Wisconsin

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2016

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STATE OF
WISCONSIN

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2016

Scott Walker, Governor

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

Prepared by the State Controller's Office
This document is available electronically on the internet at: http://www.doa.state.wi.us

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016

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INTRODUCTORY SECTION

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March 30, 2017

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the State of Wisconsin for the fiscal year ended June 30, 2016.

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

This report has been prepared in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). To report the State's financial activity, the State's budgetary funds are grouped into the fund types required by GAAP. As a result, the State's 68 budgetary funds have been analyzed, restructured and are currently reported in 58 GAAP funds. The most significant change has been to reclassify certain activities from the budgetary General Fund and present them in proprietary and fiduciary fund types more appropriate for the financial reporting of transactions related to commercial and trust activities. Notes 1-C and 1-D to the financial statements include a more detailed discussion of the GAAP fund types.

Independent Audit

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

Management Discussion and Analysis

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

PROFILE OF THE STATE

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

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

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

Component Units

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

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

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

Budgetary Process

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

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

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

Wisconsin Retirement System and Accumulated Sick Leave Conversion Credits Program

The Wisconsin Retirement System (WRS) is a pension plan administered by the Department of Employee Trust Funds (DETF). The WRS provides coverage to all eligible employees of the State of Wisconsin and other participating local units of government. The most current actuarial valuations of this pension plan indicated that the WRS was funded at 98.2 percent of liabilities for the 613,900 participants of the WRS. The State's contribution to WRS represents approximately 31.5 percent of total contributions required of all participating entities.

The Accumulated Sick Leave Conversion Credits (ASLCC) benefit program, reported in a fiduciary fund and also administered by DETF, allows employees at the time of their retirement to convert the value of their accumulated unused sick leave into an account to be used to pay for post-retirement health insurance. The actuarial value-based funded ratio of this program was 100.0 percent as of December 31, 2015 (the date of the most recent valuation).

ECONOMIC CONDITION AND OUTLOOK

In 2016, Wisconsin continued its economic rebound from the Great Recession of 2007-09. While some components of our economy are linked to national trends, we have outperformed both the Great Lakes region and the nation on important indicators:

- Wisconsin's unemployment rate remains lower than the national rate and is below the rates of other states in the Great Lakes region.
- Wisconsin is one of only ten states to have an annual average unemployment rate in 2015 lower than 2007.
- Wisconsin's labor force participation rate of 68.0 percent was top ten nationally in 2015 and well above the national average of 62.7 percent.
- Wisconsin's growth in gross domestic product since 2007 exceeds the region's growth over the same period.
- Wisconsin's per capita income growth since 2007 has exceeded the nation's and the region's growth.

Strong economic growth bolstered tax collections, led by strength in individual income taxes. Total general fund tax collections increased 3.8 percent in Fiscal Year 2016 from Fiscal Year 2015. Individual income tax collections rose 5.7 percent and sales and use taxes rose 3.6 percent, while corporate income taxes declined 4.2 percent. Collections fell modestly behind revised estimates, mostly due to weakness in individual and corporate income tax collections.

Looking ahead, Wisconsin's economic growth is expected to be heavily influenced by national economic trends. According to the most recent economic outlook provided by IHS Markit, real gross domestic product is projected to grow 1.6 percent in 2016, 2.3 percent in 2017 and 2.6 percent in 2018. Personal income growth will follow this trend with growth of 3.6 percent in 2016, 4.8 percent in 2017 and 5.2 percent in 2018. Employment growth is expected to decelerate somewhat from 1.7 percent in 2016 to 1.3 percent in 2017 and 1.2 percent in 2018. Wisconsin's economic performance has historically tracked relatively close to national trends and will likely continue to do so.

The State of Wisconsin continues to maintain its commitment to solid financial responsibility. The State's Budget Stabilization Fund ended Fiscal Year 2016 with a balance of $281 million, the highest balance ever in this "rainy day" fund. The General Fund ended Fiscal Year 2016 with an overall cash balance of $1.06 billion. The State's fully funded pension system and minimal other postemployment benefit (OPEB) liabilities set Wisconsin apart from the vast majority of states. The State's generally accepted accounting principles (GAAP) deficit, measured as a percent of general fund expenditures, declined from 20.3 percent in Fiscal Year 2003 to 11.4 percent in Fiscal Year 2015. The 2015-17 biennial budget (2015 Wisconsin Act 55) included the lowest amount of new bonding in 20 years.

Wisconsin continued to build its economic recovery through economic development and infrastructure investment, reconciling government spending with revenues without raising taxes and providing $647.6 million more to provide coverage to the Medicaid population over the 2013-15 biennium. Since Fiscal Year 2011, state funding for the Medicaid program has grown from $1.45 billion to $2.72 billion in Fiscal Year 2016. No other state program has received an increase approaching this level of magnitude.

Continued property tax controls and rising support for general school aids, technical college aids and property tax credits have kept property taxes down in Wisconsin for the typical homeowner. As a result, the property taxes on the median value home in Wisconsin were lower in 2016 than they were in 2010. In addition, tuition at the University of Wisconsin for state residents was kept affordable through a tuition freeze that has been maintained since the 2013-14 academic year.

MAJOR INITIATIVES

Economic Development. Wisconsin enacted a major individual income tax cut in 2013 Wisconsin Act 20, effective beginning with tax year 2013. A further tax rate reduction was enacted for tax year 2014 by 2013 Wisconsin Act 145. Together, the tax cuts reduced marginal rates in all income tax brackets, taking the rate structure from rates of 4.6 percent, 6.15 percent, 6.5 percent, 6.75 percent and 7.75 percent to 4.0 percent, 5.84 percent, 6.27 percent and 7.65 percent. The former 6.75 percent bracket was eliminated so that the range of taxable income previously subject to this bracket is now subject to the 6.27 percent rate. These individual income tax cuts alone are now saving Wisconsin taxpayers approximately $417 million annually. The typical median-income family of four will realize $1,159 in income tax savings from these rate cuts between tax years 2013 and 2017.

In addition to providing tax relief to individuals, Wisconsin has continued its commitment to improve the State's tax climate for manufacturing and agriculture. For taxable years beginning in 2013, the Manufacturing and Agriculture Tax Credit is available for income derived from manufacturing or agricultural property located in Wisconsin. The credit will be phased in over a four-year period and will offer significant income tax relief for eligible claimants. Starting in tax year 2016, the credit will equal 7.5 percent of manufacturing and agriculture income sourced to Wisconsin production.

To further spur economic growth, 2015 Wisconsin Act 55, the 2015-17 Biennial Budget, provided an increase in the number of eligible zones under the Enterprise Zones Jobs Credit from 20 to 30 to allow more businesses to become eligible for this powerful incentive. The budget also consolidated two existing incentives, the nonrefundable Economic Development Tax Credit and the refundable Jobs Tax Credit, into a single streamlined refundable tax credit called the Business Development Tax Credit. This credit provides a single set of criteria for awards related to job creation and retention, workforce training, capital investment, and headquarters retention and relocation. Up to $17 million in the new credit may be awarded in 2016 and $22 million may be awarded annually beginning in 2017.

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 2016, over 660 businesses had been certified as minority-owned to increase the opportunity for these firms to sell their products and services to the State of Wisconsin. In addition, a variety of sales tax exemptions for fuel, electricity, farm machinery, veterinary services, and other personal property and supplies have reduced farming costs in the State by over $200 million annually.

Wisconsin's Farmland Preservation Credit programs provide credits to about 13,400 farmers, who qualify through exclusive agricultural or farmland preservation zoning or individual farmland preservation agreements. Two separate calculations of and qualifications for the credit were available in Fiscal Year 2016 – one based on income and the other based on the number of qualifying acres and other criteria. Combined expenditures under the Farmland Preservation Credit programs totaled $19.5 million in Fiscal Year 2016, an increase of $0.4 million relative to Fiscal Year 2015.

In 2016, Wisconsin was home to more than 9,000 dairy farms with more than 1.28 million cows. Wisconsin's milk production continues to grow as the dairy farms in the state yielded more than 29 billion pounds of milk in 2015. Wisconsin accounts for almost 14 percent of the nation's milk production. Milk production per cow in Wisconsin continues to grow and was at 22,697 pounds per year in 2015. Dairy production and processing accounts for almost half of all the economic activity associated with agriculture: $43.4 billion in economic activity, accounting for nearly 79,000 jobs.

In 2015, Wisconsin was the nation's top cheese producing state with over 3.1 billion pounds of cheese or more than 26 percent of the nation's cheese production. Wisconsin's specialty cheese production also continues to increase, producing over 722 million pounds in 2015.

Wisconsin exported $2.5 billion in agricultural products to 143 countries in the first nine months of 2016. Wisconsin currently ranks 12th among U.S. states in agricultural exports. Wisconsin's top five markets for agricultural exports were Canada, Mexico, China, Korea and Japan. Wisconsin ranked first in the export of pickles, sausages, raw fur skins, ginseng roots and prepared/preserved cranberries. Wisconsin ranked second in the export of cheese and whey.

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

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 2016, 40 new companies were certified as qualified new business ventures, a substantial increase over the 25 certified in Fiscal Year 2015. Cumulatively, 180 qualified new business ventures have been certified under the Angel Investment and Early Stage Seed Investment tax credit programs.

During the recession, similar to much of the nation, Wisconsin experienced record claims for unemployment benefits. In June 2010, Wisconsin administered roughly 108,000 weekly continued claims. The number of continued claims had fallen to approximately 75,000 by the last week of June 2012 and continued to decrease as the economy improved and certain benefit extensions expired. As of late June 2016, weekly continued claims were approximately 33,400, a 20 percent decrease from Fiscal Year 2015.

As the economy improved, the Governor addressed the state's need for an increasingly skilled workforce by creating the Wisconsin Fast Forward program in Fiscal Year 2014, administered by a new Office of Skills Development in the Department of Workforce Development. The program provides funding for employer-led customized training for new or current employees. In Fiscal Year 2016, Wisconsin Fast Forward awarded over $5.7 million in worker training grants across a number of industry segments including information technology, customer service, health care, agriculture, manufacturing, transportation, construction and small business. These grants augmented the skills of an estimated 4,200 Wisconsin workers.

Transportation. The State continued to make significant investments in transportation infrastructure through reconstruction of existing highways and bridges and through aid to local governments. In Fiscal Year 2016, 548 miles of State Trunk Highway and local highways were improved and work was initiated or completed to rehabilitate or replace 363 deficient state and local bridges. The State also contributed over $332.4 million in Fiscal Year 2016 to continue work on the Zoo Interchange in southeast Wisconsin. In all, more than

$1.26 billion in construction projects on State and local road systems were contracted through the Department of Transportation.

The State has also committed general fund revenue to support investments in transportation infrastructure. In Fiscal Year 2016, 0.25 percent of total annual general fund tax revenue, amounting to $38 million, was dedicated to the transportation fund. In addition, the 2015-17 Biennial Budget authorized $175 million of general fund-supported general obligation bonds for transportation projects.

As part of the State's continuing commitment to quality and efficiency, the Department of Transportation utilizes innovations in technology and construction methods that can save customers time and reduce long-term costs. The department reviews and implements improved technology and best practices in highway construction on an ongoing basis. Examples for Fiscal Year 2016 include:

- Continued implementation of design software to produce three-dimensional models that can be used by contractors to employ global positioning system machine-controlled construction equipment;

- Implementation of an e-contracting system to streamline project scoping, estimating, contracting, data collection, risk and change management, and to track performance and manage project related content; and

- Utilization of design options and recycled materials that resulted in estimated savings of $34.7 million.

In addition, the Division of Motor Vehicles increased options for customer self-service, saving customers time and improving operational efficiency in the division. In Fiscal Year 2016, the division established a new on-line service allowing customers to submit vehicle sales transactions electronically, which resulted in 83 percent of sales notifications in the first six months of 2016 being submitted through the new process. The division also offered customers the option of completing vehicle registration renewals through electronic kiosks at its Customer Service Centers, which reduced counter transactions for these renewals by approximately 11 percent.

The department also continued its emphasis on transportation safety. In Fiscal Year 2016, the Bureau of Transportation Safety within the Division of State Patrol organized and funded 33 high visibility, multijurisdictional impaired driving task forces; 18 seat belt task forces; 23 speed enforcement task forces; and 4 pedestrian task forces. Officers from 251 law enforcement agencies participated in these efforts. In a continuing focus on data-driven decision making, the agency is developing a new crash database and electronic crash report form that will provide more timely, accurate and complete data. These public information, education and enforcement efforts contribute to positive trends. The last ten years have seen a decrease of more than 40 percent in alcohol-related crashes, injuries and fatalities. In Fiscal Year 2016, Wisconsin's safety belt use rate reached an all-time high of 88.4 percent.

Further, Wisconsin distributes state transportation user fee revenues to local governments for transportation infrastructure improvements and transit operating assistance, targeting economic and infrastructure development. In Fiscal Year 2016, $631.5 million was provided to local governments for these purposes. For example, the Transportation Economic Assistance program provides up to 50 percent State grant funding to governing bodies, private businesses and consortia for road, rail, harbor and airport projects that help attract employers to Wisconsin, or encourage business and industry to remain and expand within the State. In Calendar Year 2016, this program leveraged $190.96 in capital investments for every $1 in grants.

Environment. Wisconsin's Warren Knowles-Gaylord Nelson Stewardship Program and its successor, the Warren Knowles-Gaylord Nelson Stewardship 2000 Program, are available for land acquisition, easements and nature-based outdoor recreational property development activities. The original Stewardship Program committed $250 million through the sale of general obligation bonds and the use of federal grant monies for various resource development and land protection activities, including acquisition of State park lands, protection of urban rivers and assistance to local parks. The program was reauthorized in 2007 Wisconsin Act 20 through Fiscal Year 2020 with an annual bonding authority of $86 million beginning in Fiscal Year 2011. The 2011-13

Biennial Budget subsequently reduced the annual bonding authority to $60 million beginning in Fiscal Year 2012. Under 2013 Wisconsin Act 20, the annual bonding authorization was reduced further to $47.5 million in Fiscal Year 2014 and $54.5 million in Fiscal Year 2015. Finally, under 2015 Wisconsin Act 55, the annual authorization was reduced to $33.3 million in Fiscal Years 2016 through 2020. During Fiscal Year 2016, the State used $3.55 million in Stewardship Program financing to acquire over 23,190 acres of public recreational land through acquisition and recreational easements. An additional $7.19 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, 2016, total State payments to landowners for both newly enrolled and reenrolled contracts amounted to just over $13.8 million on approximately 49,000 acres. The state's payments to date will leverage over $100 million in federal payments to program participants over the course of the program contracts.

Wisconsin's Environmental Improvement Fund program provides financial assistance to municipalities for the planning, design and construction of wastewater collection and treatment, and drinking water treatment and distribution facilities. Most communities applying for assistance receive subsidized loans, although some wastewater projects are eligible for partial grants through a hardship component of the program. Funding is provided from a State-matched federal capitalization grant and through State revenue and general obligation bonds and repayments from loans previously made. In Fiscal Year 2016, the Environmental Improvement Fund awarded $240 million to municipalities, bringing the total amount of loans and grants awarded by the program to $5.0 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 2016, Medical Assistance program expenditures were lower than budgeted, and program enrollment slowed in several key enrollment groups. Fiscal Year 2016 expenditures for the Medical Assistance program decreased by approximately 3.4 percent over the prior year, compared to the 6.2 percent growth in Fiscal Year 2015 and 6.0 percent growth in Fiscal Year 2014. Medical Assistance expenditures from all funds totaled approximately $8,438.5 million. Enrollment in the Medical Assistance programs increased by 0.2 percent between Fiscal Years 2015 and 2016, compared to an increase of 2.6 percent between Fiscal Years 2014 and 2015 and a decrease of 0.4 percent between Fiscal Years 2013 and 2014.

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

Average monthly enrollment of low-income adults and children in the BadgerCare Plus program increased by 0.3 percent, while the average monthly enrollment of elderly individuals and people with disabilities increased by 1.8 percent, approximately 3,800 individuals.

Expenditures for the SeniorCare pharmacy assistance program totaled $101.9 million all funds, an increase of $12.9 million from Fiscal Year 2015. This increase is due to several factors, including an increase in drug utilization and benefits paid to each enrollee in Fiscal Year 2016, as well as an increase in overall SeniorCare enrollment of 2.5 percent.

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 2016. This included finalizing 699 adoptions for children with special needs in Fiscal Year 2016. In other program areas, the department continued to reduce fraud in the Wisconsin Shares program, which provides subsidized child care to low-income working families. These efforts helped hold Wisconsin Shares program expenditures in Fiscal Year 2016 to $255.4 million, which was approximately $4.0 million above Fiscal Year 2015 expenditures (an increase of 1.6 percent), but $6.7 million below the amount originally budgeted for Fiscal Year 2016. Under Wisconsin Shares, a monthly average of 45,145 children received subsidies in Fiscal Year 2016. Benefit payments under the Wisconsin Works (W-2) program for Fiscal Year 2016 totaled $52.1 million, a decrease of $28.5 million from the Fiscal Year 2015 amount. An average of 8,872 families received cash benefits each month in Fiscal Year 2016 under the W-2 program. During Federal Fiscal Year 2016, state and county child support partnership efforts provided full case management services to 382,728 cases and provided financial management services to an additional 148,877 cases.

Education. School aids and property tax credits, which supported school districts' 2015-16 costs for elementary and secondary education, totaled $6.26 billion.

In Fiscal Year 2016, the Governor increased state funding for schools. In the overlapping 2015-16 school year, the Governor also increased funding by $126.8 million in the per pupil categorical aid program, allowing school districts to spend an additional $150 per pupil. This increase is budgeted for Fiscal Year 2017 but is specified as aid for Fiscal Year 2016.

The Governor continued to focus on constraining increases in property taxes by employing several tools to limit growth in school levies. Funding for the school levy tax credit was increased by $103.6 million. In addition, the low revenue threshold, below which school districts are exempt from revenue limit controls, remained frozen at $9,000 per pupil. Further, the Governor continued to shrink the school aid reductions that comprise the local share of Milwaukee parental choice program funding. These measures helped keep the average increase in the statewide school property tax levy since the Governor took office at 0.8 percent compared to an average of 4.0 percent over the five years prior to the Governor taking office.

In Fiscal Year 2016, Wisconsin continued to enhance transparency and accountability in education. At the elementary and secondary education level, public schools have received report cards since the 2011-12 school year. In Fiscal Year 2016, private schools participating in parental choice programs were required to participate in state data collection and received a state-issued report card for the first time. In addition, the portion of Wisconsin Technical College System general aid allocated on the basis of performance on nine criteria increased to 20 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.

State support for the University of Wisconsin System totaled $993.5 million in Fiscal Year 2016; a $92.5 million, or 8.5 percent, decrease from Fiscal Year 2015. This occurred at the same time the UW System's total operating budget for Fiscal Year 2016 rose to the highest level ever. In addition, unrestricted fund balances were $883.3 million at the close of Fiscal Year 2016. To maintain a reasonable cost of higher education for State residents, the Governor continued a freeze on in-state undergraduate tuition rates and maintained steady support for state financial aid programs. As a measure of affordability, the University of Wisconsin-Madison ranked eighth among public colleges and universities in Kiplinger's "Best Value Colleges" in 2016.

AWARDS AND ACKNOWLEDGEMENTS

Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a “Certificate of Achievement for Excellence in Financial Reporting” to the State of Wisconsin for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. 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 20th 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.

Acknowledgements

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

Sincerely,

Scott Neitzel
Secretary

Jeffery C. Anderson, CPA
State Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

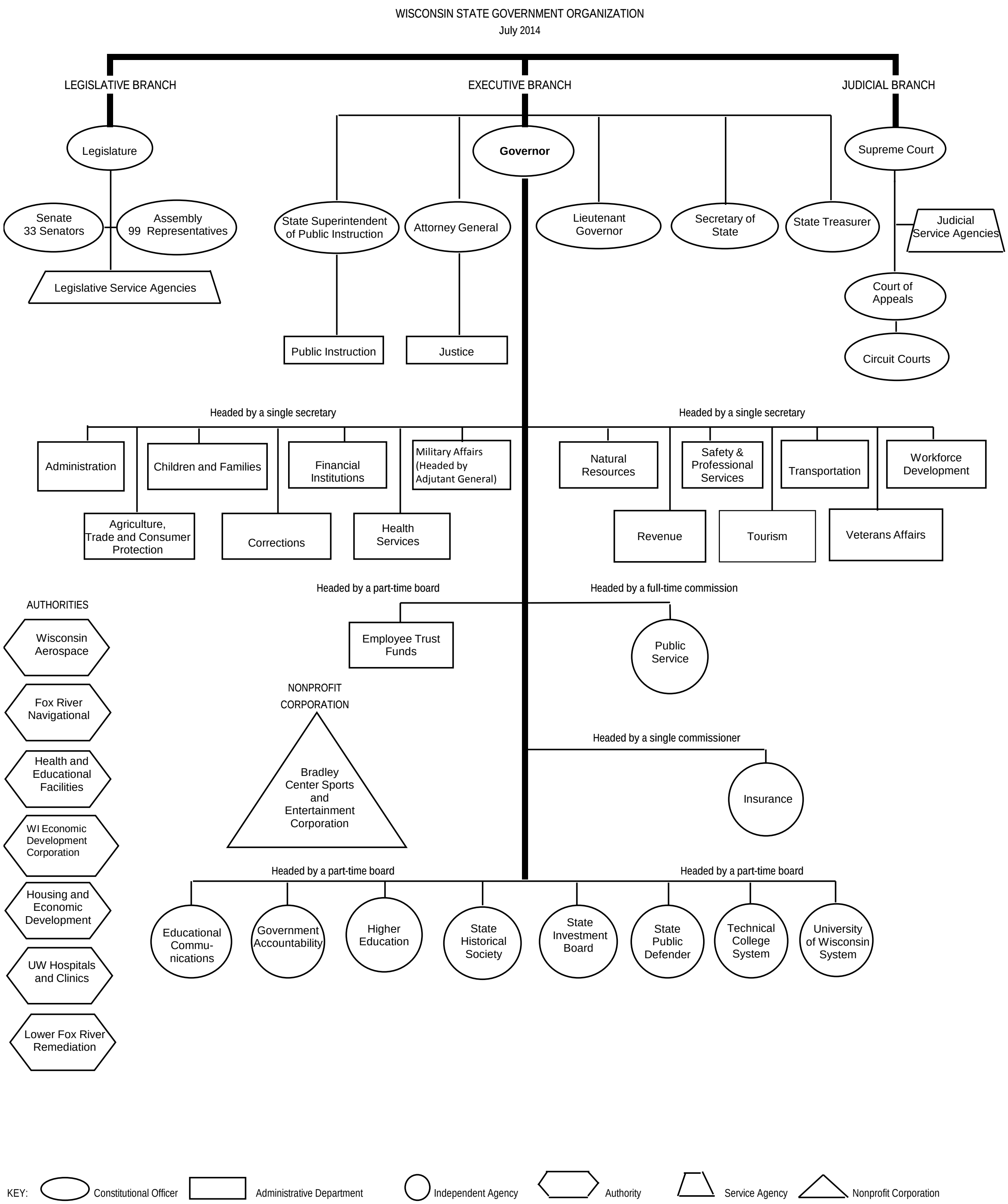
State of Wisconsin

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

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 Blue Book 2015 - 2016

Principal State Officials

As of June 30, 2016:

EXECUTIVE

Scott Walker
Governor

Rebecca Kleefisch
Lieutenant Governor

Douglas J. La Follette
Secretary of State

Matt Adamczyk
State Treasurer

Brad Schimel
Attorney General

Tony Evers
State Superintendent of Public Instruction

LEGISLATIVE

Roger Roth
President of the State Senate

Robin Vos
Speaker of the Assembly

JUDICIAL

Patience Drake Roggensack
Chief Justice of the Supreme Court

FINANCIAL SECTION

STATE OF WISCONSIN | Legislative Audit Bureau
22 East Mifflin St., Suite 500 ▪ Madison, WI 53703 ▪ (608) 266-2818 ▪ Hotline: 1-877-FRAUD-17 ▪ www.legis.wisconsin.gov/lab

Joe Chrisman
State Auditor

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

Honorable Members of the Legislature The Honorable Scott Walker, Governor

Report on the Financial Statements

We have audited the accompanying financial statements and the related notes of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin, which collectively comprise the State's basic financial statements, as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management of the State of Wisconsin is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements for the following: the Environmental Improvement Fund, which is a major fund and represents 19 percent of the assets and 16 percent of the liabilities of the business-type activities; and the College Savings Program Trust, which represents 4 percent of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these programs, are based solely on the reports of the other auditors. In addition, we did not audit the financial statements of the discretely presented component units. Our opinion on the aggregate discretely presented component units is based solely upon audit reports, prepared by other auditors and furnished to us, of the Wisconsin Housing and Economic Development Authority, the University of Wisconsin Hospitals and Clinics Authority, and the University of Wisconsin Foundation.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, which is issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements for the following were audited by other auditors in accordance with these standards: the Environmental Improvement Fund, the College Savings Program Trust, the Wisconsin Housing and Economic Development Authority, and the University of Wisconsin Hospitals and Clinics Authority. The financial statements of the University of Wisconsin Foundation were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on these financial statements.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphases of Matter

The State implemented Governmental Accounting Standards Board (GASB) Statement Number 72, *Fair Value Measurements and Application*. This statement established standards for determining a fair value measurement for financial reporting and resulted in new footnote disclosures, as reflected in Note 5B. This standard has not yet been adopted for those funds presented on a fiscal year end December 31, as described in Note 1D. Our opinions are not modified with respect to this matter.

As discussed in Note 20C to the basic financial statements, the Injured Patients and Families Compensation Fund's loss liabilities related to medical malpractice claims are estimates based on recommendations of a consulting actuary. The Fund's Board of Governors and management believe the estimated loss liabilities are reasonable and represent the most probable estimate of the losses the Fund will pay for the claims incurred to date. However, there are inherent uncertainties in estimating the medical malpractice loss liabilities because of the Fund's unlimited liability coverage for economic damages, as well as the extended reporting and settlement periods. These uncertainties make it likely that amounts paid will ultimately differ from the reported estimated loss liabilities. These differences cannot be quantified. Our opinion for this Fund is not modified with respect to this matter.

As discussed in Note 5B to the financial statements, 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. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information—Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the following items in the required supplementary information section, as listed in the table of contents—the schedule of funding progress for the state retiree health insurance postemployment benefit plan, the schedule of the State's proportionate share of the net pension liability or asset, the schedule of the State's pension contributions, the infrastructure narrative, and the budgetary comparison schedules with related notes—be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, which considers it to be essential for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information that included inquiries of management about the methods of preparing the information. We further compared the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to do so.

Accompanying Information—Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining statements and 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 combining statements and schedule have 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, the procedures performed as described above, and the report of the other auditors, the combining statements and schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also issued a report dated March 30, 2017, on our consideration of the State's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used when considering the State's internal control over financial reporting and compliance.

LEGISLATIVE AUDIT BUREAU

Joe Chrisman
State Auditor

March 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the State of Wisconsin's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended June 30, 2016. It should be read in conjunction with the transmittal letter located at the front of this CAFR, and the State's financial statements, including the note disclosures which are an integral part of the statements, that follow this part of the CAFR.

FINANCIAL HIGHLIGHTS -- PRIMARY GOVERNMENT

Government-wide (Tables 2 and 3 on Pages 24 and 25)

- *Net Position.* The assets plus deferred outflows of resources of the State of Wisconsin exceeded its liabilities plus deferred inflows of resources at the close of Fiscal Year 2016 by $23.3 billion (reported as "net position"). Of this amount, $(7.9) billion was reported as "unrestricted net position". A positive balance in unrestricted net position would represent the amount available to be used to meet a government's ongoing obligations to citizens and creditors.
- *Changes in Net Position.* The State's total net position increased by $1.4 billion in Fiscal Year 2016. Net position of governmental activities increased by $924.7 million or 8.3 percent, while net position of the business-type activities showed an increase of $482.7 million or 4.5 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities.* During Fiscal Year 2016, the State's total revenues for governmental activities of $28.6 billion were $1.8 billion more than total expenses (excluding transfers) for governmental activities of $26.8 billion. Of these expenses, $11.9 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled $16.7 billion.

Fund

- *Governmental Funds -- Fund Balances.* As of the close of Fiscal Year 2016, the State's governmental funds reported combined ending fund balances of $(53.5) million, an increase of $353.5 million in comparison with the prior year. Of this total amount, $(3.0) billion represents the unassigned fund balances.
- *General Fund -- Fund Balance*. At the end of the current fiscal year, total fund balance was $(1,722.6) million, a change of $18.5 million from a deficit of $(1,741.2) million reported in the prior year. The unassigned fund deficit for the General Fund was $(2.4) billion, or (10.3) percent of total General Fund expenditures.

Additional information regarding individual funds begins on Page 29.

Long-term Debt

- The State's total long-term debt obligations (bonds and notes payable) increased by $152.7 million during the current fiscal year which represents the net difference between new issuances, payments and refundings of outstanding debt. Increases in debt resulted from new borrowings in excess of repayments of existing debt. During the year issuances of new general obligations exceeded repayments and refundings of debt by $211.3 million. Revenue bonds outstanding increased by $21.1 million. Offsetting those increases, annual appropriation bonds totaling $79.7 million were repaid. Additional detail regarding these activities begins on Page 34.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

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

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

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

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

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

(Table 1, continued)

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

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

Additional Required Supplementary Information

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

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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

Net Position

As presented in Table 2, total assets of the State on June 30, 2016 were $44.8 billion and deferred outflows of resources were $2.9 billion, while total liabilities were $23.4 billion and deferred inflows of resources were $985.4 million, resulting in combined net position (government and business-type activities) of $23.3 billion. The largest component of the State's total net position consists of $23.2 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 $8.0 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 $(7.9) billion. Therefore, based on this measurement, no funds were available for discretionary purposes. A contributing factor to the negative balance is that governments recognize a liability on the government-wide statement of net position as soon as an obligation is incurred. While financing focuses on when a liability will be paid, accounting is primarily concerned with when a liability is incurred. Accordingly, the State recognizes long-term liabilities (such as general obligation debt, compensated absences, and future benefits and loss liabilities – listed in Note 10 to the financial statements) on the statement of net position. In addition to the effect of reporting long-term liabilities when incurred, the General Fund's total deficit fund balance of $(1.7) billion at year-end, as discussed on Page 29, also contributed to the deficit unrestricted net position reported in the statement of net position.

During Fiscal Year 2016, the State issued $1.2 billion of general obligation bonds, primarily for the acquisition or improvement of land, water, property, highways, buildings, and equipment. At June 30, 2016 general obligation bonds and long term general obligation notes outstanding totaled $7.6 billion, outstanding annual appropriation bonds were $3.0 billion, and outstanding revenue bonds, which are not considered general obligation debt of the State, totaled $3.0 billion.

Table 2
Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2016	2015*	2016	2015*	2016	2015*	2016-2015
Current and Other Assets	$ 6,554.0	$ 6,252.4	$ 8,802.8	$ 8,722.9	$ 15,356.9	$ 14,975.4	2.5 %
Capital Assets	23,230.6	22,271.2	6,223.3	6,235.3	29,453.9	28,506.5	3.3
Total Assets	29,784.6	28,523.6	15,026.2	14,958.3	44,810.8	43,481.9	3.1
Deferred Outflows of Resources	1,481.3	569.7	1,382.5	372.1	2,863.8	941.8	204.1
Long-term Liabilities	12,168.0	11,794.0	3,993.9	3,752.3	16,161.9	15,546.3	4.0
Other Liabilities	6,558.2	6,123.0	664.5	826.3	7,222.7	6,949.3	3.9
Total Liabilities	18,726.3	17,917.0	4,658.4	4,578.6	23,384.7	22,495.6	4.0
Deferred Inflows of Resources	459.9	21.3	525.5	9.7	985.4	31.1	3073.1
Net Position:							
Net investment In Capital Assets	18,613.5	18,051.7	4,562.9	4,566.1	23,176.4	22,617.8	2.5
Restricted	2,368.9	2,602.0	5,619.6	5,312.4	7,988.5	7,914.4	0.9
Unrestricted (deficit)	(8,902.7)	(9,498.8)	1,042.4	863.6	(7,860.4)	(8,635.1)	9.0
Total Net Position	$ 12,079.7	$ 11,155.0	$ 11,224.8	$ 10,742.1	$ 23,304.5	$ 21,897.1	6.4

* 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 $19.5 billion and general revenues of $16.7 billion for total revenues of $36.2 billion during Fiscal Year 2016. Expenses for the State during Fiscal Year 2016 were $34.8 billion. As a result of the excess of revenues over expenses, the total net position of the State increased $1.4 billion, net of contributions and transfers.

Table 3
Changes in Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2016	2015*	2016	2015*	2016	2015*	2016-2015
Program Revenues:							
Charges for Services	$ 2,338.5	$ 2,251.5	$ 7,072.8	$ 6,974.1	$ 9,411.3	$ 9,225.6	2.0 %
Operating Grants and Contributions	8,724.2	8,745.5	460.2	441.8	9,184.4	9,187.3	(0.0)
Capital Grants and Contributions	808.9	862.3	45.5	37.8	854.4	900.1	(5.1)
General Revenues:							
Income Taxes	8,582.4	8,355.7	-	-	8,582.4	8,355.7	2.7
Sales and Excise Taxes	5,781.2	5,590.9	-	-	5,781.2	5,590.9	3.4
Public Utility Taxes	368.7	368.9	-	-	368.7	368.9	(0.0)
Motor Fuel Taxes	1,091.8	1,067.8	-	-	1,091.8	1,067.8	2.2
Other Taxes	481.9	477.7	-	-	481.9	477.7	0.9
Other General Revenues	410.8	417.2	15.8	4.4	426.6	421.6	1.2
Total Revenues	28,588.3	28,137.4	7,594.3	7,458.1	36,182.5	35,595.4	1.6
Program Expenses:							
Commerce	237.5	265.2	-	-	237.5	265.2	(10.5)
Education	7,028.2	7,075.0	-	-	7,028.2	7,075.0	(0.7)
Transportation	2,121.7	2,225.7	-	-	2,121.7	2,225.7	(4.7)
Environmental Resources	469.2	476.1	-	-	469.2	476.1	(1.4)
Human Relations and Resources	13,299.0	12,988.4	-	-	13,299.0	12,988.4	2.4
General Executive	580.1	554.2	-	-	580.1	554.2	4.7
Judicial	131.9	127.3	-	-	131.9	127.3	3.6
Legislative	67.6	64.4	-	-	67.6	64.4	4.9
Tax Relief and Other General Expenditures	1,434.7	1,331.1	-	-	1,434.7	1,331.1	7.8
Intergovernmental - Shared Revenue	965.3	964.1	-	-	965.3	964.1	0.1
Interest on Long-term Debt	436.8	455.5	-	-	436.8	455.5	(4.1)
Injured Patients and Families Compensation	-	-	(50.7)	(88.6)	(50.7)	(88.6)	42.8
Environmental Improvement	-	-	44.9	48.5	44.9	48.5	(7.5)
University of Wisconsin System	-	-	4,938.5	4,725.6	4,938.5	4,725.6	4.5
Unemployment Reserve	-	-	520.8	628.4	520.8	628.4	(17.1)
Lottery	-	-	612.6	581.2	612.6	581.2	5.4
Health Insurance	-	-	1,399.7	1,361.7	1,399.7	1,361.7	2.8
Care and Treatment Facilities	-	-	377.6	370.4	377.6	370.4	2.0
Other Business-type	-	-	175.4	209.5	175.4	209.5	(16.2)
Total Expenses	26,772.0	26,527.2	8,018.9	7,836.7	34,790.9	34,363.9	1.2
Excess (deficiency) before Contributions and Transfers	1,816.3	1,610.2	(424.7)	(378.7)	1,391.6	1,231.5	
Contributions to Term and Permanent Endowments	-	-	4.4	4.0	4.4	4.0	
Contributions to Permanent Fund Principal	11.4	12.1	-	-	11.4	12.1	
Transfers	(903.0)	(1,096.0)	903.0	1,096.0	-	-	
Increase (decrease) in Net Position	924.7	526.3	482.7	721.3	1,407.5	1,247.6	
Net Position - Beginning (Restated)	11,155.0	10,628.6	10,742.1	10,020.8	21,897.1	20,649.4	
Net Position - Ending	$ 12,079.7	$ 11,155.0	$ 11,224.8	$ 10,742.1	$ 23,304.5	$ 21,897.1	6.4

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

Governmental Activities

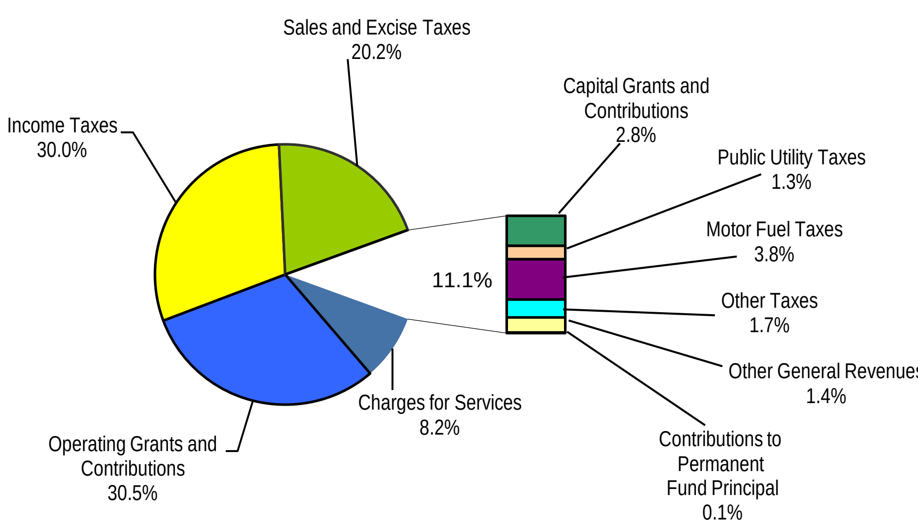
The net position of governmental activities increased $924.7 million in Fiscal Year 2016. Revenues for the governmental activities (including contributions to permanent fund principal) totaled $28.6 billion, while expenses and net transfers totaled $27.7 billion in Fiscal Year 2016.

General and program revenues of governmental activities increased $450.9 million during this fiscal year. Tax revenues increased $445.0 million primarily due to enhanced income and sales and excise taxes of $226.7 million and $190.3 million, respectively. Charges for goods and services increased by $87.0 million while motor fuel and other taxes also increased by $24.0 million and $4.1 million, respectively. Offsetting those increases were decreases of $53.4 million and $21.3 million in capital grants and operating grants, respectively.

The State's governmental activities program expenses increased $244.8 million to $26.8 billion during Fiscal Year 2016. Human relations and resources expenses increased by $310.5 million (2.4 percent) to a total of $13.0 billion. Tax relief and other general expenses increased by $103.6 million (7.8 percent) to $1.3 billion as a result of 2015 Wisconsin Act 55 which included an increase in the school levy aids. General executive expenditures also increased $25.8 million. Conversely, transportation, education, and commerce expenses decreased $104.0 million, $46.8 million and $27.7 million, respectively.

As shown in Table 4, below, approximately 57.0 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 30.5 percent of total revenues. Capital grants and contributions provided 2.8 percent, charges for services contributed 8.2 percent, while various other revenues provided 1.5 percent of the remaining governmental activity revenue sources.

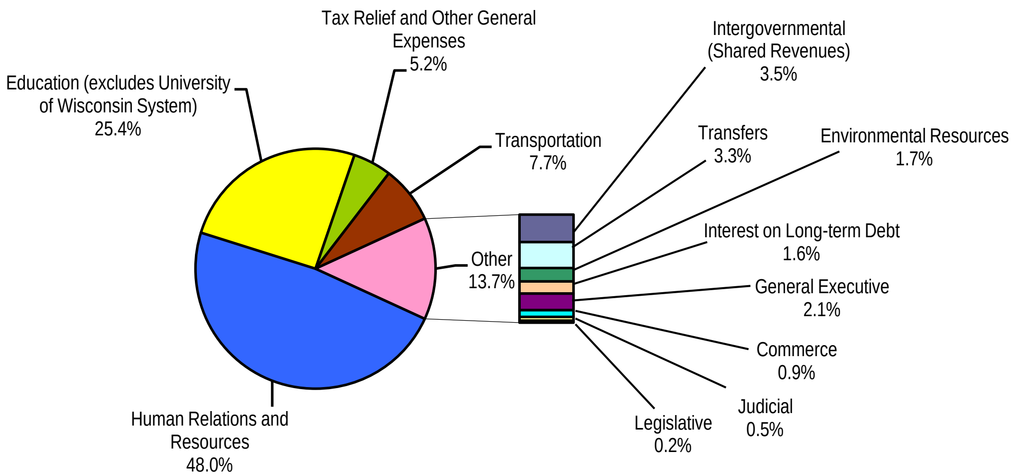
Table 4
Governmental Activities - 2016 Revenues



As shown in Table 5, below, expenses for human relations and resources programs make up the largest portion – 48.0 percent – of total governmental expenses and transfers. Included in this cost function are programs such as Medical Assistance and Temporary Assistance for Needy Families as well as costs for state correctional facilities and services.

Educational expenses, which include various school aids but exclude expenses of the University of Wisconsin System, make up 25.4 percent of total expenses. Tax relief and other general expenses and the municipal and county shared revenue program represent 8.7 percent of the total, while transportation expenses represent 7.7 percent. Net transfers to business-type activities, which include a general purpose revenue subsidy to the University of Wisconsin System, make up 3.3 percent of the total expenses and transfers. Remaining functional expenses totaled 5.3 percent while interest on long-term debt totaled 1.6 percent.

Table 5
Governmental Activities - 2016 Expenses



Business-Type Activities

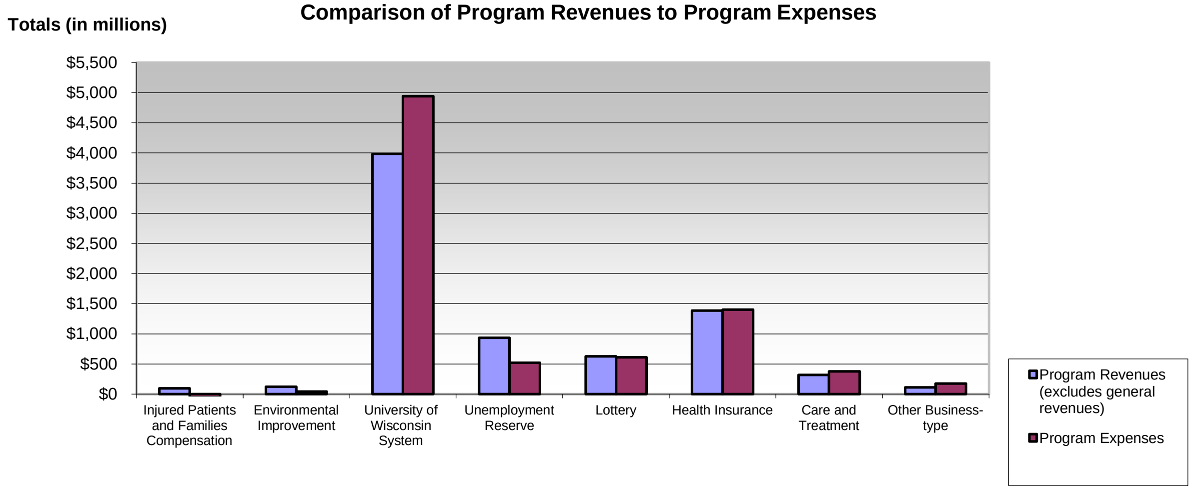
Net position of the State's business-type activities increased $482.7 million in Fiscal Year 2016.

Revenues of business-type activities totaled $7.6 billion for Fiscal Year 2016, an increase of $136.2 million from the prior year. Program revenues consisted of $7.1 billion of charges for services, $460.2 million of operating grants and contributions, and $45.5 million of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal and net transfers totaled $15.8 million, $4.4 million, and $903.0 million, respectively.

The total expenses for business-type activities were $8.0 billion, an increase of $182.2 million from the prior fiscal year. The largest increase in program expenses, $212.9 million, related to increased expenses for the University of Wisconsin System. Expenses for the Health Insurance, Injured Patients and Family Compensation, and Lottery funds also increased by $38.0 million, $37.9 million and $31.3 million, respectively. Offsetting those increases was a decrease in the Unemployment Reserve Fund program expenses of $107.5 million and other business type program expenses of $34.0 million.

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

Table 6
Fiscal Year 2016
Business-Type Activities
Comparison of Program Revenues to Program Expenses



FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds

At the end of Fiscal Year 2016, the State's governmental funds reported a negative combined fund balance of $(53.5) million. Funds with significant changes in fund balance are discussed below:

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2016, the State's General Fund reported a total fund deficit of $(1.7) billion. The net change in fund balance during Fiscal Year 2016 was $18.5 million, in contrast to $(375.4) million in Fiscal Year 2015. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

Revenues

Revenues of the General Fund totaled $24.9 billion in Fiscal Year 2016, an increase of $405.8 million (1.7 percent) from the prior year. Factors contributing to this change included the following:

- Revenues from taxes increased $429.5 million. The increases relate to income and sales taxes, which increased $228.2 million and $185.7 million, respectively, from Fiscal Year 2015. Sales tax revenue increases were driven by increased consumer expenditures for taxable goods, while the increase in income taxes was the result of growth in personal income.
- Intergovernmental revenues (i.e. federal assistance) decreased $36.5 million in Fiscal Year 2016. Revenues for education and general executive programs decreased $69.3 million and $40.9 million respectively, while the human relations and resources program reported increased revenues of $62.4 million.

Expenditures

2015 Wisconsin Act 55 established spending authority for the State of Wisconsin for Fiscal Year 2016. Expenditures of the General Fund totaled $23.3 billion in Fiscal Year 2016, an increase of $183.3 million from Fiscal Year 2015. Factors contributing to the change include the following:

- Human relations and resources expenditures increased by $186.9 million (1.5 percent) to $13.0 billion. These costs comprise 56.0 percent of General Fund expenditures.
- 2015 Wisconsin Act 55 budgeted for an increase in school levy aids. As a result, tax relief and other general expenditures increased $109.3 million to $1.4 billion.
- Education expenditures, which comprised 29.8 percent of General Fund expenditures, declined by $44.4 million (0.63 percent) to a total of $6.9 billion. Similarly, commerce and environmental resources expenditures decreased $33.6 million and $13.4 million from the previous year. In addition, capital outlay expenditures decreased by $20.4 million.

Other Financing Sources and Uses

Other financing sources/uses totaled a net $(1.6) billion in Fiscal Year 2016, compared to $(1.8 billion) in Fiscal Year 2015. The components of this included the following:

- Transfers out of the General Fund totaled $1.7 billion, a decrease of $192.2 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 $890.5, a decrease of $93.0 million from the prior year. The University of Wisconsin System, which receives the majority of the GPR supplement, received $802.7 million in Fiscal Year 2016, a decrease of $93.9 million.

- Transfers out to the Transportation Fund were $38.4 million in Fiscal Year 2016, a decrease from the prior year. Under the requirements of 2013 Wisconsin Act 20, the General Fund made a one-time transfer of $133.3 million in Fiscal Year 2015.
- Transfers out for debt service payments to the Bond Security and Redemption Fund totaled $522.3 million in Fiscal Year 2016 compared to $512.3 million in Fiscal Year 2015.

- Transfers in to the General Fund increased $7.8 million (from $69.9 million in Fiscal Year 2015 to $77.7 million in Fiscal Year 2016). The University of Wisconsin System transferred $30.1 million while non-major governmental funds transferred $18.6 million. In addition, an excess subsidy of $14.0 million was transferred from the Environmental Improvement Fund. Internal service and non-major enterprise funds transferred $7.6 million and $4.2 million, respectively.

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

As of June 30, 2016, the General Fund reported an unassigned fund balance deficit of $(2.4) billion, a reduction of the deficit of $44.1 million from the prior year. A deficit unassigned fund balance represents the excess of the liabilities of the General Fund over its assets and nonspendable, restricted, and committed fund balance accounts.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were significant and included a $4.4 billion increase in appropriations. Contributing to the variance is the fact that several of the State's programs and various transfers (see the items denoted with *, below) are not included in the original budget. In addition, numerous adjustments to spending estimates were needed as the year progressed because of changing circumstances (spending needs can change dramatically over a one-year period). The largest variances occurred in the following appropriations (in millions):

Program	Variance
Food Stamps, Electronic Benefit Transfer*	$ 1,200.0
Federal Aid Medical Assistance	810.8
UW System, General Program Operations (part of Statutory General Fund)	232.9
Medical Assistance Refunds and Collections	110.2
Federal Aid UW System	81.8

Actual charges to appropriations (expenditures) were $4.5 billion below the final budgeted estimates. Large positive expenditure variances were reported in the Medical Assistance Federal Aid ($1.2 billion) and the Food Stamps Benefits ($252.2 million) appropriations.

During the past fiscal year, the budgetary-based fund balance increased $337.6 million for the statutory General Fund, in part, because of increased general purpose revenues for taxes. Net transfers from other funds totaled $17.6 million in Fiscal Year 2016 compared to $(102.4) million in the prior fiscal year.

Transportation Fund

In Fiscal Year 2016, the Transportation Fund's fund balance decreased $60.2 million (7.7 percent) from $777.5 million to $717.3 million. A constitutional amendment restricts use of state resources deposited into the Fund for state transportation purposes. As such, $689.1 million or 96.1 percent of fund balance is reported as restricted for Fiscal Year 2016. Remaining fund balance is reported as nonspendable and correlates to prepaid and inventory assets.

Revenues of the Fund increased by $2.7 million (0.1 percent) to a total of $2.6 billion. Primary revenue sources of the fund include motor fuel taxes, intergovernmental, and license and permit revenue sources, as well as interfund transfers in.

Expenditures decreased slightly in Fiscal Year 2016 by $11.6 million, to a total of $2.6 billion. In addition to the expenditures reported in the Transportation Fund, long term debt-funded transportation expenditures of $53.7 million and $173.3 million were reported in the Capital Improvement Fund and Transportation Revenue Bonds Fund, respectively. Transportation-related expenditures of these two funds decreased $73.2 million and $34.9 million, respectively in the current year.

Transfers in to the Transportation Fund decreased $127.9 million from $193.6 million to $65.7 million in Fiscal Year 2016. 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 $38.0 million in Fiscal Year 2016. In addition, $27.3 million was transferred from the Petroleum Inspection special revenue fund. The decline in transfers in from the prior fiscal year pertains to 2013 Wisconsin Act 20 which required a one-time transfer of $133.3 million from the General Fund to the Transportation Fund.

Transfers out of the Fund increased $22.0 million to $146.0 million. Transfers out to the Bond Security and Redemption Fund for debt service comprise the majority increasing by $19.8 million to $102.1 million in Fiscal Year 2016.

Capital Improvement Fund

Fund balance of the Capital Improvement Fund increased by $211.4 million from $(735.7) million to $(524.4) million. Assets of the Fund, which are comprised of cash and receivables, increased $11.9 million to $80.6 million. Short-term notes payable and amounts owed to the Transportation Fund for reimbursement of transportation-related projects comprise the majority of Fund liabilities. Liabilities totaled $605.0 million, a decrease of $199.5 million from the prior year.

Two issues of long-term debt totaling $528.2 million were made during Fiscal Year 2016, a decrease of $32.2 million from the prior fiscal year. During the year, debt and premium proceeds funded $329.2 million of capital outlay expenditures in the Fund, a decrease of $42.6 million. Capital outlay expenditures reflect capital assets, such as buildings and highways, which were either in progress or completed during the fiscal year and will be used on a long-term basis. Debt proceeds also funded $107.5 million of maintenance and repair expenditures on state owned assets that are reported as functional expenditures. Transportation related functional costs were $53.7 million, a decrease of $73.2 million from the prior year, and comprised 50.0 percent of functional expenditures reported in the Fund.

Transfers In to the Capital Improvement Fund for debt service payments on outstanding notes payable increased $94.8 million to $112.1 million. A short term note was paid off in Fiscal Year 2016, increasing the amount of the debt service payments. Transfers Out of the Capital Improvement Fund, which are also funded from debt proceeds, decreased $98.5 million to $87.4 million, because less debt was issued and subsequently distributed to proprietary funds.

Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Significant changes to balances of major proprietary funds from Fiscal Year 2015 to Fiscal Year 2016 include the following:

Environmental Improvement

Fund net position of the Environmental Improvement Fund increased $59.4 million to $2.1 billion. Total assets of the Fund increased by $47.2 million while liabilities increased by $3.9 million. Assets increased to $2.8 billion as a result of a $68.4 million reduction in loans to local governments and an increase of $108.2 million in cash.

Operating income of the Fund, which is comprised primarily of interest on loans, remained steady from the prior fiscal year with a total of $13.6 million in Fiscal Year 2016. Non-operating revenue increased by $13.9 million due to an increase in investment income, which increased by $24.3 million to $28.9 million. This increase in investment income was offset by a decrease of $12.8 million in federal grant funds to $43.0 million.

Injured Patients and Families Compensation

Fund net position of the Injured Patients and Families Compensation Fund increased by $145.0 million from $733.3 million to $878.3 million at June 30, 2016. Total assets of the Fund, which increased $91.9 million to $1.3 billion, are primarily comprised of investments. Fund liabilities, which decreased by $53.0 million to $437.4 million, are comprised primarily of actuarially-determined future benefits and loss liabilities of $424.5 million.

Operating revenue of the Fund consisted of assessment income which decreased by $11.2 million (33.3 percent) to $22.4 million. The reduced revenue resulted from a 34.0 percent decrease in assessment rates and changes in the number of participating providers. Non-operating income consists solely of investment and interest income which increased by $41.8 million to $71.9 million due to increased investments and improved investment performance.

Fund operating expenses consist primarily of benefit expenses. Benefit expenses, which are determined by an actuary, were negative $51.7 million for Fiscal Year 2016 compared to negative $89.4 million the prior year. Benefit payments totaled $9.8 million, down $11.3 million from Fiscal Year 2015 payments of $21.1 million.

Unemployment Reserve

Fund net position of the Unemployment Reserve Fund increased by $415.2 million from $819.2 million to $1.2 billion at June 30, 2016. Benefit expenses decreased $104.8 million from $618.5 million to $513.8 million in Fiscal Year 2016, a decrease of 16.9 percent. The decrease in benefit expenses is the result of the average unemployment rate falling from 4.89 percent during Fiscal Year 2015 to 4.44 percent during Fiscal Year 2016. While revenues of the Fund decreased, expenses also declined, resulting in an increase in net position.

Operating revenues decreased by $194.9 million from $1.1 billion to $917.5 million in Fiscal Year 2016. Employer contributions, which comprise the majority of operating revenue, decreased $180.4 million (17.1 percent) to $873.3 million. The decrease in employer contributions was caused by a decrease in the average tax rate on taxable wages compared to the prior fiscal year.

University of Wisconsin System

Fund net position decreased by $110.2 million to $6.6 billion. Assets, which consist primarily of capital assets and cash, decreased $281.9 million to $8.6 billion. Liabilities consist mostly of bonds and short term payables, and increased by $261.9 million to $2.7 billion.

Operating revenues of the University of Wisconsin System increased $234.1 million or approximately 6.9 percent to $3.6 billion. Student tuition, and federal grants and contracts of $1.2 billion and $895.6 million, respectively, comprise 58.5 percent of operating revenues. Other operating revenues increased by $109.1 million (32.8 percent) while increases of $62.5 million (5.3 percent), $61.4 million (30.1 percent) and $16.3 million (4.1 percent) were reported for student tuition and fees, local and private grants and contracts and sales and services of auxiliary enterprises, respectively. Conversely, revenues decreased by $10.7 million (3.3 percent) and $7.0 million (0.8 percent), for sales and services of educational activities and federal grants and contracts, respectively. Operating expenses increased $179.3 million or 3.9 percent, primarily from an increase in personal services of $159.8 million (5.3 percent).

Transfers in to the University of Wisconsin System decreased by $172.5 million to a total of $928.2 million in Fiscal Year 2016. The general purpose revenue supplement received from the State's General Fund, which comprises the majority of the amount transferred in, was $802.7 million a decrease of $93.9 million. The Capital Improvement Fund also transferred $59.3 million of bond and note proceeds to the University of Wisconsin System a decrease of $120.7 million from the prior year. Bond proceeds transferred in are a function of on-going capital projects funded with those bonds.

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the close of Fiscal Year 2016, the State reported $29.5 billion invested in capital assets, net of accumulated depreciation of $6.0 billion. This represents an increase of $854.0 million, or 3.0 percent, from Fiscal Year 2015. Depreciation charges totaled $190.4 million and $321.9 million for governmental and business-type activities, respectively, in Fiscal Year 2016. 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	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Land and Land Improvements	$ 2,824	$ 2,770	$ 171	$ 171	$ 2,995	$ 2,941
Buildings and Improvements	1,364	1,328	4,378	4,277	5,743	5,605
Library Holdings	74	76	1,124	1,145	1,198	1,221
Machinery and Equipment	343	320	309	328	652	648
Infrastructure	15,433	14,975	-	-	15,433	14,975
Construction and Software in Progress	3,192	2,896	240	313	3,432	3,209
Totals	$ 23,231	$ 22,365	$ 6,223	$ 6,235	$ 29,454	$ 28,600

The major capital asset additions completed or acquired during Fiscal Year 2016 included the:

- Armed Forces Reserve Center $33.0 million
- Femrite Data Center Purchase $21.6 million
- Waupun Central Generating Plant $15.4 million
- West Campus Cogeneration Facility Addition and Chiller UW-Madison $43.7 million
- Memorial Theater Wing Renovation UW-Madison $95.3 million
- Social Science and Nurse Education UW-Oshkosh $24.8 million
- University Housing Renovation UW-Madison $15.0 million
- Liz Waters Hall Renovation UW-Madison $11.5 million
- Harvey Hall Renovation UW-Stout $27.5 million
- Residence Hall Renovation UW-Whitewater $19.6 million
- Residence Hall Renovation UW-Platteville $14.9 million
- North Debot Residence Hall Renovation UW-Stevens Point $13.3 million
- Wisconsin Historical Society Learning Visitor Center $10.9 million
- Department of Military Affairs OMS #13 Construct Main Shop $10.9 million

In addition to these completed projects, construction and software in progress as of June 30, 2016 for governmental and business-type activities totaled $3.2 billion and $240.2 million, respectively. A list of those projects is provided in Note 7. The State's continuing or proposed major capital projects for Fiscal Year 2016 and future years include:

- I-94 North South Freeway Project (Completion in 2022) $1.7 billion
- Zoo Interchange (Completion in 2021) $1.7 billion
- US 41 Winnebago and Brown Counties (Completion in 2016) $1.5 billion
- St. Croix Crossing (Completion in 2018) $647.0 million
- Hoan Bridge (Completion in 2017) $251.4 million
- Highway 12 Lake Delton to Sauk City (Completion in 2018) $208.8 million
- Verona Road (Completion in 2019) $294.3 million

Debt Administration

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. The total general obligation debt outstanding for the State as of June 30, 2016 was $7.7 billion, as shown in Table 8. During Fiscal Year 2016, $1.2 billion of general obligation bonds were issued to provide for the acquisition or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes or to refund outstanding bonds. Of the bonds and long term notes issued in the current year, $284.3 million was to be used for University of Wisconsin System academic and self-amortizing facilities; $511.4 million for transportation projects, $90.6 million for environmental programs, $34.6 million for correctional and mental health facilities and $259.8 million for various other projects.

In Fiscal Year 2004, the State issued $1.8 billion of annual appropriation bonds to pay the State's unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits. In Fiscal Year 2009, the State issued $1.5 billion of annual appropriation bonds to purchase the future right, title, and interest in the Tobacco Settlement Revenues (TSRs) from Badger Tobacco Asset Securitization Corporation (BTASC) as well as pay any issuance expenses. As of June 30, 2016, $3.0 billion of these bonds were outstanding.

Chapter 18 of the Wisconsin Statutes authorizes the State to issue revenue obligations. These obligations, which are not general obligation debt of the State, are secured by a pledge of revenues or property derived from the operations of a program funded by the issuance of the obligations. Revenue bonds of the primary government totaled $3.0 billion outstanding at June 30, 2016, as shown in Table 8. These bonds included $2.2 billion of Transportation Revenue Bonds, $41.6 million of Petroleum Inspection Revenue Bonds, and $759.5 million of Environmental Improvement Revenue Bonds.

Table 8
Outstanding Debt as of June 30, 2016 and 2015
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
General obligations:						
Bonds and long term notes	$6,055.0	$5,850.3	$1,605.8	$1,599.2	$7,660.8	$7,449.5
Annual appropriation bonds	3,032.4	3,112.1	--	--	3,032.4	3,112.1
Revenue bonds	2,256.8	2,236.4	759.5	758.7	3,016.3	2,995.1
Totals	$11,344.2	$11,198.9	$2,365.3	$2,357.9	$13,709.5	$13,556.8

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, 2016, State of Wisconsin general obligation fixed rate bonds had a rating of AA from Fitch Ratings, AA from Kroll Bond Rating Agency, Aa2 from Moody's Investors Services, and AA from Standard and Poor's Rating Services. General obligation variable notes had a rating of F1+ from Fitch Investors Services, L.P, P-1 from Moody's, and A-1+ from Standard and Poor's Corporation.

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

INFRASTRUCTURE -- MODIFIED APPROACH

The State reports infrastructure (i.e., roads, bridges, and buildings considered an ancillary part of roads) as capital assets. Infrastructure assets exclude right-of-way costs. The State has elected to report its infrastructure assets (11,200 centerline miles of roads and 5,200 bridges with a combined value of $15.4 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 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, 2016, 91.1 percent of the roads and 96.9 percent of bridges were in good or fair condition, consistent with State policies. This compares to 92.7 percent of the roads and 96.8 percent of bridges as of June 30, 2015.

For the fiscal year ended June 30, 2016, actual maintenance and preservation costs for the State's road network were $564.7 million or $52.9 million less than the estimated amount. On the same date, actual maintenance and preservation costs for the State's bridge network were $128.3 million or $49.7 million more than the estimated amount. In developing estimated costs at the beginning of the fiscal year, it is difficult to predict the types of projects that will actually incur costs during the year. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

ECONOMIC FACTORS

During calendar year 2015, the Wisconsin economy continued its expansion.

Wisconsin employment continued to grow throughout 2015. According to the federal Bureau of Labor Statistics, total nonfarm employment in Wisconsin increased 1.0 percent in 2013, 1.5 percent in 2014 and 1.3 percent during 2015. This performance generally followed national employment trends. Nationally, employment grew 1.6 percent in 2013, 1.9 percent in 2014 and 2.1 percent in 2015.

More recently, Wisconsin's growth in employment has moderated, similar to the nation as a whole. Between October 2015 and October 2016, Wisconsin employment has increased 1.0 percent. Nationally, employment is up 1.7 percent over the same period, representing a slowdown from 2015. However, Wisconsin's seasonally adjusted unemployment rate in October 2016 was 4.1 percent, well below the 4.9 percent national unemployment rate.

Reflecting the continuing recovery, Wisconsin's state nominal gross domestic product increased 3.5 percent in 2015, slightly trailing the national growth rate of 3.7 percent. Wisconsin's 2015 growth followed growth rates of 2.8 percent and 4.2 percent in 2013 and 2014, respectively. These figures compare with the 50-state total gross domestic product increases of 3.3 percent in 2013 and 4.2 percent in 2014. Since 2007, Wisconsin's gross domestic product increased by a similar magnitude to the national average at 24.0 percent compared to 24.5 percent nationally.

Steady growth in output has spurred gains in personal income. Wisconsin personal income grew 0.7 percent, 4.2 percent and 3.6 percent in 2013, 2014 and 2015, respectively. Nationally, personal income grew 1.2 percent, 5.2 percent and 4.5 percent in the same years. On a per capita basis, Wisconsin's income performance is similar to the nation's. Per capita income in Wisconsin increased by 0.4 percent, 3.9 percent and 3.4 percent in 2013, 2014 and 2015, respectively. This compares to growth of 0.4 percent, 4.4 percent and 3.7 percent in the same years nationally. Relative to the national average, Wisconsin per capita income has remained in approximately the same range for the past three years at 96.1 percent, 95.7 percent and

95.4 percent of the national average in 2013, 2014 and 2015, respectively. This represents an improvement from 2008 when Wisconsin per capita income was only 94.6 percent of the national average.

Wisconsin's statewide total property value increased again in 2016 for the third straight year following five years of declines from 2009 through 2013. The recovery in values has been broad-based, reflecting improvements in all major sectors. In 2016, total property value increased 3.0 percent, with residential property value growing at 2.9 percent. In addition, commercial real estate values grew 3.8 percent and manufacturing values grew 2.7 percent. Manufacturing values have now increased for five consecutive years.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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

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

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Basic Financial Statements

State of Wisconsin

Statement of Net Position
June 30, 2016

(In Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Assets				
Cash and Cash Equivalents	$ 1,234,041	$ 3,649,802	$ 4,883,843	$ 736,181
Investments	542,695	2,035,626	2,578,321	1,314,444
Cash and Investments with Other Component Units	-	-	-	204,411
Receivables (net of allowance)	4,134,142	3,024,713	7,158,856	1,952,055
Internal Balances	123,575	(123,575)	-	-
Inventories	49,989	50,582	100,571	39,408
Prepaid Items	51,050	30,868	81,919	27,229
Capital Leases Receivable - Component Units	-	211	211	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	253,362	128,608	381,970	258,855
Investments	150,394	-	150,394	3,016,661
Other Assets	14,766	6,000	20,766	159,993
Capital Assets:				
Depreciable	1,591,310	4,697,280	6,288,589	1,097,486
Nondepreciable:				
Infrastructure	15,433,292	-	15,433,292	-
Other	6,205,955	1,526,065	7,732,019	97,883
Total Assets	29,784,570	15,026,181	44,810,751	8,904,605
Deferred Outflows of Resources	1,481,289	1,382,533	2,863,821	352,190
Liabilities				
Accounts Payable and Other Accrued Liabilities	1,309,881	315,028	1,624,909	501,008
Due to Other Governments	2,500,654	33,475	2,534,129	72,599
Tax Refunds Payable	1,263,180	-	1,263,180	-
Tax and Other Deposits	66,949	25,624	92,573	82,133
Amounts Held in Trust by Component Unit for Other Component Units	-	-	-	194,533
Amounts Held in Trust by Component Unit for Others	-	-	-	37,609
Unearned Revenue	340,794	206,763	547,557	835
Interest Payable	117,203	14,188	131,391	8,563
Short-term Notes Payable	742,829	69,406	812,235	-
Other Liabilities	216,753	-	216,753	57,394
Long-term Liabilities:				
Current Portion	855,404	347,069	1,202,473	75,282
Noncurrent Portion	11,312,626	3,646,836	14,959,462	2,034,847
Total Liabilities	18,726,272	4,658,390	23,384,662	3,064,803
Deferred Inflows of Resources	459,887	525,478	985,365	120,477
Net Position				
Net Investment in Capital Assets	18,613,522	4,562,881	23,176,403	594,157
Restricted for:				
Human Relations and Resources	166,440	-	166,440	-
Conservation Related	112,025	-	112,025	-
General Executive	126,586	-	126,586	-
Transportation	689,091	-	689,091	-
Debt Service	70,787	-	70,787	-
Capital Projects	21,502		21,502	
Unemployment Compensation	-	1,234,384	1,234,384	-
Environmental Improvement	-	2,035,171	2,035,171	-
Permanent Trusts:				
Expendable	15,765	283,578	299,343	10,929
Nonexpendable	1,061,923	181,685	1,243,608	8,615
Future Benefits	-	1,102,633	1,102,633	36,886
Other Purposes	104,771	782,149	886,919	3,694,281
Unrestricted	(8,902,713)	1,042,364	(7,860,350)	1,726,647
Total Net Position	$ 12,079,699	$ 11,224,845	$ 23,304,544	$ 6,071,515

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

Statement of Activities
For the Fiscal Year Ended June 30, 2016

(In Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants, Contributions and Restricted Interest**	**Capital Grants, Contributions and Restricted Interest**
Primary Government:				
Governmental Activities:				
Commerce	$ 237,466	$ 273,093	$ 28,943	$ -
Education	7,028,238	16,992	946,207	-
Transportation	2,121,715	771,525	130,979	798,993
Environmental Resources	469,164	240,006	84,281	-
Human Relations and Resources	13,298,962	697,972	7,334,288	9,927
General Executive	580,095	236,956	129,933	-
Judicial	131,871	46,952	750	-
Legislative	67,604	1,715	-	-
Tax Relief and Other General Expenses	1,434,733	-	68,772	-
Intergovernmental - Shared Revenue	965,324	53,312	-	-
Interest on Debt	436,832	-	-	-
Total Governmental Activities	26,772,005	2,338,523	8,724,152	808,920
Business-type Activities:				
Injured Patients and Families Compensation	(50,687)	22,381	71,935	-
Environmental Improvement	44,895	51,423	71,886	-
University of Wisconsin System	4,938,522	3,648,741	295,564	43,664
Unemployment Reserve	520,839	911,598	22,885	-
Lottery	612,571	627,299	(250)	-
Health Insurance	1,399,727	1,386,532	(1,502)	-
Care and Treatment Facilities	377,615	313,541	550	1,762
Other Business-type	175,432	111,252	(845)	25
Total Business-type Activities	8,018,915	7,072,768	460,223	45,452
Total Primary Government	$ 34,790,920	$ 9,411,292	$ 9,184,375	$ 854,372
Component Units:				
Housing and Economic Development Authority	$ 251,182	$ 94,051	$ 176,353	$ -
Health Care Liability Insurance Plan	129	1,753	1,220	-
University Hospitals and Clinics Authority	2,833,525	2,860,878	-	-
University of Wisconsin Foundation	278,331	2,399	543,597	-
Wisconsin Economic Development Corp	49,015	184	30,144	-
Total Component Units	$ 3,412,182	$ 2,959,265	$ 751,314	$ -

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

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

Total General Revenues, Contributions, and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	**Business-Type Activities**	**Total**	**Component Units**
$ 64,570		$ 64,570	
(6,065,040)		(6,065,040)	
(420,218)		(420,218)	
(144,877)		(144,877)	
(5,256,775)		(5,256,775)	
(213,206)		(213,206)	
(84,170)		(84,170)	
(65,889)		(65,889)	
(1,365,961)		(1,365,961)	
(912,012)		(912,012)	
(436,832)		(436,832)	
(14,900,409)		(14,900,409)	
	$ 145,004	145,004	
	78,414	78,414	
	(950,552)	(950,552)	
	413,645	413,645	
	14,478	14,478	
	(14,697)	(14,697)	
	(61,762)	(61,762)	
	(65,000)	(65,000)	
-	(440,471)	(440,471)	
(14,900,409)	(440,471)	(15,340,881)	
			$ 19,222
			2,845
			27,353
			267,665
			(18,687)
			298,398
8,582,394	-	8,582,394	-
5,781,190	-	5,781,190	-
368,724	-	368,724	-
302,104	-	302,104	-
1,091,758	-	1,091,758	-
179,760	-	179,760	-
3,940	15,807	19,747	28,295
406,826	-	406,826	11,984
-	4,437	4,437	50
11,434	-	11,434	-
(902,973)	902,973	-	-
15,825,157	923,217	16,748,374	40,329
924,748	482,745	1,407,493	338,726
11,154,951	10,742,100	21,897,051	5,732,788
$ 12,079,699	$ 11,224,845	$ 23,304,544	$ 6,071,515

Balance Sheet - Governmental Funds
June 30, 2016

(In Thousands)

	General	Transportation	Capital Improvement	Nonmajor Governmental	Total Governmental
Assets and Deferred Outflows of Resources					
Assets:					
Cash and Cash Equivalents	$ 150,066	$ 543,092	$ 55,529	$ 470,818	$ 1,219,505
Investments	751	-	-	541,944	542,695
Receivables (net of allowance):					
Taxes	1,222,427	102,571	-	22,708	1,347,707
Loans to Local Governments	-	-	-	403,875	403,875
Other Loans Receivable	11,756	14,852	-	-	26,608
Other Receivables	617,488	13,537	34	78,008	709,066
Due from Other Funds	226,938	140,556	25,084	29,547	422,126
Interfund Receivables	71,814	-	-	-	71,814
Due from Other Governments	1,318,781	240,013	-	16,511	1,575,305
Inventories	16,697	27,232	-	962	44,891
Prepaid Items	33,202	988	-	11,449	45,639
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	253,362	253,362
Investments	-	-	-	150,394	150,394
Other Assets	14,764	-	-	2	14,766
Total Assets	3,684,685	1,082,841	80,647	1,979,579	6,827,752
Deferred Outflows of Resources	-	142	-	-	142
Total Assets and Deferred Outflows of Resources	$ 3,684,685	$ 1,082,983	$ 80,647	$ 1,979,579	$ 6,827,894
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 1,042,753	$ 179,838	$ 12,727	$ 29,878	$ 1,265,196
Due to Other Funds	127,581	42,976	53,980	63,418	287,954
Due to Component Units	388	-	-	-	388
Interfund Payables	-	-	-	1,980	1,980
Due to Other Governments	2,394,505	101,728	1,767	2,654	2,500,654
Tax Refunds Payable	1,258,876	3,154	-	1,149	1,263,180
Tax and Other Deposits	50,430	190	-	16,329	66,949
Unearned Revenue	298,521	37,488	-	4,490	340,499
Interest Payable	-	-	-	50,690	50,690
Advances from Other Funds	710	-	-	6,238	6,948
Short-term Notes Payable	-	-	536,528	188,278	724,806
Revenue Bonds and Notes Payable	-	-	-	130,195	130,195
Total Liabilities	5,173,764	365,374	605,002	495,300	6,639,440
Deferred Inflows of Resources	233,549	298	-	8,138	241,985
Fund Balances:					
Nonspendable	49,858	28,220	-	1,072,967	1,151,046
Restricted	339,107	689,091	-	280,136	1,308,334
Committed	281,347	-	-	170,475	451,822
Unassigned	(2,392,941)	-	(524,354)	(47,437)	(2,964,732)
Total Fund Balances	(1,722,629)	717,311	(524,354)	1,476,141	(53,531)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,684,685	$ 1,082,983	$ 80,647	$ 1,979,579	$ 6,827,894

(Continued)

Balance Sheet - Governmental Funds
June 30, 2016

(Continued)

			Total Governmental
Reconciliation to the Statement of Net Position:			
Total Fund Balances - Governmental Funds (from previous page)		$	(53,531)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Infrastructure	15,433,292		
Other Capital Assets	8,933,118		
Accumulated Depreciation	(1,485,201)		
			22,881,208
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.			797,002
Deferred outflows of resources used to accumulate decreases in fair values of hedging derivatives that are not reported in the governmental funds.	216,753		
Derivative instruments (interest rate swaps) that also are not reported in the governmental funds.	(216,753)		
			0
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are not recognized in the funds.			241,691
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.			25,416
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund statements. These liabilities, however, are included in the Statement of Net Position.			
Revenue Bonds Payable	(2,126,588)		
Appropriation Bonds Payable	(3,032,415)		
General Obligation Bonds and Notes Payable	(5,905,219)		
Accrued Interest on Bonds	(66,512)		
Capital Leases	(80,153)		
Installment Contracts	(472)		
Compensated Absences	(150,946)		
Pollution Remediation	(7,700)		
Claims and Judgments	(581)		
Net Pension Liability	(206,066)		
Other Postemployment Benefits Liability	(235,434)		
			(11,812,086)
Net Position of Governmental Activities as reported on the Statement of Net Position (See page 39)		$	12,079,699

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, 2016

(In Thousands)

	General	Transportation	Capital Improvement	Nonmajor Governmental	Total Governmental
Revenues:					
Taxes					
Income	$ 8,580,069	$ -	$ -	$ -	$ 8,580,069
Sales and Excise	5,778,988	-	-	-	5,778,988
Public Utility	368,724	-	-	-	368,724
Other General Purpose	302,048	-	-	-	302,048
Motor Fuel	-	1,091,629	-	-	1,091,629
Other Dedicated	-	-	-	179,760	179,760
Intergovernmental	8,373,123	926,480	-	74,523	9,374,125
Licenses and Permits	809,934	517,505	-	646,611	1,974,050
Charges for Goods and Services	283,909	17,632	-	24,446	325,987
Investment and Interest Income	1,401	1,327	144	53,923	56,795
Fines and Forfeitures	42,288	575	-	18,237	61,100
Gifts and Donations	5,657	20	-	15,789	21,466
Miscellaneous:					
Tobacco Settlement	133,676	-	-	-	133,676
Other	257,095	17,358	3,281	7,468	285,202
Total Revenues	24,936,912	2,572,526	3,425	1,020,756	28,533,619
Expenditures:					
Current Operating:					
Commerce	162,506	-	4,297	69,109	235,912
Education	6,939,286	-	787	44,991	6,985,064
Transportation	10,681	1,987,158	53,747	183	2,051,770
Environmental Resources	100,351	-	21,977	314,792	437,121
Human Relations and Resources	13,039,322	-	9,802	23,464	13,072,588
General Executive	479,477	-	959	102,945	583,382
Judicial	128,272	-	-	214	128,487
Legislative	65,506	-	-	-	65,506
Tax Relief and Other General	1,418,160	-	15,918	802	1,434,880
Intergovernmental - Shared Revenue	914,310	-	-	51,013	965,324
Capital Outlay	61,364	566,712	329,188	192,414	1,149,679
Debt Service:					
Principal	-	-	-	651,302	651,302
Interest	-	-	1,159	520,868	522,027
Other Expenditures	-	-	976	1,636	2,612
Total Expenditures	23,319,239	2,553,870	438,811	1,973,734	28,285,654
Excess of Revenues Over (Under) Expenditures	1,617,673	18,656	(435,386)	(952,978)	247,965
Other Financing Sources (Uses):					
Long-term Debt Issued	-	-	528,243	312,709	840,952
Long-term Debt Issued - Refunding Bonds	-	-	-	222,323	222,323
Payments to Refunding Bond Escrow Agent	-	-	-	(273,679)	(273,679)
Premium on Bonds	-	-	93,281	106,659	199,940
Transfers In	77,676	65,701	112,059	1,018,785	1,274,221
Transfers Out	(1,689,237)	(146,035)	(87,399)	(249,800)	(2,172,472)
Capital Lease Acquisitions	14,862	2,626	-	-	17,488
Installment Purchase Acquisitions	-	-	575	-	575
Total Other Financing Sources (Uses)	(1,596,699)	(77,708)	646,759	1,136,998	109,349
Net Change in Fund Balances	20,974	(59,053)	211,372	184,020	357,314
Fund Balances, Beginning of Year	(1,741,163)	777,486	(735,727)	1,292,409	(406,994)
Increase (Decrease) in Inventories	(2,440)	(1,122)	-	(288)	(3,850)
Fund Balances, End of Year	$ (1,722,629)	$ 717,311	$ (524,354)	$ 1,476,141	$ (53,531)

(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2016

(Continued)

			Total Governmental
Reconciliation to the Statement of Activities:			
Net Change in Fund Balances (from previous page)		$	357,314
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.			(3,850)
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. In the current period, these amounts are:			
Capital Outlay/Functional Expenditures	1,148,558		
Depreciation Expense	(155,384)		
			993,174
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.			(50,740)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			8,213
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			
Bonds Issued	(1,063,276)		
Payments to Refunding Bond Escrow Agent	273,679		
Repayment of Bond Principal	651,302		
Bond Premium	(199,940)		
Prepaid Bond Insurance Costs (Amortization)	(16)		
			(338,251)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Net Decrease (increase) in Accrued Interest	98,065		
Decrease (increase) in Capital Leases	(5,607)		
Decrease (increase) in Installment Contracts	426		
Decrease (increase) in Compensated Absences	2,553		
Decrease (increase) in Pollution Remediation Liabilities	(210)		
Decrease (increase) in Claims and Judgments	(26)		
Change in net pension assets, net pension liabilties, and pension-related deferred outflows and inflows of resources	(128,911)		
Decrease (increase) in Postemployment Benefit Liabilities	(17,183)		
			(50,892)
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.			9,782
Changes in Net Position of Governmental Activities as reported on the Statement of Activities (See page 41)		$	924,748

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

Statement of Net Position
Proprietary Funds
June 30, 2016

(In Thousands)

	Business-type Activities - Enterprise Funds			
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 26,122	$ 473,558	$ 1,642,563	$ 984,711
Investments	-	45,550	-	-
Loans to Local Governments (net of allowance)	-	176,315	-	-
Other Loans Receivable (net of allowance)	-	-	29,478	-
Other Receivables (net of allowance)	18,940	309	135,806	230,166
Due from Other Funds	-	111	27,797	406
Due from Component Units	-	-	4,739	-
Interfund Receivables	-	-	-	-
Due from Other Governments	-	10,638	76,207	2,299
Inventories	1	-	41,880	-
Prepaid Items	-	17	29,790	-
Capital Leases Receivable - Component Units	-	-	35	-
Other Assets	-	-	-	-
Total Current Assets	45,063	706,498	1,988,295	1,217,583
Noncurrent Assets:				
Investments	1,237,083	187,050	415,470	-
Loans to Local Governments (net of allowance)	-	1,794,104	-	-
Other Loans Receivable (net of allowance)	-	-	166,958	-
Other Receivables	-	-	919	57,496
Prepaid Items	-	117	-	-
Advances to Other Funds	-	6,238	-	-
Capital Leases Receivable - Component Units	-	-	176	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	32,339	93,918	-	2,352
Other Assets	-	-	-	-
Depreciable Capital Assets (net of accumulated depreciation)	1,015	-	4,495,841	-
Nondepreciable Capital Assets	-	-	1,502,354	-
Total Noncurrent Assets	1,270,437	2,081,427	6,581,718	59,848
Total Assets	1,315,500	2,787,925	8,570,013	1,277,430
Deferred Outflows of Resources	288	30,608	1,181,486	-
Total Assets and Deferred Outflows of Resources	$ 1,315,788	$ 2,818,533	$ 9,751,498	$ 1,277,430
Liabilities				
Current Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 10,229	$ 220	$ 121,402	$ 12,273
Due to Other Funds	427	3,960	146,736	1,948
Due to Component Units	-	-	2,046	-
Interfund Payables	-	-	-	-
Due to Other Governments	-	3	3,848	28,824
Tax and Other Deposits	-	-	2,101	-
Unearned Revenue	2,096	171	178,391	-
Interest Payable	-	2,743	10,740	-
Short-term Notes Payable	-	-	67,907	-
Current Portion of Long-term Liabilities:				
Future Benefits and Loss Liabilities	52,262	-	-	-
Capital Leases	-	-	4,030	-
Compensated Absences	14	143	65,214	-
General Obligation Bonds and Notes Payable	-	-	74,933	-
Revenue Bonds and Notes Payable	-	54,105	-	-
Total Current Liabilities	65,028	61,346	677,346	43,046
Noncurrent Liabilities:				
Accounts Payable and Other Accrued Liabilities	-	-	-	-
Due to Other Governments	-	623	-	-
Noncurrent Portion of Long-term Liabilities:				
Future Benefits and Loss Liabilities	372,221	-	-	-
Capital Leases	-	-	30,109	-
Installment Contracts Payable	-	-	-	-
Compensated Absences	36	412	66,307	-
Net Pension Liability	54	30	220,460	-
Other Postemployment Benefits	52	29	267,867	-
General Obligation Bonds and Notes Payable	-	-	1,437,969	-
Revenue Bonds and Notes Payable	-	705,383	-	-
Total Noncurrent Liabilities	372,363	706,478	2,022,712	-
Total Liabilities	437,391	767,824	2,700,058	43,046
Deferred Inflows of Resources	115	64	472,582	-
Net Position:				
Net Investment in Capital Assets	1,015	-	4,383,248	-
Restricted for Unemployment Compensation	-	-	-	1,234,384
Restricted for Environmental Improvement	-	2,035,171	-	-
Restricted for Expendable Trusts	-	-	283,578	-
Restricted for Nonexpendable Trusts	-	-	181,685	-
Restricted for Future Benefits	877,267	-	-	-
Restricted for Other Purposes	-	-	689,152	-
Unrestricted	-	15,473	1,041,195	-
Total Net Position	878,282	2,050,645	6,578,859	1,234,384
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 1,315,788	$ 2,818,533	$ 9,751,498	$ 1,277,430

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

Business-type Activities - Enterprise Funds		
Nonmajor Enterprise	**Totals**	**Governmental Activities - Internal Service Funds**
$ 522,848	$ 3,649,802	$ 14,537
6,141	51,691	-
307	176,621	-
2,314	31,793	-
115,565	500,787	2,826
62,155	90,469	37,555
-	4,739	-
91,337	91,337	-
8,784	97,928	142
8,700	50,582	4,803
945	30,752	4
-	35	-
342	342	-
819,439	4,776,878	59,867
144,332	1,983,935	-
2,061	1,796,165	-
42,804	209,762	-
197	58,612	-
-	117	494
710	6,948	-
-	176	-
-	128,608	-
5,658	5,658	-
200,424	4,697,280	304,268
23,711	1,526,065	45,080
419,897	10,413,326	349,842
1,239,336	15,190,204	409,709
170,151	1,382,533	24,801
$ 1,409,487	$ 16,572,737	$ 434,509
$ 109,084	$ 253,208	$ 15,975
27,319	180,390	25,002
-	2,046	-
24,967	24,967	44,867
177	32,853	477
23,524	25,624	-
26,105	206,763	-
705	14,188	1,015
1,499	69,406	18,023
82,634	134,896	37,295
90	4,120	11,051
5,143	70,515	1,277
8,501	83,434	10,237
-	54,105	-
309,747	1,156,513	165,217
20,637	20,637	-
-	623	-
394,415	766,636	62,081
36	30,145	19,796
-	-	-
8,487	75,243	3,195
24,774	245,318	4,084
33,817	301,765	3,712
84,377	1,522,347	139,533
-	705,383	-
566,544	3,668,096	232,401
876,291	4,824,610	397,618
52,717	525,478	9,279
178,618	4,562,881	153,555
-	1,234,384	-
-	2,035,171	-
-	283,578	-
-	181,685	-
225,366	1,102,633	-
92,996	782,149	-
(16,501)	1,040,167	(125,943)
480,479	11,222,649	27,612
$ 1,409,487	$ 16,572,737	$ 434,509

Total Net Position Reported Above	$ 11,222,649
Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds	2,196
Net Position of Business-type Activities	$ 11,224,845

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
For the Fiscal Year Ended June 30, 2016

(In Thousands)

	Business-type Activities - Enterprise Funds			
	Injured Patients and Families Compensation	**Environmental Improvement**	**University of Wisconsin System**	**Unemployment Reserve**
Operating Revenues:				
Charges for Goods and Services	$ 22,381	$ -	$ -	$ -
Participant and Employer Contributions	-	-	-	873,261
Tuition and Fees	-	-	1,231,770	-
Federal Grants and Contracts	-	-	895,597	-
Local and Private Grants and Contracts	-	-	265,753	-
Sales and Services of Educational Activities	-	-	317,062	-
Sales and Services of Auxiliary Enterprises	-	-	418,106	-
Sales and Services to UW Hospital Authority	-	-	66,904	-
Investment and Interest Income	-	51,398	-	-
Interest Income Used as Security for Revenue Bonds	-	-	-	-
Miscellaneous:				
Federal Aid for Unemployment Insurance Program	-	-	-	5,872
Reimbursing Financing Revenue	-	-	-	34,767
Other	-	25	441,414	3,570
Total Operating Revenues	22,381	51,423	3,636,607	917,470
Operating Expenses:				
Personal Services	609	5,180	3,194,138	-
Supplies and Services	187	3,082	1,177,889	-
Lottery Prize Awards	-	-	-	-
Scholarships and Fellowships	-	-	149,709	-
Depreciation	230	-	303,909	-
Benefit Expense	(51,713)	-	-	513,768
Interest Expense	-	29,539	-	7,070
Other Expenses	-	-	5,980	-
Total Operating Expenses	(50,687)	37,800	4,831,625	520,839
Operating Income (Loss)	73,068	13,623	(1,195,018)	396,632
Nonoperating Revenues (Expenses):				
Operating Grants	-	42,986	-	-
Investment and Interest Income	71,935	28,919	(3,380)	17,013
Investment Income Used as Security for Revenue Bonds	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	-	-	(46,668)	-
Interest Expense	-	-	(60,946)	-
Gifts and Donations	-	-	303,129	-
Miscellaneous Revenues	-	-	12,135	-
Other Expenses:				
Property Tax Credits	-	-	-	-
Grants Disbursed	-	(7,095)	-	-
Federal Settlement	-	-	-	-
Other	-	-	-	-
Total Nonoperating Revenues (Expenses)	71,935	64,810	204,270	17,013
Income (Loss) Before Contributions and Transfers	145,004	78,433	(990,749)	413,645
Capital Contributions	-	-	43,664	-
Additions to Endowments	-	-	4,437	-
Transfers In	-	3,124	928,246	2,000
Transfers Out	(15)	(22,153)	(95,805)	(438)
Change in Net Position	144,989	59,404	(110,207)	415,207
Total Net Position, Beginning of Year	733,293	1,991,241	6,689,065	819,177
Total Net Position, End of Year	$ 878,282	$ 2,050,645	$ 6,578,859	$ 1,234,384

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

Business-type Activities - Enterprise Funds Nonmajor Enterprise	Business-type Activities - Enterprise Funds Totals	Governmental Activities - Internal Service Funds
$ 984,954	$ 1,007,335	$ 277,990
1,446,613	2,319,874	-
-	1,231,770	-
-	895,597	-
-	265,753	-
-	317,062	-
-	418,106	-
-	66,904	-
3,343	54,741	-
-	-	-
-	5,872	-
-	34,767	-
2,059	447,069	1,088
2,436,970	7,064,851	279,078
315,159	3,515,086	47,716
187,198	1,368,356	147,548
372,558	372,558	-
-	149,709	-
17,796	321,935	33,559
1,493,013	1,955,068	26,433
3,392	40,001	-
11,821	17,802	6
2,400,938	7,740,514	255,262
36,032	(675,663)	23,816
1,310	44,297	179
7,388	121,875	32
-	-	-
(31)	(46,699)	(2,318)
(1,536)	(62,481)	(5,995)
561	303,689	-
1,952	14,086	996
(160,106)	(160,106)	-
(2,108)	(9,203)	-
-	-	(743)
(962)	(962)	(992)
(153,532)	204,496	(8,841)
(117,500)	(471,167)	14,975
1,787	45,452	-
-	4,437	-
114,791	1,048,161	5,217
(26,778)	(145,188)	(9,360)
(27,699)	481,694	10,833
508,178	10,740,955	16,779
$ 480,479	$ 11,222,649	$ 27,612

Change in Net Position Reported Above	$ 481,694
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds	1,051
Change in Net Position of Business-Type Activities	$ 482,745

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2016

(In Thousands)

	Business-type Activities - Enterprise Funds			
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Cash Flows from Operating Activities:				
Cash Receipts from Customers	$ 22,678	$ -	$ -	$ 924,513
Cash Payments to Suppliers for Goods and Services	(338)	(3,534)	(1,141,446)	-
Cash Payments to Employees for Services	(604)	(1,833)	(3,007,519)	-
Tuition and Fees	-	-	1,212,440	-
Grants and Contracts	-	-	1,166,498	-
Cash Payments for Lottery Prizes	-	-	-	-
Cash Payments for Loans Originated	-	(112,053)	(37,188)	-
Collection of Loans	-	180,499	35,663	-
Interest Income	-	51,776	-	-
Cash Payments for Benefits	(9,843)	-	-	(540,554)
Sales and Services of Educational Activities	-	-	312,458	-
Sales and Services of Auxiliary Enterprises	-	-	421,219	-
Sales and Services to UW Hospital Authority	-	-	67,167	-
Scholarships and Fellowships	-	-	(149,709)	-
Other Operating Revenues	-	25	430,300	76,677
Other Operating Expenses	-	-	-	(7,221)
Other Sources of Cash	-	-	-	-
Other Uses of Cash	-	-	-	-
Net Cash Provided (Used) by Operating Activities	11,893	114,881	(690,116)	453,415
Cash Flows from Noncapital Financing Activities:				
Operating Grants Receipts	-	40,457	-	-
Grants for Loans to Governments	-	(7,095)	-	-
Grants Disbursed	-	-	-	-
Proceeds from Issuance of Debt	-	50,850	-	-
Repayment of Bonds and Notes	-	(63,180)	-	-
Interest Payments	-	(32,032)	-	-
Property Tax Credit Payments	-	-	-	-
Noncapital Gifts and Grants	-	-	307,566	-
Interfund Loans Received	-	-	-	-
Interfund Loans Repaid	-	-	-	-
Interfund Borrowings to Other Funds	-	-	-	-
Transfers In	-	3,124	1,026,692	2,000
Transfers Out	(15)	(22,153)	(95,668)	(612)
Student Direct Lending Receipts	-	-	711,024	-
Student Direct Lending Disbursements	-	-	(705,594)	-
Other Cash Inflows from Noncapital Financing Activities	-	-	13,384	-
Other Cash Outflows from Noncapital Financing Activities	-	(15)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(15)	(30,044)	1,257,404	1,388
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Issuance of Debt	-	-	140,869	-
Capital Contributions	-	-	89,053	-
Repayment of Bonds and Notes	-	-	(262,621)	-
Interest Payments	-	-	(144,387)	-
Transfers In	-	-	-	-
Capital Lease Obligations	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Payments for Purchase of Capital Assets	(372)	-	(350,080)	-
Other Cash Inflows from Capital Financing Activities	-	-	43,521	-
Other Cash Outflows from Capital Financing Activities	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(372)	-	(483,645)	-
Cash Flows from Investing Activities:				
Proceeds from Sale and Maturities of Investment Securities	944,723	8,292	90,863	-
Purchase of Investment Securities	(989,127)	-	(82,337)	-
Cash Payments for Loans Originated	-	-	-	-
Collection of Loans	-	-	-	-
Investment and Interest Receipts	33,988	10,162	13,611	17,013
Net Cash Provided (Used) by Investing Activities	(10,416)	18,454	22,137	17,013
Net Increase (Decrease) in Cash and Cash Equivalents	1,090	103,291	105,780	471,816
Cash and Cash Equivalents, Beginning of Year	57,371	464,185	1,536,784	515,247
Cash and Cash Equivalents, End of Year	$ 58,461	$ 567,476	$ 1,642,563	$ 987,063

Business-type Activities - Enterprise Funds		
Nonmajor Enterprise	Totals	Governmental Activities - Internal Service Funds
$ 2,341,091	$ 3,288,282	$ 273,163
(150,785)	(1,296,102)	(158,787)
(306,866)	(3,316,822)	(46,058)
-	1,212,440	-
-	1,166,498	-
(387,838)	(387,838)	-
(486)	(149,727)	-
14,771	230,932	-
3,667	55,443	-
(1,488,480)	(2,038,877)	(34,096)
-	312,458	-
-	421,219	-
-	67,167	-
-	(149,709)	-
7,456	514,458	11
(57,288)	(64,509)	-
26,522	26,522	1,235
(5,137)	(5,137)	(679)
(3,373)	(113,300)	34,789
3,379	43,836	-
-	(7,095)	-
(2,474)	(2,474)	-
-	50,850	-
(11,295)	(74,475)	-
(3,425)	(35,456)	(185)
(158,096)	(158,096)	-
-	307,566	-
-	-	3,084
(14,647)	(14,647)	(2,291)
(11,569)	(11,569)	-
112,916	1,144,733	5,217
(25,404)	(143,852)	(9,380)
-	711,024	-
-	(705,594)	-
666	14,050	65
(3,726)	(3,742)	-
(113,675)	1,115,058	(3,491)
1,275	142,144	8,127
1,787	90,841	-
(4,222)	(266,843)	947
(1,802)	(146,189)	(6,889)
3,010	3,010	-
(304)	(304)	(7,569)
-	-	640
(12,835)	(363,287)	(34,404)
22	43,544	179
(570)	(570)	(128)
(13,638)	(497,656)	(39,095)
17,334	1,061,211	-
(15,466)	(1,086,930)	-
(147)	(147)	-
249	249	-
4,680	79,454	1
6,650	53,838	1
(124,036)	557,940	(7,797)
646,884	3,220,470	22,333
$ 522,848	$ 3,778,411	$ 14,537

(Continued)

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2016

(Continued)

	Business-type Activities - Enterprise Funds			
	Injured Patients and Families Compensation	**Environmental Improvement**	**University of Wisconsin System**	**Unemployment Reserve**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:				
Operating Income (Loss)	$ 73,068	$ 13,623	$ (1,195,018)	$ 396,632
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	230	-	303,909	-
Provision for Uncollectible Accounts	-	-	-	(9,385)
Operating Income (Investment Income) Classified as Investing Activity	-	-	-	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	28,968	-	-
Miscellaneous Nonoperating Income (Expense)	-	-	-	-
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:				
Decrease (Increase) in Receivables	103	68,825	(33,140)	70,309
Decrease (Increase) in Due from Other Funds	-	(377)	(4,124)	27
Decrease (Increase) in Due from Component Units	-	-	263	-
Decrease (Increase) in Due from Other Governments	-	-	13,580	576
Decrease (Increase) in Inventories	1	-	(777)	-
Decrease (Increase) in Prepaid Items	7	20	45,089	-
Decrease (Increase) in Net Pension Assets	68	82	330,167	-
Decrease (Increase) in Other Assets	-	-	-	-
Decrease (Increase) in Deferred Outflows of Resources	(218)	(127)	(897,035)	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	166	70	(60,118)	1,711
Increase (Decrease) in Due to Other Funds	(134)	3,454	93,343	(23)
Increase (Decrease) in Due to Component Units	-	-	543	-
Increase (Decrease) in Due to Other Governments	-	(221)	1,288	(6,431)
Increase (Decrease) in Tax and Other Deposits	-	-	-	-
Increase (Decrease) in Unearned Revenue	3	-	6,785	-
Increase (Decrease) in Interest Payable	-	-	-	-
Increase (Decrease) in Compensated Absences	(14)	470	1,794	-
Increase (Decrease) in Net Pension Liability	54	30	220,460	-
Increase (Decrease) in Postemployment Benefits	2	-	19,423	-
Increase (Decrease) in Future Benefits and Loss Liability	(61,556)	-	-	-
Increase (Decrease) in Deferred Inflows of Resources	114	63	463,452	-
Total Adjustments	(61,175)	101,258	504,902	56,783
Net Cash Provided (Used) by Operating Activities	$ 11,893	$ 114,881	$ (690,116)	$ 453,415
Noncash Investing, Capital and Financing Activities:				
Assets Acquired through Capital Leases	$ -	$ -	$ 1,762	$ -
Net Change in Unrealized Gains and Losses	(10,830)	18,730	(27,058)	-
Other	-	22,842	3,438	-

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

Business-type Activities - Enterprise Funds		
Nonmajor Enterprise	Totals	Governmental Activities - Internal Service Funds
$ 36,032	$ (675,663)	$ 23,816
17,796	321,935	33,559
317	(9,068)	-
(243)	(243)	-
3,392	32,360	-
(138)	(138)	(1,727)
48	106,144	(1,732)
3,518	(957)	(1,515)
-	263	-
(15)	14,141	(18)
811	34	(631)
6,065	51,182	543
26,918	357,235	5,842
48	48	-
(94,899)	(992,278)	(16,699)
(1,523)	(59,693)	2,621
(10,310)	86,330	(13,553)
-	543	-
(382)	(5,745)	(668)
1,416	1,416	-
(102,232)	(95,444)	-
-	-	-
1,583	3,832	(325)
24,774	245,318	4,084
2,984	22,410	407
28,617	(32,939)	(7,664)
52,049	515,678	8,449
(39,406)	562,362	10,973
$ (3,373)	$ (113,300)	$ 34,789
$ -	$ 1,762	$ 13,387
1,365	(17,793)	-
782	27,061	4

Statement of Fiduciary Net Position
June 30, 2016

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust	Agency
Assets				
Cash and Cash Equivalents	$ 3,462,676	$ 3,249,593	$ 58,840	$ 39,428
Securities Lending Collateral	1,177,769	-	-	-
Prepaid Items	30,273	-	-	-
Receivables (net of allowance):				
Prior Service Contributions Receivable	25,978	-	-	-
Benefits Overpayment Receivable	2,477	-	-	-
Due from Other Funds	83,066	-	2,166	2,967
Due from Component Units	5,564	-	-	-
Due from Other Governments	127,730	-	12,582	1,091
Due from Employers	-	-	-	18,640
Interest and Dividends Receivable	226,909	-	-	-
Investment Sales Receivable	1,041,414	-	-	-
Other Receivables	3,092	-	30,384	1,681
Total Receivables	1,516,229	-	45,132	24,380
Investments:				
Fixed Income	24,955,170	-	-	-
Stocks	47,185,254	-	-	-
Options	(1,179)	-	-	-
Financial Futures Contracts and Swaps	9,507	-	-	-
Limited Partnerships	10,679,849	-	-	-
Preferred Securities	178,666	-	-	-
Real Estate	1,119,024	-	-	-
Investments of Private Purpose Trust Funds	-	-	4,055,569	-
Investments of Agency Funds	-	-	-	59
Multi-asset Investments	4,102,892	-	-	-
External Investment Pool	605,967	-	-	-
Foreign Currency Contracts	3,274	-	-	-
Total Investments	88,838,424	-	4,055,569	59
Capital Assets	13,897	-	-	-
Other Assets	-	-	-	316,323
Total Assets	95,039,267	3,249,593	4,159,541	$ 380,189
Deferred Outflows of Resources	-	-	39	
Liabilities				
Accounts Payable and Other Accrued Liabilities	65,903	-	17,961	$ 44,211
Reverse Repurchase Agreements	809,678	-	-	-
Securities Lending Collateral Liability	1,177,769	-	-	-
Annuities Payable	337,069	-	-	-
Due to Other Funds	138,870	121	5,323	276
Interfund Payables	76	-	91,261	-
Tax and Other Deposits	-	-	-	335,702
Future Benefits and Loss Liabilities	-	-	4,959	-
Short Sales of Securities	166,161	-	-	-
Investment Payable	355,519	-	-	-
Unearned Revenue	75	-	64	-
Compensated Absences Payable	2,410,050	-	-	-
Net Pension Liability	-	-	7	-
Other Postemployment Benefits	-	-	10	-
Total Liabilities	5,461,170	121	119,586	$ 380,189
Deferred Inflows of Resources	-	-	16	
Net Position				
Held in Trust for Pension Benefits, Pool Participants and Other Purposes	$ 89,578,097	$ 3,249,472	$ 4,039,979	

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, 2016

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust
Additions			
Contributions:			
Employer Contributions	$ 1,054,678	$ -	$ -
Employee Contributions	977,359	-	-
Other	-	-	-
Total Contributions	2,032,038	-	-
Deposits	-	9,348,356	441,710
Premiums	-	-	231,225
Federal Subsidy	-	-	21,311
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	(2,328,202)	-	-
Interest	550,054	-	-
Dividends	1,206,311	-	-
Securities Lending Income	35,068	-	-
Other	188,537	-	-
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	303	7,307	61,156
Less:			
Investment Expense	(350,036)	(595)	(6,713)
Securities Lending Rebates and Fees	(2,867)	-	-
Investment Income Distributed to Other Funds	26,147	-	-
Net Investment Income	(674,685)	6,713	54,444
Interest on Prior Service Receivable	1,617	-	-
Miscellaneous Income	169	-	123
Total Additions	1,359,140	9,355,069	748,812
Deductions			
Retirement Benefits and Refunds:			
Retirement, Disability, and Beneficiary	4,780,080	-	-
Separations	37,642	-	-
Total Retirement Benefits and Refunds	4,817,722	-	-
Distributions	29,790	8,934,020	337,925
Other Benefit Expense	308,774	-	254,422
Administrative Expense	27,801	121	10,919
Miscellaneous Expense	-	-	-
Transfers Out	-	-	2
Total Deductions	5,184,087	8,934,141	603,268
Net Increase (Decrease)	(3,824,947)	420,928	145,545
Net Position - Beginning of Year	93,403,044	2,828,544	3,894,434
Net Position - End of Year	$ 89,578,097	$ 3,249,472	$ 4,039,979

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

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Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

Other Note Disclosures

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

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

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

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

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

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

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

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

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

Blended Component Unit

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

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

Discretely Presented Component Units

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

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

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

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

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

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

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

University of Wisconsin Foundation – The University of Wisconsin Foundation (the Foundation) is a legally separate, tax-exempt component unit of the State. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available 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 December 31.

Related Organizations

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

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

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

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

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 Comprehensive Annual Financial Report are presented on a fiscal year ended June 30. However, because funds of the Department of Employee Trust Funds (DETF) are administered on a calendar year basis, they are presented on a fiscal year ended December 31. 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, Duty Disability, Reimbursed Employee Expense, Local Retiree Life Insurance, Retiree Life Insurance, Milwaukee Retirement System, Retiree Health Insurance, Local Retiree Health Insurance, Income Continuation Insurance, Long-term Disability Insurance, Health Insurance, and Life Insurance.

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

The University of Wisconsin Foundation and Wisconsin Health Care Liability Insurance Plan are reported as component units. The Foundation financial statements are prepared using accounting standards promulgated by the Financial Accounting Standards Board as they apply to not-for-profit corporations. The

Plan financial statements are prepared using prescribed statutory accounting practices included in the National Association of Insurance Commissioner's Accounting Practices and Procedures Manual. Statutory accounting practices vary somewhat from United States GAAP but are expected to be immaterial.

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

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

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

The State reports the following major funds:

Major Governmental Funds

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

Major Enterprise Funds

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

In addition, the State reports the following fund types:

Governmental Funds

- *Special Revenue Funds* – account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Examples include the Conservation Fund and the Petroleum Inspection Fund.
- *Debt Service Funds* – account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Financial resources that are being accumulated for future principal and interest are also reported in debt service funds.
- *Capital Projects Funds* – account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds or that will be held in trust for individuals, private organizations, or other governments).
- *Permanent Funds* – account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs – that is, for the benefit of the State or its citizenry.

Proprietary Funds

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

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

Fiduciary Funds

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

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

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

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

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

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

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

1. Cash and Cash Equivalents

Cash balances of most funds are deposited with the Department of Administration where the available balances beyond immediate needs are pooled in the State Investment Fund for short-term investment purposes. Balances pooled are restricted to legally stipulated investments valued consistent with GASB Statement No. 72, *Fair Value Measurement and Application*. Cash balances not controlled by the Department of Administration may be invested where permitted by statute.

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

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

2. Investments

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

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
Benevolent	General Fund

3. Mortgage and Other Loans

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

4. Forestation State Tax

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

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

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

5. Interfund Assets/Liabilities

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

Balances that exist between the primary government and component units are classified as “Due to/from Primary Government” and, correspondingly, “Due to/from Component Units”.

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

6. Inventories and Prepaid Items

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

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

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

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

7. Capital Assets

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

Purchased or constructed capital assets are valued at cost or estimated historical cost if actual historical cost is not practicably determinable. Donated capital assets are recorded at their 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. The estimated historical cost was determined by calculating the current cost of a similar asset and deflating that cost using the Federal Highway Administration's composite index for federal aid highway construction to the estimated average construction date. All infrastructure assets constructed after July 1, 2000 have been recorded at historical cost. The costs of maintenance and preservation that do not add to the asset's capacity or efficiency are not capitalized. Interest incurred during construction is not capitalized.

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

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

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

8. Restricted and Limited Use Assets

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

9. Local Assistance Aids

Municipal and County Shared Revenue Program

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

At June 30, 2016, the State was liable to various local governments for unpaid shared revenue aid. To measure the amount of the program allocable to the State's fiscal year, the amount is prorated over portions of recipient local governments' calendar fiscal years that are within the State's fiscal year. The result is that a liability of $440.1 million representing one-half of the total appropriated amount is reported at June 30, 2016 as Due to Other Governments.

State Property Tax Credit Program

At June 30, 2016, 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, 2016.

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, 2016.

The aggregated State Property Tax Credit Program liability of $749.1 million is reported in the General Fund as Due to Other Governments. Of that amount, $638.1 million relates to the school levy tax credit and $111.0 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 2016 property tax bills, the State made this payment in March 2016. 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 2016, while the remaining portion represents advanced payments. The resulting deferred outflow of resources reported within the Lottery Fund totals $39.8 million at June 30, 2016.

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, 2016, the State was liable to various local governments and other taxing jurisdictions for unpaid exempt computer aid payments of $62.4 million.

10. Long-term Debt Obligations

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

In the fund financial statements, governmental fund types recognize flows for bond premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums and discounts are reported as other financing sources and other financing uses, respectively. Issuance costs are reported as other debt service expenditures for governmental fund types, and non-operating expenses for proprietary fund types.

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

11. Compensated Absences

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

Annual Leave

Full-time employees' annual leave days are credited on January 1 of each calendar year in general at a minimum of 15 or 13 days per year, depending on Fair Labor Standards Act (FLSA) status. There is no requirement to use annual leave. However, unused leave is lost unless approval to carry over the unused portion is obtained from the employing agency. 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 hours earned and vested during January through June. The liability is reported in the government-wide, proprietary fund types and fiduciary funds.

Sick Leave

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

12. Unearned Revenue

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

Unearned revenue of the University of Wisconsin System consists of payments received but not earned at June 30, 2016, primarily for summer session tuition, tuition and room deposits for the next fall term, advance ticket sales for upcoming intercollegiate athletic events, and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement.

13. Self-Insurance

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

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

14. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

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

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

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

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

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

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

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

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

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

15. Fund Balance Classification and Restricted Net Position

Fund Balance Classification

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

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

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

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

Restricted Net Position

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

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

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

During the year ended June 30, 2016, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Balance Sheet – Governmental Funds to the amounts presented in the governmental activities section of the Statement of Net Position (in thousands). The differences result primarily from the long-term economic focus of the Statement of Net Position compared to the current financial focus of the Balance Sheet – Governmental Funds.

	Total Governmental Funds	Long-term Assets and Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations (3)	Total Amount for Statement of Net Position
Assets:					
Cash and Cash Equivalents	$ 1,219,505	$ -	$ 14,537	$ -	$ 1,234,041
Investments	542,695	-	-	-	542,695
Receivables (net of allowance):					
Taxes	1,347,707	-	-	(1,347,707)	-
Loans to Local Governments	403,875	-	-	(403,875)	-
Other Loans Receivable	26,608	-	-	(26,608)	-
Other Receivables	709,066	2,810	2,968	3,419,298	4,134,142
Due from Other Funds	422,126	-	37,555	(459,681)	-
Interfund Receivables	71,814	-	-	(71,814)	-
Due from Other Governments	1,575,305	-	-	(1,575,305)	-
Internal Balances	-	-	(2,196)	125,771	123,575
Inventories	44,891	295	4,803	-	49,989
Prepaid Items	45,639	4,913	498	-	51,050
Restricted Assets:					
Cash and Cash Equivalents	253,362	-	-	-	253,362
Investments	150,394	-	-	-	150,394
Other Assets	14,766	-	-	-	14,766
Depreciable Capital Assets	-	1,287,042	304,268	-	1,591,310
Infrastructure	-	15,433,292	-	-	15,433,292
Other Non-depreciable Capital Assets	-	6,160,875	45,080	-	6,205,955
Total Assets	6,827,752	22,889,226	407,512	(339,920)	29,784,570
Deferred Outflows of Resources	142	1,456,346	24,801	-	1,481,289
Total Assets and Deferred Outflows	$ 6,827,894	$ 24,345,571	$ 432,313	$ (339,920)	$ 31,265,858
Liabilities:					
Accounts Payable and Other Accrued Liabilities	1,265,196	-	17,466	27,219	1,309,881
Due to Other Funds	287,954	-	69,868	(357,823)	-
Due to Component Units	388	-	-	(388)	-
Interfund Payables	1,980	-	-	(1,980)	-
Due to Other Governments	2,500,654	-	-	-	2,500,654
Tax Refunds Payable	1,263,180	-	-	-	1,263,180
Tax and Other Deposits	66,949	-	-	-	66,949
Unearned Revenue	340,499	295	-	-	340,794
Interest Payable	50,690	66,512	-	-	117,203
Advances from Other Funds	6,948	-	-	(6,948)	-
Short-term Notes Payable	724,806	-	18,023	-	742,829
Other Liabilities	-	216,753	-	-	216,753
Long-term Liabilities:					
Current Portion	130,195	665,349	59,860	-	855,404
Noncurrent Portion	-	11,080,225	232,401	-	11,312,626
Total Liabilities	6,639,440	12,029,134	397,618	(339,920)	18,726,272
Deferred Inflows of Resources	241,985	208,623	9,279	-	459,887
Fund Balances/Net Position	(53,531)	12,107,814	25,416	-	12,079,699
Total Liabilities, Deferred Inflows, and Fund Balances/Net Position	$ 6,827,894	$ 24,345,571	$ 432,313	$ (339,920)	$ 31,265,858

(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, 2016, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the amounts presented in the governmental section of the Statement of Activities (in thousands). The differences result primarily from the long-term economic focus of the Statement of Activities compared to the current financial focus of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.

	Total Governmental Funds	Long-term Revenues and Expenses (1)	Capital-Related Items (2)
Revenues:			
Taxes			
Income Taxes	$ 8,580,069	$ 2,324	$ -
Sales & Excise Taxes	5,778,988	2,202	-
Public Utility Taxes	368,724	-	-
Other Taxes	302,048	56	-
Motor Fuel (Transportation) Taxes	1,091,629	129	-
Other Dedicated Taxes	179,760	-	-
Intergovernmental	9,374,125	-	-
Operating Grants	-	-	-
Capital Grants	-	-	-
Licenses and Permits	1,974,050	-	-
Charges for Goods and Services	325,987	3,502	-
Investment and Interest Income	56,795	-	-
Fines and Forfeitures/Contributions to Permanent Fund	61,100	-	-
Gifts and Donations	21,466	-	-
Miscellaneous:		-	(6,778)
Tobacco Settlement	133,676	-	-
Other	285,202	-	-
Total Revenues	28,533,619	8,213	(6,778)
Expenditures/Expenses:			
Current Operating:			
Commerce	235,912	5,433	2,105
Education	6,985,064	4,722	6,063
Transportation	2,051,770	17,547	53,840
Environmental Resources	437,121	12,395	20,327
Human Relations and Resources	13,072,588	83,236	101,280
General Executive	583,382	276	15,286
Judicial	128,487	1,818	1,566
Legislative	65,506	2,240	-
Tax Relief and Other General Expenditures	1,434,880	-	-
Intergovernmental - Shared Revenue	965,324	-	-
Capital Outlay	1,149,679	-	(1,149,679)
Debt Service:			
Principal	651,302	-	-
Interest and Other Charges	524,639	2,990	-
Total Expenditures/Expenses	28,285,654	130,658	(949,211)
Excess of Revenues Over (Under) Expenditures/Expenses	247,965	(122,445)	942,433
Other Financing Sources (Uses):			
Net Transfers	(898,251)	-	-
Long-term Debt Issued	1,063,276	-	-
Premium/Discount on Bonds	199,940	-	-
Payments to Refunding Bond Escrow Agent	(273,679)	-	-
Capital Lease Acquisitions	17,488	(17,488)	-
Installment Purchase Acquisitions	575	(575)	-
Total Other Financing Sources (Uses)	109,349	(18,063)	-
Net Change in Fund Balance/Net Position	357,314	$ (140,508)	$ 942,433
Change in Inventories	(3,850)		
Net Change for the Year	$ 353,464		

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

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

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

	Internal Service Funds (3)	Long-term Debt Transactions (4)	Eliminations (5)	Revenue/Expense Reclassifications (6)	Total Amount for Statement of Activities
	$ -	$ -	$ -	$ -	$ 8,582,394
	-	-	-	-	5,781,190
	-	-	-	-	368,724
	-	-	-	-	302,104
	-	-	-	-	1,091,758
	-	-	-	-	179,760
	-	-	-	(9,374,125)	-
	-	-	(714,397)	9,438,549	8,724,152
	-	-	798,993	9,927	808,920
	-	-	-	(1,974,050)	-
	(7,712)	-	(6,971)	2,023,717	2,338,523
	32	-	-	(52,887)	3,940
	-	-	-	(49,665)	11,434
	-	-	-	(21,466)	-
	-	-	(5,852)	419,456	406,826
	-	-	-	(133,676)	-
	-	-	-	(285,202)	-
	(7,680)	-	71,772	579	28,599,725
	(165)	-	(5,852)	34	237,466
	(3,007)	-	34,534	861	7,028,238
	(3,275)	743	-	1,090	2,121,715
	(1,139)	210	-	250	469,164
	(9,690)	26	50,063	1,458	13,298,962
	(10,181)	-	(6,971)	(1,696)	580,095
	-	-	-	-	131,871
	(142)	-	-	-	67,604
	-	-	-	(147)	1,434,733
	-	-	-	-	965,324
	-	-	-	-	(0)
	-	(651,302)	-	-	-
	5,995	(98,793)	-	2,000	436,832
	(21,604)	(749,115)	71,772	3,850	26,772,005
	13,924	749,115	-	(3,272)	1,827,720
	(4,143)	-	-	(579)	(902,973)
	-	(1,063,276)	-	-	-
	-	(199,940)	-	-	-
	-	273,679	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	(4,143)	(989,537)	-	(579)	(902,973)
	$ 9,782	$ (240,422)	$ 0	(3,850)	924,748
				3,850	-
				$ (0)	$ 924,748

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

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

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

NOTE 3. BUDGETARY CONTROL

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

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

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

A. Deficit Fund Balance/Fund Net Position

In addition to the General and Capital Improvement Funds, funds reporting a deficit fund balance or net position at June 30, 2016 are (in thousands):

Special Revenue:		
Petroleum Inspection	$	41,491
Dry Cleaner Environmental Response		5,945
Enterprise:		
Northern Developmental Disabilities Center		16,817
Long Term Disability Insurance		127,987
Internal Service:		
Risk Management		90,961
Pension and Other Employee Benefit Trust		
Accumulated Sick Leave		111,920
Private-Purpose Trust:		
Retiree Health Insurance		74,243

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, 2016 (in thousands):

Governmental Activities:	
Net Position Restricted by Enabling Legislation	49,693
Business-type Activities:	
Net Position Restricted by Enabling Legislation	188,768

C. Budget Stabilization Arrangement

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

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

The balance of the budget stabilization arrangement as of June 30, 2016 was $281.3 million.

D. Minimum Fund Balance

Wisconsin Statutes 20.003(4) establishes a minimum General Fund balance. Under the statutes, no bill directly or indirectly affecting general purpose revenues as defined in Wisconsin Statues 20.001(2)(a) may be enacted by the legislature if the bill would cause the estimated General Fund balance on June 30 of any fiscal year to be an amount equal to or less than the amount specified for that fiscal year. The minimum required balance for the fiscal year ending June 30, 2016 was $65.0 million.

E. Fund Balance for Governmental Funds

Governmental funds reported the following categories of fund balance as of June 30, 2016 (in thousands):

	General	Transportation	Capital Improvement	Nonmajor Governmental	Total Governmental
Nonspendable for:					
Inventory, Prepaid and Long-term Receivables	49,858	28,220	-	12,411	90,490
Legal or Contractual Purposes (Permanent Fund Principal)	-	-	-	1,060,556	1,060,556
Restricted for:					
Commerce	36,173	-	-	32	36,205
Education	8,691	-	-	36,018	44,709
Transportation	-	689,091	-	-	689,091
Environmental Resources	735	-	-	112,025	112,760
Human Relations and Resources	166,440	-	-	29,573	196,013
General Executive	126,586	-	-	7,625	134,210
Judicial	81	-	-	-	81
Tax Relief and Other General Expenditures	403	-	-	-	403
Intergovernmental - Shared Revenue	-	-	-	2,573	2,573
Debt Service	-	-	-	70,787	70,787
Capital Projects	-	-	-	21,502	21,502
Committed to:					
Commerce	-	-	-	43,125	43,125
Education	-	-	-	640	640
Environmental Resources	-	-	-	56,878	56,878
Human Relations and Resources	-	-	-	25,670	25,670
General Executive	-	-	-	20,437	20,437
Judicial	-	-	-	55	55
Tax Relief and Other General Expenditures	281,347	-	-	-	281,347
Capital Projects	-	-	-	23,670	23,670
Unassigned	(2,392,941)	-	(524,354)	(47,437)	(2,964,732)
Total Fund Balance	(1,722,629)	717,311	(524,354)	1,476,141	(53,531)

NOTE 5. DEPOSITS AND INVESTMENTS

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

A. Deposits

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

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The State's policy regarding custodial credit risk is detailed in Chapter 34 of the State Statutes. In brief, any federal or state bank, credit union or savings bank may be designated a public depository. A surety bond may be required. The State's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and an appropriation for losses on public deposits. In the event of loss, the division of banking makes payments up to $400,000 per depositor for the excess of the payments made by the Federal Deposit Insurance Corporation or the Wisconsin Credit Union Savings Insurance Corporation. Payments are made, until the funds available in the appropriation are exhausted, in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions.

1. Primary Government

As of June 30, 2016, $351.5 million of the primary government's bank balance of $378.1 million was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	$ 351.5

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, 2016 are immaterial. The primary government does not have a formal policy specifically related to foreign currency risk.

The State’s Unemployment Reserve Fund had $986.7 million on deposit with the U.S. Treasury. This amount is presented as Cash and Cash Equivalents and is not included in the carrying amount of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

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, 2015, WRS cash deposits totaled $834.8 million. Of the total deposits, $358.9 million was collateralized by the securities borrowed. Additionally, a portion of the total deposits were uninsured and uncollateralized. These represented balances held in foreign currencies in the custodian’s nominee name, cash posted as collateral for derivatives transactions and cash collateral posted in excess of the market value of securities borrowed for short sales. The sum of uninsured and uncollateralized deposits amounted to $431.3 million at December 31, 2015.

B. Investments

1. Primary Government

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

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

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

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

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

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

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

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

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

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

University of Wisconsin System (UWS)

The University of Wisconsin System (UWS) investment policies and guidelines are governed and authorized by the Board of Regents. The current approved asset allocation policy for long-term funds sets a general target of 35.0 percent marketable equities, 30.0 percent fixed income, and 35.0 percent alternatives. The approved asset allocation for intermediate term funds is 15.0 percent marketable equities, 70.0 percent fixed income, 10.0 percent alternatives and 5.0 percent cash. These target allocations were last affirmed/approved by the Board of Regents in December 2015.

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

The following tables present fair value measurements as of June 30, 2016, in millions.

Primary Government (excluding the Various Funds)

		Fair Value Measurement Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level:				
U.S. Government & Agency Securities	$ 306.0	$ 181.2	$ 124.8	
State & Municipal Bonds & Notes	575.1		575.1	
Corporate Bonds	0.3		0.3	
Stocks	14.8	14.8		
Total By Fair Value Level	$ 896.3	$ 196.0	$ 700.3	
Investments Valued at Net Asset Vaue (NAV):				
Mutual Funds	$ 3,918.2			
Money Market Funds	265.5			
Investments Valued at Cost:				
Forward Delivery Agreement	$ 45.6			
Guaranteed Investment Contracts	145.5			
US Savings Bonds	0.4			
Total	**$ 5,271.5**			

The following tables present fair value measurements as of June 30, 2016 for the Various Funds, in millions.

Various Funds	Fair Value	Fair Value Measurement Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
SLF				
Investments by Fair Value Level:				
U.S. Government and Agency Securities	$ 51.0	$ 1.2	$ 49.7	
Corporate Bonds	68.7		68.7	
Total SLF	**$ 119.7**	**$ 1.2**	**$ 118.4**	
IPFCF				
Investments by Fair Value Level:				
U.S. Government and Agency Securities	$ 528.8	$ 1.0	$ 527.8	
Corporate Bonds	430.2		430.2	
Municipal Bonds	27.9		27.9	
Foreign Governments	23.5		23.5	
Preferred Securities	1.6		1.6	
Total Investments by Fair Value Level	$ 1,012.0	$ 1.0	$ 1,011.0	
Investments Valued at Net Asset Value (NAV):				
Equity Index Funds	$ 224.8			
Short-Term Investment Fund	$ 6.6			
Total IPFCF	**$ 1,243.4**			
Historical Society				
Investments Reported at Net Asset Value (NAV):				
U.S. Equity Index Fund	$ 11.0			
U.S. Fixed Income Fund	3.4			
Total Historical Society	**$ 14.4**			
Tuition Trust				
Debt Securities				
U.S. Government and Agency Bonds	$ 2.9		$ 2.0	$ 1.0
Corporate Bonds	0.3		0.3	
Tuition Trust Total	**$ 3.3**		**$ 2.3**	**$ 1.0**

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.

Debt securities categorized as Level 3 for the Tuition Trust are certain U.S. Treasury STRIPS that are valued by a third party pricing company based on historic direct observation of transactions.

The Injured Patients and Families Compensation fund holds Investments in the amount of $6.6 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 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.

The Environmental Improvement Fund holds $45.6 million of Treasury Notes purchased in connection with Forward Delivery Agreements. This investment is reported at cost rather than at fair value because management believes that the difference between cost and fair value does not have a material impact on the financial statements.

The College Savings Fund has a $145.5 million investment in a Guaranteed Investment Contract, a non-participating interest earning contract which is valued at cost.

US Government Savings Bonds in the amount of $0.4 million are held at amortized cost.

University of Wisconsin System (UWS)

The following schedule presents fair value measurements at June 30, 2016 (fair values in millions):

UWS	Fair Value	Fair Value Measurement Using Level 1 Inputs	Level 2 Inputs
Investments by Fair Value Level:			
Custodial Pooled Cash & Cash Equivalents	$ 28.9	$ 28.9	$ -
U.S. Government Securities	33.3	31.9	1.4
U.S. Agency Securities	15.8		15.8
Bonds & Preferred Stock	22.2		22.2
Pooled Fixed Income Fund	37.8	33.3	4.5
Common Stock & Convertible Securities	47.5	47.5	
Pooled Equity Funds	92.8	50.7	42.1
Pooled Allocation Fund	79.0	79.0	
Total By Fair Value Level	$ 357.3	$ 271.2	$ 86.0
Investments Valued at Net Asset Vaue (NAV):			
Limited Partnerships	$ 87.6		
Total	**$ 444.8**		

Credit Risk

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

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

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

Regarding the Various Funds, investment guidelines for State Life, Historical Society and IPFCF require that the bond portfolios shall maintain an average quality rating of A- or better at time of purchase. For the Tuition Trust and LGPIF, guidelines require that all issues be rated A- or better, using the lower of split ratings at the time of purchase.

Investment credit quality ratings as of June 30, 2016, 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):

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

Credit Quality Ratings	Fair Value
AAA	$ 290.4
AA	787.1
A	17.7
Not Rated	1,617.1
Total	$ 2,712.3

The following schedule displays the credit ratings at June 30, 2016, for the Various Funds (fair values in millions):

Various Funds	SLF	IPFCF	Historical Society	Tuition Trust
AAA	$ 1.3	$ 27.0	$ --	$ 2.9
AA	55.4	552.6	--	
A	38.0	133.2	--	
BBB	22.8	261.1	--	0.3
BB	2.1	29.8	--	--
B	--	7.4	--	--
CCC	--	0.9	--	--
Short-term Investment Fund (Not Rated)	--	6.6	--	--
Bond Fund (Not Rated)	--	--	3.4	--
Totals	$ 119.7	$ 1,018.6	$ 3.4	$ 3.3

University of Wisconsin System (UWS)

UWS asset allocation targets and guidelines limit the percentage of the overall portfolio that may be invested in fixed income securities of broadly defined credit quality classifications. Additionally, fund level asset allocation constraints can further limit credit risk exposures to targeted levels based on the credit ratings of independent credit ratings agencies.

The following schedule displays the credit ratings as provided by Moody's Investor Service for debt securities held as of June 30, 2016 (in millions). Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the Aaa rating.

UWS Ratings	Fair Value
Aaa	$ 61.2
Aa2	1.8
Aa3	0.8
A1	2.0
A2	2.3
A3	1.9
Baa1	4.4
Baa2	4.0
Baa3	0.8
Ba1	0.6
Ba2	11.0
Ba3	0.4
B1	0.3
B2	13.2
B3	0.1
Caa2	2.2
Caa3	0.1
No Rating	0.4
Unrated Pooled Cash	30.3
Total	$ 138.0

Wisconsin Retirement System (WRS)

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

The following schedule displays the lowest credit rating assigned by nationally recognized statistical rating organizations on debt securities held as of December 31, 2015 (in millions).

WRS Rating	Fair Value
P-2 or A-2	$ 303.4
AAA/Aaa	493.1
AA/Aa	12,112.2
A	2,430.4
BBB/Baa	2,529.7
BB/Ba	690.4
B	562.2
CCC/Caa	180.0
Commingled Fixed Income Funds	6,990.5
Not rated	1,447.7
Total	$ 27,739.5

Reverse Repurchase Agreements

Wisconsin Retirement System (WRS)

SWIB held $809.7 million in reverse repurchase agreements at December 31, 2015. Investment guidelines permit certain portfolios to enter into reverse repurchase agreements, which are a sale of securities with a simultaneous agreement to repurchase the securities in the future at the same price plus a stated rate of interest. The market value of the securities underlying reverse repurchase agreements exceeds the cash received, providing the counterparty a margin against a decline in market value of the securities. If the counterparty defaults on their obligations to sell these securities back to SWIB or provide cash of equal value, SWIB could suffer an economic loss equal to the difference between the market value of the underlying securities plus accrued interest and the agreement obligation, including accrued interest. This credit exposure at December 31, 2015 was $12.0 million.

SWIB 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 SWIB seeks to minimize counterparty credit risk. SWIB also controls credit exposures by limiting trades with any one counterparty to stipulated amounts. In the case of one MRA, SWIB's agent retains full control of the underlying securities, effectively eliminating the possibility of rehypothecation of the securities. The counterparty credit exposure is monitored daily and managed through the transfer of margin, in the form of cash or securities, between SWIB and the counterparty.

The cash proceeds from reverse repurchase agreements are reinvested by the Board. The maturities of the purchases made with the proceeds of reverse repurchase agreements are not necessarily matched to the maturities of the agreements. The agreed-upon yields earned by the counterparty were between 0.41 percent and 0.75 percent. The reverse repurchase agreements had open maturities, whereby a maturity date is not established upon entering into the agreement; however, interest rates on the agreements are negotiated daily. The agreements can be terminated at the will of either SWIB or the counterparty.

Custodial Credit Risk

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

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

The primary government, including the Various Funds, does not have an investment policy specifically for custodial credit risk. As of June 30, 2016, the primary government did not have any direct investment securities exposed to custodial credit risk.

University of Wisconsin System (UWS)

The UWS's investments are registered in the name of the UWS and the UWS does not participate in any securities lending programs through its custodian bank. Investment securities underlying the UWS's investment in shares of external investment pools or funds are in custody at those entities. The shares owned in these external investment pools are registered in the name of the UWS. The University does not have a formal policy for custodial credit risk.

Wisconsin Retirement System (WRS)

The WRS's custodial credit risk policy addresses the primary risks associated with safekeeping and custody. It requires that 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 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 be insured for errors and omissions and must provide the WRS with an annual report on internal controls The WRS's current custodial bank was selected in accordance with these guidelines and meets all requirements stipulated in the custodial credit risk policy.

As of December 31, 2015, the WRS held 9 repurchase agreements totaling $804.9 million. All of these repurchase agreements were tri-party agreements held in short-term cash management portfolios managed by SWIB's custodian. The underlying securities for these repurchase agreements were held by the tri-party's agent, not in SWIB's name.

Concentration of Credit Risk

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

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

Although the primary government, except for the Various Funds discussed later, does not have a formal policy on limiting the exposure to concentrations of credit risk, it is the primary government's policy to comply with the provisions contained within the general resolutions of revenue bond indentures and other program policy investment criteria.

Debt securities issued by the State of Wisconsin represent the largest concentration of investments in a single issuer. In total $363.2 million of the reported investments of the primary government were issued by the State of Wisconsin which represents 13.0 percent of total investments. Of that amount $187.0 million belongs to the Environmental Improvement Fund, and represents 80.4 percent of that fund's investments. The non-major governmental funds in aggregate hold investments of $176.1 million issued by the State of Wisconsin representing 24.3 percent of investments. The non-major governmental funds also hold investments in debt securities issued by the Farm Credit System, and the Federal National Mortgage Association totaling $124.8 million and $58.1 million respectively. The dollar figures represent 17.2 percent, and 8.0 percent of non-major governmental funds' investments respectively.

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

Excluding investments issued or explicitly guaranteed by the U.S. government and pooled investments, as of June 30, 2016, none of the Various Funds had more than 5 percent of their total investments in a single issuer.

University of Wisconsin System (UWS)

Actively-managed, fixed income separate accounts are limited to holding no more than 7.0 percent in any one issuer (U.S. Government/Agencies are exempted).

Wisconsin Retirement System (WRS)

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

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% or more of the value of the total WRS investments' value at December 31, 2015.

Interest Rate Risk

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

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

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

The following table provides information about the interest rate risks associated with the primary government's investments, except those of the Various Funds. The investments include certain short-term cash equivalents, and various long-term items. At June 30, 2016, the primary government's investments were (in millions):

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

Investment Type	Investment Maturities: Less Than 1 Year	1 to 5 Years	6 to 10 years	More Than 10 Years	Fair Value
U.S. Government and U.S. agency holdings	$ 156.8	$ 67.4	$ 6.2	$ 76.0	$ 306.4
State and municipal bonds and notes	31.7	71.4	103.7	368.3	575.1
Corporate notes and bonds	--	0.3	--	--	0.3
Forward delivery agreements	45.6	--	--	--	45.6
Money market funds	265.5	--	--	--	265.5
Mutual funds – open ended	0.6	343.9	1,152.7	0.1	1,497.3
Guaranteed Investment Contracts	--	145.5	--	--	145.5
Total	$ 500.3	$ 628.5	$ 1,262.7	$ 444.4	$ 2,835.9

The Various Funds, which are managed by the Board, use the duration method to identify and manage interest rate risk. Three of the Various Funds have investment guidelines relating to interest rate risk. The LGPIF guidelines require that a bond's maturity must not exceed ten years. The SLF guidelines require the Weighted Average Maturity (WAM) of the portfolio, including cash, to be a minimum of ten years. The IPFCF guidelines require that effective duration of the bond portfolio shall remain within 15% of the assigned benchmark's duration.

As of June 30, 2016, the Various Funds had interest rate risk statistics as detailed below (in millions):

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

Investment Type	SLF		IPFCF		Historical Society		Tuition Trust	
	Fair Value	WAM	Fair Value	Duration	Fair Value	Duration	Fair Value	Duration
Govt/Agency	$ 51.0	11.66	$ 530.4	5.09	$ --	--	$ 2.9	1.43
Corporate	68.7	10.63	481.6	7.78	--	--	0.3	0.96
Bond Fund	--	--	--	--	3.4	6.37	--	--
Short-Term Investment Fund	--	--	6.6	0.20	--	--	--	--
Total/Wtd Ave	$ 119.7	11.07	$ 1,018.6	6.33	$ 3.4	6.37	$ 3.3	1.38

External Investment Pools

The Injured Patients and Families Compensation Fund, has investments totaling $6.6 million at June 30th 2016 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. The weighted average maturity of this external investment pool is 0.20 years.

Investments of the Retiree Life Insurance Fund and the Local Retiree Life Insurance Fund (reported as pension and other employee benefit trust funds) are held in an external investment pool with the investment objective of maintaining levels in its general account sufficient to guarantee principal amounts of reserves. The interest rate exposure of this pool expressed in terms of duration and the weighted average life is 6.74 and 9.75 years, respectively.

University of Wisconsin System (UWS)

The UWS uses the option adjusted modified duration method to analyze interest rate risk. As of June 30, 2016, the UWS had interest rate risk statistics as detailed below (in millions):

UWS

Fixed Income Sector	Fair Value	Effective Duration
Treasury Inflation Protected Securities	$ 18.6	5.09
Government	18.3	4.11
U.S. Government Mortgages	6.3	4.35
Corporates and Other Credit	15.7	2.97
Collateralized Mortgage Obligations: U.S. Agencies	4.2	1.00
Commercial Mortgage Backed Securities	3.3	0.92
U.S. Private Placements	4.7	2.67
Asset Backed Securities	0.2	0.03
Total	$ 71.3	

Fixed Income Commingled Funds	Fair Value	Modified Duration
Seix Advisors High Yield Fund	$ 28.5	3.23
IT Fund Multi Asset	9.3	2.51
Total	$ 37.8	

Wisconsin Retirement System (WRS)

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

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

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

Aggregated interest rate risk exposure as of December 31, 2015, stated in terms of modified duration (for long term instruments) and weighted average maturity (for repurchase agreements and short term pooled investments), is presented below (in millions):

WRS

Investment Type	**Fair Value**	**Modified Duration (Years)**
Asset Backed Securities	$ 48.0	1.8
Commercial Paper	322.5	< 1
Corporate Bonds & Private Placements	4,787.8	5.7
Foreign Government/Agency Bonds	3,524.2	8.1
Municipal Bonds	118.6	9.7
U.S. Government Agencies	284.4	3.8
U.S. Treasury Inflation Protected Securities	6,704.4	7.7
U.S. Treasury Securities	4,154.2	5.0
Commingled Funds:		
Domestic Fixed Income	4,726.9	6.3
Emerging Market Fixed Income	527.5	5.9
Exchange Traded Funds	1.0	4.0
Exchange Traded Funds – Short Positions	(1.0)	4.4
Global Fixed Income	470.3	4.5
Subtotal	$ 25,669.0	

Investment Type	**Fair Value**	**Weighted Average Maturity (days)**
Repurchase Agreements	$ 804.9	1
Commingled Funds:		
Short Term Cash Management	1,265.72	67
Subtotal	$ 2,070.6	
Total	$ 27,739.5	

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

The primary government, except for the Various Funds discussed later, does not have a formal policy to limit foreign currency risk, however, certain funds such as the Environmental Improvement Fund are not permitted to invest in foreign currency based on provisions contained in its bond indenture general resolution. However, foreign currency risk of the Retiree Life Insurance Fund is minimized by utilizing short-duration spot forward contracts to minimize the adverse impact of foreign currency exchange rate risks inherent in the elapsed time between trade processing and trade settlement. At June 30, 2016, the primary government, excluding the Various Funds, did not own any issues denominated in a foreign currency.

The Various Funds' investment guidelines do not specifically address foreign currency risk with the exception that the SLF only allows investments in U.S. dollar denominated instruments. As of June 30, 2016, the Various Funds did not directly own any issues denominated in a foreign currency.

University of Wisconsin System (UWS)

As of June 30, 2016, the Long Term and Intermediate Term Funds held equity securities denominated in foreign currencies within pooled investment vehicles only, with market values totaling $98.0 million and $5.4 million, respectively. Some of the trades for such foreign positions will not settle in foreign currencies until after the fiscal year end. For the Long Term and Intermediate Term Funds, it is generally expected and desired that foreign currency exposure is not hedged, as this enhances the diversification benefits from non-U.S. investments.

Wisconsin Retirement System (WRS)

The WRS held foreign currency denominated cash and securities directly in designated actively managed portfolios and indirectly through its investment in certain commingled invest funds. As of December 31, 2015, the WRS had the following currency exposure (all assets stated in millions of United States Dollars):

Currency Exposures by Investment Type

Currency	Cash & Cash Equivalents	Stocks	Fixed Income	Limited Partnerships	Preferred Securities	Short Sales	Options & Futures	Total
Australian Dollar	$ 6.8	$ 1,026.9	$ 52.2	$ -	$ -	$ -	$ 1.6	$ 1,087.5
Brazilian Real	1.3	46.8	17.5	-	15.9	-	-	81.4
British Pound Sterling	28.2	3,313.8	335.7	71.4	-	(0.7)	2.2	3,750.6
Canadian Dollar	14.7	1,247.7	55.2	-	-	-	0.3	1,317.9
Colombian Peso	-	-	1.6	-	-	-	-	1.6
Danish Krone	2.9	300.7	24.8	-	-	-	-	328.4
Deutsche Mark	-	-	0.7	-	-	-	-	0.7
Euro Currency Unit	43.8	5,002.7	1,547.1	626.7	90.9	(27.1)	0.7	7,284.9
Hong Kong Dollar	6.3	676.9	-	-	-	-	-	683.3
Hungarian Forint	-	-	7.6	-	-	-	-	7.6
Indian Rupee	-	111.7	-	-	-	-	-	111.7
Indonesian Rupiah	0.3	14.3	15.1	-	-	-	-	29.7
Israeli New Shekel	0.9	80.0	-	-	-	-	-	80.9
Japanese Yen	171.0	3,798.3	920.0	-	-	(15.8)	(1.1)	4,872.4
Malaysian Ringgit	0.6	35.1	22.5	-	-	-	-	58.2
Mexican New Peso	1.7	18.3	79.7	-	-	-	-	99.8
New Zealand Dollar	0.3	37.8	11.2	-	-	-	-	49.4
Norw egian Krone	0.9	106.1	1.5	-	-	-	-	108.5
Peruvian Nuevo Sol	-	-	5.7	-	-	-	-	5.7
Philippine Peso	0.1	4.1	-	-	-	-	-	4.2
Polish Zloty	-	27.4	29.9	-	-	-	-	57.2
Russian Ruble	-	-	5.7	-	-	-	-	5.7
Singapore Dollar	2.0	187.0	13.0	-	-	(0.1)	-	201.9
South African Rand	0.6	38.6	20.9	-	-	-	-	60.1
South Korean Won	0.1	197.2	-	-	-	-	-	197.2
Sw edish Krona	4.7	385.8	16.4	15.5	-	(0.1)	-	422.2
Sw iss Franc	2.2	1,515.5	-	-	-	(4.5)	0.1	1,513.3
Taiw an New Dollar	-	110.9	-	-	-	-	-	110.9
Thailand Baht	-	58.9	-	-	-	-	-	58.9
Turkish Lira	-	35.2	-	-	-	-	-	35.2
U.S. Dollar	2,156.4	28,807.5	21,765.5	9,966.3	71.9	(117.9)	(5.2)	62,644.4
Uruguayan Peso	-	-	5.5	-	-	-	-	5.5
Total	$2,445.8	$ 47,185.3	$ 24,955.2	$ 10,679.8	$ 178.7	$ (166.2)	$ (1.4)	$ 85,277.1

Securities Lending Transactions

Wisconsin Retirement System (WRS)

Securities Lending Transactions – State statutes and Board policies permit the use of investments of the WRS to enter into securities lending transactions. These transactions involve the lending of securities to broker-dealers and other entities in exchange for collateral, in the form of cash or securities, with the simultaneous agreement to return the collateral for identical securities in the future. The securities custodian is an agent in lending the domestic and international securities. When securities are delivered to a borrower as part of a securities lending agreement, the borrower is required to place collateral equal to 102 percent of the loaned securities' fair value, including interest accrued, as of the delivery date with the lending agent. In the event that securities are loaned against collateral denominated in a different currency, the borrower is required to place collateral totaling 105 percent of the loaned securities' fair value, including interest accrued, as of the delivery date with the lending agent. Collateral is marked to market daily and adjusted as needed to maintain the required minimum level. On December 31, 2015, the fair value of the securities on loan was approximately $13.4 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.

At December 31, 2015, minimal credit risk exposure to borrowers existed because the amounts owed the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent requires it to indemnify the WRS if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent. Losses resulting from violations of investment guidelines are also indemnified.

The majority of security loans are open-ended and can be terminated on demand. The risk that SWIB would be unable to return collateral to securities borrowers upon termination of the loan is low because the majority of investments made with cash collateral mature in one to two business days. The average maturities of the loans and the average maturity of the assets held in collateral reinvestment pools did not materially differ at December 31, 2015.

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

Derivative Instruments

Wisconsin Retirement System (WRS)

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

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

SWIB seeks to mitigate counterparty credit risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring techniques. Additionally, policies have been established which seek to implement master netting arrangements with counterparties that permit the closeout and netting of transactions with the same counterparty. Agreements may also require daily collateral postings to further mitigate credit risk. At December 31, 2015, SWIB had no cash posted as collateral to uncleared OTC counterparties. No securities were pledged relating to uncleared OTC positions.

Certain investments and cash deposits were posted as collateral for exchange-traded and cleared OTC derivatives positions. At December 31, 2015, the Core and Variable Funds posted $138.2 million in cash and $263.9 million in securities as collateral with exchange clearing brokers.

The aggregate fair value of receivables relating to OTC derivative contracts at December 31, 2015 was $2.8 billion. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. This maximum exposure is reduced to zero when counterparty collateral and master netting arrangements are taken into account.

The table below summarizes, by credit rating, the retirement fund's exposure to OTC derivative instruments' counterparty credit risk as of December 31, 2015 (in millions), without respect to any collateral or netting arrangement.

OTC Derivative Investments Subject to Counterparty Credit Risk

Counterparty Credit Rating	Payable	Receivable	Fair Value
AA	$ (59.5)	$ 58.6	$(0.8)
A	(1,157.8)	1,160.3	2.6
BBB	(1,542.9)	1,554.1	11.3
Total	$(2,760.2)	$2,773.1	$12.9

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

Currency exposure management is permitted through the use of currency derivative instruments. Direct hedging of currency exposure back to the U. S. dollar is permitted when consistent with the strategy of the portfolio. Cross-currency exposure management to transfer out of an exposed currency and into a benchmark currency is permitted. In some portfolios, currencies of non-benchmark countries may be held through the use of forward contracts, provided that the notional value of any single non-benchmark currency does not exceed 5 percent of the market value of the portfolio. Discretionary currency overlay strategies at the total fund and asset class level may be employed when currency market conditions suggest such strategies are warranted.

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

During the year, currency exposure management involved the use of foreign currency spot and forward contracts. The following table presents the fair value of foreign currency spot and forward contract assets and liabilities held as of December 31, 2015 (in millions):

Foreign Currency Spot and Forward Contracts

	Foreign Currency Contract Receivables			Foreign Currency Contract Payables		
Currency	Notional (local currency)	Fair Value $US	Unrealized Gain/(Loss) $US	Notional (local currency)	Fair Value $US	Unrealized Gain/(Loss) $US
Australian Dollar	159.3	115.9	(0.2)	(35.8)	(26.1)	--
Brazilian Real	--	--	--	(40.4)	(10.1)	0.3
British Pound Sterling	62.3	91.8	(2.1)	(152.0)	(224.1)	4.7
Canadian Dollar	168.6	121.4	(3.6)	(52.7)	(37.9)	0.3
Chilean Peso	5,563.0	7.8	(0.1)	--	--	--
Colombian Peso	--	--	--	(4,763.5)	(1.5)	(0.1)
Danish Krone	198.0	28.8	0.4	(343.0)	(49.9)	(1.1)
Euro Currency Unit	249.3	270.8	2.4	(290.8)	(316.0)	(3.5)
Hong Kong Dollar	242.4	31.3	--	(246.8)	(31.8)	--
Indian Rupee	2,688.5	40.4	0.4	(801.8)	(12.1)	(0.1)
Indonesian Rupiah	58,075.0	4.1	0.1	(93,520.2)	(6.7)	(0.1)
Israeli New Shekel	27.5	7.1	--	(28.7)	(7.4)	--
Japanese Yen	35,378.1	294.1	4.0	(14,716.9)	(122.3)	(1.0)
Malaysian Ringgit	2.0	0.5	--	--	--	--
Mexican New Peso	236.2	13.6	(0.2)	(259.3)	(15.0)	0.3
New Zealand Dollar	4.8	3.3	0.1	(10.1)	(6.9)	(0.1)
Norwegian Krone	284.7	32.2	(1.1)	(181.3)	(20.5)	0.5
Peruvian Nuevo Sol	--	--	--	(20.2)	(5.9)	0.1
Polish Zloty	--	--	--	(21.9)	(5.5)	--
Russian Ruble	356.4	4.8	(0.2)	(47.8)	(0.6)	0.1
Singapore Dollar	33.3	23.5	(0.1)	(31.0)	(21.9)	0.1
South African Rand	6.0	0.4	--	(22.6)	(1.5)	0.1
Swedish Krona	1,066.5	126.5	2.8	(309.3)	(36.7)	(0.7)
Swiss Franc	62.8	62.7	1.1	(25.0)	(24.9)	(0.2)
United States Dollar	983.0	983.0	--	(1,275.5)	(1,275.5)	--
Totals		2,264.0	3.8		(2,260.8)	(0.5)
Net Foreign Currency Contract Receivable / (Payable)					3.3	3.3

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

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

The following table presents the investments in futures contracts as of December 31, 2015 (in millions).

Futures Contracts

Futures Contract Description	Expiration	Notional Amount	Fair Value*
Long Positions:			
Commodity	Jan - Mar 16	$ 1,766.1	$ (5.7)
Currency	Mar 16	11.8	--
Equity	Mar 16	3,021.5	13.3
Fixed Income	Mar 16	6,106.1	(7.8)
Short Positions:			
Equity	Mar 16	(10.7)	(0.1)
Fixed Income	Mar 16	(1.6)	--
Total		$10,893.3	$ (0.2)

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

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

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

Swap Contracts - Swaps are negotiated contractual agreements between two counterparties which can be cleared on uncleared OTC investments. Throughout the calendar year, the WRS held positions in Total Return Swaps (TRS), Interest Rate Swaps (IRS) and Credit Default Swaps (CDS).

As is specified in SWIB'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 Retirement Funds. 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 security.

The following table presents the investments in open Swap Positions as of December 31, 2015 (in millions).

Open Swap Positions

Description / Reference Rates	Maturity Date	Notional Amount	Fair Value
Total Return Swap Pay 3-month LIBOR, Receive Equity Index Return	Sept 2016	$ 499.4	$ 9.6
Interest Rate Swap* Pay Fixed 2.08, Receive 3-month LIBOR	Jan 2025	1.1	--
Interest Rate Swap* Pay Fixed 2.14, Receive 3-month LIBOR	Jan 2025	2.5	--
Interest Rate Swap* Pay Fixed 2.34, Receive 3-month LIBOR	Feb 2045	2.2	0.1
Total		$ 505.2	$ 9.8

* Denotes an instrument that is highly sensitive to interest rate changes

IRS positions represent cleared OTC contracts where fair value is determined using the closing price as reported by the applicable clearing house. TRS positions represent uncleared OTC contracts where fair value is determined based on the change in quoted market price of the underlying equity index.

The fair value of swaps represents the unrealized gain/(loss) on the contracts, since trade inception, and is reflected in "Financial Futures Contracts and Swaps" on the Statement of Fiduciary Net Position. Any interest owed but not yet paid relating to TRS contracts is reported within the category "Other Liabilities" on the Statement of Fiduciary Net Position. Gains and losses resulting from investments in all swap are included in the Net Increase

(Decrease) in the Fair Value of Investments on the Statement of Changes in Fiduciary Net Position. Interest Expense relating to TRS 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 of the option contract. The seller of the contract is subject to market risk, while the purchaser is subject to credit risk and market risk, to the extent of the premium paid to enter into the contract.

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

The fair value of option contracts is based upon the closing market price of the contract and is reflected as Options on the Statement of Fiduciary Net Position. Gains and losses as a result of investments in option contracts are included in the Net Appreciation (Depreciation) in the Fair Value of Investments on the Statement of Changes in Fiduciary Net Position.

The table below presents the fair value of option contracts as of December 31, 2015 (in millions):

Option Contracts

Security Description	Contract Type	Position	Exchange-Traded vs. OTC	Expiration	Notional	Fair Value	Unrealized Gain (Loss)
Commodity	Call	Long	Exchange	April 2016	$ 1.7	--	$ (0.1)
	Call	Short	Exchange	April 2016	(0.9)	(0.1)	--
Currency	Call	Short	Exchange	January 2016	(55.9)	(0.1)	0.2
	Put	Short	Exchange	January 2016	(44.8)	(0.3)	(0.1)
Equity	Call	Long	Exchange	Jan 16 - Jan 17	33.2	0.4	(1.0)
	Call	Long	OTC	March 2016	4.0	0.2	--
	Call	Short	Exchange	January 2016	(22.5)	(0.3)	0.4
	Call	Short	OTC	March 2016	(2.5)	--	--
	Put	Short	Exchange	Jan 16 - Mar 16	(148.8)	(0.9)	0.6
	Put	Short	OTC	Jan 16 - Mar 16	(145.2)	(0.1)	0.7
Total Option Contracts					$ (381.7)	$ (1.2)	$ 0.6

Short Sell Obligations

Wisconsin Retirement System (WRS)

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

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

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

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, 2015, the WRS posted $372.7 million in collateral to security lenders. This represented $13.8 million in excess of the fair market value of the securities borrowed. If the security lender recalled the security and SWIB was not able to supply the lender with the security, the lender would be permitted to use SWIB's collateral to fund the purchase of the security.

Multi Asset

Wisconsin Retirement System (WRS)

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

The risk parity portfolios seek to equally weight asset allocation risk across multiple assets and geographies. Exposures are expected to deliver improved risk and return tradeoffs versus conventional portfolios comprised primarily of stocks and bonds. The risk parity portfolios also intend to provide more diversified exposure over various economic environments.

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

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

At December 31, 2015, the majority of SWIB's risk parity and hedge fund investments are reflected within the "Multi Asset" category on the Statement of Fiduciary Net Position.

Unfunded Capital Commitments

University of Wisconsin System (UWS)

The UWS has unfunded limited partnership commitments of $24.3 million for the fiscal year ending June 30, 2016.

Wisconsin Retirement System (WRS)

The Board has entered into a number of agreements that commit the WRS to make investment purchases up to predetermined amounts over certain investment time periods. The unfunded capital commitments for private equity, real estate and multi-asset investments not reported on the Statement of Fiduciary Net Position total $6.4 billion as of December 31, 2015.

2. State Investment Fund

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

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

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

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

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

For purposes of calculating earnings to each participant, all investments are valued at amortized cost. Specifically, income is distributed to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains and losses generated by the pool's investments.

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, 2016 (in millions).

		Fair Value Measurement Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level:				
Government & Agencies	$ 3,356.8	$ 149.9	$ 3,206.9	
Total By Fair Value Level	$ 3,356.8	$ 149.9	$ 3,206.9	
Short- Term Reported at Cost or Amortized Cost:				
Repurchase Agreements	$ 1,110.0			
Government & Agencies	5,035.5			
Certificates of Deposit	60.5			
Banker's Acceptances	7.9			
Commercial Paper	170.0			
Total	**$ 9,740.7**			

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.

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'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 have 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 securities. As of June 30, 2016 the SIF has more than five percent of its investments in FHLB (26.5 percent), FHLMC (26.4 percent), FNMA (26.7 percent), U.S. Treasury Bills (6.6 percent) and Repurchase Agreement collateral (11.4 percent) consisting of various securities issued by these same U.S. Agencies. Since the Repurchase Agreements generally mature each day, new collateral, consisting of a different blend of U.S. Treasury and Agency securities, is assigned each night.

Credit Quality Risk

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

The following table presents these credit ratings and aggregate exposures by investment type as of June 30, 2016 (in millions):

Investment Type	Ratings	Fair Value	Percent
Repurchase Agreements (Collateral):			
U.S. Government Debt & Agencies	AA	1,110.0	11.4
U.S. Treasury:			
Short-Term (Bills)	A-1+	644.7	6.6
Government Sponsored Entity U.S. Agency:			
Federal Home Loan Bank (FHLB)	A-1+	2,580.0	26.5
Federal Home Loan Mortgage Corporation (FHLMC)	A-1+	2,571.5	26.4
Federal National Mortgage Association (FNMA)	A-1+	2,596.1	26.7
Certificates of Deposit:			
U.S. Bank	A-1+	30.0	0.3
Non-Negotiable (Wisconsin CD Program)	NR	30.5	0.3
Banker's Acceptances	A-1+	7.9	0.1
Commercial Paper	A-1+	170.0	1.7
Total Investments		$ 9,740.7	100.0

Interest Rate Risk

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

At June 30, 2016, the following table shows the investments by investment type, amount and the weighted average maturities (in millions):

Investment Type	Fair Value	Weighted Average Maturity (Days)
Repurchase Agreements	$ 1,110.0	3
Government & Agencies	8,392.3	77
Certificates of Deposit	60.5	60
Banker's Acceptances	7.9	45
Commercial Paper	170.0	12
Total Investments	$ 9,740.7	
Portfolio Weighted Average Maturity (Days)		67

Foreign Currency Risk

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

Copies of the separately issued financial report that includes financial statements and other supplementary information for the SIF may be obtained at doa.wi.gov/capitalfinance or by writing to:

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

3. Lottery Investments and Related Future Prize Obligations

Investments of the State Lottery Fund totaling $30.8 million are held to finance grand prizes payable over a 20-year or 25-year period. The investments in prize annuities are debt obligations of the U.S. government backed by its full faith and credit as to both principal and interest. Liabilities related to the future prize obligations are presented at their present value and included in Accounts Payable and Other Accrued Liabilities.

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

Fiscal Year	Amount
2017	6.3
2018	5.6
2019	4.6
2020	4.1
2021	3.7
Thereafter	8.4
Total future value	32.7
Less: Present value adjustment	(5.9)
Present value of payments	$ 26.8

NOTE 6. RECEIVABLES AND NET REVENUES

A. Receivables

Receivables at June 30, 2016 were as follows (in thousands):

	Taxes	Loans to Local Governments	Other Loans Receivable: Student Loans	Veterans Loans	Mortgage Loans	Other Loans	Other Receivables	Due From Other Governments	Due From Component Units	Total Receivables
Governmental Activities:										
General	$ 1,222,427	$ -	$ -	$ -	$ -	$ 11,756	$ 617,488	$ 1,318,781	$ -	$ 3,170,453
Transportation	102,571	-	-	-	-	14,852	13,537	240,013	-	370,973
Capital Improvement	-	-	-	-	-	-	34	-	-	34
Nonmajor Governmental	22,708	403,875	-	-	-	-	78,008	16,511	-	521,101
Total Governmental:	1,347,707	403,875	-	-	-	26,608	709,066	1,575,305	-	4,062,561
Government-wide Adjustments:										
Internal Service Funds	-	-	-	-	-	-	2,826	142	-	2,968
Accrual Adjustments	-	-	-	-	-	-	2,810	-	-	2,810
Fiduciary Receivables	-	-	-	-	-	-	65,804	-	-	65,804
Total – Governmental Activities	$ 1,347,707	$ 403,875	$ -	$ -	$ -	$ 26,608	$ 780,506	$ 1,575,447	$ -	$ 4,134,142
Related revenue not recognized in the funds because it is not available	$ 193,323	$ -	$ -	$ -	$ -	$ -	$ 20,245	$ -	$ -	$ 213,567
Business-type Activities:										
Current:										
Injured Patients and Families Compensation	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,940	$ -	$ -	$ 18,940
Environmental Improvement	-	176,315	-	-	-	-	309	10,638	-	187,262
University of Wisconsin System	-	-	29,478	-	-	-	135,806	76,207	4,739	246,230
Unemployment Reserve	-	-	-	-	-	-	230,166	2,299	-	232,465
Nonmajor Enterprise	-	307	-	380	1,934	-	115,565	8,784	-	126,971
Total Current:	-	176,621	29,478	380	1,934	-	500,787	97,928	4,739	811,868
Noncurrent:										
Environmental Improvement	-	1,794,104	-	-	-	-	-	-	-	1,794,104
University of Wisconsin System	-	-	166,958	-	-	-	919	-	-	167,877
Unemployment Reserve	-	-	-	-	-	-	57,496	-	-	57,496
Nonmajor Enterprise	-	2,061	-	863	38,579	3,362	197	-	-	45,062
Total Noncurrent	-	1,796,165	166,958	863	38,579	3,362	58,612	-	-	2,064,539
Government-wide Adjustments:										
Fiduciary Receivables	-	-	-	-	-	-	148,306	-	-	148,306
Total – Business-type Activities	$ -	$ 1,972,786	$ 196,436	$ 1,243	$ 40,513	$ 3,362	$ 707,705	$ 97,928	$ 4,739	$ 3,024,713

B. Net Revenues

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2016, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	$ 209,183
Sales and Services of Auxiliary Enterprises	36,664
Total	$ 245,847

NOTE 7. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2016 was as follows (in thousands):

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 2,708,571	$ 64,271	$ (87)	$ 2,772,756
Buildings and Improvements	166,331	604	-	166,934
Library Holdings	73,401	908	-	74,310
Equipment	7	220	(95)	132
Construction and Software in Progress	2,872,376	959,294	(639,847)	3,191,823
Infrastructure	14,984,406	493,583	(44,698)	15,433,292
Total capital assets, not being depreciated	20,805,092	1,518,881	(684,727)	21,639,246
Capital assets, being depreciated:				
Land Improvements	172,683	3,252	(176)	175,759
Buildings and Improvements	2,181,067	118,414	(8,367)	2,291,114
Equipment	812,064	151,404	(27,261)	936,206
Totals	3,165,814	273,070	(35,804)	3,403,080
Less accumulated depreciation for:				
Land Improvements	101,728	22,456	-	124,185
Buildings and Improvements	1,020,591	77,496	(4,325)	1,093,762
Equipment	526,275	90,478	(22,929)	593,824
Totals	1,648,594	190,430	(27,254)	1,811,770
Total Capital Assets, being depreciated, net	1,517,220	82,640	(8,550)	1,591,310
Governmental activities capital assets, net	$ 22,322,312	$ 1,601,520	$ (693,277)	$ 23,230,556
Business-type activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 161,485	$ 262	$ -	$ 161,747
Library Holdings	1,145,326	20,432	(41,624)	1,124,134
Construction and Software in Progress	313,875	135,512	(209,202)	240,184
Total Capital Assets, not being depreciated	1,620,686	156,205	(250,826)	1,526,065
Capital assets, being depreciated:				
Land Improvements	21,877	594	-	22,471
Buildings	7,356,818	338,084	(7,055)	7,687,848
Equipment	1,166,692	77,541	(41,316)	1,202,916
Totals	8,545,386	416,219	(48,371)	8,913,235
Less accumulated depreciation for:				
Land Improvements	12,154	1,014	-	13,168
Buildings	3,079,750	231,494	(1,876)	3,309,368
Equipment	838,744	89,429	(34,754)	893,419
Totals	3,930,648	321,937	(36,630)	4,215,955
Total Capital Assets, being depreciated, net	4,614,738	94,282	(11,740)	4,697,280
Business-type activities capital assets, net	$ 6,235,424	$ 250,488	$ (262,567)	$ 6,223,344

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of $16.8 million, with accumulated depreciation totaling $2.9 million.

Depreciation Expense

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

Governmental Activities		
Commerce	$	2,100
Education		5,561
Transportation		13,423
Environmental Resources		19,734
Human Relations and Resources		99,965
General Executive		14,524
Judicial		1,566
Internal Service Funds		33,559
Total depreciation expense - governmental activities	$	190,430

Business-type Activities		
University of Wisconsin System	$	303,909
Lottery		16
Veterans Mortgage Loan Repayment		11
Injured Patients and Families Compensation		230
Environmental Improvement		-
Other Business-Type		17,768
Total depreciation expense - business-type activities	$	321,935

Construction and Software in Progress

Construction and software in progress of the primary government reported in the government-wide statement of net position at June 30, 2016 included the following projects (in thousands):

Governmental Activities	Allotments	Expended to June 30, 2016	Encumbrances Outstanding	Unencumbered Allotment Balance
Reported through capital projects funds:				
BCPL Land Sale/Transfer To DNR	$ 14,000	$ 10,908	$ -	$ 3,092
CCI Segregation Unit Expansion	12,472	514	487	11,471
Capitol Heating and Power Plant - Facility Renovate & Upgrade	28,268	27,956	99	235
General Land Acquisition	69,470	53,230	1,887	14,355
General Land Acquisition – 2010	38,300	36,942	-	1,358
Interstate 94 North &South Corridor Reconstruction	10,589	10,589	-	-
Preservation Storage Building	46,723	12,810	36,884	1,447
Stillwater/St Croix Crossing Bridge	50,681	50,681	-	-
Wisconsin Resource Center - Female Treatment Center	16,105	15,993	26	87
Zoo Interchange	358,292	358,292	-	-
Other projects with allotments totaling less than $10 million		96,777		
Subtotal		674,692		
Projects funded through sources other than capital projects funds:				
Transportation-related		2,468,631		
Department of Natural Resources		7,542		
Department of Health Services		11,683		
Department of Children and Families		25,020		
Other agency projects		4,255		
Total construction and software in progress – governmental activities		3,191,823		
Business-type Activities				
Reported through capital projects funds - University of Wisconsin System:				
Science Labs Building – LaCrosse	82,000	4,134	62,777	15,093
Student Center – LaCrosse	53,300	41,471	5,838	7,938
Children Center Renovation – Milwaukee	11,981	9,363	318	2,442
Babcock Hall Renovation – Madison	34,420	1,441	1,219	31,760
Lot 75 Parking Lot – Madison	32,670	16,868	2,041	15,054
Meat Science & Muscle Biology Lab – Madison	45,777	1,853	2,010	41,914
Multi-Building Energy Conservation – Madison	12,032	9,192	1,154	1,991
Music Performance Facility – Madison	55,800	4,813	3,903	47,084
Fletcher Hall Renovation – Oshkosh	23,500	1,422	20,532	1,546
Falcon Center for Health and Education - River Falls	68,199	42,735	8,796	20,473
Chemistry Biology Building - Stevens Point	74,756	6,263	2,196	66,297
Projects with allotments totaling less than $10 million:				
University of Wisconsin System		81,000		
Other projects with allotments totaling less than $10 million		19,629		
Total construction and software in progress – business type activities		$ 240,184		

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 $220.6 million and $19.6 million as of June 30, 2016, respectively.

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NOTE 8. ENDOWMENTS

Primary Government

University of Wisconsin System

The University of Wisconsin System invests its trust funds, principally gifts and bequests designated as endowments or quasi-endowments, in two of its own investment pools: the Long Term Fund and the Intermediate Term Fund. Benefiting University of Wisconsin System entities receive quarterly distributions from the Long Term Fund, principally endowed assets, based on an annual spending rate applied to a 12-quarter moving average market value of the fund. The annual spending rate is currently 4.0 percent. Distributions from the Intermediate Term Fund, principally quasi-endowments and unspent income distributions, consist of interest earnings distributed quarterly. Spending rate and interest distributions from both of these funds are transferred to the State Investment Fund, pending near-term expenditures. At June 30, 2016, net appreciation of $106.2 million was available to meet spending rate distributions, of which $16.5 million was actually authorized for expenditure.

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

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

The fair value of Endowments as of June 30, 2016 was $444.8 million including an unrealized gain of $38.6 million when fair values as of June 30, 2016 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, 2016, 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	$ 250.9
Realized Gains – Undistributed	155.3
Book Value	406.2
Unrealized Net Gains/Losses - Undistributed	38.6
Fair Value	$ 444.8

On June 30, 2016, the portfolio at market, for the Long Term Fund, contained 35.5 percent in common stock and convertible securities, 12.1 percent in bonds and preferred stock, 22.4 percent in alternative assets, 21.8 percent in tactical allocation strategies, 6.4 percent in short-term investments, and 1.8 percent in real assets. The total return (loss) on the principal Long Term Fund including capital appreciation was (2.6) percent.

On June 30, 2016, the portfolio at market, for the Intermediate Fund, contained 14.1 percent in common stock and convertible securities, 79.2 percent in bonds and preferred stock, and 6.7 percent in short-term investments. The total return on the principal Intermediate Fund including capital appreciation was 2.7 percent.

External investment counsel was furnished for funds representing 89.6 percent of market value principal.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances as of or for the year ended June 30, 2016 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, 2016 were as follows (in thousands):

	Due to Other Funds:											
	General	Trans-portation	Capital Improvement	Nonmajor Govern-mental	Injured Patients and Families Compensation	Environ-mental Improve-ment	University of Wisconsin System	Unemploy-ment Reserve	Nonmajor Enterprise	Internal Service	Fiduciary	**Total**
Due from Other Funds:												
General	$ -	$ 21,801	$ 3	$ 8,490	$ 427	$ 2,333	$ 118,024	$ 1,939	$ 7,985	$ 1,417	$ 64,521	$ 226,938
Transportation	40,269	-	53,977	45,795	-	-	348	-	-	167	-	140,556
Capital Improvement	-	-	-	-	-	-	-	-	2,236	22,849	-	25,084
Nonmajor Governmental	12,861	10,630	-	2,981	-	1,609	15	10	1,442	-	-	29,547
Environmental Improvement	6	-	-	106	-	-	-	-	-	-	-	111
University of Wisconsin System	24,729	1,362	-	1,679	-	18	-	-	1	8	-	27,797
Unemployment Reserve	406	-	-	-	-	-	-	-	-	-	-	406
Nonmajor Enterprise	2,643	-	-	0	-	-	-	-	2,543	-	56,176	61,362
Internal Service	26,000	5,954	-	1,864	-	-	1,930	-	394	130	1,283	37,555
Fiduciary	20,667	3,229	-	2,503	-	-	26,419	-	12,718	432	25,066	91,034
Total	$ 127,581	$ 42,976	$ 53,980	$ 63,418	$ 427	$ 3,960	$ 146,736	$ 1,948	$ 27,318	$ 25,002	$ 147,046	$ 640,391

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, 2016 were as follows (in thousands):

	Interfund Receivable:		
	General	Nonmajor Enterprise	Total
Interfund Payables:			
Nonmajor Governmental	$ 1,980	$ -	$ 1,980
Nonmajor Enterprise	24,967	-	$ 24,967
Internal Service	44,867	-	44,867
Fiduciary	-	91,337	91,337
Total	$ 71,814	$ 91,337	$ 163,151

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, 2016 were as follows (in thousands):

	Advances from Other Funds (liability):		
	General	Nonmajor Governmental	Total
Advances to Other Funds (asset):			
Environmental Improvement	$ -	$ 6,238	$ 6,238
Nonmajor Enterprise	710	-	710
Total	$ 710	$ 6,238	$ 6,948

D. Interfund Transfers

Interfund Transfers in and out that occurred during Fiscal Year 2016 were as follows (in thousands):

Transfers Out: / Transfers In:	General	Transportation	Capital Improvement	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Internal Service	Total
General	$ -	$ 38,442	$ 1,444	$ 711,268	$ -	$ 836,539	$ -	$ 97,025	$ 4,519	$ 1,689,237
Transportation	2,542	-	12,391	131,102	-	-	-	-	-	146,035
Capital Improvement	-	-	-	-	3,124	80,295	-	3,943	37	87,399
Nonmajor Governmental	18,649	27,259	98,071	90,586	-	11,407	2,000	1,823	6	249,800
Injured Patients and Families Compensation	-	-	-	15	-	-	-	-	-	15
Environmental Improvement	14,144	-	-	8,009	-	-	-	-	-	22,153
University of Wisconsin System	30,143	-	137	65,525	-	-	-	-	-	95,805
Unemployment Reserve	438	-	-	-	-	-	-	-	-	438
Nonmajor Enterprise	4,187	-	-	10,591	-	-	-	12,000	-	26,778
Internal Service	7,573	-	16	1,111	-	5	-	-	654	9,360
Fiduciary	-	-	-	579	-	-	-	-	-	579
Total	$ 77,676	$ 65,701	$ 112,059	$ 1,018,785	$ 3,124	$ 928,246	$ 2,000	$ 114,791	$ 5,217	$ 2,327,599

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

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

Nonroutine and Other Transfers

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	$ 38,010
Environmental	11,144
Local Government Property Insurance	8,400

Transfers in to the General Fund:

Funds Reporting the Transfer Out	Amount
University of Wisconsin System	$ 12,987
Facilities Operations and Maintenance	5,218
Financial Services	1,173

Transfers out from the Petroleum Inspection Fund:

Fund Reporting the Transfer In	Amount
Transportation	$ 21,000

NOTE 10. CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2016, the following changes occurred in long-term liabilities (in thousands):

Primary Government

Governmental Activities	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds and Long Term Notes Payable:					
General Obligation Bonds & Notes for:					
Governmental Funds	$ 5,290,463	$ 838,276	$ 681,930	$ 5,446,809	$ 508,095
Internal Service Funds	151,567	9,605	20,066	141,106	10,237
Annual Appropriation Bonds	3,115,935	-	79,585	3,036,350	80,460
Revenue Bonds	2,028,835	225,000	222,630	2,031,205	148,015
Less: Issuance Premiums and Discounts	612,067	202,587	125,936	688,717	-
Total Bonds and Long Term Notes Payable	11,198,867	1,275,468	1,130,148	11,344,187	746,807
Other Liabilities:					
Future Benefits and Loss Liability	107,040	29,204	36,868	99,376	37,295
Capital Leases	99,271	30,876	19,147	111,000	18,169
Installment Contracts	898	575	1,001	472	472
Compensated Absences	158,297	50,224	53,103	155,418	52,461
Net Pension Liability	-	210,150	-	210,150	-
Other Postemployment Benefits	221,556	17,590	-	239,146	-
Claims, Judgments and Commitments	555	26	-	581	-
Pollution Remediation Obligations	7,490	510	300	7,700	200
Total Governmental Activities Long-term Liabilities	$ 11,793,974	$ 1,614,624	$ 1,240,568	$ 12,168,030	$ 855,404

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 2016. Repayment of the revenue bonds principal and interest is made from the appropriate debt service fund with payments secured by registration and inspection fees collected by the appropriate program. Most of the compensated absences and other postemployment benefits liabilities are attributed to the General, Transportation and Conservation funds. Long-term liabilities for claims, judgments and commitments are generally liquidated with resources of the governmental activities.

Business-type Activities	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds Payable:					
General Obligation Bonds	$ 1,505,003	$ 138,186	$ 138,811	$ 1,504,377	$ 83,434
Revenue Bonds	706,345	297,505	328,900	674,950	54,105
Less: Issuance Premiums and Discounts	146,539	83,550	44,147	185,941	-
Total Bonds Payable	2,357,887	519,240	511,858	2,365,269	137,539
Other Liabilities:					
Future Benefits and Loss Liability	934,470	116,365	149,304	901,531	134,896
Capital Leases	37,209	1,742	4,687	34,265	4,120
Compensated Absences	143,386	68,328	65,957	145,757	70,515
Net Pension Liability	-	245,318	-	245,318	-
Other Postemployment Benefits	279,324	22,440	-	301,765	-
Total Business-type Activities Long-term Liabilities	$ 3,752,277	$ 973,434	$ 731,806	$ 3,993,905	$ 347,069

NOTE 11. BONDS, NOTES AND OTHER DEBT OBLIGATIONS

The following schedule summarizes outstanding bonds and long-term notes payable at June 30, 2016 (in thousands):

Primary Government	
Governmental Activities:	
General Obligation Bonds and Notes	$ 6,054,989
Annual Appropriation Bonds	3,032,415
Revenue Bonds:	
Transportation	2,215,104
Petroleum Inspection	41,679
Total Governmental Activities	11,344,187
Business-type Activities:	
General Obligation Bonds and Notes:	
University of Wisconsin System	1,512,902
Other Business-type	92,879
Revenue Bonds:	
Environmental Improvement	759,488
Total Business-type Activities	2,365,269
Total Primary Government	$ 13,709,456

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, 2016, $4.4 billion of general obligation bonds were authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2016 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
1999	1998 Series 1	8/98	5.5	11/16	$ 157,580	$ 8,320
2001	2001 Series A	2/01	7.0	5/31	15,000	1,255
2002	2002 Series B, D	3/02; 6/02	6.25	5/33	35,000	3,275
2003	2002 Series E, F, and H; 2003 Series 2	9/02; 9/02; 12/02; 4/03	4.25 to 5.25	5/33	43,740	6,560
2004	2003 Series B, and 3; 2004 Series CWGBC	7/03; 10/03; 4/04	0 to 5.0	11/33	214,731	66,223
2005	2004 Series C; 2005 Series C	8/04; 4/05	5.15 to 5.65	5/35	6,000	860
2007	2006 Series B, and C; 2007 Series AW, BW, and 1;	7/06; 8/06; 2/07; 2/07; 2/07;	4.25 to 5.65	5/37	382,690	239,826
2008	2007 Series 2, and C; 2008 Series 1, A, AW, B, and BW	10/07; 12/07; 6/08; 4/08; 3/08; 5/08; 6/08	4.13 to 6.26	5/38	385,480	71,815
2009	2008 Series C, and D; 2009 Series AW, A, and B	9/08;12/08; 1/09; 6/09; 6/09	4.0 to 5.4	5/30	521,875	131,810
2010	2009 Series C, D and 1; 2010 Series 1, A, B, and AW	9/09; 9/09; 9/09; 3/10; 4/10; 4/10; 4/10	4.0 to 5.9	5/40	1,016,483	601,708
2011	2010 Series C, D, and BW; 2011 Series A, and 1	9/10; 9/10;12/10; 2/11; 6/11	3.45 to 5.25	5/41	1,175,535	822,975
2012	2011 Series 2, B, and C; 2012 Series 1 ,2, AW and A	10/11; 8/11; 12/11; 3/12; 5/12; 4/12; 6/12	1.28 to 5.0	5/42	1,359,920	1,099,400
2013	2012 Series B; 2013 Series A	11/12; 5/13	2.55 to 5.0	5/33	703,320	645,845
2014	2013 Series 1; 2014 Series 1, 2, A, and AW	11/13; 2/14; 4/14; 2/14; 4/14	0.2 to 5.0	5/34	1,071,155	954,975
2015	2014 Series 3, 4 and B; 2015 Series 1, A, and B	9/14; 1/15; 7/14 4/15; 2/15; 6/15	2.0 to 5.0	5/35	1,318,765	1,180,200
2016	2015 Series C; 2016 Series 1 and A	9/15; 3/16; 3/16	1.75 to 5.0	5/36	977,435	977,435
Total					9,384,709	6,812,482
Premiums/Discounts					--	568,477
Total General Obligation Bonds					$ 9,384,709	$ 7,380,959

As of June 30, 2016, general obligation bond debt service requirements for principal and interest for governmental activities and business - type activities are as follows (in thousands):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2017	$ 363,379	$ 253,569	$ 59,656	$ 69,336
2018	377,840	235,192	60,730	66,367
2019	409,943	217,187	67,914	63,415
2020	390,237	197,535	68,481	60,132
2021	357,946	177,507	66,257	56,208
2022-2026	1,658,355	641,622	416,643	226,628
2027-2031	1,249,780	296,396	421,026	127,432
2032-2036	533,434	62,968	240,706	41,428
2037-2041	--	--	64,965	10,393
2042	--	--	5,190	208
Total	5,340,914	2,081,976	1,471,569	721,546
Premiums/Discounts	467,074	--	101,403	
Total	$ 5,807,988	$ 2,081,976	$ 1,572,972	$ 721,546

Qualified Build America Bonds

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

With respect to the direct payments the State expects to receive, since such payments are not program Income and not pledged to the payment on the Bonds, there is no direct impact on the Bonds with these direct payments being subject to the mandated across-the-board cuts to the Federal budget for the federal fiscal year that started October 1, 2015 and ends September 30, 2016. The impact of these cuts for the current federal fiscal year is a 6.8% reduction in the direct payment amount that the State expected to receive.

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

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

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

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

B. General Obligation Long-term Notes

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

As of June 30, 2016, long-term general obligation note debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in millions):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2017	$ 69,727	$ 6,396	$ 6,178	$ 887
2018	72,664	5,025	10,216	765
2019	34,241	3,279	5,079	519
2020	45,387	2,320	6,073	377
2021	24,983	869	5,262	183
Total	$ 247,001	$ 17,889	$ 32,809	$ 2,731

C. Annual Appropriation Bonds

2003 Annual Appropriation Bonds

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

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

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

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

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

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

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

As of June 30, 2016, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2017	$ 58.3	$ 86.9
2018	429.0	85.2
2019	41.0	64.3
2020	51.8	62.0
2021	36.4	59.0
2022 – 2026	472.7	246.4
2027 – 2031	460.6	89.4
2032	36.2	2.0
Total	1,585.9	695.2
Unamortized Prem./Discount	(0.7)	--
Total, net	$ 1,585.2	$ 695.2

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

Derivatives

The State has entered into interest rate exchange agreements, or swap agreements, to modify interest rates for nearly all of the 2008 Series B bonds and 2008 Series C bonds. All interest rate agreements at June 30, 2016, are classified as effective cash flow hedges. Since the interest rate exchange agreements qualify as an effective hedge, changes to fair value are not reported in the Statement of Activities. The State has contracted with a third party advisor to provide estimates of the fair value of the aggregate swap agreements as of June 30, 2016.

Objective – In December 2003, the State entered into four interest rate exchange agreements with four different counterparties in order to reduce the interest rate risk in connection with $595.2 million of the Series B (Taxable Auction Rate Certificates) issued in 2003. In June 2005, the State entered into four additional interest rate exchange agreements with three counterparties in order to reduce the interest rate risk on the balance of the Series B (Taxable Auction Rate Certificates) issued in 2003, ($349.7 million). In April and June 2008, the State issued $509 million of annual appropriation refunding bonds as floating rate notes having variable interest rate set every month (2008 Series B Bonds and 2008 Series C Bonds). In conjunction with issuance in April 2008, at its option the State terminated and made corresponding termination payments in the aggregate amount of $40.0 million on some, and a portion of other, interest rate exchange agreements previously entered into in December 2003 and June 2005. As of June 30, 2016, interest rate exchange agreements remain to reduce the interest rate risk in connection with $479.2 million in floating rate notes.

Terms – Nearly all of the outstanding 2008 Series B Bonds and 2008 Series C Bonds are subject to the interest rate exchange agreements with a notional amount totaling $479.2 million as of June 30, 2016. 2008 Series B Bonds and Series C Bonds mature and a related notional amount of the related interest rate exchange agreements decline from May 1, 2016 through 2032. Based on the interest rate exchange agreements, the State owes to the counterparties an amount calculated at fixed rates ranging from 4.661 percent to 5.47 percent and the counterparties owe the State interest on an amount based on a variable rate, which is the one-month LIBOR. The net amount is paid monthly.

Fair Value – As of June 30, 2016, the aggregate fair value of the interest exchange agreements was negative $216.8 million, a decrease of $58.4 million compared to the aggregate fair value of negative $158.4 million reported as of June 30, 2015. Since the interest rate exchange agreements qualify as effective cash flow hedges, a deferred outflow of resources and a liability are reported in the statement of net position for the fair value of the swap agreements. Changes in the fair value are not reported in the statement of activities.

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

Associated Debt – Using rates as of June 30, 2016, debt service requirements are presented for the 2008 Series B Bonds and 2008 Series C Bonds that are subject to the interest rate exchange agreements and the net swap payments assuming that interest rates remain the same for their term. As rates vary, interest payments on the floating rate notes and net swap payments will vary.

(in millions)

Fiscal Year Ended June 30	Principal	Interest	Interest Rate Swaps, Net	Totals
2017	1.1	7.9	23.5	32.5
2018	1.1	7.9	23.5	32.5
2019	1.1	7.9	23.4	32.4
2020	1.1	7.9	23.4	32.3
2021	8.5	7.8	23.3	39.6
2022 – 2026	87.4	36.7	110.0	234.1
2027 – 2031	343.0	18.8	56.4	418.2
2032	35.8	0.5	1.5	37.8
	$ 479.2	$ 95.4	$ 284.9	$ 859.5

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

Credit Risk – As of June 30, 2016, the State was exposed to only a minimal amount of credit risk, as the fair values of all of the four interest rate exchange agreements were negative. Should rates change, the State could have increased exposure in the future. The State has entered into four interest rate agreements with three different counterparties. The lowest rating assigned to these counterparties is, as of June 30, 2016, A1 by Moody's, A by Standard & Poor's, and A by Fitch Ratings. Under the interest rate exchange agreements and to mitigate the potential for credit risk, if any of the counterparties' credit quality falls below A2 by Moody's Investors Service or A- by either Standard & Poor's or Fitch Ratings, the fair value of the interest rate exchange agreement for that respective counterparty will be fully collateralized by that counterparty. In addition, an event of termination occurs if any of the counterparties' credit quality falls below Baa2 by Moody's Investors service or BBB by either Standard & Poor's or Fitch Ratings.

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

Termination Risk – The interest rate exchange agreements may be terminated by the State, upon two business days' written notice, designating to the counterparty the termination date. In addition, the State or the counterparties may terminate the interest rate exchange agreements if the other party fails to perform under the terms of the interest rate exchange agreements or if other various events occur. As of June 30, 2016, there have not been any such events. If any interest rate exchange agreement is terminated, the State would be unhedged and exposed to additional interest rate risk on the 2008 Series B Bonds and the 2008 Series C Bonds. In addition, if the interest rate exchange agreement has a negative fair value at the time of termination, the State would incur a loss and would be required to make a settlement payment to the related counterparty. Actual termination payments, if required to be made, can be made, at the State's discretion, from the Stabilization Fund, or delayed until funds are available in the Subordinated Payment Obligations Fund or until the next biennium when appropriations can be made in the biennial budget for the termination payments.

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

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

2009 Annual Appropriation Bonds

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

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

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

As of June 30, 2016, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2017	22.2	83.6
2018	24.8	82.6
2019	32.7	81.4
2020	28.1	79.8
2021	31.3	78.3
2022 – 2026	202.8	364.6
2027 – 2031	352.9	295.2
2032 – 2036	613.1	159.8
2037	142.6	8.9
Total	1,450.5	1,234.1
Unamortized Premium/Discount	(3.2)	--
Total, net	$ 1,447.3	$ 1,234.1

D. Revenue Bonds

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

Transportation Revenue Bonds

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

The Department of Transportation is authorized to issue a total of $3.9 billion of revenue bonds. Presently, there are fourteen issues of Transportation Revenue Bonds outstanding totaling $2.0 billion. Debt service payments are secured by driver and vehicle registration fees and the program resolution provides for a reserve fund, which if funded, will be used in the event that a deficiency exists in the redemption fund.

The Transportation Revenue Bonds issued and outstanding as of June 30, 2016 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2015 A	12/15	3.0 to 5.0	7/36	$ 225,000	$ 225,000
2015 1	4/15	1.0 to 5.0	7/29	$ 207,240	$ 207,240
2014 2	12/14	5.0	7/27	94,130	94,130
2014 1	4/14	2.0 to 5.0	7/34	339,745	224,465
2013 1	3/13	4.0 to 5.0	7/33	259,680	259,680
2012 2	6/12	4.0 to 5.0	7/24	116,400	116,400
2012 1	4/12	3.5 to 5.0	7/32	343,725	272,235
2010 B	12/10	4.7 to 6.0	7/31	123,925	123,925
2010 A	12/10	5.0	7/21	76,075	50,005
2009 B	10/09	2.23 to 3.8	7/30	147,130	140,740
2008 A	8/08	5.0	7/29	185,000	23,640
2007 1	3/07	4.35 to 5.0	7/22	206,900	200,070
2005 A	3/05	5.0 to 5.25	7/21	235,585	43,440
1998 A	8/98	5.5	7/16	130,590	8,825
				2,691,125	1,989,795
Unamortized Premium / Discount				--	225,309
Total				$ 2,691,125	$ 2,215,104

Petroleum Inspection Fee Revenue Bonds

Petroleum Inspection Fee (PIF) Revenue Bonds are issued to finance claims made under the Petroleum Environmental Cleanup Fund Award (PECFA) Program for reimbursement of cleanup costs to soil and groundwater contamination. The program reimburses owners for 75 percent to 99 percent of cleanup costs associated with soil and groundwater contamination. As of June 30, 2016, PIF Bonds outstanding are $41.4 million. Debt service payments are secured by petroleum inspection fees.

The PIF revenue bonds issued and outstanding as of June 30, 2016 were as follows (in thousands):

Issue	Issue Date	Interest Rate	Maturity Through	Issued	Outstanding
2009-1	10/09	3.0 to 5.0	7/17	$ 117,460	$ 41,410
Unamortized Premium / Discount				--	269
Total				$ 117,460	$ 41,679

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 $2.5 billion in total.

The Clean Water revenue bonds are collateralized by a security interest in all assets of the Leveraged Loan Portfolio. At June 30, 2016, the total assets of the Leveraged Loan Portfolio were $923,853,799. As these loans granted to municipalities are at an interest rate which is less than the Clean Water revenue bond rate, the State is obligated by the Clean Water Fund General Resolution to fund, prior to each loan disbursement, a reserve, which subsidizes the Leveraged Loan Portfolio in an amount to offset this interest rate disparity. Clean Water revenue bonds are payable only from revenues derived from 1) pledged loan repayments, 2) amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, and 3) all other pledged receipts.

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, 2016, there were fourteen issues of Clean Water Revenue Bonds outstanding totaling $634.8 million and one issue of Environmental Improvement Fund Revenue Bonds outstanding in the amount of $40.1 million.

Bonds issued and outstanding for the Environmental Improvement Fund as of June 30, 2016 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2016-1	4/16	2.0 to 5.0	6/31	$ 120,890	$ 120,890
2015-A	12/15	3.0 to 5.0	6/30	43,380	40,135
2015-1	7/15	5.0	6/28	133,235	133,235
2013-1	3/13	3.75 to 5.0	6/27	82,845	78,495
2012-2	7/12	2.63 to 5.0	6/24	92,450	83,220
2012-1	7/12	2.0 to 5.0	6/33	55,000	49,035
2010-5	11/10	5.0	6/23	36,760	36,760
2010-4	11/10	2.0 to 5.0	6/31	116,290	19,250
2010-3	2/10	3.96 to 5.44	6/25	49,690	49,690
2010-2	2/10	5.0	6/21	14,070	14,070
2008-3	12/08	3.0 to 5.5	6/26	92,210	13,685
2008-2	2/08	5.0	6/18	27,335	21,965
2008-1	2/08	4.0 to 5.0	6/28	100,000	8,855
1998-2	8/99	4.0 to 5.5	6/17	104,360	5,665
				1,068,515	674,950
Unamortized Premium / Discount				--	84,538
Total				$ 1,068,515	$759,488

As of June 30, 2016, revenue bond debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

	Governmental Activities				Business-Type Activities	
Fiscal Year	Transportation Revenue Bonds		Petroleum Inspection Fee Revenue Bonds		Environmental Improvement Fund Revenue Bonds	
Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 102,395	$ 96,419	$ 27,800	$ 1,270	$ 54,105	$ 32,919
2018	103,350	91,117	13,610	290	63,005	30,348
2019	119,605	85,719	--	--	57,935	27,255
2020	124,735	79,752	--	--	57,535	24,412
2021	131,990	73,444			53,850	21,585
2022-2026	629,315	270,494	--	--	242,770	70,389
2027-2031	489,250	131,705	--	--	139,600	20,028
2032-2036	289,155	30,231	--	--	6,150	411
Total	1,989,795	858,881	41,410	1,559	674,950	227,346
Unamortized Premium / Discount	225,309	--	269	--	84,538	--
Total	$ 2,215,104	$ 858,881	$ 41,679	$ 1,559	$ 759,488	$ 227,346

Qualified Build America Bonds

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

With respect to the direct payments the State expects to receive, since such payments are not Program Income and not pledged to the payment on the Bonds, there is no direct impact on the Bonds with these direct payments being subject to the mandated across-the-board cuts to the Federal budget for the federal fiscal year that started October 1, 2015 and ends September 30, 2016. The impact of these cuts for the current federal fiscal year is a 6.8% reduction in the direct payment amount that the State expected to receive.

The interest rates on the 2009 Series B (taxable) Transportation Revenue Bonds in the amount of $140.7 million range from 4.0 percent to 5.8 percent payable semiannually on January 1 and July 1 beginning with the first interest payment date of July 1, 2010. These bonds are callable at par on July 1, 2019 or any date thereafter. The bonds mature beginning July 1, 2015 through 2030.

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

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

E. Refundings, Exchanges and Early Extinguishments

Refunding Provisions of GASB Statement No. 23

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

Current Fiscal Year Refundings/General Obligation Bonds

In March 2016, the State issued $295.2 million of general obligation refunding bonds (2016 Series 1), the proceeds of $363.6 million were deposited in an escrow account to provide for future debt service payments and redemption of $308.3 million of various general obligation bonds outstanding at the time of the refunding. As a result of the advance refunding, the $308.3 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 $26.2 million and an economic gain of $20.2 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, 2016, $949.0 million of general obligation bond principal has been defeased.

Current Fiscal Year Refundings/Revenue Bonds

In March 2016, the State issued $120.9 million of clean water refunding bonds (2016 Series 1), the proceeds of $144.4 million were deposited in an escrow account to provide for future debt service payments and redemption of $124.3 million of various clean water bonds outstanding at the time of the refunding. As a result of the advance refunding, the $124.3 million of various clean water bonds for which future debt service payments and redemption are paid from the escrow account are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service of $10.9 million and an economic gain of $7.2 million.

Prior Year Refundings/Revenue Bonds

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

- Environmental Improvement Fund revenue bonds – At June 30, 2016, revenue bonds outstanding of $237.7 million have been defeased.
- Transportation Revenue Bonds – At June 30, 2016, revenue bonds outstanding of $220.1 million have been defeased.

F. Short-term Financing

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

General Obligation Commercial Paper Notes

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

The State intends to make annual May 1 payments on the outstanding commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular payments to the issuing and paying agent that will be used to pay interest due on maturing notes. On June 30, 2016, the amount of commercial paper notes outstanding was $138.3 million which had interest rates ranging from 0.40 percent to 0.51 percent and maturities ranging from July 6, 2016 to September 1, 2016.

Short-term debt activity for the year ended June 30, 2016 for general obligation commercial paper notes was as follows (in millions):

Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
$ 146.9	$ --	$ 8.6	$ 138.3

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, 2016, the amount of extendible municipal commercial paper outstanding was $485.7 million which had interest rates ranging from 0.55 percent to 0.67 percent and maturities from July 6, 2016, to August 4, 2016.

Short-term debt activity for the year ended June 30, 2016 for general obligation extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
$ 612.6	$ --	$ 126.9	$ 485.7

Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper

The State has authorized petroleum inspection fee revenue extendible municipal commercial paper to pay the costs of claims under the Petroleum Environmental Cleanup Fund Award (PECFA) Program. Periodically, additional extendible municipal commercial paper is issued to pay for maturing paper. The State may periodically deposit money into the Junior Subordinate Principal Account, which represents principal payments to be made on the extendible municipal commercial paper. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing paper. At June 30, 2016, the amount of petroleum inspection fee revenue extendible commercial paper outstanding was $71.2 million which had interest rates ranging from 0.55 percent to 0.63 percent and maturities ranging from July 6 to July 25, 2016.

Short-term debt activity for the year ended June 30, 2016 for the petroleum inspection fee revenue extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
$ 71.2	$ --	$ --	$ 71.2

Transportation Revenue Commercial Paper Notes

The State authorized transportation revenue commercial paper notes to pay the costs of major highway projects and certain State transportation facilities. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes. The State intends to make annual July 1 payments on the commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2016, the amount of transportation revenue commercial paper notes outstanding was $117.1 million which had interest rates of 0.48 percent and maturities ranging from July 5 to July 20, 2016.

Short-term debt activity for the year ended June 30, 2016 for the transportation revenue commercial paper notes was as follows (in millions):

Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
$ 144.1	$ --	$ 27.0	$ 117.1

G. 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, 2016 was as follows:

Balance Due	**Average Life (Weighted Term)**
$101.9 million	4.32 Years

At June 30, 2016, the following parity Master Lease certificates were outstanding:

- Master Lease Certificates of Participation of 2006, Series A, in the amount of $1.8 million. This series of Master Lease certificates has an interest rate of 4.0 percent and matures semi-annually through September 1, 2016.

- Master Lease Certificates of Participation of 2013, Series A (Revolving Credit Agreement – Taxable) in the amount of $31.9 million. This Master Lease certificate evidences the State's obligation to repay advances under a Revolving Credit Agreement, dated September 1, 2013, as amended between U.S. Bank National Association (as trustee), the State of Wisconsin, acting by and through its Department of Administration, as lessee, and PNC Bank National Association. The scheduled termination date under the Revolving Credit Agreement, as amended, is September 1, 2016. This Master Lease certificate shall bear interest at the rates and mature on the dates provided for in the Revolving Credit Agreement. The balance of this Master Lease certificate may include some accrued interest that will be payable at the next semi-annual interest payment date.

- Master Lease Certificates of Participation of 2010, Series B, in the amount of $0.1 million. This series of Master Lease certificates has interest rates ranging from of 3.0 percent to 4.0 percent and matures semi-annually through September 1, 2017.

- Master Lease Certificates of Participation of 2012, Series A, in the amount of $1.8 million. This series of Master Lease certificates has interest rates ranging from 3.0 percent to 4.0 percent and matures semi-annually through September 1, 2017.

- Master Lease Certificates of Participation of 2014, Series A, in the amount of $24.3 million. This series of Master Lease certificates has interest rates ranging from 2.75 percent to 5.0 percent and matures semi-annually through March 1, 2023.
- Master Lease Certificates of Participation of 2014, Series B in the amount of $29.9 million. This series of Master Lease certificates has interest rates ranging from 1.65 to 5.00 percent and matures semi-annually through March 1, 2023.
- Master Lease Certificates of Participation of 2015, Series A in the amount of $35.0 million. This series of Master Lease certificates has interest rates ranging from 3.0 to 5.0 percent and matures semi-annually through March 1, 2023.

The Third Amended and Restated Master Lease 1992-1 provides that certain lease schedules to the facility can be terminated if the State deposits with the Trustee an amount that is equal to the outstanding amount of the lease schedule, or in amounts that are sufficient to purchase investments that mature on dates and in amounts to make the lease payments when due. At June 30, 2016, the State has not deposited with the Trustee amounts, that when invested, will terminate lease schedules.

H. Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of June 30, 2016, a liability for arbitrage rebate did not exist.

I. Moral Obligation Debt

Through legislation enacted in 1999, the State authorized the creation of local districts. These districts (Wisconsin Center District, Southeast Wisconsin Professional Baseball Park District, and the Green Bay/Brown County Professional Football Stadium District) are authorized to issue bonds for their respective purpose, and if the State determines that certain conditions are satisfied, the State may have a moral obligation to appropriate moneys to make up deficiencies in the districts' special debt service reserve funds. To date, the Wisconsin Center District has the authority to issue up to $200.0 million in bonds and has issued one series with an outstanding balance of $117.7 million that is subject to the moral obligation. The two other local districts each have authority to issue $160.0 million of revenue obligations that, subject to the Secretary of Administration's determination that certain conditions have been met, could carry a moral obligation of the State. All of the districts have issued revenue obligations that do not carry the moral obligation of the State.

Through legislation enacted in 1999, the State authorized the issuance of up to $170.0 million principal amount of bonds to finance the development or redevelopment of sites and facilities to be used for public schools. If certain conditions are satisfied, and if a special debt service reserve fund is created for the bonds, the State will provide a moral obligation pledge, which would restore the special debt reserve fund established for the bonds to an amount not to exceed the maximum annual debt service on the bonds. Three bond issues with an aggregate outstanding balance of $75.9 million have been issued that have a special debt service reserve fund secured by the State's moral obligation.

J. Credit Agreements

The State has entered into a credit agreement that provides the State a line of credit for liquidity support for up to $275.0 million of general obligation commercial paper notes. As of June 30, 2016, $275.0 million was unused and available. The line of credit expires in March, 2019, but is subject to termination and renewal as provided for in the credit agreement. The cost of this line of credit is 0.225 percent per year.

The State has entered into a credit agreement to provide the State a line of credit for liquidity support for its transportation revenue commercial paper program. The amount of the line of credit is $120.0 million. As of June 30, 2016, $120.0 million was unused and available. This line of credit expires in April, 2019, but is subject to termination and renewal as provided for in the credit agreement. The cost of this line of credit is 0.33 percent per year.

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NOTE 12. LEASE COMMITMENTS AND INSTALLMENT PURCHASES

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

A. Capital Leases

Primary Government

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

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

The following is an analysis of the gross minimum lease payments along with the present value of the minimum lease payments as of June 30, 2016 for capital leases (in thousands):

Fiscal Year	Governmental Activities Principal	Governmental Activities Interest
2017	$ 18,169	$ 4,353
2018	19,228	4,028
2019	13,140	3,279
2020	8,665	2,801
2021	7,698	2,395
2022 - 2026	44,100	3,915
2027 - 2031	-	-
2032 - 2036	-	-
2037 - 2041	-	-
2042 - 2046	-	-
Total minimum future payments	111,000	-
Total minimum interest payments	$ -	20,771

Fiscal Year	Business-type Activities Principal	Business-type Activities Interest
2017	$ 4,120	$ 2,291
2018	1,834	2,171
2019	795	2,094
2020	652	2,048
2021	550	2,009
2022 - 2026	2,942	9,422
2027 - 2031	4,218	8,146
2032 - 2036	6,047	6,316
2037 - 2041	8,670	3,694
2042 - 2046	4,437	509
Total minimum future payments	34,265	-
Total minimum interest payments	$ -	38,699

Assets acquired through capital leases are valued at the lower of fair market value or the present value of minimum lease payments at the inception of the lease. The following is an analysis of capital assets recorded under capital leases as of June 30, 2016 (in thousands):

	Governmental Activities	Business-type Activities
Land and Land Improvements	$ -	$ -
Buildings and Improvements	-	99,150
Machinery and Improvements	149,986	13,845
Construction in Progress		
Less: Accumulated Depreciation	(23,662)	(57,647)
Carrying Amount	$ 126,324	$ 55,348

B. Operating Leases

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

Governmental and business-type activities rental expenses under operating leases for Fiscal Year 2016 were $84.3 million. Of this amount, $84.2 million relates to minimum rental payments stipulated in lease agreements, $52.8 thousand pertains to contingent rental payments and $19.4 thousand relates to sub rental payments.

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

Fiscal Year	Governmental Activities	Business-type Activities
2017	$ 40,689	$ 23,448
2018	29,540	21,950
2019	20,208	19,319
2020	12,582	17,756
2021	8,653	16,552
2022 - 2026	16,960	49,290
2027 - 2031	511	43,312
2032 - 2036	507	9,831
2037 - 2041	432	70
2042 - 2046	436	11
2047 - 2051	337	-
2052 - 2056	160	-
Thereafter	13	-
Minimum lease payments	$ 131,028	$ 201,537

C. Installment Purchases

The State has entered into installment purchase agreements. The following is an analysis of the gross minimum installment payments, along with the present value of the minimum installment payments, as of June 30, 2016 for installment purchases (in thousands):

Fiscal Year	Governmental Activities Principal	Governmental Activities Interest
2017	$ 472	5
2018	-	-
2019	-	-
2020	-	-
2021	-	-
Total minimum future installment payments	$ 472	-
Total interest payments	$ -	5

Fiscal Year	Business-type Activities Principal	Business-type Activities Interest
2017	$ 16	1
2018	12	1
2019	4	1
2020	5	-
2021	-	-
Total minimum future installment payments	$ 37	-
Total interest payments	$ -	3

NOTE 13. POLLUTION REMEDIATION OBLIGATIONS

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

Measurement of Obligations

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

During fiscal year 2016, the State recognized $0.5 million of additional estimated liabilities for pollution remediation. The State expended $0.3 million to clean up sites in fiscal year 2016; therefore, the beginning liability of $7.5 million increased to $7.7 million. There were no recoveries received from other responsible parties during fiscal year 2016 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, 2016 (in millions):

Nature and Source of Pollution	Estimated Liability	Estimated Recovery
Contract agreement with EPA to clean up Superfund site of former wood treatment facility	$ .2	--
Voluntary commencement by the State to clean up heavy metal contamination of canal near former industrial site	7.5	--
Total estimated obligations	$7.7	--

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

NOTE 14. RETIREMENT PLAN

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

The WRS is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes audited financial statements and required supplementary information for the year ending December 31, 2015, is available at: http://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, 2015, the number of participating employers was:

State Agencies	58
Cities	152
Counties	71
4th Class Cities	36
Villages	264
Towns	247
School Districts	424
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	207
Total Employers	1,487

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

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

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

The Employee Trust Funds Board may periodically adjust annuity payments from the WRS based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payment may result when investment gains (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 annuities, decreases may be applied only to previously granted increases. By law, Core Retirement Investment Trust fund annuities cannot be reduced to an amount below the original, guaranteed amount set at retirement.

Accounting Policies and Plan Asset Matters

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

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

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

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

Contributions Required

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates as of June 30, 2016 are:

	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

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

At June 30, 2016, the State reported a net pension liability of $455.5 million for its proportionate share of the WRS' net pension liability. It is presented as a net pension liability on the Statement of Net Position for proprietary and fiduciary funds. On the government-wide Statement of Net Position, it is included in the noncurrent portion of long-term liabilities.

The net pension liability was measured as of December 31, 2015, and the total pension liability was based on an actuarial valuation as of December 31, 2014. Update procedures were used to roll forward the total pension liability to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

The State's proportionate share of the net pension liability was determined based on the average of the State's contributions to the WRS over the three most recent calendar years relative to the average contributions of all employers for the same period. At December 31, 2015, the State's proportionate share was 28.1 percent, which is an increase of 0.1 percent from its proportionate share as of December 31, 2014.

For calendar year 2015, State employers made $271.0 million in contributions recognized by the WRS.

For the year ended June 30, 2016, the State recognized pension expense of $548.5 million. At June 30, 2016, the State reported deferred outflows and inflows of resources related to pensions of $2,389.4 million and $970.9 million, respectively. More information about deferred outflows and inflows related to pensions, including the types and the amounts applicable to each type, can be found in Note 21.

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

Actuarial Valuation

The pension measurements as of December 31, 2015 were based upon the following actuarial assumptions.

Actuarial Valuation Date	December 31, 2014
Measurement Date of Net Pension Asset	December 31, 2015
Actuarial Cost Method	Entry Age
Asset Valuation Method	Fair Value
Long-Term Expected Rate of Return	7.2%
Discount Rate	7.2%
Salary Increases	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

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

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on WRS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return, net of WRS investment expense and inflation, are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return is reviewed every three years in conjunction with the WRS experience study. For each major asset class that is included in the Core Retirement Investment Trust fund's target asset allocation as of December 31, 2015, these best estimates of geometric long-term real rates of return were used:

Asset Class	Target Allocation	Rate of Return
Domestic Equity	23.0%	4.7%
International Equity	22.0	5.6
Fixed Income	37.0	1.6
Inflation Sensitive	20.0	1.4
Real Estate	7.0	3.6
Private Equity/Debt	7.0	6.5
Multi-asset	4.0	3.8
Cash	(20.0)	0.9

For each major asset class that is included in the Variable Retirement Investment Trust fund's target asset allocation as of December 31, 2015, these best estimates of geometric long-term real rates of return were used:

Asset Class	Target Allocation	Rate of Return
Domestic Equity	70.0%	4.7%
International Equity	30.0	5.6

The money-weighted rates of return on pension plan investment for the Core and Variable funds for the calendar year ended 2015 were (.63%) and (1.11%), respectively. The money-weighted rate of return expresses investment performance, net of pension plan expenses, adjusted for the changing amounts actually invested.

Discount Rate

A single discount rate of 7.2% was used to measure the total pension liability. This rate was based on the expected rate of return on pension plan investments of 7.2% and a long term bond rate of 3.57%. Because of the unique structure of the WRS, the 7.2% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	State's share of the net pension (liability) asset
1% Decrease (6.2%)	$ (3,198,876,166)
Current Rate (7.2%)	$ (455,475,378)
1% Increase (8.2%)	$ 1,687,169,490

NOTE 15. MILWAUKEE RETIREMENT SYSTEM

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

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

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

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

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

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

NOTE 16. POSTEMPLOYMENT BENEFITS – STATE HEALTH INSURANCE PROGRAM

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

Plan Description

The State's Health Insurance Program, a cost-sharing multiple employer, defined benefit plan, is an employer-sponsored program (not administered as a trust) offering group medical coverage to eligible employees and retirees of State and participating local government employers. Created under Chapter 40, of the Wisconsin Statutes, the State Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under Wis. Stat. Sections 15.165(2) and 40.03(6). As of January 2015 (most recent actuarial valuation date), there were 55,780 active, and 8,167 retirees and beneficiaries participating in the plan.

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

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

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

Funding Policy

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

Contribution requirements are established and may be amended by the Group Insurance Board. For retirees that participate in the health insurance plan, premiums, for non-Medicare retirees, are based on an effective rate structure for the health care service provider selected. Monthly Rates range from $602.60 to $1,331.50 for single coverage and $1,497.80 to $3,323.40 for family coverage.

The annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. At June 30, 2016, the ARC was $94.5 million while the employer contributions were $36.7 million, and the ARC adjustment, with interest, was $35.5 million.

Annual OPEB Cost

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

Fiscal Year	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 76,803	$36,650	47.7%	$542,712
2015	70,510	41,802	59.3	502,559
2014	69,740	41,649	59.7	473,851

Interest on the net OPEB obligation was $17.9 million while the net OPEB obligation increased $40.2 million.

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2015 (most recent actuarial valuation date) was as follows (in thousands):

Actuarial accrued liability (AAL)	$ 942,314
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	$ 942,314
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	$3,126,936
UAAL as a percentage of covered payroll	30.1%

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. Actuarial assumptions included an investment rate of return of 3.56 percent, which is equal to the average 20-year AA or better municipal bond rate as of the valuation date as reported by the Federal Reserve, an inflation rate of 3.20 percent, and projected salary increases of 3.20 percent. The initial projected annual rate is (6.00) percent for medical costs and 5.50 percent for prescription drug costs. Both of these are adjusted to increments to an ultimate trend of 5.00 percent. The dental claims cost rate is 4.0% annually, and the administrative cost rate is 3.0% annually. Other assumptions used, such as mortality, disability and retirement rates for active members, are consistent with an actuarial valuation on the Wisconsin Retirement Plan dated December 31, 2014. In addition, a 30 year, level percent of pay, closed amortization period was used for the initial UAAL, while a 15 year, level percent of pay, closed amortization period was used for any future gains and losses.

Currently, the health insurance plan is not funded by assets held in a separate trust. The 3.56% discount rate (discussed above) was based on the average 20-year AA or better municipal bond rate as of the valuation date as reported by the Federal Reserve.

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

NOTE 17. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

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

Plan Descriptions

State Retiree Health Insurance Fund

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

Duty Disability Fund

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

Contributions are actuarially determined in accordance with Wis. Stats. Section 40.05 (2)(ar). All contributions are employer paid based on a graduated, experienced-rated formula. During Calendar Year 2015 contribution rates ranged from 0.13 percent to 6.48 percent of covered payroll based on employer experience.

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

Retiree Life Insurance Fund

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

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

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

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

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

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

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

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

Summary of Significant Accounting Policies

Basis of Accounting

The OPEB plans are reported in accordance with GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Method Used to Value Investments

Duty Disability Fund

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

Retiree Life Insurance Fund

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

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

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

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

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

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

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

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

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

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

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

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

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

Policy loans are carried at the unpaid principal balance.

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

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

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

Required Supplementary Information

Required Supplementary Information about the OPEB plans is presented in the Department of Employee Trust Funds audited financial statements. The December 31, 2014 financial report is available at doa.wi.gov/capitalfinance and on request from:

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

The December 31, 2015 financial report will be available at a later date.

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

The Department of Employee Trust Funds operates four public entity risk pools: group health insurance, group income continuation insurance, long-term disability insurance, and pharmacy benefits. The information provided in this note applies to the period ending December 31, 2015.

A. Description of Funds

The Health Insurance Fund offers group health insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Approximately 362 local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The fund includes both a self-insured, fee-for-service plan as well as various prepaid plans, primarily Health Maintenance Organizations (HMO's) and a self-insured plan that provides for pharmacy benefits of covered members.

The Income Continuation Insurance Fund offers disability wage continuation insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Approximately 211 local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The plan is self-insured.

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

B. Accounting Policies for Risk Pools

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

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

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

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

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

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

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

C. Unpaid Claims Liabilities

As discussed in Section B of this Note, each fund establishes a liability for both reported and unreported insured events, which is an estimate of future payments of losses. The following represents changes in those aggregate liabilities for the nonreinsured portion of each fund during Calendar Year 2015 (in millions):

	Health Insurance		Income Continuation Insurance		Long-term Disability Insurance		Pharmacy Benefits	
	2015	2014	2015	2014	2015	2014	2015	2014
Unpaid claims at beginning of the calendar year	$ 2.3	$ 2.3	$ 82.9	$ 90.7	$ 292.5	$ 233.6	$ (9.9)	$ (7.6)
Incurred claims and claim adjustment expense:								
Provision for insured events of the current calendar year	14.9	17.7	22.8	20.5	44.4	47.6	162.6	163.5
Changes in provision for insured events of prior calendar years	(1.0)	(0.9)	5.2	(8.7)	44.8	54.0	0.0	(0.7)
Total incurred claims and claim adjustment expense	13.9	16.8	27.9	11.8	89.2	101.5	162.6	162.8
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	13.0	15.4	6.6	5.9	2.1	2.1	182.1	173.4
Claims and claim adjustment expenses attributable to insured events of prior calendar years	1.3	1.4	17.1	13.7	56.1	40.5	(9.9)	(8.3)
Total payments	14.3	16.8	23.7	19.6	58.2	42.6	172.2	165.1
Total unpaid claims and claim adjustment expenses at end of the calendar year	$ 1.9	$ 2.3	$ 87.1	$ 82.9	$ 323.5	$ 292.5	$ (19.5)*	$ (9.9)*

* Total unpaid claims at the end of 2015 are the net of $5.1 million in unpaid claims and $24.6 million in rebates due from pharmaceutical companies; unpaid claims at the end of 2014 are the net of $4.5 million in unpaid claims and $14.4 million in rebates due from pharmaceutical companies.

D. Trend Information

Historical trend information showing revenue and claims development information is presented in the Department of Employee Trust Funds audited financial statements. The separately issued financial report for the year ended December 31, 2014 is available at doa.wi.gov/capitalfinance and on request from:

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

The December 31, 2015 financial report will be available at a later date.

NOTE 19. SELF-INSURANCE

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

State Property Damage

Property damages to State-owned properties are covered by the State's self-funded property program up to $3.0 million per occurrence and $5.0 million annual aggregate. When claims, which exceed $100,000 per occurrence, total $5.0 million, the State's private insurance becomes available. Losses to property occurring after the threshold are first subject to a $100,000 deductible. The amount of loss in excess of $100,000 is covered by the State's private insurance company. During Fiscal Year 2016, the excess insurance limits were written to $300 million.

The liabilities for State property damage are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities is based on the reserves on open claims and paid claims. Losses incurred but not reported are expected to be immaterial. Claims incurred but not paid as of June 30, 2016 are estimated to total $3.8 million.

Property Damages and Bodily Injuries to Third Parties

The State is self-funded for third party liability to a level of $4.0 million per occurrence and purchases insurance in excess of this self-funded retention. The policy limit during Fiscal Year 2016 was $49.0 million.

The liabilities for property damages and injuries to third parties are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities for the prior fiscal year was the reserves on open claims. The estimate for future benefits and loss liabilities is calculated by an actuary based on the reserves on open claims and prior experience. No liability is reported for environmental impairment liability claims either incurred or incurred but not reported because existing case law makes it unlikely the State would be held liable for material amounts. Because actual claims liabilities depend upon complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Immaterial non-incremental claims adjustment expenses are not included as part of the liability. Claims incurred but not paid as of June 30, 2016 are estimated to total $17.5 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, 2016 are estimated to total $79.5 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):

	2016	2015
Beginning of fiscal year liability	$ 107,040	$ 105,036
Current year claims and changes in estimates	29,205	39,140
Claim payments	(35,503)	(30,796)
	100,742	113,380
Excess insurance reimbursable	(1,365)	(6,340)
Balance at fiscal year-end	$ 99,377	$ 107,040

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, 2016 is $5.8 million.

NOTE 20. INSURANCE FUNDS

A. Local Government Property Insurance Fund

The purpose of the Local Government Property Insurance Fund is to provide property insurance coverage to tax-supported local government units such as counties, towns, villages, cities, school districts and library boards. Property insured includes government buildings, schools, libraries and motor vehicles. Coverage is available on an optional basis. As of June 30, 2016 the Local Government Property Insurance Fund insured 219 local governmental units. The total amount of insurance in force as of June 30, 2016 was $3.5 billion.

Valuation of Cash Equivalents and Investments - All investments of the Local Government Property Insurance Fund are managed by the State of Wisconsin Investment Board, as discussed in Note 5-B to the financial statements. At June 30, 2016, the fund had $234.0 thousand shares in the State Investment Fund which are considered cash equivalents.

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

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

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

Excess-of-Loss Insurance Coverage - The Local Government Property Insurance Fund purchases excess-of-loss insurance coverage, the operation of which is analogous to “reinsurance,” to reduce its exposure to large losses on all types of insured events. Excess-of-loss insurance permits recovery of a portion of losses from the excess-of-loss insurers, although it does not discharge the primary liability of the fund as direct insurer of the risks reinsured. The fund does not report excess-of-loss insured risks as liabilities unless it is probable that those risks will not be covered by excess-of-loss insurers. As of June 30, 2016 the fund had a $1.0 million combined single limit retention for each occurrence. Only loss occurrences over $10.0 thousand are included in the recoverable calculation. Premiums ceded to excess-of-loss insurers, which is netted against premium revenue (charges for goods and services in the financial statements), amounted to $7.8 million during the fiscal year. Excess-of-loss and adjusting expense recoveries earned would typically reduce claims paid (benefit expense on the financial statements). During the fiscal year the losses recovered through excess-of-loss insurance was $(2.3) million.

Unpaid Loss Liabilities

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

	2016	2015
Unpaid loss liabilities		
at beginning of the year	$23,733	$30,364
Less: Excess-of-loss insurance recoverable	11,366	16,920
Net unpaid loss liabilities at beginning of year	12,367	13,444
Incurred losses and loss expenses:		
Provision for insured events of the current year	5,824	21,923
Increase (decrease) in provision for insured events of prior years	(3,923)	(1,491)
Total incurred losses and loss expenses	1,901	20,432
Payments:		
Losses and loss expenses attributable to insured events of the current year	2,159	10,485
Losses and loss expenses attributable to insured events prior years	5,771	11,024
Total payments	7,930	21,509
Net unpaid loss liabilities at end of year	6,338	12,367
Plus: Excess-of-loss liabilities recoverable	5,699	11,366
Total unpaid loss liabilities at end of year	$12,037	$23,733

Trend Information

Historical trend information showing revenue and claims development information is presented in the Office of the Commissioner of Insurance June 30, 2016 financial statements. Copies of these statements may be requested from:

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

B. State Life Insurance Fund

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

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

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

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

Issue Year	Ordinary Life Insurance in Force	Amount of Policy Liability
1913-1966	$ 7,535	5,660
1967-1976	26,905	15,959
1977-1985	66,701	24,919
1986-1994	46,751	9,890
1995-2012	44,740	7,542
2013+	2,599	268
	$ 195,231	$ 64,238

Bases of Assumptions

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

* Age Next Birthday

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

The statutory assets at December 31, 2015 were $101.4 million and statutory capital and surplus was $9.3 million. Fund equity at June 30, 2016 was $32.0 million.

C. Injured Patients and Families Compensation Fund

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

The Future Benefits and Loss Liability account includes individual case estimates for reported losses and estimates for incurred but not reported losses based upon the projected ultimate losses recommended by a consulting actuary. The liability for incurred but not reported losses as of June 30, 2016, 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	$ 1,170,603
Less: Net loss paid from inception	(861,026)
Less: Liability for reported losses	(20,999)
Risk Margin	77,394
Liability for incurred but not reported losses	$ 365,972

The Future Benefits and Loss Liability account also includes an estimate of the loss adjustment expense (LAE). Using the data available through September 30 of the fiscal year, the actuary estimates the liability for LAE as 18 percent of the estimated unpaid losses as of June 30, 2016. The percentage used in the financial statements will differ slightly, since the actuary's estimate will be adjusted to reflect actual LAE payments. Specifically, the loss adjustment expenses paid from the inception of the Fund through June 30, 2016, are deducted from the projected ultimate LAE to determine the liability for LAE as June 30, 2016 as follows (in thousands):

Projected ultimate LAE liability	$ 149,330
Less: LAE paid from inception	(95,859)
Risk Margin	13,367
Liability for LAE	$ 66,838

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 0.8619, which is based on an investment yield assumption of 4.0 percent approved by the Board of Governors, the discounted loss liability would be as follows as of June 30, 2016 (in thousands):

Estimated liability for incurred but not reported losses	$ 365,972
Estimated liability for reported losses	20,999
Estimated liability for loss adjustment expense	66,838
Total estimated loss liabilities	453,809
Less: Amount representing interest	(62,665)
Discounted loss liabilities	$ 391,144

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

The Office of the Commissioner of Insurance contracts for an actuarial audit of the Fund. This audit includes a review by another actuary of the reasonableness of the actuarial methodology and assumptions used in developing estimates of the Fund's liabilities. The actuarial audits have concluded that the Fund's loss liability estimates are reasonable, although conservative. The Fund's contracted actuary has considered the recommendations made in the actuarial audits and appropriately incorporated any necessary changes based on those recommendations into the actuarial methodology and assumptions used to calculate the Fiscal Year 2016 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, 2016 (in thousands), is as follows:

Discounted loss liabilities	$ 391,144
Future medical expense liability	32,339
Contributions being held liability	1,000
Total estimated loss liabilities	424,483
Current portion	(52,262)
Noncurrent portion	$ 372,221

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 2016 (in thousands):

Liability at the beginning of the year	$ 486,039
Incurred claims and related expenses for the current year and the change in estimated amounts for claims incurred in prior years	(51,713)
Less: current year payments attributable to claims incurred in current and prior years	(9,843)
Liability at the end of the year	$ 424,483

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

Deferred outflows and resources and deferred inflows of resources at June 30, 2016 were as follows (in thousands):

	General	Transportation	Capital Improvement	Nonmajor Governmental	Internal Service	Full Accrual Adjustments	Total Governmental Activities
Deferred Outflows of Resources							
Accumulated Decreases in the Fair Value of Hedging Derivatives	$ -	$ -	$ -	$ -	$ -	$ 216,753	$ 216,753
Debt Refunding	-	-	-	-	3,433	145,655	149,088
Advances by the State	-	142	-	-	-	-	142
Differences Between Expected and Actual Pension Experience	-	-	-	-	632	35,449	36,082
Changes of Pension Assumption	-	-	-	-	2,862	144,392	147,254
Net Difference Between Projected and Actual Earnings on Pension Investments	-	-	-	-	16,544	846,744	863,287
Changes in Proportion and Differences Between Actual and Proportionate Share of Contributions	-	-	-	-	125	6,977	7,101
Pension Contributions Subsequent to the Measurement Date	-	-	-	-	1,205	60,376	61,581
Total Deferred Outflows of Resources	$ -	$ 142	$ -	$ -	$ 24,801	$ 1,456,346	1,481,289

	General	Transportation	Capital Improvement	Nonmajor Governmental	Internal Service	Full Accrual Adjustments	Total Governmental Activities
Deferred Inflows of Resources							
Debt Refunding	$ -	$ -	$ -	$ -	$ 606	$ 12,676	$ 13,282
Unavailable Revenue	233,549	298	-	8,138	-	(241,985)	0
Differences Between Expected and Actual Pension Experience	-	-	-	-	8,607	434,322	442,930
Changes in Proportion and Differences Between Actual and Proportionate Share of Contributions	-	-	-	-	65	3,610	3,675
Total Deferred Inflows of Resources	$ 233,549	$ 298	$ -	$ 8,138	$ 9,279	$ 208,623	$ 459,887

	Injured Patients and Family Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Total Business-Type Activities
Deferred Outflows of Resources						
Debt Refunding	$ -	$ 30,433	$ 37,136	$ -	$ 1,043	$ 68,613
Advances by the State	-	-	-	-	39,822	39,822
Differences Between Expected and Actual Pension Experience	9	8	36,952	-	3,822	40,790
Changes of Pension Assumption	38	21	154,478	-	17,359	171,896
Net Difference Between Projected and Actual Earnings on Pension Investments	221	132	902,669	-	100,320	1,003,343
Changes in Proportion and Differences Between Actual and Proportionate Share of Contributions	2	2	-	-	755	758
Pension Contributions Subsequent to the Measurement Date	17	12	50,251	-	7,030	57,310
Total Deferred Outflows of Resources	$ 288	$ 30,608	$ 1,181,486	$ -	$ 170,151	$ 1,382,533

	Injured Patients and Family Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Total Business-Type Activities
Deferred Inflows of Resources						
Debt Refunding	$ -	$ -	$ 1,073	$ -	$ 106	$ 1,180
Differences Between Expected and Actual Pension Experience	114	63	464,659	-	52,216	517,052
Changes in Proportion and Differences Between Actual and Proportionate Share of Contributions	1	1	6,850	-	395	7,246
Total Deferred Inflows of Resources	$ 115	$ 64	$ 472,582	$ -	$ 52,717	$ 525,478

The $118,892 thousand in deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expenses as follows (in thousands):

Fiscal Year Ended June 30	Amount
2017	$ 354,234
2018	354,234
2019	354,234
2020	257,466
2021	(20,537)
	$ 1,299,631

NOTE 22. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA

Primary Government

The State issues revenue bonds to finance the Leveraged Loan Program, which is accounted for as part of the Environmental Improvement Fund. Investors in those bonds rely solely on the revenue generated within the Leveraged Loan Program. Assets of this program are used primarily for loans for Wisconsin municipal waste water projects. Condensed financial statement information of the Leveraged Loan Program as of and for the year ended June 30, 2016 is presented below (in thousands):

Condensed Statement of Net Position

Assets:		
Current Assets	$	99,510
Other Assets		824,344
Total Assets		923,854
Deferred Outflows of Resources		30,433
Total Assets and Deferred Outflows of Resources	$	954,287
Liabilities:		
Due to Other Funds	$	1,965
Other Current Liabilities (Including Current Portion of Long-term Debt)		54,542
Noncurrent Liabilities		661,695
Total Liabilities		718,201
Net position:		
Restricted		236,086
Total Net Position		236,086
Total Liabilities and Net Position	$	954,287

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating Revenues (Expenses):		
Interest Income used as Security for Revenue Bonds	$	17,055
Interest Expense		(28,544)
Other Operating Expenses		(2,362)
Operating Income (Loss)		(13,851)
Nonoperating Revenues (Expenses):		
Investment Income		27,999
Income (Loss) before Transfers		14,147
Transfers In (Out)		(14,144)
Change in Net Position		3
Beginning Net Position		236,083
Ending Net Position	$	236,086

Condensed Statement of Cash Flows

Net Cash Provided (Used) by:		
Operating Activities	$	80,109
Noncapital Financing Activities		(104,368)
Investing Activities		17,609
Net Increase (Decrease)		(6,650)
Beginning Cash and Cash Equivalents		89,096
Ending Cash and Cash Equivalents	$	82,446

NOTE 23. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION

Significant financial data for the State's discretely presented component units for the year ended December 31, 2015 or June 30, 2016 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority	Wisconsin Health Care Liability Insurance Plan	University of Wisconsin Hospitals and Clinics Authority	Wisconsin Economic Development Corporation	University of Wisconsin Foundation	Total
Condensed Statement of Net Position						
Assets:						
Cash, Investments and Other Assets	$ 2,015,956	$ 51,601	$ 1,838,064	$ 115,540	$ 3,472,211	$ 7,493,372
Due from Primary Governments	-	-	11,454	-	-	11,454
Cash and Investments with Other Component Units	-	-	204,411	-	-	204,411
Capital Assets, net	12,698	-	1,160,834	1,112	20,724	1,195,368
Total Assets	2,028,654	51,601	3,214,763	116,652	3,492,935	8,904,605
Deferred Outflows of Resources	53,798	-	294,405	3,987	-	352,190
Total Assets and Deferred Outflows	$ 2,082,452	$ 51,601	$ 3,509,168	$ 120,639	$ 3,492,935	$ 9,256,795
Liabilities:						
Accounts Payable and Other Current Liabilities	$ 90,696	$ 5,552	$ 444,452	$ 7,411	$ 74,917	$ 623,028
Due to Primary Government	-	-	79,719	-	-	79,719
Amounts Held for Other Component Units	-	-	-	-	194,533	194,533
Other Liabilities	47,649	-	9,745	-	-	57,394
Long-term Liabilities (Current and Noncurrent portions)	1,241,758	9,164	808,540	3,905	46,762	2,110,129
Total Liabilities	1,380,103	14,716	1,342,456	11,316	316,213	3,064,803
Deferred Inflows of Resources	2,459	-	116,166	1,852	-	120,477
Net Position:						
Net Investment in Capital Assets	9,358	-	562,963	1,112	20,724	594,157
Restricted	685,240	36,886	19,544	30,075	2,978,966	3,750,711
Unrestricted	5,292	-	1,468,039	76,284	177,032	1,726,647
Total Net Position	699,890	36,886	2,050,546	107,471	3,176,722	6,071,515
Total Liabilities, Deferred Inflows and Net Position	$ 2,082,452	$ 51,601	$ 3,509,168	$ 120,639	$ 3,492,935	$ 9,256,795
Condensed Statement of Activities						
Program Expenses:						
Depreciation	$ 900	$ -	$ 108,327	$ 537	$ 1,728	$ 111,493
Payments to Primary Government	-	-	182,301	-	220,615	402,916
Other	250,282	129	2,542,897	48,478	55,988	2,897,773
Total Program Expenses:	251,182	129	2,833,525	49,015	278,331	3,412,182
Program Revenues:						
Charges for Goods and Services	6,512	1,753	2,750,033	184	-	2,758,482
Investment and Interest Income	71,430	1,220	-	-	(5,101)	67,550
Operating Grants and Contributions	176,353	-	-	30,144	543,597	750,094
Capital Grants and Contributions	-	-	-	-	-	-
Miscellaneous	16,109	-	110,845	-	7,500	134,454
Total Program Revenues	270,404	2,973	2,860,878	30,328	545,996	3,710,579
Net Program Revenue/(Expense)	19,222	2,845	27,353	(18,687)	267,665	298,398
General Revenues:						
Interest and Investment Earnings	19,309	-	7,475	1,511	-	28,295
Miscellaneous	-	-	11,604	380	-	11,984
Contributions to Endowments	-	-	50	-	-	50
Change in Net Position	38,531	2,845	46,482	(16,796)	267,665	338,726
Net Position, Beginning of Year	661,359	34,041	2,004,064	124,267	2,909,058	5,732,788
Net Position, End of Year	$ 699,890	$ 36,886	$ 2,050,546	$ 107,471	$ 3,176,722	$ 6,071,515

NOTE 24. RESTATEMENTS OF BEGINNING FUND BALANCES/NET POSITIONS AND OTHER CHANGES

The following reconciliations summarize restatements of the end-of-year fund balance and net position amounts as reported in the 2015 Comprehensive Annual Financial Report to the beginning-of-year amounts reported for Fiscal Year 2016 (in thousands):

A. Fund Statements – Governmental Funds

	Major Funds				
	General	Transportation	Capital Improvement	Nonmajor Funds	Total Governmental
Fund Balances June 30, 2015 as reported in the 2015 Comprehensive Annual Financial Report	$ (1,779,409)	$ 777,486	$ (735,727)	$ 1,299,685	$ (437,965)
DHS Correct Overstated Expenditures and Intergovernmental Revenues	38,246	-	-	-	38,246
DNR Correct Overstated Revenues	-	-	-	(7,276)	(7,276)
Fund Balances July 1, 2015 as restated	$ (1,741,163)	$ 777,486	$ (735,727)	$ 1,292,409	$ (406,994)
Effect of adjustments on the amount of excess revenues and other sources over expenditures and other uses of Fiscal Year 2015	$ 38,246	$ -	$ -	$ (7,276)	$ 30,970

B. Fund Statements – Proprietary Funds

	Major Funds						
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemploy-ment Reserve	Nonmajor Funds	Total Enterprise	Internal Service Funds
Net Positions June 30, 2015 as reported in the 2015 Comprehensive Annual Financial Report	$ 733,293	$ 1,991,241	$ 6,689,065	$ 819,177	$ 507,925	$ 10,740,701	$ 16,998
Adjustments of assets and liabilities as of June 30, 2015	-	-	-	-	254	254	(218)
Net Positions July 1, 2015 as restated	$ 733,293	$ 1,991,241	$ 6,689,065	$ 819,177	$ 508,178	$ 10,740,955	$ 16,779
Effect of adjustments on the amount of net change in net position of Fiscal Year 2015	$ -	$ -	$ -	$ -	$ 254	$ 254	$ (218)

C. Fund Statements – Fiduciary Funds

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Total Fiduciary
Net Positions June 30, 2015 as reported in the 2015 Comprehensive Annual Financial Report	$ 93,403,044	$ 2,828,544	$ 3,894,434	$ 100,126,023
Changes reported for fiduciary funds	-	-	-	-
Net Positions July 1, 2015 as restated	$ 93,403,044	$ 2,828,544	$ 3,894,434	$ 100,126,023
Effect of prior period adjustments on the amount of net increase (decrease) in net positions of Fiscal Year 2015	$ -	$ -	$ -	$ -

D. Government-wide Statements

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
Net Positions June 30, 2015 as reported in the 2015 Comprehensive Annual Financial Report	$ 11,217,748	$ 10,741,847	$ 21,959,595
Capital projects corrections	(69,368)		(69,368)
Transportation capital asset corrections	(15,631)	-	(15,631)
Other adjustments of assets and liabilities as of June 30, 2015	22,201	254	22,455
Net Positions July 1, 2015 as restated	$ 11,154,951	$ 10,742,100	$ 21,897,051
Effect of adjustments on the amount of net increase (decrease) in net positions of Fiscal Year 2015	$ (62,797)	$ 254	$ (62,544)

NOTE 25. LITIGATION, CONTINGENCIES AND COMMITMENTS

A. Litigation and Contingencies

The State is a participant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations.

The State accrues liabilities related to legal proceedings, if a loss is probable and reasonably estimable. Such losses, totaling $57.2 million on June 30, 2016 reported in the governmental activities, are discussed below:

The Work Injury Supplemental Benefit Fund, administered by the Department of Workforce Development, provides compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. The liability for annuities to be paid totaled $.6 million at June 30, 2016.

The Administration for Children and Families (ACF), an office under the U.S. Department of Health and Human Services, provides federal funding to the State through the Title IV-E Foster Care and Adoption Assistance programs. In a final letter dated September 13, 2016, the ACF notified the State's Department of Children and Family Services of unallowable grant costs. The State accepted ACF's Title IV-E Adoption Assistance and Foster Care disallowance of $38.7 million and $1.5 million respectively, or $40.2 million in total. A liability for $40.0 million is reported in the General Fund for the amount still owed. The State reduced the Title IV-E claim by this amount for the quarter ending September 30, 2016.

In September 2008, the Internal Revenue Service (IRS) provided the State of Wisconsin Investment Board (SWIB) a Notice of Transferee Liability. This claim seeks taxes, penalties and interest relating to the sale of Shockley Communications Corporation (SCC) stock in 2001.

The IRS asserts that the shareholders' sale of SCC stock in 2001 should have been characterized as a sale of assets by SCC, on which SCC should have paid income taxes. SWIB filed a petition in the United States Tax Court contesting the proposed IRS assessment for the taxes, plus penalties and interest. In 2015, the Tax Court found that the principal shareholders of SCC were liable as putative transferees for the tax, penalties and interest owed by SCC related to its sale.

Although SWIB plans to continue to aggressively contest the IRS' assertions, the estimated minimum possible loss of $16.6 million has been accrued. The potential liability is estimated to be between $16.6 million and $49.8 million.

Other Claims, Judgments, and Contingencies

The State is also named as a party in other legal proceedings where the ultimate disposition and consequence are not presently determinable. The potential 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.

The Local Government Property Insurance Fund reported a loss estimated at $20.0 million resulting from a fire at the Milwaukee County Courthouse in July 2013. The fund maintains excess-of-loss insurance to limit its exposure. For this loss the fund paid a deductible of $1.8 million and received $5.0 million from the excess-of-loss provider. The fund expects to be reimbursed by the provider for most of the remaining amount, however, there is a dispute as to the cause of the loss. The State has filed a lawsuit against the provider seeking recovery of amounts paid by the fund to Milwaukee County and for loss adjustment expenses. The Statement of Net Position reflects $11.5 million of receivables as of June 30, 2016 related to these costs. Net position of $4.7 million was reported as of June 30, 2016.

B. Commitments

Primary Government

As of June 30, 2016, encumbrances of the General Fund totaled $558.1 million, encumbrances of the Transportation Fund totaled $1.2 billion, and encumbrances of other non-major governmental funds totaled $419.6 million. Obligations at June 30, 2016 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	$ 337,067
Capital Improvement Fund – WisDOT Harbors, Rails and Highway Programs	103,935
Transportation Revenue Bonds Capital Projects Fund	20,664
General Fund – Housing Programs	15,960

The Environmental Improvement Fund (the Fund) was established to administer the Clean Water Fund Loan Program. Loans are made to local units of government for wastewater treatment projects for terms of up to 20 years. These loans are made at a number of prescribed interest rates based on environmental priority. The loans contractually are revenue obligations or general obligations of the local governmental unit. Additionally, various statutory provisions exist which provide further security for payment. The Fund has made financial assistance commitments of $230.3 million as of June 30, 2016. These loan commitments are expected to be met through proceeds from issuance of revenue obligations and additional federal grants.

In addition, the revenue obligation bonds of the Leveraged Loan Program in the Fund are collateralized by a security interest in all the assets of the Leveraged Loan Program. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the Fund's revenue obligation bonds. However, as the loans granted to local units of government are at an interest rate less than the revenue bond rate, the State is obligated by the Fund's General Resolution to fund, at the time each loan is made, a reserve which subsidizes the Leveraged Loan Program in an amount which offsets this interest disparity.

The *Injured Patients and Families Compensation Fund* may be required to purchase an annuity as a result of a claim settlement. Under specific annuity arrangements, the Fund may have ultimate responsibility for annuity payments if the annuity company defaults on annuity payments. One of the Fund's annuity providers defaulted on $113 thousand in annuity payments through June 30, 2016, which the Fund subsequently paid. The annuity provider is currently making the majority of these annuity payments, but the Fund continues to make monthly annuity payments to cover defaulted payments. The Fund has received reimbursement for these payments, including interest of $93 thousand through June 30, 2016. It is unclear when the annuity provider will be able to make the remaining annuity payments and whether the Fund will be able to recover the remaining annuity payments made on the behalf of the annuity provider. The total estimated replacement value of the Fund's annuities as of June 30, 2016 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, 2016, the appropriation available totaled $57.9 million. Losses become fixed as of the date of the loss. A public depositor experiencing a loss must assign its interest in the deposit, to the extent of the amount paid, to the Department of Financial Institutions. Any recovery made by the Department of Financial Institutions under the assignment is to be repaid to the appropriation. The possibility of a material loss resulting from payments to and recovery from public depositors is remote.

NOTE 26. SUBSEQUENT EVENTS

Primary Government

Long-term Debt

General Obligation Bonds – In August 2016, the State issued $370.8 million of 2016 Series 2 refunding general obligation bonds to be used for advance refunding of certain principal of previously issued general obligation bonds. The interest rates associated with these bonds were set at 1.5 to 5.0 percent payable semiannually beginning November 1, 2016. The bonds mature annually beginning November 1, 2021 through November 1, 2030.

In July 2016, the State issued $93.7 million of general obligation bonds. Of the $93.7 million, $83.9 million was issued as tax exempt obligations (Series B) and $9.7 million was issued as taxable obligations (Series C). The bonds of both series are to be used for the acquisition, construction, development, extension, enlargement or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. The interest rates associated with the Series B bonds were set at 4.0 to 5.0 percent payable semiannually beginning November 1, 2016 and the interest rates associated with the Series C bonds were set at 0.80 to 2.00 percent payable semiannually beginning November 1, 2016. The Series B bonds mature annually beginning May 1, 2018 through May 1 2023, and the Series C bonds mature annually beginning May 1, 2018 through May 1, 2026.

On October 2016, the State issued $324.4 million of general obligation bonds (Series D). The bonds are to be used for the acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. The interest rates associated with the Series D bonds were set at 4.0 to 5.0 percent, payable semiannually beginning May 1, 2017. The Series D bonds mature annually beginning May 1, 2018 through May 1, 2037.

In March 2017, the State issued $335.3 million of General Obligation bonds (Series A). The bonds are to be used for the acquisition, construction, development, extension, enlargement or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. The interest rates associated with the Series A bonds were set at 4.0 to 5.0 percent payable semiannually beginning November 1, 2017. The Series A bonds mature annually beginning May 1, 2022 through May 1 2037.

Annual Appropriation Bonds – In August 2016, the State issued $600.7 million of general fund annual appropriation refunding bonds (taxable) in the form of two series. The 2016 Series A bonds are being issued to refund the May 1, 2018 maturities of the State's general fund annual appropriation refunding bonds of 2008, Series A (Taxable Fixed Rate). The 2016 Series B bonds are being issued to advance refund all or a portion of certain maturities of the State's general fund annual appropriation bonds of 2009, Series A. The interest rates associated with the 2016 Series A bonds were set at 1.44 to 2.48 percent payable semiannually beginning May 1, 2017. The 2016 Series A bonds mature annually beginning May 1, 2020 through May 1, 2027. The interest rates associated with the 2016 Series B bonds were all at 1.44 to 3.29 percent payable semiannually beginning May 1, 2017. The 2016 Series B bonds mature annually beginning May 1, 2020 through May 1, 2037.

In January 2017, the State issued $529.8 million of general fund annual appropriation refunding bonds, both taxable and tax exempt, in two series. The 2017 Series A (taxable) and 2017 Series B (tax-exempt) bonds are being issued to advance refund all or a portion of the 2009 bonds. The interest rates associated with the 2017 Series A bonds were set at 1.87 to 3.95 percent payable semiannually beginning November 1, 2017. The 2017 Series A bonds mature annually beginning May 1, 2020 through May 1, 2036. The interest rates associated with the 2017 Series B bonds were set at 4.00 to 5.00 percent payable semiannually beginning May 1, 2017. The 2017 Series B bonds mature annually beginning May 1, 2020 through May 1, 2036.

Revenue Bonds – In October 2016, the State issued $62.4 million of 2016 Series 1 petroleum inspection fee revenue refunding bonds to be used for the funding of petroleum inspection fee revenue extendible municipal commercial paper previously issued. The interest rate was set at 4.00 percent to 5.0 percent payable semiannually beginning January 1, 2017 and the bonds mature annually beginning July 1, 2017 through July 1, 2019.

Certificates of Participation

In July 2016, the State issued $34.0 million of 2016 Series A master lease certificates of participation to be used for the acquisition of tangible property and sometimes, intangible property for various State agencies. The interest rates were set at 2.0 to 5.0 percent payable semiannually beginning September 1, 2016. The certificates mature semi-annually beginning September 1, 2016 through March 1, 2023.

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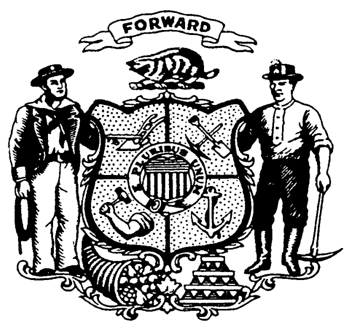
FORWARD

Required Supplementary Information

Postemployment Benefits - State Health Insurance Program

The funding progress for the State of Wisconsin Health Insurance Plan is provided below (in thousands):

Actuarial Valuation Date	Actuarial Valuation Of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
1/1/2015	$ 0	$ 942,314	$ 942,314	0.0%	$ 3,126,936	30.1%
1/1/2013	$ 0	$ 892,844	$ 892,844	0.0%	$ 3,108,942	28.7%
1/1/2011	$ 0	$ 953,110	$ 953,110	0.0%	$ 3,244,518	29.4%

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)
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)
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 5,200 bridges.

Road Network

Condition assessments are completed on a two-year cycle with the most current results reported for each State road. The State completes the assessment of the Eastern half of the State in one year and the Western half of the State in the next. Numerous measures are used to assess the condition of the State's road network. The State has adopted the International Roughness Index (IRI), as defined by the Federal Highway Administration, as one of its condition measures. IRI is a direct measure of road roughness, with an IRI of 2.69 mm/m (170 inches/mile) or greater being defined as a "poor" ride. Roads with a "poor" IRI assessment may cause negative impacts for the traveling public by decreasing driver comfort and potentially increasing the damage to vehicles and goods. It is the State's policy to ensure no more than 15 percent of its roads receive a "poor" IRI assessment.

Recent condition assessment results are as follows:

Year Ended June 30	Miles of Road	Percent Rated "Poor"	Established Percent	Variance Favorable/ (Unfavorable)
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
2012	11,200	7.0*	15.0	8.0
2011	11,200	12.0**	15.0	3.0
2010	11,200	9.3**	15.0	5.7
2009	11,200	6.9	15.0	8.1
2008	11,200	6.9	15.0	8.1
2007	11,200	6.4	15.0	8.6

* The 2012 decrease in the percentage of roads rated poor is due to inclusion of new construction in the scope of the condition assessment. Without such inclusion, the percentage of poor roads would have been equivalent to the 2011 level. New construction was included because efficiencies were gained from a new van used to capture condition assessment data, resulting in new construction being included in the assessment closer to the completion date. In prior years, new construction was generally not included in condition assessments until the following year.

** The 2011 and 2010 increase in the percentage of roads rated poor compared to previous years is partially attributable to the new equipment used in assessing the IRI. For 2011, all of the miles were tested using the new equipment. For 2010, approximately half of the miles were tested using the new equipment. DOT officials believe the current data collection methods provide a more accurate view of existing ride quality because of improvements in equipment and methodology.

Each year the State estimates the costs to maintain and preserve the road network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

Year Ended June 30	Estimated Costs (In millions)	Actual Costs (In millions)	Variance (In millions) Favorable/ (Unfavorable)
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
2012	611.0	585.3	25.7
2011	606.7	705.7	(99.0)
2010	660.7	669.1	(8.4)
2009	647.7	624.4	23.3
2008	531.8	537.3	(5.5)
2007	501.8	441.6	60.2

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. Actual costs for 2007 and 2008 have been restated from amounts reported in prior years due to an error in classification of costs on a capital project as maintenance/preservation costs.

Bridge Network

Condition assessments are completed on a two-year cycle, with more frequent inspections completed if warranted. The most current assessment results are reported for each State bridge, making the overall assessment a blend of measures completed in the current fiscal year and those completed in the prior year.

The structural condition rating is a broad measure of the condition of a bridge. Each bridge is rated using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings. The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. The NBI uses a 10-point scale for condition codes and appraisal ratings. A bridge is considered "structurally deficient" if any condition code is 4 or less, or if either appraisal code is 2 or less.

"Structurally deficient" bridges cause negative impacts for the public by increasing the likelihood that heavy loads will need to be rerouted to less efficient routes, thus increasing logistic costs for State businesses. It is the State's policy to ensure no more than 15 percent of its bridges are "structurally deficient".

Recent condition assessment results are as follows:

Year Ended June 30	Number of Bridges	Percent Structurally Deficient	Established Percent	Variance Favorable/ (Unfavorable)
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
2012	5,100	3.3	15.0	11.7
2011	5,100	3.6	15.0	11.4
2010	5,000	4.1	15.0	10.9
2009	5,000	3.8	15.0	11.2
2008	4,900	4.5	15.0	10.5
2007	4,900	4.1	15.0	10.9

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)
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
2012	101.9	61.1	40.8
2011	42.4	64.2	(21.8)
2010	91.7	93.0	(1.3)
2009	55.9	56.9	(1.0)
2008	61.0	46.2	14.8
2007	36.0	46.9	(10.9)

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. The State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years. Estimated and actual costs for 2014 have been restated from amounts reported in prior years due to an error in classification of costs on a capital project as maintenance/preservation costs.

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 2,015,119
Revenues and Transfers (Inflows):			
Taxes	$ 15,245,686	$ 15,217,196	15,139,330
Departmental:			
Tribal Gaming	23,278	25,605	26,167
Other	16,247,890 (A)	16,249,877 (A)	16,006,689
Transfers from:			
Nonmajor Governmental Funds	(A)	(A)	85,723
Nonmajor Enterprise Funds	(A)	(A)	-
Total Revenues and Transfers (Inflows)	31,516,854	31,492,678	31,257,909
Amounts Available for Appropriation			33,273,028
Appropriations (Outflows):			
Commerce	200,637	232,945	199,047
Education	12,994,275	13,494,677	12,774,444
Environmental Resources	307,106	357,258	305,068
Human Relations and Resources	13,713,199	17,262,224	14,075,466
General Executive	1,169,831	1,421,511	1,008,932
Judicial	137,494	138,627	130,929
Legislative	76,208	76,636	66,950
Tax Relief and Other General	2,314,750	2,337,990	2,299,374
Transfers to:			
Transportation Fund	38,010	38,010	38,010
Nonmajor Governmental Funds	-	-	19,745
Nonmajor Enterprise Funds	-	-	10,400
Total Appropriations (Outflows)	$ 30,951,511	$ 35,359,878	30,928,366
Fund Balances, End of Year			2,344,661
Less Encumbrances Outstanding at June 30, 2016			(556,633)
Fund Balances, End of Year Budgetary Basis			$ 1,788,028

Reconciliation of the End of Year, Budgetary Basis, Fund Balance to the Detail Reported in the Annual Fiscal Report:	
General Purpose:	
Designated	$ 131,963
Undesignated	331,038
Total General Purpose	463,001
Program Revenue	1,325,027
Fund Balances, End of Year Budgetary Basis	$ 1,788,028

(A) Interfund transfers to the General Fund were budgeted under departmental revenue during Fiscal Year 2016.

Budgetary Comparison Schedule
Transportation Fund
For the Fiscal Year Ended June 30, 2016

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 655,894
Revenues (Inflows):			
Taxes	$ 1,091,644	$ 1,091,644	1,091,644
Departmental	1,679,520	1,679,520	1,679,521
Transfers from:			
General Fund	38,010	38,010	38,010
Nonmajor Governmental Funds	21,000	21,000	21,000
Total Revenues (Inflows)	2,830,174	2,830,174	2,830,175
Amounts Available for Appropriation			3,486,069
Appropriations and Transfers (Outflows):			
Environmental Resources	2,752,723	4,914,284	2,838,953
General Executive	1,930	1,930	1,701
Tax Relief and Other General	23,036	23,186	22,888
Total Appropriations and Transfers (Outflows)	$ 2,777,689	$ 4,939,400	2,863,542
Fund Balances, End of Year			622,527
Less Encumbrances Outstanding at June 30, 2016			(1,576,831)
Fund Balances, End of Year Budgetary Basis			$ (954,304)

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, 2016 is presented below (in thousands):

	General Fund	Transportation Fund
Fund balance June 30, 2016 (budgetary basis – budgetary fund structure):		
General Purpose Revenue – fund balance per budgetary basis *Annual Fiscal Report*		
Undesignated fund balance	$ 331,038	
Designated fund balance	131,963	
Total General Purpose Revenue fund balance	463,001	
Program Revenue – fund balance per budgetary basis *Annual Fiscal Report*	1,325,027	
Fund balance June 30, 2016 (budgetary basis – budgetary fund structure) as reported on the budgetary comparison schedule	1,788,028	$ (954,304)
Reclassifications:		
To eliminate encumbrances reported as expenditures under budgetary reporting (*basis difference)*	556,633	1,576,831
To include activities of funds such as the Medical Assistance Trust, Hospital Assessment, Critical Hospital Assessment, Budget Stabilization, and Permanent Endowment Funds (reported as special revenue funds under budgetary reporting) as part of the General Fund (*perspective difference*)	345,186	--
To remove activities reported in another GAAP fund type (*perspective differences*):		
Enterprise funds (except for the University of Wisconsin System)	(71,315)	--
University of Wisconsin System	(1,202,851)	--
Internal Service funds	11,898	--
Fiduciary funds	(4,537)	--
Transportation Revenue Bonds capital project fund	--	(15)
Fund balance June 30, 2016 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	1,423,041	622,512
Adjustments (*basis differences*):		
To accrue receivables and establish payables for individual income taxes (net)	(838,689)	--
To defer revenues for gross receipts public utility taxes	(271,476)	--
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(429,682)	(1,233)
To adjust expenditures for the municipal and county shared revenue program	(502,462)	--
To adjust expenditures for State property tax credit program	(749,103)	--
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(233,104)	--
To adjust revenues and expenditures for certain major Health Services, and Children and Families human services payments to local governments	(168,576)	--
To accrue receivable for Medicaid drug rebates (net of payable to federal government)	166,112	--
To adjust expenditures/revenues for other Health Services, Workforce Development, Children and Families, and Corrections accruals and deferrals	(21,264)	--
To recognize the tobacco settlement revenue receivable	69,546	--
To accrue State educational aids payments deferred until the subsequent year	(201,590)	--
To accrue a payable to the federal government for unallowable Title IV-E Foster Care and Adoption Assistance costs	(40,006)	--
To adjust expenditures and revenues for State Energy Program and other revolving loan programs	11,944	
To adjust revenues and expenditures for other items (net)	62,687	96,032
Fund balance June 30, 2016 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements	$(1,722,629)	$717,311

B. Budgetary Basis of Accounting

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

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

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

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

The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Other variances arise because the State's biennial budget is developed according to the statutory required fund structure which differs extensively from the fund structure used in the GAAP basis financial statements. This difference is primarily caused by the elimination of the University of Wisconsin System, and various fiduciary, proprietary and other governmental fund activities from the statutory General and Transportation funds. In addition, funds such as the Medical Assistance Trust, Hospital Assessment, Budget Stabilization and Permanent Endowment, special revenue funds under statutory reporting, are included as part of the General Fund under GAAP reporting. As a consequence of these differences, a reconciliation between budgetary basis and GAAP basis is provided in Note 1-A of the notes to the required supplementary information.

The Budgetary Comparison Schedules for the General and the Transportation Fund present both the original and final appropriated budgets, as well as the actual inflows, outflows, and fund balance on the budgetary basis. The supplementary budget comparison schedule provides this same information (with the exception of the original budget data) for the nonmajor governmental funds with annual budgets. The capital project and debt service funds are excluded from this schedule because no comprehensive budget is approved for these funds. One special revenue fund, the Wisconsin Public Broadcasting Foundation, has been excluded from reporting because it is a blended component unit that is neither budgeted nor included under statutory reporting. Of the permanent funds, only the Historical Society Fund and a portion of the Common School and Normal School funds are budgeted.

The State's biennial budget was enacted on July 12, 2015 and published on July 13, 2015. This legislation is recognized by State officials as the original budget and is treated as such on the Budgetary Comparison Schedules.

While the legal level of budgetary control for the reported funds is maintained at the appropriation line as specified by the Legislature in Chapter 20 of the Wisconsin Statutes, this level of detail is impractical for inclusion in the Comprehensive Annual Financial Report. Accordingly, a supplementary report is available upon request which provides budgetary comparisons at the legal level of control.

Appropriation unexpended balances lapse at year-end or forward to the subsequent fiscal year depending on the type of appropriation involved:

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

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

Supplementary Information

Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

- The **Heritage State Parks and Forests Fund** accounts for the funding for operations and maintenance of State parks, southern State forests, and recreation areas either by making partial matching grants to "friends groups" or by accepting expenditure transfers from park and forest programs in the Conservation Fund.
- The **Waste Management Fund** accounts for the closure and long-term care of approved landfills from fees imposed on landfill operators.
- The **Environmental Fund** accounts for the development and enforcement of groundwater standards, as well as assistance in the emergency response, investigation and clean up of contamination. This assistance is funded by fees on activities or substances which may contaminate groundwater and fees for solid waste tipping, pesticide licenses and oil inspections.
- The **Dry Cleaner Environmental Response Fund** accounts for the financial assistance for the remediation of environmental contamination caused by the spillage of dry cleaning solvents. Revenues used to fund this program are dry cleaning facility license and solvent fees.

The **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.

(Continued)

Nonmajor Governmental Funds

- The **Workers Compensation Fund** accounts for the expenditures related to administering the worker's compensation laws in Wisconsin. These expenditures are funded by annual assessments of insurers and self-insured employers doing business in the State.

- The **Uninsured Employers Fund** accounts for the administration of insurance enforcement activities and compensation to injured employees of uninsured employers. The revenue is primarily provided by funds collected from uninsured employers.

- The **Mediation Fund** accounts for the resolution of disputes regarding medical malpractice. Primary revenue sources are dispute filing fees and fees charged to health care providers.

- The **Working Lands Fund** accounts for the deposit of farmland preservation conversion fees, gifts and grants. Proceeds are used to purchase agriculture conservation easements and to provide grants to counties for farmland preservation plan costs.

- The **State Capitol Restoration Fund** accounts for moneys from private donations used to offset the costs of restoration work at the State Capitol.

- The **Agricultural Chemical Cleanup Fund** accounts for the portion of the costs responsible persons pay to clean up fertilizer and pesticide spills and historical handling areas. Fertilizer and pesticide licenses and registration fees primarily provide the revenue.

- The **Agrichemical Management Fund** accounts for the regulation and enforcement of pesticide, feed and fertilizer industries. The revenue is generated by licenses and fees assessed to these industries.

- The **Agricultural Producer Security Fund** accounts for fees, surcharges, assessments, reimbursements and bond proceeds of surety bonds collected from contractors doing business with agricultural producers. Payments are made to producers from the fund if contractors default on amounts owed to producers.

- The **Historical Legacy Trust Fund** accounts for gifts, grants and bequests given to commemorate the 200th anniversary of statehood. The fund also reports all moneys received by the State Sesquicentennial Commission after September 30, 1998.

- The **History Preservation Partnership Trust Fund** accounts for moneys received from admissions, sales, and other receipts of the Historical Society. The fund is supported primarily by program revenues from daily receipts, site deposits and other generated income from goods and services.

- The **Wireless 911 Fund** accounts for residual assets from the wireless 911 program that provided grants to local governments. 2009 Wisconsin Act 28 ended the program.

- The **Military Family Relief Fund** accounts for donations received via designation on Wisconsin state income tax returns, gifts, and bequests. Resources are used to provide financial assistance to the spouse and dependent children of service members who are residents of this state and serving on active duty in the U.S. armed forces.

- The **Universal Service Fund** accounts for programs that ensure that all State residents receive essential telecommunication services at reasonable prices. Assessment of entities in the telecommunications industry is the primary source of revenues.

- The **Land Information Fund** receives a portion of fees counties collect pertaining to legal documents filed with the county register of deeds. The revenues are used to make grants to the counties to develop and operate a basic land information system.

- The **Children's Trust Fund** accounts for the program which provides information and encourages the development of child abuse and neglect prevention programs. This fund is supported primarily with investment income and moneys received as contributions, grants, gifts and bequests.

(Continued)

Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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

- The **Historical Society** Fund accounts for investment income and donations received by the Wisconsin Historical Society to assist in the operations of the State's archives, research and library services, museums, historic preservation, and executive and administrative services.

- The **Agricultural College** and **University** statutory funds account for federal land grant revenues used as public purpose loans for municipalities and school districts.

- The **Normal School** statutory fund accounts for public purpose loans to municipalities and school districts. These loans are financed with revenues derived from the sale of federally granted land and timber. The interest generated from this fund is used to support and maintain State universities.

- The **Benevolent** statutory fund accounts for investment income used for the care, custody and education of residents committed to the Lincoln Hills School.

Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2016

(In Thousands)

	Special Revenue Funds				
	Conservation	Police and Fire Protection	Utility Public Benefits	Petroleum Inspection	Wisconsin Public Broadcasting Foundation
Assets and Deferred Outflows of Resources					
Assets:					
Cash and Cash Equivalents	$ 94,067	$ -	$ 14,670	$ 49,018	$ 9,602
Investments	-	-	-	-	14,445
Receivables (net of allowance):					
Taxes	22,375	-	-	-	-
Loans to Local Governments	7,096	-	-	-	-
Other Receivables	7,483	4,565	7,980	-	159
Due from Other Funds	2,891	-	-	10,456	-
Due from Other Governments	11,694	-	-	-	-
Inventories	951	-	-	-	-
Prepaid Items	1,059	-	1,191	-	92
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Other Assets	-	-	-	-	1
Total Assets	147,616	4,565	23,841	59,475	24,299
Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 147,616	$ 4,565	$ 23,841	$ 59,475	$ 24,299
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 17,550	$ 12	$ 1,210	$ 739	$ 109
Due to Other Funds	8,448	-	1,995	29,070	2,642
Interfund Payables	-	1,980	-	-	-
Due to Other Governments	2,081	-	37	7	-
Tax Refunds Payable	-	-	-	-	-
Tax and Other Deposits	2,423	-	-	-	-
Unearned Revenue	4,074	-	232	-	184
Interest Payable	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Short-term Notes Payable	-	-	-	71,150	-
Revenue Bonds and Notes Payable	-	-	-	-	-
Total Liabilities	34,577	1,992	3,474	100,966	2,935
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances:					
Nonspendable	2,009	-	1,191	-	127
Restricted	103,256	2,573	-	-	21,237
Committed	7,773	-	19,176	-	-
Unassigned	-	-	-	(41,491)	-
Total Fund Balance	113,039	2,573	20,367	(41,491)	21,364
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 147,616	$ 4,565	$ 23,841	$ 59,475	$ 24,299

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
$ 8,452	$ 34,320	$ 85,472	$ 295,601	$ 4,957	$ -	$ -
-	-	-	14,445	-	-	-
333	-	-	22,708	-	-	-
-	-	-	7,096	-	-	-
-	27,308	26,779	74,274	-	-	-
-	13,908	455	27,710	162	-	-
-	343	21	12,058	-	-	-
-	-	12	962	-	-	-
-	9,100	6	11,449	-	-	-
-	-	-	-	-	34,015	103
-	-	-	-	-	-	-
-	-	-	1	-	-	-
8,786	84,979	112,745	466,305	5,118	34,015	103
-	-	-	-	-	-	-
$ 8,786	$ 84,979	$ 112,745	$ 466,305	$ 5,118	$ 34,015	$ 103
$ 8	$ 2,974	$ 4,554	$ 27,155	$ -	$ -	$ -
2	793	1,614	44,564	162	-	-
-	-	-	1,980	-	-	-
-	76	453	2,654	-	-	-
1,149	-	-	1,149	-	-	-
-	13,868	-	16,291	-	-	-
-	-	-	4,490	-	-	-
-	-	-	-	-	-	-
-	6,238	-	6,238	-	-	-
-	-	-	71,150	-	-	-
-	-	-	-	-	-	-
1,158	23,949	6,621	175,673	162	-	-
-	-	8,138	8,138	-	-	-
-	9,100	18	12,446	-	-	-
-	8,769	34,844	170,679	4,957	34,015	103
7,627	49,105	63,124	146,805	-	-	-
-	(5,945)	-	(47,437)	-	-	-
7,627	61,029	97,986	282,494	4,957	34,015	103
$ 8,786	$ 84,979	$ 112,745	$ 466,305	$ 5,118	$ 34,015	$ 103

(Continued)

Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2016

(Continued)

	Debt Service Funds			Capital Projects Funds	
	Petroleum Inspection Revenue Bonds	Transportation Revenue Bonds	Total Debt Service Funds	Building Trust	Transportation Revenue Bonds
Assets and Deferred Outflows of Resources					
Cash and Cash Equivalents	$ -	$ -	$ 4,957	$ 25,005	$ -
Investments	-	-	-	-	-
Receivables (net of allowance):					
Taxes	-	-	-	-	-
Loans to Local Governments	-	-	-	-	-
Other Receivables	-	-	-	30	-
Due from Other Funds	-	-	162	1,347	-
Due from Other Governments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid Items	-	-	-	-	-
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	29,967	124,557	188,643	-	64,719
Investments	-	58,073	58,073	-	92,321
Other Assets	-	-	-	-	-
Total Assets	29,967	182,630	251,834	26,382	157,040
Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 29,967	$ 182,630	$ 251,834	$ 26,382	$ 157,040
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ -	$ -	$ -	$ 2,713	$ -
Due to Other Funds	-	-	162	-	18,410
Interfund Payables	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-
Tax and Other Deposits	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Interest Payable	980	49,711	50,690	-	-
Advances from Other Funds	-	-	-	-	-
Short-term Notes Payable	-	-	-	-	117,128
Revenue Bonds and Notes Payable	27,800	102,395	130,195	-	-
Total Liabilities	28,780	152,106	181,047	2,713	135,538
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	1,188	30,524	70,787	-	21,502
Committed	-	-	-	23,670	-
Unassigned	-	-	-	-	-
Total Fund Balance	1,188	30,524	70,787	23,670	21,502
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 29,967	$ 182,630	$ 251,834	$ 26,382	$ 157,040

	Permanent Funds			
Total Capital Projects Funds	Common School	Other Permanent	Total Permanent Funds	Total Nonmajor Governmental Funds
$ 25,005	$ 142,152	$ 3,103	$ 145,255	$ 470,818
-	499,316	28,183	527,499	541,944
-	-	-	-	22,708
-	384,363	12,416	396,779	403,875
30	3,482	222	3,704	78,008
1,347	51	278	329	29,547
-	4,316	136	4,452	16,511
-	-	-	-	962
-	-	-	-	11,449
64,719	-	-	-	253,362
92,321	-	-	-	150,394
-	-	-	-	2
183,422	1,033,680	44,338	1,078,018	1,979,579
-	-	-	-	-
$ 183,422	$ 1,033,680	$ 44,338	$ 1,078,018	$ 1,979,579
$ 2,713	$ -	$ 10	$ 10	$ 29,878
18,410	278	4	283	63,418
-	-	-	-	1,980
-	-	-	-	2,654
-	-	-	-	1,149
-	30	8	37	16,329
-	-	-	-	4,490
-	-	-	-	50,690
-	-	-	-	6,238
117,128	-	-	-	188,278
-	-	-	-	130,195
138,250	308	22	330	495,300
-	-	-	-	8,138
-	1,017,606	42,914	1,060,521	1,072,967
21,502	15,765	1,402	17,167	280,136
23,670	-	-	-	170,475
-	-	-	-	(47,437)
45,172	1,033,372	44,316	1,077,688	1,476,141
$ 183,422	$ 1,033,680	$ 44,338	$ 1,078,018	$ 1,979,579

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

(In Thousands)

	Special Revenue Funds				
	Conservation	Police and Fire Protection	Utility Public Benefits	Petroleum Inspection	Wisconsin Public Broadcasting Foundation
Revenues:					
Taxes					
Other Dedicated	$ 81,809	$ -	$ -	$ 46,423	$ -
Intergovernmental	47,738	-	-	-	-
Licenses and Permits	116,581	53,312	106,437	114	-
Charges for Goods and Services	20,481	-	-	-	-
Investment and Interest Income	21	-	(10)	119	(35)
Fines and Forfeitures	261	-	-	-	-
Gifts and Donations	1,002	-	-	-	14,631
Miscellaneous:					
Other	4,049	-	24	48	-
Total Revenues	271,941	53,312	106,451	46,704	14,596
Expenditures:					
Current:					
Commerce	-	-	-	-	-
Education	-	-	-	-	3,343
Transportation	-	-	-	-	-
Environmental Resources	239,342	-	-	19,963	-
Human Relations and Resources	-	-	-	-	-
General Executive	-	-	94,804	-	-
Judicial	-	-	-	-	-
Tax Relief and Other General	-	-	-	-	-
Intergovernmental - Shared Revenue	-	51,013	-	-	-
Capital Outlay	10,061	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	170	-
Other Expenditures	-	-	-	-	-
Total Expenditures	249,403	51,013	94,804	20,133	3,343
Excess of Revenues Over (Under) Expenditures	22,538	2,299	11,647	26,571	11,253
Other Financing Sources (Uses):					
Long-term Debt Issued	-	-	-	-	-
Long-term Debt Issued - Refunding Bonds	-	-	-	-	-
Payments to Refunding Bond Escrow Agent	-	-	-	-	-
Premium on Bonds	-	-	-	-	-
Transfers In	23,712	-	-	-	-
Transfers Out	(25,507)	-	(9,160)	(29,040)	(9,600)
Total Other Financing Sources (Uses)	(1,796)	-	(9,160)	(29,040)	(9,600)
Net Change in Fund Balances	20,742	2,299	2,487	(2,469)	1,653
Fund Balances, Beginning of Year	92,584	274	17,880	(39,022)	19,711
Increase (Decrease) in Reserve for Inventories	(288)	-	-	-	-
Fund Balances, End of Year	$ 113,039	$ 2,573	$ 20,367	$ (41,491)	$ 21,364

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
$ 23,065	$ -	$ 1	$ 151,298	$ -	$ -	$ -
-	1,579	6,711	56,028	8,398	-	-
-	70,423	73,430	420,297	-	-	-
-	(46)	3,472	23,906	-	-	-
13	158	224	490	131	213	100
-	107	6,437	6,805	-	-	-
-	-	153	15,786	-	-	-
1	376	647	5,144	16	-	-
23,079	72,597	91,075	679,754	8,546	213	100
21,974	-	47,135	69,109	-	-	-
-	-	3,408	6,751	-	-	-
-	-	-	-	-	-	-
-	53,875	204	313,383	-	-	-
-	-	17,706	17,706	-	-	-
-	-	7,573	102,377	-	-	-
-	-	214	214	-	-	-
-	-	-	-	-	15	1
-	-	-	51,013	-	-	-
-	45	19	10,125	-	-	-
-	-	-	-	441,522	51,290	28,295
-	-	-	170	250,286	88,214	84,957
-	-	-	-	909	-	-
21,974	53,920	76,259	570,849	692,716	139,520	113,253
1,104	18,677	14,817	108,906	(684,170)	(139,306)	(113,153)
-	-	-	-	87,709	-	-
-	-	-	-	222,323	-	-
-	-	-	-	(273,679)	-	-
-	-	-	-	70,208	-	-
-	13,901	-	37,613	683,375	139,328	113,214
(3)	(34,683)	(4,950)	(112,943)	(105,691)	-	-
(3)	(20,782)	(4,950)	(75,331)	684,245	139,328	113,214
1,102	(2,105)	9,867	33,575	75	21	62
6,526	63,134	88,119	249,207	4,882	33,994	42
-	-	-	(288)	-	-	-
$ 7,627	$ 61,029	$ 97,986	$ 282,494	$ 4,957	$ 34,015	$ 103

(Continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

(Continued)

	Debt Service Funds			Capital Projects Funds	
	Petroleum Inspection Revenue Bonds	Transportation Revenue Bonds	Total Debt Service Funds	Building Trust	Transportation Revenue Bonds
Revenues:					
Taxes					
Other Dedicated	$ 28,462	$ -	$ 28,462	$ -	$ -
Intergovernmental	-	-	8,398	10,094	-
Licenses and Permits	-	225,628	225,628	-	686
Charges for Goods and Services	-	-	-	-	-
Investment and Interest Income	2	317	763	155	(371)
Fines and Forfeitures	-	-	-	-	-
Gifts and Donations	-	-	-	-	-
Miscellaneous:					
Other	-	-	16	1,891	121
Total Revenues	28,464	225,945	263,267	12,139	436
Expenditures:					
Current:					
Commerce	-	-	-	-	-
Education	-	-	-	54	-
Transportation	-	-	-	183	-
Environmental Resources	-	-	-	1,409	-
Human Relations and Resources	-	-	-	5,758	-
General Executive	-	-	-	18	-
Judicial	-	-	-	-	-
Tax Relief and Other General	-	-	16	48	738
Intergovernmental - Shared Revenue	-	-	-	-	-
Capital Outlay	-	-	-	8,934	173,319
Debt Service:					
Principal	27,800	102,395	651,302	-	-
Interest	1,959	95,281	520,698	-	-
Other Expenditures	-	34	943	-	693
Total Expenditures	29,759	197,710	1,172,958	16,405	174,751
Excess of Revenues Over (Under) Expenditures	(1,296)	28,235	(909,691)	(4,265)	(174,315)
Other Financing Sources (Uses):					
Long-term Debt Issued	-	-	87,709	-	225,000
Long-term Debt Issued - Refunding Bonds	-	-	222,323	-	-
Payments to Refunding Bond Escrow Agent	-	-	(273,679)	-	-
Premium on Bonds	-	-	70,208	-	36,452
Transfers In	-	138	936,055	8,976	26,975
Transfers Out	-	(26,975)	(132,666)	(425)	(2,750)
Total Other Financing Sources (Uses)	-	(26,837)	909,950	8,551	285,677
Net Change in Fund Balances	(1,296)	1,398	259	4,285	111,362
Fund Balances, Beginning of Year	2,483	29,126	70,528	19,385	(89,860)
Increase (Decrease) in Reserve for Inventories	-	-	-	-	-
Fund Balances, End of Year	$ 1,188	$ 30,524	$ 70,787	$ 23,670	$ 21,502

	Permanent Funds			
Total Capital Projects Funds	Common School	Other Permanent	Total Permanent Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 179,760
10,094	3	-	3	74,523
686	-	-	-	646,611
-	72	468	539	24,446
(217)	50,364	2,522	52,887	53,923
-	11,432	-	11,432	18,237
-	2	-	2	15,789
2,012	31	265	296	7,468
12,575	61,904	3,255	65,159	1,020,756
-	-	-	-	69,109
54	37,693	492	38,185	44,991
183	-	-	-	183
1,409	-	-	-	314,792
5,758	-	-	-	23,464
18	-	551	551	102,945
-	-	-	-	214
786	-	-	-	802
-	-	-	-	51,013
182,253	-	36	36	192,414
-	-	-	-	651,302
-	-	-	-	520,868
693	-	-	-	1,636
191,155	37,693	1,079	38,772	1,973,734
(178,580)	24,211	2,176	26,387	(952,978)
225,000	-	-	-	312,709
-	-	-	-	222,323
-	-	-	-	(273,679)
36,452	-	-	-	106,659
35,951	9,167	-	9,167	1,018,785
(3,175)	(738)	(278)	(1,016)	(249,800)
294,227	8,429	(278)	8,151	1,136,998
115,647	32,640	1,898	34,538	184,020
(70,475)	1,000,732	42,418	1,043,150	1,292,409
-	-	-	-	(288)
$ 45,172	$ 1,033,372	$ 44,316	$ 1,077,688	$ 1,476,141

Budgetary Comparison Schedule
Nonmajor Budgeted Governmental Funds
For the Fiscal Year Ended June 30, 2016

(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		$ 78,143		$ 216		$ 10,163		$ 33,606
Revenues (Inflows):								
Taxes	$ 93,862	93,862	$ -	-	$ -	-	$ -	-
Budgeted Transfers from:								
General Fund	-	-	-	-	12,987	12,987	-	-
Nonmajor Governmental Funds	-	-	-	-	208,586	208,586	-	-
Departmental	217,779	217,779	50,792	50,792	128,276	128,276	417,258	417,258
Total Revenues	311,641	311,641	50,792	50,792	349,849	349,849	417,258	417,258
Amounts Available for Appropriation		389,784		51,008		360,012		450,864
Appropriations and Transfers (Outflows):								
Commerce	1,634	1,633	167	5	-	-	-	-
Education	775	372	-	-	-	-	-	-
Environmental Resources	386,586	288,220	-	-	-	-	-	-
Human Relations and Resources	-	-	-	-	356,125	329,695	447,968	260,771
General Executive	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Tax Relief and Other General	38	36	52,100	51,008	-	-	-	-
Budgeted Transfers to:								
General Fund	-	-	-	-	-	-	-	-
Transportation Fund	-	-	-	-	-	-	-	-
Nonmajor Governmental Funds	-	-	-	-	-	-	156,888	156,888
Total Appropriations and Transfers	$ 389,033	290,261	$ 52,267	51,013	$ 356,125	329,695	$ 604,855	417,658
Fund Balances End of Year		99,524		(5)		30,317		33,206
Less Encumbrances Outstanding at June 30, 2016		(39,050)		-		-		(30,464)
Fund Balances, End of Year Budgetary Basis		$ 60,473		$ (5)		$ 30,317		$ 2,742

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
	$ 10,048		$ 671		$ 6,930		$ 283		$ 21,786
$ -	-	$ -	-	23,758	23,758	-	-	45,797	45,797 $
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
111,473	111,473	8,310	8,310	14	14	1	1	544	544
111,473	111,473	8,310	8,310	23,772	23,772	1	1	46,342	46,342
	121,521		8,981		30,702		284		68,128
434	424	-	-	21,776	21,776	-	-	5,636	5,489
-	-	1,658	964	-	-	30	14	-	-
-	-	-	-	-	-	-	-	12,600	11,947
9,140	9,140	7,761	4,497	-	-	-	-	1,322	886
123,660	92,832	-	-	262	201	144	141	1,209	1,158
-	-	-	-	-	-	-	-	-	-
-	-	-	-	1	-	-	-	8,315	8,315
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	21,000	21,000
-	-	1,698	1,698	-	-	-	-	-	-
$ 133,234	102,396	$ 11,116	7,159	22,039	21,977	174	155	50,082	48,795 $
	19,126		1,822		8,725		129		19,333
	(737)		(975)		-		-		(408)
	$ 18,389		$ 846		$ 8,725		$ 129		$ 18,925

(Continued)

Budgetary Comparison Schedule
Nonmajor Budgeted Governmental Funds
For the Fiscal Year Ended June 30, 2016

(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		$ 280,280		$ -		$ 43,096		$ 70,299
Revenues (Inflows):								
Taxes	-	-	$ -	-	$ 732	732	$ (1,938)	(1,938)
Budgeted Transfers from:								
General Fund	-	-	-	-	-	-	-	-
Nonmajor Governmental Funds	-	-	-	-	1,000	1,000	-	-
Departmental	899	899	133,265	133,265	86,154	86,154	182,519	182,519
Total Revenues	899	899	133,265	133,265	87,886	87,886	180,582	180,582
Amounts Available for Appropriation		281,179		133,265		130,982		250,881
Appropriations and Transfers (Outflows):								
Commerce	-	-	-	-	26,624	16,290	29,916	12,290
Education	-	-	-	-	291	85	26,905	25,430
Environmental Resources	-	-	-	-	94,153	71,217	-	-
Human Relations and Resources	-	-	-	-	325	321	31,252	18,469
General Executive	-	-	-	-	19	15	26,006	22,629
Judicial	-	-	-	-	-	-	763	216
Tax Relief and Other General	-	-	-	-	2	-	5	4
Budgeted Transfers to:								
General Fund	-	-	83,265	83,265	-	-	-	-
Transportation Fund	-	-	-	-	-	-	-	-
Nonmajor Governmental Funds	-	-	50,000	50,000	-	-	1,000	1,000
Total Appropriations and Transfers	-	-	$ 133,265	133,265	$ 121,414	87,928	$ 115,847	80,038
Fund Balances End of Year		281,179		-		43,053		170,843
Less Encumbrances Outstanding at June 30, 2016		-		-		(16,912)		(5,489)
Fund Balances, End of Year Budgetary Basis		$ 281,179		$ -		$ 26,142		$ 165,354

Permanent			
Common School		Other Permanent	
Budget	Actual	Budget	Actual
	$ 985,052		$ 41,236
$ -	-	$ -	-
-	-	-	-
-	-	-	-
85,264	85,264	3,751	3,751
85,264	85,264	3,751	3,751
	1,070,315		44,987
-	-	-	-
37,700	37,693	891	806
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 37,700	37,693	$ 891	806 $
	1,032,622		44,181
	-		-
	$ 1,032,622		$ 44,181

Nonmajor Enterprise Funds

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

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

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

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

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

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

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

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

- The **Mendota Mental Health Institute Fund** and the **Winnebago Mental Health Institute Fund** account for the diagnosis, care and treatment of individuals with mental and emotional disturbances. The services are provided with funds collected from third parties and contributions from the State.

- The **Homes For Veterans Fund** accounts for nursing home and assisted living facilities for veterans and their spouses. The costs associated with providing this care are funded by private pay charges, the U.S. Department of Veterans Affairs and Medical Assistance.

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

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

- The **State Fair Park Fund** accounts for the annual State Fair, and various year round major sports events, agricultural and industrial expositions, and other programs of civic interest. Its revenues are derived from admissions, fees, rents and sales, with no contributions from the State.

- The **Institutional Farm Operations Fund** accounts for the revenues and expenses associated with employing inmates in agricultural and other work activities. The associated costs are funded from farm product sales and a General Fund supplement.

- The **Correctional Canteen Operations Fund** accounts for the program which provides goods for the education, recreation, and convenience of inmates. Charges made to inmates are the primary source of funds for these activities.

- The **Local Government Property Insurance Fund** accounts for property insurance coverage provided to local governments. This insurance is financed with premiums collected from policyholders and income on investments.

- The **State Life Insurance Fund** accounts for the program to provide State sponsored life insurance to residents in a manner consistent with private insurers. This insurance is financed with premiums collected from policyholders and investment earnings.

- The **Transportation Infrastructure Loan Fund** accounts for the development of innovative financing mechanisms that will more effectively use federal financial transportation resources. Federal Highway Administration funds, and interest from the fund balance and from loan recipients, are the primary revenues for this fund.

- The **Life Insurance Fund** accounts for the collection and payment of premiums for State and local participating employees' group life insurance contracts with a life insurance carrier.

State of Wisconsin

Combining Statement of Net Position - Nonmajor Enterprise Funds
June 30, 2016

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 53,960	$ 85,491	$ 158,822	$ 82,092	$ 5,811
Investments	6,141	-	-	-	-
Receivables (net of allowance):					
Loans to Local Governments	-	-	-	-	-
Loans Receivable	-	-	-	-	405
Other Receivables	27,223	3,483	165	44,994	99
Due from Other Funds	38	3,106	43,296	12,875	-
Interfund Receivables	-	-	-	91,261	-
Due from Other Governments	-	-	-	-	-
Inventories	1,829	-	-	-	52
Prepaid Items	807	32	-	34	1
Other Assets	342	-	-	-	-
Total Current Assets	90,341	92,113	202,283	231,255	6,368
Noncurrent Assets:					
Investments	24,671	-	-	-	-
Receivables (net of allowance):					
Loans to Local Governments	-	-	-	-	-
Loans Receivable	-	-	-	-	1,259
Other Receivables	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-
Other Assets	5,250	-	-	-	-
Depreciable Capital Assets (net of accumulated depreciation)	170	-	-	-	9,523
Nondepreciable Capital Assets	-	-	-	-	1,839
Total Noncurrent Assets	30,091	-	-	-	12,621
Total Assets	120,432	92,113	202,283	231,255	18,989
Deferred Outflows of Resources	42,493	-	-	-	2,394
Total Assets and Deferred Outflows of Resources	$ 162,926	$ 92,113	$ 202,283	$ 231,255	$ 21,383
Liabilities					
Current Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 46,964	$ 3,624	$ 12,679	$ 17,844	$ 716
Due to Other Funds	592	-	6,530	5,079	1,623
Interfund Payables	-	-	-	-	-
Due to Other Governments	13	-	-	-	2
Tax and Other Deposits	-	-	-	-	-
Unearned Revenue	1,645	-	-	17,855	-
Interest Payable	-	-	-	-	1
Short-term Notes Payable	-	-	-	-	-
Current Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	-	20,989	44,720	7,042	-
Capital Leases	-	-	-	-	-
Compensated Absences	166	-	-	-	184
General Obligation Bonds and Notes Payable	-	-	-	-	83
Total Current Liabilities	49,381	24,614	63,929	47,820	2,610
Noncurrent Liabilities:					
Accounts Payable and Other Accrued Liabilities	20,637	-	-	-	-
Noncurrent Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	-	62,419	266,341	-	-
Capital Leases	-	-	-	-	-
Compensated Absences	483	-	-	-	415
Net Pension Liability	510	-	-	-	447
Other Postemployment Benefits	589	-	-	-	486
General Obligation Bonds and Notes Payable	-	-	-	-	108
Revenue Bonds and Notes Payable	-	-	-	-	-
Other Bonds Payable	-	-	-	-	-
Total Noncurrent Liabilities	22,219	62,419	266,341	-	1,457
Total Liabilities	71,601	87,033	330,270	47,820	4,068
Deferred Inflows of Resources	1,084	-	-	-	954
Net Position					
Net Investment in Capital Assets	170	-	-	-	11,312
Restricted for Future Benefits	-	5,080	-	183,435	-
Restricted for Other Purposes	90,071	-	-	-	-
Unrestricted	-	-	(127,987)	-	5,050
Total Net Position	90,241	5,080	(127,987)	183,435	16,362
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 162,926	$ 92,113	$ 202,283	$ 231,255	$ 21,383

	Care and Treatment Facilities				
Veterans Mortgage Loan Repayment	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
10,092	$ 12,971	$ 40,360	$ 53,340	$ 19,909	$ 522,848
-	-	-	-	-	6,141
-	-	-	-	307	307
1,909	-	-	-	-	2,314
252	2,111	9,966	12,909	14,364	115,565
-	1,652	875	222	90	62,155
-	-	-	-	76	91,337
-	5	-	7,792	988	8,784
-	724	541	1,735	3,818	8,700
-	3	3	8	57	945
-	-	-	-	-	342
12,254	17,467	51,745	76,005	39,609	819,439
-	-	-	-	119,661	144,332
-	-	-	-	2,061	2,061
38,183	-	-	-	3,362	42,804
-	-	-	-	197	197
710	-	-	-	-	710
408	-	-	-	-	5,658
19	17,852	11,297	104,028	57,534	200,424
-	1,459	10,769	2,933	6,711	23,711
39,320	19,311	22,066	106,961	189,526	419,897
51,574	36,778	73,811	182,966	229,134	1,239,336
1,394	26,890	21,969	71,108	3,903	170,151
52,968	$ 63,668	$ 95,780	$ 254,074	$ 233,038	$ 1,409,487
52	$ 3,991	$ 3,872	$ 12,876	$ 6,465	$ 109,084
36	2,322	3,397	6,892	846	27,319
-	-	-	24,967	-	24,967
5	-	-	-	156	177
-	-	-	14	23,509	23,524
-	15	-	-	6,589	26,105
382	-	-	133	188	705
-	-	-	1,439	60	1,499
-	-	-	-	9,883	82,634
-	25	-	65	-	90
3	980	854	2,774	182	5,143
4,919	-	-	949	2,550	8,501
5,397	7,334	8,123	50,109	50,430	309,747
-	-	-	-	-	20,637
-	-	-	-	65,655	394,415
-	36	-	-	-	36
5	1,694	1,528	4,076	286	8,487
230	5,159	4,315	13,417	695	24,774
186	4,956	5,307	21,495	797	33,817
42,540	-	-	17,987	23,743	84,377
-	-	-	-	-	-
-	-	-	-	-	-
42,961	11,846	11,150	56,975	91,176	566,544
48,358	19,180	19,273	107,084	141,606	876,291
488	10,955	9,151	28,515	1,571	52,717
19	19,251	22,066	86,521	39,279	178,618
-	-	-	-	36,851	225,366
-	-	-	-	2,925	92,996
4,103	14,282	45,290	31,955	10,806	(16,501)
4,122	33,533	67,356	118,476	89,861	480,479
52,968	$ 63,668	$ 95,780	$ 254,074	$ 233,038	$ 1,409,487

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2016

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
Operating Revenues:					
Charges for Goods and Services	$ 627,165	$ -	$ -	$ -	$ 296
Participant and Employer Contributions	-	16,789	43,296	1,386,528	-
Investment and Interest Income	-	-	-	-	157
Miscellaneous	129	112	4	4	-
Total Operating Revenues	627,294	16,901	43,300	1,386,532	453
Operating Expenses:					
Personal Services	6,562	-	-	-	8,201
Supplies and Services	73,226	1,508	3,104	7,092	4,115
Lottery Prize Awards	372,558	-	-	-	-
Depreciation	16	-	-	-	981
Benefit Expense	-	24,121	76,924	1,387,542	-
Interest Expense	-	-	-	-	-
Other Expenses	103	288	511	5,094	10
Total Operating Expenses	452,465	25,916	80,540	1,399,727	13,308
Operating Income (Loss)	174,828	(9,015)	(37,240)	(13,195)	(12,855)
Nonoperating Revenues (Expenses):					
Operating Grants	-	-	-	-	1,120
Investment and Interest Income	(250)	(596)	(1,571)	(1,502)	7
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-
Interest Expense	-	-	-	-	(4)
Gifts and Donations	-	-	-	-	23
Miscellaneous Revenues	5	-	-	-	66
Other Expenses:					
Property Tax Credits	(160,106)	-	-	-	-
Grants Disbursed	-	-	-	-	(1,800)
Other	(14)	-	-	177	-
Total Nonoperating Revenues (Expenses)	(160,365)	(596)	(1,571)	(1,325)	(587)
Income (Loss) before Transfers	14,463	(9,611)	(38,810)	(14,520)	(13,442)
Capital Contributions	-	-	-	-	25
Transfers In	1	-	-	-	12,001
Transfers Out	(583)	-	-	-	(147)
Change in Net Position	13,881	(9,611)	(38,810)	(14,520)	(1,563)
Total Net Position, Beginning of Year	76,360	14,691	(89,176)	197,955	17,925
Total Net Position, End of Year	$ 90,241	$ 5,080	$ (127,987)	$ 183,435	$ 16,362

Veterans Mortgage Loan Repayment	Care and Treatment Facilities: Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
$ -	$ 15,178	$ 44,662	$ 252,146	$ 45,506	$ 984,954
-	-	-	-	-	1,446,613
2,890	-	-	9	288	3,343
-	-	-	13	1,798	2,059
2,890	15,178	44,662	252,167	47,592	2,436,970
24	58,768	52,727	176,328	12,548	315,159
97	12,869	10,680	51,092	23,416	187,198
-	-	-	-	-	372,558
11	2,600	1,510	9,253	3,424	17,796
-	-	-	-	4,427	1,493,013
2,717	-	-	-	675	3,392
528	-	-	428	4,860	11,821
3,378	74,237	64,917	237,102	49,349	2,400,938
(488)	(59,058)	(20,255)	15,066	(1,757)	36,032
-	1	45	144	-	1,310
37	-	-	-	11,263	7,388
-	(2)	-	(1)	(29)	(31)
-	(5)	(1)	(544)	(981)	(1,536)
-	-	-	360	178	561
-	471	384	699	325	1,952
-	-	-	-	-	(160,106)
(308)	-	-	-	-	(2,108)
-	-	-	(1,121)	(3)	(962)
(271)	465	429	(463)	10,753	(153,532)
(759)	(58,593)	(19,826)	14,603	8,996	(117,500)
-	-	-	1,762	-	1,787
-	55,987	30,150	4,423	12,230	114,791
(69)	(2,041)	(3,668)	(16,756)	(3,515)	(26,778)
(829)	(4,647)	6,656	4,033	17,711	(27,699)
4,951	38,180	60,700	114,443	72,150	508,178
$ 4,122	$ 33,533	$ 67,356	$ 118,476	$ 89,861	$ 480,479

Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2016

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
Cash Flows from Operating Activities:					
Cash Receipts from Customers	$ 622,470	$ 14,738	$ 42,431	$ 1,286,940	$ 297
Cash Payments to Suppliers for Goods and Services	(26,034)	(1,692)	-	(21,758)	(3,617)
Cash Payments to Employees for Services	(6,257)	-	-	-	(7,856)
Cash Payments for Lottery Prizes	(387,838)	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-	-
Collection of Loans	-	-	-	-	947
Interest Income	-	-	-	-	70
Cash Payments for Benefits	-	(20,566)	(46,638)	(1,408,575)	-
Other Operating Revenues	-	112	-	4	-
Other Operating Expenses	(45,755)	-	(2,476)	-	-
Other Sources of Cash	-	-	-	20,041	-
Other Uses of Cash	-	-	(102)	-	(2)
Net Cash Provided (Used) by Operating Activities	156,586	(7,408)	(6,784)	(123,348)	(10,161)
Cash Flows from Noncapital Financing Activities:					
Operating Grants Receipts	-	-	-	-	1,210
Grants Disbursed	-	-	-	-	(1,845)
Repayment of Bonds and Notes	-	-	-	-	-
Interest Payments	-	-	-	-	-
Property Tax Credit Payments	(158,096)	-	-	-	-
Interfund Loans Repaid	-	-	-	-	-
Interfund Borrowings to Other Funds	-	-	-	(11,569)	-
Transfers In	22	-	-	-	12,000
Transfers Out	(622)	-	-	-	(147)
Other Cash Inflows from Noncapital Financing Activities	-	-	-	-	175
Other Cash Outflows from Noncapital Financing Activities:	-	-	-	(3,187)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(158,696)	-	-	(14,756)	11,393
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Issuance of Debt	-	-	-	-	-
Capital Contributions	-	-	-	-	25
Repayment of Bonds and Notes	-	-	-	-	(77)
Interest Payments	-	-	-	-	(7)
Transfers In	-	-	-	-	-
Capital Lease Obligations	-	-	-	-	-
Payments for Purchase of Capital Assets	(133)	-	-	-	(351)
Other Cash Inflows from Capital Financing Activities	-	-	-	-	1
Other Cash Outflows from Capital Financing Activities	-	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(133)	-	-	-	(409)
Cash Flows from Investing Activities:					
Proceeds from Sale and Maturities of Investment Securities	6,138	-	-	-	-
Purchase of Investment Securities	-	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-	-
Collection of Loans	-	-	-	-	-
Investment and Interest Receipts	224	(596)	(1,571)	(1,502)	7
Net Cash Provided (Used) by Investing Activities	6,361	(596)	(1,571)	(1,502)	7
Net Increase (Decrease) in Cash and Cash Equivalents	4,118	(8,005)	(8,355)	(139,606)	830
Cash and Cash Equivalents, Beginning of Year	49,841	93,496	167,177	221,698	4,980
Cash and Cash Equivalents, End of Year	$ 53,960	$ 85,491	$ 158,822	$ 82,092	$ 5,811

	Care and Treatment Facilities				
Veterans Mortgage Loan Repayment	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
$ -	$ 18,716	$ 45,612	$ 264,891	$ 44,997	$ 2,341,091
(163)	(14,737)	(6,664)	(53,335)	(22,785)	(150,785)
(185)	(59,575)	(53,605)	(167,684)	(11,704)	(306,866)
-	-	-	-	-	(387,838)
-	-	-	-	(486)	(486)
13,174	-	-	-	650	14,771
3,550	-	-	-	46	3,667
-	-	-	-	(12,700)	(1,488,480)
-	-	-	-	7,340	7,456
(314)	-	-	-	(8,743)	(57,288)
-	3,367	1,994	72	1,048	26,522
-	-	-	(1,478)	(3,556)	(5,137)
16,063	(52,229)	(12,664)	42,467	(5,894)	(3,373)
-	1,475	535	160	-	3,379
(304)	-	-	(326)	-	(2,474)
(11,295)	-	-	-	-	(11,295)
(2,749)	-	-	(2)	(675)	(3,425)
-	-	-	-	-	(158,096)
-	-	-	(14,645)	(2)	(14,647)
-	-	-	-	-	(11,569)
-	55,557	30,060	3,591	11,687	112,916
(69)	(510)	(3,654)	(16,958)	(3,445)	(25,404)
-	-	-	429	62	666
-	-	-	(539)	-	(3,726)
(14,416)	56,521	26,940	(28,290)	7,629	(113,675)
-	-	-	1,273	2	1,275
-	-	-	1,762	-	1,787
-	-	-	(995)	(3,150)	(4,222)
-	(2)	(1)	(786)	(1,006)	(1,802)
-	1,573	-	716	720	3,010
-	(60)	(26)	(127)	(91)	(304)
-	(1,927)	(2,024)	(4,799)	(3,602)	(12,835)
-	-	-	-	22	22
-	-	-	(570)	-	(570)
-	(416)	(2,050)	(3,526)	(7,104)	(13,638)
-	-	-	-	11,196	17,334
-	-	-	-	(15,466)	(15,466)
-	-	-	-	(147)	(147)
-	-	-	-	249	249
13	-	-	-	8,105	4,680
13	-	-	-	3,937	6,650
1,660	3,876	12,226	10,651	(1,433)	(124,036)
8,432	9,095	28,134	42,689	21,342	646,884
$ 10,092	$ 12,971	$ 40,360	$ 53,340	$ 19,909	$ 522,848

(Continued)

Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2016

(Continued)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:					
Operating Income (Loss)	$ 174,828	$ (9,015)	$ (37,240)	$ (13,195)	$ (12,855)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	16	-	-	-	981
Provision for Uncollectible Accounts	-	-	-	-	8
Operating Income (Investment Income) Classified as Investing Activity	-	-	-	-	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	-	-	-	-
Miscellaneous Nonoperating Income (Expense)	-	-	-	-	-
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:					
Decrease (Increase) in Receivables	(3,356)	(65)	(67)	(10,227)	849
Decrease (Increase) in Due from Other Funds	11	(2,018)	(821)	(12,875)	43
Decrease (Increase) in Due from Other Governments	-	-	-	-	-
Decrease (Increase) in Inventories	324	-	-	-	13
Decrease (Increase) in Prepaid Items	(122)	(32)	-	(34)	68
Decrease (Increase) in Net Pension Assets	759	-	-	-	(569)
Decrease (Increase) in Other Assets	147	-	-	-	-
Decrease (Increase) in Deferred Outflows of Resource	(2,033)	-	-	-	(706)
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(16,282)	(113)	1,270	8,954	316
Increase (Decrease) in Due to Other Funds	54	(228)	181	3,303	(47)
Increase (Decrease) in Due to Other Governments	-	-	-	-	2
Increase (Decrease) in Tax and Other Deposits	-	-	-	-	-
Increase (Decrease) in Unearned Revenue	678	-	-	(99,588)	-
Increase (Decrease) in Compensated Absences	(59)	-	-	-	307
Increase (Decrease) in Net Pension Liabilities	510	-	-	-	447
Increase (Decrease) in Postemployment Benefits	35	-	-	-	38
Increase (Decrease) in Future Benefits/Loss Liability	-	4,062	29,892	315	-
Increase (Decrease) in Deferred Inflows of Resources	1,074	-	-	-	942
Total Adjustments	(18,242)	1,606	30,455	(110,153)	2,694
Net Cash Provided (Used) by Operating Activities	$ 156,586	$ (7,408)	$ (6,784)	$ (123,348)	$ (10,161)
Noncash Investing, Capital and Financing Activities:					
Net Change in Unrealized Gains and Losses	1,365	-	-	-	-
Other	4	-	-	-	-

	Care and Treatment Facilities				
Veterans Mortgage Loan Repayment	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
$ (488)	$ (59,058)	$ (20,255)	$ 15,066	$ (1,757)	$ 36,032
11	2,600	1,510	9,253	3,424	17,796
214	-	-	72	24	317
-	-	-	-	(243)	(243)
2,717	-	-	-	675	3,392
-	(1,109)	1,217	373	(619)	(138)
13,943	(7,558)	380	4,084	2,067	48
2	6,225	1,291	11,146	515	3,518
-	-	-	376	(391)	(15)
-	(308)	(11)	262	531	811
27	728	776	2,980	1,674	6,065
297	6,785	355	18,296	994	26,918
(100)	-	-	-	-	48
(856)	(22,169)	(12,917)	(53,644)	(2,574)	(94,899)
(87)	2,265	2,234	4,699	(4,780)	(1,523)
(85)	1,292	(1,432)	(13,226)	(122)	(10,310)
2	-	-	(386)	-	(382)
-	-	-	(55)	1,472	1,416
-	-	-	-	(3,322)	(102,232)
(254)	1,515	132	(109)	50	1,583
230	5,159	4,315	13,417	695	24,774
6	541	656	1,617	90	2,984
-	-	-	-	(5,652)	28,617
483	10,863	9,085	28,246	1,355	52,049
16,551	6,829	7,591	27,401	(4,138)	(39,406)
$ 16,063	$ (52,229)	$ (12,664)	$ 42,467	$ (5,894)	$ (3,373)
-	-	-	-	-	1,365
-	-	-	-	778	782

Internal Service Funds

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

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

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

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

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

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

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

Combining Statement of Net Position - Internal Service Funds
June 30, 2016

(In Thousands)

	Technology Services	Fleet Services	Financial Services
Assets			
Current Assets:			
Cash and Cash Equivalents	$ -	$ -	$ 1,729
Receivables (net of allowance):			
Other Receivables	1,587	279	92
Due from Other Funds	15,040	1,785	3,735
Due from Other Governments	-	18	-
Inventories	1,643	63	-
Prepaid Items	2	-	-
Total Current Assets	18,272	2,146	5,556
Noncurrent Assets:			
Prepaid Items	494	-	-
Depreciable Capital Assets (net of accumulated depreciation)	50,693	28,457	-
Nondepreciable Capital Assets	-	-	-
Total Noncurrent Assets	51,187	28,457	-
Total Assets	69,459	30,603	5,556
Deferred Outflows of Resources	8,880	881	1,692
Total Assets and Deferred Outflows of Resources	$ 78,339	$ 31,484	$ 7,248
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	$ 9,142	$ 1,344	$ 182
Due to Other Funds	582	116	136
Interfund Payables	16,514	24,723	-
Due to Other Governments	-	-	424
Interest Payable	-	-	-
Short-term Notes Payable	-	-	-
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	10,926	-	-
Compensated Absences	611	62	138
General Obligation Bonds and Notes Payable	-	-	-
Total Current Liabilities	37,775	26,246	880
Noncurrent Liabilities:			
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	19,612	-	-
Compensated Absences	2,010	118	329
Net Pension Liability	1,723	167	319
Other Postemployment Benefits	1,341	222	297
General Obligation Bonds and Notes Payable	-	-	-
Total Noncurrent Liabilities	24,686	506	945
Total Liabilities	62,462	26,752	1,825
Deferred Inflows of Resources	3,656	354	678
Net Position			
Invested in Capital Assets, Net of Related Debt	20,155	28,457	-
Unrestricted	(7,934)	(24,079)	4,745
Total Net Position	12,220	4,378	4,745
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 78,339	$ 31,484	$ 7,248

Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
$ 12,808	$ -	$ -	$ 14,537
560	164	144	2,826
3,844	10,950	2,201	37,555
72	-	52	142
129	-	2,968	4,803
1	-	-	4
17,414	11,114	5,364	59,867
-	-	-	494
222,431	-	2,687	304,268
44,880	-	200	45,080
267,310	-	2,887	349,842
284,724	11,114	8,252	409,709
11,036	522	1,790	24,801
$ 295,761	$ 11,636	$ 10,042	$ 434,509
$ 4,051	$ 243	$ 1,013	$ 15,975
23,477	21	670	25,002
-	2,452	1,177	44,867
52	-	-	477
1,007	-	8	1,015
17,996	-	27	18,023
-	37,295	-	37,295
-	-	125	11,051
343	35	88	1,277
10,162	-	74	10,237
57,089	40,044	3,183	165,217
-	62,081	-	62,081
-	-	184	19,796
542	42	155	3,195
1,436	97	342	4,084
1,205	126	522	3,712
139,147	-	386	139,533
142,330	62,346	1,588	232,401
199,419	102,391	4,770	397,618
3,655	207	729	9,279
102,827	-	2,116	153,555
(10,140)	(90,961)	2,426	(125,943)
92,687	(90,961)	4,542	27,612
$ 295,761	$ 11,636	$ 10,042	$ 434,509

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Funds
For the Fiscal Year Ended June 30, 2016

(In Thousands)

	Technology Services	Fleet Services	Financial Services
Operating Revenues:			
Charges for Goods and Services	$ 134,587	$ 12,157	$ 8,715
Miscellaneous	11	-	-
Total Operating Revenues	134,598	12,157	8,715
Operating Expenses:			
Personal Services	19,724	2,308	3,839
Supplies and Services	96,611	6,912	2,709
Depreciation	14,096	4,136	44
Benefit Expense	-	-	-
Other Expenses	-	-	6
Total Operating Expenses	130,431	13,356	6,598
Operating Income (Loss)	4,167	(1,199)	2,117
Nonoperating Revenues (Expenses):			
Operating Grants	-	-	-
Investment and Interest Income	-	-	-
Gain (Loss) on Disposal of Capital Assets	(455)	246	-
Interest Expense	(1,032)	(15)	(7)
Miscellaneous Revenues	187	137	12
Other Expenses:			
Federal Settlement	(743)	-	-
Other Expenses	-	-	(728)
Total Nonoperating Revenues (Expenses)	(2,043)	368	(724)
Net Income (Loss)	2,124	(831)	1,393
Transfers In	-	654	-
Transfers Out	(824)	(51)	(1,270)
Net Change in Net Position	1,300	(227)	123
Total Net Position, Beginning	10,921	4,605	4,622
Total Net Position, Ending	$ 12,220	$ 4,378	$ 4,745

Facilities Operations and Maintenance		Risk Management		Badger State Industries		Totals
$	62,866	$ 42,740	$	16,925	$	277,990
	-	1,077		-		1,088
	62,866	43,817		16,925		279,078
	16,419	1,397		4,029		47,716
	20,260	9,061		11,995		147,548
	14,375	-		907		33,559
	-	26,433		-		26,433
	-	-		-		6
	51,054	36,890		16,931		255,262
	11,811	6,926		(6)		23,816
	179	-		-		179
	32	-		1		32
	(2,105)	-		(5)		(2,318)
	(4,904)	(4)		(32)		(5,995)
	570	15		75		996
	-	-		-		(743)
	(264)	-		-		(992)
	(6,492)	11		38		(8,841)
	5,320	6,937		32		14,975
	4,560	-		3		5,217
	(7,055)	(34)		(125)		(9,360)
	2,825	6,903		(91)		10,833
	89,862	(97,864)		4,633		16,779
$	92,687	$ (90,961)	$	4,542	$	27,612

Combining Statement of Cash Flows - Internal Service Funds
For the Fiscal Year Ended June 30, 2016

(In Thousands)

	Technology Services	Fleet Services	Financial Services
Cash Flows from Operating Activities:			
Cash Receipts from Customers	$ 130,683	$ 12,069	$ 6,559
Cash Payments to Suppliers for Goods and Services	(97,930)	(7,153)	(4,948)
Cash Payments to Employees for Services	(19,275)	(2,144)	(3,705)
Cash Payments for Benefits	-	-	-
Other Operating Revenues	11	-	-
Other Sources of Cash	506	137	12
Other Uses of Cash	-	-	(679)
Net Cash Provided (Used) by Operating Activities	13,995	2,909	(2,761)
Cash Flows from Noncapital Financing Activities:			
Interest Payments	(170)	(15)	-
Interfund Loans Received	-	1,848	-
Interfund Loans Repaid	(911)	-	-
Transfers In	-	654	-
Transfers Out	(824)	(51)	(1,270)
Other Cash Inflows from Noncapital Financing Activities	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(1,906)	2,437	(1,270)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Issuance of Debt	-	-	-
Repayment of Bonds and Notes	-	-	-
Interest Payments	(481)	-	-
Capital Lease Obligations	(7,430)	-	-
Proceeds from Sale of Capital Assets	-	635	-
Payments for Purchase of Capital Assets	(4,178)	(5,981)	-
Other Cash Inflows from Capital Financing Activities	-	-	-
Other Cash Outflows from Capital Financing Activities	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(12,089)	(5,346)	-
Cash Flows from Investing Activities:			
Investment and Interest Receipts	-	-	-
Net Cash Flows from Investing Activities	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	(4,032)
Cash and Cash Equivalents, Beginning of Year	0	0	5,760
Cash and Cash Equivalents, End of Year	$ 0	$ 0	$ 1,729

Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
$ 61,456	$ 44,896	$ 17,500	$ 273,163
(26,196)	(10,692)	(11,869)	(158,787)
(15,890)	(1,320)	(3,724)	(46,058)
-	(34,096)	-	(34,096)
-	-	-	11
565	15	-	1,235
-	-	-	(679)
19,935	(1,197)	1,908	34,789
-	-	-	(185)
-	1,235	-	3,084
-	-	(1,380)	(2,291)
4,560	-	3	5,217
(7,075)	(34)	(125)	(9,380)
-	-	65	65
(2,515)	1,201	(1,438)	(3,491)
8,127	-	-	8,127
1,023	-	(76)	947
(6,389)	(4)	(15)	(6,889)
-	-	(138)	(7,569)
-	-	5	640
(23,999)	-	(246)	(34,404)
179	-	-	179
(128)	-	-	(128)
(21,185)	(4)	(470)	(39,095)
-	-	1	1
-	-	1	1
(3,765)	-	-	(7,797)
16,573	-	-	22,333
$ 12,808	$ 0	$ 0	$ 14,537

(Continued)

Combining Statement of Cash Flows - Internal Service Funds
For the Fiscal Year Ended June 30, 2016

(Continued)

	Technology Services	Fleet Services	Financial Services
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ 4,167	$ (1,199)	$ 2,117
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	14,096	4,136	44
Miscellaneous Nonoperating Income (Expense)	(1,721)	137	(724)
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:			
Decrease (Increase) in Receivables	(1,307)	(35)	(48)
Decrease (Increase) in Due from Other Funds	917	(54)	(2,108)
Decrease (Increase) in Due from Other Governments	-	-	-
Decrease (Increase) in Inventories	(590)	-	-
Decrease (Increase) in Prepaid Items	198	32	42
Decrease (Increase) in Net Pension Assets	2,007	258	420
Decrease (Increase) in Deferred Outflow of Resources	(6,934)	(670)	(1,277)
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	1,800	(19)	53
Increase (Decrease) in Due to Other Funds	(3,322)	(238)	(2,362)
Increase (Decrease) in Due to Other Governments	(740)	-	63
Increase (Decrease) in Compensated Absences	(165)	13	(8)
Increase (Decrease) in Postemployment Benefits	239	30	37
Increase (Decrease) in Net Pension Liability	1,723	167	319
Increase (Decrease) in Future Benefits/Loss Liability	-	-	-
Increase (Decrease) in Deferred Inflows of Resources Loss Liabilities	3,629	351	672
Total Adjustments	9,828	4,109	(4,878)
Net Cash Provided (Used) by Operating Activities	$ 13,995	$ 2,909	$ (2,761)
Noncash Investing, Capital and Financing Activities:			
Assets Acquired through Capital Leases	$ 13,387	$ -	$ -
Other	$ -	$ -	$ -

Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
$ 11,811	$ 6,926	$ (6)	$ 23,816
14,375	-	907	33,559
565	15	-	(1,727)
(330)	15	(26)	(1,732)
(1,943)	1,064	609	(1,515)
(11)	-	(7)	(18)
4	-	(44)	(631)
175	22	76	543
2,487	157	513	5,842
(6,081)	(389)	(1,347)	(16,699)
228	80	480	2,621
(5,567)	(1,725)	(340)	(13,553)
9	-	-	(668)
(170)	2	4	(325)
74	(2)	29	407
1,436	97	342	4,084
-	(7,664)	-	(7,664)
2,874	205	720	8,449
8,124	(8,123)	1,914	10,973
$ 19,935	$ (1,197)	$ 1,908	$ 34,789
$ -	$ -	$ -	$ 13,387
$ -	$ -	$ 4	$ 4

Fiduciary Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Combining Statement of Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds
June 30, 2016

(In Thousands)

	Wisconsin Retirement System	Accumulated Sick Leave	Duty Disability	Reimbursed Employee Expense	Local Retiree Life Insurance	Retiree Life Insurance	Totals
Assets							
Cash and Cash Equivalents	$ 610,131	$ 2,270,627	$ 578,416	$ 3,503	$ -	$ -	$ 3,462,676
Securities Lending Collateral	1,177,769	-	-	-	-	-	1,177,769
Prepaid Items	29,173	-	-	1,100	-	-	30,273
Receivables (net of allowance):							
Prior Service Contributions Receivable	25,978	-	-	-	-	-	25,978
Benefits Overpayment Receivable	2,254	-	222	-	-	-	2,477
Due from Other Funds	52,912	27,507	2,190	422	20	15	83,066
Due from Component Units	5,564	-	-	-	-	-	5,564
Due from Other Governments	127,645	-	85	-	-	-	127,730
Interest and Dividends Receivable	226,909	-	-	-	-	-	226,909
Investment Sales Receivable	1,041,414	-	-	-	-	-	1,041,414
Other Receivables	3,050	1	-	-	23	17	3,092
Total Receivables	1,485,726	27,507	2,497	422	44	32	1,516,229
Investments:							
Fixed Income	24,955,170	-	-	-	-	-	24,955,170
Stocks	47,185,254	-	-	-	-	-	47,185,254
Options	(1,179)	-	-	-	-	-	(1,179)
Financial Futures Contracts and Swaps	9,507	-	-	-	-	-	9,507
Limited Partnerships	10,679,849	-	-	-	-	-	10,679,849
Preferred Securities	178,666	-	-	-	-	-	178,666
Real Estate	1,119,024	-	-	-	-	-	1,119,024
Multi-asset Investments	4,102,892	-	-	-	-	-	4,102,892
External Investment Pool	-	-	-	-	243,422	362,544	605,967
Foreign Currency Contracts	3,274	-	-	-	-	-	3,274
Total Investments	88,232,457	-	-	-	243,422	362,544	88,838,424
Capital Assets	13,897	-	-	-	-	-	13,897
Total Assets	91,549,153	2,298,134	580,913	5,024	243,466	362,576	95,039,267
Liabilities							
Accounts Payable and Other Accrued Liabilities	59,372	1	2,725	3,805	-	-	65,903
Reverse Repurchase Agreements	809,678	-	-	-	-	-	809,678
Securities Lending Collateral Liability	1,177,769	-	-	-	-	-	1,177,769
Annuities Payable	337,069	-	-	-	-	-	337,069
Due to Other Funds	138,839	3	-	28	-	-	138,870
Interfund Payables	-	-	-	-	44	32	76
Short Sales of Securities	166,161	-	-	-	-	-	166,161
Investment Payable	355,519	-	-	-	-	-	355,519
Unearned Revenue	75	-	-	-	-	-	75
Compensated Absences Payable	-	2,410,050	-	-	-	-	2,410,050
Total Liabilities	3,044,482	2,410,054	2,725	3,832	44	32	5,461,170
Net Position							
Held in Trust for Pension Benefits and Other Purposes	$ 88,504,670	$ (111,920)	$ 578,188	$ 1,192	$ 243,422	$ 362,544	$ 89,578,097

State of Wisconsin

Combining Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2016

(In Thousands)

	Wisconsin Retirement System	Accumulated Sick Leave	Duty Disability	Reimbursed Employee Expense	Local Retiree Life Insurance	Retiree Life Insurance	Totals
Additions							
Contributions:							
Employer Contributions	$ 977,734	$ 65,120	$ 8,609	$ -	$ 1,898	$ 1,318	$ 1,054,678
Employee Contributions	937,225	-	-	31,219	5,512	3,402	977,359
Total Contributions	1,914,959	65,120	8,609	31,219	7,411	4,720	2,032,038
Investment Income:							
Net Appreciation (Depreciation) in Fair Value of Investments	(2,328,202)	-	-	-	-	-	(2,328,202)
Interest	550,054	-	-	-	-	-	550,054
Dividends	1,206,311	-	-	-	-	-	1,206,311
Securities Lending Income	35,068	-	-	-	-	-	35,068
Other	188,537	-	-	-	-	-	188,537
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	-	(17,252)	(4,348)	6	8,724	13,173	303
Less:							
Investment Expense	(350,036)	-	-	-	-	-	(350,036)
Securities Lending Rebates and Fees	(2,867)	-	-	-	-	-	(2,867)
Investment Income Distributed to Other Funds	26,147	-	-	-	-	-	26,147
Net Investment Income	(674,988)	(17,252)	(4,348)	6	8,724	13,173	(674,685)
Interest on Prior Service Receivable	1,617	-	-	-	-	-	1,617
Miscellaneous Income	38	-	8	37	50	37	169
Total Additions	1,241,626	47,868	4,269	31,262	16,185	17,930	1,359,140
Deductions							
Retirement Benefits and Refunds:							
Retirement, Disability, and Beneficiary	4,780,080	-	-	-	-	-	4,780,080
Separations	37,642	-	-	-	-	-	37,642
Total Retirement Benefits and Refunds	4,817,722	-	-	-	-	-	4,817,722
Distributions	-	-	-	29,790	-	-	29,790
Other Benefit Expense	43,296	198,780	33,092	-	14,470	19,136	308,774
Administrative Expense	22,709	552	1,083	884	1,566	1,007	27,801
Total Deductions	4,883,728	199,332	34,175	30,674	16,036	20,143	5,184,087
Net Increase (Decrease)	(3,642,101)	(151,464)	(29,906)	588	148	(2,213)	(3,824,947)
Net Position - Beginning of Year	92,146,772	39,544	608,094	604	243,274	364,757	93,403,044
Net Position - End of Year	$ 88,504,670	$ (111,920)	$ 578,188	$ 1,192	$ 243,422	$ 362,544	$ 89,578,097

Combining Statement of Fiduciary Net Position - Investment Trust Funds
June 30, 2016

(In Thousands)

	Local Government Pooled Investment	Milwaukee Retirement System	Totals
Assets			
Cash and Cash Equivalents	$ 3,078,225	$ 171,369	$ 3,249,593
Total Assets	3,078,225	171,369	3,249,593
Liabilities			
Due to Other Funds	121	-	121
Total Liabilities	121	-	121
Net Position			
Held in Trust for Pool Participants and Other Purposes	$ 3,078,104	$ 171,369	$ 3,249,472

Combining Statement of Changes in Fiduciary Net Position - Investment Trust Funds
For the Year Ended June 30, 2016

(In Thousands)

	Local Government Pooled Investment	Milwaukee Retirement System	Totals
Additions			
Deposits	$ 9,346,356	$ 2,000	$ 9,348,356
Investment Income	8,784	(1,476)	7,307
Less: Investment Expense	(595)	-	(595)
Net Investment Income	8,189	(1,476)	6,713
Total Additions	9,354,545	524	9,355,069
Deductions			
Distributions	8,918,020	16,000	8,934,020
Administrative Expense	121	-	121
Total Deductions	8,918,141	16,000	8,934,141
Net Increase (Decrease)	436,404	(15,476)	420,928
Net Position - Beginning of Year	2,641,699	186,845	2,828,544
Net Position - End of Year	$ 3,078,104	$ 171,369	$ 3,249,472

Combining Statement of Fiduciary Net Position - Private-Purpose Trust Funds
June 30, 2016

(In Thousands)

	Tuition Trust	College Savings Program Trust	Retiree Health Insurance	Totals
Assets				
Cash and Cash Equivalents	$ 1,263	$ 57,578	$ -	$ 58,840
Receivables (net of allowance):				
Due from Other Funds	-	-	2,166	2,166
Other Receivables	-	15,877	14,507	30,384
Due From Other Governments	-	-	12,582	12,582
Total Receivables	-	15,877	29,254	45,132
Investments:				
Investments of Private Purpose Trust Funds	3,261	4,052,308	-	4,055,569
Total Investments	3,261	4,052,308	-	4,055,569
Total Assets	4,524	4,125,763	29,254	4,159,541
Deferred Outflows of Resources	-	39	-	39
Liabilities				
Accounts Payable	2	16,069	1,891	17,961
Due to Other Funds	-	1	5,322	5,323
Interfund Payables	-	-	91,261	91,261
Future Benefit and Loss Liabilities	-	-	4,959	4,959
Unearned Revenue	-	-	64	64
Net Pension Liability	-	7	-	7
Other Post Employment Benefits	-	10	-	10
Total Liabilities	2	16,088	103,497	119,586
Deferred Inflows of Resources	-	16	-	16
Net Position				
Held in Trust	$ 4,522	$ 4,109,699	$ (74,243)	$ 4,039,979

Combining Statement of Changes in Fiduciary Net Position - Private-Purpose Trust Funds
For the Year Ended June 30, 2016

(In Thousands)

	Tuition Trust	College Savings Program Trust	Retiree Health Insurance	Totals
Additions				
Premiums	$ -	$ -	$ 231,225	$ 231,225
Federal Subsidy	-	-	21,311	21,311
Deposits	-	441,710	-	441,710
Investment Income	61	60,624	471	61,156
Less:				
Investment Expense	-	(6,713)	-	(6,713)
Net Investment Income	61	53,911	471	54,444
Miscellaneous Income	-	12	110	123
Total Additions	61	495,634	253,117	748,812
Deductions				
Distributions	732	337,192	-	337,925
Benefit Expense			254,422	254,422
Administrative Expense	10	3,352	7,557	10,919
Transfers Out	-	2	-	2
Total Deductions	742	340,547	261,979	603,268
Net Increase (Decrease)	(681)	155,087	(8,862)	145,545
Net Position - Beginning of Year	5,203	3,954,612	(65,381)	3,894,434
Net Position - End of Year	$ 4,522	$ 4,109,699	$ (74,243)	$ 4,039,979

Combining Statement of Fiduciary Net Position - Agency Funds
June 30, 2016

(In Thousands)

	Insurance Company Liquidation Account	Local Retiree Health Insurance	Inmate and Resident	Bank and Insurance Company Deposits	Support Collection Trust	Totals
Assets						
Cash and Cash Equivalents	$ 4,537	$ -	$ 16,105	$ -	$ 18,786	$ 39,428
Receivables (net of allowance):						
Due from Other Funds	-	582	2,289	-	96	2,967
Due from Other Governments	-	1,091	-	-	-	1,091
Due from Employers	-	18,640	-	-	-	18,640
Other Receivables	-	1,329	352	-	1	1,681
Total Receivables	-	21,642	2,640	-	98	24,380
Investments	-	-	59	-	-	59
Other Assets	-	-	-	316,323	-	316,323
Total Assets	$ 4,537	$ 21,642	$ 18,804	$ 316,323	$ 18,883	$ 380,189
Liabilities						
Accounts Payable	$ 4,537	$ 20,859	$ 6	$ -	$ 18,808	$ 44,211
Due to Other Funds	-	201	-	-	75	276
Tax and Other Deposits	-	582	18,798	316,323	-	335,702
Total Liabilities	$ 4,537	$ 21,642	$ 18,804	$ 316,323	$ 18,883	$ 380,189

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2016

(In Thousands)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Insurance Company Liquidation Account				
Assets:				
Cash and Cash Equivalents	$ 4,535	$ 2	$ -	$ 4,537
Due from Other Funds	1	-	1	-
Total Assets	$ 4,536	$ 2	$ 1	$ 4,537
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 4,536	$ 2	$ -	$ 4,537
Total Liabilities	$ 4,536	$ 2	$ -	$ 4,537
Local Retiree Health Insurance				
Assets:				
Cash and Cash Equivalents	$ -	$ 48,068	$ 48,068	$ -
Receivables (net of allowance):				
Due from Other Funds	26	555	-	582
Due from Other Governments	863	1,641	1,413	1,091
Due from Employers	16,169	28,272	25,801	18,640
Other Receivables	1,274	2,356	2,302	1,329
Total Assets	$ 18,333	$ 80,893	$ 77,584	$ 21,642
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 17,686	$ 33,263	$ 30,091	$ 20,859
Due to Other Funds	-	201	-	201
Tax and Other Deposits	647	582	647	582
Total Liabilities	$ 18,333	$ 34,046	$ 30,737	$ 21,642
Inmate and Resident				
Assets:				
Cash and Cash Equivalents	$ 16,203	$ 97,800	$ 97,898	$ 16,105
Receivables (net of allowance):				
Due from Other Funds	1,034	7,914	6,660	2,289
Other Receivables	328	5,958	5,934	352
Investments	60	4	6	59
Total Assets	$ 17,625	$ 111,677	$ 110,497	$ 18,804
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 2	$ 304	$ 299	$ 6
Due to Other Funds	-	905	905	-
Tax and Other Deposits	17,623	85,449	84,275	18,798
Total Liabilities	$ 17,625	$ 86,658	$ 85,479	$ 18,804

(Continued)

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2016

(Continued)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Bank and Insurance Company Deposits				
Assets:				
Other Assets:				
Assets Held in Custody for Others	$ 307,136	$ 110,463	$ 101,276	$ 316,323
Total Assets	$ 307,136	$ 110,463	$ 101,276	$ 316,323
Liabilities:				
Tax and Other Deposits	$ 307,136	$ 110,463	$ 101,276	$ 316,323
Total Liabilities	$ 307,136	$ 110,463	$ 101,276	$ 316,323
Support Collection Trust				
Assets:				
Cash and Cash Equivalents	$ 12,348	$ 972,658	$ 966,221	$ 18,786
Receivables (net of allowance):				
Due from Other Funds	90	96	90	96
Other Receivables	-	1	-	1
Total Assets	$ 12,438	$ 972,756	$ 966,311	$ 18,883
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 12,438	$ 972,755	$ 966,385	$ 18,808
Due to Other Funds	-	75	-	75
Total Liabilities	$ 12,438	$ 972,830	$ 966,385	$ 18,883
Total - All Agency Funds				
Assets:				
Cash and Cash Equivalents	$ 33,087	$ 1,118,529	$ 1,112,187	$ 39,428
Receivables (net of allowance):				
Due from Other Funds	1,151	8,566	6,750	2,967
Due from Other Governments	863	1,641	1,413	1,091
Due from Employers	16,169	28,272	25,801	18,640
Other Receivables	1,602	8,315	8,236	1,681
Investments	60	4	6	59
Other Assets:				
Assets Held in Custody for Others	307,136	110,463	101,276	316,323
Total Assets	$ 360,067	$ 1,275,790	$ 1,255,668	$ 380,189
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 34,662	$ 1,006,323	$ 996,774	$ 44,211
Due to Other Funds	-	1,181	905	276
Tax and Other Deposits	325,405	196,493	186,197	335,702
Total Liabilities	$ 360,067	$ 1,203,998	$ 1,183,876	$ 380,189

STATISTICAL SECTION

Statistical Section Narrative and Table of Contents

Narrative

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

Page

Financial Trends Information

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

Entity-Wide Perspective (Accrual Basis of Accounting)

Fund-Level Perspective (Modified Accrual Basis of Accounting)

Revenue Capacity Information

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

Debt Capacity Information

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

Demographic and Economic Information

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

Statistical Section Narrative and Table of Contents

Page

Operating Information

The following information relates to the operations, services and resources provided within the State's financial environment.

Net Position by Component (Accrual Basis of Accounting)

For the Last Ten Fiscal Years

	2016	2015	2014	2013
Governmental Activities:				
Net Investment in Capital Assets	$ 18,613,522	$ 18,051,739	$ 17,185,161	$ 16,284,840
Restricted	2,368,890	2,601,972	1,622,695	1,409,449
Unrestricted	(8,902,713)	(9,435,962)	(8,846,226)	(9,101,649)
Total Governmental Activities Net Position	$ 12,079,699	$ 11,217,748	$ 9,961,629	$ 8,592,640
Business-type Activities:				
Net Investment in Capital Assets	$ 4,562,881	$ 4,566,086	$ 4,540,378	$ 4,383,457
Restricted	5,619,600	5,312,399	4,120,908	3,628,036
Unrestricted	1,042,364	863,361	779,860	700,149
Total Business-type Activities Net Position	$ 11,224,845	$ 10,741,847	$ 9,441,146	$ 8,711,641
Primary Government:				
Net Investment in Capital Assets	$ 23,176,403	$ 22,617,825	$ 21,725,539	$ 20,668,297
Restricted	7,988,490	7,914,371	5,743,603	5,037,485
Unrestricted	(7,860,349)	(8,572,601)	(8,066,366)	(8,401,500)
Total Primary Government Net Position	$ 23,304,544	$ 21,959,595	$ 19,402,775	$ 17,304,281

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

(In Thousands)

	2012	2011	2010	2009	2008	2007
	$ 15,249,918	$ 14,405,385	$ 13,914,376	$ 13,492,047	$ 12,900,350	$ 12,275,649
	1,392,163	1,269,746	1,125,016	1,105,242	1,309,409	1,331,102
	(9,402,946)	(9,751,338)	(9,456,213)	(8,939,033)	(8,322,198)	(8,168,852)
	$ 7,239,135	$ 5,923,792	$ 5,583,179	$ 5,658,256	$ 5,887,562	$ 5,437,898
	$ 4,270,087	$ 4,108,668	$ 3,932,783	$ 3,649,767	$ 3,438,954	$ 3,225,114
	3,235,508	3,078,086	2,668,608	2,494,489	3,161,901	3,503,289
	105,083	(417,321)	(491,209)	28,756	298,301	457,089
	$ 7,610,678	$ 6,769,433	$ 6,110,183	$ 6,173,012	$ 6,899,157	$ 7,185,492
	$ 19,520,005	$ 18,514,053	$ 17,847,159	$ 17,141,814	$ 16,339,304	$ 15,500,763
	4,627,671	4,347,832	3,793,624	3,599,731	4,471,310	4,834,391
	(9,297,863)	(10,168,659)	(9,947,422)	(8,910,277)	(8,023,897)	(7,711,763)
	$ 14,849,813	$ 12,693,225	$ 11,693,362	$ 11,831,268	$ 12,786,719	$ 12,623,390

Changes in Net Position
(Accrual Basis of Accounting)

For the Last Ten Fiscal Years

	2016	2015	2014	2013
Expenses				
Governmental Activities:				
Commerce	$ 237,466	$ 265,440	$ 249,517	$ 244,141
Education	7,028,238	7,068,625	6,404,995	6,234,973
Transportation	2,121,715	2,156,820	2,047,341	2,117,768
Environmental Resources	469,164	468,101	487,948	488,515
Human Relations and Resources	13,298,962	13,083,675	12,603,671	12,169,309
General Executive	580,095	553,662	598,258	596,605
Judicial	131,871	127,336	123,616	126,399
Legislative	67,604	64,429	63,755	63,673
Tax Relief and Other General Expenses	1,434,733	1,317,319	1,350,637	1,327,934
Intergovernmental - Shared Revenue	965,324	964,113	960,926	957,061
Interest on Debt	436,832	455,540	487,477	518,277
Total Governmental Activities	26,772,005	26,525,060	25,378,140	24,844,656
Business-type Activities:				
Injured Patients and Families Compensation	(50,687)	(88,594)	(13,388)	(14,326)
Environmental Improvement	44,895	48,513	50,015	51,646
University of Wisconsin System	4,938,522	4,725,625	4,674,496	4,513,243
Unemployment Insurance Reserve	520,839	628,386	931,114	1,366,991
Other Business-type	2,565,345	2,523,069	2,406,229	2,282,914
Total Business-type Activities	8,018,915	7,837,000	8,048,466	8,200,467
Total Primary Government Expenses	$ 34,790,920	$ 34,362,060	$ 33,426,606	$ 33,045,124
Revenues				
Program Revenues (All Types Consolidated):				
Charges for Services:				
Commerce	$ 273,093	$ 261,754	$ 270,456	$ 240,663
Education	16,992	17,428	18,880	21,383
Transportation	771,525	741,921	733,592	707,599
Environmental Resources	240,006	226,774	218,338	249,807
Human Relations and Resources	697,972	658,599	712,035	718,946
General Executive	236,956	248,223	251,230	244,075
Judicial	46,952	49,346	51,191	56,636
Intergovernmental - Shared Revenue	53,312	53,056	52,548	53,126
Other	1,715	1,694	1,667	1,777
Operating Grants and Contributions	8,724,152	8,798,868	8,727,362	8,571,743
Capital Grants and Contributions	808,920	862,275	730,007	775,963
Total Governmental Activities	11,871,595	11,919,938	11,767,306	11,641,718
Business-type Activities:				
Charges for Services:				
University of Wisconsin System	3,648,741	3,440,837	3,402,011	3,541,438
Health Insurance	1,386,532	1,338,486	1,279,339	1,249,745
Unemployment Insurance Reserve	911,598	1,106,579	1,319,283	1,324,308
Other Activities	1,125,896	1,088,159	1,050,320	1,027,624
Operating Grants and Contributions	460,223	441,804	711,345	976,734
Capital Grants and Contributions	45,452	37,791	54,415	68,821
Total Business-type Activities	7,578,442	7,453,656	7,816,713	8,188,670
Total Primary Government Revenues	$ 19,450,037	$ 19,373,594	$ 19,584,019	$ 19,830,388
Net (Expense)/Revenue				
Governmental Activities	$ (14,900,410)	$ (14,605,122)	$ (13,610,834)	$ (13,202,938)
Business-type Activities	(440,473)	(383,344)	(231,753)	(11,797)
Total Primary Government Net Expense	$ (15,340,881)	$ (14,988,464)	$ (13,842,587)	$ (13,214,735)

(In Thousands)

2012	2011	2010	2009	2008	2007
$ 274,384	$ 411,297	$ 329,954	$ 298,908	$ 293,362	$ 289,452
6,226,185	6,737,282	6,662,846	6,707,734	6,477,194	6,413,120
1,967,864	2,264,460	2,281,649	2,069,477	1,911,514	1,850,586
431,983	506,235	487,361	534,850	486,531	471,767
12,157,044	11,970,708	11,539,481	10,398,237	9,078,665	8,698,915
755,504	727,015	650,196	551,358	536,527	540,268
124,784	132,940	129,753	130,916	125,798	119,991
58,737	65,641	65,232	65,626	65,356	62,457
1,359,015	1,352,293	1,288,156	1,274,940	1,135,551	956,749
989,906	1,023,532	1,032,162	1,035,050	1,019,275	1,016,313
523,737	479,142	467,850	665,367	500,270	479,402
24,869,142	25,670,547	24,934,640	23,732,463	21,630,043	20,899,020
36,725	(42,589)	58,515	(58,215)	137,747	57,873
59,434	90,037	148,594	48,486	43,436	42,671
4,418,333	4,393,866	4,195,430	4,016,459	3,920,563	3,663,119
1,763,830	2,513,060	3,416,939	2,215,332	950,923	882,622
2,283,938	2,273,768	2,139,171	2,057,077	1,966,242	1,862,525
8,562,260	9,228,143	9,958,649	8,279,139	7,018,911	6,508,810
$ 33,431,402	$ 34,898,690	$ 34,893,289	$ 32,011,602	$ 28,648,954	$ 27,407,830
$ 248,448	$ 245,893	$ 253,713	$ 173,231	$ 208,363	$ 196,564
19,107	21,594	21,586	19,859	23,291	21,614
713,537	678,493	684,360	676,871	610,421	515,046
222,587	231,990	214,332	214,277	201,790	190,149
705,026	701,312	634,789	562,382	226,343	233,679
240,439	271,082	275,349	244,988	275,298	248,221
60,593	63,623	66,881	67,096	66,165	61,698
53,490	54,199	46,090	-	-	-
2,002	1,831	1,983	1,375	5,800	5,854
8,805,070	9,416,373	9,288,956	7,901,598	6,030,638	5,819,764
861,484	1,019,793	1,109,437	861,984	726,671	717,758
11,931,783	12,706,183	12,597,476	10,723,661	8,374,780	8,010,347
3,461,615	3,284,047	3,098,677	2,845,573	2,606,437	2,515,487
1,260,103	1,288,426	1,183,544	1,075,757	977,165	907,984
1,328,158	1,205,063	1,037,608	772,779	735,536	719,517
989,391	948,977	924,374	906,014	918,147	885,770
1,117,774	1,863,453	2,263,961	743,051	397,889	389,004
103,505	99,521	109,829	126,336	70,949	112,773
8,260,546	8,689,487	8,617,993	6,469,510	5,706,123	5,530,535
$ 20,192,329	$ 21,395,670	$ 21,215,469	$ 17,193,171	$ 14,080,903	$ 13,540,882
$ (12,937,359)	$ (12,964,364)	$ (12,337,164)	$ (13,008,802)	$ (13,255,263)	$ (12,888,673)
(301,714)	(538,656)	(1,340,656)	(1,809,629)	(1,312,788)	(978,275)
$ (13,239,074)	$ (13,503,019)	$ (13,677,818)	$ (14,818,431)	$ (14,568,050)	$ (13,866,946)

Changes in Net Position
(Accrual Basis of Accounting)

For the Last Ten Fiscal Years

	2016	2015	2014	2013
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Income Taxes	$ 8,582,394	$ 8,355,665	$ 8,369,654	$ 8,290,429
Sales and Excise Taxes	5,781,190	5,590,876	5,322,607	5,096,132
Public Utility Taxes	368,724	368,867	351,669	335,753
Motor Fuel (Transportation-related) Taxes	1,091,758	1,067,773	1,053,485	1,016,542
Other Taxes	481,864	477,747	471,126	439,339
Investment Earnings	3,940	9,715	2,301	1,789
Contributions and Miscellaneous	418,260	419,586	401,276	431,680
Special Items - Sale of Future Tobacco Settlement Revenues	-	-	-	-
Special Items - Purchase of Future Tobacco Settlement Revenues	-	-	-	-
Transfers	(902,973)	(1,095,969)	(960,987)	(1,110,877)
Total Governmental Activities	15,825,157	15,194,262	15,011,132	14,500,788
Business-type Activities:				
Investment Earnings	15,807	4,354	22,039	(67)
Contributions and Miscellaneous	4,437	4,033	3,069	4,172
Transfers	902,973	1,095,969	960,987	1,110,877
Total Business-type Activities	923,217	1,104,356	986,097	1,114,983
Total Primary Government	$ 16,748,374	$ 16,298,618	$ 15,997,229	$ 15,615,771
Change in Net Position				
Governmental Activities	$ 924,748	$ 589,141	$ 1,400,298	$ 1,297,849
Business-type Activities	482,745	721,013	754,344	1,103,186
Total Primary Government	$ 1,407,493	$ 1,310,154	$ 2,154,642	$ 2,401,035

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

(In Thousands)

2012	2011	2010	2009	2008	2007
$ 8,059,907	$ 7,478,058	$ 6,798,690	$ 6,809,733	$ 7,503,616	$ 7,365,400
4,978,948	4,820,894	4,700,287	4,755,163	4,809,262	4,517,594
358,822	324,480	309,983	307,552	286,501	271,222
1,026,181	1,029,857	1,008,047	1,001,921	1,037,740	1,020,793
451,420	396,040	403,369	425,665	575,251	565,583
(204)	2,072	4,847	40,112	75,998	80,472
422,722	402,172	406,971	498,044	366,080	422,605
-	-	-	1,518,000	-	-
-	-	-	(1,518,000)	-	-
(1,122,833)	(1,187,273)	(1,263,325)	(1,051,574)	(1,002,000)	(1,163,529)
14,174,963	13,266,301	12,368,869	12,786,616	13,652,449	13,080,141
20,607	6,286	15,664	8,455	15,460	213,850
1,550	2,709	1,236	795	1,283	3,062
1,122,833	1,187,273	1,262,747	1,052,151	1,002,000	1,163,529
1,144,990	1,196,268	1,279,648	1,061,401	1,018,743	1,380,441
$ 15,319,952	$ 14,462,568	$ 13,648,517	$ 13,848,017	$ 14,671,191	$ 14,460,582
$ 1,237,602	$ 301,937	$ 31,706	$ (222,186)	$ 397,187	$ 191,468
843,276	657,612	(61,008)	(748,227)	(294,045)	402,166
$ 2,080,878	$ 959,549	$ (29,301)	$ (970,414)	$ 103,141	$ 593,636

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

For the Last Ten Fiscal Years

	2016	2015	2014	2013
General Fund (Per GASB 54) (a)				
Nonspendable	$ 49,858	$ 92,916	$ 92,257	$ 90,971
Restricted	339,107	284,480	264,057	239,380
Committed	281,347	280,280	279,693	279,390
Unassigned	(2,392,941)	(2,437,085)	(2,017,849)	(2,343,530)
General Fund (Prior to GASB 54) (a)				
Reserved	-	-	-	-
Unreserved	-	-	-	-
Total General Fund	$ (1,722,629)	$ (1,779,409)	$ (1,381,842)	$ (1,733,789)
All Other Governmental Funds (per GASB 54) (a)				
Nonspendable	$ 1,101,187	$ 1,073,366	$ 1,046,340	$ 976,434
Restricted (d)	969,227	969,802	350,199	233,968
Committed	170,475	169,206	786,334	875,162
Assigned	-	-	-	-
Unassigned	(571,791)	(870,931)	(727,845)	(618,459)
All Other Governmental Funds (prior GASB 54) (a)				
Reserved	-	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total All Other Governmental Funds	$ 1,669,098	$ 1,341,443	$ 1,455,028	$ 1,467,105

(a) Prior to 2011 and the implementation of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* , fund balances were classified as Reserved or Unreserved. Under GASB Statement 54, fund balances are classified as Nonspendable, Restricted, Committed, or Unassigned.

(b) In 2008, the Medical Assistance Trust Fund (a special revenue fund with fund balance of $2.7 million at June 30, 2007) was reclassified to be included in the General Fund. Prior years have not been restated.

(c) In 2007, the Budget Stabilization Fund (a special revenue fund with fund balance of $.6 million at June 30, 2006) was reclassified to be included in the General Fund. Prior years have not been restated.

(d) In 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

(In Thousands)

2012	2011	2010	2009	2008	2007
$ 92,164	$ 158,629				
202,222	166,256				
125,507	16,586				
(2,630,900)	(3,336,276)				
-	-	$ 510,083	$ 409,756	$ 349,825	$ 419,680
-	-	(3,453,386)	(3,121,381)	(2,852,559) (b)	(2,863,822) (c)
$ (2,211,006)	$ (2,994,806)	$ (2,943,303)	$ (2,711,626)	$ (2,502,734)	$ (2,444,142)
$ 962,462	$ 904,327				
275,264	231,609				
771,591	909,973				
-	-				
(705,021)	(706,066)				
-	-	$ 1,834,786	$ 1,648,775	$ 1,730,277	$ 1,619,918
-	-	(177,799)	(302,048)	(232,826)	(158,992) (b)
-	-	80,780	78,222	82,691	62,612
-	-	(904,840)	(867,803)	(888,941)	(718,729)
-	-	247,142	296,675	337,560	301,394
$ 1,304,296	$ 1,339,843	$ 1,080,069	$ 853,821	$ 1,028,761	$ 1,106,203

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

For the Last Ten Fiscal Years

	2016	2015	2014	2013
Revenues:				
Taxes	$ 16,301,218	$ 15,859,742	$ 15,580,509	$ 15,201,494
Intergovernmental	9,374,125	9,515,239	9,295,229	9,224,190
Licenses and Permits	1,974,050	1,909,289	1,924,149	1,892,709
Charges for Goods and Services	325,987	327,870	362,458	378,822
Investment and Interest Income	56,795	49,321	54,596	17,199
Fines and Forfeitures	61,100	59,889	61,985	59,687
Gifts and Donations	21,466	23,467	21,673	22,681
Miscellaneous:				
Intergovernmental Transfer	-	-	-	-
Tobacco Settlement	133,676	126,185	144,893	129,353
Other	285,202	287,865	243,215	289,133
Total Revenues	28,533,619	28,158,866	27,688,707	27,215,268
Expenditures:				
Current Operating:				
Commerce	235,912	270,500	253,864	249,012
Education	6,985,064	7,031,310	6,364,672	6,197,593
Transportation	2,051,770	2,112,307	1,995,816	1,995,910
Environmental Resources	437,121	454,705	475,212	475,755
Human Relations and Resources	13,072,588	12,978,873	12,504,952	12,083,013
General Executive	583,382	586,166	599,063	617,920
Judicial	128,487	126,064	122,509	124,420
Legislative	65,506	64,291	63,995	62,987
Tax Relief and Other General Expenditures:				
Other	1,434,880	1,317,664	1,350,694	1,325,954
Intergovernmental - Shared Revenue	965,324	964,113	960,926	957,061
Debt Service:				
Principal	651,302	610,503	655,551	539,822
Interest and Other Charges	524,639	522,789	531,688	543,778
Capital Outlay	1,149,679	1,273,428	1,127,863	1,028,300
Total Expenditures	28,285,654	28,312,713	27,006,804	26,201,524
Excess of Revenues Over (Under) Expenditures	247,965	(153,847)	681,903	1,013,744
Other Financing Sources (Uses):				
Long-term Debt Issued	840,952	560,458	522,662	629,965
Long-term Debt Issued - Refunding Bonds	222,323	1,065,490	662,340	387,310
Payments for Refunded Bonds	-	(280,790)	(199,715)	-
Payment to Refunding Bond Escrow Agent	(273,679)	(927,779)	(548,286)	(414,970)
Discount on Bonds	-	-	-	-
Premium on Bonds	199,940	246,028	151,087	104,659
Transfers In	1,274,221	1,232,759	1,422,700	1,287,517
Transfers Out	(2,172,472)	(2,322,517)	(2,370,089)	(2,397,765)
Capital Leases Acquisitions	17,488	41,836	21,785	5,711
Installment Purchase Acquisitions	575	409	1,424	1,302
Total Other Financing Sources (Uses)	109,349	(384,105)	(336,092)	(396,270)
Net Change in Fund Balances	$ 357,314	$ (537,952)	$ 345,811	$ 617,474
Debt Service as a Percentage of Noncapital Expenditures	4.3%	4.2%	4.6%	4.3%

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

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

(In Thousands)

2012	2011	2010	2009	2008	2007
$ 14,878,798	$ 14,046,595	$ 13,225,609	$ 13,249,082	$ 14,229,280	$ 13,743,355
9,515,862	10,300,640	10,258,850	8,680,730	6,638,741	6,428,024
1,901,824	1,876,325	1,819,994	1,606,833	1,202,109	1,141,117
320,518	350,162	330,513	316,781	378,769	307,449
52,143	35,969	40,413	70,340	109,850	116,123
59,606	61,716	66,140	66,782	58,430	57,976
19,866	16,878	19,295	19,816	17,447	18,881
-	-	-	-	-	-
131,298	128,592	136,841	306,179	150,165	125,908
292,854	271,657	250,139	238,194	191,087	279,590
27,172,768	27,088,534	26,147,794	24,554,736	22,975,877	22,218,423
280,640	416,201	333,287	301,885	294,650	294,861
6,185,478	6,702,922	6,624,497	6,673,017	6,445,647	6,385,551
1,939,758	2,210,158	2,244,078	2,029,347	1,857,435	1,767,266
425,009	498,620	476,613	503,411	471,737	462,502
12,080,339	11,851,182	11,417,637	10,298,086	8,969,935	8,620,586
755,828	724,037	637,175	559,262	535,493	562,573
125,010	129,386	125,803	126,851	121,720	117,289
63,030	64,777	64,071	63,798	63,964	61,949
1,362,116	1,350,793	1,289,265	1,275,882	1,085,775	955,796
989,906	1,023,532	1,032,162	1,035,050	1,019,275	1,016,313
166,080	187,136	117,568	1,812,219	420,188	407,677
528,484	507,430	487,853	678,052	542,458	493,397
1,117,222	963,772	780,325	775,189	688,598	759,780
26,018,901	26,629,947	25,630,333	26,132,047	22,516,874	21,905,540
1,153,867	458,587	517,462	(1,577,311)	459,003	312,883
575,705	825,903	725,132	2,172,974 (a)	284,979	454,408
849,969	256,481	372,980	-	1,007,120	436,193
(305,887)	(224,373)	(349,907)	-	-	-
(693,061)	(69,960)	-	-	(944,850)	(472,849)
-	(144)	(932)	(371)	(4,377)	-
222,536	91,246	63,317	28,843	15,515	48,898
737,360	1,280,954	850,773	1,157,010	1,003,771	1,026,728
(1,863,467)	(2,482,937)	(2,095,926)	(2,196,922)	(2,007,375)	(2,192,666)
9,592	16,483	10,044	20,077	8,529	12,712
113	308	1,428	671	770	653
(467,140)	(306,039)	(423,092)	1,182,281	(635,918)	(685,924)
$ 686,726	$ 152,548	$ 94,370	$ (395,029)	$ (176,915)	$ (373,041)
2.8%	2.7%	2.4%	9.8%	4.4%	4.3%

Personal Income by Industry

For the Last Ten Calendar Years (In Millions)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Personal Income by Source:										
Farm Earnings	$ 2,632	$ 3,788	$ 3,363	$ 2,575	$ 2,983	$ 1,989	$ 998	$ 1,894	$ 2,067	$ 1,386
Forestry, Fishing, Related Activities	615	651	518	432	476	331	368	360	343	328
Mining	349	366	331	305	209	182	243	272	228	247
Utilities	1,759	1,649	1,749	1,626	1,500	1,458	1,339	1,298	1,193	1,206
Construction	11,032	10,097	9,589	8,604	8,475	8,266	8,167	9,698	10,193	10,292
Manufacturing	34,425	34,244	33,750	33,329	31,672	30,283	28,733	32,125	31,234	31,069
Wholesale Trade	10,108	9,792	9,485	9,099	8,675	8,284	8,131	8,645	8,459	8,198
Retail Trade	11,383	11,070	10,514	10,250	10,023	9,742	9,386	9,731	9,947	9,861
Transportation and Warehousing	6,517	6,132	6,099	6,015	5,544	5,268	5,565	5,867	5,838	5,718
Information	4,271	4,142	3,892	3,719	3,431	3,272	3,480	3,585	3,417	3,166
Finance and Insurance	11,603	11,286	11,278	10,985	10,996	10,316	9,602	9,640	9,761	9,813
Real Estate and Rental and Leasing	2,756	1,983	1,741	1,675	1,564	1,415	1,501	1,542	1,524	1,768
Professional and Technical Services	11,016	10,334	10,094	9,658	9,282	8,907	9,042	9,356	8,785	8,247
Management of Companies and Enterprises	7,119	6,532	6,260	5,707	5,235	4,851	4,424	4,392	4,456	4,237
Administrative and Waste Services	5,959	5,883	5,704	5,375	5,158	4,795	4,211	4,734	4,631	4,311
Educational Services	2,683	2,636	2,570	2,499	2,369	2,229	2,106	2,015	1,885	1,754
Health Care and Social Assistance	23,312	22,425	22,489	21,426	20,805	20,111	19,712	19,060	17,905	17,166
Arts, Entertainment, and Recreation	1,655	1,574	1,436	1,387	1,419	1,355	1,289	1,346	1,301	1,233
Accommodations and Food Services	5,001	4,706	4,609	4,468	4,141	4,092	3,748	3,825	3,943	3,829
Other Services, except Public Administration	6,610	6,476	6,246	6,070	5,968	5,694	5,554	5,660	5,626	5,562
Federal, Civilian	2,633	2,530	2,413	2,478	2,746	2,741	2,604	2,522	2,442	2,401
Military	526	574	606	607	807	856	886	801	708	706
State and Local	25,285	25,233	23,383	23,496	20,711	19,783	19,607	19,143	18,265	18,230
Other (a)	75,739	72,595	69,672	69,418	61,853	61,046	60,782	55,867	52,228	47,828
Total Personal Income	$ 264,988	$ 256,698	$ 247,791	$ 241,203	$ 226,042	$ 217,265	$ 211,478	$ 213,379	$ 206,380	$ 198,556
Per Capita Personal Income (in Dollars)	$ 45,914	$ 44,585	$ 43,149	$ 42,121	$ 39,575	$ 38,177	$ 37,398	$ 37,916	$ 36,843	$ 35,637

(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: Single or Head of Household	Married Filing Jointly	Married Filing Separately	Average Tax Rate (a)
2016	7.65 %	$ 244,750	$ 326,330	$ 163,170	(b) %
2015	7.65 %	244,270	325,700	162,850	(b)
2014	7.65	240,190	320,250	160,130	(b)
2013	7.75	236,600	315,460	157,730	4.36
2012	7.75	232,660	310,210	155,110	4.61
2011	7.75	224,210	298,940	149,470	4.54
2010	7.75	221,660	295,550	147,770	4.48
2009	6.75	153,280	204,370	102,190	4.45
2008	6.75	145,460	193,950	96,980	4.43
2007	6.75	142,650	190,210	95,100	4.47

(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 2014[a] and Ten Years Prior

2014

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	5,010	0.20 %	$ 831,980,590	12.17 %	5.66 %
$500,000 to 999,999	10,430	0.30	431,528,820	6.31	6.16
$200,000 to 499,999	60,890	2.00	972,583,900	14.23	5.58
$100,000 to 199,999	284,930	9.50	1,853,167,820	27.11	4.94
$70,000 to 99,999	306,970	10.30	1,142,406,940	16.71	4.45
$50,000 to 69,999	323,180	10.80	754,550,050	11.04	3.94
$30,000 to 49,999	522,930	17.50	636,956,880	9.32	3.11
$10,000 to 29,999	742,660	24.80	202,068,210	2.96	1.39
Less than $10,000	736,520	24.60	11,441,280	0.17	0.90
Total	2,993,520	100.00 %	$ 6,836,684,490	100.00 %	4.33 %

2004

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Net Income Tax Rate (b)
$1,000,000 and Higher	2,348	0.09 %	$ 407,398,070	7.85 %	6.40 %
$500,000 to 999,999	5,289	0.19	223,703,253	4.31	6.26
$200,000 to 499,999	29,446	1.08	508,824,259	9.81	5.97
$100,000 to 199,999	153,016	5.61	1,043,127,159	20.10	5.31
$70,000 to 99,999	269,996	9.89	1,077,998,340	20.78	4.83
$50,000 to 69,999	334,864	12.27	874,257,132	16.85	4.39
$30,000 to 49,999	490,765	17.98	740,825,185	14.28	3.84
$10,000 to 29,999	747,504	27.39	303,670,439	5.85	2.09
Less than $10,000	696,153	25.51	9,061,954	0.17	0.44
Total	2,729,381	100.00 %	$ 5,188,865,791	100.00 %	4.47 %

(a) Information from tax year 2014 is the most current data available.

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

Source: Wisconsin Department of Revenue

Ratio of Outstanding Debt by Type

For the Last Ten Fiscal Years (In Thousands, except for Per Capita Calculation)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 (a)
Governmental Activities:										
General Obligation Bonds and Notes	$ 6,054,989	$ 5,850,298	$ 5,653,151	$ 5,841,630	$ 5,708,860	$ 5,337,914	$ 4,779,727	$ 4,244,746	$ 4,080,880	$ 4,066,286
Annual Appropriation Bonds (b)	3,032,415	3,112,148	3,175,789	3,256,447	3,298,422	3,331,570	3,357,795	3,378,300	1,850,802	1,792,686
Transportation Revenue Bonds	2,215,104	2,167,294	2,194,092	1,963,177	1,914,824	1,796,522	1,671,255	1,591,971	1,485,849	1,566,842
Petroleum Inspection Revenue Bonds	41,679	69,128	95,966	121,636	124,381	127,133	129,878	89,373	111,142	132,189
Badger Tobacco Asset Securitization Corporation Bonds	-	-	-	-	-	-	-	-	1,388,778	1,436,063
Capital Leases	111,000	99,271	51,732	24,038	33,831	40,718	31,572	32,263	37,830	41,208
Installment Contracts	472	898	1,826	984	113	265	729	475	316	451
Business-type Activities:										
General Obligation Bonds and Notes	1,605,781	1,599,171	1,607,702	1,650,362	1,569,878	1,392,358	1,235,410	1,117,248	1,154,594	1,122,337
Environmental Improvement Revenue Bonds	759,488	758,716	826,422	873,355	873,650	936,960	882,167	829,269	797,979	746,181
Capital Leases	34,265	37,209	43,100	20,292	26,548	31,607	34,839	110,110	116,439	121,183
Total Primary Government	$ 13,855,193	$ 13,694,133	$ 13,649,780	$ 13,751,921	$ 13,550,507	$ 12,995,047	$ 12,123,372	$ 11,393,755	$ 11,024,609	$ 11,025,426
Percentage of Personal Income (c)	5.23%	5.33%	5.51%	5.70%	5.99%	5.98%	5.79%	5.29%	5.33%	5.55%
Per Capita	$2,401	$2,378	$2,377	$2,401	$2,372	$2,283	$2,139	$2,020	$1,965	$1,977

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

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

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

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

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

For the Last Ten Fiscal Years

	2016	2015	2014	2013
General Obligation Bonds and Notes:				
Payable from Governmental Funds	$ 5,905,219	$ 5,689,648	$ 5,481,976	$ 5,664,981 $
Payable from Internal Service Funds	149,770	160,650	171,175	176,649
Payable from Enterprise Funds	1,605,781	1,599,171	1,607,702	1,650,362
Total General Obligation Bonds and Notes	7,660,770	7,449,469	7,260,853	7,491,992
Annual Appropriation Bonds (b)	3,032,415	3,112,148	3,175,789	3,256,447
Bonded Debt to be Paid with General Resources	$ 10,693,185	$ 10,561,617	$ 10,436,642	$ 10,748,439 $
Personal Income	$ 264,987,588	$ 256,699,203	$ 247,790,332	$ 241,201,961 $
Ratio of Bonded Debt to Personal Income (c)	4.0%	4.1%	4.2%	4.5%
Population	5,771	5,758	5,743	5,726
Bonded Debt per Capita (in Dollars) (c)	$ 1,853	$ 1,834	$ 1,817	$ 1,877 $

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

(b) 2003 Wisconsin Acts 33 and 84 were enacted and authorized the issuance of appropriation obligations to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability under Wis. Stat. Section 40.05(2)(b) and its unfunded accrued liability for sick leave conversion credits under Wis. Stat. Section 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40. 2007 Wisconsin Act 226 authorized the issuance of additional appropriation obligations for the purpose of purchasing tobacco settlement revenues that had been sold by the State under s. 16.63 of Wisconsin statutes. Appropriation bonds are not general obligations of the State, and do not constitute "public debt" of the State as that term is used in the Constitution and in the State Statutes. The payment of the principal of, and premium, if any, and interest on the bonds is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service on the Bonds.

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

SOURCES OF INFORMATION:
U.S. Department of Commerce, Bureau of Census
U.S. Department of Commerce, Bureau of Economic Analysis
Wisconsin Department of Administration
Wisconsin Department of Revenue

Schedule C-2

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

2012		2011		2010		2009		2008		2007 (a)
5,540,586	$	5,182,769	$	4,628,075	$	4,091,223	$	3,921,719	$	3,907,010
168,274		155,145		151,652		153,523		159,161		159,276
1,569,878		1,392,358		1,235,410		1,117,248		1,154,594		1,122,337
7,278,738		6,730,272		6,015,137		5,361,994		5,235,474		5,188,623
3,298,422		3,331,570		3,357,795		3,378,300		1,850,802		1,792,686
10,577,160	$	10,061,842	$	9,372,932	$	8,740,294	$	7,086,276	$	6,981,309
226,042,141	$	217,265,390	$	209,347,374	$	215,207,301	$	206,647,824	$	198,556,011
4.7%		4.6%		4.5%		4.1%		3.4%		3.5%
5,712		5,691		5,669		5,641		5,611		5,578
1,852	$	1,768	$	1,653	$	1,549	$	1,263	$	1,252

Legal Debt Margin

For the Last Ten Calendar Years (In Thousands)

Calendar Year	Annual Debt Limit	Total Net Debt Applicable to Limit (a)	Legal Debt Margin	Legal Debt Margin as a Percentage of Debt Limit
2016 (b)	$ 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
2012	3,533,194	735,585	2,797,609	79.2
2011	3,651,482	758,000	2,893,482	79.2
2010	3,719,281	809,293	2,909,988	78.2
2009	3,839,340	542,765	3,296,575	85.9
2008	3,857,955	493,635	3,364,320	87.2
2007	3,734,403	483,280	3,251,123	87.1

Calculation of Annual Public Debt Limit for 2016:

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	$ 3,788,432
or	
(2) Five percent of aggregate value of taxable property	$ 25,256,216
Less: Net indebtedness at January 1	8,238,759
	$ 17,017,457
The lesser of (1) or (2) is:	$ 3,788,432

(a) Consists of bonds and notes issued less refundings.
(b) Debt issued through October 21, 2016.

SOURCE: Wisconsin Department of Administration

Department of Transportation Revenue Bond Coverage

For the Last Ten Fiscal Years (In Thousands)

				Debt Service			Pledged
Year	**Gross Revenues** (a)	**Operating Expenses** (b)	**Net Revenues**	**Principal**	**Interest**	**Total Debt Service**	**Revenue Coverage**
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
2012	634,334	44	634,290	81,200	84,623	165,823	3.83
2011	603,768	39	603,729	77,195	79,500	156,695	3.85
2010	610,471	66	610,405	79,395	73,018	152,413	4.00
2009	603,548	68	603,480	80,395	70,787	151,182	3.99
2008	544,739	89	544,650	75,065	68,173	143,238	3.80
2007	458,077	78	457,999	71,640	68,460	140,100	3.27

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, $1,989.8 million outstanding at June 30, 2015, 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	Debt Service: Principal	Debt Service: Interest	Debt Service: Total Debt Service	Pledged Revenue Coverage
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
2012	100,912	1,321	99,591	58,170	39,522	97,692	1.02
2011	117,325	2,163	115,162	70,690	41,783	112,473	1.02
2010	110,429	1,603	108,826	66,865	39,387	106,252	1.02
2009	106,305	2,346	103,959	60,730	39,282	100,012	1.04
2008	99,761	2,515	97,246	53,810	36,439	90,249	1.08
2007	98,288	2,416	95,872	47,085	36,163	83,248	1.15

(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: Principal	Debt Service: Interest	Debt Service: Total Debt Service	Pledged Revenue Coverage
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	0	5,749	5,749	12.51
2012	74,328	0	5,770	5,770	12.88
2011	73,809	0	6,985	6,985	10.57
2010	72,540	22,350	2,632	24,982	2.90
2009	73,359	21,280	6,898	28,178	2.60
2008	76,558	20,270	10,086	30,356	2.52
2007 (b)	75,361	19,775	12,722	32,497	2.32

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

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

Demographic and Economic Statistics

For the Last Ten Years

Calendar Year	Population (In Thousands)	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate (a)	Public School Enrollment (b)
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
2011	5,712	226,042,141	39,575	7.5	816,667
2010	5,691	217,265,390	38,177	8.3	822,086
2009	5,669	209,347,374	36,927	8.7	825,382
2008	5,641	215,207,301	38,151	4.9	830,433
2007	5,611	206,647,824	36,831	4.8	836,860
2006	5,578	198,556,011	35,598	4.7	842,879

(a) Not seasonally adjusted

(b) Data is based on school year for Kindergarten through Grade 12. For example, for the calendar year 2015 the school year is 2015-2016.

Calendar year information is not yet available for 2016.

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

Principal Employers

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

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

SOURCE: Wisconsin Department of Workforce Development

Full Time Equivalent State Government Employees by Function/Program

For the Last Ten Fiscal Years

Functions/Programs	2016	2015	2014	2013	2012
Commerce	1,233	1,235	1,247	1,241	1,244
Education					
University of Wisconsin System	32,815	33,777	33,489	33,117	32,617
Other Education	836	852	836	830	807
Transportation	3,257	3,329	3,335	3,122	3,156
Environmental Resources	2,242	2,311	2,428	2,366	2,294
Human Relations and Resources	19,620	20,310	20,555	20,138	19,798
General Executive	3,093	3,015	2,947	2,897	2,874
Judicial	824	823	826	826	825
Legislative	746	715	695	717	704
Totals	64,666	66,367	66,359	65,254	64,319
Percentage Change	-2.56%	0.01%	1.69%	1.45%	0.24%

Totals exclude limited term employees.

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

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

2011	2010	2009	2008	2007	Change from 2007 to 2016
1,375	1,397	1,424	1,467	1,468	-15.98%
32,882	32,205	31,552	30,982	30,668	7.00%
838	859	859	880	872	-4.15%
2,942	3,174	3,238	3,315	3,350	-2.76%
2,275	2,470	2,470	2,581	2,586	-13.31%
19,541	20,163	20,191	19,972	19,656	-0.18%
2,774	2,877	2,935	2,953	2,990	3.46%
832	808	804	802	784	5.04%
710	726	734	717	732	1.88%
64,168	64,679	64,206	63,670	63,106	2.47%
-0.79%	0.74%	0.84%	0.89%	0.87%	

Operating Indicators by Function

For the Last Ten Fiscal Years

	2016	2015	2014	2013
Commerce				
Agriculture				
Farm Inspections (Calendar Year)	(a)	11,627	11,922	12,554
State Fair Park				
State Fair Attendance (Calendar Year)	1,015,815	1,033,053	1,030,881	1,012,552
Education				
Historical Society				
Visitors to Historic Sites and State Museum	268,442	259,427	259,307	248,166
Public Instruction				
Licensed School Staff	59,654	59,686	59,512	65,608
Ratio of Students to Licensed Staff	13.1	13.0	13.2	13.3
State's Share of Spending per Student	(a)	$5,960	$5,756	$5,615
University of Wisconsin System				
Enrollment (Full Time Equivalent)	150,832	152,773	153,252	154,843
Number of Degrees Conferred	(a)	(a)	36,009	36,323
Technical College System				
Enrollment (Degree/Career Programs)	(a)	169,391	178,969	187,750
Number of Degrees Granted	(a)	28,318	26,896	27,394
Transportation				
Motor Vehicle Registrations (Calendar Year)	(a)	5,819,875	5,695,648	5,585,489
Licensed Drivers (Calendar Year)	(a)	4,206,700	4,194,760	4,188,194
Environmental Resources				
Natural Resources				
Park Visitors (Calendar Year) (Excludes Lakeshore Park)	(a)	15,520,904	15,133,691	15,110,701
Annual Park Admission Stickers (Calendar Year)	(a)	678,720	665,412	664,191
Fishing and Hunting Licenses (License Year)	(a)	4,664,186	4,585,499	4,664,186
State Hatchery Fish Stocked	(a)	27,553,825	7,667,190	7,057,107
Human Relations and Resources				
Corrections (Average Daily Population)				
Adults in Correctional Facilities	22,842	22,461	22,405	22,396
Juveniles in Detention Facilities	241	282	251	252
Health Services				
Medicaid Caseload (Average Monthly)	1,193,050	1,190,762	1,160,807	1,165,699
Clients in Care and Treatment Centers (Daily Average	1,605	1,610	1,563	1,561
FoodShare Recipients (Average Monthly)	806,183	820,010	847,905	852,810
Children and Families (Calendar Year)				
Wisconsin Works (W-2) Participants	25,386	32,207	34,034	31,647
Workforce Development				
Unemployment Insurance Initial Claims	396,102	454,652	578,439	702,828
Unemployment Insurance Benefits (In Thousands)	$519,417	$631,631	$956,741	$1,400,524
Military Affairs				
National Guard Assigned Strength	9,712	9,756	9,825	9,886
Veterans Affairs (Calendar Year)				
Residents of Veterans Homes	946	962	964	915
General Executive				
Administration				
Construction Projects Initiated (Calendar Year)	252	417	645	812
State Patrol Troopers/Inspectors (Authorized)	377/112	377/112	377/112	377/112
State Patrol Citations Issued (Calendar Year)	115,231	113,669	113,997	136,410
Employee Trust Funds (Calendar Year)				
Active Employees in Pension Plan	(a)	73,036	73,893	73,091
Active Employees in Group Health Plan	(a)	68,964	70,219	69,772

(a) Information is currently not available.

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies

2012	2011	2010	2009	2008	2007
13,115	19,853	20,835	21,446	21,331	21,134
920,962	911,231	876,020	833,285	872,458	801,420
262,441	230,001	240,723	248,689	242,121	244,783
65,446	67,077	68,036	68,681	67,939	68,071
13.3	13.0	12.8	12.7	12.9	12.9
$5,553	$6,050	$5,742	$5,533	$6,018	$5,985
155,163	156,039	153,193	149,493	147,955	144,814
35,708	34,608	33,442	33,044	32,475	32,057
194,623	200,271	199,752	185,878	178,447	177,126
28,167	27,837	26,310	24,121	23,617	24,054
5,569,097	5,526,798	5,482,518	5,539,105	5,402,565	5,455,985
4,171,428	4,142,823	4,114,622	4,085,833	4,079,562	4,075,764
15,480,894	14,176,871	14,469,998	14,435,928	13,291,541	13,063,165
596,223	629,439	677,938	579,125	571,844	517,445
4,699,572	4,633,559	4,736,620	4,786,631	4,648,467	3,183,074
7,600,000	12,000,000	8,723,781	12,409,996	7,720,740	18,209,232
22,351	22,491	23,015	23,162	23,341	23,094
315	349	466	563	587	581
1,175,346	1,158,284	1,094,058	952,175	873,229	849,630
1,532	1,501	1,571	1,639	1,681	1,762
830,559	785,300	681,826	507,228	408,360	379,046
31,982	32,402	27,835	20,904	19,030	19,289
802,736	949,796	1,209,972	1,206,008	668,665	630,013
$1,798,590	$2,415,151	$3,131,688	$2,093,627	$939,832	$803,753
9,825	9,717	10,180	9,944	9,979	10,035
851	1,032	1,040	891	870	921
874	723	787	846	960	817
382/112	382/112	382/112	382/112	382/112	382/112
141,728	136,671	141,490	146,835	142,363	150,053
72,269	70,391	72,740	72,415	72,165	71,162
69,650	70,656	72,313	71,924	71,925	70,119

Capital Asset Statistics by Function

For the Last Ten Fiscal Years

	2016	2015	2014	2013
Commerce				
State Fair Park				
Number of Buildings	41	40	40	40
Acres of Land	188	188	188	190
Education				
Educational Communications Board				
Communication Tower Sites	17	17	17	17
Historical Society				
Historic Sites Operated by the Historical Society	10	10	10	9
Public Instruction				
Residential Schools	2	2	2	2
University of Wisconsin System				
Number of Campuses	26	26	26	26
Technical College System				
Number of Districts and Campuses	16 and 49	16 and 49	16 and 52	16 and 49
Transportation				
Miles of State Highways	11,766	11,800	11,800	11,800
Environmental Resources				
Natural Resources				
Number of State Parks and Recreational Areas	66	66	66	66
Acres of State Parks and Recreational Areas	102,254	102,254	102,254	102,043
Number of State Forests	10	10	14	14
Acres of State Forests	526,947	526,947	526,947	526,947
Number of State Trails	41	41	41	41
Miles of State Trails	2,009	2,002	1,998	1,998
Number of Fish Hatcheries	17	17	14	14
Human Relations and Resources				
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	72	71	69	69
Flight Centers	2	3	3	3
Veterans Affairs				
Number of Veterans Homes	3	3	3	3
General Executive				
Administration				
Number of DOA Owned Buildings	26	26	26	26
Number of General Fleet Vehicles (All Agencies)	6,493	6,279	6,069	5,702
Number of Aircraft	20	20	20	20
Public Lands				
Acres of Land	75,902	76,263	76,663	75,322

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies

2012	2011	2010	2009	2008	2007
39	39	39	42	41	41
191	191	191	191	188	188
17	16	16	19	19	19
9	9	9	9	9	9
2	2	2	2	2	2
26	26	26	26	26	26
16 and 49	16 and 49	16 and 48	16 and 47	16 and 47	16 and 47
11,800	11,774	11,774	11,774	11,783	11,782
55	55	54	54	54	50
93,925	85,424	85,045	85,001	85,001	83,582
14	12	12	12	12	13
519,620	518,650	508,734	506,727	506,727	506,727
41	41	42	42	42	35
1,980	1,980	1,908	1,898	1,762	1,104
14	14	14	14	13	13
19	19	19	19	19	19
16	16	16	16	16	16
2	3	4	4	4	4
7	7	7	7	7	7
69	67	69	69	77	76
3	3	3	3	3	3
2	2	2	2	2	2
26	26	26	26	26	24
5,706	5,777	5,762	6,087	6,202	6,285
20	20	19	19	19	19
74,907	76,508	76,292	78,000	75,700	76,200

Local Government Property Insurance Fund
Ten-Year Claims Development Information

Fiscal and Policy Year Ended June 30 (In Thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Premium and investment revenues:										
Earned	$ 24,732	$ 23,929	$ 22,644	$ 21,919	$ 21,179	$ 21,370	$ 23,898	$ 26,238	$ 26,966	$ 12,698
Ceded	3,956	4,739	4,689	5,207	5,532	6,394	7,091	8,191	9,716	7,790
Net Earned	20,776	19,190	17,955	16,712	15,647	14,976	16,807	18,047	17,250	4,908
2. Loss expenses	404	182	247	408	440	554	536	2,123	736	389
3. Estimated incurred claims and allocated expense, end of policy year										
Direct incurred	22,226	22,037	11,372	12,113	42,174	20,301	14,356	65,223	35,244	5,824
Ceded	5,966	621	0	0	17,115	974	0	35,555	13,321	0
Net Incurred	16,260	21,416	11,372	12,113	25,059	19,327	14,356	29,668	21,923	5,824
4. Paid (cumulative) as of:										
End of policy year	7,855	9,917	6,896	6,228	11,426	8,959	7,508	17,757	10,485	2,159
One year later	16,387	19,416	11,137	13,033	21,646	17,836	13,378	27,662	15,178	
Two years later	16,619	21,353	11,500	13,872	23,309	19,602	14,494	28,410		
Three years later	16,740	21,392	11,514	13,885	24,454	20,085	14,828			
Four years later	16,740	21,403	11,514	13,885	23,795	20,085				
Five years later	16,740	22,123	11,514	13,885	23,795					
Six years later	16,740	22,123	11,514	13,885						
Seven years later	16,740	22,123	11,514							
Eight years later	16,740	22,123								
Nine years later	16,740									

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
5. Reestimated ceded losses and expenses	$ 5,858	$ 0	$ 0	$ 0	$ 18,539	$ 2,004	$ 4,517	$ 38,942	$ 12,976	$ 0
6. Reestimated incurred claims and expense:										
End of policy year	16,260	21,416	11,372	12,113	23,963	19,327	14,356	29,668	21,923	5,824
One year later	16,923	21,561	11,489	13,871	23,258	19,543	14,653	28,294	17,528	
Two years later	16,619	21,392	11,500	13,872	23,719	19,860	14,791	28,688		
Three years later	16,740	21,392	11,514	13,885	24,454	20,085	14,828			
Four years later	16,740	22,428	11,514	13,885	23,795	20,085				
Five years later	16,740	22,123	11,514	13,885	23,795					
Six years later	16,740	22,123	11,514	13,885						
Seven years later	16,740	22,123	11,514							
Eight years later	16,740	22,123								
Nine years later	16,740									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	480	707	142	1,772	(168)	758	472	(980)	(4,665)	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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Net earned required contributions and investment revenues	$ 24.4	$ 20.5	$ (9.1)	$ 28.8	$ 25.0	$ 16.6	$ 25.0	$ 25.7	$ 20.5	$ 16.3
2. Unallocated expenses	2.4	2.4	2.4	1.8	2.0	2.3	1.9	2.0	5.7	1.8
3. Estimated incurred claims as of the end of the policy year	29.1	27.4	22.4	33.4	34.3	42.4	33.4	36.0	20.5	22.8
4. Paid (cumulative) as of:										
End of policy year	4.4	2.5	5.1	5.5	6.0	6.7	5.9	6.4	5.9	6.6
One year later	9.3	6.8	9.2	9.7	11.0	11.9	11.0	11.8	11.9	
Two years later	10.4	7.8	10.0	10.8	12.2	12.8	12.3	13.8		
Three years later	11.2	8.6	10.6	11.7	13.3	13.6	13.8			
Four years later	11.7	9.3	11.1	12.6	14.2	14.3				
Five years later	12.2	10.0	11.6	13.3	15.3					
Six years later	12.7	10.6	12.1	14.2						
Seven years later	13.2	11.3	12.6							
Eight years later	13.7	12.0								
Nine years later	14.3									
5. Reestimated incurred claims:										
End of policy year	29.1	27.4	22.4	33.4	34.3	42.4	33.4	36.0	20.5	22.8
One year later	16.7	22.5	15.8	17.5	23.0	22.3	23.1	22.6	20.4	
Two years later	17.8	13.4	15.3	17.5	20.1	20.0	20.9	24.0		
Three years later	16.8	13.9	14.7	17.7	20.1	19.5	20.9			
Four years later	16.0	13.9	14.5	18.5	21.2	19.5				
Five years later	16.1	14.3	14.7	18.8	22.5					
Six years later	16.6	15.1	15.3	19.1						
Seven years later	16.9	15.7	15.3							
Eight years later	17.1	16.2								
Nine years later	17.3									
6. Increase (decrease) in estimated incurred claims from end of policy year	(11.8)	(11.2)	(7.1)	(14.3)	(11.8)	(22.9)	(12.5)	12.0	(0.1)	0.0

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

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

SOURCE: Wisconsin Department of Employee Trust Funds

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

Calendar and Policy Year Ended December 31 (In Millions)

		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.	Net earned required contributions and investment revenues	$ 47.3	$ 27.8	$ (88.3)	$ 49.3	$ 29.8	$ 3.0	$ 29.9	$ 28.2	$ 54.2	$ 41.7
2.	Unallocated expenses	1.1	1.4	1.3	2.2	2.0	2.1	2.4	2.3	13.8	3.6
3.	Estimated incurred claims as of the end of the policy year	34.6	48.3	31.1	50.2	54.2	43.5	52.0	50.6	47.0	44.4
4.	Paid (cumulative) as of:										
	End of policy year	1.1	1.4	1.1	1.7	1.9	1.9	2.5	2.2	2.1	2.1
	One year later	3.5	5.8	5.7	7.0	7.6	8.6	10.3	10.1	11.2	
	Two years later	6.8	9.4	9.4	11.3	12.5	14.2	17.3	18.8		
	Three years later	9.9	12.6	12.7	15.2	16.9	19.4	25.5			
	Four years later	12.7	15.5	15.7	18.7	21.0	25.5				
	Five years later	15.2	18.2	18.5	22.0	25.9					
	Six years later	17.4	20.8	21.2	26.0						
	Seven years later	19.5	23.2	24.4							
	Eight years later	21.6	26.2								
	Nine years later	24.1									
5.	Reestimated incurred claims:										
	End of policy year	34.6	48.3	31.1	50.2	54.2	43.5	52.0	50.6	47.6	44.4
	One year later	26.2	25.6	26.9	32.3	35.8	41.4	48.3	52.7	51.1	
	Two years later	29.5	29.9	29.5	35.0	39.6	44.5	57.5	62.6		
	Three years later	27.1	31.0	31.8	36.6	41.3	50.4	64.4			
	Four years later	28.3	33.7	32.7	38.0	46.3	55.3				
	Five years later	30.5	34.9	33.4	41.9	49.9					
	Six years later	30.9	36.3	36.7	44.9						
	Seven years later	31.9	39.0	39.4							
	Eight years later	34.7	41.8								
	Nine years later	36.5									
6.	Increase (decrease) in estimated incurred claims from end of policy year	1.9	(6.5)	8.3	(5.3)	(4.3)	11.8	12.4	12.0	4.4	0.0

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

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

SOURCE: Wisconsin Department of Employee Trust Funds

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

Calendar and Policy Year Ended December 31 (In Millions)

	2006 (a)	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Net earned required contributions and investment revenues	$ 82.9	$ 42.1	$ 22.5	$ 41.5	$ 36.6	$ 27.9	$ 33.1	$ 29.9	$ 26.0	$ 17.6
2. Unallocated expenses	4.9	3.4	5.3	5.0	5.4	6.2	5.5	5.2	7.0	5.2
3. Estimated incurred claims as of the end of the policy year	60.1	23.7	30.5	25.9	24.0	21.4	17.7	16.9	17.7	14.9
4. Paid (cumulative) as of:										
End of policy year	51.8	20.3	25.7	21.6	20.5	18.7	15.1	14.6	15.4	13.0
One year later	58.3	23.5	28.3	23.4	22.6	20.7	17.2	16.0	16.7	
Two years later	58.2	23.5	28.2	23.5	22.6	20.7	17.1	16.0		
Three years later	58.2	23.5	28.2	23.5	22.6	20.7	17.1			
Four years later	58.2	23.5	28.2	23.5	22.6	20.7				
Five years later	58.2	23.5	28.2	23.5	22.6					
Six years later	58.2	23.5	28.2	23.5						
Seven years later	58.2	23.5	28.2							
Eight years later	58.2	23.5								
Nine years later	58.2									
5. Reestimated incurred claims:										
End of policy year	60.1	23.7	30.5	25.9	24.0	21.4	17.7	16.9	17.7	14.9
One year later	58.4	23.6	28.3	23.5	22.6	20.7	17.2	16.0	16.7	
Two years later	58.2	23.5	28.2	23.5	22.6	20.7	17.1	16.0		
Three years later	58.2	23.5	28.2	23.5	22.6	20.7	17.1			
Four years later	58.2	23.5	28.2	23.5	22.6	20.7				
Five years later	58.2	23.5	28.2	23.5	22.6					
Six years later	58.2	23.5	28.2	23.5						
Seven years later	58.2	23.5	28.2							
Eight years later	58.2	23.5								
Nine years later	58.2									
6. Increase (decrease) in estimated incurred claims from end of policy year	(1.9)	(0.2)	(2.3)	(2.4)	(1.4)	(0.7)	(0.6)	(0.9)	(1.0)	0.0

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

(1) This line shows the total of each calendar year's earned contribution and investment revenues.

(2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.

(3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

(4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.

(5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

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

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

SOURCE: Wisconsin Department of Employee Trust Funds

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

Calendar and Policy Year Ended December 31 (In Millions)

	2006 (a)	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Net earned required contributions and investment revenues	$ 164.7	$ 170.0	$ 138.8	$ 155.5	$ 178.9	$ 169.9	$ 153.7	$ 159.6	$ 157.7	$ 166.5
2. Unallocated expenses	7.4	8.4	8.8	6.4	8.7	6.4	8.0	4.4	6.0	6.0
3. Estimated incurred claims as of the end of the policy year	110.1	116.9	124.0	134.8	148.4	144.6	141.3	149.0	163.5	162.6
4. Paid (cumulative) as of:										
End of policy year	116.8	118.0	126.3	139.1	155.8	150.7	148.3	156.6	173.4	182.1
One year later	111.0	119.4	123.9	134.1	147.3	145.1	141.2	148.3	163.5	
Two years later	111.0	119.4	123.9	134.1	147.3	145.1	141.2	148.3		
Three years later	111.0	119.4	123.9	134.1	147.3	145.1	141.2			
Four years later	111.0	119.4	123.9	134.1	147.3	145.1				
Five years later	111.0	119.4	123.9	134.1	147.3					
Six years later	111.0	119.4	123.9	134.1						
Seven years later	111.0	119.4	123.9							
Eight years later	111.0	119.4								
Nine years later	111.0									
5. Reestimated incurred claims:										
End of policy year	110.1	116.9	124.0	134.8	148.4	144.6	141.3	149.0	163.5	162.6
One year later	111.0	119.4	123.9	134.1	147.3	145.1	141.2	148.3	163.5	
Two years later	111.0	119.4	123.9	134.1	147.3	145.1	141.2	148.3		
Three years later	111.0	119.4	123.9	134.1	147.3	145.1	141.2			
Four years later	111.0	119.4	123.9	134.1	147.3	145.1				
Five years later	111.0	119.4	123.9	134.1	147.3					
Six years later	111.0	119.4	123.9	134.1						
Seven years later	111.0	119.4	123.9							
Eight years later	111.0	119.4								
Nine years later	111.0									
6. Increase (decrease) in estimated incurred claims from end of policy year	0.9	2.5	(0.1)	(0.7)	(1.1)	0.5	(0.1)	(0.7)	0.0	0.0

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

(1) This line shows the total of each calendar year's earned contribution and investment revenues.

(2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.

(3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

(4) This section shows the cumulative amounts paid as of the end of successive years for each policy year. Paid claims include payments expected to be reimbursed as rebate payments from participating pharmaceutical companies.

(5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Incurred claims are presented net of anticipated rebates.

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

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

SOURCE: Wisconsin Department of Employee Trust Funds

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