486	179,756	—	1,166,928
Noncurrent Portion	—	10,196,246	2,706,811	—	12,903,057
<b>Total Liabilities</b>	<b>8,487,563</b>	<b>11,091,288</b>	<b>2,928,889</b>	<b>(128,502)</b>	<b>22,379,238</b>
<b>Deferred Inflows of Resources</b>	<b>493,851</b>	<b>2,245,283</b>	<b>82,863</b>	<b>—</b>	<b>2,821,997</b>
<b>Fund Balances/Net Position</b>	<b>8,082,327</b>	<b>16,786,053</b>	<b>(136,417)</b>	<b>—</b>	<b>24,731,964</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances/Net Position</b>	<b>\$ 17,063,742</b>	<b>\$ 30,122,624</b>	<b>\$ 2,875,335</b>	<b>\$ (128,502)</b>	<b>\$ 49,933,199</b>

- (1) Long-term asset and liability differences arise because governmental funds focus only on short-term financing (that is, resources that will be available to pay for current period expenditures). In contrast, the Statement of Net Position has a long-term economic focus and reports on all capital and financial resources.
- (2) The adjustment for internal service funds reflects the reclassification of these funds for the government-wide statement. The assets and liabilities of these funds are reported as proprietary activities on the fund statements, but are included as governmental activities on the Statement of Net Position.
- (3) Various reclassifications are necessary due to the differing level of detail needed on each of the statements. Eliminations are done on the Statement of Net Position to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government. The net residual amounts due between governmental and business-type activities are shown as internal balances.

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

During the year ended June 30, 2022, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the amounts presented in the governmental section of the Statement of Activities (in thousands). The differences result primarily from the long-term economic focus of the Statement of Activities compared to the current financial focus of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.

	Total Governmental Funds	Long-term Revenues and Expenses (1)	Capital-Related Items (2)
<b>Revenues:</b>			
Taxes			
Income Taxes	\$ 12,855,090	\$ 47,554	\$ —
Sales & Excise Taxes	7,827,251	(61)	—
Public Utility Taxes	378,193	—	—
Other Taxes	382,568	(45)	—
Motor Fuel (Transportation) Taxes	1,119,949	63	—
Other Dedicated Taxes	118,830	—	—
Intergovernmental	17,413,392	—	—
Operating Grants	—	4,003	—
Capital Grants	—	—	696
Licenses and Permits	2,244,850	—	—
Charges for Goods and Services	437,188	(20,623)	—
Investment and Interest Income	(8,020)	—	—
Fines and Forfeitures/Contributions to Permanent Fund	72,831	—	—
Gifts and Donations	22,905	—	—
Miscellaneous:			
Tobacco Settlement	124,521	—	—
Other	339,373	—	1
<b>Total Revenues</b>	<b>43,328,920</b>	<b>30,891</b>	<b>698</b>
<b>Expenditures/Expenses:</b>			
Current Operating:			
Commerce	520,624	(6,947)	2,955
Education	9,048,555	(4,294)	3,330
Transportation	2,543,153	(20,765)	55,335
Environmental Resources	500,778	(18,652)	21,853
Human Relations and Resources	19,429,014	(115,398)	82,062
General Executive	1,751,308	(14,404)	10,357
Judicial	147,850	(4,964)	2,554
Legislative	79,288	(3,794)	—
Tax Relief and Other General Expenditures	1,591,184	—	—
Intergovernmental - Shared Revenue	1,074,920	—	—
Capital Outlay	732,234	—	(732,234)
Debt Service:			
Principal	755,352	—	—
Interest and Other Charges	390,107	—	—
<b>Total Expenditures/Expenses</b>	<b>38,564,367</b>	<b>(189,217)</b>	<b>(553,788)</b>
Excess of Revenues Over (Under)			
Expenditures/Expenses	4,764,553	220,109	554,485
<b>Other Financing Sources (Uses):</b>			
Net Transfers	(1,416,419)	—	—
Long-term Debt Issued	906,627	—	—
Premium/Discount on Bonds	52,388	—	—
Payments for Refunded Bonds	(38,371)	—	—
Payments to Refunding Bond Escrow Agent	(543,481)	—	—
Lease Acquisitions	25,197	(25,197)	—
<b>Total Other Financing Sources (Uses)</b>	<b>(1,014,059)</b>	<b>(25,197)</b>	<b>—</b>
<b>Net Change in Fund Balance/Net Position</b>	<b>3,750,494</b>	<b>\$ 194,911</b>	<b>\$ 554,485</b>
Change in Inventories	(9,558)		
<b>Net Change for the Year</b>	<b>\$ 3,740,935</b>		

- (1) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," while government-wide statements report revenues when earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, while government-wide statements report using the accrual basis of accounting.
- (2) Capital-related adjustments consist of the difference between proceeds for the sales of capital assets and the gain or loss from the sales of capital assets, and from the difference between capital outlay expenditures recorded in the governmental funds and depreciation expense recorded in the government-wide statements.
- (3) The adjustment for internal service funds reflects the elimination of these funds from the government-wide statement, which is accomplished by charging/refunding additional amounts to participating governmental activities to completely offset the internal service funds' cost for the year.

Internal Service Funds (3)	Long-term Debt Transactions (4)	Eliminations (5)	Revenue/Expense Reclassifications (6)	Total Amount for Statement of Activities
\$ —	\$ —	\$ —	\$ —	12,902,644
—	—	—	—	7,827,191
—	—	—	—	378,193
—	—	—	—	382,523
—	—	—	—	1,120,012
—	—	—	—	118,830
—	—	—	(17,413,392)	—
—	—	56,109	16,466,853	16,526,965
—	—	56,427	945,603	1,002,726
—	—	—	(2,244,850)	—
(94,038)	—	(8,422)	2,305,896	2,620,001
311,620	—	—	23,529	327,129
—	—	—	(60,734)	12,097
—	—	—	(22,905)	—
—	—	—	464,799	464,800
—	—	—	(124,521)	—
—	—	—	(339,373)	—
217,582	—	104,114	906	43,683,111
(109)	—	—	(132)	516,392
(1,600)	—	56,051	261	9,102,302
(2,079)	—	—	1,747	2,577,391
1,707	(5,258)	—	(456)	499,972
9,824	(125)	56,485	8,141	19,470,003
(15,812)	—	(8,422)	(2)	1,723,024
1,479	—	—	—	146,920
751	—	—	—	76,245
—	—	—	—	1,591,184
—	—	—	—	1,074,920
—	—	—	—	—
—	(755,352)	—	—	—
9,189	(86,030)	—	—	313,266
3,350	(846,765)	104,114	9,558	37,091,619
214,232	846,765	—	(8,653)	6,591,492
(3,393)	—	—	(906)	(1,420,718)
—	(906,627)	—	—	—
—	(52,388)	—	—	—
—	38,371	—	—	—
—	543,481	—	—	—
—	—	—	—	—
(3,393)	(377,163)	—	(906)	(1,420,718)
\$ 210,839	\$ 469,603	\$ —	(9,558)	5,170,774
			9,558	—
			\$ —	\$ 5,170,774

- (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, 2022 are (in thousands):

<hr/>		
Special Revenue:		
Dry Cleaner Environmental Response	\$	6,256
Capital Projects:		
Capital Improvement		15,362
Enterprise:		
Northern Developmental Disabilities Center		12,341
Internal Service:		
Accumulated Sick Leave Basic Plan		254,144
Fleet Services		1,995
Human Resource Services		6,340
Risk Management		128,470
<hr/>		

**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, 2022 (in thousands):

<hr/>	
Governmental Activities:	
Net Position Restricted by Enabling Legislation	\$ 1,284,122
Business-type Activities:	
Net Position Restricted by Enabling Legislation	<u>2,070,873</u>
<hr/>	

**C. Budget Stabilization Arrangement**

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

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

The balance of the budget stabilization arrangement as of June 30, 2022 was \$1.7 billion. There was no transfer to the budget stabilization fund in fiscal year 2022 since the current balance exceeded 5.0 percent of the estimated General Fund expenditures for the fiscal year.

**D. Minimum Fund Balance**

Wisconsin Statutes 20.003(4) establishes a minimum General Fund balance. Under the statutes, no bill directly or indirectly affecting general purpose revenues as defined in Wisconsin Statutes 20.001(2)(a) may be enacted by the legislature if the bill would cause the estimated General Fund balance on June 30 of any fiscal year to be an amount equal to or less than the amount specified for that fiscal year. The minimum required balance for the fiscal year ending June 30, 2022 was \$90.0 million.

**E. Fund Balance for Governmental Funds**

Governmental funds reported the following categories of fund balance as of June 30, 2022 (in thousands):

	General	Transportation	Nonmajor Governmental	Total Governmental
<b>Nonspendable for:</b>				
Inventory, Prepaid and Long-term Receivables	\$ 62,721	\$ 43,061	\$ 17,272	\$ 123,055
Legal or Contractual Purposes (Permanent Fund Principal)		—	1,352,583	1,352,583
<b>Restricted for:</b>				
Commerce	29,384		—	29,384
Education	17,880		79,631	97,511
Transportation	—	1,274,850	—	1,274,850
Environmental Resources	4,430		222,047	226,477
Human Relations and Resources	489,507		52,482	541,989
General Executive	65,551		8,438	73,989
Judicial	53		—	53
Legislative	10		—	10
Tax Relief and Other General Expenditures	409		—	409
Intergovernmental - Shared Revenue	—		3,664	3,664
Debt Service			6,689	6,689
Capital Projects			83,802	83,802
<b>Committed to:</b>				
Commerce			83,719	83,719
Education			2,561	2,561
Environmental Resources			114,418	114,418
Human Relations and Resources			38,863	38,863
General Executive			32,448	32,448
Judicial			71	71
Tax Relief and Other General Expenditures	1,733,754		—	1,733,754
Capital Projects			41,865	41,865
<b>Unassigned</b>	<b>2,241,783</b>	<b>—</b>	<b>(21,618)</b>	<b>2,220,165</b>
<b>Total Fund Balance</b>	<b>\$ 4,645,482</b>	<b>\$ 1,317,911</b>	<b>\$ 2,118,935</b>	<b>\$ 8,082,327</b>

**NOTE 5. DEPOSITS AND INVESTMENTS**

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

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

**1. Primary Government**

As of June 30, 2022, \$580.6 million of the primary government's bank balance of \$593.0 million was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	\$	580.6
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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, 2022 are immaterial. The primary government does not have a formal policy specifically related to foreign currency risk.

The State's Unemployment Reserve Fund had \$1.3 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, 2021, WRS cash deposits totaled \$620.7 million. Of the total deposits, \$123.4 million was collateralized by the securities borrowed. Depository insurance covered another \$36.2 million of the total. The remaining deposits, totaling \$461.1 million, were uninsured and uncollateralized. These uninsured deposits represented 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. In addition to cash deposits, the WRS also held \$24.0 million in certificates of deposit.

**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, 2021, 83 individual participant accounts held more than \$250,000.

**4. State Investment Fund**

The State of Wisconsin appropriation for losses on public deposits protects a depositing municipality up to \$400,000 (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. In addition, the SIF held time deposits with financial institutions with a fair value of \$150.0 million, all of which were uncollateralized and uninsured on June 30, 2022.

## 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 State of Wisconsin Investment Board (SWIB or the Board) has control of the investment and collection of principal, interest, and dividends of all monies invested of the 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 FY 2018, the UWS Board of Regents has delegated investment management authority to SWIB and is responsible for monitoring its delegation of this investment management authority. 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 University 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 Cash Management Fund is to manage principal, ensure liquidity for anticipated needs, and maintain purchasing power for existing assets. Target allocations were approved by the University Investment Committee in January 2022. The Cash Management 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](http://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 Wisconsin State Statute Section 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 State of Wisconsin Investment Board (the Board). The WRS consists of shares in the Core Retirement Investment Trust and the Variable Retirement Investment Trust.

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

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

**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 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

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, 2022, in millions:

	Fair Value	Fair Value Measurement Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>Primary Government (excluding the Separately Managed Funds)</b>				
Investments by Fair Value Level:				
U.S. Government & Agency Securities	\$ 189.6	\$ 76.0	\$ 113.6	\$ —
State or Municipal Bonds & Notes	103.7	—	103.7	—
Corporate and Other Bonds and Notes	12.4	—	12.4	—
Closed-End Funds	4.0	4.0	—	—
Exchange Traded Funds	387.7	387.7	—	—
Equity Securities	33.0	33.0	—	—
Limited Partnership	287.7	—	—	287.7
<b>Total By Fair Value Level</b>	<b>\$ 1,018.1</b>	<b>\$ 500.8</b>	<b>\$ 229.6</b>	<b>\$ 287.7</b>
Investments Valued at Net Asset Value (NAV):				
Money Market Funds	\$ 402.8			
Mutual Funds	121.9			
Investments Valued at Cost:				
Private Placement	7.1			
U.S. Government & Agency Securities	0.2			
Long-Term CDs	\$ 1.1			
<b>Total</b>	<b>\$ 1,551.2</b>			

The following tables present fair value measurements as of June 30, 2022 for the Separately Managed Funds, in millions:

Separately Managed Funds	Fair Value Measurement Using		
	Total	Level 1	Level 2
<b>IPFCF</b>			
Investments by Fair Value Level:			
U.S. Government and Agency Securities	\$ 658.0	\$ 6.5	\$ 651.5
Corporate Bonds	449.3	—	449.3
Municipal Bonds	20.5	—	20.5
Foreign Bonds	42.0	—	42.0
Total by Fair Value Level	<u>\$ 1,169.8</u>	<u>\$ 6.5</u>	<u>\$ 1,163.3</u>
Investments Valued at Net Asset Value (NAV):			
Equity Index Funds	\$ 200.0		
Short-Term Investment Fund	10.6		
Total IPFCF	<u>\$ 1,380.4</u>		

**Historical Society**

Investments Reported at Net Asset Value (NAV):

Equity Index Fund	\$ 16.2
Fixed Income Fund	5.1
Total Historical Society	<u>\$ 21.2</u>

**SLIF**

Investments by Fair Value Level:

U.S. Government and Agency Securities	\$ 44.3	\$ —	\$ 44.3
Corporate Bonds	55.1		55.1
Total by Fair Value Level	<u>\$ 99.4</u>	<u>\$ —</u>	<u>\$ 99.4</u>

Investments Reported at Net Asset Value (NAV):

U.S. Fixed Income Fund	\$ 2.0
Total SLIF	<u>\$ 101.4</u>

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 Level 3 include certain Limited Partnership interests in the amount of \$287.7 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 \$166.0 million in limited partnerships as of June 30, 2022.

The Injured Patients and Families Compensation fund holds Investments in the amount of \$10.6 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, 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.

Of the \$0.2 million of U.S. Government and Agency Securities reported at amortized cost, \$0.1 million represents U.S. Government Savings Bonds.

**Deferred Compensation**

The following schedule presents fair value measurements at June 30, 2022 (in millions):

Deferred Compensation	Fair Value Measurement Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs
Investments by Fair Value Level:			
Mutual Funds	\$ 2,398.1	2,398.1	—
Investments Reported at Net Asset Value (NAV):			
Stable Value Fund	\$ 782.3		
Collective Investment Trusts (CIT)	3,985.5		
Total By Net Asset Value	<u>\$ 4,767.8</u>		
Total Investments	<u>\$ 7,165.9</u>		

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, 2022 (in millions):

UWS	Fair Value Measurement Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs
Investments by Fair Value Level:			
Investments Reported as			
Cash & Cash Equivalents	\$ 0.4	\$ 0.4	\$ —
Fixed Income Securities	6.4	1.1	5.3
Fixed Income Index Funds	165.0	—	165.0
Total Investments by Fair Value Level	\$ 171.7	\$ 1.5	\$ 170.2

### Investments Valued at Net Asset Value (NAV):

Equity Index Funds	\$ 315.1
Fixed Income Index Funds	419.0
Real Estate Index Fund	14.0
Investments Reported as	
Cash & Cash Equivalents	0.8
Private Equity Limited Partnerships	88.9
Total Investments	\$ 1,009.5

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 (84%) with an investment strategy designed to track the return of equity securities traded both inside and outside of the United States. An additional 5% 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 11% 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 (29%) 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 (15%) 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 (14%) and U.S. High Yield Bond Index Fund (7%) with the objective of approximating the total return of the market for debt securities and a floating rate income fund (7%) 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 (28%) 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 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 4.1 years at June 30, 2022. The estimated remaining life of the underlying investments are between 0-7 years.

The UWS has an unfunded commitment in the amount of \$7.4 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 presents fair value measurements at December 31, 2021 (in millions):

WRS	Fair Value	Fair Value Measurement Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level:				
Cash Equivalents				
Certificates of Deposit	\$ 24.0	\$ —	\$ 9.0	\$ 15.0
Commercial Paper	180.5	—	—	180.5
Money Market Funds	250.0	250.0	—	—
<b>Total Cash Equivalents</b>	<b>454.5</b>	<b>250.0</b>	<b>9.0</b>	<b>195.5</b>
Equities				
Domestic	50,180.1	50,087.0	0.1	93.0
International	22,954.1	22,942.8	0.2	11.2
<b>Total Equities</b>	<b>73,134.2</b>	<b>73,029.7</b>	<b>0.2</b>	<b>104.2</b>
Fixed Income				
Asset Backed Securities	832.9	—	811.4	21.5
Corporate Bonds & Private Placements	14,470.4	—	14,405.1	65.3
Exchange Traded Funds	465.9	465.9	—	—
Foreign Government / Agency Bonds	2,268.9	—	2,268.9	—
Municipal Bonds	188.7	—	188.7	—
U.S. Government Agencies	2,312.7	—	2,312.7	—
U.S. Treasury Inflation Protected Securities	21,183.2	—	21,183.2	—
U.S. Treasury Securities	5,576.7	38.5	5,538.2	—
<b>Total Fixed Income</b>	<b>47,299.3</b>	<b>504.4</b>	<b>46,708.2</b>	<b>86.8</b>
Preferred Securities				
Domestic	462.4	—	229.4	233.0
International	240.9	240.9	—	—
<b>Total Preferred Securities</b>	<b>703.3</b>	<b>240.9</b>	<b>229.4</b>	<b>233.0</b>
Convertibles	2.2	—	0.1	2.1
Derivatives				
Foreign Exchange Contracts	3.8	—	3.8	—
Futures	76.8	76.8	—	—
Options	(1.9)	(1.9)	—	—
Swaps	25.7	—	25.7	—
To Be Announced Securities	2,899.3	—	2,899.3	—
<b>Total Derivatives</b>	<b>3,003.6</b>	<b>74.8</b>	<b>2,928.7</b>	<b>—</b>
Short Sales	(8,050.7)	(8,047.5)	—	(3.2)
<b>Total</b>	<b>\$ 116,546.4</b>	<b>\$ 66,052.4</b>	<b>\$ 49,875.6</b>	<b>\$ 618.4</b>

WRS	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (7)
Investments Measured at NAV:				
Cash and Cash Equivalents (1)	\$ 5,404.7	\$ —	Daily	Same Day
Fixed Income (2)	1,221.8	—	Daily	5 days
Private Fund Investments (3)	26,573.6	14,112.9	N/A	N/A
Equities (4)	9,710.7	—	Daily, Monthly	2-30 days
Equity Limited Partnerships (5)	933.9	—	Monthly	15 days
Hedge Funds (6)	6,227.9	746.7	Various	Various
<b>Total</b>	<b>\$ 50,072.6</b>	<b>\$ 14,859.6</b>		

(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 a long-only fixed income manager which can invest across the credit quality spectrum, in varying geographies, and can include derivatives, high yield, and structured securities. The long-only manager requires a redemption notice period of 5 days and has daily liquidity.

(3) Private Fund Investments include direct, co-investments, 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. As of December 31, 2021, there is one partial sale planned in 2022 on the secondary market. The anticipated sale price of this fund is not expected to be materially different than the NAV as of December 31, 2021.

(4) This category includes long-only equity managers (71%) 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 or monthly, with between 10 and 30 business days' notice. The remaining 29% of this category represents emerging markets equity index funds with an investment strategy designed to track the return of the given segment of the emerging equity markets. These investments can be redeemed daily with 2 business days notice.

(5) Equity Limited Partnership fund invests in global equity. The long-only manager requires a redemption notice period of 15 days and can be redeemed monthly.

(6) Hedge Fund investments are private investment funds that seek to produce absolute returns using a broad range of strategies. In certain instances, Hedge Fund investments are structured as limited partnerships, whereby participants receive distributions over the life of the fund. Estimated remaining life for four funds structured as limited partnerships within the portfolio is more than 10 years, and three funds between 5 and 10 years.

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

strategies. In certain instances, Hedge Fund investments are structured as limited partnerships, whereby participants receive distributions over the life of the fund. Estimated remaining life for four funds structured as limited partnerships within the portfolio is more than 10 years, and three funds between 5 and 10 years.

(7) 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 participated in the following investment strategies at December 31, 2021:

*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 at December 31, 2021:

**Core** – Core investments are expected to deliver a significant percentage of their return from income and should demonstrate 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. The lock-up period helps 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 place. In addition, hedge fund managers can also 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 “gate” 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.

The WRS participated in the following Hedge Fund strategies at December 31, 2021:

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

**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.

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

**Relative Value** – This strategy uses a range of fixed income arbitrage, insurance linked, long/short credit, and/or quantitative strategies that seek to take advantage of price differentials.

**Multistrategy** – The funds in this category employ a wide range of strategies and instruments in managing assets.

## 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.

Investment credit quality ratings as of June 30, 2022, from Standard and Poor’s, Moody’s Investors Service, and Fitch Ratings are presented below using the Standard and Poor’s rating scale (in millions):

<b>Primary Government</b> (excluding the UWS, WRS, SIF and Separately Managed Funds)	
<b>Credit Quality Ratings</b>	<b>Fair Value</b>
AAA	\$ 415.4
AA	175.9
A	18.3
Not Rated	3.4
<b>Total</b>	<b>\$ 613.1</b>

The following schedule displays the credit ratings at June 30, 2022, for the Separately Managed Funds (fair values in millions):

	Separately Managed Funds		
	IPFCF	Historical Society	SLIF
AAA	\$ 29.9	\$ —	\$ 1.1
AA	672.9	—	47.9
A	123.7	—	26.9
BBB	290.2	—	22.7
BB	49.9	—	0.9
B	3.1	—	—
Short-term Investment Fund (Not Rated)	10.6	—	—
Bond Fund (Not Rated)	—	5.1	2.0
Totals	\$ 1,180.4	\$ 5.1	\$ 101.4

#### Deferred Compensation

The Stable Value Fund, Mutual Funds, and CIT Funds are unrated.

#### University of Wisconsin System (UWS)

As of June 30, 2022, 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, 2022 (in millions). Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the Aaa rating.

Ratings	UWS	
	Fair Value	
AAA/Aaa	\$ —	
AA/Aa	1.4	
A	1.1	
BBB/Baa	2.9	
BB/Ba	0.8	
B	—	
Commingled Fixed Income Funds	584.0	
Not Rated	1.4	
Total	\$ 591.6	

#### Wisconsin Retirement System (WRS)

With the exception of derivative instrument credit risk, there are no fund-wide or system-wide investment guidelines related to credit risk exposures for investments of the WRS. Fixed income credit

risk investment guidelines outline the minimum ratings required at the time of purchase by individual portfolios, or groups of portfolios, based on the portfolios' investment objectives. In addition, some fixed income portfolios are required to 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, 2021 (in millions).

WRS	
Rating	Fair Value
AAA/Aaa	\$ 529.7
A-1/P-1	54.7
AA/Aa	29,717.2
A-2/P-2	201.6
A	3,082.2
BBB/Baa	7,603.1
A-3/P-3	18.0
BB/Ba	2,384.3
B	1,968.4
CCC/Caa or below	814.4
Not Rated	1,467.6
Commingled Fixed Income Funds	6,843.3
Total	\$ 54,684.6

#### Reverse Repurchase Agreements

##### Wisconsin Retirement System (WRS)

The WRS held \$17.0 billion in reverse repurchase agreements at December 31, 2021. 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. This credit exposure at December 31, 2021 was \$130.5 million.

The WRS enters into 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.

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 were between 0.07 percent and 0.22 percent at December 31, 2021. Portfolio guidelines require agreements to mature between one and 90 days.

### 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, 2022, 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 held repurchase agreements totaling \$268.8 million as of December 31, 2021. 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.

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 must provide the WRS with an annual report on internal controls, prepared in accordance with the Statement on Standards for Attestation Engagements. In addition, 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 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 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 non-major governmental funds) were issued by the State of Wisconsin, which represents approximately 3.0 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, 2022, 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)**

For investments of the WRS, concentration of credit risk is limited by establishing investment guidelines for individual portfolios or groups of portfolios that generally restrict issuer concentrations in any one company or Rule 144A securities to less than 5.0 percent 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 total WRS investments' value at December 31, 2021.

### 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, 2022, 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	Investment Maturities				
	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 years	More Than 10 Years
U.S. Government and U.S. Agency holdings	\$ 189.8	\$ 93.3	\$ 1.8	\$ 0.5	\$ 94.1
State and municipal bonds and notes	103.7	1.5	4.3	30.7	67.2
Other Bonds and Notes	12.4	—	—	—	12.4
Money market funds	402.8	402.8	—	—	—
Mutual funds – open ended	0.3	—	—	0.2	—
Private Placement	7.1	0.2	0.8	1.3	4.9
Long-Term CDs	1.1	1.1	—	—	—
Total	\$ 717.1	\$ 498.9	\$ 6.9	\$ 32.7	\$ 178.6

As of June 30, 2022, the Separately Managed Funds had interest rate risk statistics as detailed below (in millions):

Separately Managed Funds						
Duration or WAM (in years) for Fixed Income Securities						
Investment Type	IPFCF		Historical Society		SLIF	
	Fair Value	Duration	Fair Value	Duration	Fair Value	WAM
Govt/Agency	\$ 658.0	6.01	\$ —		\$ 44.3	15.70
Corporate Bonds	449.3	7.23	—		55.1	13.22
Municipal Bonds	20.5	9.97	—		—	
Foreign Bonds (Govt/Agency)	42.0	4.87	—		—	
Bond Fund	—		5.1	6.67	2.0	13.27
Short-Term Investment Fund	10.6	0.06	—		—	
Total	\$ 1,180.4		\$ 5.1		\$ 101.4	

The Separately Managed Funds, which are managed by the Board, 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% 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 \$10.6 million at June 30, 2022 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, 2021, Deferred Compensation had interest rate risk statistics as detailed below (in millions):

Deferred Compensation		
	Fair Value	Effective Duration (years)
<b>Stable Value Investments:</b>		
Stable Value Fund	\$ 782.3	3.09
<b>Mutual and Collective Investment Funds:</b>		
Vanguard Target Retirement:		
2015	131.6	6.21
2025	363.4	7.06
2035	291.2	7.33
2045	190.2	7.31
2055	71.7	7.31
Income Trust	73.8	6.19
Vanguard Wellington Admiral	622.0	8.15
BlackRock U.S. Debt Index M	228.5	6.63
Dodge and Cox Income Fund	163.2	4.70
Vanguard Long-Term Investment Grade Fund	172.0	15.25
Vanguard Treasury Money Market Fund*	45.1	46 days
Total	\$ 3,135.1	

**University of Wisconsin System (UWS)**

The UWS uses the option adjusted modified duration method to analyze interest rate risk. As of June 30, 2022, the UWS had interest rate risk statistics as detailed below (in millions):

	UWS	
	Fair Value	Effective Duration
<b>Fixed Income Sector:</b>		
Government Debt	\$ 2.3	6.97
Corporate Debt	5.3	5
Total	\$ 7.6	
<b>Fixed Income Commingled Funds:</b>		
Blackrock U.S. TIPS Fund B	\$ 88.2	6.89
Blackrock Government/Credit Bond Fund B	89.0	6.67
iShares Core 105 Year USD Bond Fund Intermediate	165.0	2.81
Government/Credit Bond Fund B	82.8	3.95
U.S. Debt Index Fund B	82.1	6.54
U.S. High Yield Bond Index Non-lendable Fund B	38.0	1.08
BlackRock Floating Rate Income Portfolio	39.0	0.30
Total	\$ 584.0	

**Wisconsin Retirement System (WRS)**

The analysis of long or intermediate term portfolios' interest rate risk is performed using various duration calculations. Modified duration, which is stated in years, is the measure of price sensitivity of a fixed income security to an interest rate change of 100 basis points. The calculation is based on the weighted average of the present values for all cash flows. Some 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. Some fixed income portfolios require management within a range of a targeted duration, while others are required to maintain a weighted average maturity at or below a specified number of days or years.

Aggregated interest rate risk exposure as of December 31, 2021, stated in terms of modified duration (for long term instruments) and weighted average maturity (for repurchase agreements and short-term pooled investments), is presented below (in millions):

Investment Type*	WRS	
	Fair Value	Modified Duration (Years)
Asset Backed Securities	\$ 832.9	3.3
Corporate Bonds & Private Placements	14,676.1	6.9
Foreign Government / Agency Bonds	2,268.9	7.2
Municipal Bonds	188.7	11.5
U.S. Government Agencies	2,312.7	4.8
U.S. Treasury Inflation Protected Securities	21,183.2	7.6
U.S. Treasury Securities	5,576.7	8.5
<b>Commingled Funds:</b>		
Exchange Traded	465.9	7.6
Emerging Market Fixed Income	1,221.8	4.9
Subtotal	48,726.7	
		<b>Weighted Average Maturity (days)</b>
Commercial Paper	284.3	69
Repurchase Agreements	268.8	3
<b>Commingled Funds:</b>		
Short Term Cash Management	5,404.7	57
Subtotal	5,957.8	
Total	\$ 54,684.6	

\*Excludes derivatives which are separately disclosed

**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, 2022, the primary government, excluding the Separately Managed Funds, did not own any issues denominated in a foreign currency.

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, 2022, 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 \$512.5 million as of December 31, 2021.

**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, 2022 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, 2021, the WRS had the following currency exposure (all assets stated in millions of United States Dollars):

<b>Currency Exposures by Investment Type</b>									
Currency	Cash & Cash Equivalents	Equities	Fixed Income	Private Fund Investments	Preferred Securities	Short Sales	Futures Contracts, Options & Swaps	Total	
Australia Dollar	\$ 11.7	\$ 966.6	\$ 31.7	\$ —	\$ —	\$ (220.7)	\$ 0.3	\$ 789.6	
Brazil Real	1.0	60.6	14.8	—	64.8	—	—	141.3	
Canada Dollar	85.9	1,869.0	23.0	—	—	(309.8)	2.2	1,670.3	
Chile Peso	0.1	9.4	—	—	—	—	—	9.5	
China Yuan Renminbi	—	—	—	—	—	—	(0.1)	(0.2)	
Colombia Peso	—	0.1	—	—	—	—	—	0.1	
Czech Republic Koruna	—	1.4	2.3	—	—	—	—	3.7	
Denmark Krone	0.7	562.8	—	—	—	(188.1)	—	375.5	
Euro Currency Unit	21.7	6,978.6	334.1	1,741.4	175.6	(1,176.9)	8.5	8,083.1	
Hong Kong Dollar	6.4	985.9	—	—	—	(41.3)	(0.3)	950.7	
Hungary Forint	0.8	30.2	1.7	—	—	—	—	32.7	
India Rupee	—	168.3	—	—	—	—	—	168.3	
Indonesia Rupiah	—	20.4	—	—	—	—	—	20.4	
Israel Shekel	0.6	53.2	—	—	—	(14.8)	—	39.0	
Japan Yen	0.9	4,389.9	—	—	—	(761.9)	1.0	3,629.9	
Korea (South) Won	—	324.5	—	—	0.4	—	—	324.9	
Malaysia Ringgit	0.4	8.5	32.5	—	—	—	—	41.3	
Mexico Peso	(0.4)	2.0	45.0	—	—	—	(1.1)	45.5	
New Zealand Dollar	0.6	72.0	16.4	—	—	(26.6)	—	62.3	
Norwegian Krone	0.9	254.6	—	—	—	(51.0)	—	204.6	
Peruvian Sol	—	0.1	—	—	—	—	—	0.1	
Philippines Peso	0.1	0.8	—	—	—	—	—	0.9	
Poland Zloty	—	47.7	18.5	—	—	—	—	66.2	
Russian Ruble	0.1	—	3.6	—	—	—	—	3.8	
Singapore Dollar	2.8	135.8	—	—	—	(49.8)	—	88.9	
South African Rand	1.4	48.3	38.1	—	—	—	—	87.8	
Sweden Krona	0.6	1,041.6	4.3	1.9	—	(324.8)	—	723.6	
Switzerland Franc	0.4	1,394.9	—	—	—	(342.3)	—	1,053.0	
Taiwan New Dollar	0.3	514.1	—	—	—	—	—	514.4	
Thailand Baht	—	36.6	—	—	—	—	—	36.6	
Turkey Lira	—	3.7	—	—	—	—	—	3.7	
United Kingdom Pound	31.9	2,972.5	34.4	429.0	—	(510.4)	0.9	2,958.3	
<b>Total</b>	<b>\$ 169.0</b>	<b>\$ 22,954.1</b>	<b>\$ 600.5</b>	<b>\$ 2,172.3</b>	<b>\$ 240.9</b>	<b>\$ (4,018.3)</b>	<b>\$ 11.2</b>	<b>\$ 22,129.7</b>	

## 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 Cash Management Fund investments and authorizes the bank to lend securities held in UWS accounts to third parties. The bank must obtain collateral from the borrower, or acceptable securities. When 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% 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 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, 2022, the fair value of securities loaned, was \$223.8 million. Collateral received consisted of \$228.5 million in cash and \$0.4 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 equal to at least 102 percent of the loaned securities' fair value, including interest accrued, as of the delivery date with the lending agent. In the event that securities are loaned against collateral denominated in a different currency, the borrower is required to place collateral totaling 105 percent of the loaned securities' fair value, including interest accrued, as of the delivery date with the lending agent. Collateral is marked to market daily and adjusted as needed to maintain the required minimum level.

On December 31, 2021, the fair value of the securities on loan to counterparties was approximately \$11.4 billion.

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

At December 31, 2021, the WRS had minimal credit risk exposure to borrowers because loans are collateralized in excess of 100%. In addition to the cash collateral reinvestment indemnification, the contract with the lending agent requires it to indemnify the WRS if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent. 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. The average maturities of the loans and the average maturities of the assets held in the collateral reinvestment pools were similar at December 31, 2021.

Securities lending is allowed in certain commingled fund investments. As an investor in such funds, the WRS does not own the underlying securities and does not separately report on securities lending activity. All earnings of these 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 Core and Variable Funds. All derivative instruments are subjected to risk analysis and monitoring processes at the portfolio, asset class and fund levels. Investment guidelines define allowable derivative activity for each portfolio and are based on the investment objectives which have been approved by the Board. Where derivative instruments are permitted, guidelines stipulate allowable instruments and the manner and degree to which they are to be used.

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

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. Agreements may also require daily collateral postings to further mitigate credit risk.

As of December 31, 2021, there were 21 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):

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**OTC Derivative Instruments Subject to Counterparty Credit Risk**

	Counterparty Credit Rating	
FX Receivables:	AA	\$ 772.6
	A	3,444.5
To Be Announced Securities	A	1.2
Swap Receivables	A	3,497.2
Warrants	Not Rated	1.5
Total		<u>7,717.0</u>
Less Collateral and MNA Offsets		<u>7,709.3</u>
Total OTC Counterparty Credit Risk		<u>\$ 7.7</u>

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

Currency exposure management is permitted through the use of currency derivative instruments. Direct hedging of currency exposure back to the 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 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, 2021 (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	285.9	\$ 207.9	\$ 3.3	(137.5)	\$ (100.0)	\$ 0.5
Brazil Real	332.7	59.0	1.0	(12.2)	(2.2)	—
Canada Dollar	216.1	171.1	2.0	(142.1)	(112.5)	(0.3)
Chile Peso	31,725.1	37.1	(1.1)	(590.7)	(0.7)	—
China Yuan Renminbi	22.0	3.4	—	(132.9)	(20.8)	(0.1)
Colombia Peso	6,750.0	1.6	—	(25,636.5)	(6.2)	0.2
Czech Republic Koruna	1,314.9	59.8	1.4	(275.8)	(12.6)	(0.3)
Danish Krone	111.2	17.0	0.1	(269.3)	(41.2)	—
Euro Currency Unit	49.7	56.5	0.1	(1,085.6)	(1,235.4)	3.4
Hong Kong Dollar	132.8	17.0	—	(37.1)	(4.8)	—
Hungary Forint	25,913.0	79.6	(0.8)	(5,598.1)	(17.2)	0.6
India Rupee	6,722.6	89.7	0.7	(913.6)	(12.2)	(0.2)
Indonesia Rupiah	752,892.7	52.7	0.7	—	—	—
Israel Shekel	53.7	17.2	0.1	(24.2)	(7.8)	(0.1)
Japan Yen	42,612.5	370.1	(6.9)	(6,629.9)	(57.6)	0.4
Korea (South) Won	—	—	—	(15,550.6)	(13.0)	0.1
Mexico Peso	347.5	16.8	0.5	(129.1)	(6.3)	—
New Zealand Dollar	37.3	25.5	0.1	(90.7)	(62.0)	0.9
Norwegian Krone	1,745.4	197.7	2.4	(467.6)	(53.0)	(1.4)
Philippines Peso	147.3	2.8	(0.1)	(914.3)	(17.7)	0.3
Poland Zloty	239.5	59.3	0.4	(21.7)	(5.4)	—
Russia Ruble	4,076.5	53.9	(0.9)	(400.2)	(5.3)	—
Singapore Dollar	106.3	78.9	0.7	(49.7)	(36.8)	(0.5)
South Africa Rand	235.0	14.6	0.1	(443.0)	(27.5)	0.3
Sweden Krona	2,152.4	237.8	(0.5)	(1,048.5)	(115.8)	0.4
Switzerland Franc	344.0	377.6	1.9	(75.8)	(83.3)	(0.8)
Taiwan New Dollar	—	—	—	(1,848.5)	(66.9)	0.1
Thailand Baht	337.7	10.1	—	(843.5)	(25.2)	(0.4)
Turkish Lira	217.8	15.8	(3.8)	(217.8)	(15.8)	(3.2)
United Kingdom Pound	137.7	186.6	2.8	(32.8)	(44.4)	(0.1)
United States Dollar	1,699.8	1,699.8	—	(2,003.7)	(2,003.7)	—
Totals		\$ 4,217.1	\$ 4.1		\$ (4,213.3)	\$ (0.3)
Net Foreign Currency Contract Receivable / (Payable)					\$ 3.8	\$ 3.8

**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, 2021 (in millions).

#### Futures Contracts

Futures Contract Description	Expiration	Notional Amount	Fair Value*
Long Positions:			
Commodity	Jan - Dec 22	\$ 481.1	\$ 9.5
Currency	Mar 22	(187.7)	(0.9)
Equity Index	Jan - Mar 22	3,288.8	44.8
Fixed Income	Mar 22	11,160.7	28.9
Short Positions:			
Commodity	Feb - Sep 22	(301.3)	(2.1)
Equity	Jan - Apr 22	(248.0)	(0.7)
Fixed Income	Mar 22	(4,985.8)	(2.7)
<b>Total</b>		<b>\$ 9,207.7</b>	<b>\$ 76.8</b>

\* 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 as a substitute for cash market transactions.

**Swap Contracts** - Swaps are negotiated contractual agreements between two counterparties 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. Guideline limits and soft risk parameters for each portfolio are applied to the aggregate exposures which includes both physical and synthetic securities. A synthetic security is created by combining securities to mirror the properties of another reference security.

Throughout the year, the WRS held positions in Total Return Swaps (TRS), Interest Rate Swaps (IRS), and Credit Default Swaps (CDS). The following table presents the investments in open Swap Positions as of December 31, 2021 (in millions):

<b>Open Swap Positions</b>				
Type / Maturity Date(s) / Description or Reference Rates	Notional Amount	Fair Value	Unrealized Gain/ (Loss)	
<b>Credit Default</b>				
Dec '25	\$ 12.0	\$ —	\$ 1.2	
Jun '26	20.0	(0.8)	2.1	
Dec '26	204.7	5.4	0.1	
Sold credit protection in exchange for periodic payments				
<b>Credit Default</b>				
Dec '26	(400.0)	(36.6)	0.3	
Bought credit protection in exchange for periodic payments				
<b>Interest Rate</b>				
May '25	20.4	(0.2)	0.1	
Receive Fixed 2.02, Pay CNY-7D Fixing Repo Rates				
Jul '25	4.8	—	—	
Receive Fixed 2.53, Pay CNY-7D Fixing Repo Rates				
Jul '26	2.5	—	—	
Receive Fixed 2.57, Pay CNY-7D Fixing Repo Rates				
Jun '27	12.2	(1.1)	(1.1)	
Receive Fixed 5.42, Pay MXN-TIIE-Banxico 28D				
<b>Total Return</b>				
Sep '22	532.6	(11.6)	(11.6)	
Nov '22	147.1	(3.7)	(3.7)	
Pay Equity Index Return, Receive 1-Day Fed Funds plus Spread				
<b>Total Return</b>				
Jan '22-Mar '22	(956.7)	32.6	32.6	
Apr '21-Jun '21	(336.1)	4.5	4.5	
Jul '22-Sep '22	(976.8)	22.1	22.1	
Oct '22-Nov '22	(381.2)	12.5	12.5	
Pay 1-Day Fed Funds plus spread, Receive Equity Index Return				
<b>Total Return</b>				
Oct '22	(89.7)	2.6	2.6	
Pay 3-Month LIBOR plus spread, Receive Equity Index Return				
<b>Total</b>	<b>\$(2,184.2)</b>	<b>\$ 25.7</b>	<b>\$ 61.6</b>	

The open CDS contracts represent cleared OTC positions where the WRS sold (bought) credit protection. Under the terms of the contracts, the WRS receives (pays) periodic payments and, in exchange, agrees to pay (receive) a formula-determined amount to 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 contract is determined using the closing price as reported by the applicable clearinghouse.

IRS positions represent cleared OTC contracts where the 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. The rate benchmark is based on the 3-month London Interbank Offering Rate (LIBOR) or the 1-day Fed Funds Rate set by the Federal Open Markets Committee (FOMC) and is sensitive to interest rate changes. The fair value for 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.

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

Rebalancing policies and portfolio investment guidelines permit the use of exchange-traded and over-the-counter options. Options may be used to improve market exposure efficiency, enhance expected returns, or provide market exposure hedges. Exchange rules require that the seller of short exchange-traded call 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 option 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, 2021 (in millions):

Option Contracts							
Security Description	Contract Type	Position	Exchange-Traded vs. OTC	Expiration	Notional	Fair Value	Unrealized Gain (Loss)
Equity	Call	Long	Exchange	Jan 22 - Mar 22	\$ 14.4	\$ 0.3	\$ (2.9)
Equity	Call	Short	Exchange	Jan 22 - Mar 22	(48.9)	(0.5)	0.5
Equity	Put	Long	Exchange	Jan 22	9.4	0.1	(0.4)
Equity	Put	Short	Exchange	Jan 22	(24.6)	(1.7)	—
Equity Index	Put	Short	Exchange	Jan 22	—	—	—
OTC Index	Put	Short	OTC	Jan 22 - Feb 22	(416.9)	(0.1)	0.9
Total					\$ (466.6)	\$ (1.9)	\$ (1.9)

*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.

The table below presents the fair value of TBA securities as of December 31, 2021 (in millions). Duration statistics are weighted by the fair value of each position to compute an average duration for the contracts held.

TBA Contracts			
Position / Maturity	Fair Value	Unrealized Gain / (Loss)	Weighted Avg. Duration (years)
Long Feb - Mar 22	\$ 4,646.2	\$ 0.2	4.7
Short Feb 22	(1,747.0)	(2.5)	6.7
Total	\$ 2,899.3	\$ (2.3)	

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, 2021, the WRS held warrant contracts valued at \$2.3 million. Warrants are included in the "Equities" section on the Statement of Fiduciary Net Position. The associated unrealized gain of \$1.2 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 lower price. This is known as a short sale transaction. For the duration of the short sale transaction, a liability is recorded under "Short Sales of Securities" on the Statement of Fiduciary Net Position. The liability presented represents the fair value of the shorted securities necessary for delivery to the purchaser and is marked-to-market daily. Realized and unrealized gains and losses associated with short sales are recorded on the Statement of Changes in Fiduciary Net Position within the "Net Appreciation (Depreciation) in Fair Value of Investments" category. Prior to executing a short sale, the WRS borrows the security from a party currently holding it. While the transaction is open, the WRS incurs expenses for securities borrowing costs. In addition, as a security borrower, the WRS may incur dividend and interest expense as such payments must be remitted to the security lender during the course of the loan. 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. Such expenses are included in "Investment Expense" on the Statement of Changes in Fiduciary Net Position.

Risks arise from short sales due to the possible illiquidity of the securities markets and from potential adverse movements in security values. The cost to acquire the securities sold short may exceed the amount of proceeds initially received, as well as the amount of the liability recorded as "Short Sales of Securities" in the Statement of Fiduciary Net Position. Short sales expose the short seller to potentially unlimited liability because there is no upward limit on the price a shorted security could attain. Certain portfolio guidelines permit short sales and, to mitigate risks in various ways, such as: limiting the total value of short sales as a percentage of portfolio value, establishing portfolio vs. 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.

Except in the case of borrowings within the same trust fund, the WRS is required to post collateral to the lender, at the required rate of 102% for in-currency loans and 105% for cross-currency loans. At December 31, 2021, the WRS posted \$127.2 million in cash and \$5.2 billion in securities as collateral to security lenders. This represented \$46.1 million in excess of the fair market value of the securities borrowed. 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. 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 Pooled Investment Fund, an investment trust fund.

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

For financial statement purposes, the carrying value of securities depends on asset class. Repurchase Agreements and nonnegotiable Certificates of Deposit and Time Deposits are valued at cost because they are non-participating contracts that do not capture interest rate changes in their value.

All remaining debt investments (U.S. Government/ Agency securities, Banker's Acceptances, Commercial Paper, Corporate

Notes, and negotiable Certificates of Deposit) are carried at fair value. Because quoted market prices for SIF securities are often not available at month end, BNY Mellon, as SWIB's custodial bank, compiles fair values from third party pricing services which use matrix pricing models to estimate a security's fair value.

For purposes of calculating earnings to each participant, all investments are valued at amortized cost. Specifically, income is distributed to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a 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 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments held at cost or amortized cost are not reported within the fair value hierarchy.

The following table presents the recurring fair value measurements as of June 30, 2022 (in millions):

	Fair Value	Fair Value Measurement Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>Investments by Fair Value Level:</b>				
Government & Agencies	\$10,607.2	\$1,314.1	\$9,293.0	\$ —
Commercial Paper	676.2	—	603.2	73.0
Banker's Acceptances	50.0	—	20.0	30.0
Corporate Notes	22.6	—	22.6	—
<b>Total By Fair Value Level</b>	<b>\$11,355.9</b>	<b>\$1,314.1</b>	<b>\$9,938.8</b>	<b>\$103.0</b>
<b>Short-Term Reported at Cost or Amortized Cost:</b>				
Repurchase Agreements	\$ 9,023.4			
Time Deposits (non- negotiable)	150.0			
<b>Total</b>	<b>\$20,529.4</b>			

Debt securities categorized 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. Banker's Acceptances included in Level 3 represent securities that derive their fair value from cost. Typically, due to their short-term nature, cost approximates fair value for these investments.

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

### Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty or by the counterparty's trust department or agent but not in the name of the Board. The SIF held repurchase agreements totaling \$9.0 billion as of June 30, 2022. Four of the repurchase agreements are bilateral agreements totaling \$1.7 billion and the underlying securities (collateral) for these were held at SWIB's custodian. Nine of the repurchase agreements totaling \$2.6 billion, were tri-party agreements. The underlying securities (collateral) for these repurchase agreements were held by the tri-party's agent, not in SWIB's name. The remaining repurchase agreements, totaling \$4.7 billion, were related-party, bilateral agreements with the WRS. The underlying securities for these repurchase agreements were held by SWIB's custodian, in SWIB'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 \$1.4 billion (Core Fund) and \$377.8 million (Variable Fund) at June 30, 2022.

The SIF's custodial credit risk policy addresses the primary risks associated with safekeeping and custody. It requires that custodial institutions 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 based

on credit rating. These guidelines do not place a limit on maximum exposure for any U.S. Treasury or Agency discount notes. As of June 30, 2022, the SIF has more than five percent of its investments in FHLB (38.7 percent), U.S. Treasury (9.1 percent) and Repurchase Agreement collateral (44.0 percent) consisting of various securities issued by the U.S. Government and its agencies. Since the Repurchase Agreements generally mature each day, new collateral, consisting of a different blend of U.S. Government and agency 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 Board established investment guidelines with maximum exposure limits by security type based on the minimum credit ratings as issued by Nationally Recognized Statistical Rating Organizations (NRSROs).

The following table presents these credit ratings and aggregate exposures by investment type as of June 30, 2022 (in millions):

Investment Type	Ratings	Fair Value
Repurchase Agreements (Collateral):		
U.S. Government & Agencies Debt	AA	\$ 9,023.4
Government Sponsored Entity		
U.S. Agency:		
Federal Home Loan Bank (FHLB)	A-1+	7,899.4
Federal Home Loan Bank (FHLB)	AA	41.1
Federal Home Loan Mortgage Corporation (FHLMC)	A-1+	306.9
Federal Farm Credit Bank (FFCB)	A-1+	483.6
Federal Farm Credit Bank (FFCB)	AA	15.0
U.S. Treasury:		
Short-Term (Bills and Notes)	A-1+	1,727.0
Long-Term (Notes)	AA	134.1
Commercial Paper	A-1+	497.2
Commercial Paper	A-1	179.0
Time Deposits	A-1+	150.0
Banker's Acceptances	A-1+	50.0
Corporate Notes	AAA	1.5
Corporate Notes	AA	21.1
Total Investments		\$ 20,529.4

### Interest Rate Risk

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

At June 30, 2022, 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)
Government & Agencies	10,607.2	42
Repurchase Agreements	\$ 9,023.4	1
Commercial Paper	676.2	16
Time Deposits	150.0	1
Banker's Acceptances	50.0	33
Corporate Notes	22.6	55
Total Investments	<u>\$ 20,529.4</u>	
Portfolio Weighted Average Maturity (Days)		23

#### 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, 2022, the SIF was not exposed to foreign currency risk.

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

Investments of the State Lottery Fund totaling \$9.9 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
2023	\$ 2.4
2024	1.1
2025	0.3
2026	0.3
2027	0.3
Thereafter	<u>1.2</u>
Total future value	5.6
Less: Present value adjustment	<u>(1.0)</u>
Present value of payments	<u>\$ 4.6</u>

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

Receivables at June 30, 2022 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					
<b>Governmental Activities:</b>										
General	\$1,747,269	\$ —	\$ —	\$ —	\$ 673	\$ 873,984	\$ 1,551,438	\$ 2	\$ —	\$ 4,173,367
Transportation	105,425	—	—	—	14,093	9,230	234,495	—	—	363,242
Nonmajor Governmental	—	230,197	—	—	—	139,390	21,144	—	—	390,732
Total Governmental:	1,852,694	230,197	—	—	14,766	1,022,605	1,807,076	2	—	4,927,340
Government-wide Adjustments:										
Internal Service Funds	—	—	—	—	—	2,452	656	—	—	3,108
Accrual Adjustments	—	—	—	—	—	2,837	—	—	—	2,837
Fiduciary Receivables	—	—	—	—	—	78,260	—	—	—	78,260
<b>Total - Governmental Activities</b>	<b>\$1,852,694</b>	<b>\$ 230,197</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 14,766</b>	<b>\$ 1,106,154</b>	<b>\$ 1,807,733</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ 5,011,546</b>
Related revenue not recognized in the funds because it is not available	\$ 387,265	\$ —	\$ —	\$ —	\$ —	\$ 39,904	\$ 66,683	\$ —	\$ —	\$ 493,851
<b>Business-type Activities:</b>										
Current:										
Environmental Improvement	\$ —	\$ 197,114	\$ —	\$ —	\$ —	\$ 32	\$ 10,181	\$ —	\$ —	\$ 207,327
University of Wisconsin System	—	—	17,470	—	—	151,153	161,121	3,518	2,983	336,244
Unemployment Reserve	—	—	—	—	—	157,691	1,023	—	—	158,714
Nonmajor Enterprise	—	214	—	1	—	168,583	35,859	—	—	204,656
Total Current:	—	197,328	17,470	1	—	477,459	208,184	3,518	2,983	906,942
Noncurrent:										
Environmental Improvement	—	2,002,366	—	—	—	—	—	—	—	2,002,366
University of Wisconsin System	—	—	89,454	—	—	—	—	—	11,807	101,261
Unemployment Reserve	—	—	—	—	—	93,369	—	—	—	93,369
Nonmajor Enterprise	—	2,205	—	1	2,641	—	—	—	—	4,848
Total Noncurrent	—	2,004,571	89,454	1	2,641	93,369	—	—	11,807	2,201,843
Government-wide Adjustments:										
Fiduciary Receivables	—	—	—	—	—	11,560	—	—	—	11,560
<b>Total - Business-type Activities</b>	<b>\$ —</b>	<b>\$ 2,201,900</b>	<b>\$ 106,924</b>	<b>\$ 2</b>	<b>\$ 2,641</b>	<b>\$ 582,388</b>	<b>\$ 208,184</b>	<b>\$ 3,518</b>	<b>\$ 14,790</b>	<b>\$ 3,120,346</b>

**B. Net Revenues**

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2022, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	\$ 331,291
Sales and Services of Auxiliary Enterprises	47,693
Total	\$ 378,984

**NOTE 7. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2022 was as follows (in thousands):

Primary Government	Beginning Balance *	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 2,960,373	\$ 41,195	\$ (388)	\$ 3,001,180
Buildings and Improvements	170,058	450	—	170,508
Library Holdings	59,528	162	—	59,690
Equipment	227	—	—	227
Construction and Software in Progress	2,407,339	536,150	(586,211)	2,357,277
Infrastructure	18,838,905	594,904	(41,835)	19,391,974
Total capital assets, not being depreciated	24,436,429	1,172,860	(628,434)	24,980,856
Capital assets, being depreciated:				
Land Improvements	242,621	8,262	(12)	250,872
Buildings and Improvements	2,672,933	47,330	(2,899)	2,717,364
Equipment	1,185,150	78,839	(27,999)	1,235,991
Right to Use Buildings	329,684	25,720	(4,314)	351,090
Right to Use Equipment	3,467	—	—	3,467
Totals	4,433,856	160,152	(35,224)	4,558,784
Less accumulated depreciation for:				
Land Improvements	174,451	11,179	(12)	185,619
Buildings and Improvements	1,425,478	75,023	(2,162)	1,498,339
Equipment	862,126	81,774	(25,631)	918,270
Right to Use Buildings	—	34,509	(221)	34,288
Right to Use Equipment	—	432	—	432
Totals	2,462,055	202,916	(28,025)	2,636,947
Total Capital Assets, being depreciated, net	1,971,801	(42,765)	(7,199)	1,921,837
<b>Governmental activities capital assets, net</b>	<b>\$ 26,408,230</b>	<b>\$ 1,130,096</b>	<b>\$ (635,633)</b>	<b>\$ 26,902,693</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 168,089	\$ 4,952	\$ (35)	\$ 173,005
Construction and Software in Progress	546,721	339,207	(244,804)	641,125
Total Capital Assets, not being depreciated	714,810	344,159	(244,839)	814,130
Capital assets, being depreciated:				
Land Improvements	35,609	1,129	—	36,738
Library Holdings	1,138,044	22,986	(19,929)	1,141,102
Buildings	8,996,975	387,973	(8,145)	9,376,802
Equipment	1,357,888	92,612	(27,982)	1,422,518
Right to Use Land	1,297	872	—	2,169
Right to Use Buildings	311,160	2,508	—	313,667
Right to Use Equipment	12,279	887	—	13,167
Totals	11,853,252	508,967	(56,056)	12,306,163
Less accumulated depreciation for:				
Land Improvements	19,485	2,212	—	21,697
Library Holdings	988,250	22,181	(19,929)	990,502
Buildings	4,518,209	276,598	(5,076)	4,789,731
Equipment	1,016,222	81,977	(26,004)	1,072,195
Right to Use Land	453	479	—	932
Right to Use Buildings	25,005	26,554	—	51,558
Right to Use Equipment	4,138	4,329	—	8,466
Totals	6,571,762	414,329	(51,009)	6,935,081
Total Capital Assets, being depreciated, net	5,281,491	94,638	(5,047)	5,371,081
<b>Business-type activities capital assets, net</b>	<b>\$ 5,996,301</b>	<b>\$ 438,797</b>	<b>\$ (249,886)</b>	<b>\$ 6,185,211</b>

\* 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 \$15.6 million, with accumulated depreciation totaling \$10.7 million.

**Depreciation Expense**

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

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
Commerce	\$ 3,133	University of Wisconsin System	\$ 393,469
Education	3,665	Lottery	52
Transportation	15,175	Care and Treatment Facilities	9,754
Environmental Resources	21,239	Other Business-Type	11,054
Human Relations and Resources	102,453	Total depreciation expense - business-type activities	<u>\$ 414,329</u>
General Executive	15,126		
Judicial	4,701		
Legislative	680		
Internal Service Funds	36,745		
Total depreciation expense - governmental activities	<u>\$ 202,916</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):

<b>Governmental Activities:</b>	<b>Allotments</b>	<b>Expended through June 30, 2022</b>	<b>Adjusted Encumbrances Outstanding</b>	<b>Unencumbered Allotment Balance</b>
Reported through capital projects funds:				
I94 N-S Corridor Reconstruction	\$ 74,694	\$ 74,694	\$ —	\$ —
Stillwater/St Croix Crossing Bridge	60,637	60,637	—	—
Zoo Interchange	541,156	541,156	—	—
GBCI North and South Cell Hall Improvement	22,232	14,522	2,916	4,794
CCI Segregation Unit Expansion	11,976	11,144	286	546
Major Highway and Rehabilitation	100,028	100,028	—	—
Major Highway and Rehabilitation	68,822	68,822	—	—
Kettle Moraine Springs Hatchery Renovation	29,890	28,046	1,114	730
DNR South East Region HQ and Service Center Renovation	16,231	15,475	46	711
Interstate 94 North South Freeway Project	214,866	214,866	—	—
Appleton Readiness Center Renovation	20,234	3,465	9,661	7,108
Viroqua Readiness Center Replacement	23,994	629	1,030	22,334
Milwaukee Secure Detention Facility Ventilation Improvement	10,765	689	9,503	573
Other Projects with allotments totaling less than \$10 million		<u>76,554</u>		
<b>Subtotal</b>		<u>\$ 1,210,727</u>		
<b>Projects funded with sources other than capital projects funds:</b>				
Transportation-related		1,010,115		
Department of Health Services		105,667		
Department of Children and Families		16,890		
Department of Workforce Development		10,005		
Department of Natural Resources		<u>3,874</u>		
<b>Total construction and software in progress - governmental</b>		<u>\$ 2,357,277</u>		
<b>Business Activities:</b>				
UW LaCrosse New FH and Soccer Sup Facility	38,065	32,815	2,283	2,967
UW Milwaukee Sandburg Hall Renovation	44,945	27,456	511	16,978
UW Milwaukee NWQ Student Health Service Renovation	59,780	41,661	9,786	8,333
UW Parkside Wyllie Hall Renovation	35,371	31,473	473	3,425
UW Platteville Sesquicentennial Hall	53,489	32,877	3,206	17,406
UW Madison Kohl Center Addition & Renovation	48,074	6,569	30,670	10,835
UW Madison Vet Med Addition & Renovation	128,603	45,422	71,224	11,957
UW Milwaukee Chemistry Building	129,535	19,547	71,628	38,360
UW Madison Gymnasium-Natatorium Replacement	111,391	57,980	19,878	33,534
UW Milwaukee Student Union Renovation	40,723	13,840	17,916	8,967
UW Madison Camp Randall Stadium Renovation	77,646	52,106	20,664	4,876
UW Madison Sellery Hall Addition Renovation	78,811	49,215	16,918	12,677
UW Eau Claire Science/Health Science Building	14,385	2,697	8,940	2,748
UW Stout South Hall Addition and Renovation	25,000	1,671	18,225	5,104
UW Osh Kosh Clow Hall Renovation Phase II	26,974	4,468	16,425	6,081
CWC Building 6 Remodeling Funding LTR	17,800	391	58	17,352
MMHI Lorenz HL Secure Treatment Units	24,706	24,195	95	416
MMHI Juvenile Center Utility Relations	10,300	6,879	6	3,415
MMHI MJTC Expansion Project	65,955	7,047	51,370	7,538
MMHI Food Service Renovation BTF Release	28,924	869	102	27,953
Veterans Homes Moses Skilled Nursing Facility-King	81,578	80,419	406	753
<b>Projects with allotments totaling less than \$10 million:</b>				
University of Wisconsin System		49,871		
<b>Other Projects with allotments totaling less than \$10 million</b>		<u>51,656</u>		
<b>Total construction and software in progress - business type</b>		<u>\$ 641,125</u>		

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 \$469.7 million and \$171.5 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 Section 36.11 (11m) of the Wisconsin statutes. 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, 2022, net appreciation of the endowment accounts was \$166.0 million which was available to meet spending rate distributions, of which \$20.6 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 new SWIB-managed 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, 2022 was \$530.2 million including an unrealized loss of \$62.6 million when fair values as of June 30, 2022 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, 2022, 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	\$ 347.3
Realized Gains – Undistributed	245.5
Book Value	592.8
Unrealized Net Gains/Losses – Undistributed	(62.6)
Fair Value	\$ 530.2

On June 30, 2022, the portfolio at market, for the Long Term Fund, contained 38.9 percent in global equities, 17.0 percent in Treasury Inflation Protection Securities (TIPS), 16.8 percent in investment grade government/credit, 5.2 percent in hedged non-U.S. equities, 2.7 percent in real estate investment trusts, 2.4 percent in emerging markets equities, and 17.0 percent in private markets. The total return (loss) on the principal Long Term Fund including capital appreciation was (7.6) percent for the year.

On June 30, 2022, the portfolio at market, for the RegentFund, contained 93.2 percent in fixed income securities and 6.8 percent in cash and cash equivalents. The total return on the principal RegentFund including capital appreciation was (10.7) percent for the year.

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

Interfund balances as of or for the year ended June 30, 2022 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, 2022 were as follows (in thousands):

		<b>Due to Other Funds:</b>									
		General	Transportation	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Internal Service	Fiduciary	Total
<b>Due from Other Funds:</b>											
General	\$	—	\$ 21,860	\$ 3,951	\$ 566	\$ 46,332	\$ 3,711	\$ 950	\$ 863	\$ 74,894	\$ 153,127
Transportation		465	—	19,303	—	—	—	—	—	—	19,768
Nonmajor Governmental		159	12,471	638	689	1,195	4	9,710	666	—	25,532
Environmental Improvement		283	—	—	—	—	—	—	—	—	283
University of Wisconsin System		16,488	333	3,383	76	—	—	5	93	—	20,378
Unemployment Reserve		14	—	—	—	34	—	—	—	—	48
Nonmajor Enterprise		473	47	—	—	—	—	103,088	743	7,014	111,365
Internal Service		5,531	2,358	992	—	1,359	—	240	44	3,366	13,891
Fiduciary		16,473	1,983	1,296	3	29,822	—	7,512	563	1,432	59,085
<b>Total</b>	<b>\$</b>	<b>39,887</b>	<b>\$ 39,052</b>	<b>\$ 29,564</b>	<b>\$ 1,334</b>	<b>\$ 78,741</b>	<b>\$ 3,715</b>	<b>\$ 121,504</b>	<b>\$ 2,973</b>	<b>\$ 86,706</b>	<b>\$ 403,478</b>

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

- (1) interfund goods and services were provided and when the payments occurred, and
- (2) interfund transfers were accrued and when the liquidations occurred.

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

**B. Interfund Receivables/Payables**

Interfund Receivables/Payables represent short-term loans from one fund to another to cover cash overdrafts. Interfund receivables/payables at June 30, 2022 were as follows (in thousands):

	Interfund Receivable:	
	General	Total
<b>Interfund Payables:</b>		
Nonmajor Governmental	\$ 3,028	\$ 3,028
Nonmajor Enterprise	36,709	36,709
Internal Service	27,715	27,715
<b>Total</b>	<b>\$ 67,452</b>	<b>\$ 67,452</b>

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

Advances to/from Other Funds represent long-term loans to one fund from another fund. Advances at June 30, 2022 were as follows (in thousands):

	Advances from Other Funds (liability):	
	Nonmajor Governmental	Total
<b>Advances to Other Funds (asset):</b>		
Environmental Improvement	\$ 6,599	\$ 6,599
Nonmajor Enterprise	—	—
<b>Total</b>	<b>\$ 6,599</b>	<b>\$ 6,599</b>

**D. Interfund Transfers**

Interfund Transfers in and out that occurred during Fiscal Year 2022 were as follows (in thousands):

	Transfers In:								Total
	General	Transportation	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Internal Service	
<b>Transfers Out:</b>									
General	\$ —	\$ 205,246	\$ 842,094	\$ —	\$ 1,069,504	\$ 60,000	\$ 205,765	\$ 346	\$ 2,382,955
Transportation	652	—	174,075	—	—	—	—	317	175,043
Nonmajor Governmental	22,142	23,277	56,753	52	194,507	—	25,042	202	321,975
Environmental Improvement	—	—	8,013	—	—	—	—	—	8,013
University of Wisconsin System	23,932	—	76,841	—	—	—	—	—	100,773
Unemployment Reserve	1,486	—	—	—	—	—	—	—	1,486
Nonmajor Enterprise	13,913	—	10,044	—	—	—	243	—	24,200
Internal Service	1,761	38	2,518	—	6	—	72	545	4,940
Fiduciary	3	—	766	—	—	—	—	137	906
<b>Total</b>	<b>\$ 63,889</b>	<b>\$ 228,561</b>	<b>\$ 1,171,104</b>	<b>\$ 52</b>	<b>\$ 1,264,017</b>	<b>\$ 60,000</b>	<b>\$ 231,121</b>	<b>\$ 1,546</b>	<b>\$ 3,020,291</b>

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

Most of the State's funds are presented on a fiscal year ended June 30. However, some funds are presented on a fiscal year ended December 31. As a result, inconsistencies may occur in amounts reported as interfund transfers between funds with different fiscal year ends. 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
Transportation	\$ 134,152
Unemployment Reserve	60,000
Veterans Trust Fund	15,100

**Transfers in to the General Fund:**

Funds Reporting the Transfer Out	Amount
University of Wisconsin System	\$ 15,683

**Transfers out from the Petroleum Inspection Fund:**

Fund Reporting the Transfer In	Amount
Transportation	\$ 17,019

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

During the year ended June 30, 2022, the following changes occurred in long term liabilities (in thousands):

**Primary Government**

<b>Governmental Activities</b>	<b>Balance July 1, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2022</b>	<b>Amounts Due Within One Year</b>
Bonds, Long Term Notes and Certificates Payable:					
General Obligation Bonds and Notes for:					
Governmental Funds	\$ 5,017,724	\$ 739,842	\$ 776,407	\$ 4,981,158	\$ 523,359
Internal Service Funds	308,596	56,574	63,520	301,650	15,159
Annual Appropriation Bonds	2,839,035	—	178,200	2,660,835	193,890
Revenue Bonds	1,819,055	143,180	251,245	1,710,990	163,832
Certificates of Participation for:					
Governmental Funds	46,944	23,605	21,971	48,578	9,487
Internal Service Funds	9,262	2,655	8,058	3,859	2,718
Issuance Premiums and (Discounts)	807,355	52,495	196,190	663,661	—
Total Bonds, Long Term Notes and Certificates Payable	10,847,970	1,018,352	1,495,591	10,370,731	908,445
Other Liabilities:					
Future Benefits and Loss Liability	146,478	40,443	33,999	152,922	48,096
Leases	352,793	995	29,191	324,597	29,046
Compensated Absences	2,516,266	215,265	183,941	2,547,589	181,103
Other Postemployment Benefits	600,067	73,249	—	673,317	—
Claims, Judgments and Commitments	717	—	125	592	—
Pollution Remediation Obligations	5,496	374	5,633	238	238
Total Governmental Activities Long-term Liabilities	\$ 14,469,787	\$ 1,348,678	\$ 1,748,480	\$ 14,069,985	\$ 1,166,928

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 2022.

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.

<b>Business-type Activities</b>	<b>Balance July 1, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2022</b>	<b>Amounts Due Within One Year</b>
Bonds, Long Term Notes and Certificates Payable:					
General Obligation Bonds & Notes	\$ 1,555,261	\$ 181,194	\$ 134,493	\$ 1,601,962	\$ 114,011
Revenue Bonds	285,200	100,000	40,230	344,970	29,375
Certificates of Participation	7,158	5,129	3,212	9,075	1,641
Issuance Premiums and (Discounts)	192,495	44,923	41,766	195,653	—
Total Bonds, Long Term Notes, and Certificates Payable	2,040,114	331,247	219,700	2,151,660	145,027
Other Liabilities:					
Future Benefits and Loss Liability	1,060,285	217,944	120,245	1,157,984	124,176
Leases	298,892	4,271	27,826	275,338	25,100
Compensated Absences	200,358	105,811	111,868	194,301	104,909
Other Postemployment Benefits	727,581	65,938	—	793,519	—
Asset Retirement Obligations	12,232	824	—	13,056	—
Total Business-type Activities Long-term Liabilities	\$ 4,339,463	\$ 726,035	\$ 479,639	\$ 4,585,859	\$ 399,213

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

The following schedule summarizes outstanding bonds and long-term notes payable at June 30, 2022 (in millions):

<b>Primary Government</b>	
<b>Governmental Activities:</b>	
General Obligation Bonds and Notes	\$ 5,724.9
Annual Appropriation Bonds	2,703.2
Transportation Revenue Bonds	1,885.2
Certificates of Participation	57.4
Total Governmental Activities	<u>10,370.7</u>
<b>Business-type Activities:</b>	
General Obligation Bonds and Notes:	
University of Wisconsin System	\$ 1,693.7
Other Business-type	49.1
Environmental Improvement Revenue Bonds	398.6
Certificates of Participation	10.2
Total Business-type Activities	<u>2,151.7</u>
<b>Total Primary Government</b>	<b>\$ <u>12,522.4</u></b>

**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, 2022, \$5.9 billion of general obligation bonds were legislatively authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2022 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
2014	2013 Series 1	11/13	2.0 to 5.0	5/33	405,470	119,835
2015	2014 Series 3, 4; 2015 Series 1, and A	9/14, 1/15; 4/15, 2/15	1.0 to 5.0	5/29	978,945	422,200
2016	2015 Series C; 2016 Series 1 and A	9/15; 3/16, 3/16	1.75 to 5.0	5/36	977,435	491,855
2017	2016 Series B, C, D, 2; 2017 Series A	7/16, 7/16, 10/16, 8/16; 3/17	0.80 to 5.0	5/37	1,124,280	774,945
2018	2017 Series B, 1, 2, 3; 2018 Series A	11/17, 7/17, 11/17, 12/17; 3/18	2.0 to 5.0	5/38	1,635,975	1,336,280
2019	2018 Series B	10/18	5.0	5/39	258,965	189,565
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	1,297,775
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	1,220,905
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	977,610
					8,989,200	6,830,970
Premiums/Discounts						582,913
Total General Obligation Bonds					\$ 8,989,200	\$ 7,413,883

As of June 30, 2022, 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
2023	\$ 450,459	\$ 217,204	\$ 88,791	\$ 64,342
2024	421,739	197,024	103,776	60,168
2025	414,852	179,763	119,658	55,996
2026	404,951	163,453	95,349	51,776
2027	383,943	147,025	134,702	47,824
2028 - 2032	1,693,977	498,487	507,973	166,613
2033 - 2037	1,061,182	218,166	335,543	78,043
2038 - 2042	423,575	41,166	190,500	19,846
	<u>5,254,678</u>	<u>1,662,288</u>	<u>1,576,292</u>	<u>544,608</u>
Premiums/Discounts	442,061		140,852	
Total	\$ 5,696,739	\$ 1,662,288	\$ 1,717,144	\$ 544,608

## B. General Obligation Notes

### 1. Demand Notes

In May 2019, the State issued \$53.8 million of General Obligation Demand Notes for general governmental purposes as authorized by law.

As of June 30, 2022, the State had \$53.8 million in variable-rate general obligation demand notes outstanding that are demand notes marketed weekly pursuant an electronic bidding system referred to as the Clarity BidRate Alternative Trading System. The holders of the notes have the option to tender their notes weekly, and upon a tender if the remarketing of the tendered note is unsuccessful, the note will be purchased by the State pursuant to a self-liquidity agreement and become a contracted note. There were no contracted notes during Fiscal Year 2022.

The face value of the demand 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. Principal outstanding at year end totaled \$53.8 million.

As of June 30, 2022, general obligation demand note 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
2023	\$ —	\$ 1,125	\$ —	\$ 1,027
2024	—	1,125	—	1,027
2025	—	1,125	—	1,027
2026	—	1,125	—	1,027
2027	—	1,125	—	1,027
2028 - 2032	—	5,626	—	5,134
2033 - 2037	13,712	5,626	4,795	5,134
2038	14,418	577	20,875	835
Total	\$ 28,130	\$ 17,455	\$ 25,670	\$ 16,237

Though the actual interest rate paid by the state for these notes will fluctuate as described above, the stated future interest payments in the preceding schedule above are based on an assumed 4.00% fixed annual rate, and not the 0.05% rate that was the actual reset rate in effect at June 30, 2022.

## C. Annual Appropriation Bonds

### 2003 Annual Appropriation Bonds

In December 2003, the State issued \$1.8 billion of General Fund Annual Appropriation Bonds consisting of Series A (Taxable Fixed Rate) and Series B (Taxable Auction Rate Certificates). These appropriation obligations were authorized by Wisconsin Statutes to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability under Wis. Stat. Section 40.05(2)(b) and its unfunded accrued liability for sick leave conversion credits under Wis. Stat. Section 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40.

In April and June 2008, the State issued \$1.0 billion of General Fund Annual Appropriation Refunding Bonds to refund the Series B (Taxable Auction Rate Certificates) that were issued in 2003. The 2008 issuance consisted of Series A (Taxable Fixed Rate) and Series B and C (Taxable Floating Rate Notes).

In November 2012, the State issued \$251.6 million bonds to refund a portion of the 2003 Series A bonds. In August 2016, the State issued \$400.1 million of General Fund Annual Appropriation Refunding Bonds (Taxable) 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) 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) to refund the 2012 Series A.

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

The General Fund Annual Appropriation Bonds of 2003, Series A (Taxable Fixed Rate) in the outstanding principal amount of \$349.6 million ("2003 Series A Bonds"), 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 General Fund Annual Appropriation Refunding Bonds of 2016, Series A (Taxable) in the outstanding principal amount of \$206.3 million (2016 Series A Bonds), bear interest at rates from 2.05 percent to 2.48 percent computed on the basis of a 30-day month and a 360-day year and for the number of days actually elapsed, payable semiannually on May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Refunding Bonds of 2020, Series A (Taxable) in the outstanding principal amount of \$570.4 million (2020 Series A Bonds), bear interest at rates from 1.75 percent to 2.50 percent computed on the basis of a 30-day month and a 360-day year and for the number of days actually elapsed, payable semiannually on May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Refunding Bonds of 2021, Series A (Taxable) in the outstanding principal amount of \$118.0 million (2021 Series A Bonds), bear interest at rates from 0.31 percent to 1.64 percent computed on the basis of a 30-day month and a 360-day year and for the number of days actually elapsed, payable semiannually on May 1 and November 1 until their maturity dates.

As of June 30, 2022, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2023	\$ 147.8	\$ 38.9
2024	162.8	34.3
2025	177.9	27.7
2026	195.6	20.1
2027	145.7	12.1
2028 - 2032	414.4	25.7
	<u>1,244.1</u>	<u>158.9</u>
Unamortized Prem./Discount	(0.2)	
Total, net	\$ 1,243.9	\$ 158.9

**2009 Annual Appropriation Bonds**

In April 2009, the State issued \$1.5 billion of General Fund Annual Appropriation Bonds. These appropriation obligations were authorized by Wisconsin Statutes for the purpose of purchasing the tobacco settlement revenues that had been sold by the Secretary of Administration to the Badger Tobacco Asset Securitization Corporation pursuant to Wis. Stat. Section 16.63. In August 2016, January 2017, May 2017, and January 2019, the State issued an aggregate \$1.5 billion of General Fund Annual Appropriation Refunding Bonds (Taxable and Tax Exempt) to refund a portion of the appropriation obligations issued in 2009.

The 2016 Series B (Taxable) General Fund Annual Appropriation Bonds in the outstanding principal amount of \$192.5 million bear interest rates from 2.05 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 (Taxable) General Fund Annual Appropriation Bonds in the outstanding principal amount of \$416.9 million bear interest rates from 2.68 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 General Fund Annual Appropriation Bonds in the outstanding principal amount of \$101.9 million bear interest rates from 4.00 percent to 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.

The 2017 Series C (Taxable) General Fund Annual Appropriation Bonds in the outstanding principal amount of \$388.8 million bear

interest rates from 2.51 percent to 3.15 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 (Forward Delivery) General Fund Annual Appropriation Bonds in the outstanding principal amount of \$316.70 million bear interest rates 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.

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

As of June 30, 2022, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2023	\$ 46.1	\$ 55.5
2024	58.0	53.4
2025	53.7	50.7
2026	58.1	48.3
2027	436.3	45.6
2028 - 2032	183.9	130.3
2033 - 2037	580.8	75.7
	<u>1,416.7</u>	<u>459.5</u>
Unamortized Premium/Discount	42.6	
Total	\$ 1,459.3	\$ 459.5

**D. Revenue Bonds**

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

**Transportation Revenue Bonds**

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

The Department of Transportation is authorized to issue a total of \$4.3 billion of revenue bonds. Presently, there are twelve issues of Transportation Revenue Bonds outstanding totaling \$1.7 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, 2022 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2021 1	8/21	0.6 - 2.3	7/37	\$ 143,180	\$ 143,180
2021 A	3/21	3.0 - 5.0	7/41	148,490	148,490
2020 1	7/20	0.3 - 1.9	7/34	315,840	315,840
2019 A	4/19	5.0	7/39	155,950	140,655
2017 2	12/17	5.0	7/32	368,595	362,625
2017 1	5/17	5.0	7/37	284,520	193,650
2015 A	12/15	3.0 - 5.0	7/36	225,000	139,270
2015 1	4/15	5.0	7/29	207,240	114,330
2014 2	12/14	5.0	7/27	94,130	68,790
2013 1	3/13	4.0 - 5.0	7/31	259,680	15,255
2012 2	6/12	5.0	7/22	116,400	27,315
2012 1	4/12	5.0	7/22	343,725	41,590
Total				2,662,750	1,710,990
Unamortized Premium / Discount					174,239
Total				\$2,662,750	\$ 1,885,229

**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, 2022, there were five issues of Environmental Improvement Fund Revenue Bonds outstanding totaling \$345.0 million.

Bonds issued and outstanding for the Environmental Improvement Fund as of June 30, 2022 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2021-A	9/21	4.0 to 5.0	6/40	\$ 100,000	\$ 100,000
2020-A	5/20	5.0	6/39	80,000	76,745
2018-A	9/18	5.0	6/26	92,080	58,215
2017-A	6/17	3.0 to 5.0	6/35	218,705	101,770
2015-A	12/15	3.0 to 5.0	6/30	43,380	8,240
				534,165	344,970
Unamortized Premium / Discount					53,640
Total				\$ 534,165	\$ 398,610

As of June 30, 2022, 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
2023	\$ 145,685	\$ 64,453	\$ 29,375	\$ 16,664
2024	137,645	58,604	30,840	15,195
2025	131,820	54,046	30,990	13,653
2026	126,565	49,478	30,470	12,104
2027	113,955	44,840	15,575	10,580
2028 - 2032	602,020	138,256	77,130	41,445
2033 - 2037	358,750	40,302	101,055	20,148
2038 - 2042	94,550	7,002	29,535	2,222
	1,710,990	456,981	344,970	132,011
Unamortized Premium / Discount	174,239		53,640	
Total	\$ 1,885,229	\$ 456,981	\$ 398,610	\$ 132,011

**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. 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, 2022 was as follows:

Balance Due	Average Life (Weighted Term)
\$67.7 Million	3.02 Years

At June 30, 2022, the following parity Master Lease certificates were outstanding (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2022-A	1/22	3.0 to 5.0	9/31	\$ 23,960	\$ 23,960
2021-A	2/21	3.0 to 5.0	3/29	31,375	29,160
2013-A	9/13	variable*	3/42	8,392 *	8,392
				63,727	61,512
					6,148
				\$ 63,727	\$ 67,660

\*see Revolving Credit Agreement

As of June 30, 2022, 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
2023	\$ 10,825	\$ 2,023	\$ 1,348	\$ 386
2024	8,398	1,683	1,370	315
2025	7,922	1,335	1,407	259
2026	7,843	1,002	1,420	203
2027	6,834	634	1,401	139
2028-2032	10,287	515	2,130	178
2033-2037	144	66		
2038-2042	184	26		
	<u>52,436</u>	<u>7,284</u>	<u>9,076</u>	<u>1,480</u>
Unamortized Premium / Discount	4,988		1,160	
Total	<u>57,425</u>	<u>7,284</u>	<u>10,236</u>	<u>1,480</u>

#### Revolving Credit Agreement

Master Lease Certificates of Participation of 2013, Series A (Revolving Credit Agreement – Taxable) in the amount of \$8.4 million. This Master Lease certificate evidences the State's obligation to repay advances under a Revolving Credit Agreement, dated September 1, 2013, as amended between U.S. Bank National Association (as trustee), the State of Wisconsin, acting by and through its Department of Administration, as lessee, and PNC Bank National Association. The scheduled termination date under the Revolving Credit Agreement, as amended, is September 1, 2024. 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, 2022, 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 September 2021, the State issued \$326.4 million of general obligation refunding bonds (2021 Series 4), the proceeds of \$324.7 million were deposited in an escrow account to provide for future debt service payments and redemption of \$285.6 million of various general obligation bonds for which future debt service payments and redemption are paid from the escrow account are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by \$62.9 million and an economic gain of \$50.3 million.

In March 2022, the State issued \$73.5 million of general obligation refunding bonds (2022 Series 1), of which \$32.4 million is allocable to just the refunding and the remaining \$41.1 million is allocable to the funding of commercial paper. The proceeds of \$34.6 million were deposited in the bond security and redemption fund for the redemption of \$34.6 million of various general obligation bonds for which redemption was paid from the bond security and redemption fund are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by \$3.0 million and an economic gain of \$2.7 million.

In March 2022, the State issued \$180.0 million of general obligation refunding bonds (2022 Series 2), the proceeds of \$179.1 million were deposited in an escrow account to provide for future debt service payments and redemption of \$164.4 million of various general obligation bonds for which future debt service payments and redemption are paid from the escrow account are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by \$19.2 million and an economic gain of \$17.6 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, 2022, \$982.5 million of general obligation bond principal has been defeased.

**Current Fiscal Year Refundings/Revenue Bonds**

In August 2021, the State issued \$143.2 million of Transportation Revenue Refunding Bonds (2021 Series 1), the proceeds of \$142.4 million were deposited in an escrow account to provide for future debt service payments and redemption of \$126.5 million of various Transportation revenue bonds for which future debt service payments and redemption are paid from the escrow account and considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by \$23.0 million and an economic gain of \$21.9 million.

In August 2021, a cash defeasance using funds from the State's Environmental Improvement Fund occurred. At that time, the State deposited \$18.7 million of cash from the Environmental Improvement Fund into an escrow account to provide for future debt service payments and redemption of \$16.4 million of various Environmental Improvement Fund revenue bonds. As a result of the cash defeasance, the \$16.4 million of Environmental Improvement Fund revenue bonds for which future debt service payments and redemptions are paid from the escrow account are considered defeased and the associated liability removed from the financial statements.

**Prior Year Refundings/Revenue Bonds**

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

- Environmental Improvement Fund revenue bonds – At June 30, 2022, revenue bonds outstanding of \$268.2 million have been defeased.
- Transportation Revenue Bonds – At June 30, 2022, revenue bonds outstanding of \$689.4 million have been defeased.

**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 Commercial Paper Notes**

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

The State intends to make annual May 1 payments on the outstanding commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular payments to the issuing and paying agent that will be used to pay interest due on maturing notes. With the issuance on March 1, 2022 of its General Obligation Refunding Bonds (2022 Series 1), the State retired all of the outstanding commercial paper notes, and as of June 30, 2022, no commercial paper notes remain outstanding.

Short-term debt activity for the year ended June 30, 2022 for general obligation commercial paper notes was as follows (in millions):

Balance				Balance	
July 1, 2021	Additions	Reductions		June 30, 2022	
\$ 92.5	—	\$ 92.5		\$ —	

**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, 2022, the amount of extendible municipal commercial paper outstanding was \$73.4 million which had interest rates ranging from 1.10 percent to 1.35 percent and maturities from July 12, 2022, to August 17, 2022.

Short-term debt activity for the year ended June 30, 2022 for general obligation extendible municipal commercial paper was as follows (in millions):

Balance				Balance	
July 1, 2021	Additions	Reductions		June 30, 2022	
\$ 125.4	—	\$ 52.0		\$ 73.4	

**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, 2022, a liability for arbitrage rebate did not exist.

**I. Moral Obligation Debt**

Through legislation enacted in 1999, the State authorized the creation of local districts. 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 \$111.8 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 1999, the State authorized the issuance of up to \$170.0 million principal amount of bonds to finance the development or redevelopment of sites and facilities to be used for public schools. If certain conditions are satisfied, and if a special debt service reserve fund is created for the bonds, the State will provide a moral obligation pledge, which would restore the special debt reserve fund established for the bonds to an amount not to exceed the maximum annual debt service on the bonds. One bond issue with an outstanding balance of \$19.0 million has been issued that have a special debt service reserve fund secured by the State's moral obligation.

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% 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 \$120.0 million that is subject to the moral obligation.

## **J. Credit Agreements**

In March 2019, the State entered into a credit agreement that provides the State a line of credit for liquidity support for up to \$185.0 million of general obligation commercial paper notes. In January 2020, the line of credit was reduced to \$155.0 million. In May 2021, the line of credit was further reduced to \$113.0 million. In August 2021, the line of credit was further reduced to \$93.0 million. With the issuance on March 1, 2022 of its General Obligation Refunding Bonds (2022 Series 1), the State retired all of the outstanding commercial paper notes. As result of the issuance, the of line of credit was not renewed prior to its expiration in March 2022.

**NOTE 12. LEASE COMMITMENTS AND  
INSTALLMENT PURCHASES**

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

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 \$5.4 million during FY 2022.

The University of Wisconsin System leases certain assets that are subsequently subleased to a third party. The non-cancelable terms of these leasing arrangements mature between 2023 and 2036. The discount rates applicable to these leasing arrangements range from 0.53% to 1.81%.

The State does not currently report any sale-leaseback or lease-leaseback transactions under GASB 87 as of June 30, 2022.

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 as of June 30, 2022.

**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, 2022 (in thousands):

Fiscal Year	Governmental Activities	
	Principal	Interest
2023	\$ 29,046	\$ 5,017
2024	27,551	4,622
2025	27,663	4,220
2026	27,208	3,810
2027	26,519	3,397
2028-2032	113,066	11,047
2033-2037	58,540	3,604
2038-2042	13,990	429
2043-2047	1,013	46
Total	\$ 324,596	36,192

Fiscal Year	Business-type Activities	
	Principal	Interest
2023	\$ 25,100	\$ 4,602
2024	19,954	4,310
2025	17,749	4,036
2026	16,732	3,769
2027	15,143	3,507
2028-2032	67,589	13,788
2033-2037	53,795	8,103
2038-2042	35,325	4,090
2043-2047	23,939	813
Thereafter	13	—
Total	\$ 275,339	\$ 47,018

**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.

**Measurement of Obligations**

GASB Statement No. 49 requires the State to calculate pollution remediation obligations using the expected cash flow technique. These estimates are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors. Recoveries from other responsible parties may reduce the State's obligation. In accordance with the standard, if the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability. Under specific circumstances capital assets may be created when pollution remediation is performed.

During the fiscal year, the State expended \$5.6 million to clean up sites. Estimates of existing pollution remediation liabilities were also increased by \$0.4 million. In total, the restated beginning liability of \$5.5 million decreased to \$0.2 million. There were no recoveries received from other responsible parties during the fiscal year and none are expected for the identified obligations.

**Identified Remediation Obligations**

Pollution remediation liabilities are updated annually and are based on engineering studies and the judgment of agency officials. The following table shows liabilities included in the Statement of Net Position as of June 30, 2022 (in millions):

Nature and Source of Pollution	Estimated Liability	Estimated Recovery
Contract agreement with EPA to clean up Superfund site for former wood treatment facility	\$ 0.2	\$ —
Voluntary commencement by the State to clean up heavy metal contamination of canal near former industrial site	—	—
Total estimated obligations	\$ 0.2	\$ —

In addition to the liability reported in the table above, the State expects to incur estimated costs of \$10,000 per year indefinitely to pump and treat contamination at a former chrome plating facility. The State also expects to incur estimated costs of \$70,000 per year indefinitely to operate and maintain a closed landfill. Both are Superfund sites and estimated total remediation costs for them cannot be reasonably determined. Therefore, a liability has not been reported in the Statement of Net Position for either site.

**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 \$13.1 million as of June 30, 2022, 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, 2021, is available at [www.etf.wi.gov](http://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, 2021, the number of participating employers was:

State Agencies	56
Cities	189
Counties	71
Villages	291
Towns	287
School Districts	421
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	212
Total Employers	1,555

For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive

participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

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

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

The Employee Trust Funds Board may periodically adjust annuity payments from the WRS based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payment may result when investment gains (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 a full accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Plan member contributions are recognized in the period in which contributions are paid. Employer contributions to the plan are recognized in the accounting period in which the underlying earnings on which the contributions are based are paid and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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

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

**Contributions Required**

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. 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, 2022 are:

	Employee	Employer
General (including teachers)	6.50%	6.50%
Executives & Elected Officials	6.50%	6.50%
Protective with Social Security	6.50%	12.00%
Protective without Social Security	6.50%	16.40%

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

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

At June 30, 2022 the State reported a net pension asset of \$2.30 billion for its proportionate share of the WRS' net pension asset. It is presented as a net pension asset on the Statement of Net Position for proprietary funds and on the government-wide Statement of Net Position.

The net pension asset was measured as of December 31, 2021, and the total pension liability was based on an actuarial valuation as of December 31, 2020. Update procedures were used to roll forward the total pension liability to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

The State's proportionate share of the net pension asset was determined based on the State's share of contributions to the WRS relative to the contributions of all participating employers. At December 31, 2021, the State's proportionate share was 28.5 percent, which is an increase of 0.4 percent from its proportionate share as of December 31, 2020.

For calendar year 2021, State employers made \$333.9 million in contributions recognized by the WRS.

For the year ended June 30, 2022, the State recognized pension revenue of \$196.5 million. At June 30, 2022, the State reported deferred outflows and inflows of resources related to pensions of \$4.30 billion and \$5.40 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	\$ 3,705,525	\$ (267,208)
Changes of Pension Assumptions	427,946	—
Net Difference Between Projected and Actual Earnings on Pension Investments	—	(5,131,432)
Changes in Proportionate Share	7,192	(4,609)
Pension Contributions Subsequent to the Measurement Date	162,200	—
<b>Total</b>	<b>\$ 4,302,863</b>	<b>\$ (5,403,249)</b>

The \$162.2 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, 2023. 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
2023	\$ (105,479)
2024	(620,983)
2025	(273,322)
2026	(262,802)
2027	—
	<u>\$ (1,262,586)</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, 2021 were based upon the following actuarial assumptions:

Actuarial Valuation Date	December 31, 2020
Measurement Date of Net Pension Liability (Asset)	December 31, 2021
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% - 5.6%
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 2021 using experience from 2018-2020. The total pension liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 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, 2021, these best estimates of geometric long-term real rates of return were used:

Asset Class	Target Allocation	Rate of Return
Global Equities	52.0%	4.2%
Fixed Income	25.0	1.8
Inflation Sensitive	19.0	0.2
Real Estate	7.0	3.0
Private Equity/Debt	12.0	7.0

For each major asset class that is included in the Variable Retirement Investment Trust fund's target asset allocation as of

December 31, 2021, these best estimates of geometric long-term real rates of return were used:

Asset Class	Target Allocation	Rate of Return
Domestic Equity	70.0%	3.7%
International Equity	30.0	4.6

The money-weighted rates of return on pension plan investment for the Core and Variable funds for the calendar year ended 2021 were 17.03% and 19.98%, 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% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. 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% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the State's proportionate share of the net pension liability (asset), calculated using a single discount rate of 6.8%, 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% lower or 1% higher:

	State's share of the net pension liability (asset)
1% Decrease (5.8%)	\$ 1,627,617,268
Current Rate (6.8%)	\$ (2,293,804,977)
1% Increase (7.8%)	\$ (5,116,499,336)

**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. 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](http://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](http://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 Government Retiree Health Insurance Fund includes 393 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 Wisconsin Statutes Chapters 15.165 (2) and 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, 2021, included

28,756 former state employees or their beneficiaries and 2,095 former local government employees and beneficiaries.

Retirees may choose between several health plans with specific provider networks (i.e., Health Maintenance Organizations (HMO's), Preferred Provider Organizations (PPO's) 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.

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 724 local government employers as of December 31, 2021 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 Wisconsin Statutes Chapter 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 percent post retirement coverage	28 percent of the employee premium	40 percent of the employee premium
25 percent post retirement coverage	N/A	20 percent of employee premium

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, 2021 are as listed below:

Attained Age	State Basic	State Supplemental	Local Basic	Local Supplemental
Under 30	\$0.0463	\$0.0463	\$0.0500	\$0.0500
30-34	0.0463	0.0463	0.0600	0.0600
35-39	0.0463	0.0463	0.0700	0.0700
40-44	0.0695	0.0695	0.0800	0.0800
45-49	0.1158	0.1158	0.1200	0.1200
50-54	0.1852	0.1852	0.2200	0.2200
55-59	0.2547	0.2547	0.3900	0.3900
60-64	0.3473	0.3473	0.4900	0.4900
65-69	0.4515	0.4515	0.5700	0.5700

\*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:

- Wisconsin Retirement System (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 premiums until age 65 (age 70 if active).

**Benefits and Membership**

After retirement, basic coverage is continued for life in amounts for 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 as of December 31, 2021, included:

	State	Local	Total
Active*	50,355	75,179	125,534
Inactive Pre-Age 65 Annuitants	6,360	9,848	16,208
Inactive Post-Age 64 Annuitants	28,967	39,633	68,600
Totals	85,682	124,660	210,342

\* Active membership includes 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 Wisconsin Statute 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 eligible 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 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, 2021, included:

Employment Status	Count
Retirees and Beneficiaries	21,715
Inactive, Non-retired Members	366
Active Members	72,701
<b>Total</b>	<b>94,782</b>

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 Wisconsin Statute 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 at least 15 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 \$15.7 million based upon a percentage of active member earnings for the year ending December 31, 2021.

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, 2022, OPEB expense/(Revenue) for all plans combined was \$46.6 million by participating employers:

Primary Government	
State of Wisconsin	\$ 25,969,616
University of WI System	15,856,795
Component Units	
UW Hospital and Clinics Auth.	4,328,331
WI Housing & Economic Development Auth.	294,703
WI Economic Development Corp.	186,237
<b>Total</b>	<b>\$ 46,635,682</b>

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 \$618 to \$1,470 for single coverage and \$1,509 to \$3,641 for family coverage.

As of January 1, 2021 (most recent actuarial valuation date), membership consisted of:

<b>Member Type</b>	<b>Number</b>
Retired members or beneficiaries receiving OPEB benefits	8,219
Vested terminated members not yet receiving OPEB benefits	1,214
Active members	<u>62,805</u>
<b>Total Members</b>	<b>72,238</b>

**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, 2020 and adjusted for changes such as interest earned, contributions paid, and benefits paid through June 30, 2021. Based on this, the actuary determined the OPEB liability totaled \$712.9 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, 2022 reporting date, are indicated in the table below (in millions):

<b>Participating Employer</b>	<b>OPEB Liability</b>
<b>Primary Government</b>	
State of Wisconsin	\$ 316.5
University of Wisconsin System	316.7
<b>Component Units</b>	
UW Hospital and Clinics Auth.	77.4
WI Housing & Economic Development Auth.	1.4
WI Economic Development Corp.	0.9
<b>Total OPEB Liability</b>	<b>\$ 712.9</b>

**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, 2020	\$ 642.0
Changes for the Year:	
Service cost	52.5
Interest	14.9
Difference between expected & actual experience	92.1
Changes of assumptions	(41.2)
Benefit payments*	(47.4)
<b>Net Change in Total OPEB Liability</b>	<b>70.9</b>
<b>Total OPEB Liability June 30, 2021</b>	<b>\$ 712.9</b>

\* Employer benefit payments of \$47.4 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, 2021 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, 2021
Measurement Date of Total OPEB Liability	June 30, 2021
Actuarial cost method	Entry Age Normal
Asset Valuation Method	N/A
Inflation	2.4%
Salary increases	Separate merit and longevity increase rates by employer and service, plus 3%
Discount Rate	Discount rate was changed to 2.16% for the June 30, 2021 measurement from 2.21% for the June 30, 2020 measurement
Healthcare Cost Trend Rates:	
Medical	4.10% for the first year then 6.75% grading down 0.25% per year to 4.50%
Prescription drug	10.67% for the first year then 7.50% grading down 0.25% per year to 4.50%
Dental	0.00% for first two years then 3.00% thereafter
Administrative Costs	(4.03) % for first year then 3.00% every year after
Mortality Rates	Wisconsin 2020 Mortality Table
Benefit Changes	None
Participation Rates	Active: 60% are assumed to elect coverage at retirement, and 12.5% of the 40% that defer are assumed to be covered over the next 5 years (1.0% per year), so 65% assumed to be covered after 5 years  Deferred: 5% per year over 8 years
Assumed Claims	Per capita claims costs were based on premium equivalent rates for plan year 2021 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 2018-2020 experience study for the pension valuation
Disability Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2018-2020 experience study for the pension valuation
Normal Retirement Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2018-2020 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 with average benefit trend
Benefit End Date	Benefits end when participants turn 65 years old

Actuarial assumptions are based on the Wisconsin Retirement System experience study conducted in 2021 using experience from 2018 to 2020. An actuarial experience loss increased the liability by \$92.1 million due to demographic changes and actual 2021 contributions and benefit payments that were different from expected. Valuation assumption changes also decreased the liability by \$41.2 million as the result of a decrease in obligations due to changes in the participation rate assumptions and the valuation-year per capita health costs based on recent experience, which was offset by an increase in obligations due to updating the healthcare trend rates, adopting updated demographic assumptions based on the WRS Experience Study for the period 2018 - 2020 and lowering 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 (1.16%)	Current Discount Rate (2.16%)	1% Increase in Discount Rate (3.16%)
Primary Government	\$ 679.2	\$ 633.1	\$ 589.5
Component Units	85.7	79.8	74.3
Total OPEB Liability	<u>\$ 764.9</u>	<u>\$ 712.9</u>	<u>\$ 663.8</u>

**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% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Primary Government	\$ 563.6	\$ 633.1	\$ 715.6
Component Units	71.1	79.8	90.3
Total OPEB Liability	<u>\$ 634.7</u>	<u>\$ 712.9</u>	<u>\$ 805.9</u>

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

For the year ended June 30, 2022, OPEB expense/(revenue) of \$(2.5) million was recognized by participating employers:

**Primary Government**

State of Wisconsin	\$ (1,972,352)
University of WI System	(1,034,183)

**Component Units**

UW Hospital and Clinics Auth.	454,861
WI Housing & Economic Development Auth.	7,725
WI Economic Development Corp	5,820
Total	<u>\$ (2,538,129)</u>

At June 30, 2022, 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	\$ 131,586,782	\$ (35,039,298)
Changes of Assumptions	41,218,552	(245,502,817)
Changes in Proportion	14,121,798	(14,121,798)
Amounts Paid Subsequent to the Measurement Date	47,688,080	—
Total	<u>\$ 234,615,212</u>	<u>\$ (294,663,913)</u>

Deferred outflows of resources and deferred inflows of resources for the state (primary government) as of a June 30, 2022 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 116,849,470	\$ (31,115,005)
Changes of Assumptions	36,602,202	(218,007,260)
Changes in Proportion	8,357,097	(13,053,548)
Amounts Paid Subsequent to the Measurement Date	42,347,163	—
Total	<u>\$ 204,155,932</u>	<u>\$ (262,175,813)</u>

Deferred outflows of resources and deferred inflows of resources for component units as of a June 30, 2022 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 14,737,312	\$ (3,924,293)
Changes of Assumptions	4,616,350	(27,495,557)
Changes in Proportion	5,764,701	(1,068,250)
Amounts Paid Subsequent to the Measurement Date	5,340,917	—
Total	<u>\$ 30,459,280</u>	<u>\$ (32,488,100)</u>

The \$47,688,080 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, 2023 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 2023	\$ (22,154,736)
FY 2024	(22,154,736)
FY 2025	(22,154,736)
FY 2026	(22,154,736)
FY 2027	(22,154,736)
Thereafter	3,036,900

The \$42,347,163 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, 2023 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 2023	\$ (20,448,777)
FY 2024	(20,448,777)
FY 2025	(20,448,777)
FY 2026	(20,448,777)
FY 2027	(20,448,777)
Thereafter	1,876,831

The \$5,340,917 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, 2023 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 2023	\$ (1,705,959)
FY 2024	(1,705,959)
FY 2025	(1,705,959)
FY 2026	(1,705,959)
FY 2027	(1,705,959)
Thereafter	1,160,069

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, 2022, the State, including the University of Wisconsin System, reported a liability of \$841.6 million for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as January 1, 2021 rolled forward to December 31, 2021. 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, 2021, the State's proportion was 88.8 percent which was an increase of 0.7 percent from its proportion of 88.1 percent measured as of December 31, 2020.

Net OPEB liability amounts, by participating employers as of a June 30, 2022 reporting date, are indicated in the table below (in millions):

Participating Employer	Net OPEB Liability
<b>Primary Government</b>	
State of Wisconsin	\$ 449.0
University of Wisconsin System	392.6
<b>Component Units</b>	
UW Hospital and Clinics Auth.	101.6
WI Housing & Economic Development Auth.	3.2
Wisconsin Economic Development Corp.	1.3
<b>Total Net OPEB Liability</b>	<u><u>\$ 947.7</u></u>

For the year ended June 30, 2022, OPEB expense of \$109.8 million was recognized by participating employers:

<b>Primary Government</b>	
State of Wisconsin	\$ 53,319,654
University of WI System	44,293,360
<b>Component Units</b>	
UW Hospital and Clinics Auth.	11,541,539
WI Housing & Economic Development Auth.	429,262
WI Economic Development Corp.	180,417
<b>Total</b>	<u><u>\$ 109,764,232</u></u>

For the year ended June 30, 2022, contributions of \$1.7 million were recognized by the plan from participating employers:

<b>Primary Government</b>	
State of Wisconsin	\$ 791,118
University of WI System	691,620
<b>Component Units</b>	
UW Hospital and Clinics Auth.	179,082
WI Housing & Economic Development Auth.	5,668
WI Economic Development Corp.	2,367
<b>Total</b>	<u><u>\$ 1,669,855</u></u>

**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, 2020	\$ 1,200.7
Changes for the Year:	
Service cost	46.3
Interest	27.4
Difference between expected & actual experience	3.2
Changes of assumptions	13.4
Benefit payments	(23.7)
<b>Net Change in Total OPEB Liability</b>	<u>66.6</u>
<b>Total OPEB Liability December 31, 2021</b>	<u>\$ 1,267.3</u>
Plan Fiduciary Net Position December 31, 2020	\$ 333.7
Changes for the Year:	
Contributions from employers	1.7
Net investment income	8.7
Administrative expense	(0.9)
Benefit payments	(23.7)
<b>Net change in Plan Fiduciary Net Position</b>	<u>(14.2)</u>
<b>Plan Fiduciary Net Position December 31, 2021</b>	<u>\$ 319.5</u>
Collective Net OPEB Liability December 31, 2020	\$ 867.0
Net change in Collective Net OPEB Liability	80.8
<b>Collective Net OPEB Liability December 31, 2021</b>	<u><u>\$ 947.8</u></u>

At June 30, 2022, deferred outflows of resources and deferred inflows of resources for the state and component units were reported from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between Expected and Actual Experience	\$ 2,719,361	\$ (19,466,482)
Changes of Assumptions	246,910,494	(39,056,323)
Changes in Proportion	11,511,663	(11,511,667)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	10,359,620	—
<b>Total</b>	<b>\$ 271,501,138</b>	<b>\$ (70,034,472)</b>

Deferred outflows of resources and deferred inflows of resources for the state (primary government) as of a June 30, 2022 reporting date were as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between Expected and Actual Experience	\$ 2,414,640	\$ (17,285,146)
Changes of Assumptions	219,242,691	(34,679,827)
Changes in Proportion	9,642,135	(7,630,806)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	9,198,761	—
<b>Total</b>	<b>\$ 240,498,227</b>	<b>\$ (59,595,779)</b>

Deferred outflows of resources and deferred inflows of resources for component units as of a June 30, 2022 reporting date were as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between Expected and Actual Experience	\$ 304,721	\$ (2,181,336)
Changes of Assumptions	27,667,803	(4,376,496)
Changes in Proportion	1,869,528	(3,880,861)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,160,859	—
<b>Total</b>	<b>\$ 31,002,911</b>	<b>\$ (10,438,693)</b>

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 as follows:

FY 2023	\$ 47,672,523
FY 2024	46,425,379
FY 2025	42,362,920
FY 2026	46,536,522
FY 2027	16,911,642
Thereafter	1,557,685

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

FY 2023	\$ 42,479,051
FY 2024	41,371,657
FY 2025	37,971,289
FY 2026	41,785,683
FY 2027	15,517,715
Thereafter	1,777,053

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

FY 2023	\$ 5,193,469
FY 2024	5,053,719
FY 2025	4,391,632
FY 2026	4,750,833
FY 2027	1,393,931
Thereafter	(219,369)

**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):

	<b>1% Decrease in Discount Rate (1.15%)</b>	<b>Current Discount Rate (2.15%)</b>	<b>1% Increase in Discount Rate (3.15%)</b>
Primary Government	\$ 1,107.0	\$ 841.6	\$ 639.3
Component Units	139.7	106.2	80.7
<b>Net OPEB Liability</b>	<b>\$ 1,246.7</b>	<b>\$ 947.8</b>	<b>\$ 720.0</b>

**Single Discount Rate**

A single discount rate of 2.15% was used to measure the total OPEB liability for the current year as opposed to 2.22% for the prior year. The change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021. 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 Securian, the insurance carrier. 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 originally 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, 2021 were:

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Intermediate Credit Bonds	Bloomberg Interm Credit	45 %	1.68 %
US Long Credit Bonds	Bloomberg Long Credit	5 %	1.82 %
US Mortgages	Bloomberg MBS	50 %	1.94 %
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 2021 using experience from 2018 to 2020. The projections of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contributions schedule and that contributions are made by plan members retiring prior to age 65. The total OPEB liability in the January 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2021
Measurement Date of Net OPEB Liability:	December 31, 2021
Actuarial Cost Method:	Entry Age Normal
Experience Study:	January 1, 2018 - December 31, 2020, Published November 19, 2021
20 Year Tax-Exempt Municipal Bond Yield:	2.06%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.15%
Salary Increases Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
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, 2022, the State, including the University of Wisconsin System, reported an asset of \$286.7 million for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of December 31, 2021 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2021. The State's proportion of the net OPEB asset was based on the State's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2021, the State's proportion was 87.1 percent which decreased by 0.7 percent from its proportion of 87.8 percent measured as of December 31, 2020.

Net OPEB liability/(asset) amounts, by participating employers as of a June 30, 2022 reporting date, are indicated in the table below (in millions):

Participating Employer	Net OPEB Liability/ (Asset)
<b>Primary Government</b>	
State of Wisconsin	\$ (138.3)
University of Wisconsin System	(148.3)
<b>Component Units</b>	
UW Hospital and Clinics Auth.	(41.5)
WI Housing & Economic Development Auth.	(0.8)
Total Net OPEB Liability/(Asset)	<u>\$ (328.9)</u>

For the year ended June 30, 2022, OPEB expense/(revenue) of \$(60.6) million was recognized by participating employers:

<b>Primary Government</b>	
State of Wisconsin	\$ (25,377,686)
University of WI System	(27,402,382)
<b>Component Units</b>	
UW Hospital and Clinics Auth.	(7,668,069)
WI Housing & Economic Development Auth.	(142,284)
Total	<u>\$ (60,590,421)</u>

For the year ended June 30, 2022, contributions of \$15.7 million were recognized by the plan from participating employers:

<b>Primary Government</b>	
State of Wisconsin	\$ 6,584,744
University of WI System	7,059,851
<b>Component Units</b>	
UW Hospital and Clinics Auth.	1,976,349
WI Housing & Economic Development Auth.	36,993
Total	<u>\$ 15,657,937</u>

**Changes in the Net OPEB Liability/(Asset)**

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

Total OPEB Liability December 31, 2020	\$ 924.0
Changes for the Year:	
Service cost	23.5
Interest	63.7
Difference between expected & actual experience	(36.2)
Changes of assumptions	120.4
Benefit payments	(52.6)
Net Change in Total OPEB Liability	<u>118.8</u>
<b>Total OPEB Liability December 31, 2021</b>	<b>\$ 1,042.8</b>
Plan Fiduciary Net Position December 31, 2020	\$ 1,208.8
Changes for the Year:	
Contributions from employers	15.7
Net investment income	200.6
Administrative expense	(0.7)
Benefit payments	(52.6)
Net change in Plan Fiduciary Net Position	<u>163.0</u>
<b>Plan Fiduciary Net Position December 31, 2021</b>	<b>\$ 1,371.8</b>
Collective Net OPEB Liability December 31, 2020	\$ (284.8)
Net change in Collective Net OPEB Liability/(Asset)	(44.2)
<b>Collective Net OPEB Liability/(Asset) December 31, 2021</b>	<b>\$ (329.0)</b>

At June 30, 2022, 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	\$ —	\$ (142,480,861)
Changes of Assumptions	121,199,551	—
Changes in Proportion	1,354,698	(1,354,698)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	—	(169,277,134)
OPEB Contributions Subsequent to the Measurement Date	5,245,483	—
Total	<u>\$ 127,799,732</u>	<u>\$ (313,112,693)</u>

Deferred outflows of resources and deferred inflows of resources for the state (primary government) as of a June 30, 2022 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ —	\$ (124,160,267)
Changes of Assumptions	105,615,369	—
Changes in Proportion	1,201,662	(983,246)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	—	(147,511,000)
OPEB Contributions Subsequent to the Measurement Date	2,414,483	—
<b>Total</b>	<b>\$ 109,231,514</b>	<b>\$ (272,654,513)</b>

Deferred outflows of resources and deferred inflows of resources for component units as of a June 30, 2022 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ —	\$ (18,320,594)
Changes of Assumptions	15,584,182	—
Changes in Proportion	153,036	(371,452)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	—	(21,766,134)
OPEB Contributions Subsequent to the Measurement Date	2,831,000	—
<b>Total</b>	<b>\$ 18,568,218</b>	<b>\$ (40,458,180)</b>

The \$5,245,483 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, 2023 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 2023	\$ (49,683,537)
FY 2024	(71,369,368)
FY 2025	(48,245,287)
FY 2026	(31,287,685)
FY 2027	(4,989,835)
Thereafter	15,017,269

The \$2,414,483 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, 2023 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 2023	\$ (43,275,622)
FY 2024	(62,173,028)
FY 2025	(42,022,308)
FY 2026	(27,245,162)
FY 2027	(4,319,348)
Thereafter	13,197,986

The \$2,831,000 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, 2023 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 2023	\$ (6,407,915)
FY 2024	(9,196,340)
FY 2025	(6,222,979)
FY 2026	(4,042,523)
FY 2027	(670,487)
Thereafter	1,819,283

**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	\$ (190.5)	\$ (286.7)	\$ (369.5)
Component Units	(28.1)	(42.3)	(54.5)
<b>Net OPEB Liability/ (Asset)</b>	<b>\$ (218.6)</b>	<b>\$ (329.0)</b>	<b>\$ (424.0)</b>

**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	\$ (346.2)	\$ (286.7)	\$ (230.3)
Component Units	(51.1)	(42.3)	(34.0)
<b>Net OPEB Liability/ (Asset)</b>	<b>\$ (397.3)</b>	<b>\$ (329.0)</b>	<b>\$ (264.3)</b>

**Single Discount Rate**

A single discount rate of 6.8% was used to measure the Total OPEB Liability for the current year, a decrease from 7.0% in the prior year. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.8%. 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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Global Equities	52.0 %	4.2 %
Fixed Income	25.0 %	1.8 %
Inflation Sensitive Assets	19.0 %	0.2 %
Real Estate	7.0 %	3.0 %
Private Equity/Debt	12.0 %	7.0 %
Cash	(15.0)%	0.9 %
Total Fund	100.0 %	4.0 %
Inflation		2.4 %
Long-Term Expected Rate of Return		6.8 %

The long-term expected rate of return is 6.8% which is a decrease from 7.0% from the prior year. 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 2021 using experience from 2018 to 2020. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Actuarial Valuation Date:	December 31, 2021
Measurement Date of Net OPEB Liability/(Asset):	December 31, 2021
Experience Study	January 1, 2018 - December 31, 2020 Published November 18, 2021
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% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Health Care Cost Trend Rate:	6.0% for the first year grading down to an ultimate health care trend rate of 3.5% over a 12 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	100% of active and preserved members will begin using sick leave credits immediately upon reaching eligibility.
Usage for Escrowed Benefits:	50% 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:	The assumed annual sick leave accumulation for each individual is at their same rate as in the past (earned less used), but not more than 100% of the gross earned rate based on the person's employer and not less than 25% of their gross earned rate. The assumed annual gross earned rates range from 6.4 to 16.25 days depending on the employer.

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**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](http://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](http://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, 2021.

**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 393 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% 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 278 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 500 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 2021, contribution rates ranged from 0.09% to 2.24% 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* - 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 2021 (in millions):

	Income Continuation Insurance		Duty Disability Insurance		Pharmacy Benefits		Dental	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Unpaid claims and claim adjustment expenses at beginning of the calendar year</b>	\$ 96.4	\$ 96.1	\$ 467.7	\$ 466.3	\$ (33.7)	\$ (27.9)	\$ 1.5	\$ 1.8
<b>Incurred claims and claim adjustment expenses:</b>								
Provision for insured events of the current calendar year	24.5	24.8	38.1	34.0	188.4	176.1	46.0	38.1
Changes in provision for insured events of prior calendar years	(4.7)	(5.2)	54.3	4.0	0.2	0.1	(0.1)	(0.7)
Total incurred claims and claim adjustment expenses	19.8	19.6	92.4	38.0	188.6	176.2	45.9	37.4
<b>Payments:</b>								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	4.7	4.0	0.0	0.0	227.4	209.8	44.4	36.6
Claims and claim adjustment expenses attributable to insured events of prior calendar years	15.8	15.3	36.4	36.6	(33.5)	(27.8)	1.4	1.1
Total payments	20.5	19.3	36.4	36.6	193.9	182.0	45.8	37.7
<b>Total unpaid claims and claim adjustment expenses at end of the calendar year</b>	<u>\$ 95.7</u>	<u>\$ 96.4</u>	<u>\$ 523.8</u>	<u>\$ 467.7</u>	<u>\$ (39.0)*</u>	<u>\$ (33.7)*</u>	<u>\$ 1.6</u>	<u>\$ 1.5</u>

\*Total unpaid claims at the end of 2021 is \$39.0 million in rebates due from pharmaceutical companies. Total unpaid claims at the end of 2020 is \$33.7 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. When claims, which exceed \$100,000 per occurrence, total \$6.5 million, the State's private insurance becomes available. Losses to property occurring after the annual aggregate are first subject to a \$100,000 deductible. The amount of loss in excess of \$100,000 is covered by the State's private insurance company. During Fiscal Year 2022, 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, 2022 are estimated to total \$12.7 million.

**Property Damages and Bodily Injuries to Third Parties**

The State is self-funded for third party liability and effective 7/1/20 retains \$5.0 million per occurrence and participates in a 1/6th quota share for the next \$6 million excess of the \$5 million per occurrence retention. Additional layers of excess insurance are in place above \$11 million, with total policy limits during Fiscal Year 2022 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, 2022 are estimated to total \$56.2 million.

**Worker's Compensation**

The Worker's Compensation Program was created by Wisconsin Statutes Chapter 102 to provide benefits to workers injured on the job. All employees of the State are included in the program. An

injury is covered under worker's compensation if it is caused by an accident that arose out of and in the course of employment.

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

The worker's compensation liability has been determined by an actuary using paid claims and current claims reserves. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by external factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims incurred but not paid as of June 30, 2022 are estimated to total \$87.0 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):

	2022	2021
Beginning of fiscal year liability	\$ 146,478	\$ 128,242
Current year claims and changes in estimates	40,443	52,533
Claim payments	(31,076)	(32,873)
	155,845	147,902
Excess insurance reimbursable	(2,923)	(1,424)
Balance at fiscal year-end	<u>\$ 152,922</u>	<u>\$ 146,478</u>

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, 2022 is \$4.7 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. Section 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 Board of Governors authorized a premium holiday beginning in the fiscal year 2021 and extended the holiday through fiscal year 2022. Also during fiscal year 2021, the Board approved an investment portfolio automatic rebalancing policy, changing the threshold from 20 percent to 17.5 percent.

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, 2022, 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	\$ 1,238,455
Less: Net loss paid from inception	(944,398)
Less: Liability for reported losses	(171,174)
Risk Margin	73,514
Liability for incurred but not reported losses	\$ 196,397

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 18 percent of the estimated unpaid losses as of June 30, 2022. 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, 2022, are deducted from the projected ultimate LAE to determine the liability for LAE as June 30, 2022 as follows (in thousands):

Projected ultimate LAE liability	\$ 167,816
Less: LAE paid from inception	(115,215)
Risk Margin	13,150
Liability for LAE	\$ 65,751

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 0.928, which is based on an investment yield assumption of 2.0 percent approved by the Board of Governors, the discounted loss liability would be as follows as of June 30, 2022 (in thousands):

Estimated liability for incurred but not reported losses	\$ 196,397
Estimated liability for reported losses	171,174
Estimated liability for loss adjustment expense	65,751
Total estimated loss liabilities	433,322
Less: Amount representing interest	(31,176)
Discounted loss liabilities	\$ 402,146

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 2022 liabilities estimate.

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

The breakdown of Future Benefit and Loss Liabilities, including the portions that are estimated as current and noncurrent as of June 30, 2022 (in thousands), is as follows:

Discounted loss liabilities	\$ 402,146
Future medical expense liability	61,707
Total estimated loss liabilities	463,853
Current portion	(56,039)
Noncurrent portion	\$ 407,814

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 2022 (in thousands):

Liability at the beginning of the year	\$ 428,807
Incurred claims and related expenses for the current year and the change in estimated amounts for claims incurred in prior years	45,015
Less: current year payments attributable to claims incurred in current and prior years	(9,968)
Liability at the end of the year	\$ 463,854

**B. State Life Insurance Fund**

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

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

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

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

Issue Year	Ordinary Life Insurance in Force	Amount of Policy Liability
1913-1966	\$ 4,885	\$ 4,094
1967-1976	22,340	14,992
1977-1985	56,728	25,553
1986-1994	41,439	10,589
1995-2012	40,800	8,597
2013-2018	5,648	569
2019+	2,118	102
	\$ 173,956	\$ 64,496

**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, 2021 were \$112.9 million and statutory capital and surplus was \$10.5 million. Fund equity at June 30, 2022 was \$11.6 million.

**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, 2022 is presented below (in thousands):

<b>Condensed Statement of Net Position</b>		<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>	
Assets:		Operating Revenues (Expenses):	
Current Assets	\$ 385,257	Loan Interest	\$ —
Other Assets	1,641,236	Interest Income used as Security for Revenue Bonds	37,704
Total Assets	<u>2,026,493</u>	Miscellaneous Other	1,649
Deferred Outflows of Resources	<u>819</u>	Interest Expense	(9,086)
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 2,027,312</u></b>	Other Operating Expenses	(4,050)
		<b>Operating Income (Loss)</b>	<b><u>26,218</u></b>
		Nonoperating Revenues (Expenses):	
Liabilities:		Investment Income	187
Due to Other Funds	10,510	Intergovernmental Grants	42,856
Other Current Liabilities (Including Current Portion of Long-term Debt)	29,319	Grants Awarded	(17,606)
Noncurrent Liabilities	<u>321,746</u>	Income (Loss) before Transfers	<u>51,655</u>
Total Liabilities	<u>361,574</u>	Transfers In (Out)	<u>(6,453)</u>
		<b>Change in Net Position</b>	<b><u>45,201</u></b>
		<b>Beginning Net Position</b>	<b><u>1,620,536</u></b>
Net position:		<b>Ending Net Position</b>	<b><u>\$ 1,665,737</u></b>
Restricted	1,665,737		
Total Net Position	<u>1,665,737</u>	<b>Condensed Statement of Cash Flows</b>	
<b>Total Liabilities and Net Position</b>	<b><u>\$ 2,027,312</u></b>	Net Cash Provided (Used) by:	
		Operating Activities	\$ (104,490)
		Noncapital Financing Activities	81,460
		Investing Activities	187
		Net Increase (Decrease)	<u>(22,843)</u>
		Beginning Cash and Cash Equivalents	239,165
		Ending Cash and Cash Equivalents	<u>\$ 216,322</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, 2021 or June 30, 2022 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority	Wisconsin Health Care Liability Insurance Plan	University of Wisconsin Hospitals and Clinics Authority	Wisconsin Economic Development Corporation	University of Wisconsin Foundation	Total
<b>Condensed Statement of Net Position</b>						
<b>Assets:</b>						
Cash, Investments and Other Assets	\$ 2,902,538	\$ 62,862	\$ 3,972,108	\$ 90,929	\$ 4,951,112	\$ 11,979,550
Due from Primary Governments	—	—	22,215	—	—	22,215
Cash and Investments with other Component Units	—	—	170,783	—	—	170,783
Capital Assets, net	37,874	—	1,406,616	790	14,098	1,459,378
<b>Total Assets</b>	<b>2,940,412</b>	<b>62,862</b>	<b>5,571,722</b>	<b>91,719</b>	<b>4,965,210</b>	<b>13,631,926</b>
<b>Deferred Outflows of Resources</b>						
	18,408	—	659,989	8,308	—	686,705
<b>Total Assets and Deferred Outflows</b>	<b>\$ 2,958,820</b>	<b>\$ 62,862</b>	<b>\$ 6,231,711</b>	<b>\$ 100,027</b>	<b>\$ 4,965,210</b>	<b>\$ 14,318,630</b>
<b>Liabilities:</b>						
Accounts Payable and Other Current Liabilities	\$ 163,775	\$ 3,360	\$ 732,381	\$ 12,593	\$ 211,731	\$ 1,123,839
Due to Primary Government	—	—	39,077	—	—	39,077
Amounts Held for Other Component Units	—	—	—	—	162,860	162,860
Other Liabilities	5,913	—	1,876	—	—	7,789
Long-term Liabilities (Current and Noncurrent portions)	1,889,340	18,458	1,447,972	4,258	40,645	3,400,674
<b>Total Liabilities</b>	<b>2,059,028</b>	<b>21,818</b>	<b>2,221,306</b>	<b>16,851</b>	<b>415,236</b>	<b>4,734,239</b>
<b>Deferred Inflows of Resources</b>	<b>25,370</b>	<b>—</b>	<b>811,251</b>	<b>10,381</b>	<b>—</b>	<b>847,002</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	17,874	—	549,887	138	14,098	581,998
Restricted	839,374	41,044	389,037	45,822	4,426,856	5,742,134
Unrestricted	17,174	—	2,260,230	26,834	109,020	2,413,257
<b>Total Net Position</b>	<b>874,422</b>	<b>41,044</b>	<b>3,199,154</b>	<b>72,795</b>	<b>4,549,974</b>	<b>8,737,389</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 2,958,820</b>	<b>\$ 62,862</b>	<b>\$ 6,231,711</b>	<b>\$ 100,027</b>	<b>\$ 4,965,210</b>	<b>\$ 14,318,630</b>
<b>Condensed Statement of Activities</b>						
<b>Program Expenses:</b>						
Depreciation	\$ 605	\$ —	\$ 135,660	\$ 847	\$ 2,122	\$ 139,235
Payments to Primary Government	—	—	72,182	—	272,226	344,408
Other	283,942	4,778	3,697,367	108,118	57,926	4,152,132
<b>Total Program Expenses:</b>	<b>284,547</b>	<b>4,778</b>	<b>3,905,209</b>	<b>108,966</b>	<b>332,274</b>	<b>4,635,774</b>
<b>Program Revenues:</b>						
Charges for Goods and Services	7,994	2,020	3,951,733	170	—	3,961,918
Investment and Interest Income	57,088	1,376	—	—	(466,213)	(407,749)
Operating Grants and Contributions	208,454	—	—	106,681	378,420	693,555
Miscellaneous	16,719	30	76,213	—	4,404	97,366
<b>Total Program Revenues</b>	<b>290,255</b>	<b>3,427</b>	<b>4,027,946</b>	<b>106,852</b>	<b>(83,390)</b>	<b>4,345,089</b>
<b>Net Program Revenue/(Expense)</b>	<b>5,708</b>	<b>(1,352)</b>	<b>122,737</b>	<b>(2,114)</b>	<b>(415,664)</b>	<b>(290,685)</b>
<b>General Revenues:</b>						
Interest and Investment Earnings	(93,404)	—	(221,598)	(569)	—	(315,571)
Miscellaneous	—	—	57,569	3,031	—	60,600
Contributions to Endowments	—	—	13,799	—	—	13,799
<b>Change in Net Position</b>	<b>(87,696)</b>	<b>(1,352)</b>	<b>(27,493)</b>	<b>348</b>	<b>(415,664)</b>	<b>(531,858)</b>
<b>Net Position, Beginning of Year</b>	<b>962,118</b>	<b>42,396</b>	<b>3,226,647</b>	<b>72,447</b>	<b>4,965,639</b>	<b>9,269,246</b>
<b>Net Position, End of Year</b>	<b>\$ 874,422</b>	<b>\$ 41,044</b>	<b>\$ 3,199,154</b>	<b>\$ 72,795</b>	<b>\$ 4,549,974</b>	<b>\$ 8,737,389</b>

**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 2021 Annual Comprehensive Financial Report to the beginning-of-year amounts reported for Fiscal Year 2022 (in thousands):

**A. Fund Statements – Governmental Funds**

	Major Funds			Total Governmental
	General	Transportation	Nonmajor Funds	
Fund Balances at June 30, 2021 as reported in the 2021 Annual Comprehensive Financial Report	\$ 1,180,415	\$ 1,041,061	\$ 2,112,819	\$ 4,334,296
Enterprise fund reclassification	2,105			\$ 2,105
Correction of Accounts Payable	3,269			\$ 3,269
Correction of accounts receivable		1,675		\$ 1,675
Revenue Corrections			47	\$ 47
Fund Balances July 1, 2021 as restated	<u>\$ 1,185,789</u>	<u>\$ 1,042,737</u>	<u>\$ 2,112,866</u>	<u>\$ 4,341,392</u>
Effect of adjustments on the amount of excess revenues and other sources over expenditures and other uses of Fiscal Year 2021	\$ 3,269	\$ 1,675	\$ 47	\$ 4,991

**B. Fund Statements – Proprietary Funds**

	Major Funds				Total Enterprise	Internal Service Funds
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Funds		
Net Positions at June 30, 2021 as reported in the 2021 Annual Comprehensive Financial Report	\$ 2,174,848	\$ 6,000,279	\$ 1,151,759	\$ 2,352,188	\$ 11,679,074	\$ (428,001)
Adoption of GASB Statement No. 87, Leases	—	(1,465)	—	—	(1,465)	—
Adjustments to assets and liabilities	—	—	—	(5,309)	(5,309)	—
Enterprise fund reclassification	—	—	—	(2,098)	(2,098)	—
Capital assets adjustments	—	—	—	(563)	(563)	—
Net Positions July 1, 2021 as restated	<u>\$ 2,174,848</u>	<u>\$ 5,998,814</u>	<u>\$ 1,151,759</u>	<u>\$ 2,344,217</u>	<u>\$ 11,669,639</u>	<u>\$ (428,001)</u>
Effect of adjustments on the amount of net increase (decrease) in net positions of Fiscal Year 2021	\$ —	\$ —	\$ —	\$ (5,873)	\$ (5,873)	\$ —

C. Government-wide Statements

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Net Positions at June 30, 2021 as reported in the 2021 Annual Comprehensive Financial Report	\$ 19,555,404	\$ 11,598,329	\$ 31,153,733	\$ 9,270,820
Capital asset corrections	(4,080)	—	(4,080)	—
Enterprise fund reclassification	(7)	(2,098)	(2,105)	—
Liability Correction	2,778		2,778	—
Adoption of GASB Statement No. 87, Leases	—	(1,465)	(1,465)	(1,574)
Other adjustments of assets and liabilities as of June 30, 2021	7,096	(5,873)	1,223	—
Net Positions July 1, 2021 as restated	\$ 19,561,190	\$ 11,588,894	\$ 31,150,084	\$ 9,269,246
Effect of adjustments on the amount of net increase (decrease) in net positions of Fiscal Year 2021	\$ 3,689	\$ (5,873)	\$ (2,184)	\$ —

## 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 \$0.6 million on June 30, 2022 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 \$0.6 million at June 30, 2022.

#### 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 judgements 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. DHS intends to appeal this disallowance.

St. Mary's Springs Academy filed a just compensation appeal against the Department of Transportation (DOT). The issue is the amount of compensation to St. Mary's Springs Academy for property acquisition as part of a highway project. Depending on the verdict, DOT may be liable for additional damages and attorney's fees. It is believed that the maximum total liability would be approximately \$1.8 million because of damages already paid by DOT. It is the State's position that it is not liable for any new compensation or fees and costs of St. Mary's. The State is vigorously defending this case, with mediation scheduled for December 2022 and a trial scheduled for March 2023.

KJS Amoco Inc. filed a civil lawsuit against 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 judgement on the remaining claim have been filed and are in the process of being briefed, with a trial date not yet scheduled. It is the State's position that it is not liable for this claim and is vigorously defending this case.

At the end of FY 2022, the Unemployment Reserve Fund, administered by the Department of Workforce Development (DWD), had a backlog related to weekly claims filed. DWD accrued a liability in the Unemployment Reserve Fund for benefits paid through October 31, 2022 that were related to weeks prior to June 30, 2022. However, an estimate of payments related to the remaining backlog, totaling 5,926 adjudication issues and 1,369 appeals as of October 30, 2022, 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 seek to invalidate Wis Stat. 108.04(12)(f) and 108.04(2)(h) which prohibit recipients of social security disability insurance payments from receiving regular unemployment compensation benefits. In addition to an injunction, the plaintiffs seek 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 judgement motion first. That summary judgement motion is now pending, which seeks complete dismissal of the case.

Several employees of the Department of Corrections (DOC) filed a Wis. Stat. 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 has appealed the decision certifying the class, with an opening brief due in December 2022. The State is vigorously defending its position.

In FY 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 FY 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.

### B. Commitments

#### Primary Government

As of June 30, 2022, encumbrances of the General Fund totaled \$1.9 billion, encumbrances of the Transportation Fund totaled \$2.1 billion, and encumbrances of other non-major governmental funds totaled \$216.2 million. Obligations at June 30, 2022 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	\$ 565,961
Capital Improvement Fund – WisDOT Harbors, Rails and Highway Programs	30,515
Transportation Revenue Bonds Capital Projects Fund	30,770
General Fund – Housing Programs	81,987

*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 \$257.6 million as of June 30, 2022. 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, 2022 was \$32.8 million. The replacement value calculation includes only annuities where the Fund remains the owner. Annuities with qualified assignments are no longer included. The Fund reserves the right to pursue collection from State guarantee funds.

*State Public Deposit Guarantee* - As required by Wis. Stat. Sec. 34.08, the State is to make payments to public depositors for proofs of loss (e.g., loss resulting from a bank failure) up to \$400 thousand per depositor above the amount of federal insurance. This statutory requirement guarantees that the State will make payments in favor of the public depositor that has submitted a proof of loss. Payments would be made in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions, until the designated appropriation is exhausted. At June 30, 2022, the appropriation available totaled \$75.4 million. Losses become fixed as of the date of the loss. A public depositor experiencing a loss must assign its interest in the deposit, to the extent of the amount paid, to the Department of Financial Institutions. Any recovery made by the Department of Financial Institutions under the assignment is to be repaid to the appropriation. The possibility of a material loss resulting from payments to and recovery from public depositors is remote.

**NOTE 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. 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
<b>WHEDA Programs</b>	<b>Authority</b>	<b>Purpose</b>	<b>Tax Abated</b>	<b>Primary Criteria</b>	<b>Mechanism</b>	<b>Abatement Calculation</b>	<b>Recapturing Abatements</b>
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>	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>	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>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>	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 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 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>	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 <sup>1</sup>	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

<sup>1</sup> 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, 2022 (in millions):

	Amount
<b>State Agency Administered Program</b>	
Historical Homeowners Tax Credit	\$ 1.6
<b>WEDC Administered Programs</b>	
Business Development Credit *	12.2
Development Opportunity Zone Tax Credit	0.3
Enterprise Zone Tax Credit	74.8
Qualified New Business Venture	8.7
Historical Preservation Tax Credit	14.7
<b>Total State Agency and WEDC:</b>	<b>\$ 112.3</b>

\* 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 February 2022, the State entered into a forward delivery bond purchase agreement for the issuance of general obligation refunding bonds and a preliminary closing for those bonds occurred in March 2022. Subject to the forward delivery agreement, the State expects to issue \$125.8 million of 2023 Series 1 general obligation refunding bonds in January 2023 to be used for the current refunding of certain principal of previously issued general obligation bonds. When issued, the interest rates are expected to be 5.0 percent payable semiannually beginning November 1, 2023. The bonds mature May 1, 2024, May 1, 2027, and May 1, 2028.

In July 2022, the State issued \$134.8 million of 2022 Series A general obligation floating rate notes 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 notes are variable rate with interest payable monthly beginning August 1, 2022. The notes mature May 1, 2023 and May 1, 2025.

In October 2022, the State issued \$54.1 million of 2022 Series 3 general obligation refunding bonds to be used for the current refunding of certain principal of previously issued general obligation bonds. The interest rate associated with these bonds was set at 5.0 percent payable May 1, and November 1, 2023. The bonds mature November 1, 2023.

In November 2022, the State issued \$257.1 million of 2022 Series 4 general obligation refunding bonds to be used for the current and advance refunding of certain principal of previously issued general obligation bonds. The interest rates associated with these bonds were set at 5.0 percent payable semiannually beginning May 1 2023. The bonds mature annually beginning May 1, 2025 through May 1, 2043.

In November 2022, the State issued \$20.6 million of 2022 Series 5 general obligation refunding bonds (taxable) to be used for the advance refunding of certain principal of previously issued general obligation bonds. The interest rates associated with these bonds were set at 4.8 percent to 5.7 percent payable semiannually beginning May 1, 2023. The bonds mature May 1, 2027, May 1, 2028, May 1, 2031, and then annually beginning May 1, 2033 through May 1, 2037.

*Environmental Improvement Fund Revenue Bonds* – In November 2022, the State issued \$50.0 million of 2022 Series A environmental improvement fund revenue bonds (green bonds) to make pledged loans for the program. The interest rates associated with these bonds were set at 5.0 percent payable semiannually beginning June 1, 2023. The bonds mature annually beginning June 1, 2024 through June 1, 2043.

**Short-term Debt**

*General Obligation Notes* – In August 2022, the State issued \$73.5 million of general obligation extendible municipal commercial paper notes to be used to finance, or to fund previously issued general obligation extendible municipal commercial paper notes.

**Investments**

In December 2022, the State became aware that one of its limited partnership investments, the Blackstone Real Estate Income Trust (BREIT), had received repurchase requests in the third quarter of 2022 that exceeded the 2% of NAV monthly redemption limit and 5% of NAV quarterly limitation for the fund. Consequently, BREIT repurchased approximately 43% of each investor's repurchase request in November 2022. In December 2022, redemption restrictions were implemented and only 0.3% of the fund NAV will be eligible for repurchase. If BREIT receives elevated repurchase requests in the first quarter of 2023, Blackstone intends to fulfill repurchases at the 2% of NAV monthly limit, subject to the 5% of NAV quarterly limit. As of June 30th, 2022, the Common School Fund had approximately \$66.0 million invested in BREIT. In August 2022, the Common School Fund redeemed approximately \$10.0 million of shares in BREIT. The Common School Fund has no intention of selling additional shares of BREIT at this time.

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## **Required Supplementary Information**

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**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

	2017	2018	2019	2020	2021
<b>Total OPEB Liability:</b>					
Service cost	\$ 72.1	\$ 58.0	\$ 40.3	\$ 48.5	\$ 52.5
Interest	23.6	27.1	21.7	24.5	14.9
Difference between expected & actual experience	(4.1)	0.8	65.1	(40.1)	92.1
Changes of assumptions	(109.3)	(224.8)	56.7	(16.6)	(41.2)
Benefit payments	(38.4)	(40.8)	(40.9)	(56.8)	(47.4)
Net Change in Total OPEB Liability	(56.1)	(179.7)	142.9	(40.5)	70.9
Total OPEB Liability – Beginning	775.4	719.3	539.6	682.5	642.0
Total OPEB Liability – Ending	\$ 719.3	\$ 539.6	\$ 682.5	\$ 642.0	\$ 712.9
Covered-employee payroll	\$ 3,690.7	\$ 3,729.7	\$ 3,905.8	\$ 4,030.8	\$ 4,107.0
Total OPEB Liability as a percentage of covered-employee payroll	19.49 %	14.47 %	17.47 %	15.93 %	17.36 %

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 Life Insurance Program**

Schedule of Changes in the Total OPEB Liability/(Asset) and Related Ratios (in millions)

As of the Measurement Date December 31

	2017	2018	2019	2020	2021
<b>Total OPEB Liability:</b>					
Service cost	\$ 26.2	\$ 30.7	\$ 25.4	\$ 36.3	\$ 46.3
Interest	30.7	31.2	33.2	29.9	27.4
Difference between expected & actual experience	(5.3)	(17.5)	(6.1)	(10.4)	3.2
Changes of assumptions	49.0	(94.9)	223.0	138.5	13.4
Benefit payments	(17.7)	(19.5)	(19.9)	(24.7)	(23.7)
Net Change in Total OPEB Liability	82.9	(70.1)	255.6	169.6	66.6
Total OPEB Liability - Beginning	762.6	845.5	775.5	1,031.1	1,200.7
<b>Total OPEB Liability - Ending</b>	<b>845.5</b>	<b>775.5</b>	<b>1,031.1</b>	<b>1,200.7</b>	<b>1,267.3</b>
<b>Plan Fiduciary Net Position:</b>					
Contributions from employers	1.4	1.4	1.2	1.5	1.7
Transfer from active life insurance program	—	—	13.1	—	—
Net investment income	11.6	10.9	10.4	9.8	8.7
Administrative expense	(0.7)	(0.7)	(0.8)	(0.9)	(0.9)
Benefit payments	(17.7)	(19.5)	(19.9)	(24.7)	(23.7)
Net change in Plan Fiduciary Net Position	(5.4)	(8.0)	4.0	(14.3)	(14.2)
Plan Fiduciary Net Position – Beginning	357.4	352.0	344.0	348.0	333.7
<b>Plan Fiduciary Net Position – Ending</b>	<b>352.0</b>	<b>344.0</b>	<b>348.0</b>	<b>333.7</b>	<b>319.5</b>
<b>Collective Net OPEB Liability/(Asset) – Beginning</b>	<b>405.1</b>	<b>493.5</b>	<b>431.5</b>	<b>683.1</b>	<b>867.0</b>
<b>Net change in Collective Net OPEB Liability/(Asset)</b>	<b>88.4</b>	<b>(62.0)</b>	<b>251.6</b>	<b>183.9</b>	<b>80.8</b>
<b>Collective Net OPEB Liability/(Asset) – Ending</b>	<b>\$ 493.5</b>	<b>\$ 431.5</b>	<b>\$ 683.1</b>	<b>\$ 867.0</b>	<b>\$ 947.8</b>
Plan Fiduciary Net Position as a percentage of the total OPEB Liability/(Asset)	41.63 %	44.36 %	33.75 %	27.79 %	25.21 %
Covered-employee payroll	\$ 3,184.0	\$ 3,182.5	\$ 3,299.5	\$ 3,456.5	\$ 3,529.3
Net OPEB Liability as a percentage of covered-employee payroll	15.50 %	13.56 %	20.70 %	25.08 %	26.86 %

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

	2017	2018	2019	2020	2021
Contractually required contribution	\$ 1.4	\$ 1.4	\$ 1.1	\$ 1.5	\$ 1.7
Contributions in relation to the contractually required contribution	1.4	1.4	1.1	1.5	1.7
Contribution deficiency	—	—	—	—	—
Covered-employee payroll	\$ 3,184.0	\$ 3,182.5	\$ 3,299.5	\$ 3,456.5	\$ 3,529.3
Contributions as a percentage of covered-employee payroll	0.042 %	0.044 %	0.033 %	0.043 %	0.048 %

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

	2017	2018	2019	2020	2021
<b>Total OPEB Liability:</b>					
Service cost	\$ 23.1	\$ 23.4	\$ 25.5	\$ 24.1	\$ 23.5
Interest	65.8	66.0	65.5	64.4	63.7
Difference between expected & actual experience	(31.6)	(41.6)	(55.3)	(47.6)	(36.2)
Changes of assumptions	—	25.2	—	—	120.4
Benefit payments	(56.4)	(55.4)	(52.9)	(49.5)	(52.6)
Net Change in Total OPEB Liability	0.9	17.6	(17.2)	(8.6)	118.8
Total OPEB Liability - Beginning	931.3	932.2	949.8	932.6	924.0
<b>Total OPEB Liability - Ending</b>	<b>932.2</b>	<b>949.8</b>	<b>932.6</b>	<b>924.0</b>	<b>1,042.8</b>
<b>Plan Fiduciary Net Position:</b>					
Contributions from employers	17.9	18.2	14.3	15.1	15.7
Net investment income	141.7	(36.5)	180.2	159.4	200.6
Administrative expense	(0.3)	(0.2)	(0.3)	(0.6)	(0.7)
Benefit payments	(56.4)	(55.4)	(52.9)	(49.5)	(52.6)
Net change in Plan Fiduciary Net Position	102.9	(73.9)	141.3	124.4	163.0
Plan Fiduciary Net Position – Beginning	914.1	1,017.0	943.1	1,084.4	1,208.8
<b>Plan Fiduciary Net Position – Ending</b>	<b>1,017.0</b>	<b>943.1</b>	<b>1,084.4</b>	<b>1,208.8</b>	<b>1,371.8</b>
<b>Collective Net OPEB Liability/(Asset) – Beginning</b>	17.2	(84.8)	6.7	(151.8)	(284.8)
<b>Net change in Collective Net OPEB Liability/(Asset)</b>	(102.0)	91.5	(158.5)	(133.0)	(44.2)
<b>Collective Net OPEB Liability/(Asset) – Ending</b>	<b>\$ (84.8)</b>	<b>\$ 6.7</b>	<b>\$ (151.8)</b>	<b>\$ (284.8)</b>	<b>\$ (329.0)</b>
Plan Fiduciary Net Position as a percentage of the total OPEB Liability/(Asset)	109.10 %	99.29 %	116.28 %	130.82 %	131.55 %
Covered-employee payroll	\$ 4,454.5	\$ 4,562.6	\$ 4,796.1	\$ 5,018.5	\$ 5,215.5
Net OPEB Liability as a percentage of covered-employee payroll	(1.90)%	0.15 %	(3.17)%	(5.68)%	(6.31)%

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

	2017	2018	2019	2020	2021
Contractually required contribution	\$ 17.9	\$ 18.2	\$ 14.4	\$ 15.1	\$ 15.7
Contributions in relation to the contractually required contribution	17.9	18.2	14.4	15.1	15.7
Contribution deficiency	—	—	—	—	—
Covered-employee payroll	\$ 4,454.5	\$ 4,562.6	\$ 4,796.1	\$ 5,018.5	\$ 5,215.5
Contributions as a percentage of covered-employee payroll	0.400 %	0.399 %	0.300 %	0.301 %	0.301 %

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)
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
2015	(28.0)	(686,873,469)	3,735,598,305	(18.4)	102.7

\* The amounts presented were measured as of the calendar year-end or for the calendar year ended that occurred within the fiscal year listed.

GASB standards require the presentation of 10 years of information. Because fiscal year 2015 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2024.

## State's Pension Contributions

The State's pension contributions to the Wisconsin Retirement System are provided below:

Fiscal Year*		State's Actuarially Determined Contributions (a)	State's Contributions Made (b)	Contribution Excess/ (Deficiency) (b - a)	State's Covered Payroll (c)	State's Contributions Made as a Percentage of Covered Payroll (b / c)
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
2015		275,968,183	275,968,183	—	3,735,598,305	7.4

\* The amounts presented were measured for the calendar year ended that occurred within the fiscal year listed.

GASB standards require the presentation of 10 years of information. Because fiscal year 2015 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2024.

### Infrastructure Assets Reported Using the Modified Approach

The State has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the State can demonstrate that these assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The State owns approximately 11,200 centerline miles of road and 5,100 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)
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
2015	11,200	7.3	15.0	7.7
2014	11,200	8.3	15.0	6.7
2013	11,200	6.2	15.0	8.8

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)
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
2015	603.4	643.3	(39.9)
2014	619.4	605.9	13.5
2013	580.9	561.8	19.1

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. 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)
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
2015	5,200	3.2	15.0	11.8
2014	5,100	3.3	15.0	11.7
2013	5,100	3.1	15.0	11.9

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)
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)
2015	57.1	164.4	(107.3)
2014	261.2	131.0	130.2
2013	123.2	115.3	7.9

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. The State of Wisconsin, Department of Transportation’s multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years. Estimated and actual costs for 2014 have been restated from amounts reported in prior years due to an error in classification of costs on a capital project as maintenance/preservation costs.

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## Budgetary Comparison Schedule - General Fund

### For the Fiscal Year Ended June 30, 2022

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
<b>Unexpended Budgetary Fund Balances, Beginning of Year</b>			\$ 5,308,758
<b>Revenues and Transfers (Inflows):</b>			
Taxes	\$ 17,916,777	\$ 18,957,509	20,578,238
Departmental:			
Tribal Gaming	—	—	—
Other	27,555,746 (A)	27,553,052 (A)	27,498,447
Transfers from:			
Nonmajor Governmental Funds	(A)	(A)	1,939
Nonmajor Enterprise Funds	(A)	(A)	—
<b>Total Revenues and Transfers (Inflows)</b>	<b>\$ 45,472,523</b>	<b>\$ 46,510,561</b>	<b>\$ 48,078,624</b>
Amounts Available for Appropriation			\$ 53,387,382
<b>Appropriations (Outflows):</b>			
Commerce	412,288	599,763	423,974
Education	15,195,985	18,395,419	15,779,830
Environmental Resources	301,996	484,560	331,695
Human Relations and Resources	17,473,214	24,733,064	21,459,946
General Executive	1,248,078	5,367,260	3,049,138
Judicial	154,065	161,149	156,445
Legislative	88,552	88,592	81,695
Tax Relief and Other General	2,831,708	2,876,465	2,758,366
Transfers to:			
Transportation Fund	178,870	178,870	178,870
Nonmajor Governmental Funds	—	—	15,683
Nonmajor Enterprise Funds	—	—	249,666
<b>Total Appropriations (Outflows)</b>	<b>\$ 37,884,756</b>	<b>\$ 52,885,142</b>	<b>\$ 44,485,308</b>
Fund Balances, End of Year			8,902,074
Less Encumbrances Outstanding at June 30, 2022			(2,300,737)
Fund Balances, End of Year - Budgetary Basis			<u>6,601,337</u>
Reconciliation of the End of Year,			
Budgetary Basis, Fund Balance to the Detail			
Reported in the Annual Fiscal Report:			
General Purpose:			
Designated			\$ 677,779
Undesignated			4,298,919
Total General Purpose			<u>4,976,698</u>
Program Revenue			1,624,639
Fund Balances, End of Year Budgetary Basis			<u>\$ 6,601,337</u>

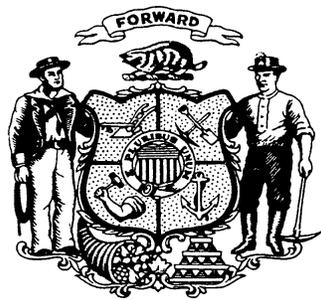
(A) Interfund transfers to the General Fund were budgeted under departmental revenue during Fiscal Year 2022.

## Budgetary Comparison Schedule - Transportation Fund

For the Fiscal Year Ended June 30, 2022

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
<b>Unexpended Budgetary Fund Balances, Beginning of Year</b>			\$ 845,610
<b>Revenues (Inflows):</b>			
Taxes	\$ 1,160,411	\$ 1,160,411	1,160,411
Departmental	2,061,251	2,061,251	2,061,251
Transfers from:			
General Fund	178,870	178,870	178,870
Nonmajor Governmental Funds	17,019	17,019	17,019
<b>Total Revenues (Inflows)</b>	<b>3,417,551</b>	<b>3,417,551</b>	<b>3,417,551</b>
<b>Amounts Available for Appropriation</b>			<b>4,263,161</b>
<b>Appropriations and Transfers (Outflows):</b>			
Environmental Resources	3,238,105	6,894,649	3,120,983
General Executive	2,135	2,135	1,755
Tax Relief and Other General	23,468	25,179	23,766
<b>Total Appropriations and Transfers (Outflows)</b>	<b>\$ 3,263,708</b>	<b>\$ 6,921,963</b>	<b>3,146,504</b>
<b>Fund Balances, End of Year</b>			<b>1,116,657</b>
Less Encumbrances Outstanding at June 30, 2022			(2,220,641)
<b>Fund Balances, End of Year</b>			<b>896,016</b>
Budgetary Basis			<b>\$ (1,103,984)</b>



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, 2022 is presented below (in thousands):

	General Fund	Transportation Fund
<b>Fund balance June 30, 2022 (budgetary basis – budgetary fund structure):</b>		
General Purpose Revenue – fund balance per budgetary basis <i>Annual Fiscal Report</i>		
Undesignated fund balance	\$ 4,298,919	
Designated fund balance	677,779	
Total General Purpose Revenue fund balance	4,976,698	
Program Revenue – fund balance per budgetary basis <i>Annual Fiscal Report</i>	1,624,639	
Fund balance June 30, 2022 (budgetary basis – budgetary fund structure) as reported on the budgetary comparison schedule	6,601,337	\$ (1,103,985)
Reclassifications:		
To eliminate encumbrances reported as expenditures under budgetary reporting ( <i>basis difference</i> )	2,300,737	2,220,641
To eliminate the effect of uncollected revenue adjustments under budgetary reporting ( <i>basis difference</i> )	806,680	
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> )	2,012,800	—
To remove activities reported in another GAAP fund type ( <i>perspective differences</i> ):		
Enterprise funds (except for the University of Wisconsin System)	2,551	—
University of Wisconsin System	(1,602,074)	—
Internal Service funds	(93,636)	—
Transportation Revenue Bonds capital project fund	—	—
Fund balance June 30, 2022 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	10,028,395	1,116,656
Adjustments ( <i>basis differences</i> ):		
To accrue receivables and establish payables for individual income taxes (net)	(833,669)	—
To defer revenues for gross receipts public utility taxes	(260,486)	—
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(713,060)	(497)
To adjust expenditures for the intergovernmental shared revenue program	(498,343)	—
To adjust expenditures for State property tax credit/relief program	(804,917)	—
To record unspent CRF and ARPA funds as unearned as of 6/30/2022	(2,141,940)	—
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(127,928)	—
To adjust revenues and expenditures for certain major Health Services, and Children and Families human services payments to local governments	(174,848)	—
To accrue receivable for Medicaid drug rebates (net of payable to federal government)	211,016	—
To accrue WHISP payments and claims	(73,642)	—
To adjust expenditures/revenues for other Health Services, Workforce Development, Children and Families, and Corrections accruals and deferrals	(21,935)	—
To recognize the tobacco settlement revenue receivable	64,279	—
To adjust expenditures and revenues for State Energy Program and other revolving loan programs	674	—
To adjust revenues and expenditures for other items (net)	(8,114)	201,752
<b>Fund balance June 30, 2022 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements</b>	<b>\$ 4,645,482</b>	<b>\$ 1,317,911</b>

## B. Budgetary Basis of Accounting

The State's biennial budget is prepared using a modified cash basis of accounting. The final budget is primarily a general purpose revenue and expenditure budget. General purpose revenues consist of general taxes and miscellaneous receipts which are paid into the General Fund, lose their identity, and are then available for appropriation by the Legislature. The remaining revenues consist of program revenues, which are credited by law to an appropriation to finance a specified program or State agency, and segregated revenues which are paid into separate identifiable funds.

While State departments and agencies are required to submit estimates of expected revenues for program revenue and segregated revenue categories, these estimates are not formally incorporated into the adopted budget except for revenue estimates of the Lottery Fund. As a result, legally budgeted revenues for these categories are not available and, consequently, actual amounts are reported in the budget column of the Budgetary Comparison Schedules.

Expenditure budgeting differs for the various types of appropriations. For most appropriations, budgeted expenditures equal the amount from the adopted budget plus any subsequent legislative or administrative revisions. Various supplemental appropriations were approved during the year and have been incorporated into the budget figures.

While State statutes prohibit spending beyond budgetary authority, a provision is made to include the value of accounts receivable, inventories and work in process in identifying available revenues. The State also utilizes nonbudget accounts for which no budget is established but expenditures may be incurred. As a result, actual expenditures may exceed budgeted amounts in certain categories.

The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Other variances arise because the State's biennial budget is developed according to the 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 8, 2021 and published on July 9, 2021. 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:

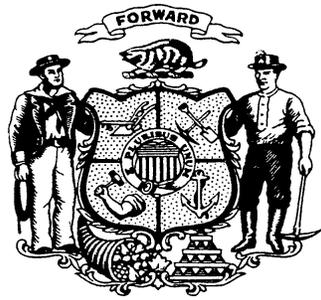
- *Continuing* - unexpended balances automatically forward to ensuing years until fully depleted or repealed by subsequent action of the Legislature.
- *Annual*:
  - *General Purpose Revenue* - unencumbered balances lapse at year end.
  - *Program Revenue* - unexpended cash balances may be forwarded to the next fiscal year.
- *Biennial* - unexpended balances or deficits automatically forward to the second year. At the end of the second year all unencumbered general purpose revenue balances lapse.
- *Sum sufficient* - moneys are appropriated and expended in the amounts necessary to accomplish the purpose specified.

Encumbrances may be carried over to the next fiscal year as a revision to the budgetary appropriation with Department of Administration approval. Under budgetary reporting, encumbrances are treated like expenditures and are shown as a reduction of fund balance.

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## **Supplementary Information**

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## Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

- The **Heritage State Parks and Forests Fund** accounts for the funding for operations and maintenance of State parks, southern State forests, and recreation areas either by making partial matching grants to "friends groups" or by accepting expenditure transfers from park and forest programs in the Conservation Fund.
- The **Waste Management Fund** accounts for the closure and long-term care of approved landfills from fees imposed on landfill operators.

- The **Environmental Fund** accounts for the development and enforcement of groundwater standards, as well as assistance in the emergency response, investigation, and cleanup of contamination. This assistance is funded by fees on activities or substances which may contaminate groundwater and fees for solid waste tipping, pesticide licenses and oil inspections.

- The **Dry Cleaner Environmental Response Fund** accounts for the financial assistance for the remediation of environmental contamination caused by the spillage of dry cleaning solvents. Revenues used to fund this program are dry cleaning facility license and solvent fees.

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

- The **Unemployment Interest Payment Fund** accounts for assessments collected on employers in the state. Revenues are used to pay interest due on outstanding advances from the federal government that were used to pay unemployment claims.
- The **Investment and Local Impact Fund** accounts for grants and loans to municipalities where metalliferous minerals exist to offset the negative effects of mining projects. These grants and loans are funded with taxes which have been imposed on mining activities.
- The **Election Administration Fund** accounts for federal and State moneys provided to develop, administer and manage a statewide voter registration system, enabling all qualified electors, including those with disabilities, the opportunity to vote while maintaining uniform standards within the voting process and safeguarding the vote of all electors.
- The **Self-insured Employers Liability Fund** collects fees assessed from employers who self-insure for workers compensation purposes. The reserve is used to pay judgements owed to employees of insolvent self-insured employers.
- The **Work Injury Supplemental Benefit Fund** accounts for compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. This compensation is provided with funds collected from State employers and insurance carriers.
- The **Workers Compensation Fund** accounts for the expenditures related to administering the worker's compensation laws in Wisconsin. These expenditures are funded by annual assessments of insurers and self-insured employers doing business in the State.

(Continued)

## Nonmajor Governmental Funds

- The **Uninsured Employers Fund** accounts for the administration of insurance enforcement activities and compensation to injured employees of uninsured employers. The revenue is primarily provided by funds collected from uninsured employers.
- The **Mediation Fund** accounts for the resolution of disputes regarding medical malpractice. Primary revenue sources are dispute filing fees and fees charged to health care providers.
- The **Working Lands Fund** accounts for the deposit of farmland preservation conversion fees, gifts and grants. Proceeds are used to purchase agriculture conservation easements and to provide grants to counties for farmland preservation plan costs.
- The **State Capitol Restoration Fund** accounts for moneys from private donations used to offset the costs of restoration work at the State Capitol.
- The **Agricultural Chemical Cleanup Fund** accounts for the portion of the costs responsible persons pay to clean up fertilizer and pesticide spills and historical handling areas. Fertilizer and pesticide licenses and registration fees primarily provide the revenue.
- The **Agrichemical Management Fund** accounts for the regulation and enforcement of pesticide, feed and fertilizer industries. The revenue is generated by licenses and fees assessed to these industries.
- The **Agricultural Producer Security Fund** accounts for fees, surcharges, assessments, reimbursements and bond proceeds of surety bonds collected from contractors doing business with agricultural producers. Payments are made to producers from the fund if contractors default on amounts owed to producers.
- The **Historical Legacy Trust Fund** accounts for gifts, grants and bequests given to commemorate the 200th anniversary of statehood. The fund also reports all moneys received by the State Sesquicentennial Commission after September 30, 1998.
- The **History Preservation Partnership Trust Fund** accounts for moneys received from admissions, sales, and other receipts of the Historical Society. The fund is supported primarily by program revenues from daily receipts, site deposits and other generated income from goods and services.
- The **Military Family Relief Fund** accounts for donations received via designation on Wisconsin state income tax returns, gifts, and bequests. Resources are used to provide financial assistance to the spouse and dependent children of service members who are residents of this state and serving on active duty in the U.S. armed forces.
- The **Universal Service Fund** accounts for programs that ensure that all State residents receive essential telecommunication services at reasonable prices. Assessment of entities in the telecommunications industry is the primary source of revenues.
- The **Land Information Fund** receives a portion of fees counties collect pertaining to legal documents filed with the county register of deeds. The revenues are used to make grants to the counties to develop and operate a basic land information system.
- The **Children's Trust Fund** accounts for the program which provides information and encourages the development of child abuse and neglect prevention programs. This fund is supported primarily with investment income and moneys received as contributions, grants, gifts and bequests.

(Continued)

# Nonmajor Governmental Funds

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

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

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

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

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

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

The **Capital Improvement Fund** accounts for the proceeds received from general obligation bonds and notes, and associated interest earnings. Resources of the fund are used for the acquisition or construction of major capital facilities and for repair and maintenance projects.

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

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

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

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

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

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

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2022

(In Thousands)

	Special Revenue Funds				
	Conservation	Police and Fire Protection	Utility Public Benefits	Petroleum Inspection	Wisconsin Public Broadcasting Foundation
<b>Assets and Deferred Outflows of Resources</b>					
Assets:					
Cash and Cash Equivalents	\$ 216,564	\$ —	\$ 18,937	\$ 19,720	\$ 10,984
Investments	—	—	—	—	36,775
Receivables (net of allowance):					
Loans to Local Governments	6,421	—	—	—	—
Other Receivables	16,501	6,759	12,429	—	309
Due from Other Funds	996	—	—	12,323	—
Due from Other Governments	14,741	—	—	—	—
Inventories	2,156	—	—	—	—
Prepaid Items	9	—	4,585	—	—
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	—	—	—	—	—
Investments	—	—	—	—	—
Other Assets	18	—	—	—	389
Total Assets	257,405	6,759	35,952	32,043	48,456
Deferred Outflows of Resources	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 257,405	\$ 6,759	\$ 35,952	\$ 32,043	\$ 48,456
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	\$ 14,330	\$ 65	\$ 2,014	\$ 413	\$ 93
Due to Other Funds	7,035	2	3	17,052	1,336
Interfund Payables	—	3,028	—	—	—
Due to Other Governments	1,042	—	66	132	—
Tax Refunds Payable	—	—	—	—	—
Tax and Other Deposits	2,551	—	—	—	—
Unearned Revenue	9,411	—	1,587	—	114
Interest Payable	—	—	—	—	—
Advances from Other Funds	—	—	—	—	—
Short-term Notes Payable	—	—	—	—	—
Revenue Bonds and Notes Payable	—	—	—	—	—
Total Liabilities	34,369	3,095	3,671	17,597	1,544
Deferred Inflows of Resources - Unavailable Revenue	—	—	—	—	—
Fund Balances:					
Nonspendable	2,164	—	4,585	—	431
Restricted	212,836	3,664	—	—	46,482
Committed	8,037	—	27,696	14,447	—
Unassigned	—	—	—	—	—
Total Fund Balance	223,036	3,664	32,281	14,447	46,912
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 257,405	\$ 6,759	\$ 35,952	\$ 32,043	\$ 48,456

Special Revenue Funds				Debt Service Funds		
Economic Development	Other Environmental Special Revenue	Other Special Revenue	Total Special Revenue Funds	Bond Security and Redemption	Annual Appropriation Bonds	2009 Annual Appropriation Bonds
\$ 29	\$ 87,866	\$ 179,603	\$ 533,703	\$ 2,905	\$ —	\$ —
—	—	—	36,775	—	—	—
—	—	—	6,421	—	—	—
—	28,512	28,120	92,630	—	—	—
—	—	4	13,323	1,516	—	—
—	2,056	730	17,527	—	—	—
—	—	1,024	3,180	—	—	—
—	9,497	1	14,093	—	—	—
—	—	—	—	—	57	44
—	—	—	—	—	—	—
—	—	—	407	—	—	—
29	127,930	209,482	718,057	4,420	57	44
—	—	—	—	—	—	—
<u>\$ 29</u>	<u>\$ 127,930</u>	<u>\$ 209,482</u>	<u>\$ 718,057</u>	<u>\$ 4,420</u>	<u>\$ 57</u>	<u>\$ 44</u>
\$ 3	\$ 852	\$ 9,413	\$ 27,183	\$ —	\$ —	\$ —
1	342	873	26,644	—	—	—
—	—	—	3,028	—	—	—
—	36	428	1,705	—	—	—
—	—	—	—	—	—	—
—	15,713	4	18,268	—	—	—
—	—	154	11,266	—	—	—
—	—	—	—	—	—	—
—	6,599	—	6,599	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
3	23,543	10,873	94,694	—	—	—
—	—	7,267	7,267	—	—	—
—	9,497	1,025	17,703	—	—	—
—	9,212	60,378	332,571	4,420	57	44
26	91,935	129,940	272,079	—	—	—
—	(6,256)	—	(6,256)	—	—	—
26	104,388	191,343	616,097	4,420	57	44
<u>\$ 29</u>	<u>\$ 127,930</u>	<u>\$ 209,482</u>	<u>\$ 718,057</u>	<u>\$ 4,420</u>	<u>\$ 57</u>	<u>\$ 44</u>

(continued)

**Combining Balance Sheet - Nonmajor Governmental Funds**

**June 30, 2022**

(Continued)

	Debt Service Funds		Capital Projects Funds	
	Transportation Revenue Bonds	Total Debt Service Funds	Capital Improvement	Building Trust
<b>Assets and Deferred Outflows of Resources</b>				
Assets:				
Cash and Cash Equivalents	\$ —	\$ 2,905	\$ 46,591	\$ 39,216
Investments	—	—	—	—
Receivables (net of allowance):				
Loans to Local Governments	—	—	—	—
Other Receivables	—	—	65	—
Due from Other Funds	—	1,516	5,771	4,284
Due from Other Governments	—	—	—	1,342
Inventories	—	—	—	—
Prepaid Items	—	—	—	—
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	181,853	181,953	—	—
Investments	—	—	—	—
Other Assets	—	—	—	—
Total Assets	<u>181,853</u>	<u>186,373</u>	<u>52,427</u>	<u>44,842</u>
Deferred Outflows of Resources	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 181,853</u>	<u>\$ 186,373</u>	<u>\$ 52,427</u>	<u>\$ 44,842</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
Liabilities:				
Accounts Payable and Other Accrued Liabilities	\$ —	\$ —	\$ 8,116	\$ 2,969
Due to Other Funds	—	—	204	8
Interfund Payables	—	—	—	—
Due to Other Governments	—	—	846	—
Tax Refunds Payable	—	—	—	—
Tax and Other Deposits	—	—	—	—
Unearned Revenue	—	—	—	—
Interest Payable	33,999	33,999	—	—
Advances from Other Funds	—	—	—	—
Short-term Notes Payable	—	—	58,623	—
Revenue Bonds and Notes Payable	145,685	145,685	—	—
Total Liabilities	<u>179,684</u>	<u>179,684</u>	<u>67,789</u>	<u>2,978</u>
Deferred Inflows of Resources - Unavailable Revenue	—	—	—	—
Fund Balances:				
Nonspendable	—	—	—	—
Restricted	2,168	6,689	—	—
Committed	—	—	—	41,865
Unassigned	—	—	(15,362)	—
Total Fund Balance	<u>2,168</u>	<u>6,689</u>	<u>(15,362)</u>	<u>41,865</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 181,853</u>	<u>\$ 186,373</u>	<u>\$ 52,427</u>	<u>\$ 44,842</u>

Capital Projects Funds		Permanent Funds			Total Nonmajor Governmental Funds
Transportation Revenue Bonds	Total Capital Projects Funds	Common School	Other Permanent	Total Permanent Funds	
\$ —	\$ 85,807	\$ 65,268	\$ 6,421	\$ 71,690	\$ 694,104
—	—	1,000,686	41,131	1,041,817	1,078,592
—	—	216,876	6,901	223,777	230,197
—	65	46,557	139	46,695	139,390
—	10,055	—	638	638	25,532
—	1,342	2,208	67	2,275	21,144
—	—	—	—	—	3,180
—	—	—	—	—	14,093
15,074	15,074	—	—	—	197,027
70,796	70,796	—	—	—	70,796
—	—	—	—	—	407
85,871	183,140	1,331,594	55,297	1,386,891	2,474,462
—	—	—	—	—	—
<u>\$ 85,871</u>	<u>\$ 183,140</u>	<u>\$ 1,331,594</u>	<u>\$ 55,297</u>	<u>\$ 1,386,891</u>	<u>\$ 2,474,462</u>
\$ —	\$ 11,085	\$ —	\$ 338	\$ 338	\$ 38,607
2,069	2,281	638	1	639	29,564
—	—	—	—	—	3,028
—	846	—	—	—	2,551
—	—	—	—	—	—
—	—	11	60	70	18,338
—	—	—	—	—	11,266
—	—	—	—	—	33,999
—	—	—	—	—	6,599
—	58,623	—	—	—	58,623
—	—	—	—	—	145,685
2,069	72,836	649	399	1,047	348,261
—	—	—	—	—	7,267
—	—	1,297,827	54,325	1,352,152	1,369,855
83,802	83,802	33,119	573	33,692	456,754
—	41,865	—	—	—	313,944
—	(15,362)	—	—	—	(21,618)
83,802	110,304	1,330,946	54,898	1,385,844	2,118,935
<u>\$ 85,871</u>	<u>\$ 183,140</u>	<u>\$ 1,331,594</u>	<u>\$ 55,297</u>	<u>\$ 1,386,891</u>	<u>\$ 2,474,462</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2022**

(In Thousands)

	Special Revenue Funds				
	Conservation	Police and Fire Protection	Utility Public Benefits	Petroleum Inspection	Wisconsin Public Broadcasting Foundation
<b>Revenues:</b>					
Taxes - Other Dedicated	\$ —	\$ —	\$ —	\$ 40,148	\$ —
Intergovernmental	62,711	—	—	—	—
Licenses and Permits	126,535	57,117	112,413	261	—
Charges for Goods and Services	13,061	—	—	27	—
Investment and Interest Income	141	(5)	38	50	(4,337)
Fines and Forfeitures	315	—	—	—	—
Gifts and Donations	1,090	—	—	—	18,035
Miscellaneous - Other	6,693	—	—	191	401
Total Revenues	210,546	57,112	112,450	40,676	14,099
<b>Expenditures:</b>					
Current Operating:					
Commerce	—	—	—	—	—
Education	—	—	—	—	6,219
Transportation	—	—	—	—	—
Environmental Resources	281,649	—	—	14,839	—
Human Relations and Resources	—	—	—	—	—
General Executive	—	—	99,647	—	—
Judicial	—	—	—	—	—
Tax Relief and Other General	—	—	—	—	—
Intergovernmental - Shared Revenue	—	55,940	—	—	—
Capital Outlay	12,303	—	—	93	—
Debt Service:					
Principal	453	—	—	197	—
Interest	34	—	—	7	—
Other Expenditures	—	—	—	—	—
Total Expenditures	294,438	55,940	99,647	15,136	6,219
Excess of Revenues Over (Under) Expenditures	(83,892)	1,172	12,803	25,540	7,879
<b>Other Financing Sources (Uses):</b>					
Long-term Debt Issued	440	—	—	—	—
Long-term Debt Issued - Refundings	228	—	—	—	—
Payments for Refunded Debt	(249)	—	—	—	—
Payments To Refunding Bond Escrow Agent	—	—	—	—	—
Premium on Bonds and Certificates of Deposit	63	—	—	—	—
Transfers In	136,493	—	—	—	—
Transfers Out	(28,516)	(7)	(9,156)	(25,088)	(10,183)
Lease Acquisitions	546	—	—	—	—
Total Other Financing Sources (Uses)	109,006	(7)	(9,156)	(25,088)	(10,183)
Net Change in Fund Balances	25,113	1,164	3,648	452	(2,304)
Fund Balances, Beginning of Year	197,463	2,500	28,633	13,995	49,216
Increase (Decrease) in Reserve for Inventories	461	—	—	—	—
Fund Balances, End of Year	\$ 223,036	\$ 3,664	\$ 32,281	\$ 14,447	\$ 46,912

Special Revenue Funds				Debt Service Funds		
Economic Development	Other Environmental Special Revenue	Other Special Revenue	Total Special Revenue Funds	Bond Security and Redemption	Annual Appropriation Bonds	2009 Annual Appropriation Bonds
\$ 38,710	\$ —	\$ 1	\$ 78,858	\$ —	\$ —	\$ —
—	1,022	8,994	72,727	—	—	—
—	85,550	78,266	460,142	—	—	—
—	1	3,514	16,603	—	—	—
13	108	386	(3,607)	55	44	25
—	146	7,174	7,635	—	—	—
—	—	140	19,266	—	—	—
4	1,998	2,456	11,742	1,613	—	—
38,726	88,826	100,931	663,367	1,668	44	25
38,462	—	71,216	109,677	—	—	—
—	—	3,106	9,325	—	—	—
—	—	—	—	—	—	—
—	59,887	—	356,375	—	—	—
—	—	20,837	20,837	—	—	—
—	—	10,272	109,919	—	—	—
—	—	174	174	—	—	—
—	—	—	—	—	9	—
—	—	—	55,940	—	—	—
—	261	21	12,677	—	—	—
—	—	—	650	395,775	135,810	42,390
—	—	—	42	212,489	42,910	57,350
—	—	—	—	1,248	—	—
38,462	60,148	105,625	675,615	609,512	178,729	99,740
265	28,679	(4,694)	(12,249)	(607,845)	(178,685)	(99,715)
—	—	—	440	—	—	—
—	—	—	228	421,598	—	—
—	—	—	(249)	(23,065)	—	—
—	—	—	—	(401,069)	—	—
—	—	—	63	4,173	—	—
—	9,965	—	146,459	607,134	178,537	99,692
(272)	(22,171)	(3,907)	(99,301)	(390)	—	—
—	—	—	546	—	—	—
(272)	(12,206)	(3,907)	48,186	608,381	178,537	99,692
(7)	16,472	(8,601)	35,937	537	(148)	(23)
33	87,916	200,126	579,881	3,883	204	67
—	—	(182)	278	—	—	—
\$ 26	\$ 104,388	\$ 191,343	\$ 616,097	\$ 4,420	\$ 57	\$ 44

(Continued)

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2022**

(Continued)

	Debt Service Funds		Capital Projects Funds	
	Transportation Revenue Bonds	Total Debt Service Funds	Capital Improvement	Building Trust
<b>Revenues:</b>				
Taxes - Other Dedicated	\$ —	\$ —	\$ —	\$ —
Intergovernmental	—	—	—	9,767
Licenses and Permits	216,672	216,672	—	—
Charges for Goods and Services	—	—	—	—
Investment and Interest Income	158	282	—	532
Fines and Forfeitures	—	—	—	—
Gifts and Donations	—	—	—	—
Miscellaneous - Other	—	1,613	415	2,291
Total Revenues	216,830	218,567	415	12,589
<b>Expenditures:</b>				
Current Operating:				
Commerce	—	—	3,870	—
Education	—	—	1,896	438
Transportation	—	—	25,716	1,299
Environmental Resources	—	—	25,528	703
Human Relations and Resources	—	—	15,114	5,077
General Executive	—	—	535	181
Judicial	—	—	—	—
Tax Relief and Other General	—	9	2,183	429
Intergovernmental - Shared Revenue	—	—	—	—
Capital Outlay	—	—	105,052	14,120
Debt Service:				
Principal	145,685	719,660	—	—
Interest	69,346	382,095	799	—
Other Expenditures	764	2,013	172	—
Total Expenditures	215,796	1,103,777	180,865	22,245
Excess of Revenues Over (Under) Expenditures	1,034	(885,211)	(180,451)	(9,656)
<b>Other Financing Sources (Uses):</b>				
Long-term Debt Issued	—	—	282,530	—
Long-term Debt Issued - Refundings	143,180	564,778	35,714	—
Payments for Refunded Debt	—	(23,065)	—	—
Payments To Refunding Bond Escrow Agent	(142,413)	(543,481)	—	—
Premium on Bonds and Certificates of Deposit	—	4,173	46,647	—
Transfers In	—	885,363	85,590	23,318
Transfers Out	—	(390)	(215,688)	(2,105)
Lease Acquisitions	—	—	—	—
Total Other Financing Sources (Uses)	767	887,378	234,792	21,213
Net Change in Fund Balances	1,801	2,167	54,341	11,557
Fund Balances, Beginning of Year	367	4,522	(69,703)	30,308
Increase (Decrease) in Reserve for Inventories	—	—	—	—
Fund Balances, End of Year	\$ 2,168	\$ 6,689	\$ (15,362)	\$ 41,865

Capital Projects Funds		Permanent Funds			Total Nonmajor Governmental Funds
Transportation Revenue Bonds	Total Capital Projects Funds	Common School	Other Permanent	Total Permanent Funds	
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 78,858
—	9,767	4	—	4	82,498
40	40	—	—	—	676,854
—	—	14	1,010	1,024	17,627
(13)	519	(21,113)	(2,416)	(23,529)	(26,335)
—	—	11,785	—	11,785	19,421
—	—	—	312	312	19,578
—	2,705	—	267	268	16,328
27	13,031	(9,309)	(827)	(10,136)	884,828
—	3,870	—	—	—	113,547
—	2,334	40,600	522	41,122	52,781
3	27,019	—	—	—	27,019
—	26,230	—	—	—	382,605
—	20,191	—	—	—	41,027
—	716	—	—	—	110,635
—	—	—	—	—	174
38	2,650	—	—	—	2,659
—	—	—	—	—	55,940
72,574	191,746	—	159	159	204,581
—	—	—	—	—	720,310
—	799	—	—	—	382,936
91	263	—	—	—	2,275
72,707	275,817	40,600	681	41,281	2,096,491
(72,679)	(262,786)	(49,909)	(1,508)	(51,417)	(1,211,663)
—	282,530	—	—	—	282,970
—	35,714	—	—	—	600,719
—	—	—	—	—	(23,314)
—	—	—	—	—	(543,481)
—	46,647	—	—	—	50,883
—	108,908	30,375	—	30,375	1,171,104
(3,571)	(221,364)	(16)	(905)	(921)	(321,975)
—	—	—	—	—	546
(3,571)	252,435	30,359	(905)	29,454	1,217,453
(76,250)	(10,352)	(19,550)	(2,413)	(21,963)	5,790
160,052	120,656	1,350,495	57,311	1,407,807	2,112,866
—	—	—	—	—	278
\$ 83,802	\$ 110,304	\$ 1,330,946	\$ 54,898	\$ 1,385,844	\$ 2,118,935

**Budgetary Comparison Schedule**  
**Nonmajor Budgeted Governmental Funds**  
**For the Fiscal Year Ended June 30, 2022**

(In Thousands)

	Special Revenue							
	Conservation		Police and Fire Protection		Medical Assistance Trust		Hospital Assessment	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Unexpended Budgetary Fund Balances, Beginning of Year		\$ 212,129		\$ 80		\$ 62,338		\$ 37,128
<b>Revenues (Inflows):</b>								
Taxes	1,212	1,212	—	—	—	—	—	—
Budgeted Transfers from:								
General Fund	—	—	—	—	190,349	190,349	—	—
Nonmajor Governmental Funds	—	—	—	—	324,819	324,819	—	—
Departmental	353,975	353,975	54,878	54,878	80,841	80,841	416,099	416,099
Total Revenues	355,187	355,187	54,878	54,878	596,009	596,009	416,099	416,099
Amounts Available for Appropriation		567,316		54,958		658,347		453,227
<b>Appropriations and Transfers (Outflows):</b>								
Commerce	1,763	1,763	167	4	—	—	—	—
Education	211	211	—	—	—	—	—	—
Environmental Resources	449,168	331,570	—	—	—	—	—	—
Human Relations and Resources	—	—	8,416	1,066	617,029	418,665	250,465	218,007
General Executive	—	—	—	—	—	—	—	—
Judicial	—	—	—	—	—	—	—	—
Tax Relief and Other General	32	32	54,878	54,878	—	—	—	—
Budgeted Transfers to:								
General Fund	—	—	—	—	—	—	—	—
Transportation Fund	—	—	—	—	—	—	—	—
Nonmajor Governmental Funds	—	—	—	—	—	—	196,125	196,125
Total Appropriations and Transfers	\$ 451,174	333,576	\$ 63,461	55,948	\$ 617,029	418,665	\$ 446,590	414,132
Fund Balances End of Year		233,739		(989)		239,682		39,095
Less Encumbrances Outstanding at June 30, 2022		(42,223)		(5,557)		(32)		(2,826)
Fund Balances, End of Year Budgetary Basis		\$ 191,516		\$ (6,546)		\$ 239,650		\$ 36,269

Special Revenue									
Utility Public Benefits		Critical Access Hospital Assessment		Economic Development		Read to Lead Development		Petroleum Inspection	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	\$ 30,300		\$ 1,340		\$ 91		\$ 27		\$ 1,849
\$ —	\$ —	\$ —	\$ —	\$ 38,706	\$ 38,706	\$ —	\$ —	\$ 39,972	\$ 39,972
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
104,735	104,735	5,938	5,938	(252)	(252)	—	—	528	528
104,735	104,735	5,938	5,938	38,454	38,454	—	—	40,500	40,500
	<u>135,035</u>		<u>7,278</u>		<u>38,545</u>		<u>27</u>		<u>42,349</u>
413	408	—	—	38,218	38,218	—	—	6,125	6,084
—	—	1,424	1,130	—	—	—	—	—	—
—	—	—	—	—	—	—	—	7,282	7,211
9,140	9,140	3,670	3,034	—	—	—	—	2,984	1,687
120,723	100,904	—	—	281	246	—	—	140	135
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	8,306	8,088
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	17,019	17,019
—	—	1,795	1,795	—	—	—	—	—	—
130,276	110,452	6,889	5,959	38,499	38,464	—	—	41,856	40,224
	24,583		1,320		80		27		2,124
	<u>(2,465)</u>		<u>(246)</u>		<u>—</u>		<u>—</u>		<u>(99)</u>
	<u>\$ 22,118</u>		<u>\$ 1,074</u>		<u>\$ 80</u>		<u>\$ 27</u>		<u>\$ 2,025</u>

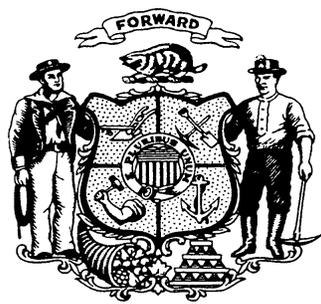
(Continued)

**Budgetary Comparison Schedule**  
**Nonmajor Budgeted Governmental Funds**  
**For the Fiscal Year Ended June 30, 2022**

(Continued)

	Special Revenue							
	Budget Stabilization		Permanent Endowment		Other Environmental Special Revenue		Other Special Revenue	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Unexpended Budgetary Fund Balances, Beginning of Year		\$1,729,920		\$ —		\$ 81,269		\$ 185,318
<b>Revenues (Inflows):</b>								
Taxes	—	—	\$ —	—	\$ 369	369	\$ 1	1
Budgeted Transfers from:								
General Fund	—	—	—	—	—	—	—	—
Nonmajor Governmental Funds	—	—	—	—	—	—	—	—
Departmental	3,834	3,834	126,898	126,898	83,045	83,045	100,109	100,109
Total Revenues	3,834	3,834	126,898	126,898	83,414	83,414	100,110	100,110
Amounts Available for Appropriation		1,733,754		126,898		164,683		285,428
<b>Appropriations and Transfers (Outflows):</b>								
Commerce	—	—	—	—	33,472	18,724	80,803	32,611
Education	—	—	—	—	—	—	29,966	27,630
Environmental Resources	—	—	—	—	80,516	63,304	—	—
Human Relations and Resources	—	—	—	—	358	353	32,441	22,904
General Executive	—	—	—	—	19	13	34,588	24,008
Judicial	—	—	—	—	—	—	598	179
Tax Relief and Other General	—	—	—	—	3	3	—	—
Budgeted Transfers to:								
General Fund	—	—	—	—	—	—	1,939	1,939
Transportation Fund	—	—	—	—	—	—	—	—
Nonmajor Governmental Funds	—	—	126,898	126,898	—	—	—	—
Total Appropriations and Transfers	—	—	\$ 126,898	126,898	\$ 114,368	82,397	\$ 180,335	109,271
Fund Balances End of Year		1,733,754		—		82,286		176,157
Less Encumbrances Outstanding at June 30, 2022		—		—		(18,706)		(39,147)
Fund Balances, End of Year Budgetary Basis		<u>\$1,733,754</u>		<u>\$ —</u>		<u>\$ 63,580</u>		<u>\$ 137,010</u>

<b>Permanent</b>			
<b>Common School</b>		<b>Other Permanent</b>	
<b>Budget</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	\$ 1,271,168		\$ 55,976
\$ —	—	\$ —	—
—	—	—	—
—	—	—	—
97,632	97,632	(610)	(610)
97,632	97,632	(610)	(610)
	<u>1,368,800</u>		<u>55,366</u>
—	—	—	—
42,000	40,600	3,468	1,496
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
\$ 42,000	40,600	\$ 3,468	1,496
	1,328,200		53,871
	—		—
	<u>\$ 1,328,200</u>		<u>\$ 53,871</u>



# Nonmajor Enterprise Funds

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

The **Injured Patients and Families Compensation Fund** accounts for the program to provide excess medical malpractice insurance for Wisconsin health care providers. The revenues to finance this insurance are primarily derived from assessments charged to health care providers.

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

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

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

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

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

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

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

- The **Mendota Mental Health Institute Fund** and the **Winnebago Mental Health Institute Fund** account for the diagnosis, care and treatment of individuals with mental and emotional disturbances. The services are provided with funds collected from third parties and contributions from the State.
- The **Homes For Veterans Fund** accounts for nursing home and assisted living facilities for veterans and their spouses.

The costs associated with providing this care are funded by private pay charges, the U.S. Department of Veterans Affairs and Medical Assistance.

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

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

- The **State Fair Park Fund** accounts for the annual State Fair, and various year round major sports events, agricultural and industrial expositions, and other programs of civic interest. Its revenues are derived from admissions, fees, rents and sales, with no contributions from the State.
- The **Institutional Farm Operations Fund** accounts for the revenues and expenses associated with employing inmates in agricultural and other work activities. The associated costs are funded from farm product sales and a General Fund supplement.
- The **State Life Insurance Fund** accounts for the program to provide State sponsored life insurance to residents in a manner consistent with private insurers. This insurance is financed with premiums collected from policyholders and investment earnings.
- The **Transportation Infrastructure Loan Fund** accounts for the development of innovative financing mechanisms that will more effectively use federal financial transportation resources. Federal Highway Administration funds, and interest from the fund balance and from loan recipients, are the primary revenues for this fund.

## Combining Statement of Net Position - Nonmajor Enterprise Funds

### June 30, 2022

(In Thousands)

	Injured Patients and Families Compensation Fund	Lottery	Income Continuation Insurance	Duty Disability	Health Insurance
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 61,720	\$ 50,919	\$ 230,324	\$ 857,417	\$ 185,658
Investments	14,864	2,801	—	—	—
Receivables (net of allowance):					
Loans to Local Governments	—	—	—	—	—
Other Loans Receivable	—	—	—	—	—
Other Receivables	18,360	53,768	3,241	226	39,018
Due from Other Funds	—	—	—	374	73,976
Due from Other Governments	—	—	—	339	—
Inventories	1	680	—	—	—
Prepaid Items	—	392	—	—	1,425
Other Assets	—	784	—	—	—
Total Current Assets	94,946	109,343	233,565	858,356	300,077
Noncurrent Assets:					
Investments	1,354,879	2,448	—	—	—
Receivables (net of allowance):					
Loans to Local Governments	—	—	—	—	—
Other Loans Receivable	—	—	—	—	—
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	61,708	—	—	—	—
Net Pension Asset	200	294	—	—	—
Net Other Post Employment Benefits Asset	23	33	—	—	—
Other Assets	—	6,099	—	—	—
Depreciable Capital Assets (net of accumulated depreciation)	—	336	—	—	—
Nondepreciable Capital Assets	—	—	—	—	—
Total Noncurrent Assets	1,416,809	9,210	—	—	—
Total Assets	1,511,755	118,554	233,565	858,356	300,077
<b>Deferred Outflows of Resources</b>					
Debt Refunding	—	—	—	—	—
Advances by the State	—	88,332	—	—	—
Deferred Pension Outflows	421	3,000	—	—	—
Deferred Other Post Employment Benefits Outflows	68	462	—	—	—
Total Deferred Outflows of Resources	489	91,794	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 1,512,244	\$ 210,348	\$ 233,565	\$ 858,356	\$ 300,077

**Care and Treatment Facilities**

State Retiree Health Insurance	Veterans Trust	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
\$ —	\$ 1,953	\$ 10,612	\$ 17	\$ 35,380	\$ 22,724	\$ 1,456,723
—	—	—	—	—	—	17,665
—	—	—	—	—	214	214
—	1	—	—	—	—	1
24,227	2	1,886	13,598	12,868	1,390	168,583
36,365	47	449	3	8	47	111,268
29,660	—	—	—	5,742	117	35,859
—	52	197	927	2,665	3,461	7,983
193	1	6	5	13	—	2,035
—	—	—	—	—	—	784
90,446	2,055	13,149	14,549	56,676	27,954	1,801,116
—	—	—	—	—	101,409	1,458,736
—	—	—	—	—	2,205	2,205
—	1	—	—	—	2,641	2,642
—	—	—	—	—	—	61,708
—	2,931	37,054	27,541	55,016	3,381	126,416
—	333	4,208	3,128	6,249	384	14,358
—	—	—	—	—	—	6,099
—	12,713	20,183	19,202	78,676	56,186	187,295
—	6,606	47,364	4,987	112,781	5,129	176,866
—	22,584	108,809	54,857	252,721	171,335	2,036,325
90,446	24,638	121,958	69,406	309,397	199,289	3,837,441
—	—	—	—	293	40	334
—	—	—	—	—	—	88,332
—	5,595	63,009	46,728	111,474	6,566	236,794
—	755	6,385	5,762	17,644	705	31,782
—	6,350	69,394	52,491	129,411	7,312	357,241
\$ 90,446	\$ 30,988	\$ 191,353	\$ 121,897	\$ 438,808	\$ 206,601	\$ 4,194,682

(Continued)

## Combining Statement of Net Position - Nonmajor Enterprise Funds

### June 30, 2022

(Continued)

	Injured Patients and Families Compensation Fund	Lottery	Income Continuation Insurance	Duty Disability	Health Insurance
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable and Other Accrued Liabilities	\$ 16,386	\$ 62,538	\$ 382	\$ 2,981	\$ 12,929
Due to Other Funds	3	172	81	172	41,108
Due to Component Units	—	—	—	—	—
Interfund Payables	—	—	—	—	—
Due to Other Governments	—	—	—	—	—
Tax and Other Deposits	—	—	—	—	—
Unearned Revenue	—	811	—	—	16,955
Interest Payable	—	—	—	—	—
Short-term Notes Payable	—	—	—	—	—
Current Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	56,039	—	19,855	39,387	1,568
Leases	—	23	—	—	—
Compensated Absences	22	242	—	—	—
Certificates of Participation	—	—	—	—	—
General Obligation Bonds and Notes Payable	—	—	—	—	—
Total Current Liabilities	72,450	63,785	20,318	42,539	72,561
Noncurrent Liabilities:					
Accounts Payable and Other Accrued Liabilities	—	2,634	—	—	—
Noncurrent Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	407,815	—	75,735	484,373	—
Leases	—	249	—	—	—
Compensated Absences	34	569	—	—	—
Other Postemployment Benefits	199	189	—	—	—
Certificates of Participation	—	—	—	—	—
General Obligation Bonds and Notes Payable	—	—	—	—	—
Total Noncurrent Liabilities	408,048	3,641	75,735	484,373	—
Total Liabilities	480,498	67,426	96,053	526,912	72,561
<b>Deferred Inflows of Resources</b>					
Debt Refunding	—	—	—	—	—
Deferred Pension Inflows	519	3,981	—	—	—
Deferred Other Postemployment Benefits Inflows	62	580	—	—	—
Total Deferred Inflows of Resources	581	4,561	—	—	—
<b>Net Position</b>					
Net Investment in Capital Assets	—	64	—	—	—
Restricted for Future Benefits	1,030,942	—	137,512	331,443	227,516
Restricted for Pension and Other Post Employment Benefits	223	328	—	—	—
Restricted for Other Purposes	—	137,969	—	—	—
Unrestricted	—	—	—	—	—
Total Net Position	1,031,165	138,361	137,512	331,443	227,516
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,512,244	\$ 210,348	\$ 233,565	\$ 858,356	\$ 300,077

**Care and Treatment Facilities**

State Retiree Health Insurance	Veterans Trust	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
\$ 270	\$ 1,554	\$ 6,026	\$ 5,910	\$ 8,310	\$ 1,835	\$ 119,121
66,990	4,279	1,015	660	6,728	302	121,509
—	—	191	—	—	—	191
—	—	—	1,411	35,298	—	36,709
—	—	—	—	—	6	6
—	93	—	—	44	27,717	27,854
17,919	—	12	—	1,038	969	37,704
—	—	—	—	246	209	454
—	—	—	—	—	—	—
5,267	—	—	—	—	2,061	124,176
—	1,001	127	44	—	—	1,195
—	256	1,672	1,084	2,444	225	5,944
—	—	303	231	505	—	1,038
—	—	—	—	2,856	1,818	4,675
90,446	7,182	9,345	9,341	57,469	35,140	480,575
—	—	—	—	—	—	2,634
—	—	—	—	—	65,884	1,033,807
—	3,526	559	22	—	—	4,356
—	413	2,545	1,494	3,661	418	9,133
—	2,118	17,509	15,906	46,545	1,787	84,253
—	—	1,361	1,037	2,269	—	4,667
—	—	—	—	35,622	8,796	44,417
—	6,058	21,973	18,459	88,095	76,885	1,183,268
90,446	13,240	31,319	27,800	145,564	112,025	1,663,843
—	—	4	3	13	1	21
—	7,070	78,322	57,834	141,303	8,551	297,579
—	728	6,580	5,830	18,105	842	32,728
—	7,797	84,906	63,666	159,422	9,395	330,328
—	9,353	62,603	21,821	143,740	50,519	288,101
—	—	—	—	—	11,452	1,738,865
—	3,264	41,262	30,669	61,265	3,765	140,774
—	—	—	—	—	3,208	141,177
—	(2,666)	(28,737)	(22,059)	(71,183)	16,237	(108,408)
—	9,951	75,128	30,431	133,822	85,181	2,200,510
\$ 90,446	\$ 30,988	\$ 191,353	\$ 121,897	\$ 438,808	\$ 206,601	\$ 4,194,682

**Combining Statement of Revenues, Expenses, and Changes in Net Position -  
Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2022**

(In Thousands)

	Injured Patients and Families Compensation Fund	Lottery	Income Continuation Insurance	Duty Disability	Health Insurance
<b>Operating Revenues:</b>					
Charges for Goods and Services	\$ —	\$ 887,821	\$ —	\$ —	\$ —
Participant and Employer Contributions	—	—	39,387	4,027	1,382,597
Investment and Interest Income	—	—	—	—	—
Miscellaneous	—	178	109	9	—
Total Operating Revenues	—	887,998	39,496	4,036	1,382,597
<b>Operating Expenses:</b>					
Personal Services	569	7,225	—	—	—
Supplies and Services	4,760	97,362	2,744	—	11,891
Lottery Prize Awards	—	557,117	—	—	—
Depreciation	—	52	—	—	—
Benefit Expense	44,986	—	19,772	92,404	1,390,318
Other Expenses	—	48	994	938	11,183
Total Operating Expenses	50,315	661,804	23,511	93,343	1,413,392
Operating Income (Loss)	(50,315)	226,194	15,985	(89,306)	(30,795)
<b>Nonoperating Revenues (Expenses):</b>					
Operating Grants	—	—	—	—	—
Investment and Interest Income	(179,196)	(357)	31,610	126,360	37,571
Gain (Loss) on Disposal of Capital Assets	—	—	—	—	—
Interest Expense	—	(4)	—	—	—
Gifts and Donations	—	—	—	—	—
Miscellaneous Revenues	—	13	2	—	—
Other Expenses:					
Property Tax Credits	—	(312,332)	—	—	—
Grants Disbursed	—	—	—	—	—
Other	—	(20)	—	—	43
Total Nonoperating Revenues (Expenses)	(179,196)	(312,701)	31,611	126,360	37,614
Income (Loss) before Transfers	(229,510)	(86,506)	47,596	37,054	6,819
Capital Contributions	—	—	—	—	—
Transfers In	—	72,881	—	—	—
Transfers Out	(15)	(581)	—	—	—
Change in Net Position	(229,525)	(14,206)	47,596	37,054	6,819
Total Net Position, Beginning of Year	1,260,690	152,567	89,916	294,390	220,697
Total Net Position, End of Year	\$ 1,031,165	\$ 138,361	\$ 137,512	\$ 331,443	\$ 227,516

**Care and Treatment Facilities**

State Retiree Health Insurance	Veterans Trust	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
\$ —	\$ 231	\$ 17,989	\$ 66,095	\$ 232,261	\$ 36,108	\$ 1,240,503
247,640	—	—	—	—	—	1,673,650
—	33	—	—	—	48	81
32,389	19	—	—	—	357	33,061
280,029	282	17,989	66,095	232,261	36,513	2,947,295
—	7,739	73,832	55,144	143,534	10,262	298,305
7,058	5,378	20,482	30,445	74,302	19,117	273,538
—	—	—	—	—	—	557,117
—	2,748	2,858	2,593	8,997	3,612	20,860
266,787	—	—	—	—	4,001	1,818,268
4,067	1,112	—	—	157	1,103	19,603
277,912	16,977	97,173	88,182	226,990	38,094	2,987,692
2,117	(16,695)	(79,184)	(22,088)	5,271	(1,581)	(40,397)
—	1,834	13	520	848	—	3,214
(2,128)	3	—	—	10	(18,395)	(4,522)
—	(37)	(51)	(20)	(975)	(109)	(1,192)
—	(21)	(12)	(4)	(828)	(83)	(951)
—	127	—	9	240	133	509
11	232	240	360	4,915	608	6,382
—	—	—	—	—	—	(312,332)
—	(1,580)	—	—	—	—	(1,580)
—	—	—	—	(19)	—	5
(2,117)	559	191	865	4,192	(17,846)	(310,467)
—	(16,136)	(78,993)	(21,223)	9,463	(19,427)	(350,864)
—	235	—	—	—	—	235
—	15,785	95,305	31,080	14,853	1,216	231,121
—	(262)	(3,584)	(7,305)	(11,964)	(489)	(24,200)
—	(377)	12,728	2,552	12,352	(18,700)	(143,707)
—	10,328	62,400	27,878	121,470	103,881	2,344,217
\$ —	\$ 9,951	\$ 75,128	\$ 30,431	\$ 133,822	\$ 85,181	\$ 2,200,510

## Combining Statement of Cash Flow - Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2022

(In Thousands)

	Injured Patients and Families Compensation Fund	Lottery	Income Continuation Insurance	Duty Disability	Health Insurance
<b>Cash Flows from Operating Activities:</b>					
Cash Receipts from Customers	\$ —	\$ 883,946	\$ 39,393	\$ 4,052	\$ 1,352,524
Cash Payments to Suppliers for Goods and Services	(4,352)	(37,654)	(3,791)	(874)	(22,782)
Cash Payments to Employees for Services	(600)	(6,939)	—	—	—
Cash Payments for Lottery Prizes	—	(552,614)	—	—	—
Collection of Loans	—	—	—	—	—
Interest Income	—	—	—	—	—
Cash Payments for Benefits	(9,736)	—	(20,445)	(36,407)	(1,454,593)
Other Operating Revenues	—	—	—	—	—
Other Operating Expenses	(148)	(62,038)	—	—	—
Other Sources of Cash	—	—	109	9	60,976
Other Uses of Cash	—	—	—	—	—
Net Cash Provided (Used) by Operating Activities	(14,836)	224,700	15,265	(33,220)	(63,876)
<b>Cash Flows from Noncapital Financing Activities:</b>					
Operating Grants Receipts	—	—	—	—	—
Grants Disbursed	—	—	—	—	—
Property Tax Credit Payments	—	(340,206)	—	—	—
Non Capital Gifts and Grants	—	—	—	—	—
Interfund Loans Received	—	—	—	—	—
Interfund Loans Repaid	—	—	—	—	—
Transfers In	—	72,881	—	—	—
Transfers Out	(15)	(581)	—	—	—
Other Cash Inflows from Non Capital Financing Activities	—	—	1	—	62
Other Cash Outflows from Non Capital Financing Activities	—	—	—	—	—
Net Cash Provided (Used) by Non Capital Financing Activities	(15)	(267,905)	1	—	62
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from Issuance of Debt	—	—	—	—	—
Capital Contributions	—	—	—	—	—
Repayment of Bonds, Notes and Certificates of Participation	—	—	—	—	—
Interest Payments	—	—	—	—	—
Transfers in	—	—	—	—	—
Lease Obligations	—	—	—	—	—
Payments of Purchases of Capital Assets	—	(29)	—	—	—
Other Cash Inflows - Capital & Related Financing Activities	—	—	—	—	—
Other Cash Outflows - Capital & Related Financing Activities	—	—	—	—	—
Net Cash Provided(Used) by Capital & Related Financing Activities	—	(29)	—	—	—
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Sale and Maturities of Investment Securities	369,343	2,740	—	—	—
Purchase of Investment Securities	(356,403)	—	—	—	—
Investment and Interest Receipts	34,261	131	31,610	126,360	37,571
Net Cash Provided (Used) by Investing Activities	47,201	2,871	31,610	126,360	37,571
Net Increase (Decrease) in Cash and Cash Equivalents	32,351	(40,363)	46,876	93,140	(26,244)
Cash and Cash Equivalents, Beginning of Year	91,077	91,282	183,448	764,277	211,901
Cash and Cash Equivalents, End of Year	\$ 123,428	\$ 50,919	\$ 230,324	\$ 857,417	\$ 185,658

**Care and Treatment Facilities**

State Retiree Health Insurance	Veterans Trust	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
\$ 250,709	\$ 64	\$ 17,854	\$ 63,283	\$ 235,874	\$ 34,112	\$ 2,881,811
(11,226)	(4,910)	(21,165)	(28,662)	(74,514)	(20,247)	(230,178)
—	(8,235)	(83,235)	(62,890)	(155,620)	(10,758)	(328,276)
—	—	—	—	—	—	(552,614)
—	23	—	—	—	181	204
—	28	—	—	—	49	77
(282,478)	—	—	—	—	(3,994)	(1,807,653)
—	37	—	—	—	357	393
—	—	—	—	(7)	—	(62,193)
45,095	—	240	400	4,361	1,129	112,320
—	—	—	—	(28)	(16)	(44)
2,100	(12,994)	(86,306)	(27,869)	10,067	815	13,846
—	1,834	55	520	807	—	3,215
—	(2,633)	(42)	—	(150)	—	(2,824)
—	—	—	—	—	—	(340,206)
—	—	—	9	3	133	145
—	—	—	1,411	2,075	—	3,487
—	—	—	—	(2,702)	—	(2,702)
—	15,100	95,305	31,080	14,853	233	229,453
—	(242)	(3,584)	(7,305)	(11,331)	(1,153)	(24,212)
28	359	—	—	—	26	475
—	—	—	—	(7,045)	—	(7,045)
28	14,418	91,734	25,714	(3,489)	(760)	(140,213)
—	—	—	—	3,394	—	3,394
—	235	—	—	—	—	235
—	(1)	(288)	(219)	(1,907)	(1,920)	(4,334)
—	—	(66)	4	(1,592)	(122)	(1,776)
—	685	—	—	20	983	1,688
—	(1,042)	—	3	—	—	(1,040)
—	(4,498)	(5,221)	(5,327)	(21,140)	(244)	(36,459)
—	3,869	4	3	61	—	3,936
—	(445)	—	—	(1,730)	(1,749)	(3,924)
—	(1,196)	(5,571)	(5,537)	(22,894)	(3,053)	(38,280)
—	—	—	—	—	22,400	394,483
—	—	—	—	—	(22,417)	(378,820)
(2,128)	3	—	—	—	4,175	231,984
(2,128)	3	—	—	—	4,158	247,647
—	231	(143)	(7,691)	(16,316)	1,160	83,000
—	1,722	10,755	7,708	51,696	21,564	1,435,431
\$ —	\$ 1,953	\$ 10,612	\$ 17	\$ 35,380	\$ 22,724	\$ 1,518,431

(Continued)

## Combining Statement of Cash Flow - Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2022

(Continued)

	Injured Patients and Families Compensation Fund	Lottery	Income Continuation Insurance	Duty Disability	Health Insurance
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations</b>					
Operating Income (Loss)	\$ (50,315)	\$ 226,194	\$ 15,985	\$ (89,306)	\$ (30,795)
<b>Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Depreciation	—	52	—	—	—
Provision for Uncollectible Accounts	—	—	—	—	—
Miscellaneous Nonoperating Income (Expense)	—	—	—	—	—
<b>Changes in Assets, Deferred Outflows, Liabilities &amp; Deferred Inflows:</b>					
Decreases (Increases) in Assets and Deferred Outflows:					
Receivables	(22)	(6,265)	(31)	(34)	(4,770)
Due from Other Funds	—	—	2	44	(16,205)
Due from Other Governments	—	—	—	(19)	—
Inventories	—	(46)	—	—	—
Prepaid Items	—	(35)	—	—	(288)
Net Pension Assets	(36)	1,259	—	—	—
Net OPEB Assets	(1)	176	—	—	—
Other Assets	—	(51)	—	—	—
Deferred Outflows of Resources	(145)	(342)	—	—	—
Increases (Decreases) in Liabilities and Deferred Inflows:					
Accounts Payable and Other Accrued Liabilities	456	4,259	129	(9)	(12,001)
Due to Other Funds	—	(59)	(92)	64	(222)
Due to Component Units	—	—	—	—	—
Tax and Other Deposits	—	—	—	—	—
Unearned Revenue	—	362	—	—	299
Interest Payable	—	—	—	—	—
Compensated Absences	12	17	—	—	—
Other Postemployment Benefit Liabilities	30	(1,026)	—	—	—
Future Benefits and Loss Liability	35,047	—	(729)	56,040	106
Deferred Inflows of Resources	137	204	—	—	—
Total Adjustments	35,479	(1,495)	(720)	56,086	(33,081)
Net Cash Provided (Used) by Operating Activities	\$ (14,836)	\$ 224,700	\$ 15,265	\$ (33,220)	\$ (63,876)
<b>Noncash Investing, Capital and Financing Activities:</b>					
Contributions/Transfer In (Out) of Noncash Assets and Liabilities					
from/to Other Funds	—	—	—	—	—
Change in Investments for Prize Annuities Payable	—	(492)	—	—	—
Net Change in Unrealized Gains and (Losses)	(233,523)	—	—	—	—
Other	—	307	—	—	—

**Care and Treatment Facilities**

State Retiree Health Insurance	Veterans Trust	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
\$ 2,117	\$ (16,695)	\$ (79,184)	\$ (22,088)	\$ 5,271	\$ (1,581)	\$ (40,397)
—	2,748	2,858	2,593	8,997	3,612	20,860
—	40	—	—	91	—	131
—	1,522	240	400	5,486	601	8,250
(3,102)	17	314	(2,809)	1,606	1,066	(14,030)
(2,326)	22	(449)	(3)	517	(28)	(18,425)
(11,794)	—	—	—	1,163	(30)	(10,680)
—	16	(52)	48	42	(369)	(360)
23	—	—	—	1	15	(284)
—	(26)	(10,788)	(9,176)	(11,395)	(452)	(30,614)
—	(652)	(672)	(655)	(375)	(15)	(2,194)
—	—	—	—	—	20	(30)
—	(2,126)	(27,021)	(20,021)	(40,203)	(2,453)	(92,312)
137	(165)	(765)	1,786	(1,755)	(1,332)	(9,261)
16,051	(3)	(84)	(51)	(78)	106	15,634
—	—	191	—	—	—	191
—	—	—	—	(27)	(51)	(78)
117	—	6	—	237	(656)	366
—	—	—	—	—	(9)	(9)
—	5	189	60	(103)	37	217
—	273	3,124	2,900	2,534	123	7,958
877	—	—	—	—	(82)	91,260
—	2,030	25,785	19,147	38,057	2,291	87,651
(17)	3,701	(7,122)	(5,781)	4,796	2,396	54,243
\$ 2,100	\$ (12,994)	\$ (86,306)	\$ (27,869)	\$ 10,067	\$ 815	\$ 13,846
—	—	—	—	(1)	—	(1)
—	—	—	—	—	—	(492)
—	—	—	—	—	18,540	(214,983)
—	—	—	—	—	357	664



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

The **Accumulated Sick Leave Conversion Credit Fund** allows retirees of the State of Wisconsin (including the UW System), the UW Hospitals and Clinics Authority, and other state authorities, at the time of their retirement, to convert the value of their unused sick leave accumulation into an account to be used to pay for post-retirement health insurance.

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

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

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

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

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

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

The **Human Resources Services Fund** accounts for the provision of personnel management services to state agencies. Agencies are charged for payroll and management services and support as well as general human resource services received.

**Combining Statement of Net Position  
Internal Service Funds  
June 30, 2022**

(In Thousands)

	Accumulated Sick Leave Conversion Credit	Technology Services	Fleet Services	Financial Services
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 2,086,129	\$ 21,379	\$ —	\$ 1,295
Receivables (net of allowance):				
Other Receivables	2	673	378	—
Due from Other Funds	7,841	6,157	656	—
Due from Other Governments	—	357	—	—
Inventories	—	2,132	124	—
Prepaid Items	9,099	2	1	—
Total Current Assets	<u>2,103,071</u>	<u>30,700</u>	<u>1,159</u>	<u>1,296</u>
Noncurrent Assets:				
Prepaid Items	—	494	—	—
Restricted and Limited Use Assets:				
Net Pension Asset	—	7,986	684	1,619
Other Postemployment Benefit Asset	—	907	78	184
Depreciable Capital Assets (net of accumulated depreciation)	—	21,972	33,931	—
Nondepreciable Capital Assets	—	—	—	—
Total Noncurrent Assets	<u>—</u>	<u>31,360</u>	<u>34,693</u>	<u>1,803</u>
Total Assets	<u>2,103,071</u>	<u>62,059</u>	<u>35,852</u>	<u>3,098</u>
<b>Deferred Outflows of Resources</b>				
Debt Refunding	—	—	—	—
Deferred Pension Outflows	—	15,240	1,382	3,181
Deferred Other Postemployment Benefit Outflows	—	2,150	223	427
Total Deferred Outflows of Resources	<u>—</u>	<u>17,390</u>	<u>1,605</u>	<u>3,608</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,103,071</u>	<u>\$ 79,450</u>	<u>\$ 37,457</u>	<u>\$ 6,707</u>

<b>Facilities Operations and Maintenance</b>	<b>Risk Management</b>	<b>Badger State Industries</b>	<b>Human Resource Services</b>	<b>Totals</b>
\$ 77,168	\$ 24,396	\$ 6,377	\$ —	\$ 2,216,746
1,056	—	343	—	2,452
157	539	3,184	—	18,534
—	—	300	—	656
84	—	7,884	—	10,223
1	—	—	3	9,108
<u>78,467</u>	<u>24,936</u>	<u>18,089</u>	<u>3</u>	<u>2,257,719</u>
—	—	—	—	494
6,646	509	1,392	11,541	30,379
755	58	158	1,311	3,450
372,040	—	2,911	—	430,854
31,442	—	34	—	31,476
<u>410,882</u>	<u>567</u>	<u>4,496</u>	<u>12,852</u>	<u>496,653</u>
<u>489,349</u>	<u>25,503</u>	<u>22,584</u>	<u>12,855</u>	<u>2,754,372</u>
2,232	—	—	—	2,232
12,876	971	2,894	22,491	59,036
1,562	145	527	3,150	8,184
<u>16,669</u>	<u>1,116</u>	<u>3,422</u>	<u>25,640</u>	<u>69,452</u>
<u>\$ 506,019</u>	<u>\$ 26,619</u>	<u>\$ 26,006</u>	<u>\$ 38,496</u>	<u>\$ 2,823,824</u>

(Continued)

## Combining Statement of Net Position

### Internal Service Funds

### June 30, 2022

(Continued)

	Accumulated Sick Leave Conversion Credit	Technology Services	Fleet Services	Financial Services
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable and Other Accrued Liabilities	\$ 2	\$ 2,710	\$ 528	\$ 78
Due to Other Funds	803	302	13	39
Interfund Payables	—	—	27,462	—
Due to Other Governments	—	—	—	—
Interest Payable	—	—	—	—
Short-term Notes Payable	—	—	—	—
Current Portion of Long-term Liabilities:				
Future Benefits and Loss Liabilities	—	—	—	—
Leases	—	1,277	414	—
Compensated Absences	109,028	953	78	217
Certificates of Participation	—	2,436	256	—
General Obligation Bonds and Notes Payable	—	—	—	—
Total Current Liabilities	109,832	7,678	28,751	334
Noncurrent Liabilities:				
Noncurrent Portion of Long-term Liabilities:				
Future Benefits and Loss Liabilities	—	—	—	—
Leases	—	8,297	7,480	—
Compensated Absences	2,247,384	2,158	156	579
Other Postemployment Benefits	—	6,624	533	1,121
Certificates of Participation	—	717	512	—
General Obligation Bonds and Notes Payable	—	—	—	—
Total Noncurrent Liabilities	2,247,384	17,796	8,680	1,701
Total Liabilities	2,357,215	25,475	37,431	2,035
<b>Deferred Inflows of Resources</b>				
Debt Refunding	—	10	—	—
Deferred Pension Inflows	—	18,648	1,816	3,977
Deferred Other Post Employment Benefit Inflows	—	1,878	205	370
Total Deferred Inflows of Resources	—	20,536	2,021	4,346
<b>Net Position</b>				
Net Investment in Capital Assets	—	9,235	25,270	—
Restricted for Pension and Other	—	—	—	—
Postemployment Benefits	—	8,893	762	1,803
Unrestricted	(254,144)	15,311	(28,027)	(1,478)
Total Net Position	(254,144)	33,439	(1,995)	325
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,103,071	\$ 79,450	\$ 37,457	\$ 6,707

<b>Facilities Operations and Maintenance</b>	<b>Risk Management</b>	<b>Badger State Industries</b>	<b>Human Resource Services</b>	<b>Totals</b>
\$ 2,279	\$ 231	\$ 1,310	\$ 510	\$ 7,647
904	26	604	282	2,973
—	—	—	253	27,715
126	—	—	—	126
2,009	—	—	—	2,009
1,850	—	—	—	1,850
—	48,096	—	—	48,096
124	—	—	—	1,815
458	55	106	1,074	111,969
—	—	26	—	2,718
15,114	—	45	—	15,159
22,864	48,408	2,091	2,119	222,078
—	104,826	—	—	104,826
351	—	—	—	16,127
620	33	78	2,299	2,253,308
4,093	493	1,357	8,856	23,077
—	—	—	—	1,229
308,236	—	8	—	308,244
313,300	105,353	1,443	11,155	2,706,811
336,164	153,760	3,534	13,274	2,928,889
1,157	—	—	—	1,167
16,233	1,199	3,717	28,457	74,046
1,475	130	487	3,105	7,649
18,865	1,329	4,204	31,562	82,863
78,881	—	2,311	—	115,697
7,401	567	1,551	12,852	33,829
64,708	(129,037)	14,406	(19,193)	(337,454)
150,990	(128,470)	18,268	(6,340)	(187,928)
\$ 506,019	\$ 26,619	\$ 26,006	\$ 38,496	\$ 2,823,824

## Combining Statement of Revenues, Expenses, and Changes in Net Position

### Internal Service Funds

### June 30, 2022

(in Thousands)

	Accumulated Sick Leave Conversion Credit	Technology Services	Fleet Services	Financial Services
<b>Operating Revenues:</b>				
Charges for Goods and Services	\$ 41,746	\$ 128,186	\$ 11,017	\$ 8,078
Miscellaneous	—	—	—	—
Total Operating Revenues	41,746	128,186	11,017	8,078
<b>Operating Expenses:</b>				
Personal Services	—	26,203	1,904	4,714
Supplies and Services	—	76,426	7,003	2,828
Depreciation	—	9,286	4,289	—
Benefit Expense	141,178	—	—	—
Other Expenses	710	—	—	—
Total Operating Expenses	141,888	111,915	13,197	7,542
Operating Income (Loss)	(100,142)	16,271	(2,180)	536
<b>Nonoperating Revenues (Expenses):</b>				
Investment and Interest Income	311,469	—	—	7
Gain (Loss) on Disposal of Capital Assets	—	(1)	345	—
Interest Expense	—	(240)	(156)	—
Miscellaneous Revenues	—	46	403	—
Other Expenses	—	—	(51)	—
Total Nonoperating Revenues (Expenses)	311,469	(195)	540	6
Income (Loss) before Transfers	211,328	16,075	(1,640)	542
Transfers In	—	—	545	—
Transfers Out	—	(964)	(50)	(129)
Change in Net Position	211,328	15,112	(1,145)	413
Total Net Position, Beginning of Year	(465,472)	18,328	(850)	(88)
Total Net Position, End of Year	\$ (254,144)	\$ 33,439	\$ (1,995)	\$ 325

<b>Facilities Operations and Maintenance</b>	<b>Risk Management</b>	<b>Badger State Industries</b>	<b>Human Resource Services</b>	<b>Totals</b>
\$ 83,517	\$ 52,305	\$ 20,500	\$ 38,528	\$ 383,876
—	1,050	—	—	1,050
83,517	53,355	20,500	38,528	384,926
16,573	1,431	2,054	31,510	84,389
26,160	14,487	10,952	4,547	142,404
22,766	—	404	—	36,745
—	38,568	—	—	179,747
1	94	—	—	805
65,500	54,581	13,410	36,057	444,090
18,017	(1,226)	7,090	2,470	(59,164)
144	—	—	—	311,620
—	—	—	—	343
(8,777)	(7)	(8)	—	(9,189)
105	—	157	—	711
(805)	—	—	—	(856)
(9,333)	(7)	149	—	302,630
8,684	(1,233)	7,240	2,470	243,466
950	—	51	—	1,546
(2,290)	(64)	(585)	(858)	(4,940)
7,345	(1,297)	6,705	1,612	240,073
143,645	(127,173)	11,562	(7,952)	(428,001)
\$ 150,990	\$ (128,470)	\$ 18,268	\$ (6,340)	\$ (187,928)

## Combining Statement of Cash Flows -Internal Service Funds For the Year Ended June 30, 2022

(in Thousands)

	Accumulated Sick Leave Conversion Credit	Technology Services	Fleet Services	Financial Services
<b>Cash Flows from Operating Activities:</b>				
Cash Receipts from Customers	\$ 40,553	\$ 129,538	\$ 11,239	\$ 8,090
Cash Payments to Suppliers for Goods and Services	(804)	(83,483)	(6,997)	(2,961)
Cash Payments to Employees for Services	—	(25,709)	(2,045)	(4,961)
Cash Payments for Benefits	(111,184)	—	—	—
Other Operating Revenues	—	—	—	—
Other Sources of Cash	—	80	144	7
Other Uses of Cash	—	—	—	—
Net Cash Provided (Used) by Operating Activities	(71,435)	20,427	2,340	175
<b>Cash Flows from Noncapital Financing Activities:</b>				
Interest Payments	—	—	(156)	—
Interfund Loans Received	—	—	—	—
Interfund Loans Repaid	—	—	(1,189)	—
Transfers In	—	—	545	—
Transfers Out	—	(964)	(50)	(129)
Other Cash Outflows from Non Capital Financing Activities	—	—	—	—
Net Cash Provided (Used) by Non Capital Financing Activities	—	(964)	(850)	(129)
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from Issuance of Debt	—	—	—	—
Repayment of Bonds, Notes and Certificates of Participation	—	(5,239)	—	—
Interest Payments	—	(240)	—	—
Lease Obligations	—	(1,488)	(712)	—
Proceeds From Sale of Capital Assets	—	—	345	—
Payments of Purchases of Capital Assets	—	(5,512)	(1,122)	(25)
Other Cash Inflows from Non Capital Financing Activities	—	—	—	—
Other Cash Outflows from Financing Activities	—	—	—	—
Net Cash Provided (Used) by Capital and Related Financing Activities	—	(12,478)	(1,490)	(26)
<b>Cash Flows from Investing Activities:</b>				
Investment and Interest Receipts	311,469	—	—	—
Net Cash Provided (Used) by Investing Activities	311,469	—	—	—
Net Increase (Decrease) in Cash and Cash Equivalents	240,035	6,985	—	20
Cash and Cash Equivalents, Beginning of Year	1,846,095	14,394	—	1,275
Cash and Cash Equivalents, End of Year	\$ 2,086,129	\$ 21,379	\$ —	\$ 1,295

<b>Facilities Operations and Maintenance</b>	<b>Risk Management</b>	<b>Badger State Industries</b>	<b>Human Resource Services</b>	<b>Totals</b>
\$ 84,622	\$ 52,335	\$ 18,207	\$ 38,865	\$ 383,449
(26,688)	(14,842)	(15,974)	(5,230)	(156,980)
(18,148)	(1,506)	(575)	(33,809)	(86,754)
—	(32,125)	—	—	(143,309)
—	955	—	—	955
104	—	—	—	335
(1)	—	—	—	(1)
39,889	4,817	1,657	(175)	(2,305)
(16)	—	—	—	(172)
—	—	—	253	253
—	—	—	—	(1,189)
1,743	—	51	—	2,340
(2,236)	(64)	(585)	(858)	(4,886)
—	—	(14)	—	(14)
(508)	(64)	(548)	(605)	(3,668)
59,420	—	1	—	59,421
(75,527)	—	(48)	—	(80,814)
(12,396)	(7)	(2)	—	(12,645)
475	—	(103)	—	(1,829)
—	—	—	—	345
(5,763)	—	(752)	—	(13,174)
—	—	100	—	100
(141)	—	—	—	(141)
(33,931)	(7)	(805)	—	(48,737)
48	—	—	—	311,518
48	—	—	—	311,518
5,498	4,746	304	(780)	256,808
71,670	19,650	6,073	780	1,959,938
\$ 77,168	\$ 24,396	\$ 6,377	\$ —	\$ 2,216,746

(Continued)

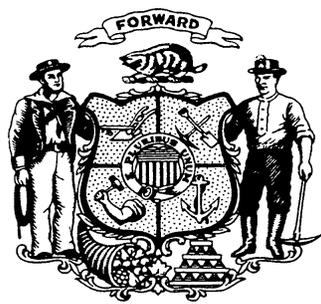
## Combining Statement of Cash Flows -Internal Service Funds For the Year Ended June 30, 2022

(Continued)

	Accumulated Sick Leave Conversion Credit	Technology Services	Fleet Services	Financial Services
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations</b>				
Operating Income (Loss)	\$ (100,142)	\$ 16,271	\$ (2,180)	\$ 536
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	—	9,286	4,289	—
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	—	—	—	—
Miscellaneous Nonoperating Income (Expense)	—	81	144	7
Changes in Assets, Liabilities, Deferred Outflows and Inflows				
Decreases (Increases) in Assets and Deferred Outflows:				
Receivables	(2)	(100)	(100)	12
Due from Other Funds	(1,168)	1,370	322	—
Due From Component Units	—	—	—	—
Due from Other Governments	—	82	—	—
Inventories	—	(12)	4	—
Prepaid Items	(10)	1,569	—	—
Net Pension Asset	—	(1,853)	(114)	(308)
Net OPEB Asset	—	(81)	(1)	(7)
Deferred Outflows of Resources	—	(5,748)	(498)	(1,175)
Increases (Decreases) in Liabilities and Deferred Inflows:				
Accounts Payable and Other Accrued Liabilities	(10)	(6,971)	2	(127)
Due to Other Funds	444	(75)	1	(5)
Due to Other Governments	—	—	—	—
Tax and Other Deposits	—	—	—	—
Compensated Absences	—	(4)	13	43
Other Postemployment Benefits	—	1,096	(16)	78
Future Benefits / Loss Liability	29,451	—	—	—
Deferred Inflows of Resources	—	5,515	474	1,121
Total Adjustments	28,707	4,156	4,520	(361)
Net Cash Provided (Used) by Operating Activities	\$ (71,435)	\$ 20,427	\$ 2,340	\$ 175
<b>Noncash Investing, Capital and Financing Activities:</b>				
Assets Acquired through Leases	\$ —	\$ —	\$ —	\$ —
Contributions/Transfer In (Out) of Noncash				
Assets and Liabilities from/to Other Funds	—	—	—	—
Net Change in Unrealized Gains and (Losses)	—	—	—	—
Other	—	—	—	—

Facilities Operations and Maintenance	Risk Management	Badger State Industries	Human Resource Services	Totals
\$ 18,017	\$ (1,226)	\$ 7,090	\$ 2,470	\$ (59,164)
22,766	—	404	—	36,745
—	—	(1)	—	(1)
104	—	(18)	—	317
(351)	29	(124)	34	(601)
1,348	—	(1,976)	304	199
107	—	—	—	107
—	—	(176)	—	(94)
—	—	(2,705)	—	(2,713)
—	—	—	—	1,560
(1,337)	(104)	(278)	(2,669)	(6,662)
(40)	(3)	(8)	(116)	(257)
(4,802)	(370)	(1,021)	(8,396)	(22,010)
(984)	(372)	(537)	(683)	(9,683)
7	17	43	(23)	410
126	—	—	—	126
(1)	—	—	—	(1)
76	(24)	(27)	(101)	(23)
244	76	31	1,018	2,528
—	6,444	—	—	35,895
4,608	350	960	7,988	21,016
21,872	6,043	(5,433)	(2,645)	56,859
\$ 39,889	\$ 4,817	\$ 1,657	\$ (175)	\$ (2,305)

\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—



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

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

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

The **Supplemental Health Insurance Conversion Credit Fund** provides additional sick leave credits to eligible employees with at least 15 years of service, which increases their sick leave account balance that can be used to pay for post-retirement health insurance premiums.

The **Deferred Compensation Fund** accounts for the collection of voluntary payroll deferrals and rollovers from IRAs and other qualified plans, the investment of assets, and distributions to employees of the State and participating local governments. The Fund is governed by Section 457 of the Internal Revenue Code.

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

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

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

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

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

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

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

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

**CUSTODIAL FUNDS:** Custodial funds are used to report fiduciary activities for assets held by the State, but do not fall under Pension and Other Employee Benefit Trust Funds, Investment Trust Funds or Private-Purpose Trust Funds. The State's custodial funds are described below:

The **Local Government Tax Collections Fund** accounts for the collection and distribution of sales and use taxes levied by other governments including counties and special districts.

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

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

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

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

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

**Combining Statement of Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds**  
**June 30, 2022**

(In Thousands)

	Wisconsin Retirement System	Supplemental Health Insurance Conversion Credit	Deferred Compensation	Reimbursed Employee Expense	Local Retiree Life Insurance	Retiree Life Insurance	Totals
<b>Assets</b>							
Cash and Cash Equivalents	\$ 1,840,220	\$ 1,364,812	\$ 129,704	\$ 9,002	\$ —	\$ —	\$ 3,343,739
Securities Lending Collateral	396,434	—	—	—	—	—	396,434
Prepaid Items	19,752	4,348	—	1,600	—	—	25,699
Receivables (net of allowance):							
Prior Service Contributions Receivable	5,789	—	—	—	—	—	5,789
Benefits Overpayment Receivable	2,095	—	—	—	—	—	2,095
Due from Other Funds	76,883	2,946	—	35	13	10	79,887
Due from Component Units	7,541	—	—	—	—	—	7,541
Due from Other Governments	148,011	—	—	—	—	—	148,011
Interest and Dividends Receivable	450,913	—	—	—	—	—	450,913
Investment Sales Receivable	10,869,737	—	—	—	—	—	10,869,737
Other Receivables	3,446	1	239	406	132	96	4,319
Total Receivables	11,564,414	2,947	239	441	145	106	11,568,292
Investments:							
Fixed Income	48,219,267	—	—	—	—	—	48,219,267
Stocks	83,778,808	—	—	—	—	—	83,778,808
Options	(1,946)	—	—	—	—	—	(1,946)
Financial Futures Contracts and Swaps	102,478	—	—	—	—	—	102,478
Private Fund Investments	26,573,553	—	—	—	—	—	26,573,553
Preferred Securities	703,312	—	—	—	—	—	703,312
Convertible Securities	2,153	—	—	—	—	—	2,153
Multi-asset Investments	6,227,923	—	—	—	—	—	6,227,923
Investment Contract	—	—	—	—	249,053	320,853	569,905
Foreign Currency Contracts	3,794	—	—	—	—	—	3,794
To Be Announced Securities	2,899,255	—	—	—	—	—	2,899,255
Deferred Compensation Plan Investments:							
Collective Investment Trust Funds	—	—	3,985,491	—	—	—	3,985,491
Mutual Funds	—	—	2,398,095	—	—	—	2,398,095
Stable Value Fund	—	—	782,330	—	—	—	782,330
Total Investments	168,508,598	—	7,165,915	—	249,053	320,853	176,244,418
Capital Assets	4,865	—	—	—	—	—	4,865
Total Assets	182,334,283	1,372,107	7,295,858	11,043	249,198	320,959	191,583,447
<b>Liabilities</b>							
Accounts Payable and Other Accrued Liabilities	189,462	—	212	9,084	855	1,021	200,634
Reverse Repurchase Agreements	17,012,077	—	—	—	—	—	17,012,077
Securities Lending Collateral Liability	1,157,434	—	—	—	—	—	1,157,434
Annuities Payable	455,788	—	—	—	—	—	455,788
Due to Other Funds	88,022	401	—	9	—	—	88,433
Short Sales of Securities	8,050,666	—	—	—	—	—	8,050,666
Investment Payable	13,532,952	—	—	—	—	—	13,532,952
Unearned Revenue	11	—	—	—	152	331	495
Total Liabilities	40,486,413	401	212	9,094	1,007	1,352	40,498,479
<b>Net Position</b>							
Restricted for Pensions	141,847,870	—	—	—	—	—	141,847,870
Restricted for Other Postemployment Benefits	—	1,371,706	7,295,646	—	248,190	319,606	9,235,149
Restricted for Individuals	—	—	—	1,950	—	—	1,950
Total Net Position	\$ 141,847,870	\$ 1,371,706	\$ 7,295,646	\$ 1,950	\$ 248,190	\$ 319,606	\$ 151,084,969

*State of Wisconsin*

**Combining Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2022**

(In Thousands)

	Wisconsin Retirement System	Supplemental Health Insurance Conversion Credit	Deferred Compensation	Reimbursed Employee Expense	Local Retiree Life Insurance	Retiree Life Insurance	Totals
<b>Additions</b>							
Contributions:							
Employer Contributions	\$ 1,164,586	\$ 15,658	\$ —	\$ —	\$ 2,047	\$ 1,670	\$ 1,183,961
Employee Contributions	1,086,782	—	204,783	39,131	—	—	1,330,696
Transfer-in From Other Plans	—	—	38,909	—	—	—	38,909
<b>Total Contributions</b>	<b>2,251,368</b>	<b>15,658</b>	<b>243,692</b>	<b>39,131</b>	<b>2,047</b>	<b>1,670</b>	<b>2,553,565</b>
Investment Income:							
Net Appreciation (Depreciation) in Fair Value of Investments	19,625,644	—	759,140	—	—	—	20,384,784
Interest and Dividends	2,564,884	—	194,752	—	—	—	2,759,636
Securities Lending Income	47,080	—	—	—	—	—	47,080
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	—	—	—	4	6,586	8,706	15,297
Less:							
Investment Expense	(435,466)	—	(15,979)	—	—	—	(451,445)
Securities Lending Rebates and Fees	(3,282)	—	—	—	—	—	(3,282)
Investment Income Distributed to Other Funds	(742,669)	200,599	—	—	—	—	(542,070)
<b>Net Investment Income</b>	<b>21,056,192</b>	<b>200,599</b>	<b>937,913</b>	<b>4</b>	<b>6,586</b>	<b>8,706</b>	<b>22,210,000</b>
Interest on Prior Service Receivable	366	—	—	—	—	—	366
Miscellaneous Income	—	—	—	28	132	96	256
<b>Total Additions</b>	<b>23,307,926</b>	<b>216,257</b>	<b>1,181,604</b>	<b>39,163</b>	<b>8,765</b>	<b>10,472</b>	<b>24,764,187</b>
<b>Deductions</b>							
Retirement Benefits and Refunds:							
Retirement, Disability, and Beneficiary Separations	6,352,664	—	—	—	—	—	6,352,664
	42,045	—	—	—	—	—	42,045
<b>Total Retirement Benefits and Refunds</b>	<b>6,394,709</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,394,709</b>
Distributions	—	—	358,098	—	—	—	358,098
Benefits and Other Expenses	—	52,632	—	37,525	10,444	23,746	124,347
Administrative Expense	31,865	710	7,928	1,013	1,487	872	43,875
<b>Total Deductions</b>	<b>6,426,574</b>	<b>53,342</b>	<b>366,026</b>	<b>38,538</b>	<b>11,931</b>	<b>24,618</b>	<b>6,921,028</b>
<b>Net Increase (Decrease)</b>	<b>16,881,352</b>	<b>162,915</b>	<b>815,579</b>	<b>625</b>	<b>(3,166)</b>	<b>(14,145)</b>	<b>17,843,159</b>
<b>Net Position - Beginning of Year</b>	<b>124,966,518</b>	<b>1,208,791</b>	<b>6,480,068</b>	<b>1,325</b>	<b>251,357</b>	<b>333,752</b>	<b>133,241,810</b>
<b>Net Position - End of Year</b>	<b>\$ 141,847,870</b>	<b>\$ 1,371,706</b>	<b>\$ 7,295,646</b>	<b>\$ 1,950</b>	<b>\$ 248,190</b>	<b>\$ 319,606</b>	<b>\$ 151,084,969</b>

**Combining Statement of Fiduciary Net Position - Investment Trust Funds**  
**June 30, 2022**

(In Thousands)

	<b>Local Government Pooled Investment</b>	<b>Milwaukee Retirement System</b>	<b>Totals</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 6,039,253	\$ 252,426	\$ 6,291,680
Other Receivables	143	—	143
Total Assets	6,039,396	252,426	6,291,823
<b>Liabilities</b>			
Accounts Payable	13	—	13
Due to Other Funds	156	—	156
Total Liabilities	169	—	169
<b>Net Position</b>			
Restricted for Pool Participants	\$ 6,039,228	\$ 252,426	\$ 6,291,654

## Combining Statement of Changes in Fiduciary Net Position - Investment Trust Funds For the Fiscal Year Ended June 30, 2022

(In Thousands)

	Local Government Pooled Investment	Milwaukee Retirement System	Totals
<b>Additions</b>			
Deposits	\$ 11,429,363	\$ 3,447	\$ 11,432,810
Investment Income	13,191	37,354	50,545
Less: Investment Expense	(1,014)	—	(1,014)
Net Investment Income	12,177	37,354	49,531
 Total Additions	 11,441,540	 40,801	 11,482,341
<b>Deductions</b>			
Distributions	10,770,076	9,558	10,779,634
Administrative Expense	186	—	186
Total Deductions	10,770,262	9,558	10,779,820
 Net Increase (Decrease)	 671,278	 31,243	 702,520
Net Position - Beginning of Year	5,367,950	221,184	5,589,134
Net Position - End of Year	\$ 6,039,228	\$ 252,426	\$ 6,291,654

**Combining Statement of Fiduciary Net Position - Private-Purpose Trust Funds**  
**June 30, 2022**

(In Thousands)

	<u>Tuition Trust</u>	<u>Totals</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,010	\$ 1,010
Total Assets	<u>1,010</u>	<u>1,010</u>
<b>Liabilities</b>		
Accounts Payable	<u>—</u>	<u>—</u>
Total Liabilities	—	—
<b>Net Position</b>		
Restricted for Individuals	<u>\$ 1,010</u>	<u>\$ 1,010</u>

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**Combining Statement of Changes in Fiduciary Net Position -  
Private-Purpose Trust Funds  
For the Fiscal Year Ended June 30, 2022**

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(In Thousands)

	Tuition Trust	Totals
<b>Additions</b>		
Investment Income	11	11
Total Additions	11	11
<b>Deductions</b>		
Distributions	—	—
Total Deductions	—	—
Net Increase (Decrease)	11	11
Net Position - Beginning of Year	1,000	1,000
Net Position - End of Year	<u>\$ 1,010</u>	<u>\$ 1,010</u>

**Combining Statement of Fiduciary Net Position - Custodial Funds**  
**June 30, 2022**

(In Thousands)

	Local Government Tax Collections	Insurance Company Liquidation Account	Local Retiree Health Insurance	Inmate and Resident	Bank and Insurance Company Deposits	Support Collection Trust	Totals
<b>Assets</b>							
Cash and Cash Equivalents	\$ 91,200	\$ 4,460	\$ —	\$ 31,928	\$ —	\$ 10,245	\$ 137,833
Prepaid Items	—	—	13	—	—	—	13
Receivables (net of allowance):							
Due from Other Funds	—	—	3,927	1,432	—	—	5,359
Due from Other Governments	—	—	1,940	—	—	—	1,940
Other Receivables	—	—	1,852	2,042	—	—	3,893
Total Receivables	—	—	7,719	3,474	—	—	11,193
Investments	—	—	—	35	—	—	35
Other Assets	—	—	—	—	339,490	—	339,490
Total Assets	91,200	4,460	7,732	35,437	339,490	10,245	488,563
<b>Liabilities</b>							
Accounts Payable	—	—	499	2	—	10,245	10,746
Due to Other Funds	—	—	5,593	—	—	—	5,593
Due to Other Governments	91,200	—	—	—	—	—	91,200
Tax and Other Deposits	—	—	1,640	—	—	—	1,640
Total Liabilities	91,200	—	7,732	2	—	10,245	109,179
<b>Net Position</b>							
Restricted for Individuals, Organizations and Other Governments	\$ —	\$ 4,460	\$ —	\$ 35,435	\$ 339,490	\$ —	\$ 379,385

**Combining Statement of Changes in Fiduciary Net Position - Custodial Funds  
For the Fiscal Year Ended June 30, 2022**

(In Thousands)

	Local Government Tax Collections	Insurance Company Liquidation Account	Local Retiree Health Insurance	Inmate and Resident	Bank and Insurance Company Deposits	Support Collection Trust	Totals
<b>Additions</b>							
Premiums	\$ —	\$ —	\$ 23,944	\$ —	\$ —	\$ —	\$ 23,944
Federal Subsidy	—	—	1,945	—	—	—	1,945
Deposits	—	2,261	—	144,846	88,727	916,498	1,152,331
Investment Income	—	—	(166)	—	—	—	(165)
Less: Investment Expense	—	(3)	—	—	—	—	(3)
Net Investment Income	—	(2)	(166)	—	—	—	(168)
Tax Collections for Other Governments	619,847	—	—	—	—	—	619,847
Miscellaneous Income	—	—	1	—	—	—	1
Total Additions	619,847	2,259	25,725	144,846	88,727	916,498	1,797,901
<b>Deductions</b>							
Distributions	—	969	—	137,365	90,929	916,498	1,145,760
Benefits and Other Expenses	—	—	24,985	408	—	—	25,393
Administrative Expense	175	—	739	1,732	—	—	2,647
Payments of Tax to Other Governments	619,671	—	—	—	—	—	619,671
Total Deductions	619,847	969	25,725	139,505	90,929	916,498	1,793,472
Net Increase (Decrease)	—	1,290	—	5,341	(2,202)	—	4,429
Net Position - Beginning of Year	—	3,170	—	30,094	341,692	—	374,956
Net Position - End of Year	\$ —	\$ 4,460	\$ —	\$ 35,435	\$ 339,490	\$ —	\$ 379,385

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# STATISTICAL SECTION

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The statistical section of Wisconsin's Annual Comprehensive Financial Report provides additional historical perspective, context, and detail to assist financial statement users in understanding the government's economic condition. The State's financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information are presented in the following sections:		
<b>Financial Trends Information</b>		
The following schedules are intended to assist users in understanding and assessing how the State's financial position has changed over time. Information is presented at both the entity wide and fund level perspective.		
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## Net Position by Component (Accrual Basis of Accounting)

For the Last Ten Fiscal Years

	2022	2021	2020	2019
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 22,367,607	\$ 21,717,398	\$ 21,096,916	\$ 20,305,658
Restricted	4,889,605	4,101,500	3,195,207	2,597,826
Unrestricted	(2,525,248)	(6,263,494)	(7,650,252)	(7,512,220)
Total Governmental Activities Net Position	24,731,964	19,555,404	16,641,871	15,391,264
<b>Business-type Activities:</b>				
Net Investment in Capital Assets	4,128,754	3,956,005	3,823,246	3,820,717
Restricted	8,305,864	7,898,273	7,480,055	6,940,369
Unrestricted	(286,932)	(255,949)	(32,104)	558,041
Total Business-type Activities Net Position	12,147,686	11,598,329	11,271,197	11,319,127
<b>Primary Government:</b>				
Net Investment in Capital Assets	26,496,361	25,673,402	24,920,163	24,126,375
Restricted	13,195,469	11,999,773	10,675,262	9,538,195
Unrestricted	(2,812,180)	(6,519,443)	(7,682,356)	(6,954,179)
Total Primary Government Net Position	\$ 36,879,650	\$ 31,153,733	\$ 27,913,069	\$ 26,710,391

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

## Schedule A-1

(In Thousands)

2018	2017	2016	2015	2014	2013
\$ 19,685,400	\$ 19,181,100	\$ 18,613,522	\$ 18,051,739	\$ 17,185,161	\$ 16,284,840
2,787,831	2,279,870	2,368,890	2,601,972	1,622,695	1,409,449
(8,542,138)	(8,361,432)	(8,902,713)	(9,435,962)	(8,846,226)	(9,101,649)
13,931,093	13,099,538	12,079,699	11,217,749	9,961,630	8,592,640
3,709,619	4,578,725	4,562,881	4,566,086	4,540,378	4,383,457
6,899,638	6,014,862	5,619,600	5,312,399	4,120,908	3,628,036
356,126	912,137	1,042,364	863,361	779,860	700,149
10,965,383	11,505,724	11,224,845	10,741,846	9,441,146	8,711,642
23,395,019	23,759,825	23,176,403	22,617,825	21,725,539	20,668,297
9,687,468	8,294,732	7,988,490	7,914,371	5,743,603	5,037,485
(8,186,013)	(7,449,295)	(7,860,349)	(8,572,601)	(8,066,366)	(8,401,500)
\$ 24,896,474	\$ 24,605,262	\$ 23,304,544	\$ 21,959,595	\$ 19,402,776	\$ 17,304,282

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

For the Last Ten Fiscal Years

	2022	2021	2020	2019
<b>Expenses</b>				
Governmental Activities:				
Commerce	\$ 516,392	\$ 491,745	\$ 451,580	\$ 322,793
Education	9,102,302	8,376,178	7,943,093	7,749,998
Transportation	2,577,391	2,399,660	2,413,702	2,365,713
Environmental Resources	499,972	522,207	518,341	501,822
Human Relations and Resources	19,470,003	17,656,618	15,309,543	14,413,228
General Executive	1,723,024	2,097,989	678,065	634,362
Judicial	146,920	143,193	147,204	148,683
Legislative	76,245	72,459	75,853	76,102
Tax Relief and Other General Expenses	1,591,184	1,639,517	1,597,518	1,571,454
Intergovernmental - Shared Revenue	1,074,920	1,064,283	1,050,917	1,033,820
Interest on Debt	313,266	355,323	392,340	432,662
Total Governmental Activities	37,091,619	34,819,175	30,578,156	29,250,637
Business-type Activities:				
Injured Patients and Families Compensation	50,269	116,794	70,571	(67,296)
Environmental Improvement	65,952	40,129	45,651	42,879
University of Wisconsin System	5,377,192	5,050,245	5,319,535	5,408,491
Unemployment Insurance Reserve	684,509	3,488,532	3,371,760	390,204
Other Business-type	3,249,091	3,085,370	2,935,095	2,580,089
Total Business-type Activities	9,427,013	11,781,070	11,742,612	8,354,367
Total Primary Government Expenses	\$ 46,518,632	\$ 46,600,244	\$ 42,320,768	\$ 37,605,004
<b>Program Revenues (All Types Consolidated):</b>				
Charges for Services:				
Commerce	\$ 291,539	\$ 279,430	\$ 268,967	\$ 274,282
Education	14,441	10,491	13,748	14,486
Transportation	1,005,098	992,031	915,778	785,966
Environmental Resources	250,259	251,687	241,218	235,461
Human Relations and Resources	701,958	658,584	682,018	696,709
General Executive	255,848	248,421	276,509	288,341
Judicial	41,893	40,777	46,946	50,545
Intergovernmental - Shared Revenue	57,117	54,327	53,555	53,540
Other	1,848	2,260	2,006	2,291
Operating Grants and Contributions	16,526,965	14,724,503	10,663,046	9,395,640
Capital Grants and Contributions	1,002,726	917,514	1,082,138	988,011
Total Governmental Activities	20,149,692	18,180,025	14,245,929	12,785,272
Business-type Activities:				
Charges for Services:				
University of Wisconsin System	3,876,404	3,466,929	3,640,875	3,699,981
Health Insurance	1,662,680	1,618,997	1,543,753	1,306,456
Unemployment Insurance Reserve	477,071	474,772	582,612	587,078
Other Activities	1,337,662	1,350,016	1,162,886	1,155,314
Operating Grants and Contributions	1,206,193	3,770,563	3,455,576	829,427
Capital Grants and Contributions	18,911	103,014	18,488	110,880
Total Business-type Activities	8,578,921	10,784,291	10,404,190	7,689,136
Total Primary Government Revenues	\$ 28,728,613	\$ 28,964,316	\$ 24,650,119	\$ 20,474,408
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (16,941,927)	\$ (16,639,150)	\$ (16,332,227)	\$ (16,465,365)
Business-type Activities	(848,092)	(996,779)	(1,338,422)	(665,231)
Total Primary Government Net Expense	\$ (17,790,019)	\$ (17,635,928)	\$ (17,670,649)	\$ (17,130,596)

Schedule A-2

(In Thousands)

2018	2017	2016	2015	2014	2013
\$ 266,247	\$ 248,879	\$ 237,466	\$ 265,440	\$ 249,517	\$ 244,141
7,442,098	7,237,495	7,028,238	7,068,625	6,404,995	6,234,973
2,379,940	2,135,538	2,121,715	2,156,820	2,047,341	2,117,768
473,257	458,103	469,164	468,101	487,948	488,515
13,599,471	13,396,577	13,298,962	13,083,675	12,603,671	12,169,309
626,327	675,331	580,095	553,662	598,258	596,605
143,115	142,649	131,871	127,336	123,616	126,399
69,280	70,310	67,604	64,429	63,755	63,673
1,612,835	1,428,610	1,434,733	1,317,319	1,350,637	1,327,934
972,110	966,989	965,324	964,113	960,926	957,061
440,077	450,129	436,832	455,540	487,477	518,277
<u>28,024,757</u>	<u>27,210,610</u>	<u>26,772,004</u>	<u>26,525,060</u>	<u>25,378,141</u>	<u>24,844,655</u>
23,723	(56,933)	(50,687)	(88,594)	(13,388)	(14,326)
43,119	74,089	44,895	48,513	50,015	51,646
4,973,217	5,005,294	4,938,522	4,725,625	4,674,496	4,513,243
411,682	471,341	520,839	628,386	931,114	1,366,991
2,475,565	2,472,308	2,565,345	2,523,069	2,406,229	2,282,914
<u>7,927,306</u>	<u>7,966,099</u>	<u>8,018,914</u>	<u>7,836,999</u>	<u>8,048,466</u>	<u>8,200,468</u>
<u>\$ 35,952,063</u>	<u>\$ 35,176,709</u>	<u>\$ 34,790,918</u>	<u>\$ 34,362,059</u>	<u>\$ 33,426,607</u>	<u>\$ 33,045,123</u>
\$ 276,882	\$ 265,120	\$ 273,093	\$ 261,754	\$ 270,456	\$ 240,663
13,097	14,406	16,992	17,428	18,880	21,383
794,358	771,320	771,525	741,921	733,592	707,599
242,907	226,066	240,006	226,774	218,338	249,807
686,802	722,589	697,972	658,599	712,035	718,946
280,739	268,493	236,956	248,223	251,230	244,075
50,457	51,372	46,952	49,346	51,191	56,636
53,462	53,995	53,312	53,056	52,548	53,126
1,768	2,156	1,715	1,694	1,667	1,777
9,087,540	8,737,782	8,724,152	8,798,868	8,727,362	8,571,743
760,612	601,136	808,920	862,275	730,007	775,963
<u>12,248,624</u>	<u>11,714,435</u>	<u>11,871,595</u>	<u>11,919,938</u>	<u>11,767,306</u>	<u>11,641,718</u>
3,625,793	3,676,555	3,648,741	3,440,837	3,402,011	3,541,438
1,332,776	1,326,618	1,386,532	1,338,486	1,279,339	1,249,745
625,859	740,165	911,598	1,106,579	1,319,283	1,324,308
1,109,302	1,124,400	1,125,896	1,088,159	1,050,320	1,027,624
812,458	610,061	460,223	441,804	711,345	976,734
45,194	22,599	45,452	37,791	54,415	68,821
<u>7,551,382</u>	<u>7,500,398</u>	<u>7,578,442</u>	<u>7,453,656</u>	<u>7,816,713</u>	<u>8,188,670</u>
<u>\$ 19,800,006</u>	<u>\$ 19,214,833</u>	<u>\$ 19,450,037</u>	<u>\$ 19,373,594</u>	<u>\$ 19,584,019</u>	<u>\$ 19,830,388</u>
\$ (15,776,133)	\$ (15,496,174)	\$ (14,900,410)	\$ (14,605,122)	\$ (13,610,834)	\$ (13,202,938)
(375,924)	(465,701)	(440,473)	(383,344)	(231,753)	(11,797)
<u>\$ (16,152,057)</u>	<u>\$ (15,961,875)</u>	<u>\$ (15,340,883)</u>	<u>\$ (14,988,466)</u>	<u>\$ (13,842,587)</u>	<u>\$ (13,214,735)</u>

(Continued)

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

For the Last Ten Fiscal Years

(Continued)

	2022	2021	2020	2019
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities:				
Taxes:				
Income Taxes	\$ 12,902,644	\$ 10,942,716	\$ 10,320,574	\$ 10,161,148
Sales and Excise Taxes	7,827,191	7,206,138	6,614,283	6,365,405
Public Utility Taxes	378,193	365,478	363,462	371,802
Motor Fuel (Transportation-related) Taxes	1,120,012	1,079,269	1,080,586	1,129,780
Other Taxes	501,353	467,645	430,632	425,119
Investment Earnings	327,129	264,160	342,486	73,731
Contributions and Miscellaneous	476,898	506,384	445,430	505,185
Special Items - (Surrender)/Cancellation of GO Bonds	—	—	—	—
Transfers	(1,420,718)	(1,313,821)	(1,249,326)	(1,008,590)
Total Governmental Activities	22,112,701	19,517,967	18,348,127	18,023,580
Business-type Activities:				
Investment Earnings	(14,907)	1,300	44,107	20,424
Contributions and Miscellaneous	1,073	11,462	1,337	5,857
Special Items - (Surrender)/Cancellation of GO Bonds	—	—	—	—
Transfers	1,420,718	1,313,821	1,249,326	1,008,590
Total Business-type Activities	1,406,883	1,326,582	1,294,770	1,034,871
Total Primary Government	\$ 23,519,584	\$ 20,844,550	\$ 19,642,897	\$ 19,058,451
<b>Change in Net Position</b>				
Governmental Activities	5,170,774	2,878,818	2,015,899	1,558,214
Business-type Activities	558,792	329,804	(43,652)	369,640
Total Primary Government	\$ 5,729,565	\$ 3,208,622	\$ 1,972,247	\$ 1,927,854

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

**Schedule A-2**

							(In Thousands)
2018	2017	2016	2015	2014	2013		
\$ 9,450,658	\$ 8,928,209	\$ 8,582,394	\$ 8,355,665	\$ 8,369,654	\$ 8,290,429		
6,046,474	5,931,200	5,781,190	5,590,876	5,322,607	5,096,132		
361,696	357,757	368,724	368,867	351,669	335,753		
1,121,780	1,101,736	1,091,758	1,067,773	1,053,485	1,016,542		
404,674	516,137	481,864	477,747	471,126	439,339		
35,699	12,206	3,940	9,715	2,301	1,789		
421,200	415,890	418,260	419,586	401,276	431,680		
—	148,867	—	—	—	—		
(1,010,615)	(905,147)	(902,973)	(1,095,969)	(960,987)	(1,110,877)		
16,831,566	16,506,855	15,825,157	15,194,260	15,011,131	14,500,787		
22,147	8,637	15,807	4,354	22,039	(67)		
1,145	2,144	4,437	4,033	3,069	4,172		
—	(169,364)	—	—	—	—		
1,010,615	905,147	902,973	1,095,969	960,987	1,110,877		
1,033,907	746,564	923,217	1,104,356	986,095	1,114,982		
\$ 17,865,473	\$ 17,253,419	\$ 16,748,374	\$ 16,298,616	\$ 15,997,226	\$ 15,615,769		
1,055,434	1,010,681	924,748	589,141	1,400,298	1,297,849		
657,983	280,865	482,745	721,013	754,344	1,103,186		
\$ 1,713,417	\$ 1,291,546	\$ 1,407,493	\$ 1,310,154	\$ 2,154,642	\$ 2,401,035		

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

For the Last Ten Fiscal Years

	2022	2021	2020	2019
<b>General Fund (Per GASB 54)</b>				
Nonspendable	\$ 62,721	\$ 70,689	\$ 19,811	\$ 17,350
Restricted	607,223	291,811	337,571	279,489
Committed	1,733,754	1,729,920	761,776	649,104
Unassigned	2,241,783	(912,004)	(1,117,611)	(1,719,399)
<b>Total General Fund</b>	<b>\$ 4,645,482</b>	<b>\$ 1,180,416</b>	<b>\$ 1,547</b>	<b>\$ (773,456)</b>
<b>All Other Governmental Funds (Per GASB 54)</b>				
Nonspendable	\$ 1,412,916	\$ 1,440,961	\$ 1,282,722	\$ 1,214,256
Restricted (a)	1,731,603	1,492,955	1,283,658	1,555,721
Committed	313,944	295,992	275,351	244,129
Unassigned	(21,618)	(76,026)	(158,157)	(196,308)
<b>Total All Other Governmental Funds</b>	<b>\$ 3,436,845</b>	<b>\$ 3,153,882</b>	<b>\$ 2,683,574</b>	<b>\$ 2,817,798</b>

(a) In 2015, a constitutional amendment was passed restricting the use of state resources deposited into the Transportation fund for transportation systems. This resulted in the reclassification of that portion of fund balance from committed to restricted beginning in 2015.

**SOURCE:** State of Wisconsin, Department of Administration, State Controller's Office

**Schedule A-3**

(In Thousands)

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
\$	18,576	\$ 21,712	\$ 49,858	\$ 92,916	\$ 92,257	\$ 90,971
	257,577	230,152	339,107	284,480	264,057	239,380
	320,054	282,850	281,347	280,280	279,693	279,390
	(1,849,733)	(2,160,635)	(2,392,941)	(2,437,085)	(2,017,849)	(2,343,530)
\$	(1,253,526)	\$ (1,625,921)	\$ (1,722,629)	\$ (1,779,409)	\$ (1,381,842)	\$ (1,733,789)
\$	1,139,969	\$ 1,132,440	\$ 1,101,187	\$ 1,073,366	\$ 1,046,340	\$ 976,434
	1,471,216	954,591	969,227	969,802	350,199	233,968
	228,193	220,613	170,475	169,206	786,334	875,162
	(244,040)	(267,351)	(571,791)	(870,931)	(727,845)	(618,459)
\$	2,595,338	\$ 2,040,293	\$ 1,669,098	\$ 1,341,443	\$ 1,455,028	\$ 1,467,105

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

For the Last Ten Fiscal Years

	2022	2021	2020	2019
<b>Revenues:</b>				
Taxes	\$ 22,681,881	\$ 19,999,468	\$ 18,773,283	\$ 18,434,719
Intergovernmental	17,413,392	15,333,503	11,563,250	10,175,398
Licenses and Permits	2,244,850	2,197,147	2,104,958	1,986,836
Charges for Goods and Services	437,188	319,753	357,239	370,312
Investment and Interest Income	(8,020)	168,553	102,443	135,709
Fines and Forfeitures	72,831	62,319	63,453	64,975
Gifts and Donations	22,905	26,551	23,331	22,926
<b>Miscellaneous:</b>				
Tobacco Settlement	124,521	123,560	116,255	116,854
Other	339,373	371,093	317,416	375,990
<b>Total Revenues</b>	<b>43,328,920</b>	<b>38,601,947</b>	<b>33,421,628</b>	<b>31,683,719</b>
<b>Expenditures:</b>				
<b>Current Operating:</b>				
Commerce	520,624	496,329	447,548	315,557
Education	9,048,555	8,322,733	7,865,599	7,705,377
Transportation	2,543,153	2,374,470	2,343,808	2,267,705
Environmental Resources	500,778	514,096	476,595	462,376
Human Relations and Resources	19,429,014	17,646,874	15,088,326	14,186,412
General Executive	1,751,308	2,120,057	673,539	630,460
Judicial	147,850	146,054	142,916	138,771
Legislative	79,288	76,203	74,205	72,075
<b>Tax Relief and Other General Expenditures:</b>				
Other	1,591,184	1,638,868	1,598,408	1,571,644
Intergovernmental - Shared Revenue	1,074,920	1,064,283	1,050,917	1,033,820
<b>Debt Service:</b>				
Principal	755,352	685,617	697,676	675,459
Interest and Other Charges	390,107	422,534	474,880	519,151
Capital Outlay	732,234	677,827	951,671	747,894
<b>Total Expenditures</b>	<b>38,564,367</b>	<b>36,185,943</b>	<b>31,886,088</b>	<b>30,326,701</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,764,553</b>	<b>2,416,005</b>	<b>1,535,540</b>	<b>1,357,020</b>
<b>Other Financing Sources (Uses):</b>				
Long-term Debt Issued	292,157	502,360	540,745	309,456
Long-term Debt Issued - Refunding Bonds	614,470	1,000,447	1,016,761	392,000
Payments for Refunded Bonds	(38,371)	(459,311)	(847,612)	(446,225)
Payment to Refunding Bond Escrow Agent	(543,481)	(723,902)	(337,962)	—
Swap Terminations	—	—	(149,728)	—
Discount on Bonds	—	—	—	(72)
Premium on Bonds	52,388	184,709	122,247	89,449
Transfers In	1,463,554	1,306,174	1,291,269	1,360,815
Transfers Out	(2,879,973)	(2,619,810)	(2,544,113)	(2,372,270)
Leases Acquisitions	25,197	665	239	3,072
Installment Purchase Acquisitions	—	—	—	—
<b>Total Other Financing Sources (Uses)</b>	<b>(1,014,059)</b>	<b>(808,668)</b>	<b>(908,154)</b>	<b>(663,775)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 3,750,494</b>	<b>\$ 1,607,337</b>	<b>\$ 627,386</b>	<b>\$ 693,245</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>3.0 %</b>	<b>3.1 %</b>	<b>3.8 %</b>	<b>4.0 %</b>

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

**Schedule A-4**

(In Thousands)

	2018		2017		2016		2015		2014		2013
\$	17,372,902	\$	16,817,553	\$	16,301,218	\$	15,859,742	\$	15,580,509	\$	15,201,494
	9,710,876		9,187,189		9,374,125		9,515,239		9,295,229		9,224,190
	1,999,772		1,973,358		1,974,050		1,909,289		1,924,149		1,892,709
	364,479		365,370		325,987		327,870		362,458		378,822
	62,751		43,180		56,795		49,321		54,596		17,199
	60,854		60,827		61,100		59,889		61,985		59,687
	25,648		24,199		21,466		23,467		21,673		22,681
	122,469		139,973		133,676		126,185		144,893		129,353
	285,919		262,809		285,202		287,865		243,215		289,133
	30,005,670		28,874,458		28,533,619		28,158,867		27,688,707		27,215,268
	262,660		242,084		235,912		270,500		253,864		249,012
	7,400,716		7,188,985		6,985,064		7,031,310		6,364,672		6,197,593
	2,283,143		2,066,119		2,051,770		2,112,307		1,995,816		1,995,910
	447,454		420,739		437,121		454,705		475,212		475,755
	13,446,670		13,174,807		13,072,588		12,978,873		12,504,952		12,083,013
	631,568		671,787		583,382		586,166		599,063		617,920
	134,376		132,359		128,487		126,064		122,509		124,420
	67,482		66,908		65,506		64,291		63,995		62,987
	1,613,573		1,431,872		1,434,880		1,317,664		1,350,694		1,325,954
	972,110		966,989		965,324		964,113		960,926		957,061
	605,401		621,154		651,302		610,503		655,551		539,822
	518,449		512,774		524,639		522,789		531,688		543,778
	537,336		919,017		1,149,679		1,273,428		1,127,863		1,028,300
	28,920,938		28,415,594		28,285,654		28,312,713		27,006,805		26,201,525
	1,084,731		458,864		247,965		(153,846)		681,902		1,013,743
	324,322		775,781		840,952		560,458		522,662		629,965
	1,248,221		1,965,745		222,323		1,065,490		662,340		387,310
	—		(420,443)		—		(280,790)		(199,715)		—
	(1,014,508)		(1,645,980)		(273,679)		(927,779)		(548,286)		(414,970)
	—		—		—		—		—		—
	—		—		—		—		—		—
	301,018		237,718		199,940		246,028		151,087		104,659
	1,261,103		1,341,916		1,274,221		1,232,759		1,422,700		1,287,517
	(2,276,548)		(2,238,980)		(2,172,472)		(2,322,517)		(2,370,089)		(2,397,765)
	1,817		373		17,488		41,836		21,785		5,711
	—		—		575		409		1,424		1,302
	(154,575)		16,130		109,348		(384,106)		(336,092)		(396,271)
\$	930,156	\$	474,994	\$	357,313	\$	(537,952)	\$	345,810	\$	617,472
	4.0 %		4.1 %		4.3 %		4.2 %		4.6 %		4.3 %

## Personal Income by Industry

For the Last Ten Calendar Years

(In Millions)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Personal Income by Source:</b>										
Farm Earnings	\$ 2,748	\$ 4,218	\$ 2,507	\$ 1,119	\$ 1,758	\$ 2,228	\$ 2,632	\$ 3,788	\$ 3,363	\$ 2,575
Forestry, Fishing, Related Activities	671	678	657	706	661	717	615	651	518	432
Mining	337	352	365	351	325	265	349	366	331	305
Utilities	1,381	1,705	1,656	1,678	1,591	1,698	1,759	1,649	1,749	1,626
Construction	15,122	15,096	13,744	13,288	12,572	11,594	11,032	10,097	9,589	8,604
Manufacturing	39,955	38,180	38,522	37,052	35,294	34,065	34,425	34,244	33,750	33,329
Wholesale Trade	12,396	11,486	11,212	11,020	10,676	10,440	10,108	9,792	9,485	9,099
Retail Trade	13,779	13,155	12,330	12,150	11,780	11,697	11,383	11,070	10,514	10,250
Transportation and Warehousing	8,433	8,680	8,023	7,559	7,203	6,825	6,517	6,132	6,099	6,015
Information	5,735	5,335	5,225	4,785	4,591	4,376	4,271	4,142	3,892	3,719
Finance and Insurance	15,901	14,979	13,451	13,350	12,676	11,757	11,603	11,286	11,278	10,985
Real Estate and Rental and Leasing	4,206	3,707	3,241	3,007	3,094	3,065	2,756	1,983	1,741	1,675
Professional and Technical Services	15,199	14,177	13,511	12,731	11,946	11,421	11,016	10,334	10,094	9,658
Management of Companies and Enterprises	8,847	9,092	8,404	8,383	7,870	7,968	7,119	6,532	6,260	5,707
Administrative and Waste Services	7,651	7,291	7,155	7,004	6,603	6,003	5,959	5,883	5,704	5,375
Educational Services	3,376	3,283	3,172	3,015	2,881	2,823	2,683	2,636	2,570	2,499
Health Care and Social Assistance	29,615	28,977	27,551	26,461	25,248	24,324	23,312	22,425	22,489	21,426
Arts, Entertainment, and Recreation	1,980	1,689	1,924	1,944	1,651	1,642	1,655	1,574	1,436	1,387
Accommodations and Food Services	7,120	5,228	5,972	5,631	5,381	5,147	5,001	4,706	4,609	4,468
Other Services, except Public Administration	7,962	7,900	7,727	7,420	7,082	6,823	6,610	6,476	6,246	6,070
Federal, Civilian	3,139	3,090	2,912	2,857	2,735	2,669	2,633	2,530	2,413	2,478
Military	674	879	653	610	565	557	526	574	606	607
State and Local	28,452	27,018	27,266	26,731	26,065	25,096	25,285	25,233	23,383	23,496
Other (a)	116,872	98,730	92,729	91,081	83,388	77,025	75,739	72,595	69,672	69,418
<b>Total Personal Income</b>	<b>\$ 351,551</b>	<b>\$ 324,925</b>	<b>\$ 309,909</b>	<b>\$ 299,933</b>	<b>\$ 283,636</b>	<b>\$ 270,225</b>	<b>\$ 264,988</b>	<b>\$ 256,698</b>	<b>\$ 247,791</b>	<b>\$ 241,203</b>
<b>Per Capita Personal Income (in Dollars)</b>	<b>\$ 59,626</b>	<b>\$ 55,663</b>	<b>\$ 53,227</b>	<b>\$ 51,592</b>	<b>\$ 48,941</b>	<b>\$ 46,762</b>	<b>\$ 45,914</b>	<b>\$ 44,585</b>	<b>\$ 43,149</b>	<b>\$ 42,121</b>

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

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

**Personal Income Tax Rates**

For the Last Ten Calendar Years

Year	Top Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of			Average Tax Rate (a)
		Single or Head of Household	Married Filing Jointly	Married Filing Separately	
2022	7.65%	\$280,950	\$374,600	\$187,300	(b) %
2021	7.65	266,930	355,910	177,960	3.98
2020	7.65	263,480	351,310	175,660	4.31
2019	7.65	258,950	345,270	172,630	4.32
2018	7.65	252,150	336,200	168,100	4.43
2017	7.65	247,350	329,810	164,900	4.38
2016	7.65	244,750	326,330	163,170	4.34
2015	7.65	244,270	325,700	162,850	4.35
2014	7.65	240,190	320,250	160,130	4.33
2013	7.75	236,600	315,460	157,730	4.36

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

(b) Information is currently not available.

**SOURCE:** Wisconsin Department of Revenue

## Personal Income Filers and Liability by Income Level Calendar Year 2020<sup>(a)</sup> and Ten Years Prior

### 2020

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Net Income Tax Rate (b)
\$1,000,000 and Higher	5,875	0.19%	\$ 998,856,373	12.02%	5.08%
\$500,000 to 999,999	13,772	0.44	553,145,819	6.65	6.00
\$200,000 to 499,999	95,338	3.03	1,462,692,530	17.60	5.41
\$100,000 to 199,999	392,408	12.48	2,551,213,918	30.69	4.84
\$70,000 to 99,999	335,682	10.67	1,186,799,623	14.28	4.22
\$50,000 to 69,999	364,373	11.58	789,913,710	9.50	3.66
\$30,000 to 49,999	584,292	18.58	614,538,152	7.39	2.67
\$10,000 to 29,999	663,777	21.10	145,177,794	1.75	1.11
Less than \$10,000	690,027	21.94	9,634,388	0.12	4.48
<b>Total</b>	<b>3,145,544</b>	<b>100.00%</b>	<b>\$ 8,311,972,307</b>	<b>100.00%</b>	<b>4.27%</b>

### 2010

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Net Income Tax Rate (b)
\$1,000,000 and Higher	3,534	0.12%	\$ 631,437,737	10.40%	6.41%
\$500,000 to 999,999	7,563	0.26	336,046,594	5.53	6.59
\$200,000 to 499,999	42,801	1.50	715,789,655	11.79	5.84
\$100,000 to 199,999	231,221	8.08	1,544,839,574	25.44	5.14
\$70,000 to 99,999	292,139	10.21	1,139,648,399	18.77	4.68
\$50,000 to 69,999	318,452	11.13	794,633,488	13.09	4.20
\$30,000 to 49,999	491,293	17.16	666,291,369	10.97	3.46
\$10,000 to 29,999	732,288	25.58	234,175,856	3.86	1.65
Less than \$10,000	743,126	25.96	8,972,898	0.15	0.62
<b>Total</b>	<b>2,862,417</b>	<b>100.00%</b>	<b>\$ 6,071,835,570</b>	<b>100.00%</b>	<b>4.48%</b>

(a) Information from tax year 2020 is the most current data available.

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

SOURCE: Wisconsin Department of Revenue

**Ratio of Outstanding Debt by Type**

For the Last Ten Fiscal Years

(in millions, except for Per Capita Calculation)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Governmental Activities:</b>										
General Obligation Bonds and Notes (a)	\$ 5,724.9	\$ 5,862.6	\$ 5,924.0	\$ 6,025.8	\$ 6,478.1	\$ 6,190.4	\$ 6,055.0	\$ 5,850.3	\$ 5,653.2	\$ 5,841.6
Annual Appropriation Bonds (b)	2,703.2	2,886.5	3,030.2	3,002.4	3,044.0	3,113.9	3,032.4	3,112.1	3,175.8	3,256.4
Transportation Revenue Bonds (c)	1,885.2	2,037.5	2,131.3	2,388.5	2,330.8	2,235.8	2,215.1	2,167.3	2,194.1	1,963.2
Petroleum Inspection Revenue Bonds	—	—	—	27.2	56.1	78.9	41.7	69.1	96.0	121.6
Leases	324.6	0.5	70.5	84.8	94.3	97.7	111.0	99.3	51.7	24.0
Installment Contracts	—	—	—	—	—	—	0.5	0.9	1.8	1.0
Certificates Of Participation (d)	57.4	61.3	—	—	—	—	—	—	—	—
<b>Business-type Activities:</b>										
General Obligation Bonds and Notes (a)	1,742.8	1,707.1	1,706.5	1,687.5	1,685.4	1,620.5	1,605.8	1,599.2	1,607.7	1,650.4
Environmental Improvement Revenue Bonds	398.6	325.2	354.6	277.8	265.0	362.0	759.5	758.7	826.4	873.4
Leases	275.3	27.6	34.4	34.7	31.3	31.1	34.3	37.2	43.1	20.3
Certificates Of Participation (d)	10.2	7.8	—	—	—	—	—	—	—	—
<b>Total Primary Government</b>	<b>\$ 13,122.3</b>	<b>\$ 12,916.13</b>	<b>\$ 13,251.5</b>	<b>\$ 13,528.6</b>	<b>\$ 13,984.8</b>	<b>\$ 13,730.2</b>	<b>\$ 13,855.2</b>	<b>\$ 13,694.1</b>	<b>\$ 13,649.8</b>	<b>\$ 13,751.9</b>
<b>Percentage of Personal Income (e)</b>	<b>3.73%</b>	<b>3.98%</b>	<b>4.28%</b>	<b>4.37%</b>	<b>4.93%</b>	<b>5.08%</b>	<b>5.23%</b>	<b>5.33%</b>	<b>5.51%</b>	<b>5.70%</b>
<b>Per Capita</b>	<b>\$ 2,226</b>	<b>\$ 2,219</b>	<b>\$ 2,276</b>	<b>\$ 2,327</b>	<b>\$ 2,413</b>	<b>\$ 2,376</b>	<b>\$ 2,401</b>	<b>\$ 2,378</b>	<b>\$ 2,377</b>	<b>\$ 2,401</b>

- (a) In 2018 general obligation bond issuances included a crossover refunding to refund \$293.8 million in existing general obligation bonds. Both the refunding bonds and the refunded bonds will be reported with bonds and notes payable until the crossover dates in May 2019 and 2020. Resources provided by the refunding are held in escrow and reported as assets until the crossover date.
- (b) In 2004, the State issued appropriation obligations to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits. In 2009, the State issued additional appropriation bonds to purchase future tobacco settlement revenues that had been sold.
- (c) In 2018 transportation revenue bond issuances included a crossover refunding to refund \$236.5 million in existing transportation revenue bonds. Both the refunding bonds and the refunded bonds will be reported as bonds payable until the crossover dates in July 2019 and 2020. Resources provided by the refunding are held in escrow and reported as assets until the crossover date.
- (d) Prior to 2021 the Certificates of Participation were included with leases.
- (e) These ratios are calculated using personal income and population for the prior calendar year.

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

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

For the Last Ten Fiscal Years

	2022	2021	2020(a)	2019(a)
General Obligation Bonds and Notes:				
Payable from Governmental Funds	\$ 5,401,466	\$ 5,523,119	\$ 5,580,820	\$ 5,666,268
Payable from Internal Service Funds	323,403	339,501	343,196	359,558
Payable from Enterprise Funds	1,742,814	1,707,117	1,706,481	1,687,456
Total General Obligation Bonds and Notes	7,467,683	7,569,736	7,630,497	7,713,282
Annual Appropriation Bonds (b)	2,703,208	2,886,528	3,030,189	3,002,384
Bonded Debt to be Paid with General Resources	\$ 10,170,891	\$ 10,456,265	\$ 10,660,686	\$ 10,715,666
Personal Income	\$ 351,551,320	\$ 324,924,618	\$ 309,909,312	\$ 299,932,678
Ratio of Bonded Debt to Personal Income (c)	2.9%	3.2%	3.4%	3.6%
Population	5,896	5,837	5,822	5,814
Bonded Debt per Capita (in Dollars) (c)	\$ 1,725	\$ 1,791	\$ 1,831	\$ 1,843

- (a) In Fiscal year 2018 general obligation bond issuances included a crossover refunding to refund \$293.8 million in existing general obligation bonds. Both the refunding bonds and the refunded bonds will be reported as bonds and notes payable until the crossover defeasance dates in May 2019 and 2020. Resources provided by the refunding are held in escrow and reported as assets until the crossover date.
- (b) 2003 Wisconsin Acts 33 and 84 were enacted and authorized the issuance of appropriation obligations to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability under Wis. Stat. Section 40.05(2)(b) and its unfunded accrued liability for sick leave conversion credits under Wis. Stat. Section 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40. 2007 Wisconsin Act 226 authorized the issuance of additional appropriation obligations for the purpose of purchasing tobacco settlement revenues that had been sold by the State under s. 16.63 of Wisconsin statutes. Appropriation bonds are not general obligations of the State, and do not constitute "public debt" of the State as that term is used in the Constitution and in the State Statutes. The payment of the principal of, and premium, if any, and interest on the bonds is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service on the Bonds.
- (c) These ratios are calculated using personal income and population for the prior calendar year.

### SOURCES OF INFORMATION:

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

**Schedule C-2**

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

2018(a)	2017	2016	2015	2014	2013
\$ 6,105,940	\$ 5,988,786	\$ 5,905,219	\$ 5,689,648	\$ 5,481,976	\$ 5,664,981
372,114	201,587	149,770	160,650	171,175	176,649
1,685,396	1,620,461	1,605,781	1,599,171	1,607,702	1,650,362
8,163,450	7,810,834	7,660,770	7,449,469	7,260,853	7,491,992
3,043,979	3,113,887	3,032,415	3,112,148	3,175,789	3,256,447
\$ 11,207,429	\$ 10,924,721	\$ 10,693,185	\$ 10,561,617	\$ 10,436,642	\$ 10,748,439
\$ 283,635,828	\$ 270,225,982	\$ 264,987,588	\$ 256,699,203	\$ 247,790,332	\$ 241,201,961
4.0%	4.0%	4.0%	4.1%	4.2%	4.5%
5,795	5,779	5,771	5,758	5,743	5,726
\$ 1,934	\$ 1,890	\$ 1,853	\$ 1,834	\$ 1,817	\$ 1,877

**Legal Debt Margin**

For the Last Ten Fiscal Years

(In Thousands)

Calendar Year		Annual Debt Limit	Total Net Debt Applicable to Limit (a)	Legal Debt Margin	Legal Debt Margin as a Percentage of Debt Limit
2022	(b)	5,588,712	\$319,730	\$5,268,982	94.3%
2021		4,911,153	433,360	4,477,793	91.2
2020		4,598,527	438,115	4,160,412	90.5
2019		4,356,545	541,685	3,814,860	87.6
2018		4,121,495	547,290	3,574,205	86.7
2017		3,944,884	607,975	3,336,909	84.6
2016		3,788,432	625,596	3,162,836	83.5
2015		3,679,519	750,475	2,929,044	79.6
2014		3,596,100	493,095	3,103,005	86.3
2013		3,506,269	583,470	2,922,799	83.4

(a) Consists of bonds and notes issued less refundings.  
 (b) Debt issued through December 2, 2022

**Calculation of Annual Public Debt Limit for 2022:**

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

(1) Three-fourths of one percent of the aggregate value of taxable property	\$ 5,588,712
or	
(2) Five percent of aggregate value of taxable property	\$ 37,258,077
<u>Less: Net indebtedness at January 1</u>	<u>\$ 7,589,778</u>
	<u>\$ 29,668,299</u>

The lesser of (1) or (2) is: \$ 5,588,712

**SOURCE:** Wisconsin Department of Administration

## Department of Transportation Revenue Bond Coverage

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenues	Debt Service			Pledged Revenue Coverage
				Principal	Interest	Total Debt Service	
2022	\$ 915,290	\$ 38	\$ 915,252	\$ 124,745	\$ 70,850	\$ 195,595	4.68
2021	921,535	33	921,502	130,275	79,374	209,649	4.40
2020	854,530	30	854,500	114,555	89,813	204,368	4.18
2019	705,630	36	705,594	103,235	90,204	193,439	3.65
2018	710,754	43	710,711	133,265	91,881	225,146	3.16
2017	699,513	39	699,474	130,800	97,060	227,860	3.07
2016	688,107	41	688,066	134,665	97,105	231,770	2.97
2015	667,068	54	667,014	127,950	97,789	225,739	2.95
2014	661,559	26	661,533	94,835	84,950	179,785	3.68
2013	632,894	41	632,853	94,715	85,651	180,366	3.51

The State of Wisconsin, Department of Transportation finances certain state highway projects and related transportation facilities through the issuance of revenue bonds. The revenue bonds, \$1,710.9 million outstanding at June 30, 2022, are secured by a pledge of the registration and registration-related fees collected under Wis. Stat. Sec. 341.25 and investments.

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

**SOURCE:** Wisconsin Department of Transportation

**Environmental Improvement Fund Revenue Bond Coverage**

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenues	Principal	Debt Service		Pledged Revenue Coverage
					Interest	Total Debt Service	
2022	\$ 102,784	\$ 1,551	\$ 101,233	\$ 41,655	\$ 8,915	\$ 50,570	2.00
2021	89,885	1,641	88,244	21,770	7,716	29,486	2.99
2020	90,715	1,904	88,811	18,125	7,107	25,232	3.52
2019	88,482	1,720	86,762	84,080	8,844	92,924	0.93
2018	85,732	1,934	83,798	90,550	8,780	99,330	0.84
2017	99,954	1,353	98,601	54,105	50,284	104,389	0.94
2016	99,059	2,362	96,697	63,180	28,968	92,148	1.05
2015	101,980	1,453	100,527	58,400	31,301	89,701	1.12
2014	100,420	1,181	99,239	58,195	33,782	91,977	1.08
2013	106,343	1,165	105,178	59,170	35,616	94,786	1.11

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

(b) Includes allocated administrative and general costs.

**SOURCE:** Wisconsin Department of Administration

**Petroleum Inspection Fee Revenue Bond Coverage**

For Last Ten Fiscal Years

(In Thousands)

Year	Fees Remitted to the Trustees (a)	Debt Service			Pledged Revenue Coverage
		Principal	Interest	Total Debt Service	
2022	\$ —	\$ —	\$ —	\$ —	—
2021	—	—	—	—	—
2020	—	27,195	544	27,739	—
2019	77,298	27,935	1,657	29,592	2.61
2018	79,762	20,925	2,678	23,603	3.38
2017	76,645	27,800	1,827	29,627	2.59
2016	74,639	26,540	2,558	29,098	2.57
2015	80,227	25,345	3,817	29,162	2.75
2014	71,206	24,165	5,007	29,172	2.44
2013	71,900	—	5,749	5,749	12.51

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

**Demographic and Economic Statistics**

For the Last Ten Years

Calendar Year	Population (In Thousands)	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate (a)	Public School Enrollment (b)
2021	5,896	\$ 351,551,320	\$ 59,626	3.8 %	823,827
2020	5,837	324,924,618	55,663	6.3	829,935
2019	5,822	309,909,312	53,227	3.3	854,959
2018	5,814	299,932,678	51,592	3.0	858,833
2017	5,795	283,635,828	48,941	3.3	860,138
2016	5,779	270,225,982	46,762	4.1	808,388
2015	5,771	264,987,588	45,914	4.6	811,893
2014	5,758	256,699,203	44,585	5.5	815,601
2013	5,743	247,790,332	43,149	6.7	817,637
2012	5,726	241,201,961	42,121	6.9	817,436

(a) Not seasonally adjusted

(b) Data is based on school year for Kindergarten through Grade 12. For example, for the calendar year 2021 the school year is 2021-2022.

Calendar year information is not yet available for 2022.

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

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

For the Last Ten Fiscal Years

Functions/Programs	2022	2021	2020	2019	2018
Commerce	1,252	1,268	1,271	1,270	1,265
Education					
University of Wisconsin System	33,597	33,758	34,156	33,599	33,244
Other Education	793	799	810	785	820
Transportation	2,904	2,239	3,025	2,996	3,090
Environmental Resources	2,250	2,946	2,295	2,267	2,249
Human Relations and Resources	18,296	19,501	19,531	19,299	19,685
General Executive	3,558	3,572	3,492	3,460	3,138
Judicial	799	807	793	797	792
Legislative	725	733	732	752	750
<b>Totals</b>	<b>64,174</b>	<b>65,623</b>	<b>66,105</b>	<b>65,225</b>	<b>65,033</b>
<b>Percentage Change</b>	<b>(2.21)%</b>	<b>1.35 %</b>	<b>0.17 %</b>	<b>0.57 %</b>	<b>0.69 %</b>

Totals exclude limited term employees.

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

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

**Schedule E-1**

2017	2016	2015	2014	2013	Change from 2013 to 2022
1,269	1,233	1,235	1,247	1,241	0.89%
33,188	32,815	33,777	33,489	33,117	1.45%
827	836	852	836	830	-4.46%
3,221	3,257	3,329	3,335	3,122	-6.98%
2,182	2,242	2,311	2,428	2,366	-4.90%
19,772	19,620	20,310	20,555	20,138	-9.15%
3,084	3,093	3,015	2,947	2,897	22.82%
827	824	823	826	826	-3.27%
741	746	715	695	717	1.12%
65,111	64,666	66,367	66,358	65,254	-1.66%
(2.56)%	0.01 %	1.69 %	1.45 %	0.24 %	

## Operating Indicators by Function

For the Last Ten Fiscal Years	2022	2021	2020	2019
<b>Commerce</b>				
Agriculture				
Farm Inspections (Calendar Year)	(a)	11,928	11,905	13,917
State Fair Park				
State Fair Attendance (Calendar Year)	1,003,450	841,074	—	1,130,572
<b>Education</b>				
Historical Society				
Visitors to Historic Sites and State Museum	156,770	30,101	181,378	298,464
Public Instruction				
Licensed School Staff	69,647	69,104	68,680	67,622
Ratio of Students to Licensed Staff	11.91	12.01	12.45	13.70
State's Share of Spending per Student	(a) \$	7,537 \$	7,033 \$	6,853
University of Wisconsin System				
Enrollment (Full Time Equivalent)	160,782	140,290	142,907	145,555
Number of Degrees Conferred	(a)	42,122	42,346	40,837
Technical College System				
Enrollment (Degree/Career Programs)	181,338	175,759	190,917	194,444
Number of Degrees Granted	26,436	26,731	27,681	28,983
<b>Transportation</b>				
Motor Vehicle Registrations (Calendar Year)	(a)	6,144,327	6,502,339	6,193,601
Licensed Drivers (Calendar Year)	(a)	4,361,931	4,315,892	4,296,646
<b>Environmental Resources</b>				
Natural Resources				
Park Visitors (Calendar Year) (Excludes Lakeshore Park)	(a)	22,240,300	21,539,957	17,480,971
Annual Park Admission Stickers (Calendar Year)	(a)	527,228	627,046	346,491
Fishing and Hunting Licenses (License Year)	(a)	6,255,705	6,382,481	6,098,668
State Hatchery Fish Stocked	(a)	6,071,024	5,126,279	7,093,394
<b>Human Relations and Resources</b>				
Corrections (Average Daily Population)				
Adults in Correctional Facilities	20,137	20,519	23,633	24,116
Juveniles in Detention Facilities	90	85	139	142
Health Services				
Medicaid Caseload (Average Monthly)	1,532,450	1,394,478	1,202,238	1,179,617
Clients in Care & Treatment Centers (Daily Average)	1,468	1,444	1,509	1,538
FoodShare Recipients (Average Monthly)	733,677	747,810	624,938	624,691
Children and Families				
Wisconsin Works (W-2) Participants	12,022	14,108	14,048	14,888
Workforce Development				
Unemployment Insurance Initial Claims	367,121	788,650	941,496	282,120
Unemployment Insurance Benefits (In Thousands)	\$ 828,541	\$ 1,230,809	\$ 1,068,618	\$ 387,601
Military Affairs				
National Guard Assigned Strength	8,890	9,545	9,280	9,457
Veterans Affairs (Calendar Year)				
Residents of Veterans Homes	470	602	699	832
<b>General Executive</b>				
Administration				
Construction Projects Initiated (Calendar Year)	516	523	311	245
State Patrol Troopers/Inspectors (Authorized)	377/113	377/112	377/112	377/112
State Patrol Citations Issued (Calendar Year)	103,629	113,885	97,490	114,545
Employee Trust Funds (Calendar Year)				
Active Employees in Pension Plan	(a)	73,476	74,632	74,760
Active Employees in Group Health Plan	(a)	67,900	69,251	69,273

(a) Information is currently not available.

(b) Only annual admission stickers are presented beginning in 2016

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies

**Schedule E-2**

2018	2017	2016	2015	2014	2013
14,405	15,206	15,202	11,627	11,922	12,554
1,037,982	1,028,049	1,015,815	1,033,053	1,030,881	1,012,552
272,123	252,822	268,442	259,427	259,307	248,166
67,402	67,402	58,925	59,686	59,512	65,608
14.2	14.2	13.1	13.0	13.2	13.3
\$ 6,431	\$ 6,217	\$ 5,974	\$ 5,960	\$ 5,756	\$ 5,615
146,909	148,326	150,832	152,773	153,252	154,843
40,692	36,622	36,487	36,560	36,009	36,323
190,024	187,053	189,728	169,391	178,969	187,750
28,536	27,873	27,538	28,073	26,896	27,394
6,069,090	6,019,215	5,871,302	5,819,875	5,695,648	5,585,489
4,288,173	4,286,263	4,250,018	4,206,700	4,194,760	4,188,194
17,062,623	17,578,737	16,987,963	15,520,904	15,133,691	15,110,701
330,534	320,854	310,058 (b)	678,720	665,412	664,191
5,834,085	5,635,587	4,679,832	4,664,186	4,585,499	4,664,186
6,070,021	7,253,767	9,001,744	27,553,825	7,667,190	7,057,107
23,885	23,370	22,842	22,461	22,405	22,396
162	175	241	282	251	252
1,185,987	1,188,075	1,193,050	1,190,762	1,160,807	1,165,699
1,534	1,587	1,605	1,610	1,563	1,561
662,009	700,974	806,183	820,010	847,905	852,810
16,877	21,279	25,386	32,207	34,034	31,647
295,825	341,695	396,102	454,652	578,439	702,828
\$ 409,946	\$ 462,607	\$ 519,417	\$ 631,631	\$ 956,741	\$ 1,400,524
10,700	9,533	9,712	9,756	9,825	9,886
874	906	946	962	964	915
365	319	252	417	645	812
377/112	377/112	377/112	377/112	377/112	377/112
132,151	126,450	115,231	113,669	113,997	136,410
73,897	74,085	73,514	73,036	73,893	73,091
68,468	68,864	68,463	68,964	70,219	69,772

## Capital Asset Statistics by Function

For the Last Ten Fiscal Years	2022	2021	2020	2019
<b>Commerce</b>				
State Fair Park				
Number of Buildings	44	44	42	42
Acres of Land	200	200	190	190
<b>Education</b>				
Educational Communications Board				
Communication Tower Sites	15	15	15	15
Historical Society				
Historic Sites Operated by the Historical Society	12	12	11	11
Public Instruction				
Residential Schools	2	2	2	2
University of Wisconsin System				
Number of Campuses	26	26	26	26
Technical College System				
Number of Districts and Campuses	16 and 52	16 and 50	16 and 49	16 and 49
<b>Transportation</b>				
Miles of State Highways	11,753	11,753	11,745	11,745
<b>Environmental Resources</b>				
Natural Resources				
Number of State Parks and Recreational Areas	59	58	57	57
Acres of State Parks and Recreational Areas	117,199	92,309	94,747	94,747
Number of State Forests	15	15	15	15
Acres of State Forests	536,985	532,286	551,511	551,511
Number of State Trails	43	44	44	44
Miles of State Trails	2,060	2,022	2,033	2,033
Number of Fish Hatcheries	17	17	17	17
<b>Human Relations and Resources</b>				
Corrections				
Number of Adult Correctional Institutions	19	19	19	19
Number of Adult Correctional Centers	16	16	16	16
Number of Juvenile Facilities	2	2	2	2
Health and Family Services				
Number of Care and Treatment Centers	7	7	7	7
Military Affairs				
National Guard Armories	69	69	69	69
Flight Centers	3	3	3	3
Veterans Affairs				
Number of Veterans Homes	3	3	3	3
<b>General Executive</b>				
Administration				
Number of DOA Owned Buildings	30	29	29	29
Number of General Fleet Vehicles (All Agencies)	6,112	6,241	6,374	6,369
Number of Aircraft	19	18	20	20
Public Lands				
Acres of Land	77,172	77,472	76,221	75,710

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies

**Schedule E-3**

2018	2017	2016	2015	2014	2013
40	40	41	40	40	40
188	188	188	188	188	190
15	15	17	17	17	17
11	10	10	10	10	9
2	2	2	2	2	2
26	26	26	26	26	26
16 and 49	16 and 49	16 and 49	16 and 49	16 and 52	16 and 49
11,745	11,746	11,766	11,800	11,800	11,800
58	66	66	66	66	66
94,993	102,254	102,254	102,254	102,254	102,043
15	10	10	10	14	14
551,511	526,947	526,947	526,947	526,947	526,947
44	41	41	41	41	41
2,022	2,009	2,009	2,002	1,998	1,998
17	17	17	17	14	14
19	19	19	19	19	19
16	16	16	16	16	16
2	2	2	2	2	2
7	7	7	7	7	7
69	72	72	71	69	69
3	2	2	3	3	3
3	3	3	3	3	3
29	26	26	26	26	26
6,267	6,128	6,493	6,279	6,069	5,702
20	20	20	20	20	20
75,787	76,157	75,902	76,263	76,663	75,322

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

Fiscal and Policy Year Ended June 30

(In Thousands)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Premium and investment revenues:										
Earned	\$ 23,898	\$ 26,238	\$ 26,966	\$ 12,698	\$ 1,464	\$ 1,065	\$ 28	—	—	—
Ceded	7,091	8,191	9,716	7,790	2,234	261	—	—	—	—
Net Earned	16,807	18,047	17,250	4,908	(770)	804	28	—	—	—
2. Loss expense	536	1,998	736	389	181	166	—	—	—	—
3. Estimated incurred claims and allocated expense, end of policy year										
Direct incurred	14,356	65,223	35,244	5,824	2,215	3,059	—	—	—	—
Ceded	—	35,555	13,321	—	—	—	—	—	—	—
Net Incurred	14,356	29,668	21,923	5,824	2,215	3,059	—	—	—	—
4. Paid (cumulative) as of:										
End of policy year	7,508	17,757	10,485	2,159	574	2,064	—	—	—	—
One year later	13,378	27,662	15,178	6,001	2,199	2,186	—	—	—	—
Two years later	14,494	28,410	18,289	7,217	2,526	2,186	—	—	—	—
Three years later	14,828	27,854	19,802	7,219	2,526	2,186	—	—	—	—
Four years later	15,481	26,202	20,131	7,219	2,526	2,186	—	—	—	—
Five years later	15,481	26,466	20,131	7,219	2,526	—	—	—	—	—
Six years later	15,481	26,466	20,131	7,219	—	—	—	—	—	—
Seven years later	15,481	26,466	20,131	—	—	—	—	—	—	—
Eight years later	15,481	26,466	—	—	—	—	—	—	—	—
Nine years later	15,481	—	—	—	—	—	—	—	—	—

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

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

SOURCE: Wisconsin Office of Commissioner of Insurance

(Continued)

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

Fiscal and Policy Year Ended June 30

(Continued)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
5. Reestimated ceded losses and expenses	\$ 4,200	\$ 41,723	\$ 11,867	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
6. Reestimated incurred claims and expense:										
End of policy year	14,356	29,668	21,923	5,824	2,215	3,059	172	—	—	—
One year later	14,653	28,294	17,528	6,901	2,475	2,186	172	—	—	—
Two years later	14,791	28,688	18,382	7,397	2,526	2,186	172	—	—	—
Three years later	14,828	27,854	18,821	7,219	2,526	2,186	172	—	—	—
Four years later	15,500	26,402	20,131	7,219	2,526	2,186	—	—	—	—
Five years later	15,481	26,466	20,131	7,219	2,526	—	—	—	—	—
Six years later	15,481	26,466	20,131	7,219	—	—	—	—	—	—
Seven years later	15,481	26,466	20,131	—	—	—	—	—	—	—
Eight years later	15,485	26,466	—	—	—	—	—	—	—	—
Nine years later	15,485	—	—	—	—	—	—	—	—	—
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	1,125	(3,202)	(1,792)	1,395	311	(873)	N/A	N/A	N/A	N/A

- (5) This line represents the reestimated losses assumed by reinsurers as of the end of the current fiscal year for each of the policy years presented.
- (6) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (7) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

## Income Continuation Insurance Risk Pool

### Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31

(In Millions)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1. Net earned required contributions and investment revenues	\$ 25.0	\$ 25.7	\$ 20.5	\$ 16.3	\$ 27.1	\$ 38.3	\$ 24.7	\$ 54.7	\$ 61.6	\$ 71.0
2. Unallocated expenses	1.9	2.0	5.7	1.8	3.0	1.8	2.7	3.0	3.2	3.7
3. Estimated incurred claims as of the end of the policy year	33.4	36.0	20.5	22.8	20.7	17.7	19.2	22.6	24.8	24.5
4. Paid (cumulative) as of:										
End of policy year	5.9	6.4	5.9	6.6	5.6	4.6	4.2	4.1	4.0	4.7
One year later	11.0	11.8	11.9	12.5	10.6	9.5	8.9	8.0	8.7	
Two years later	12.3	13.8	13.6	14.3	12.5	11.4	10.9	9.3		
Three years later	13.8	15.1	14.8	15.7	13.8	12.7	12.3			
Four years later	14.5	16.0	15.8	16.6	14.8	13.8				
Five years later	15.4	17.0	16.5	17.4	15.6					
Six years later	16.2	17.9	17.2	18.1						
Seven years later	17.0	18.8	17.8							
Eight years later	17.7	19.7								
Nine years later	18.3									
5. Reestimated incurred claims:										
End of policy year	33.4	36.0	20.5	22.8	20.7	17.7	19.2	22.6	24.8	24.5
One year later	23.1	22.6	20.4	23.9	21.1	18.7	19.1	13.8	17.5	
Two years later	20.9	24.0	22.5	23.4	22.3	19.6	19.9	14.0		
Three years later	20.9	24.3	22.2	23.9	21.0	19.7	19.8			
Four years later	20.5	23.5	21.5	22.9	21.3	21.0				
Five years later	21.0	24.3	22.0	23.4	21.6					
Six years later	21.5	25.0	22.0	22.8						
Seven years later	21.4	25.5	22.3							
Eight years later	21.8	25.9								
Nine years later	21.9									
6. Increase (decrease) in estimated claims from end of policy year	(11.5)	(10.1)	1.8	—	0.9	3.3	0.6	(8.6)	(7.3)	—

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

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

**SOURCE:** Wisconsin Department of Employee Trust Funds

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

Calendar and Policy Year Ended December 31

(In Millions)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1. Net earned required contributions and investment revenues	\$ 153.7	\$ 159.6	\$ 157.7	\$ 166.5	\$ 214.3	\$ 223.5	\$ 176.0	\$ 154.0	\$ 176.0	\$ 209.1
2. Unallocated expenses	8.0	4.4	6.0	6.0	5.9	5.8	4.6	4.5	4.6	5.0
3. Estimated incurred claims as of the end of the policy year	141.3	149.0	163.5	176.9	156.0	164.5	156.1	155.0	176.1	188.4
4. Paid (cumulative) as of:										
End of policy year	148.3	156.6	173.4	196.4	171.0	183.3	177.8	182.7	209.8	227.4
One year later	141.2	148.3	163.5	177.0	151.0	159.9	151.7	155.1	176.1	
Two years later	141.2	148.3	163.5	177.1	151.0	160.0	151.5	155.3		
Three years later	141.2	148.3	163.5	177.1	151.0	160.0	151.5			
Four years later	141.2	148.3	163.5	177.1	151.0	160.0				
Five years later	141.2	148.3	163.5	177.1	151.0					
Six years later	141.2	148.3	163.5	177.1						
Seven years later	141.2	148.3	163.5							
Eight years later	141.2	148.3								
Nine years later	141.2									
5. Reestimated incurred claims:										
End of policy year	141.3	149.0	163.5	176.9	156.0	164.5	156.1	155.0	176.1	188.4
One year later	141.2	148.3	163.5	177.0	151.0	159.6	151.5	155.1	176.1	
Two years later	141.2	148.3	163.5	177.1	151.0	159.9	151.5	155.3		
Three years later	141.2	148.3	163.5	177.1	151.0	159.9	151.5			
Four years later	141.2	148.3	163.5	177.1	151.0	159.9				
Five years later	141.2	148.3	163.5	177.1	151.0					
Six years later	141.2	148.3	163.5	177.1						
Seven years later	141.2	148.3	163.5							
Eight years later	141.2	148.3								
Nine years later	141.2									
6. Increase (decrease) in estimated incurred claims from end of policy year	(0.1)	(0.7)	—	0.2	(5.0)	(4.6)	(4.6)	0.3	—	—

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

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

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy.

**SOURCE:** Wisconsin Department of Employee Trust Funds

**Health Insurance Risk Pool (Dental Benefit)**

**Ten-Year Claims Development Information**

Calendar and Policy Year Ended December 31

(In Millions)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1. Net earned required contributions and investment revenues	\$ —	\$ —	\$ —	\$ —	\$ 41.9	\$ 44.3	\$ 45.9	\$ 47.4	\$ 48.8	\$ 49.4
2. Unallocated expenses	—	—	—	—	0.9	0.9	0.9	0.9	0.9	1.0
3. Estimated incurred claims as of the end of the policy year	—	—	—	—	44.1	44.4	43.8	45.9	38.1	46.0
4. Paid (cumulative) as of:										
End of policy year	—	—	—	—	42.2	43.4	42.9	44.1	36.6	44.4
One year later	—	—	—	—	44.0	44.3	43.8	45.2	38.0	
Two years later	—	—	—	—	44.0	44.3	43.8	45.2		
Three years later	—	—	—	—	44.0	44.3	43.8			
Four years later	—	—	—	—	44.0	44.3				
Five years later	—	—	—	—	44.2					
Six years later	—	—	—	—						
Seven years later	—	—	—	—						
Eight years later	—	—	—	—						
Nine years later	—	—	—	—						
5. Reestimated incurred claims:										
End of policy year	—	—	—	—	44.4	44.4	43.8	45.9	38.1	46.0
One year later	—	—	—	—	44.0	44.3	43.8	45.2	38.0	
Two years later	—	—	—	—	44.0	44.3	43.8	45.2		
Three years later	—	—	—	—	44.0	44.3	43.8			
Four years later	—	—	—	—	44.0	44.3				
Five years later	—	—	—	—	44.0					
Six years later	—	—	—	—						
Seven years later	—	—	—	—						
Eight years later	—	—	—	—						
Nine years later	—	—	—	—						
6. Increase (decrease) in estimated claims from end of policy year	—	—	—	—	(0.1)	(0.1)	0.0	(0.7)	(0.1)	0.0

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

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

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy.

**SOURCE:** Wisconsin Department of Employee Trust Funds

## Duty Disability Risk Pool

### Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31

(In Millions)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1. Net earned required contribution and investment revenues	\$—	\$—	\$—	\$—	\$ 50.3	\$ 100.5	\$ (13.3)	123.3	106.0	130.4
2. Unallocated expenses	—	—	—	—	1.8	4.5	0.8	0.6	0.8	0.9
3. Estimated incurred claims and expenses as of the end of the policy year	—	—	—	—	11.9	19.2	20.4	33.6	34.0	38.1
4. Paid (cumulative) as of:										
End of policy year	—	—	—	—	0.1	—	—	—	—	—
One year later	—	—	—	—	0.4	0.3	0.2	0.1	0.1	—
Two years later	—	—	—	—	1.1	0.7	0.7	0.4	—	—
Three years later	—	—	—	—	2.2	1.3	1.4	—	—	—
Four years later	—	—	—	—	3.3	2.0	—	—	—	—
Five years later	—	—	—	—	4.4	—	—	—	—	—
Six years later	—	—	—	—	—	—	—	—	—	—
Seven years later	—	—	—	—	—	—	—	—	—	—
Eight years later	—	—	—	—	—	—	—	—	—	—
Nine years later	—	—	—	—	—	—	—	—	—	—
5. Reestimated incurred claims and expense:										
End of policy year	—	—	—	—	11.9	19.2	20.4	33.6	34.0	38.1
One year later	—	—	—	—	6.2	2.9	4.3	0.9	1.6	—
Two years later	—	—	—	—	11.7	5.4	8.5	6.7	—	—
Three years later	—	—	—	—	14.8	7.4	9.3	—	—	—
Four years later	—	—	—	—	17.7	9.1	—	—	—	—
Five years later	—	—	—	—	19.7	—	—	—	—	—
Six years later	—	—	—	—	—	—	—	—	—	—
Seven years later	—	—	—	—	—	—	—	—	—	—
Eight years later	—	—	—	—	—	—	—	—	—	—
Nine years later	—	—	—	—	—	—	—	—	—	—
6. Increase (decrease) in estimated incurred claims from end of policy year	—	—	—	—	7.8	(10.1)	(11.1)	(26.9)	(32.4)	—

The table above illustrates how the Duty Disability Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of the calendar year.

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

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

**SOURCE:** Wisconsin Department of Employee Trust Funds

## **Acknowledgments**

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