STATE OF WISCONSIN
CONTINUING DISCLOSURE
ANNUAL REPORT

FILED PURSUANT TO UNDERTAKINGS PROVIDED TO PERMIT COMPLIANCE WITH SECURITIES EXCHANGE COMMISSION RULE 15C2-12

GENERAL OBLIGATIONS
(Base CUSIPs 977055, 977056, 97705L, and 97705M)

MASTER LEASE CERTIFICATES OF PARTICIPATION
(Base CUSIP 977087)

TRANSPORTATION REVENUE OBLIGATIONS
(Base CUSIP 977123)

CLEAN WATER REVENUE BONDS
(Base CUSIP 977092)

ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS
(Base CUSIP 97709T)

PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS
(Base CUSIP 977109)

GENERAL FUND ANNUAL APPROPRIATION BONDS
(Base CUSIP 977100)

DECEMBER 23, 2016

WISCONSIN DEPARTMENT OF ADMINISTRATION

SCOTT WALKER
GOVERNOR

SCOTT A. NEITZEL
SECRETARY

Division of Executive Budget and Finance
Capital Finance Office
Post Office Box 7864
Madison, WI 53707-7864

TTY (608) 261-6630
www.doa.wi.gov/capitalfinance

December 23, 2016

Thank you for your interest in the State of Wisconsin.

This is the Continuing Disclosure Annual Report for the fiscal year ending June 30, 2016 (**2016 Annual Report**).

The 2016 Annual Report provides information on different securities that the State issues and is provided under the State's continuing disclosure undertakings. These undertakings of the State are intended to help dealers and brokers comply with Rule 15c2-12 under the Securities Exchange Act of 1934. As of this date, the State has filed the 2016 Annual Report with the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system. EMMA receives, and makes available to the public, continuing disclosure documents and related information that is provided by issuers and obligated persons.

Official Statements for securities that the State issues during calendar year 2017 may incorporate parts of this 2016 Annual Report by reference.

Organization of the 2016 Annual Report

The 2016 Annual Report is divided into nine parts. The first two parts present general information.

- **Part I** presents the **State's continuing disclosure undertakings**. A Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010) establishes a general framework. Separate addenda describe the information to be provided for specific types of securities.
- **Part II** presents **general information about the State**, including its operations and financial results. This part also provides information on the 2015-17 biennial budget and the results of the 2015-16 fiscal year.

  The State's audited general purpose external financial statements and independent auditor's report for the fiscal year ended June 30, 2016 are not available as of the date of the 2016 Annual Report. When available, the State's Comprehensive Annual Financial Report and the audited general purpose external financial statements section of the CAFR for the fiscal year ended June 30, 2016 will be filed within 10 business days with the MSRB through its EMMA system, and will be made a part of APPENDIX A to Part II of the 2016 Annual Report.

The remaining parts present information about different types of securities that the State issues.

- **Part III — General obligations (including bonds, commercial paper, and extendible municipal commercial paper)**
- **Part IV — Master lease certificates of participation**
- **Part V — Transportation revenue obligations (including bonds and commercial paper)**
- **Part VI — Clean water revenue bonds**
- **Part VII — Environmental improvement revenue bonds**
- **Part VIII — Petroleum inspection fee revenue obligations (including bonds and extendible municipal commercial paper)**
- **Part IX – General fund annual appropriation bonds (including bonds and variable rate notes)**

Ratings on the State's Securities
The following chart presents a summary of the long-term ratings currently assigned to different types of securities that the State issues.

Security	Fitch Ratings	Kroll Bond Rating Agency, Inc.	Moody's Investors Service, Inc.	S&P Global Ratings
General Obligations	AA	AA	Aa2	AA
Master Lease Certificates of Participation	AA–	AA–	Aa3	AA–
Transportation Revenue Bonds	AA+	AAA	Aa2	AA+
Clean Water Revenue Bonds	AA+	—	Aa1	AA+
Environmental Improvement Revenue Bonds	AAA	—	—	AAA
Petroleum Inspection Fee Revenue Bonds	AA	—	Aa2	AA
General Fund Annual Appropriation Bonds	AA–	—	Aa3	AA–

How to Get Additional Information

If you are interested in information about securities that the State issues, please contact the Capital Finance Office; *the Capital Finance Office is the only party authorized to speak on the State's behalf about the State's securities.*

The Capital Finance Office maintains a web site that provides access to both disclosure and non disclosure information. The Capital Finance Office posts to this web site general fund cash flow reports and all event and additional (voluntary) filings that it makes through MSRB's EMMA system.

doa.wi.gov/capitalfinance

We welcome your comments or suggestions about the 2016 Annual Report. I can be reached at (608) 267-0374 or **DOACapitalFinanceOffice@wisconsin.gov**.

David R. Erdman
Capital Finance Director

SUMMARY OF OUTSTANDING STATE OF WISCONSIN OBLIGATIONS AS OF DECEMBER 15, 2016

	Principal Balance 12/15/2015	Principal Issued 12/15/2015 – 12/15/16	Principal Matured, Redeemed, or Defeased 12/15/2015 – 12/15/16	Principal Balance 12/15/2016
		GENERAL OBLIGATIONS[a]		
Total	**$7,988,224,416**	**$1,515,430,000**	**$1,432,346,836**	**$8,071,307,580**
General Purpose Revenue (GPR)	4,826,645,302	729,767,761	775,533,896	4,780,879,167
Self-Amortizing: Veterans	54,265,000	—	11,295,000	42,970,000
Self-Amortizing: Other	3,107,314,114	785,662,239	645,517,940	3,247,458,413
		MASTER LEASE CERTIFICATES OF PARTICIPATION		
Total	**$111,962,060**	**$33,645,000**	**$29,368,722**	**$116,238,338**
		TRANSPORTATION REVENUE OBLIGATIONS[a]		
Total	**$2,106,923,000**	**$0**	**$130,800,000**	**$1,976,123,000**
		CLEAN WATER REVENUE BONDS		
Total	**$698,160,000**	**$120,890,000**	**$184,235,000**	**$634,815,000**
		ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS		
Total	**$43,380,000**	**$0**	**$3,245,000**	**$40,135,000**
		PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS[a]		
Total	**$112,560,000**	**$62,445,000**	**$98,950,000**	**$76,055,000**
		GENERAL FUND ANNUAL APPROPRIATION BONDS[a]		
Total	**$3,115,935,000**	**$600,660,000**	**$614,835,000**	**$3,101,760,000**

(a) This table also includes variable rate obligations that have been issued by the State.

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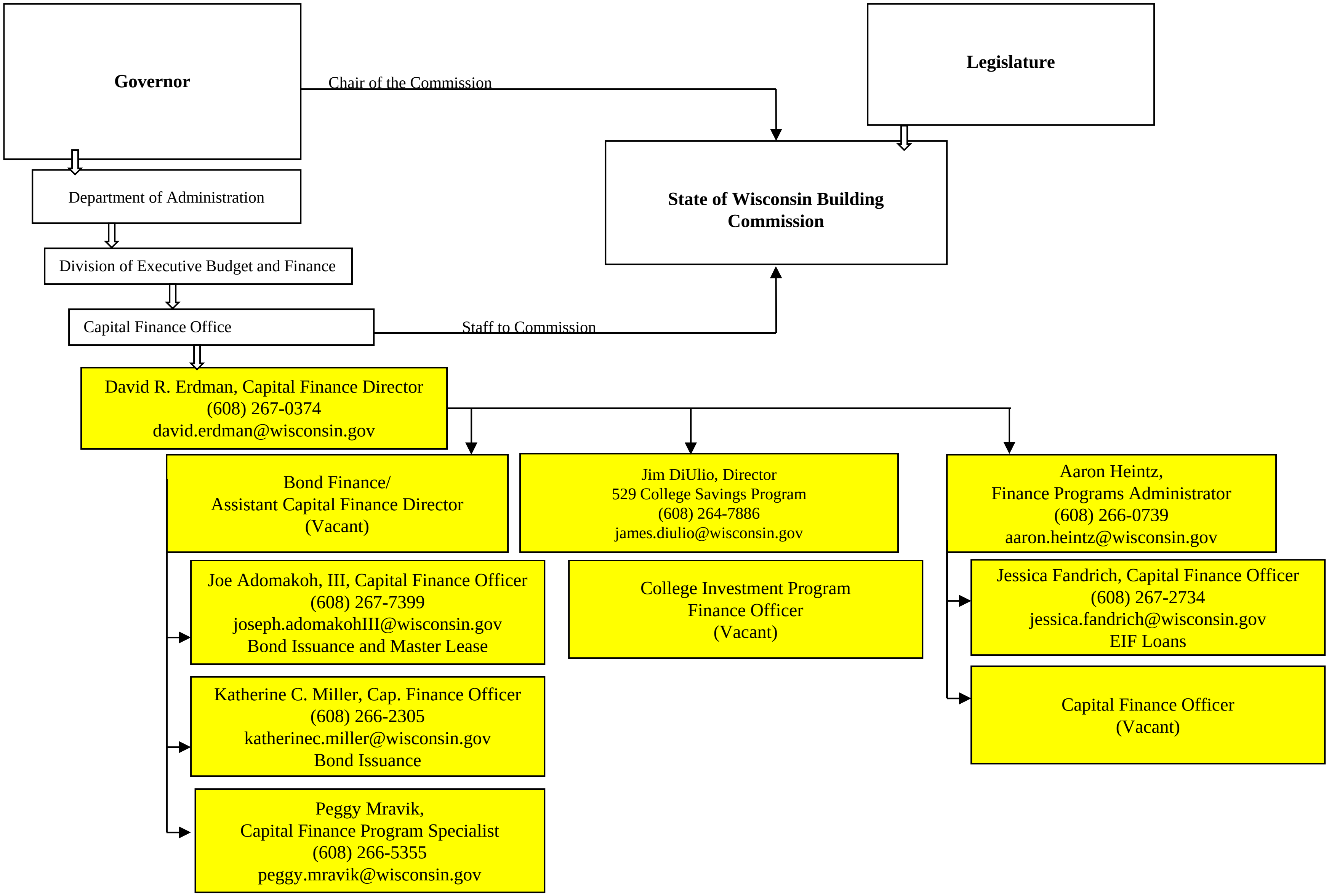
Capital Finance Office Staff (December 15, 2016)



STATE OFFICIALS PARTICIPATING IN ISSUANCE AND SALE OF BONDS AND OTHER OBLIGATIONS

BUILDING COMMISSION MEMBERS*

Voting Members	**Term of Office Expires**
Governor Scott Walker, Chairperson	January 7, 2019
Senator Terry Moulton, Vice Chairperson	January 7, 2019
Senator Jerry Petrowski	January 7, 2019
Senator Janis Ringhand	January 7, 2019
Representative Mark Born	January 2, 2017
Representative Robb Kahl	January 2, 2017
Representative Rob Swearingen	January 2, 2017
Mr. Robert Brandherm, Citizen Member	At the pleasure of the Governor

Nonvoting, Advisory Member

Mr. Kevin Trinastic, State Ranking Architect Department of Administration	——

Building Commission Acting Secretary

Ms. Naomi R. De Mers, Acting Administrator Division of Facilities Development Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration

OTHER PARTICIPANTS

Mr. Brad D. Schimel State Attorney General	January 7, 2019
Mr. Scott A. Neitzel, Secretary Department of Administration	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

Department of Administration
Capital Finance Office
P.O. Box 7864
101 E. Wilson Street, FLR 10
Madison, WI 53707-7864
Telefax (608) 266-7645
DOACapitalFinanceOffice@wisconsin.gov

Mr. David Erdman
Capital Finance Director
(608) 267-0374
david.erdman@wisconsin.gov

Mr. Joseph S. Adomakoh III
Capital Finance Officer
(608) 267-7399

Ms. Katherine C. Miller
Capital Finance Officer
(608) 266-2305

* The Building Commission is composed of eight voting members. The Governor serves as the chairperson. Each house of the Wisconsin State Legislature appoints three members. State law provides for the two major political parties to be represented in the membership from each house. One citizen member is appointed by the Governor and serves at the Governor's pleasure.

PART I

STATE'S CONTINUING DISCLOSURE UNDERTAKINGS

Part I of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2016 **(2016 Annual Report)** provides information on the undertakings the State of Wisconsin **(State)** has made to enable brokers, dealers, and municipal securities dealers, in connection with their participation in the offerings of securities issued by the State, to comply with Rule 15c2-12(b)(5) adopted by the U.S. Securities and Exchange Commission **(SEC)** under the Securities Exchange Act of 1934 **(Rule 15c2-12)**.

Part I of the 2016 Annual Report includes the State's Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010) **(Master Agreement)**, which establishes a general framework under which the State will provide continuing disclosure on various types of securities the State has issued, and also includes six addenda that describe information to be provided in an annual report about the following types of securities:

- General Obligations
- Master Lease Certificates of Participation
- Transportation Revenue Bonds
- Clean Water Revenue Bonds
- Environmental Improvement Fund Revenue Bonds
- Petroleum Inspection Fee Revenue Obligations
- General Fund Annual Appropriation Bonds

The State currently provides annual reports and notices required under its Master Agreement to the Municipal Securities Rulemaking Board (**MSRB**) through the MSRB's Electronic Municipal Market Access (**EMMA**) system, with the understanding that EMMA will make that information available to the public.

Requests for additional information about the State's undertakings may be directed as follows:

Contact:	Capital Finance Office Attn: Capital Finance Director
Phone:	(608) 267-0374
Mail:	State of Wisconsin Department of Administration 101 East Wilson Street, FLR 10 P.O. Box 7864 Madison, WI 53707-7864
E-mail:	DOACapitalFinanceOffice@wisconsin.gov
Web site:	doa.wi.gov/capitalfinance

Pursuant to action of the State of Wisconsin Building Commission **(Commission)**, the State's Capital Finance Office is responsible for establishing procedures to provide continuing disclosure with respect to the State's obligations in fulfillment of its undertakings. The Master Agreement provides that, if the State fails to make a required filing, the State must report the failure to the MSRB. In the last five years, the State has not failed to comply in any material respect with its Master Agreement, or any similar, undertaking.

The following is a summary of the filings that the State has made under its Master Agreement over the past five years. The State also filed numerous other additional (voluntary) filings.

Calendar Year	**Date**	**Type or Filing (Summary of Filings)**
2016[a]	Various	21 Notices of Listed Events (Bond Call, Defeasance, Annual Financial Information and Operating Data, CAFR, and Audited Financial Statements)
2015	December 23, 2015	Annual Report
	Various	25 Notices of Listed Events (Bond Call, Defeasance, Annual Financial Information and Operating Data, CAFR, and Audited Financial Statements)
2014	December 26, 2014	Annual Report
	Various	29 Notices of Listed Events (Bond Call, Defeasance, Annual Financial Information and Operating Data, CAFR, and Audited Financial Statements)
2013	December 27, 2013	Annual Report
	Various	25 Notices of Listed Events (Bond Call, Defeasance, Annual Financial Information and Operating Data, CAFR, and Audited Financial Statements)
2012	December 26, 2012	Annual Report
	Various	50 Notices of Listed Events (Bond Call, Defeasance, Annual Financial Information and Operating Data, CAFR, and Audited Financial Statements)
2011	December 23, 2011	Annual Report
	Various	40 Notices of Listed Events (Bond Call, Defeasance, Rating Change, Annual Financial Information and Operating Data, CAFR, and Audited Financial Statements)

[a] As of December 15, 2016, and does not include this 2016 Annual Report.

The 2016 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in one part of the 2016 Annual Report may differ from that of the same terms used in another part. No information or resource referred to in the 2016 Annual Report is part of the report unless expressly incorporated by reference.

MASTER AGREEMENT ON CONTINUING DISCLOSURE (AMENDED AND RESTATED DECEMBER 1, 2010)

This Master Agreement on Continuing Disclosure (**Disclosure Agreement**) is executed and delivered by the State of Wisconsin (**Issuer**), a municipal securities issuer and a sovereign government. The Issuer covenants and agrees as follows:

SECTION 1. Definitions. The following capitalized terms shall have the following meanings:

"**Addendum Describing Annual Report**" shall mean an addendum, substantially in the form of Exhibit A hereto, that describes the contents of an Annual Report for a particular type of obligation.

"**Annual Report**" shall mean any report provided by the Issuer pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"**Bonds**" shall mean any issue of the Issuer's securities to which this Disclosure Agreement applies.

"**Bondholders**" shall mean the beneficial owners from time to time of the Bonds.

"**Commission**" shall mean the U.S. Securities and Exchange Commission.

"**Disclosure Agreement**" shall mean this agreement.

"**EMMA**" shall mean the Electronic Municipal Market Access system for municipal securities disclosure, a Commission-approved electronic database established and operated by the MSRB to accommodate the collection and availability of required filings of secondary market disclosures under the Rule.

"**Event Notice**" shall mean a notice of an occurrence of a Listed Event provided under Section 6(b) hereof or a notice provided under Sections 4(c), 6(c), or 8.

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"**Issuer**" shall mean the securities issuer described above, namely, the State of Wisconsin.

"**Listed Event**" shall mean any of the events listed in Section 6(a) of this Disclosure Agreement.

"**MSRB**" shall mean the Municipal Securities Rulemaking Board.

"**Participating Underwriter**" shall mean any broker, dealer, or municipal securities dealer that is required to comply with the Rule when acting as an underwriter in connection with a primary offering of an issue of Bonds.

"**Resolution**" shall mean the resolution or resolutions of the State of Wisconsin Building Commission or the trust indenture entered into by the Issuer, pursuant to which the Bonds are issued.

"**Rule**" shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Exchange Act.

"**Supplemental Agreement**" shall mean an agreement, substantially in the form of Exhibit B hereto, that either (i) determines that the Disclosure Agreement and a specific Addendum Describing Annual Report shall apply to a specific issue of Bonds or (ii) determines that the

Disclosure Agreement (other than Sections 4 or 5, which concern Annual Reports) shall apply to a specific issue of Bonds.

SECTION 2. **Purpose of the Disclosure Agreement.** The purpose of this Disclosure Agreement is to assist Participating Underwriters in complying with the Rule in connection with a primary offering of an issue of Bonds.

SECTION 3. **Application of the Disclosure Agreement.** This Disclosure Agreement shall apply to an issue of Bonds when the Issuer executes and delivers a Supplemental Agreement. This Disclosure Agreement may apply in whole or in part, as specified by the Supplemental Agreement. This Disclosure Agreement may apply to more than one issue of Bonds but shall be construed as a separate agreement for each issue of Bonds. The purpose of having this Disclosure Agreement apply to more than one issue of Bonds is to promote uniformity of the Issuer's obligations with respect to all issues of Bonds.

SECTION 4. **Provision of Annual Reports.**

(a) The Issuer shall, not later than 180 days following the close of the Issuer's fiscal year, provide to the MSRB an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Agreement.

(b) If Issuer's audited financial statements are not publicly available at the time the Annual Report is submitted, the Issuer shall submit them to the MSRB within ten business days after the statements are publicly available.

(c) If the Issuer fails to provide an Annual Report to the MSRB by the date required in subsection (a), the Issuer shall send an Event Notice to the MSRB.

SECTION 5. **Content and Submission of Annual Reports.**

(a) The Annual Report shall be provided for each obligated person described in the Addendum Describing Annual Report, and it shall contain, or incorporate by reference, the financial statements and operating data, and use the accounting principles, described in the Addendum Describing Annual Report.

(b) The Annual Report shall be submitted to the MSRB in an electronic format, and accompanied by identifying information, as prescribed by the MSRB. As of the date of this Disclosure Agreement, the MSRB prescribes that all submissions of secondary disclosure be made through EMMA. The Annual Report may be provided as a single document or as a package comprising separate documents. All, or any of, the items constituting the Annual Report may be incorporated by reference from other documents available to the public on the MSRB's Internet Web site or filed with the Commission. The Issuer shall clearly identify each document so incorporated by reference.

(c) Each time the Issuer provides information to the MSRB in accordance with this Disclosure Agreement, it shall confirm, in the manner it deems appropriate, the MSRB's prescriptions concerning the electronic format and accompanying indentifying information. As of the date of this Disclosure Agreement, information on the MSRB's required electronic format and submission procedures through EMMA can be found on the MSRB's Internet Web site at www.emma.msrb.org.

(d) To allow for uniformity of the contents of Annual Reports with respect to obligations that are similar in character, the Issuer may from time to time describe the contents in an Addendum Describing Annual Report and shall incorporate a description by reference in a Supplemental Agreement.

SECTION 6. Reporting of Significant Events.

(a) This Section 6 shall govern the provision of notices of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bondholders, if material.

8. Bond calls, if material, and tender offers.

9. Defeasances.

10. Release, substitution, or sale of property securing repayment of the Bonds, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership, or similar event of an obligated person (for the purposes of this event, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the obligated person).

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Issuer shall provide a notice of such occurrence with the MSRB not in excess of ten business days after the occurrence of the event.

(c) Similarly, if the Issuer determines that it failed to give notice of an occurrence as required by this section, it shall promptly provide an Event Notice with respect to such occurrence to the MSRB.

SECTION 7. **Termination of Reporting Obligation.** The Issuer's obligations under this Disclosure Agreement with respect to an issue of Bonds shall terminate upon the legal defeasance, prior redemption, or payment in full of all Bonds of the issue or if the Rule shall be revoked or rescinded by the Commission or declared invalid by a final decision of a court of competent jurisdiction.

SECTION 8. **Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement if the following conditions are met:

(a) The amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or an obligated person, or the type of business conducted; and

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Bondholders, as determined by an opinion of nationally recognized bond counsel, a certificate from an indenture trustee for the Bonds, or an approving vote of Bondholders pursuant to the terms of the Resolution at the time of the amendment.

In the event this Disclosure Agreement is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it provides after such event shall explain the reasons for the amendment or waiver and the impact, if any, of the change in the type of financial statements or operating data being provided.

SECTION 9. **Additional Information.** The Issuer may from time to time choose to disseminate other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or include other information in any Annual Report or Event Notice, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or Event Notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or Event Notice.

SECTION 10. **Default.** A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy of a Bondholder under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action or lawsuit to compel performance. The Issuer reserves any defense it may have to any such action or lawsuit including that this Disclosure Agreement violates sovereign rights or that no funds have been appropriated for performance.

SECTION 11. **Beneficiaries.** The Issuer intends to be contractually bound by this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Participating Underwriters, and Bondholders and shall create no rights in any other person or entity.

SECTION 12. **Responsible Officer.** Pursuant to a resolution adopted by the State of Wisconsin Building Commission on August 9, 1995, the Capital Finance Director has been authorized to execute this Disclosure Agreement on behalf of the Issuer, and the Capital Finance Office has been designated as the office of the Issuer responsible for providing Annual Reports and giving notice of Listed Events, to the extent required hereunder. Any inquiries regarding this Disclosure Agreement should be directed to the Capital Finance Office, Department of Administration, Division of Executive Budget and Finance, 101 East Wilson Street, Madison, Wisconsin 53702, Phone: (608) 266-5355, Fax: (608) 266-7645, Email: DOACapitalFinanceOffice@wisconsin.gov, or such other address, telephone number, fax number, or email address as the Issuer may from time to time provide by an addendum hereto.

SECTION 13. **Satisfaction of Conditions.** This Disclosure Agreement amends and restates the Master Agreement on Continuing Disclosure (Amended and Restated July 1, 2009) (**Prior Agreement**), executed and delivered by the Issuer and dated July 1, 2009. The Issuer finds and determines that the conditions stated under Section 8 of the Prior Agreement for amendment of the Prior Agreement have been satisfied and, more particularly:

(a) The amendments are being made in connection with a change in circumstances that arises from a change in legal requirements or a change in law (namely, amendments to the Rule);

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account the amendments to the Rule; and

(c) The amendments do not materially impair the interests of the Bondholders, as determined by an opinion of nationally recognized bond counsel.

IN WITNESS WHEREOF, the Issuer has caused this Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010) to be executed by its duly authorized officer.

Date: December 1, 2010

STATE OF WISCONSIN
Issuer

By: /S/ FRANK R. HOADLEY

Frank R. Hoadley,
Capital Finance Director

EXHIBIT A

FORM OF ADDENDUM DESCRIBING ANNUAL REPORT

ADDENDUM DESCRIBING ANNUAL REPORT FOR [TYPE OF OBLIGATIONS]

This Addendum Describing Annual Report for [Type of Obligation] (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010) (**Disclosure Agreement**), executed and delivered by the Issuer and dated December 1, 2010. This Addendum describes the content of an Annual Report prepared with respect to [type of obligation]. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person(s): [None] [Each of the entity named or described by objective criteria below is an obligated person: ___________________________________]

Content of Annual Report for Issuer. Accounting Principles. The following accounting principles shall be used for the financial statements: _________________________.

Financial Statements. The financial statements shall present the following information: _______.

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented: ____ _______________________.

Content of Annual Report for Additional Obligated Person(s). Accounting Principles. The following accounting principles shall be used for the financial statements: _________________________.

Financial Statements. The financial statements shall present the following information: _______.

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented: ____.

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: _________, 20___

STATE OF WISCONSIN
Issuer

By:__________________________

Name:________________________

Title:_________________________

EXHIBIT B

FORM OF SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is executed and delivered by the State of Wisconsin (**Issuer**) to supplement the Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010) (**Disclosure Agreement**), executed and delivered by the Issuer and dated December 1, 2010. Pursuant to the provisions of the Disclosure Agreement, the Issuer hereby [determines that the Disclosure Agreement and the Addendum Describing Annual Report for [Type of Obligation] shall apply to the following issue of obligations] [determines that the Disclosure Agreement (other than Sections 4 and 5, which concern Annual Reports) shall apply to the following issue of obligations]:

Name of Obligations:

____

____

Date of Issue: ____________, _____

CUSIPs ___________________________

IN WITNESS WHEREOF, the Issuer has caused this Supplemental Agreement to be executed by its duly authorized officer.

Date: _________, 20___

STATE OF WISCONSIN
Issuer

By:______________________

Name:___________________

Title:___________________

ADDENDUM DESCRIBING ANNUAL REPORT FOR GENERAL OBLIGATIONS

This Addendum Describing Annual Report for General Obligations (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of December 1, 2010 (**Disclosure Agreement**). This Addendum describes the content of an Annual Report prepared with respect to general obligations. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person(s): None

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: Generally Accepted Accounting Principles.

Financial Statements. The financial statements shall present the following information: General Purpose External Financial Statements section of the Comprehensive Annual Financial Report.

Operating Data. In addition to the financial statements, unaudited operating data about the following matters shall be presented: (i) revenues received by the State, (ii) expenditures made by the State, (iii) budgets, (iv) selected financial data concerning the General Fund, (v) information concerning temporary reallocation, (vi) pertinent information on significant pending litigation, (vii) balances of outstanding State obligations, and (viii) statistical information on the State's economic condition, veterans housing loan program and Wisconsin Retirement System.

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: December 23, 2010

STATE OF WISCONSIN
Issuer

By: /S/ FRANK R. HOADLEY

Name: Frank R. Hoadley
Title: Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT
FOR MASTER LEASE CERTIFICATES OF PARTICIPATION

This Addendum Describing Annual Report for Master Lease Certificates of Participation (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of December 1, 2010 (**Disclosure Agreement**). This Addendum describes the content of an Annual Report prepared with respect to master lease certificates of participation. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person in this respect: it is required to make lease payments from any source of legally available funds, subject to annual appropriation, which lease payments will be used to pay, when due, the semi-annual principal and interest due with respect to the Master Lease Certificates of Participation. No other entity is an obligated person.

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: Generally Accepted Accounting Principles.

Financial Statements. The financial statements shall present the following information: The General Purpose External Financial Statements section of the Comprehensive Annual Financial Report.

Operating Data. In addition to the financial statements, unaudited operating data concerning the following matters shall be presented: (i) revenues received by the State, (ii) expenditures made by the State, (iii) budgets, (iv) selected financial data concerning the General Fund, (v) information concerning temporary reallocation, and (vi) pertinent information on significant pending litigation.

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: December 23, 2010

STATE OF WISCONSIN
Issuer

By /s/ FRANK R. HOADLEY
Frank R. Hoadley
Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT FOR TRANSPORTATION REVENUE BONDS

This Addendum Describing Annual Report for Transportation Revenue Bonds (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of December 1, 2010 (**Disclosure Agreement**). This Addendum describes the content of an Annual Report prepared with respect to transportation revenue bonds. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person(s): None

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: generally accepted accounting principles or in accordance with another comprehensive basis of accounting.

Financial Statements. The financial statements shall present the following information: Audited financial statements of the transportation revenue bond program and supplemental information to the audited financial statement.

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented:

(a) History of Section 341.25 registration fees for last 10 years.
(b) Estimated Section 341.25 registration fees for next 10 years.
(c) Historical and estimated amounts of other pledged revenues consisting of certain vehicle registration-related fees.
(d) Debt service on all outstanding transportation revenue bonds and estimated revenue coverage based on estimated pledged revenues for next 10 years.
(e) Demographic information for the State of Wisconsin relating to vehicle registrations

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: December 1, 2010

STATE OF WISCONSIN
Issuer

By: /S/ FRANK R. HOADLEY

Name: Frank R. Hoadley
Title: Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT FOR CLEAN WATER REVENUE BONDS

This Addendum Describing Annual Report for Clean Water Revenue Bonds (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of December 1, 2010 (**Disclosure Agreement**). This Addendum describes the content of an Annual Report prepared with respect to clean water revenue bonds. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

<u>Issuer</u>. The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

<u>Additional Obligated Person(s)</u>: Each entity described by the objective criteria below is an obligated person (**Additional Obligated Person**): Any person, including an issuer of municipal securities, who directly or indirectly at the close of the Issuer's fiscal year, is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of 20 percent or more of the cash flow servicing the then outstanding clean water revenue bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

Any Additional Obligated Person, other than the Issuer, will be required by the Issuer to enter into an undertaking agreement to provide each Repository, not later than 180 days following the close of that Additional Obligation Person's fiscal year, an annual report meeting the requirements outlined below under "Content of Annual Report for Additional Obligated Person".

<u>Content of Annual Report for Issuer</u>.

Accounting Principles. The following accounting principles shall be used for the financial statements: Generally Accepted Accounting Principles.

Financial Statements. The financial statements shall present the following information:

(a) Audited financial statements of the clean water fund program and supplemental information to the audited financial statement.

Operating Data. In addition to the financial statements, operating data about the following clean water fund program matters shall be presented:

(a) List of outstanding loans

(b) List of financial assistance commitments

(c) Information concerning the investments of the Loan Credit Reserve Fund

<u>Content of Annual Report for Additional Obligated Person</u>.

Accounting Principles. The following accounting principles shall be used for the financial statements: Generally Accepted Accounting Principles.

Financial Statements. The financial statements shall present the following information: Audited financial statements of the Additional Obligated Person.

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented: None.

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: December 23, 2010

STATE OF WISCONSIN
Issuer

By: /s/ FRANK R. HOADLEY

Frank R. Hoadley
Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT FOR ENVIRONMENTAL IMPROVEMENT FUND REVENUE OBLIGATIONS

This Addendum Describing Annual Report for Environmental Improvement Fund Revenue Obligations (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of December 1, 2010 (**Disclosure Agreement**). This Addendum describes the content of an Annual Report prepared with respect to environmental improvement fund revenue obligations. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person(s): Each entity described by the objective criteria below is an obligated person (**Additional Obligated Person**): Any person, including an issuer of municipal securities, who directly or indirectly at the close of the Issuer's fiscal year, is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of 20 percent or more of the cash flow servicing the then outstanding environmental improvement fund revenue obligations (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

Any Additional Obligated Person will be required by the Issuer to enter into an undertaking agreement to provide, not later than 180 days following the close of that Additional Obligation Person's fiscal year, an annual report meeting the requirements outlined below under "Content of Annual Report for Additional Obligated Person".

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: Generally Accepted Accounting Principles.

Financial Statements. The financial statements shall present the following information:

(a) Audited financial statements of the Environmental Improvement Fund and supplemental information to the audited financial statement.

Operating Data. In addition to the financial statements, operating data about the following clean water fund program matters shall be presented:

(a) List of outstanding loans

(b) List of financial assistance commitments

Content of Annual Report for Additional Obligated Person.

Accounting Principles. The following accounting principles shall be used for the financial statements: Generally Accepted Accounting Principles.

Financial Statements. The financial statements shall present the following information: Audited financial statements of the Additional Obligated Person.

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented: None.

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: December 3, 2015

STATE OF WISCONSIN
Issuer

By: /S/ DAVID R. ERDMAN

David R. Erdman
Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT
FOR PETROLEUM INSEPCTION FEE REVENUE OBLIGATIONS

This Addendum Describing Annual Report for Petroleum Inspection Fee Revenue Obligations (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of December 1, 2010 (**Disclosure Agreement**). This Addendum describes the content of an Annual Report prepared with respect to petroleum inspection fee revenue obligations. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person(s): None

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: generally accepted accounting principles or in accordance with another comprehensive basis of accounting.

Financial Statements. The financial statements shall present the following information: Audited financial statements of the petroleum inspection fee revenue obligations program and supplemental information to the audited financial statement.

Operating Data. Operating data about the following matters shall be presented:

(a) A description of petroleum products inspected and Petroleum Inspection Fees collected for the last five years.

(b) A description of all authorized and outstanding petroleum inspection fee revenue obligations.

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: December 23, 2010

STATE OF WISCONSIN
Issuer

By: /S/ FRANK R. HOADLEY
Name: Frank R. Hoadley
Title: Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT FOR GENERAL FUND ANNUAL APPROPRIATION BONDS

This Addendum Describing Annual Report for General Fund Annual Appropriation Bonds (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of December 1, 2010 (**Disclosure Agreement**).

This Addendum describes the content of an Annual Report prepared with respect to general fund annual appropriation bonds issued under Section 16.527 of the Wisconsin Statutes. This Addendum consolidates but does not amend the Addendum Describing Annual Report for General Fund Annual Appropriation Bonds, dated December 10, 2003, and the Addendum Describing Annual Report for General Fund Annual Appropriation Bonds Issued Under 1, 2009 Indenture, dated April 8, 2009. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person: None

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: generally accepted accounting principles.

Financial Statements. The financial statements shall present the following information: The General Purpose External Financial Statements section of the audited Comprehensive Annual Financial Report.

Operating Data. In addition to the financial statements, unaudited operating data concerning the following maters shall be presented:

(i) a determination, with supporting information, of the "Annual Appropriation Amount," as defined in the Trust Indenture, dated as of December 1, 2003 (the "2003 Indenture"), as amended, between the Issuer and Deutsche Bank Trust Company Americas, as trustee, and of the "Annual Appropriation Amount", as defined in the Trust Indenture, dated as of April 1, 2009 (the "2009 Indenture"), between the Issuer and Deutsche Bank Trust Company Americas, as trustee, for each fiscal year in the current biennium and, in the second fiscal year of a biennium, for the upcoming biennium (for fiscal years before the 2011-12 fiscal year, the "Annual Appropriation Amount" for purposes of the 2009 Indenture shall be presented as though it applied to such fiscal years);

(ii) the amounts appropriated by the legislature in each fiscal year with respect to appropriation obligations issued under Section 16.527 of the Wisconsin Statutes; *provided, however,* that not more than ten years in which amounts have been appropriated need be presented;

(iii) revenues received by the State;

(iv) expenditures made by the State;

(v) budgets;

(vi) selected financial data concerning the General Fund;

(vii) information concerning temporary reallocations;

(viii) pertinent information on significant pending litigation;

(ix) balances of outstanding State obligations; and

(x) statistical information on the State's economic condition, veterans housing loan program, and Wisconsin Retirement System.

Reporting of Significant Events: The Issuer agrees that it will treat each of the following events as though it were a Listed Event under the Disclosure Agreement:

(i) the event of a Budget Bill failing to include the Annual Appropriation Amount (as such terms are defined in each Indenture);

(ii) an Event of Nonappropriation (as such term is defined in each Indenture); and

(iii) any failure to make a payment when due under a Swap Agreement (as such term is defined in each Indenture).

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: December 23, 2010

STATE OF WISCONSIN
Issuer

By /s/ FRANK R. HOADLEY
Frank R. Hoadley
Capital Finance Director

PART II

GENERAL INFORMATION ABOUT THE STATE OF WISCONSIN

Part II of the 2016 Annual Report provides general information about the State of Wisconsin **(State)**. It describes the following:

- Revenues
- Expenditures
- Accounting and Financial Reporting
- Budgeting Process and Fiscal Controls
- Budgetary Results of 2015-16 Fiscal Year
- State Budget (including State Budget for 2015-17 Biennium)
- General Fund Information
- State Government Organization
- State Obligations
- Employee Pension Funds and Other Post-Employment Benefits
- Statistical Information

The State has provided an Additional/Voluntary filing with the Municipal Securities Rulemaking Board (**MSRB)**, through its Electronic Municipal Market Access **(EMMA)** system, providing notice that the audited general purpose external financial statements and independent auditor's report for the fiscal year ended June 30, 2016 are not available as of the date of this Part II to the 2016 Annual Report. When available, the Comprehensive Annual Financial Report (**CAFR**) and the audited general purpose external financial statements section of the CAFR for the fiscal year ended June 30, 2016 will be filed within 10 business days with the MSRB through its EMMA system, and made a part of APPENDIX A to this Part II of the 2016 Annual Report.

Requests for additional information about the State may be directed as follows:

Contact: Capital Finance Office
Attn: Capital Finance Director
Phone: (608) 267-0374
Mail: State of Wisconsin Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Web site: doa.wi.gov/capitalfinance

The State has independently provided, starting in July 2001, monthly reports on general fund financial information. The State did not provide these monthly reports from June 2013 through March 2014, and the frequency of the reports provided subsequent to March 2014 has been less than monthly. These reports are not required by any of the State's undertakings provided to permit compliance with Rule 15c2-12, adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. These reports are available on the State's Capital Finance Office web site that is listed above and also filed as additional voluntary information with the MSRB through its EMMA system. These reports are not incorporated by reference into this Part II of the 2016 Annual Report. The State is not obligated to provide such reports at any time in the future.

This Part II of the 2016 Annual Report presents financial information about the State in various formats. Some financial information is presented on a budgetary basis or an agency-recorded basis, while other information is presented on a cash basis. Some financial information relates to the General Fund only, while other information relates to other funds. The reader should be aware of these different formats when reviewing the financial information presented within the 2016 Annual Report.

The 2016 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in one part of the 2016 Annual Report may differ from that of the same terms used in another part, and the total amount shown in a table may vary from the related sum due to rounding. No information or resource referred to in the 2016 Annual Report is part of the report unless expressly incorporated by reference.

Certain statements in this Part II of the 2016 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2016 Annual Report, and the State undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

REVENUES

Revenue Structure

The State raises revenues from diverse sources:

- Various taxes levied by the State
- Federal Government payments
- Various kinds of fees, licenses, permits, and service charges paid by users of specific services, privileges, or facilities
- Investment income
- Gifts, donations, and contributions

Table II-1 identifies the specific sources of revenue (all funds) and the amounts raised from each source for each of the last five years. Future receipts may differ from historical data.

Table II-1

REVENUES (ALL SOURCES)[a]

	2015-16	2014-15	2013-14	2012-13	2011-12
State Collected Taxes					
Individual Income	$ 7,740,824,938	$ 7,325,816,775	$ 7,061,389,669	$ 7,496,854,246	$ 7,041,673,130
General Sales and Use	5,065,762,290	4,892,125,859	4,628,337,935	4,410,129,770	4,288,738,415
Corporate Franchise and Income	963,027,018	1,004,926,461	967,184,149	925,383,342	906,575,362
Public Utility	360,596,994	381,819,363	360,967,550	341,266,658	365,966,581
Excise	708,509,061	699,060,289	698,686,674	689,463,769	709,553,461
Inheritance and Gift	1,744,736	(112,267)	(77,722)	304,551	322,971
Insurance Companies	177,326,291	165,448,106	165,764,951	159,276,691	148,081,776
Motor Fuel	1,083,522,061	1,063,767,473	1,040,569,511	1,008,656,099	1,049,982,860
Forest	93,861,295	90,613,470	88,385,116	86,237,850	87,667,774
Miscellaneous	199,219,000	181,725,163	163,761,829	159,985,468	151,905,700
Subtotal	16,394,393,685	15,805,190,692	15,174,969,661	15,277,558,445	14,750,468,030
Federal Aid					
Medical Assistance	4,878,094,482	4,854,702,033	4,675,469,265	4,493,657,926	4,176,512,065
AFDC/W2	247,986,348	329,162,381	282,163,922	360,228,664	337,370,248
Transportation	906,033,490	990,580,399	888,220,243	1,000,025,145	929,187,710
Education	2,371,676,587	2,477,689,057	2,580,044,827	2,553,997,049	2,672,035,875
Other	2,642,332,824	2,690,819,415	2,752,701,021	2,860,170,174	3,045,940,968
Subtotal	11,046,123,732	11,342,953,284	11,178,599,277	11,268,078,959	11,161,046,866
Fees					
University of Wisconsin System	1,666,160,550	1,623,453,886	1,622,568,090	1,615,764,806	1,522,068,610
Other	692,248,631	668,384,323	628,539,901	648,748,261	654,889,710
Subtotal	2,358,409,181	2,291,838,209	2,251,107,991	2,264,513,067	2,176,958,320
Licenses and Permits					
Vehicles and Drivers	526,452,501	509,385,404	505,324,754	491,882,914	502,118,905
Hunting and Fishing	58,120,402	110,205,770	116,470,715	108,625,710	111,723,046
Other	1,231,663,425	1,115,655,149	1,113,707,662	1,122,321,862	1,117,340,087
Subtotal	1,816,236,328	1,735,246,322	1,735,503,130	1,722,830,486	1,731,182,038
Miscellany					
Service Charges	803,725,085	781,313,675	738,505,532	722,908,805	723,955,176
Sales of Products	1,026,863,635	935,521,722	922,241,810	924,093,491	911,024,131
Investment Income [b]	1,166,877,403	1,871,831,241	14,510,680,894	9,140,017,879	836,368,703
Gifts and Grants	596,605,495	612,224,426	563,269,277	616,858,189	567,649,555
Employee Benefit Contributions [c]	3,411,872,470	3,612,450,153	3,737,652,049	3,149,560,809	3,288,710,693
General Obligation Proceeds	981,570,885	1,298,902,695	828,217,375	1,219,324,725	1,379,104,679
Other Revenues	2,918,935,073	2,922,615,939	2,832,874,576	2,466,863,205	2,253,051,260
Subtotal	10,906,450,046	12,034,859,851	24,133,441,512	18,239,627,102	9,959,864,197
Summary					
TOTAL NET REVENUE	42,521,612,972	43,210,088,358	54,473,621,572	48,772,608,059	39,779,519,450
Transfers	1,402,823,022	1,508,789,439	1,459,009,937	1,249,254,506	737,889,533
Gross Revenue	$ 43,924,435,994	$ 44,718,877,797	$ 55,932,631,509	$ 50,021,862,565	$ 40,517,408,984

(a) The amounts shown are based on statutorily required accounting and not on GAAP. The amounts are unaudited.

(b) Figures include investment income for all funds. Investment income for the Wisconsin Retirement System totaled $896,425,976 for fiscal year 2015-2016, $1,650,635,903 for fiscal year 2014-15, $14,249,209,345 for fiscal year 2013-14, $8,950,565,085 for fiscal year 2012-13, and $594,932,788 for fiscal year 2011-12.

(c) Figures include all State and non-State employer and employee contributions.

Source: Wisconsin Department of Administration

Tax Structure

The State collects a diverse variety of taxes. The most significant taxes are based on individual income and on general sales and use. The following discussion briefly describes certain taxes that appear in Table II-1.

Individual Income Tax

The tax brackets and rates for the 2016 and 2017 tax years, which are shown in Table II-2, include the increase in the standard deduction for married filing jointly filers beginning with tax year 2016. The taxable income brackets have been indexed for changes in the Consumer Price Index.

Table II-2

INDIVIDUAL INCOME TAX BRACKETS AND RATES

2016 Taxable Income Brackets[a]		
Single	**Married Filing Jointly[b]**	**2016 Marginal Tax Rate**
0 to 11,120	0 to 14,820	4.00%
11,121 to 22,230	14,821 to 29,640	5.84
22,231 to 244,750	29,641 to 326,330	6.27
244,751+	326,331+	7.65

2017 Taxable Income Brackets[a]		
Single	**Married Filing Jointly[b]**	**2017 Marginal Tax Rate**
0 to 11,230	0 to 14,980	4.00%
11,231 to 22,470	14,981 to 29,960	5.84
22,471 to 247,350	29,961 to 329,810	6.27
247,351+	329,811+	7.65

[a] Taxable income in dollars

[b] Income thresholds for those married filing separately are half of the brackets for married filing jointly.

General Sales and Use Tax

A 5 percent tax is imposed on the sale or use of services and all tangible personal property unless specifically exempted. The most notable exemptions are food, prescription drugs, and motor and heating fuel. In 2009, the State adopted the Streamlined Sales and Use Tax Agreement, which is a multi-state agreement intended to simplify and modernize sales and use tax administration and to promote the voluntary collection of sales tax by out-of-state businesses. As of November 2016, 24 states have adopted the agreement, representing approximately one third of the national population.

Corporate Income and Franchise Taxes

Corporations doing business in the State are subject to either the corporate income or the corporate franchise tax. The difference between the two taxes is subtle, relating primarily to restrictions under federal law on the types of income that states can tax with an income tax. While the majority of corporations pay the franchise tax, both the franchise tax and the income tax are levied at a rate of 7.9 percent of corporate net income. The net tax liability is determined by subtracting allowable credits.

Public Utility Taxes

Public utilities in the State are subject to State taxation in lieu of local general property taxation. The State tax takes one of two general forms: an ad valorem tax based on the assessed value of the company's property within the State, or a tax or license fee based on the gross revenues or receipts of the company generated in the State.

Companies subject to the ad valorem tax include air carrier companies, conservation and regulation companies, municipal electric associations, pipeline companies, railroad companies, and telephone companies. A tax assessment is calculated by determining the full market value of the company's taxable property and multiplying that value by a tax rate. In general, the tax assessment equals the statewide average net property tax rate multiplied by the value of the taxable property. For telephone companies, however, the property values are determined within each local taxing jurisdiction. The value within each taxing jurisdiction is multiplied by the net tax rate applied in that jurisdiction. This procedure causes the value of intangible property to be excluded from the calculated amount.

Companies subject to the tax or license fee based on gross revenues or receipts include car line companies, electric cooperatives, and municipal and private light, heat, and power companies. Car line companies (which are companies engaged in the business of furnishing or leasing car line equipment to a railroad) are taxed on all receipts allocated to the State at a tax rate equal to the average statewide net property tax rate. For electric cooperatives, certain revenues are excluded, and deductions may be allowed. The taxable gross revenues are taxed at a flat rate of 3.19 percent, except that the tax rate on wholesale sales of electricity is reduced to 1.59 percent. For light, heat, and power companies, certain revenues are excluded, and deductions may be allowed. Taxable gross revenues from the sale of gas services are subject to tax at the rate of 0.97 percent, and wholesale sales of electricity are taxed at the rate of 1.59 percent. The tax rate on all other revenues is 3.19 percent.

Excise Taxes on Tobacco and Alcohol

Cigarettes are taxed at the rate of $2.52 cents per pack of 20, moist snuff is taxed at the rate of 100 percent of the manufacturer's list price, and other tobacco products are taxed at the rate of 71 percent of the manufacturer's list price, while the tax on cigars is the lesser of 71 percent of the manufacturer's list price or $0.50 per cigar. The cigarette and tobacco products taxes are collected from distributors and subjobbers.

Wine is taxed at $0.25 or $0.45 per gallon (or $0.066 or $0.119 per liter), depending on its alcohol content. Liquor is taxed at $3.25 per gallon (or $0.859 per liter). The wine and liquor tax is collected from wholesalers. Beer is taxed at the rate of $2 per barrel, and the tax is paid monthly by brewers.

Estate, Inheritance, and Gift Taxes

For deaths occurring after September 30, 2002 and before January 1, 2008, the State imposed an estate tax in an amount equal to the credit allowed for state inheritance or estate taxes under federal law in effect on December 31, 2000. For deaths occurring on or after January 1, 2008, State estate taxes were based on the federal credit computed under federal law in effect on the date of death, which, based on federal law in effect since January 1, 2008, resulted in the current elimination of State estate taxes for deaths occurring on or after January 1, 2008.

Congress has taken action to extend certain tax laws and to reinstate a modified federal estate tax to allow for a deduction for state estate taxes. Under current State law, this action results in the continued elimination of State estate taxes for deaths occurring on or after January 1, 2008. 2013 Wisconsin Act 20 eliminated Wisconsin's estate tax for deaths occurring after December 31, 2012. Prior statutes would take effect again if federal law is modified to provide a credit for state estate taxes.

Insurance Company Premium Tax

Wisconsin-based life insurance companies pay a tax of 2 percent of the premiums received less a credit equal to 50 percent of personal property taxes. Small companies may choose to pay 2.5 percent of all income except premiums less the personal property tax credit. Nondomestic life insurance companies pay the 2 percent rate with no personal property tax credit.

Domestic and nondomestic property and casualty insurance companies are taxed 2 percent on allocated fire insurance premiums received. The 2 percent tax levied on fire insurance premiums is redistributed to local governments as a "fire department dues" tax. Nondomestic casualty insurance companies are taxed an additional 2.375 percent on allocated fire insurance premiums received, 2 percent on all forms of casualty premiums, and 0.5 percent on ocean marine coverages.

Domestic mortgage guaranty insurance companies pay a tax of 2 percent of premiums received. Nondomestic companies are also subject to retaliation and reciprocation. If a nondomestic company's state of domicile assesses a Wisconsin domestic company, in aggregate, a greater amount than these rates, then the State retaliates. If a nondomestic company's state of domicile assesses a Wisconsin domestic company, in aggregate, a lesser amount than these rates, then the State reciprocates, subject to minimums of the 2 percent "fire department dues," 0.375 percent for ocean marine and allocated fire insurance premiums, 0 percent for all forms of casualty premiums, and 2 percent for life premiums.

Motor Vehicle Fuel Tax

Motor vehicle fuel is taxed at the rate of 30.9 cents per gallon. The tax is collected from the wholesaler but is specifically passed through to the user. The revenues are deposited in the Transportation Fund, where they are used primarily for highway purposes.

Forest Tax

The forest tax is the only State tax upon general property. It is a levy on all taxable property in the State. The tax rate is $0.1697 per $1,000 in property value. The tax is collected by municipal treasurers and remitted to the State during property tax settlements. After its receipt in the General Fund, it is transferred to the segregated Conservation Fund.

Miscellaneous Taxes

The State collects other miscellaneous taxes and fees, the largest of which is the real estate transfer fee. This fee is assessed at the time of a sale or transfer of real estate (subject to certain exceptions) and at the rate of $0.30 per $100 value.

Tax Credits

Complementing the State's tax structure are tax credits designed to relieve certain taxes. These credits are reflected as expenditures for budgeting purposes. A brief description of the principal tax credits follows.

Manufacturing and Agriculture Tax Credit

The domestic production activities credit for income and franchise taxes, subsequently renamed the "manufacturing and agriculture credit", provides tax relief to manufacturers and farmers. For individual income tax filers, the credit is equal to a specified percentage of a claimant's qualified production activities income **(QPAI)** derived from property assessed as manufacturing or agricultural property in the State. For corporate tax filers, the credit is a percentage of the claimant's QPAI, apportioned income, or income taxable under combined reporting provisions. The credit percentages have increased on a phased-in schedule, rising from 1.875 percent in tax year 2013 to 7.5 percent in tax year 2016 and thereafter. The credit is nonrefundable, but unused credit amounts may be carried forward and used in future years. According to the Legislative Fiscal Bureau (**LFB**), the credit is expected to reduce income and franchise tax revenues by $208 million in the 2015-16 fiscal year with the fiscal effect increasing to $285 million in the 2016-17 fiscal year.

Homestead Tax Credit

Property tax relief is provided to low-income homeowners and renters through a homestead tax credit. The maximum household income limit is $24,680. The maximum amount of aidable property taxes is $1,460, and the amount of farm acreage on which the property tax is based is 120 acres. For renters, the portion of rent allocated as property tax is 25 percent, or 20 percent if heat is included in rent. In the 2015-16 fiscal year, low-income homeowners and renters received nearly $100 million in homestead tax credit relief.

Earned Income Tax Credit

The earned income tax credit provides assistance to lower-income workers. The tax credit supplements the wages and self-employment income of such families. It offsets the impact of the social security tax and increases the incentive to work. As of August 1, 2016, the State was one of 26 states and the District of Columbia that offered an earned income tax credit. Twenty-three of those programs, including the State's, offered a refundable earned income tax credit.

The State's earned income tax credit is calculated as a percentage of the federal tax credit, which varies by income and family size. The State's tax credit varies the percentage of the federal tax credit by the number of children: 4 percent of the federal tax credit for one child, 11 percent for two, and 34 percent for three or more. The maximum State tax credit in tax year 2016 was $135 for one child, $613 for two children, and $2,131 for three or more children. In the 2015-16 fiscal year, low-income wage earners received $102 million in earned income tax credits.

Farmland Preservation Tax Credit

The farmland preservation program provides property tax relief to farmland owners and encourages local governments to develop farmland preservation policies. The tax credit reduces income tax liability or is rebated if the credit exceeds income tax due. Two separate calculations of and qualifications for the credit were available in fiscal year 2015-16; one based on income and the other based on the number of acres and other criteria. Combined expenditures under Farmland Preservation Credit programs totaled nearly $20 million in fiscal year 2015-16.

School Levy Tax Credit

The school levy tax credit is distributed based on each municipality's share of statewide levies for school purposes and is provided to all classes of property taxpayers (residential, commercial, industrial, and others). For property taxes levied in December 2015, $853 million of school levy tax credits was distributed statewide. The first dollar credit, which offsets the school district property taxes paid on the first $6,500 on an improved parcel, provided an additional $148 million of property tax relief for property taxes levied in December 2015. These tax credits offset approximately 9.4 percent of all levies or 20.6 percent when measured against school levies only. The tax credits are paid to counties or municipalities to reduce the amount due from all property taxpayers.

Lottery Property Tax Credit.

The net proceeds of the state lottery are reserved for property tax relief. The lottery property tax credit is paid to counties or municipalities to reduce the amount due from local taxpayers. The lottery property tax credit is paid only for property taxes on primary residences. For the 2015 tax year, the total lottery property tax credit was approximately $161 million.

School Property Tax Credit

The school property tax credit is a nonrefundable credit to reduce individual income net tax liability, and is equal to 12 percent of the first $2,500 in property taxes, or rent relating to allocable property taxes, for a maximum credit of $300. In the 2015-16 fiscal year, the school property tax credit totaled approximately $412 million.

Tax Collection Procedure (Delinquencies)

If a taxpayer does not file a valid return when required, the State of Wisconsin Department of Revenue (**Department of Revenue** or **DOR**) may estimate the amount of tax due and send the taxpayer an assessment of the amount owing. The taxpayer has 60 days to appeal the amount owed, and absent an appeal, the account is considered delinquent on the due date. A delinquency also occurs when a taxpayer fails to properly pay taxes on a filed return or under-computes the tax due. The taxpayer is billed for the shortfall, and in the case where taxes are not properly paid, there is no appeal process. An assessment can also result from office or field audits. A taxpayer has 60 days to appeal an audit adjustment.

DOR uses a computer system to record payment and collection information for income, franchise, sales, and use taxes. Revenue agents around the State can access the case records for delinquent accounts.

Collection of a delinquent account begins with a notice of overdue tax, which is sent to the taxpayer. This notice informs the taxpayer that failure to pay may result in a warrant being filed in the county of residence and that other involuntary collection actions may be taken. The account is assigned to a revenue agent, who may contact the taxpayer to attempt to solicit payment in full or to set up an installment payment plan. Records of all collection contacts and actions are maintained in the statewide computer system.

If voluntary payments cannot be arranged, the revenue agent may proceed to a variety of involuntary collection actions, such as attachment of wages, levy, or garnishment of assets. Depending on the circumstances of the account, DOR may move directly to an involuntary collection action after the notice of overdue tax is sent. If the amount owed is greater than $5,000, the account will be posted on a DOR web site that identifies delinquent taxpayers. If the delinquent taxpayer has a refund coming from any tax program administered by DOR, the refund is applied to the delinquent balance. Federal tax refunds are also applied to the delinquent balance.

Other actions that may be recommended to resolve a delinquent account include:

- Revocation of a business seller's permit
- Withholding a business's liquor license
- Denial of a State-issued occupational license
- Referral to a private collection agency

If the revenue agent cannot collect the delinquent taxes, and it is unknown whether the taxpayer has any assets that may be garnished, then a supplemental hearing may be called before the court commissioner in the taxpayer's county of residence, in order to determine the taxpayer's ability to pay. If assets are discovered, DOR may request appointment of a receiver to sell the assets. If the taxpayer is without any assets, the proceedings may be stayed and the account periodically reviewed until either the taxpayer has assets to pay or a determination is made to write off the account.

An analysis of the overall delinquency rate for the income, franchise, gift and sales and use taxes is shown in Table II-29 under "STATISTICAL INFORMATION".

EXPENDITURES

General

State expenditures are categorized under eight functional categories and the general obligation bond program. They are subcategorized by three distinct types of expenditures. The eight functional categories, which are listed in Table II-3, are described later in this Part II of the 2016 Annual Report. See "STATE GOVERNMENT ORGANIZATION; Description of Services Provided by State Government". The three types of expenditures are described below.

- *State Operations.* Direct payments by State agencies to carry out State programs for expenses such as salaries, supplies, services, debt service, and permanent property, including the University of Wisconsin System.
- *Aids to Individuals and Organizations*. Payments from a State fund made directly to, or on behalf of, an individual or private organization (for example, Medicaid, parent choice and charter school programs, or student financial assistance).
- *Local Assistance*. Payments from a State fund to, or on behalf of, local units of government and school districts, including payments associated with State programs administered by local governments and school districts (for example, elementary and secondary school aids, shared revenues, and school levy and first dollar tax credits).

Table II-3 shows the amounts expended (all funds) by function and type for each of the last five years.

General Fund Expenditures

In the 2015-16 fiscal year, about 51% of all general-fund taxes collected by the State were returned to local units of government. The remaining funds were used for aids to individuals and organizations (26%) and State operations and programs (23%), which included the University of Wisconsin System. For the 2016-17 fiscal year, these percentages are expected to be about 50% returned to local units of government, 25% for aids to individuals and organizations, and 25% for State operations and programs, which includes the University of Wisconsin System.

Table II-3

EXPENDITURES BY FUNCTION AND TYPE (ALL FUNDS)[(a)]

	2015-16	2014-15	2013-14	2012-13	2011-12
Commerce					
State Operations	$ 220,297,122	$ 251,812,554	$ 229,386,338	$ 230,498,660	$ 237,301,963
Aids to Individuals and Organizations [(b)]	25,056,868	36,164,193	37,092,716	39,257,204	($85,251,510)
Local Assistance	50,539,203	64,054,263	76,482,860	56,037,043	41,520,092
Subtotal	295,893,193	352,031,010	342,961,915	325,792,907	193,570,545
Education					
State Operations	6,188,774,127	6,166,780,064	6,243,833,208	6,005,424,862	5,700,997,759
Aids to Individuals and Organizations	518,366,096	497,227,676	457,347,628	431,783,064	406,797,858
Local Assistance	6,175,572,042	6,389,703,799	5,859,524,660	5,639,197,518	5,656,240,970
Subtotal	12,882,712,265	13,053,711,539	12,560,705,496	12,076,405,444	11,764,036,587
Environmental Resources					
State Operations	2,371,154,665	2,437,220,712	2,707,169,764	2,711,567,716	2,453,206,494
Aids to Individuals and Organizations	35,198,403	29,100,920	34,929,320	27,553,037	22,631,300
Local Assistance	1,059,845,591	1,223,204,106	1,156,224,236	1,165,514,898	1,097,975,192
Subtotal	3,466,198,659	3,689,525,738	3,898,323,320	3,904,635,650	3,573,812,986
Human Relations and Resources					
State Operations	2,796,248,129	2,789,044,549	2,733,416,164	2,664,971,784	2,622,841,588
Aids to Individuals and Organizations	12,255,382,618	12,059,458,300	11,541,177,302	10,744,126,690	10,217,914,514
Local Assistance	765,915,913	788,474,755	796,649,514	704,135,972	683,427,090
Subtotal	15,817,546,660	15,636,977,604	15,071,242,980	14,113,234,446	13,524,183,192
General Executive					
State Operations	8,198,790,546	8,287,821,942	7,692,753,618	6,885,875,587	7,285,111,297
Aids to Individuals and Organizations	489,636,943	465,241,942	458,594,192	467,821,376	557,776,217
Local Assistance	131,323,284	145,926,694	158,295,861	203,809,063	187,696,817
Subtotal	8,819,750,773	8,898,990,578	8,309,643,671	7,557,506,026	8,030,584,331
Judicial					
State Operations	106,815,611	107,969,106	104,815,737	105,624,208	108,823,889
Local Assistance	24,336,588	22,989,415	22,058,356	22,055,899	22,029,230
Subtotal	131,152,199	130,958,521	126,874,093	127,680,107	130,853,119
Legislative					
State Operations	66,951,115	65,595,364	65,525,903	64,552,205	64,463,115
Subtotal	66,951,115	65,595,364	65,525,903	64,552,205	64,463,115
General					
State Operations	1,102,216,739	1,301,160,305	1,232,746,769	965,930,734	945,014,871
Aids to Individuals and Organizations	341,233,254	332,178,675	343,230,101	328,033,500	344,406,145
Local Assistance	2,051,992,107	2,047,342,389	2,043,214,193	2,011,453,810	2,081,107,574
Subtotal	3,495,442,100	3,680,681,369	3,619,191,063	3,305,418,045	3,370,528,589
General Obligation Bond Program					
State Operations	911,485,053	790,116,321	1,093,559,790	1,089,901,357	885,773,517
Subtotal	911,485,053	790,116,321	1,093,559,790	1,089,901,357	885,773,517
Summary Totals					
State Operations	21,962,733,107	22,197,520,916	22,103,207,291	20,724,347,113	20,303,534,493
Aids to Individuals and Organizations	13,664,874,182	13,419,371,707	12,872,371,259	12,038,574,871	11,464,274,524
Local Assistance	10,259,524,728	10,681,695,421	10,112,449,680	9,802,204,203	9,769,996,966
GRAND TOTAL	$ 45,887,132,017	$ 46,298,588,044	$ 45,088,028,229	$ 42,565,126,187	$ 41,537,805,982

(a) The amounts shown are based on statutorily required accounting and not on GAAP. The amounts are unaudited.

(b) The negative amount for the category reflects the Department of Commerce being eliminated and its functions being moved to other State agencies pursuant to provisions of the 2011-13 biennial budget (2011 Wisconsin Act 32).

Source: Wisconsin Department of Administration

ACCOUNTING AND FINANCIAL REPORTING

Statutory Basis

The State accounts for, reports, and budgets its operations as set forth in the Wisconsin Statutes. The Annual Fiscal Report (which is unaudited) must be published each year on or before October 15th. Except as noted in the following paragraph, under statutory accounting, receipts are recorded only at the time money or checks are deposited in the State Treasury, and disbursements are recorded only at the time a check is drawn. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore the amounts reported in a fiscal year.

For budgeting and Wisconsin Constitutional compliance purposes, the State's records are maintained in conformity with statutory requirements. The more important legal provisions are:

- In all cases the date of the contract or order determines the fiscal year in which it is charged unless it is determined that the purpose of the contract or order is to prevent lapsing of appropriations or to otherwise circumvent budgeting intent.
- The current year records must remain open until July 31st to permit departments to certify for payment bills applicable to the year ended June 30th and to deposit revenues applicable to such year, with the following exceptions: (1) amounts withheld for income taxes prior to July 1st and (2) taxes imposed on sales prior to July 1st are deemed to be accrued tax receipts as of the close of the fiscal year, provided such revenue is deposited on or before August 15th.
- On July 31st all outstanding encumbrances entered for the previous year must be transferred to the new fiscal year, and an equivalent prior year appropriation balance must also be forwarded to the new fiscal year.
- Revenues and expenditures are reported on a net basis. Overcollections refunded are deducted from revenues and current year overpayments made are deducted from expenditures.
- General Fund investments are carried at the lower of cost or par with discounts, premiums, and earnings recorded on an accrual basis.
- Encumbrances are treated as expenditures in the year of initiation.

Generally Accepted Accounting Principles

The State also accounts for and reports on its operations using generally accepted accounting principles (**GAAP**). Due in part to the implementation of the new enterprise resource planning system during the fiscal year, the State's CAFR and the audited general purpose external financial statements section of the CAFR for the fiscal year ended June 30, 2016 are not available as of the date of this Part II to the 2016 Annual Report. When available, the CAFR and the audited general purpose external financial statements will be filed within 10 business days with the MSRB through its EMMA system, and made a part of APPENDIX A to this Part II of the 2016 Annual Report.

Financial statements prepared in accordance with GAAP differ from those prepared in accordance with the Wisconsin Statutes. A notable difference pertains to the General Fund balance. Using the CAFR and audited general purpose external financial statements for the fiscal year ended June 30, 2015 as an example, the undesignated, unreserved balance for the fiscal year ended June 30, 2015 was $136 million on a budgetary basis. However, under GAAP, the total fund balance of the General Fund for the fiscal year ended June 30, 2015 was a deficit of $1.779 billion. The difference results primarily because GAAP recognizes accrued liabilities that are not taken into account under the statutory basis. The single largest accrued liability for the fiscal year ended June 30, 2015 was $713 million and related to the State's individual income tax accruals.

New Enterprise Resource Planning System

Effective October 1, 2015, the State implemented a statewide initiative to consolidate information technology systems with an integrated software system that included applications for finance, procurement, budget and reporting. Effective December 14, 2015, applications of this new enterprise resource planning system were implemented for human resources and payroll.

BUDGETING PROCESS AND FISCAL CONTROLS

Appropriations are made through the enactment of the State budget. Most of the budget process derives from statutory laws or custom and practice, and thus the process is subject to change.

The State budget is the legislative document that sets the amount of authorized State expenditures for the two fiscal years in a biennium and the corresponding amount of revenues (primarily taxes) projected to be available to pay those expenditures. A biennium begins on July 1st of each odd-numbered year and ends on June 30th of the subsequent odd-numbered year. The requirement for a State budget is linked directly to the Wisconsin Constitution, which provides that "No money shall be paid out of the treasury except in pursuance of an appropriation by law." The Wisconsin Constitution requires a balanced budget. It also requires that, if final budgetary expenses of any fiscal year exceed available revenues, then the Legislature must take actions to pay the deficiency in the succeeding fiscal year.

Budget Requests from Agencies

The formal budget process begins when the State Budget Office in the State of Wisconsin Department of Administration **(DOA** or **Department of Administration)** issues instructions to State agencies for submission of their budget requests for the next biennium. Larger agencies actually begin their internal processes for development of their budget requests several months prior to the issuance of these instructions.

Pursuant to the Wisconsin Statutes, agency budget requests are to be submitted no later than September 15th of each even-numbered year. Agencies are also required to submit copies of their budget requests to the LFB at the same time that copies are delivered to the State Budget Office.

Executive Budget

Pursuant to the Wisconsin Statutes, the Secretary of Administration is required to provide to the Governor or Governor-Elect and to each member of the next Legislature, by November 20th of each even-numbered year, a compilation of the total amount of each agency's biennial budget request. The Wisconsin Statutes also require that DOR compile and provide, by November 20th of each even-numbered year, information on the actual and estimated revenues for the current and forthcoming biennium. These revenue estimates are used by the Governor as the basis for budget recommendations about General Fund biennial budget spending. The State Budget Director (who is an appointee of the Secretary of Administration) is involved in the review of agency requests and the development of the Governor's budget recommendations for appropriations. In addition to proposing a biennial budget, the Governor's budget recommendations also include any statutory language changes needed to accomplish the policy initiatives and program or appropriation changes that are part of the Governor's recommendations. A draft bill is prepared by the Legislative Reference Bureau incorporating the Governor's fiscal and statutory recommendations.

The Governor is required to deliver the biennial budget message and executive budget bill or bills to the Legislature on or before the last Tuesday in January of the odd-numbered year. However, upon request of the Governor, a later submission date may be allowed by the Legislature upon passage of a joint resolution. It is common for the Governor to request a later submission date; a later submission date was requested, and allowed, for each of the last ten executive budget bills.

The Wisconsin Statues provide that immediately after delivery of the Governor's budget message, the executive budget bill or bills must be introduced by the Legislature's Joint Committee on Finance **(JCF)**, without change, into one of the two houses of the Legislature. Upon introduction, the bill or bills must be referred to that committee for review. Because of both the complexity of the budget and its significance, committee review of the budget bill is the most extensive and involved review given to any bill in a legislative session.

Legislative Consideration

LFB usually provides initial overview briefings on the budget for the JCF. The committee holds public hearings on the proposed budget, including both hearings at which agencies present informational briefings and hearings to allow public comment. Other legislative committees may hold meetings, at the discretion of the committee chairperson, to inform committee members of particular aspects of the budget that may affect the substantive interests of the committee.

Upon conclusion of the public hearings, the JCF commences executive sessions of the Governor's recommended budget. The committee invariably adopts a budget that contains numerous changes to the Governor's recommendations. The form of the committee's budget is usually a substitute amendment to the Governor's budget bill rather than being a separately identified new bill.

The two houses of the Legislature rarely pass identical versions of the budget in their first consideration. There are alternative methods available for achieving resolution of the differences between the two houses on bills. A common method is for one house to seek a committee of conference on the bill wherein a specified number of members from each house are delegated to meet as a bargaining committee with the goal of producing a report reconciling the differences. Another method that has been used from time to time has been to successively pass, between the houses, narrowing amendments dealing only with the points of difference between the respective budgets as initially recommended by the two houses.

While the Wisconsin Statutes require that summary information be compiled by DOR on the actual and estimated revenues for the current and forthcoming biennia and that this summary information be available on November 20th of each even-numbered year, LFB may use its discretion to provide updated revenue estimates at any time for the current and forthcoming biennia.

Governor's Partial Veto Power

The Wisconsin Constitution grants the Governor the power of partial veto for any appropriation bill. This means that rather than having to approve or reject the budget bill in its entirety, the Governor may selectively delete portions of the budget bill. Both language and dollar amounts in a budget bill may be eliminated by the Governor's veto, and dollar amounts may be reduced. The Wisconsin Constitution prohibits the Governor from using the partial veto to create a new sentence by combining parts of two or more sentences.

The budget bill (less any items deleted or reduced by the Governor's partial veto) then becomes the State's fiscal policy document for the next two years. Just as it may do with a Governor's veto of a bill in its entirety, the Legislature may, by a two-thirds vote by each house, override a partial veto and enact the vetoed portion into law. This action may be taken before or after the budget becomes effective.

Continuing Authority

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. Under Wisconsin law an existing appropriation continues in effect until it is amended or repealed. Thus, in the event that a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time as a new budget is enacted. Once a newly enacted budget becomes effective, the continuing authority is superseded by the newly enacted appropriations.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. If an amount has been appropriated for the second fiscal year in one biennium, there will be continuing authority in the same amount until a new biennial budget is enacted or some other legislative action is taken to amend or repeal the appropriation. The 2015-17 biennial budget of the State was enacted on July 12, 2015, which was 11 days after the start of the biennium. Of the prior ten biennial budgets, the 2009-11, 2011-13 and 2013-15 biennial budgets were each enacted prior to the start of the respective biennium; however, each of the seven biennial budgets prior to the 2009-11 biennium was enacted after the start of the biennium, with the latest date after the start of a biennium being October 27, 1999 (for the 1999-2001 biennium), which was nearly four months after the start of the 1999-2000 fiscal year (the first fiscal year of that biennium).

General Fund Tax Increase

Wisconsin Statutes require that neither house of the Legislature may pass a bill that increases certain General Fund taxes (income, state sales, or franchise taxes) unless the bill is approved by two-thirds of those members present and voting. There is an exception if the Legislature passes a joint resolution requiring a statewide advisory referendum on the question of whether the Legislature should authorize the tax increase, and a majority of voters voting at the referendum approve the tax increase.

Fiscal Controls

No money shall be paid out of the State Treasury except as appropriated by law. The Wisconsin Statutes require that the Secretary of Administration and the State Treasurer must approve all payments. The Secretary of Administration is also responsible for audit of expenditures prior to disbursement. The Legislative Audit Bureau has post-audit responsibility.

The Department of Administration maintains separate accounts for all appropriations, showing the amounts appropriated, the amounts allotted, the amounts encumbered, the amounts expended, and certain other data necessary for the financial management and control of all State accounts. The Department of Administration also maintains the general ledgers of the General Fund and all other funds of the State.

State law prohibits the enactment of legislation that would cause the estimated General Fund balance to be less than a specified amount or percentage of the general purpose revenue appropriations for that fiscal year. The specified amount for the 2016-17 fiscal year is $65 million. State law currently requires that beginning with the 2017-18 fiscal year, the statutory required reserve will be an amount equal to the lesser of the prior fiscal year's required balance plus $5 million, or 2% of the general purpose revenue appropriations for that fiscal year. The specified amount, or percentage of general purpose revenue appropriations, is included in Wisconsin Statutes, and can be changed (and has previously been changed) by legislative action.

The budget can move out of balance if estimated revenues are less than anticipated in the budget or if expenditures for open-ended appropriations are greater than anticipated. The Wisconsin Statutes provide that, following the enactment of the budget, if the Secretary of Administration determines that budgeted expenditures will exceed revenues by more than one-half of one percent of general purpose revenues (consisting of general taxes, miscellaneous receipts, and revenues collected by State agencies which lose their identity and are available for appropriation by the Legislature), then no approval of expenditure estimates can occur. Further, the Secretary of Administration must notify the Governor and the Legislature, and the Governor must submit a bill correcting the imbalance. If the Legislature is not in session, then the Governor must call a special session to take up the matter.

The Secretary of Administration also has statutory power to order reductions in the appropriations of State agencies (which represent less than one-fourth of the General Fund budget). The Secretary of Administration may also temporarily reallocate free balances of certain funds to other funds that have insufficient balances and, further, may prorate or defer certain payments in the event current or projected balances are insufficient to meet current obligations. See "GENERAL FUND INFORMATION; General Fund Cash Flow." The Department of Administration may also request, upon making certain determinations and receiving approval of the JCF, the issuance of operating notes by the State of Wisconsin Building Commission (**Commission**).

Budget Stabilization Fund

Statutory provisions require, for each fiscal year, the transfer of 50% of general purpose revenues received over the original budget estimate to the State's Budget Stabilization Fund (which is a "rainy day fund"), provided that the statutory required General Fund balance for that fiscal year is maintained. As of June 30, 2016, the balance in the Budget Stabilization Fund was approximately $281 million.

The transfers to the Budget Stabilization Fund, which only occur when general purpose revenues exceed the original budget estimates, are required to continue until the balance in the Budget Stabilization Fund is at least equal to 5% of the estimated expenditures from the General Fund, which would be approximately $809 million based on estimated General Fund expenditures for the 2016-17 fiscal year.

A provision of 2013 Wisconsin Act 145 suspended the statutory provisions requiring transfers from the General Fund to the Budget Stabilization Fund for the 2013-14 and 2014-15 fiscal years.

BUDGETARY RESULTS OF 2015-16 FISCAL YEAR

Pursuant to Wisconsin Statutes, the Annual Fiscal Report (budgetary basis) for the fiscal year ending June 30, 2016 was published October 15, 2016, and subsequently revised on November 21, 2016 to reflect final appropriation adjustments submitted by State agencies.

The Annual Fiscal Report provides that the State ended the 2015-16 fiscal year on a statutory and unaudited basis with an undesignated balance of $331 million. This amount is $234 million more than the projected ending balance for the fiscal year included in the budget for the 2015-17 biennium (2015 Wisconsin Act 55), and $112 million more than the projected ending balance that was included in the LFB Report dated January 21, 2016 **(January 2016 LFB Report)**. The State did not issue any operating notes during the 2015-16 fiscal year.

Table II-4 shows the final General Fund condition statement for the 2015-16 fiscal year. The table also includes, for comparison, the actual General Fund condition statement for the 2014-15 fiscal year, the estimated General Fund condition statements, for the 2015-16 fiscal year from the 2015-17 biennial budget (2015 Wisconsin Act 55), and the estimated General Fund condition statement presented in the January 2016 LFB Report.

The Annual Fiscal Report (budgetary basis) also provides final General Fund tax collections for the 2015-16 fiscal year. These General Fund tax revenue collections, on a budgetary basis, were $15.098 billion, compared to $14.541 billion for the 2014-15 fiscal year. This is an increase of approximately $556 million, or 3.8% more than collections from the 2014-15 fiscal year, but approximately $78 million less than the projections included in the January 2016 LFB Report.

Table II-5 provides a summary of the final General Fund tax revenues for the 2015-16 fiscal year. Table II-5 also includes, for comparison, the actual General Fund tax collections for the 2014-15 fiscal year, the projected General Fund tax collections as included in the 2015-17 biennial budget (2015 Wisconsin Act 55), and the General Fund tax collections as projected in the January 2016 LFB Report.

The Annual Fiscal Report for the 2015-16 fiscal year is not part of the 2016 Annual Report but has been filed with, and may be obtained from, the MSRB through its EMMA system or at the following address:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 267-0374
DOACapitalFinanceOffice@wisconsin.gov
www.doa.wi.gov/capitalfinance

Table II-4

GENERAL FUND CONDITION STATEMENT
2015-16 FISCAL YEAR
(in Millions)

	2014-15 Annual Fiscal Report	2015-17 Biennial Budget	LFB January 2016	2015-16 Annual Fiscal Report
Revenues				
Opening Balance	$ 516.9	$ 0.3	$ 135.6	$ 135.6
Prior Year Designation	122.4			91.3
Taxes	14,541.2	15,207.9	15,175.6	15,097.5
Department Revenues				
Tribal Gaming		23.4	25.6	26.2
Other	549.9	516.1	518.0	491.4
Total Available	15,730.4	15,747.6	15,854.8	15,842.0
Appropriations				
Gross Appropriations	15,925.0	15,886.4	15,896.4	15,850.9
Sum Sufficient Reestimate	-	-	(40.2)	-
Transfers to Other Funds	169.6	38.0	38.0	38.0
Compensation Reserves	35.0	10.7	10.7	0.9
Less: Lapses	(534.8)	(349.2)	(334.1)	(378.9)
Net Appropriations	15,594.8	15,585.8	15,570.8	15,510.9
Balances				
Gross Balance	135.6	161.8	284.0	331.0
Less: Req. Statutory Balance	n/a	(65.0)	(65.0)	n/a
Net Balance, June 30	$ 135.6	$ 96.8	$ 219.0	$331.0

Table II-5

GENERAL FUND TAX REVENUE COLLECTIONS
2015-16 FISCAL YEAR
(in Millions)

	2014-15 Actual	2015-17 Biennial Budget	LFB January 2016	2015-16 Actual
Individual Income	$ 7,325.8	$ 7,858.6	$ 7,810.0	$ 7,740.8
Sales and Use	4,892.1	5,054.1	5,050.9	5,065.8
Corp. Income & Franchise	1,004.9	994.0	990.0	963.0
Public Utility	381.8	366.8	370.7	360.6
Excise				
Cigarettes	569.5	551.0	571.0	573.4
Tobacco Products	71.9	71.4	76.4	76.1
Liquor & Wine	48.8	48.5	50.0	50.0
Beer	8.8	8.6	9.0	9.0
Insurance Company	165.3	181.0	168.0	177.3
Miscellaneous Taxes	72.0	73.9	79.5	81.5
TOTAL	$14,541.2	$15,207.9	$15,175.6	$15,097.5

STATE BUDGET

Budget for 2015-17 Biennium

The budget act for the 2015-17 biennium (2015 Wisconsin Act 55) was adopted by the Legislature on July 8, 2015, signed into law, with partial vetoes, by the Governor on July 12, 2015, and became effective on July 13, 2015 (except as otherwise provided in the act). Detailed information and summary tables and charts concerning the enacted budget for the 2015-17 biennium may be obtained from the following website (neither the following website nor the summaries available at such website are incorporated by reference into this Part II of the 2016 Annual Report):

https://docs.legis.wisconsin.gov/misc/lfb/budget/2015_17_biennial_budget

Budget for 2016-17 Fiscal Year

Table II-6 shows the estimated General Fund condition statement for the 2016-17 fiscal year as provided by DOA on November 21, 2016 (**November 2016 DOA Report**). Table II-6 also includes, for comparison purposes, the actual General Fund condition statement for the 2015-16 fiscal year, the projected General Fund condition statement from the 2015-17 biennial budget (2015 Wisconsin Act 55), and the General Fund condition statement as projected in the January 2016 LFB Report.

Table II-6

ESTIMATED GENERAL FUND CONDITION STATEMENT
2016-17 FISCAL YEAR
(in Millions)

		2016-17 Fiscal Year		
	2015-16 Annual Fiscal Report	2015-17 Biennial Budget	LFB January 2016	DOA November 2016
Revenues				
Opening Balance	$ 135.6	$ 161.8	$ 284.0	$ 331.0
Prior-Year Designation	91.3	-	-	-
Taxes	15,097.5	15,791.6	15,655.7	15,440.2
Department Revenues				
Tribal Gaming	26.2	23.1	24.7	25.5
Other	491.4	513.5	514.0	484.7
Total Available	$ 15,842.0	$ 16,490.0	$ 16,478.4	$16,281.5
Appropriations				
Gross Appropriations	$ 15,850.9	$ 17,041.4	$ 17,058.4	$17,015.0
Sum Sufficient Reestimate	-	-	(46.9)	
Prelim. Debt Service Reestimates	-	-	-	(10.1)
Transfers	38.0	39.5	39.5	39.5
Compensation Reserves	0.9	18.6	18.6	18.6
Less: Lapses	(378.9)	(740.8)	(726.4)	(886.3)
Net Appropriations	$15,510.9	$ 16,358.7	$16,343.2	$16,176.7
Balances				
Gross Balance	331.0	131.4	135.2	104.8
Less: Req. Statutory Balance	n/a	(65.0)	(65.0)	(65.0)
Net Balance, June 30	$ 331.0	$ 66.4	$ 70.2	$ 39.7

Revenue Projections for 2016-17 Fiscal Year

The November 2016 DOA Report includes estimated General Fund tax revenues for the 2016-17 fiscal year of $15.440 billion. This estimated amount is $343 million (2.3%) more than the fiscal year 2015-16 actual revenues, but $216 million less than the projections in the January 2016 LFB Report. These estimates are summarized by tax source in Table II-7, which also includes, for comparison, actual General

Fund tax collections for the 2015-16 fiscal year, projected General Fund tax collections from the 2015-17 biennial budget (2015 Wisconsin Act 55), and projections provided in the January 2016 LFB Report.

Table II-7

ESTIMATED GENERAL FUND TAX REVENUE COLLECTIONS
2016-17 FISCAL YEAR
(in Millions)

	2015-16 Actual	2015-17 Biennial Budget	LFB January 2016	DOA November 2016
Individual Income	$ 7,740.8	$ 8,238.4	$ 8,050.0	$ 8,018.5
Sales and Use	5,065.8	5,224.0	5,217.5	5,172.3
Corp. Income & Franchise	963.0	1,015.7	1,045.0	888.5
Public Utility	360.6	373.4	382.4	377.5
Excise				
Cigarettes	573.4	545.5	565.5	575.4
Tobacco Products	76.1	73.6	79.6	79.8
Liquor & Wine	50.0	49.4	51.0	51.1
Beer	9.0	8.4	9.0	9.1
Insurance Company	177.3	187.0	172.0	184.0
Miscellaneous Taxes	81.5	76.3	83.7	84.0
TOTAL	$15,097.5	$ 15,791.6	$ 15,655.7	$15,440.2

Budget for the 2017-19 Biennium

Pursuant to the Wisconsin Statutes, the November 2016 DOA Report summarizes the amount of each agency's 2017-19 biennial budget request and includes estimated General Fund revenues, as compiled by DOR for the forthcoming biennium.

The November 2016 DOA Report includes a projected General Fund condition statement for the 2017-19 biennium, based on the estimates of General Fund tax revenues provided by DOR, credits and other advanced commitments from prior biennia, and budget requests that have been provided by State agencies. The Governor will use these revenue estimates and agency requests to propose a balanced biennial budget, which must be submitted to the Legislature on or before January 31, 2017; however, a later submission date may be allowed by the Legislature if requested by the Governor.

The estimates for general purpose tax revenues for the 2017-19 biennium, as included in the November 2016 DOA Report, are included in Table II-8. These estimates reflect annual growth of 2.9% and 3.0%, respectively.

Table II-8

ESTIMATED GENERAL FUND TAX REVENUE COLLECTIONS
2017-18 AND 2018-19 FISCAL YEARS
(in Millions)

	2017-18 Fiscal Year	2018-19 Fiscal Year
Individual Income	$ 8,320.3	$ 8,655.2
Sales and Use	5,308.4	5,459.3
Corp. Income & Franchise	897.8	881.8
Public Utility	380.1	382.2
Excise		
Cigarettes	564.3	555.5
Liquor & Wine	83.6	86.8
Tobacco Products	51.8	52.7
Beer	9.1	9.1
Insurance Company	185.9	199.3
Miscellaneous Taxes	86.8	88.2
TOTAL	$15,888.1	$16,370.1

Tobacco Settlement Revenues

In 2002 the State sold to the Badger Tobacco Asset Securitization Corporation **(BTASC)**, pursuant to statutory authority, the right to receive tobacco settlement revenues to be made by the participating cigarette manufacturers under the **Master Settlement Agreement**, which was entered into in 1998 among the participating cigarette manufacturers and the attorneys general of 46 states and six other U.S. jurisdictions in connection with the settlement of certain smoking-related litigation.

In May 2002, BTASC issued $1.591 billion principal amount of bonds to finance its purchase and to fund necessary reserves, operating costs, and costs of issuance. The proceeds that the State received for this sale were expended. The bonds issued by BTASC were payable from the tobacco settlement revenues that the State had sold and assigned to BTASC.

In April 2009, the State, acting by and through the Department of Administration, issued $1.529 billion principal amount of general fund annual appropriation bonds to purchase from BTASC the State's right to the tobacco settlement revenues pursuant to the Master Settlement Agreement. All obligations previously issued by BTASC have been redeemed, and the State resumed its right to receive tobacco settlement revenues under the Master Settlement Agreement as a result of the State's purchase.

Potential Effect of Litigation

The following is a description of various legal proceedings, claims, and tax refunds that may have a budgetary effect on the State.

Notice of Transferee Liability

In September 2008, the Internal Revenue Service made a claim against the State of Wisconsin Investment Board **(SWIB)** by issuing 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 Internal Revenue Service asserts that the shareholders' sale of SCC stock should have been characterized as a sale of assets by SCC, on which SCC should have paid income taxes. The Internal Revenue Service asserts that the former SCC shareholders, including SWIB, would be liable for those taxes, plus penalties and interest. The SWIB liability, as a putative transferee of SCC assets, was estimated to be between $17 million and $50 million as of December 31, 2015. SWIB has accrued a loss of $17 million which represents the estimated minimum amount of the possible liability to which SWIB believes it may be exposed.

Enforcement Provisions of Master Settlement Agreement

The State and 22 other states that signed the Master Settlement Agreement are in litigation with the major tobacco manufacturers regarding the post-2003 diligence of the states in their enforcement of certification and escrow payment laws designed to monitor and regulate the sale of cigarettes by tobacco manufacturers that did not sign the Master Settlement Agreement.

An arbitration proceeding regarding the dispute for calendar year 2004 has begun. The arbitration panel has ordered the parties to produce all discovery documents by mid-January 2017. Depositions will follow, and individual state hearings are expected to commence in the summer or fall of 2017. Wisconsin will receive notice from the tobacco manufacturers by mid-May 2017 as to whether the State's diligence will be contested. If Wisconsin's diligence is not contested, the State will receive approximately $15 million of Master Settlement Agreement funds that have been withheld by the tobacco manufacturers.

Other

The State, its officers, and its employees are defendants in numerous other lawsuits. It is the opinion of the Attorney General that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially impair its financial position. Potential liability for such pending litigation does not constitute a significant impairment of the State's financial position or payment of debt service.

Employment Relations

This summary discusses employment relations within the executive branch under the authority of the Department of Administration. Since July 2015, the University of Wisconsin-Madison, and the remainder of the University of Wisconsin **(UW)** System combined, are independent civil service systems, with their own statutorily defined collective bargaining units and collective bargaining authority. Therefore, neither entity is included in the following summary.

The executive branch has approximately 25,032 full-time-equivalent **(FTE)** classified and unclassified employees in 18 statutorily-designated bargaining units. An additional 2,318 classified supervisors in two bargaining units may by statute also be considered for representation, but these supervisory units have never applied for representation. In 2016, three of these 18 bargaining units, covering 700 FTE employees, were represented by a union, statutorily limited to the ability to negotiate base wages only for fiscal year 2016-17. One additional bargaining unit, covering 408 FTE employees, was represented to negotiate wages, benefits, and working conditions. Thus, at the end of 2016, a total of 1,108 FTE employees were represented for some degree of collective bargaining.

For all except one bargaining unit, representation rights are strictly limited to negotiation of base wage increases for a single fiscal year contract, and a recertification election must be held each year. The one exception is the public safety bargaining unit (State Patrol troopers and inspectors), which may negotiate wage rates, pay schedules, fringe benefits, hours of work, and conditions of employment for fiscal biennium contracts, and represent employees for grievances. Unlike the other unions, the public safety union is not subject to annual recertification.

Each collective bargaining agreement requires ratification by the members of the respective labor union, approval by the legislative Joint Committee on Employment Relations, passage by both houses of the Legislature, and signature of the Governor.

No new labor agreements have yet been implemented for fiscal years 2015-16 or 2016-17 for any of the four represented bargaining units.

All classified and unclassified employees are also covered under the 2015-17 Compensation Plan, except for subjects reserved for collective bargaining. The compensation plan, in conjunction with statutes, administrative rules, and policies, provides wages and hours and conditions of employment for all civil service employees, except as negotiable by unions. Fringe benefits including retirement, health and life are determined legislatively or through the Group Insurance and Employee Trust Fund Boards. The public safety union is the only union that can negotiate with regard to certain aspects of these fringe benefits.

The budget provides for salary and fringe benefits in an amount that is expected to be sufficient to meet all contractual obligations.

State Budget Assumptions

Tax revenue projections for the 2015-17 biennial budget were based on January 2015 estimates from LFB. See "STATE BUDGET". The estimates are based on the State tax structure and on assumptions about basic economic factors and their historical relationships to State tax receipts. Revenue sources other than taxes are estimated in the preparation of the budget. The all-funds budget establishes estimates of these nontax revenues and presumes that an equal amount of expenditures will be made. For that purpose, any variation from that expected level of revenue is assumed to result in a corresponding increase or decrease in expenditures.

State disbursements for the budget are based on assumptions relating to economic and demographic factors, desired levels of services, and the success of expenditure control mechanisms applied by the Secretary of Administration pursuant to statutory authority in controlling disbursements for State operations. Factors that may affect the level of disbursements in the budgets and make the projected levels difficult to maintain include uncertainties relating to the economies of the nation and the State.

Economic Assumptions

DOR prepares forecasts of income and employment for the State. These forecasts focus on industry employment, housing trends, and income components for the State.

While the revenues for the 2015-17 biennial budget were based on the January 2015 tax revenue estimates from LFB, the tax revenue estimates from DOR included in the November 2016 DOA Report reflect certain projections presented in a national economic forecast by IHS Economics (**IHS**), which provides national economic forecasts, database support, and consulting services. Table II-9 contains excerpts from IHS' October 2016 national economic forecast, and Table II-10 contains a summary of information from DOR's Wisconsin Econometric Model (**Model**).

Wisconsin Econometric Model

The Model is a forecasting tool used for assessing the future of the State's economy, measured primarily by income and employment. The Model provides DOR with information about how the State's economy responds to changes in the national economic conditions and plays a critical role in the revenue estimating process. The Model was first designed in 1976 by a predecessor of IHS (Data Resources Inc.). DOR has periodically redesigned the Model to improve its performance and also to correspond to changes in national modeling concepts in the IHS macro model of the U.S. economy and to incorporate new data definitions as embodied in the national and regional income accounts.

The Model provides forecasts of the major components of Wisconsin income and employment. Income measures correspond to the measures of State personal income provided by the U.S. Department of Commerce, Bureau of Economic Analysis. Employment measures correspond to the North American Industry Classification System **(NAICS)** as provided by the U.S. Department of Labor, Bureau of Labor Statistics through its Current Employment Statistics program and Quarterly Census of Employment and Wages program. The Model is a structural model that employs accounting identities and theoretical constructs for predictions on each economic variable. It is driven by a set of variables that are exogenous, or determined outside the Model. The national forecast data are used in the Model to generate forecasts of State employment, income, tax revenue, and other economic indicators.

The Model is similar to many economic models in that the economy is described by a set of mathematical equations. There are equations for employment, wages, property income, proprietary income, transfer payments, housing permits, and taxes, among others. The Model currently consists of 182 equations, 98 of which are econometric regressions.

The equations of the Model are a mixture of definitional equations and stochastic equations. Definitional equations are used to formulate accounting relationships (for example, total employment is the sum of employment for each industry). Stochastic equations are used to specify probability or statistical relationships in which the relation between any two economic measures cannot be defined exactly. Stochastic equations within the Model are determined using regression techniques. Both types of equations rely on an extensive historical database that contains both national and State measures.

Forecasts of economic variables at the national level are required to solve the Model's equations. National forecast data include measures of employment, personal income, industry output, factor costs, tax levels and rates, interest rates, inflation, etc. Currently, the Model uses forecasts provided by IHS for these national variables.

Other data come from both federal and State agencies. These data are principally measures of State personal income, employment, population, wages, milk prices, housing permits, new vehicle sales, and State tax rates and collections. After the data are compiled into the Model, the system of equations is simultaneously solved for income, employment, and other economic variables.

DOR maintains the Model through a process of keeping the Model's database up to date and re-examining the Model's equations when historical data are revised. The Model is calibrated to be temporally consistent with current data estimates by re-estimating the system of equations on a regular basis.

Updating and revising the Model is necessary to keep the Model's forecasts as reliable as possible. It is believed that if the Model can account for previous changes in income and employment, then it should be able to accurately forecast current levels of income and employment barring any large, unforeseen changes in the structure of the economy.

Table II-9
ECONOMIC FORECASTS—U.S.

	Calendar Year				
	2015	**2016**	**2017**	**2018**	**2019**
Real GDP and its Components (Amounts in Billions of 2009 Dollars)					
GDP	$16,397.	$16,628.	$16,989.	$17,366.1	$17,748.2
Percent Change	2.6	1.4	2.2	2.2	2.2
GDP (Current Dollars)................	18,036.7	18,551.4	19,390.1	20,254.60	21,132.88
Percent Change	3.7	2.9	4.5	4.5	4.3
Employment and Prices					
Payroll Employment ($ in	141.8	144.3	146	147.2	148.7
Percent Change	2.1	1.7	1.2	0.9	1.0
Unemployment Rate (%)	5.3	4.9	4.8	4.6	4.6
Consumer Price Index (%	0.1	1.3	2.5	2.4	2.6
Employment Cost Index (%	2.1	2.2	2.7	3.0	3.1
Industrial Production (% Change)	0.3	-1.0	1.1	2.9	2.4
Retail Gasoline Prices ($/gallon) .	2.51	2.20	2.33	2.51	2.85
Financial Markets					
3-Month Treasury Bills (rate)......	0.1	0.3	0.7	1.4	2.2
30-Year Fixed Mortgage (rate)....	3.9	3.6	3.9	4.7	5.4
Income and Profits (Amounts in Billions)					
Personal Income..........................	$15,458.	$15,979.	$16,686.	$17,507.	$18,382.83
Percent Change.......................	4.4	3.4	4.4	4.9	5.0
Wages and Salaries	7,854.80	8,154.00	8,561.10	8,989.50	9,431.37
Percent Change.......................	5.1	3.8	5	5	4.9
Corporate Profits, Before Tax.....	2,088.10	2,019.40	2,098.80	2,213.20	2,247.45
Percent Change.......................	-3.0	-3.3	3.9	5.4	1.5

Source: IHS, October 2016

Table II-10

ECONOMIC FORECASTS—WISCONSIN

	Calendar Year				
	2015	**2016**	**2017**	**2018**	**2019**
Wisconsin Employment Forecast					
Annual Industry Detail Average (Thousands of Workers)					
Manufacturing	468.6	471.5	472.0	476.6	486.2
Percent Change	0.9	0.6	0.1	1.0	2.0
Trade, Transport & Utilities	532.0	544.0	545.7	544.8	544.9
Percent Change	1.4	2.3	0.3	-0.2	0.0
Government	410.1	412.4	410.0	412.6	415.9
Percent Change	-0.5	0.6	-0.6	0.6	0.8
Total Nonfarm	2,889.10	2,928.50	2,946.6	2,964.90	2,989.9
Percent Change	1.3	1.4	0.6	0.6	0.8
Wisconsin Income Forecast					
Components of Personal Income (Amounts in Billions)					
Total Personal Income	$264.988	$272.361	$282.574	$294.217	$307.461
Wages and Salaries	135.408	139.934	146.06	151.867	158.364
Supplements to Wages/Salaries	34.763	35.801	37.102	38.135	39.458
Proprietor's Income	19.077	18.983	19.688	20.641	21.616
Property Income	47.544	48.295	49.24	51.246	53.673
Personal Current Transfer	46.005	47.612	49.508	52.065	54.857
Contributions for Govt. Social	21.91	22.525	23.504	24.435	25.44
Personal Taxes	30.874	32.479	34.182	36.016	37.959
Disposable Personal Income	234.113	239.882	248.392	258.201	269.501
Related Income					
Measures (Chained 2009 Dollars)					
Personal Income (billions)	$241.921	$246.010	$250.776	$256.24	$262.138
Percent Change	3.3	1.7	1.9	2.2	2.3
Per Capita Income (thousands of	41.918	42.511	43.237	44.058	44.964
Percent Change	3.0	1.4	1.7	1.9	2.1
Per Capita Income (thousands of current $)	45.914	47.064	48.72	50.587	52.738
Percent Change	3.4	2.5	3.5	3.8	4.3

Source: Wisconsin Department of Revenue, October 2016

Budget Format

The State prepares two budgets—a general-fund budget and an all-funds budget—as well as subbudgets for each fund.

The general-fund budget includes money appropriated for the fiscal year from:

- All State-collected general taxes
- Revenues collected by State agencies that are deposited into the General Fund and lose their identity (departmental revenues)
- Various miscellaneous receipts

A portion of these revenues is returned to local governments in the form of shared tax payments and to school districts in the form of general equalization aid payments. Additionally, some of the revenues are used for aids to individuals. The remaining portion constitutes the operating budget for State agencies conducting State-administered programs.

The all-funds budget includes money appropriated for the fiscal year from:

- All revenues included in the general-fund budget
- Revenues collected by State agencies that are paid into a specific fund (such as the Transportation or Conservation Fund)
- Federal funds that are estimated to be received and either paid into a specific fund (such as the Transportation or Conservation Fund) for a specified program or purpose, or credited to an appropriation to finance a specific program or agency
- Investment earnings or losses
- Revenues resulting from the contracting of public debt

The all-funds budget assumes that certain categories of revenues are expended in like amounts. These categories include federal funds, revenues paid into specific funds (other than the General Fund) for a specified program or purpose or which are credited to an appropriation to finance a specific program or agency, and proceeds of general obligation debt. In any given fiscal year, there may be a balance at year-end in the funds, specific program, or agency. Because it includes only estimates of federal funds to be received and expended, the all-funds budget may vary during the course of the fiscal year.

Impact of Federal Programs

The State does not typically receive substantial amounts of federal aid. Any reduction in federal aid would have a more immediate effect on individuals, local governments, and other service providers than on the State directly. Any reduction would, however, increase the likelihood of the State being asked to increase its support of the affected parties, which could not happen without the Legislature's approval.

Budget Sequestration Cuts

The United States Congress had mandated across-the-board cuts to the federal budget, starting with the federal fiscal year that started October 1, 2012. These cuts were required pursuant to the Budget Control Act of 2011 because, at that time, the congressional Joint Select Committee on Deficit Reduction had failed to reduce the federal deficit by $1.2 trillion.

For the federal fiscal year that started October 1, 2016, the Bipartisan Budget Act of 2015 provides an increase in federal domestic spending of $15 billion over the amounts directed in the Budget Control Act of 2011. Due to this increase, Wisconsin does not expect to see any significant decrease in federal funds over the next fiscal year.

Supplemental Appropriations

Even after the budget is adopted, the State may increase appropriations or reduce taxes. However, it has been the State's practice that supplemental appropriations adopted by the Legislature will be within revenue projections for that fiscal period or balanced by reductions in other appropriations.

No legislation directly or indirectly affecting general purpose revenue may be enacted if it would cause the estimated General Fund balance at the end of the fiscal year to be less than the required statutory reserve.

GENERAL FUND INFORMATION

General Fund Cash Flow

Many of the budgetary tables presented thus far in this Part II of the 2016 Annual Report have reported information on a budgetary basis. The following tables present information primarily on a cash basis.

Table II-11 is presented over two pages and includes the detailed actual cash flow for the 2015-16 fiscal year and the detailed actual cash flow through October 31, 2016 and projected cash flow from November

1, 2016 through June 30, 2017 for the 2016-17 fiscal year. Table II-12 is also presented over two pages and provides, for both the 2015-16 fiscal year and the 2016-17 fiscal year, year-to-date receipts and disbursements on a cash basis along with a comparison to estimates for the same period and actual receipts and disbursements for the same period of the previous fiscal year. Table II-13 presents a monthly summary of the General Fund from July 1, 2014 through October 31, 2016 and a projected summary for November 1, 2016 through June 30, 2017.

No operating notes were issued for the 2014-15 or 2015-16 fiscal years, and none have been issued for the current 2016-17 fiscal year.

Tables II-11, II-12, and II-13 should be read in conjunction with other information concerning the State budget set forth elsewhere in this Part II of the 2016 Annual Report, including "BUDGETING PROCESS AND FISCAL CONTROLS", "STATE BUDGET", and "STATE OBLIGATIONS; Operating Notes". As noted above, there have been and will continue to be differences in the amounts shown for the cash-flow basis and the budgetary basis presentations. For example, the cash-flow basis presentations in the following tables includes all tax receipts as revenues and tax refunds as disbursements, while the budgetary basis presentations in Tables II-4 and II-6 include tax revenues that are net of tax refunds.

The results, projections, or estimates for the 2016-17 fiscal year in the following tables reflect the enacted budget for the 2015-17 biennium (2015 Wisconsin Act 55) and the estimated General Fund tax revenues included in the January 2016 LFB Report.

Unforeseen events or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month and thus may adversely affect the projection of cash flow for the time shown. Additionally, the timing of transactions from month to month may vary from the forecast.

The State has experienced and expects to continue to experience certain periods when the General Fund is in a negative cash position. The Wisconsin Statutes provide certain administrative remedies to deal with these periods. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the general-purpose revenue appropriations then in effect approximately $1.531 billion for the 2016-17 fiscal year. In addition, the Secretary of Administration can also temporarily reallocate an additional amount of up to 3% of the general-purpose revenue appropriations then in effect (approximately $510 million for the 2016-17 fiscal year) for a period of up to 30 days. In aggregate, the limit on the amount available from temporary reallocations for the 2016-17 fiscal year is approximately$2.041 billion.

If the amount available for temporary reallocation to the General Fund is insufficient, then the Secretary of Administration may set priorities for payments from the General Fund as well as prorate and defer certain payments. The Wisconsin Statutes provide that all payments shall be in accordance with the following order of preference:

- All direct and indirect payments of principal and interest on State general obligation debt have first priority and may not be prorated or reduced.
- All direct and indirect payments of principal and interest on operating notes have second priority and may not be prorated or reduced.
- All State employee payrolls have third priority and may be prorated or reduced.
- All other payments shall be paid in a priority determined by the Secretary of Administration and may be prorated or reduced. The Secretary of Administration has covenanted to give high priority to payments due under the Master Lease Program, debt service due on the General Fund Annual Appropriation Bonds, and appropriations to the Wisconsin Center District in the approximate amount of $8 million to assist in the development and construction of a new arena in Milwaukee, Wisconsin, pursuant to contracts entered into in connection with the issuance of the related obligations.

Table II-14 presents the actual cash balances available for temporary reallocation from July 31, 2014 through October 31, 2016 and the projected balances for November 30, 2016 through June 30, 2017. The available cash balances are presented in two different tables; one table does not include balances in the Local Government Investment Pool **(LGIP)**, while the second table does include such balances. Though the LGIP is available for temporary reallocation, funds in the LGIP are deposited and withdrawn by local units of government and thus are outside the control of the State.

Tables II-15 and II-16 are each presented over two pages and include recorded revenues deposited into the General Fund and recorded expenditures made from the General Fund, as recorded by State agencies, for the periods of July 1, 2015 to June 30, 2016 as compared to the prior fiscal year and July 1, 2016 to October 31, 2016 as compared to the period of July 1, 2015 to October 31, 2015. These tables present information that is based on the revenues and expenditures that are recorded in, or processed through, the State's central accounting system and across all State agencies. With respect to revenues, there may be differences between the tax revenues shown in Table II-15 and those reported by the Department of Revenue from time to time in its monthly general purpose revenue collections report; the Department of Revenue report only includes general purpose revenues or taxes that are actually collected by the Department of Revenue while certain revenues are collected by other State agencies.

Table II-11

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2015 TO JUNE 30, 2016[(a)]

	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016
BALANCES[(a)(b)]												
Beginning Balance	$ 1,370,554	$ 469,093	$ 729,166	$ 1,203,261	$ 1,557,648	$ 1,621,473	$ 1,199,444	$ 1,903,640	$ 2,030,976	$ 1,175,216	$ 1,088,634	$ 1,947,731
Ending Balance[(c)]	469,093	729,166	1,203,261	1,557,648	1,621,473	1,199,444	1,903,640	2,030,976	1,175,216	1,088,634	1,947,731	1,060,311
Lowest Daily Balance [(c)]	338,299	194,537	633,217	919,870	1,187,304	202,565	1,199,444	1,783,047	981,754	695,742	1,088,634	715,996
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 666,489	$ 522,178	$ 768,990	$ 478,412	$ 762,096	$ 604,664	$ 997,805	$ 840,499	$ 712,063	$ 1,091,582	$ 652,276	$ 961,295
Sales & Use	489,113	482,535	465,150	474,261	467,462	410,578	515,068	392,797	377,792	424,373	446,906	479,908
Corporate Income	92,451	39,285	213,589	28,566	21,600	204,579	29,461	29,030	228,456	52,730	30,653	202,706
Public Utility	26	23	202	10,969	206,709	2,397	25	510	134	6,276	177,186	363
Excise	65,577	60,991	63,906	60,550	59,908	61,016	59,381	41,528	57,488	58,042	55,869	66,486
Insurance	96	1,430	12,756	1	1	3	344	6,645	4,160	70	-	37,224
Subtotal Tax Receipts	$ 1,313,752	$ 1,106,442	$ 1,524,593	$ 1,052,759	$ 1,517,776	$ 1,283,237	$ 1,602,084	$ 1,311,009	$ 1,380,093	$ 1,633,073	$ 1,362,890	$ 1,747,982
NON-TAX RECEIPTS												
Federal	$ 803,301	$ 711,694	$ 947,952	$ 646,940	$ 844,109	$ 511,053	$ 885,584	$ 1,069,489	$ 741,764	$ 530,227	$ 1,070,593	$ 612,968
Other & Transfers	504,970	147,192	583,051	597,118	78,081	723,458	102,919	673,252	363,523	653,653	21,054	342,611
Note Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 1,308,271	$ 858,886	$ 1,531,003	$ 1,244,058	$ 922,190	$ 1,234,511	$ 988,503	$ 1,742,741	$ 1,105,287	$ 1,183,880	$ 1,091,647	$ 955,579
TOTAL RECEIPTS	$ 2,622,023	$ 1,965,328	$ 3,055,596	$ 2,296,817	$ 2,439,966	$ 2,517,748	$ 2,590,587	$ 3,053,750	$ 2,485,380	$ 2,816,953	$ 2,454,537	$ 2,703,561
DISBURSEMENTS												
Local Aids	$ 1,319,758	$ 161,471	$ 837,873	$ 86,607	$ 823,030	$ 1,205,846	$ 167,920	$ 658,162	$ 1,222,230	$ 115,468	$ 185,910	$ 1,791,022
Income Maintenance	993,857	653,300	664,523	754,435	716,932	814,285	688,948	752,339	809,106	732,802	704,536	563,357
Payroll and Related	427,901	344,133	423,358	515,823	316,263	366,986	446,827	392,812	457,368	703,479	287,244	444,675
Tax Refunds	94,031	95,212	99,015	99,116	80,819	175,511	93,212	550,617	490,668	460,180	149,058	121,484
Debt Service	252,542	-	-	178,708	-	-	-	-	-	517,777	3,253	-
Miscellaneous	435,395	451,139	556,732	307,741	439,097	377,149	489,484	572,484	361,768	373,829	265,439	670,443
Note Repayment	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	$ 3,523,484	$ 1,705,255	$ 2,581,501	$ 1,942,430	$ 2,376,141	$ 2,939,777	$ 1,886,391	$ 2,926,414	$ 3,341,140	$ 2,903,535	$ 1,595,440	$ 3,590,981

(a) The results, projections, or estimates in this table reflect the enacted budget for the 2015-17 biennium (2015 Wisconsin Act 55) and the estimated General Fund tax revenues included in the January 2016 LFB Report, but do not include any temporary reallocations of cash.

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The ending monthly balances of designated funds ranged from $1.2 billion to $1.9 billion for the 2014-15 fiscal year, ranged from $1.1 billion to $2.4 billion for the 2015-16 and are estimated to range from $1.1 billion to $2.4 billion for the 2016-17 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $25 million during the 2015-16 and 2016-17 fiscal years.

(c) The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund may be in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the total general-purpose revenue appropriations then in effect with an additional amount up to 3% for a period of up to 30 days. The resulting amounts available for temporary reallocation in the 2015-16 fiscal year were approximately $1.4 billion and $477 million, respectively. If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate or defer certain payments.

Table II-11—(Continued)

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2016 TO OCTOBER 31, 2016
PROJECTED GENERAL FUND CASH FLOW; NOVEMBER 1, 2016 TO JUNE 30, 2017[(a)]

	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017
BALANCES[(a)(b)]												
Beginning Balance	$ 1,060,311	$ (146,310)	$ 818,825	$ 1,125,530	$ 1,903,622	$ 1,661,357	$ 977,757	$ 2,154,527	$ 2,062,449	$ 720,534	$ 1,052,884	$ 1,581,236
Ending Balance[(c)]	(146,310)	818,825	1,125,530	1,903,622	1,661,357	977,757	2,154,527	2,062,449	720,534	1,052,884	1,581,236	1,244,571
Lowest Daily Balance [(c)]	(217,092)	(147,381)	245,613	980,562	1,654,443	263,682	977,757	1,928,729	720,534	641,486	742,434	930,192
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 487,412	$ 798,604	$ 816,815	$ 767,801	$ 631,230	$ 474,836	$ 1,376,008	$ 689,051	$ 736,338	$ 1,207,584	$ 729,490	$ 828,497
Sales & Use	509,403	491,367	490,404	480,185	473,180	432,162	528,156	400,470	385,339	454,059	437,472	490,950
Corporate Income	31,799	28,898	190,159	41,838	24,818	218,386	35,572	35,255	251,371	67,181	35,149	220,362
Public Utility	25	26	301	16,001	213,176	2,472	26	526	138	1,289	186,150	1,029
Excise	65,149	61,593	65,727	62,193	61,905	56,870	60,345	47,014	52,545	58,501	57,580	60,912
Insurance	228	5,804	35,999	75	1	3	352	6,803	4,259	10,749	1,585	10,732
Subtotal Tax Receipts	$ 1,094,016	$ 1,386,292	$ 1,599,405	$ 1,368,093	$ 1,404,310	$ 1,184,729	$ 2,000,459	$ 1,179,119	$ 1,429,990	$ 1,799,363	$ 1,447,426	$ 1,612,482
NON-TAX RECEIPTS												
Federal	$ 755,424	$ 1,009,232	$ 852,227	$ 529,813	$ 732,709	$ 617,538	$ 957,811	$ 956,441	$ 732,013	$ 708,365	$ 750,023	$ 736,851
Other & Transfers	515,928	450,330	619,385	632,168	249,870	537,725	297,059	636,772	411,492	477,639	410,046	633,836
Note Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 1,271,352	$ 1,459,562	$ 1,471,612	$ 1,161,981	$ 982,579	$ 1,155,263	$ 1,254,870	$ 1,593,213	$ 1,143,505	$ 1,186,004	$ 1,160,069	$ 1,370,687
TOTAL RECEIPTS	$ 2,365,368	$ 2,845,854	$ 3,071,017	$ 2,530,074	$ 2,386,889	$ 2,339,992	$ 3,255,329	$ 2,772,332	$ 2,573,495	$ 2,985,367	$ 2,607,495	$ 2,983,169
DISBURSEMENTS												
Local Aids	$ 1,604,248	$ 189,043	$ 793,131	$ 100,094	$ 940,392	$ 1,265,777	$ 167,818	$ 640,243	$ 1,565,458	$ 87,825	$ 174,901	$ 1,824,368
Income Maintenance	985,172	719,310	773,713	726,744	752,538	837,080	838,590	728,358	846,600	780,044	739,734	367,421
Payroll and Related	301,415	323,227	502,723	303,117	435,622	353,415	509,809	392,763	562,646	376,092	373,422	480,719
Tax Refunds	87,392	92,922	90,360	117,565	89,835	165,500	84,755	593,822	553,182	513,345	159,351	132,614
Debt Service	250,746	-	-	116,003	6,253	257	-	6,253	-	506,012	107,860	259
Miscellaneous	343,016	556,217	604,385	388,459	404,514	401,563	477,587	502,972	387,523	389,700	523,875	514,453
Note Repayment	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	$ 3,571,989	$ 1,880,719	$ 2,764,312	$ 1,751,982	$ 2,629,154	$ 3,023,592	$ 2,078,559	$ 2,864,411	$ 3,915,409	$ 2,653,018	$ 2,079,143	$ 3,319,834

(a) The results, projections, or estimates in this table reflect the enacted budget for the 2015-17 biennium (2015 Wisconsin Act 55) and the estimated General Fund tax revenues included in the January 2016 LFB Report, but do not include any temporary reallocations of cash.

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The ending monthly balances of designated funds ranged from $1.2 billion to $1.9 billion for the 2014-15 fiscal year, ranged from $1.1 billion to $2.4 billion for the 2015-16 fiscal year and are anticipated to range from $1.1 billion to $2.4 billion in the 2016-17 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $25 million during the 2016-17 fiscal year.

(c) The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund may be in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the total general-purpose revenue appropriations then in effect with an additional amount up to 3% for a period of up to 30 days. The resulting amounts available for temporary reallocation in the 2016-17 fiscal year are approximately $1.531 billion and $510 million, respectively. If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate or defer certain payments.

Table II-12

GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[(a)]

(Cash Basis)

As of June 30, 2016 (2015-16 Fiscal Year)

	2014-15 Fiscal Year	2015-16 Fiscal Year				
	Actual	Actual [(b)]	Estimate[(b)]	Variance	Adjusted Variance[(c)]	Difference FY15 Actual to FY16 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 8,834,854	$ 9,058,349	$ 9,273,088	$ (214,739)	$ (214,739)	$ 223,495
Sales	5,149,353	5,425,943	5,332,957	92,986	92,986	276,590
Corporate Income	1,167,126	1,173,106	1,238,683	(65,577)	(65,577)	5,980
Public Utility	373,082	404,820	363,929	40,891	40,891	31,738
Excise	705,796	710,742	711,899	(1,157)	(1,157)	4,946
Insurance	97,612	62,730	89,703	(26,973)	(26,973)	(34,882)
Inheritance	-	-	-	-	-	-
Total Tax Receipts	$ 16,327,823	$ 16,835,690	$ 17,010,259	$ (174,569)	$ (174,569)	$ 507,867
Non-Tax Receipts						
Federal	$ 9,195,173	$ 9,375,674	$ 9,825,689	$ (450,015)	$ (450,015)	$ 180,501
Other and Transfers	5,468,954	4,790,882	5,849,128	(1,058,246)	(1,058,246)	(678,072)
Note Proceeds	-	-	-	-	-	-
Total Non-Tax Receipts	$ 14,664,127	$ 14,166,556	$ 15,674,817	$ (1,508,261)	$ (1,508,261)	$ (497,571)
TOTAL RECEIPTS	$ 30,991,950	$ 31,002,246	$ 32,685,076	$ (1,682,830)	$ (1,682,830)	$ 10,296
DISBURSEMENTS						
Local Aids	$ 8,796,013	$ 8,575,297	$ 8,956,892	$ 381,595	$ 381,595	$ (220,716)
Income Maintenance	8,319,192	8,848,420	9,283,321	434,901	434,901	529,228
Payroll & Related	5,088,048	5,126,869	5,167,579	40,710	40,710	38,821
Tax Refunds	2,562,911	2,508,923	2,336,881	(172,042)	(172,042)	(53,988)
Debt Service	899,619	952,280	1,102,798	150,518	150,518	52,661
Miscellaneous	5,456,211	5,300,700	5,891,072	590,372	590,372	(155,511)
Note Repayment	-	-	-	-	-	-
TOTAL DISBURSEMENTS	$ 31,121,994	$ 31,312,489	$ 32,738,543	$ 1,426,054	$ 1,426,054	$ 190,495
2015-16 FISCAL YEAR VARIANCE				$ (256,776)	$ (256,776)	

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.

(b) The results and estimates in this table for the 2015-16 fiscal year reflect the budget bill for the 2015-17 biennium (2015 Wisconsin Act 55) and the estimated General Fund tax revenues included in the January 2016 LFB Report. The projections and estimates in this table do not reflect the estimate General Fund tax revenues included in the November 2016 DOA Report.

(c) Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates cannot be changed, which may result in large variances. This column includes adjustments to the variances, if any, to more accurately reflect the variance between the estimated and actual amounts.

Source: Wisconsin Department of Administration

Table II-12—(Continued)

GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[(a)]
(Cash Basis)
As of October 31, 2016 (2016-17 Fiscal Year)

	2015-16 Fiscal Year through October 31, 2015	2016-17 Fiscal Year through October 31, 2016				
	Actual	Actual [(b)]	Estimate[(b)]	Variance	Adjusted Variance[(c)]	Difference FY16 Actual to FY17 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 2,436,069	$ 2,870,632	$ 2,799,625	$ 71,007	$ 71,007	$ 434,563
Sales	1,911,059	1,971,359	1,981,922	(10,563)	(10,563)	60,300
Corporate Income	373,891	292,694	379,058	(86,364)	(86,364)	(81,197)
Public Utility	11,220	16,353	11,571	4,782	4,782	5,133
Excise	251,024	254,662	253,436	1,226	1,226	3,638
Insurance	14,283	42,106	14,623	27,483	27,483	27,823
Inheritance	-	-	-	-	-	-
Total Tax Receipts	$ 4,997,546	$ 5,447,806	$ 5,440,235	$ 7,571	$ 7,571	$ 450,260
Non-Tax Receipts						
Federal	$ 3,109,887	$ 3,146,696	$ 3,263,540	$ (116,844)	$ (116,844)	$ 36,809
Other and Transfers	1,832,331	2,217,811	1,938,146	279,665	279,665	385,480
Note Proceeds	-	-	-	-	-	-
Total Non-Tax Receipts	$ 4,942,218	$ 5,364,507	$ 5,201,686	$ 162,821	$ 162,821	$ 422,289
TOTAL RECEIPTS	$ 9,939,764	$ 10,812,313	$ 10,641,921	$ 170,392	$ 170,392	$ 872,549
DISBURSEMENTS						
Local Aids	$ 2,405,709	$ 2,686,516	$ 2,549,977	$ (136,539)	$ (136,539)	$ 280,807
Income Maintenance	3,066,115	3,204,939	3,310,677	105,738	105,738	138,824
Payroll & Related	1,711,215	1,430,482	1,574,076	143,594	143,594	(280,733)
Tax Refunds	387,374	388,239	381,266	(6,973)	(6,973)	865
Debt Service	431,250	366,749	425,162	58,413	58,413	(64,501)
Miscellaneous	1,751,007	1,892,077	1,839,525	(52,552)	(52,552)	141,070
Note Repayment	-	-	-	-	-	-
TOTAL DISBURSEMENTS	$ 9,752,670	$ 9,969,002	$ 10,080,683	$ 111,681	$ 111,681	$ 216,332
2016-17 FISCAL YEAR VARIANCE YEAR-TO-DATE				$ 282,073	$ 282,073	

[(a)] None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.

[(b)] The results, projections, and estimates in this table for the 2016-17 fiscal year reflect the budget bill for the 2015-17 biennium (2015 Wisconsin Act 55) and the estimated General Fund tax revenues included in the January 2016 LFB Report. The projections and estimates in this table do not reflect the estimate General Fund tax revenues included in the November 2016 DOA Report.

[(c)] Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates cannot be changed, which may result in large variances. This column includes adjustments to the variances, if any, to more accurately reflect the variance between the estimated and actual amounts.

Source: Wisconsin Department of Administration

Table II-13

GENERAL FUND MONTHLY CASH POSITION[(a)]
July 1, 2014 through September 30, 2016 — Actual
October 1, 2016 through June 30, 2017 — Estimated[(b)]
(Amounts in Thousands)

	Starting Date	Starting Balance	Receipts[(c)]	Disbursements[(c)]
2014	July	$ 1,500,597	$ 2,523,202	$ 3,402,690
	August	621,109	1,925,561	1,790,500
	September	756,170	3,309,752	2,336,835
	October	1,729,087	2,397,552	2,054,160
	November	2,072,479	2,105,588	2,330,123
	December	1,847,944	2,469,466	3,115,458
2015	January	1,201,952	2,912,758	1,952,696
	February	2,162,014	2,554,751	2,832,186
	March	1,884,579	2,595,511	3,261,704
	April	1,218,386	3,028,756	2,745,526
	May	1,501,616	2,140,123	1,952,163
	June	1,689,576	3,028,930	3,347,952
	July	1,370,554	2,622,023	3,523,484
	August	469,093	1,965,328	1,705,255
	September	729,166	3,055,596	2,581,501
	October	1,203,261	2,296,817	1,942,430
	November	1,557,648	2,439,966	2,376,141
	December	1,621,473	2,517,748	2,939,777
2016	January	1,199,444	2,590,587	1,886,391
	February	1,903,640	3,053,750	2,926,414
	March	2,030,976	2,485,380	3,341,140
	April	1,175,216	2,816,953	2,903,535
	May	1,088,634	2,454,537	1,595,440
	June	1,947,731	2,703,561	3,590,981
	July	1,060,311 [(d)]	2,365,368	3,571,989
	August	(146,310) [(d)]	2,845,854	1,880,719
	September	818,825	3,071,017	2,764,312
	October	1,125,530	2,530,074	1,751,982
	November	1,903,622	2,386,889	2,629,154
	December	1,661,357	2,339,992	3,023,592
2017	January	977,757	3,255,329	2,078,559
	February	2,154,527	2,772,332	2,864,411
	March	2,062,448	2,573,495	3,915,409
	April	720,534	2,985,367	2,653,018
	May	1,052,883	2,607,495	2,079,143
	June	1,581,235	2,983,169	3,319,834

(a) The General Fund balances presented in this table are not based on generally accepted accounting principles (GAAP).

(b) The results, projections, or estimates in this table for the 2016-17 fiscal year reflect the enacted budget for the 2015-17 biennium (2015 Wisconsin Act 55) and the estimated General Fund tax revenues included in the January 2016 LFB Report. The projections and estimates in this table do not reflect the estimated General Fund tax revenues included in the November 2016 DOA Report.

(c) Operating notes have not been issued for the 2014-15 or 2015-16 fiscal years. It is not anticipated that operating notes will be issued for the 2016-17 fiscal year.

(d) At some period during this month, the General Fund was in a negative cash position. The Wisconsin Statutes provide certain administrative remedies for periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund up to 9% of the total general purpose revenue appropriations then in effect. For the 2016-17 fiscal year this amount is projected to be $1.531 billion. In addition, the Secretary of Administration may also temporarily reallocate an additional amount of up to 3% of total general purpose revenue appropriations for a period of up to 30 days. For the 2016-17 fiscal year this amount is projected to be $510 million. If the amount available for temporary reallocation to the General Fund is insufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate and defer certain payments.

Source: Wisconsin Department of Administration

Table II-14
CASH BALANCES IN FUNDS AVAILABLE FOR TEMPORARY REALLOCATION[(a)]
July 31, 2014 to October 31, 2016 — Actual
November 31, 2016 to June 30, 2017 — Estimated
(Amounts in Millions)

The following two tables show, on a monthly basis, the cash balances available for temporary reallocation. The first table does not include balances in the Local Government Investment Pool **(LGIP)**, and the second table does include such balances. Though the LGIP is available for temporary reallocation, funds in the LGIP are deposited and withdrawn by local units of government and thus are outside the control of the State. The monthly average daily balances in the LGIP for the past five years have ranged from a low of $2.157 billion during November 2012 to a high of $3.876 billion in August 2016. The Secretary of Administration may not exercise the authority to make temporary reallocation if doing so would jeopardize the cash flow of any fund or account from which the temporary reallocation would be made.

Available Balances; Does Not Include Balances in the LGIP

Month (Last Day)	2014	2015	2016	2017
January		$1,264	$1,613	$1,613
February		1,368	1,613	1,613
March		1,406	1,612	1,612
April		1,415	1,575	1,575
May		1,430	1,517	1,517
June		1,481	1,752	1,752
July	$1,396	1,245	1,597	
August	1,311	1,359	1,481	
September.........	1,373	1,674	1,622	
October............	1,294	1,303	1,420	
November.........	1,266	1,277	1,277	
December	1,346	1,557	1,557	

Available Balances; Includes Balances in the LGIP

Month (Last Day)	2014	2015	2016	2017
January............		$4,198	$4,639	$4,639
February..........		4,464	4,871	4,871
March..............		4,688	5,177	5,177
April................		4,354	4,969	4,969
May.................		4,241	4,756	4,756
June.................		4,222	4,905	4,905
July	$4,588	4,642	5,803	
August.............	3,879	4,071	4,750	
September........	3,821	4,249	4,663	
October	3,438	3,589	4,292	
November	3,440	3,621	3,621	
December.........	3,965	4,275	4,275	

(a) The amounts shown reflect a reduction in the aggregate cash balances available to the extent any fund had a negative balance and temporary reallocations were made from such fund.

Source: Wisconsin Department of Administration

Table II-15

GENERAL FUND RECORDED REVENUES[(a)]
(Agency-Recorded Basis)
July 1, 2015 to June 30, 2016 compared with previous year[(b)]

	Annual Fiscal Report Revenues 2014-15 Fiscal Year[(b)]	Projected Revenues 2015-16 Fiscal Year[(c)]	Recorded Revenues July 1, 2014 to June 30, 2015[(d)]	Recorded Revenues July 1, 2015 to June 30, 2016[(e)]
Individual Income Tax	$ 7,325,817,000	$ 7,858,620,000	$ 7,325,816,775	$ 7,742,095,770
General Sales and Use Tax	4,892,126,000	5,054,130,000	4,892,125,859	5,065,762,290
Corporate Franchise	-		0	-
and Income Tax	1,004,926,000	994,020,000	1,004,926,461	963,027,018
Public Utility Taxes	381,819,000	366,800,000	381,819,363	360,596,994
Excise Taxes	699,060,000	679,475,000	699,060,289	708,730,601
Inheritance Taxes	(112,000)	-	-112,267	1,745,000
Insurance Company Taxes	165,448,000	181,000,000	165,448,106	177,326,291
Miscellaneous Taxes	72,117,000	73,900,000	100,676,423	119,958,510
SUBTOTAL............................	14,541,201,000	15,207,945,000	14,569,761,009	15,139,242,474
Federal and Other Inter-				
Governmental Revenues[(f)]	10,216,151,000	10,603,138,400	10,214,695,110	10,058,160,495
Dedicated and				-
Other Revenues[(g)]	5,865,052,000	5,258,827,500	6,125,112,592	6,002,265,759
TOTAL..................................	$ 30,622,404,000	$ 31,069,910,900	$ 30,909,568,711	$ 31,199,668,728

(a) The revenues in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2014-15 fiscal year, dated October 15, 2015.

(c) The estimates included in this table on an agency-recorded basis reflect the 2015-17 biennial budget (2015 Wisconsin Act 55) and the estimated General Fund tax revenues included in the January 2016 LFB Report. The estimates in this table do not reflect the estimate General Fund tax revenues included in the November 2016 DOA Report.

(d) The amounts shown are 2014-15 fiscal year revenues as recorded by all State agencies. The amounts are as of June 30, 2015 and have been adjusted for additional revenues recorded by the State agencies during the months of July and August, 2015. There may be differences between the tax revenues shown in this table and those reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report only includes general purpose revenues or taxes that are actually collected by DOR.

(e) The amounts shown are 2015-16 fiscal year revenues as recorded by all State agencies. The amounts are as of June 30, 2016, and have been adjusted for additional revenues recorded by State agencies during the months of July, August, and September, 2016. There may be differences between the tax revenues shown in this table and those reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report only includes general purpose revenues or taxes that are actually collected by DOR.

(f) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

(g) Certain transfers between General Fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

Source: Wisconsin Department of Administration

Table II-15—(Continued)

GENERAL FUND RECORDED REVENUES[(a)]
(Agency-Recorded Basis)
July 1, 2016 to October 31, 2016 compared with previous year[(b)]

	Annual Fiscal Report Revenues 2015-16 Fiscal Year[(b)]	Projected Revenues 2016-17 Fiscal Year[(c)]	Recorded Revenues July 1, 2015 to October 31, 2015 [(d)]	Recorded Revenues July 1, 2016 to October 31, 2016 [(e)]
Individual Income Tax	$ 7,740,825,000	$ 8,238,400,000	$ 2,041,053,132	$ 2,342,895,330
General Sales and Use Tax	5,065,762,000	5,223,960,000	1,301,064,333	1,313,857,144
Corporate Franchise and Income Tax	963,027,000	1,015,700,000	247,824,041	205,388,374
Public Utility Taxes	360,597,000	373,400,000	11,716,545	16,121,635
Excise Taxes	708,509,000	676,850,000	190,135,575	191,946,914
Inheritance Taxes	1,745,000	-	0	77,430
Insurance Company Taxes	177,326,000	187,000,000	40,551,910	41,966,644
Miscellaneous Taxes	79,698,000	76,300,000	60,136,665	66,594,011
SUBTOTAL..........................	15,097,489,000	15,791,610,000	3,892,482,201	4,178,847,482
Federal and Other Inter-Governmental Revenues[(f)]	10,009,068	10,668,877,300	3,212,206,277	3,196,285,112
Dedicated and Other Revenues[(g)]	16,064,687,932	6,718,222,600	2,027,735,621	2,187,905,918
TOTAL...............................	$ 31,172,186,000	$ 33,178,709,900	$ 9,132,424,099	$ 9,563,038,512

(a) The revenues in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the restated Annual Fiscal Report (budgetary basis) for the 2015-16 fiscal year, dated October 15, 2016 and subsequently revised on November 21, 2016.

(c) The estimates in this table for the 2016-17 fiscal year reflect the enacted budget for the 2015-17 biennium (2015 Wisconsin Act 55). The estimates in this table do not reflect the estimated General Fund tax revenues included in the January 2016 LFB Report or the estimated General Fund tax revenues included in the November 2016 DOA Report.

(d) The amounts shown are 2015-16 fiscal year revenues as recorded by all State agencies. There may be differences between the tax revenues shown in this table and those reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report only includes general purpose revenues or taxes that are actually collected by DOR.

(e) The amounts shown are 2016-17 fiscal year general purpose revenues and program revenue taxes collected across all State agencies. There may be differences between the tax revenues shown in this table and those reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report only includes general purpose revenues or taxes that are actually collected by DOR.

(f) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

(g) Certain transfers between General Fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

Source: Wisconsin Department of Administration

Table II-16

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[(a)]
(Agency-Recorded Basis)
July 1, 2015 to June 30, 2016 compared with previous year[(b)]

	Annual Fiscal Report Expenditures 2014-15 Fiscal Year[(b)]	Appropriations 2015-16 Fiscal Year[(c)]	Recorded Expenditures July 1, 2014 to June 30, 2015[(d)]	Recorded Expenditures July 1, 2015 to June 30, 2016[(e)]
Commerce	$ 231,274,000	$ 200,900,000	$ 230,177,534	$ 315,471,355
Education	12,965,215,000	13,042,874,200	12,984,123,453	12,787,670,879
Environmental Resources	331,465,000	348,785,900	334,716,022	304,565,917
Human Relations & Resources	13,881,927,000	13,729,644,600	13,886,821,512	14,115,447,623
General Executive	987,071,000	1,170,397,600	988,070,737	1,037,541,105
Judicial	130,748,000	137,494,300	130,744,284	130,929,112
Legislative	65,596,000	75,781,100	65,595,364	66,950,216
General Appropriations	2,267,905,000	2,364,033,200	2,267,904,909	2,347,783,905
TOTAL	$ 30,861,201,000	$ 31,069,910,900	$ 30,888,153,815	$ 31,106,360,112

(a) The expenditures in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2014-15 fiscal year, dated October 15, 2015.

(c) The estimates included in this table reflect the 2015-17 biennial budget (2015 Wisconsin Act 55).

(d) The amounts shown are 2014-15 fiscal year expenditures as recorded by all State agencies. The amounts shown include expenditures for the 2014-15 fiscal year that were recorded by State agencies during the months of July and August, 2015.

(e) The amounts shown are 2015-16 fiscal year expenditures as recorded by all State agencies. The amounts shown include expenditures for the 2015-16 fiscal year that were recorded by State agencies during the months of July, August, and September, 2016.

Source: Wisconsin Department of Administration

Table II-16—(Continued)

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[(a)]
(Agency-Recorded Basis)
July 1, 2016 to October 31, 2016 compared with previous year[(b)]

	Annual Fiscal Report Expenditures 2015-16 Fiscal Year[(b)]	Appropriations 2016-17 Fiscal Year[(c)]	Recorded Expenditures July 1, 2015 to October 31, 2015[(d)]	Recorded Expenditures July 1, 2016 to October 31, 2016[(e)]
Commerce	$ 199,200,000	$ 208,732,100	$ 57,928,202	$ 60,621,397
Education	12,795,785,000	13,475,926,900	3,185,541,398	3,352,901,690
Environmental Resources	305,488,000	321,761,500	72,747,647	40,753,626
Human Relations & Resources	14,048,751,000	14,014,356,300	4,632,579,899	5,012,861,499
General Executive	1,005,715,000	1,545,987,600	474,233,529	494,676,442
Judicial	130,937,000	137,569,900	42,398,834	45,743,675
Legislative	66,951,000	75,617,400	18,448,103	18,240,793
General Appropriations	2,299,329,000	2,514,205,700	1,204,242,265	1,327,391,430
TOTAL	$ 30,852,156,000	$ 32,294,157,400	$ 9,688,119,877	$ 10,353,190,552

(a) The expenditures in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the restated Annual Fiscal Report (budgetary basis) for the 2015-16 fiscal year, dated October 15, 2016 and subsequently revised on November 21, 2016.

(c) The estimates included in this table reflect the 2015-17 biennial budget (2015 Wisconsin Act 55).

(d) The amounts shown are 2015-16 fiscal year expenditures as recorded by all State agencies.

(e) The amounts shown are 2016-17 fiscal year expenditures as recorded by all State agencies.

Source: Wisconsin Department of Administration

General Fund History

Table II-17 presents the General Fund condition for the previous five years.

Table II-17
COMPARATIVE CONDITION OF GENERAL FUND[(a)]
(As of June 30; Amounts in Thousands)

	2016	2015	2014	2013	2012
ASSETS					
Cash & Investment Pool Shares........	$ 1,236,220	$ 1,375,275	$ 1,505,307	$ 1,831,711	$ 979,659
Contingent Fund Advances.............	2,774	2,909	2,931	2,939	2,939
Receivables					
Accounts Receivable..................	1,753,176	1,418,149	1,410,134	1,458,430	1,384,328
Due from Other Funds................	85,276	160,950	206,976	182,348	45,172
Inventory................................	-	588	364	593	685
Prepayments............................	3,304	72,749	69,120	79,019	77,351
Other Assets............................	128,547	127,622	115,065	16,898	132,913
TOTAL ASSETS..........................	$ 3,209,297	$ 3,158,242	$ 3,309,897	$ 3,571,938	$ 2,623,047
LIABILITIES					
Accounts Payable.......................	$ 522,610	$ 591,323	$ 536,002	$ 513,857	$ 450,252
Due to Other Funds.....................	63,874	337,782	194,579	454,770	197,479
Tax and Other Deposits.................	40,672	28,271	20,476	21,189	12,308
Deferred Revenue.......................	197,133	185,747	175,201	163,382	173,646
TOTAL LIABILITIES....................	$ 824,289	$ 1,143,123	$ 926,258	$ 1,153,198	$ 833,685
FUND BALANCE					
Reserves					
Encumbrances & GPR Balances	$ 307,423	$ 236,915	$ 241,535	$ 138,845	$ 161,696
Program Revenue Balances...........	347,277	419,048	472,871	402,290	511,994
Total Reserves.........................	$ 654,700	$ 655,963	$ 714,406	$ 541,135	$ 673,690
Unreserved Balance-Undesignated....	1,730,308	1,359,156	1,669,233	1,987,605	1,115,672
TOTAL FUND BALANCE.............	$ 2,385,008	$ 2,015,119	$ 2,383,639	$ 2,528,740	$ 1,789,362
TOTAL LIABILITIES AND FUND BALANCE....................	$ 3,209,297	$ 3,158,242	$ 3,309,897	$ 3,681,938	$ 2,623,047

[(a)] The amounts shown are based on statutorily required accounting and not GAAP. The amounts are unaudited.

Source: Department of Administration

STATE GOVERNMENT ORGANIZATION

The State is located in the Midwest. The State ranks 20th among the states in population and 25th in land area. Wisconsin attained statehood in 1848, its capital is the City of Madison, and its largest city is Milwaukee. The following is a summary of the general organization of, and services provided by, State government.

General Organization

Executive Branch

The executive branch is under the direction of the Governor. The Governor is the chief executive officer of the State and is assisted by five elected constitutional officers (each elected to a four-year term):

- *Lieutenant Governor*. The Governor and Lieutenant Governor are elected on the same ballot. The Lieutenant Governor serves as Acting Governor during the absence or incapacity of the Governor.

- *Attorney General*. The Attorney General heads the State of Wisconsin Department of Justice, which provides all State agencies with legal advice and counsel.
- *State Treasurer*. The State Treasurer participates in the promotion of the State's unclaimed property program administered by the Department of Revenue, and signs certain checks and other financial instruments.
- *Secretary of State*. The Secretary of State keeps a record of the official acts of the Legislature and executive agencies.
- *Superintendent of Public Instruction*. The Superintendent of Public Instruction heads the State of Wisconsin Department of Public Instruction, which supervises the operations of and establishes standards for schools throughout the State.

The executive branch consists of 17 departments (including two headed by other constitutional officers), 10 independent agencies, and numerous other authorities.

Legislative Branch

The legislative branch consists of the Legislature and its subordinate service agencies. The Legislature is bicameral, composed of the Senate and the Assembly. The 33 members of the Senate serve staggered four-year terms, and the 99 members of the Assembly serve identical two-year terms. Both the Senate and the Assembly operate on a committee system. The Legislature's biennial session begins in odd-numbered years on the first Monday in January (or January 3rd if the first Monday is January 1st or January 2nd). By a joint resolution, the biennial session is divided into floor periods interspersed with committee work periods. In odd-numbered years, the Joint Committee on Legislative Organization develops a schedule for the two-year period. The Legislature also meets in special session when so called by the Governor and in extraordinary session when a majority from each branch signs a petition; at these times the Legislature may transact only that business for which the special or extraordinary session is called.

Judicial Branch

The judicial branch consists of:

- *Supreme Court*. The Supreme Court is composed of seven justices who are elected statewide for staggered ten-year terms.
- *Court of Appeals.* The Court of Appeals is composed of 16 judges who are elected district-wide for staggered six-year terms, generally sitting in three-judge panels.
- *Circuit Courts.* There are 69 Circuit Courts (the State's trial courts). Each has one or more branches and judges who are locally elected for six-year terms, and all are administered from ten judicial districts.

The State pays all costs of the Supreme Court and Court of Appeals and certain costs of the Circuit Courts.

Description of Services Provided by State Government

The State provides a wide range of services to its residents and to its local government units. These services are organized for both budgetary and financial reporting of the General Fund into eight functional groupings. Each State agency is categorized into one or more of these functions. There are some agency activities that fit into more than one function. Listed below is a description of each function, an identification of those State agencies and boards within each function, and a brief summary of the responsibilities of each State agency.

Commerce

The State's involvement in the commerce function is in the regulation of conduct of commercial transactions. The objective is to protect the public as consumers of agricultural and manufactured goods and services and as participants in financial transactions. The State also actively promotes economic development by working with companies seeking to expand or move to the State and broadening markets for State goods and services. These objectives are met in several ways:

- Inspection of raw products and conditions under which they are grown or obtained, including conducting research in areas such as animal or plant diseases, grading of products, and establishing standards for contents of processed foods.
- Licensing of members of various trades and professions whose activities affect the health of individuals, such as doctors and nurses, or whose actions are considered important for public safety, such as architects and engineers.
- Maintaining an orderly market in which to conduct business and specifying methods of fair competition by:
    - regulating the rates that public utilities may charge for their services
    - setting standards for the operation of banks, savings and loan companies, and credit unions to protect depositors
    - regulating the sale of securities and insurance offered for sale in the State
    - approving or disapproving the establishment or discontinuance of transportation routes

Several State agencies participate in the field of commerce:

- *Department of Agriculture, Trade and Consumer Protection* provides consumer protection and regulates the conditions of the growth and processing of food and fair trade practices in general.
- *Department of Safety and Professional Services* supervises a variety of examining boards in various trades and professions and promotes industrial development. This department includes some of the functions provided by the previous Departments of Regulation and Licensing and Commerce.
- *Department of Financial Institutions* regulates securities transactions and supervises State-chartered banks, credit unions, and savings and loans.
- *Public Service Commission* regulates the rates and services offered by railroad companies and heat, light, power, and water companies. The commission also awards grants for expansion of broadband services to underserved areas of the State.
- *Department of Tourism* promotes the State's many attributes to visitors.

The *Wisconsin Economic Development Corporation* was created in 2011 to develop and implement economic and business development programs in the State. The Wisconsin Economic Development Corporation is a public body corporate and politic, has a 12-member board of directors whose chair is elected by the board from among the nonlegislative voting members, and receives appropriations from the State to fund its activities. Prior to 2011, the Wisconsin Department of Commerce provided economic development services.

Education

The State views its responsibilities in education to encompass all levels, and nearly all types, of education and related activities. As a result the State provides significant financial support to primary and secondary schools, and technical colleges operated at the local level, assists private higher educational institutions, and operates the University of Wisconsin System.

- *Primary and Secondary Schools.* There were 424 school districts in the State for the 2015-16 school year, which administer the elementary and secondary schools within those districts. There were approximately 854,402 students attending public elementary and secondary schools in the 2015-16 school year. Elementary and secondary schools are operated by district boards, with supervision of the system provided by the Department of Public Instruction.

- *Technical Colleges.* The State is divided into 16 technical college districts. In the 2015-16 academic year, 326,153 full- and part-time students were enrolled in the technical college system. The technical colleges are operated by district boards, with supervision of the system provided by the Technical College System Board.
- *University of Wisconsin System.* The University of Wisconsin System consists of its doctoral campus in Madison (the largest campus in the State), its doctoral campus in Milwaukee, 11 other four-year degree-granting institutions, 13 two-year colleges, and the University of Wisconsin Extension. The system's total enrollment in 2015-16 was 178,571 students.

Other agencies and boards concerned with the education function of the State include the Educational Communications Board (which operates the State public radio network, the State public television network, and the State educational television network), the State Historical Society, and the Higher Educational Aids Board (which manages and oversees of the State's student financial aid system for residents attending institutions of higher education).

Environmental Resources and Transportation

Two major State agencies, the Department of Transportation and the Department of Natural Resources, are concerned with the development of transportation resources, and the protection of the land, forests, water, air, wildlife, and minerals of the State while promoting a healthy, sustainable environment.

The State works with municipal and industrial operations discharging wastewater to surface or groundwater to retain the purity of State lakes and streams and ensure quality groundwater for families, businesses, customers and the community. The State also sets standards of air quality at a level that will provide adequate protection to public health and welfare, and prevent detrimental effects on property and our environment. Parks and forests have been established and are maintained both to preserve unusual phenomena of nature and to provide the public with recreational and educational opportunities. Private forest owners are given incentives to observe scientific conservation practices so that new growth may replace cut timber. Hunting and fishing limits are set, and hunters and fishermen licensed, to preserve the fish and wildlife from extinctive practices. Farming methods that preserve the quality and stability of the soil are encouraged.

Governmental activities for preserving and protecting the State's natural resources are largely the province of the Department of Natural Resources, but the Department of Agriculture, Trade and Consumer Protection is also actively involved.

The State has an elaborate system of highways. It consists of interstate highways financed from Federal and State funds and of State highways, county trunk highways, town roads, city and village streets, and park and forest roads. Closely connected with the highway building functions of the State government and the aid granted to local units for streets and highways are the objects for which these roads are built—the motor vehicle and its occupants. While the State is concerned with the building and maintenance of an adequate number of roads of certain standards to meet the traffic demands, it is also concerned with the safety and convenience of the people who are using those roads. Over 6.14 million vehicles are currently registered.

The Department of Transportation also gives various forms of driver examination tests when driver licenses are issued or renewed to ensure drivers know the laws, are physically fit to drive, and have the required driving skills. Road building and motor vehicle regulation are also responsibilities of the Department of Transportation, which also has charge of the State's aeronautical activities, the administration of funds to assist mass transit, railroad preservation, and intermodal transportation planning.

Human Relations and Resources

Various State agencies have responsibilities to maximize human growth and development, including health, living standards, safety, and working relationships with each other.

Public health covers the prevention and detection of disease, health education programs, assistance in hospital construction, maintenance of institutions for the care and treatment of the mentally handicapped, the setting of standards of cleanliness of public facilities and safety in construction, and the maintenance of public health records.

Improving living standards for needy, aged, handicapped, and minors in need of assistance is also a goal of the State. Such health and welfare activities are primarily the work of the Department of Health Services, including the State's Badger Care Plus Program, which provides health insurance coverage for all children under the age of 19 (regardless of income) and low-income adults, and a prescription drug program for the elderly. With respect to the Patient Protection and Affordable Care Act, the State has notified the U.S. Department of Health and Human Services that the State will not build a state-based health insurance exchange and will defer to the Federal Government's insurance exchange.

The Board of Aging and Long-Term Care makes recommendations on programs to benefit the aged and those individuals needing long term-care services. The Department of Veterans Affairs operates additional assistance programs for military service veterans.

As a worker, the individual comes in contact with the State in many ways, mostly through the Department of Workforce Development:

- Minimum wages and maximum hours are set by law.
- State worker's compensation provides financial assistance if a worker is injured on the job.
- Unemployment compensation is provided to the worker if the worker's job is lost.
- Employment services are provided by the State (in partnership with the Federal Government) to help a worker find a job or to acquire the skills necessary for employment.
- Investigation of discrimination occurs if a worker suspects employment discrimination based on race, age, gender, creed, or handicap.

The State mediates or arbitrates labor disputes between workers and their employers, which is the task of the Employment Relations Commission. The State's agent in protecting and assisting the worker is the Department of Workforce Development, which is also currently responsible for the State's employment and training services.

The Department of Children and Families focuses exclusively on helping and protecting children and families within the State. It administers more than 30 services, including child welfare and the Wisconsin Works (W-2) program, which provides employment preparation services, case management, and cash assistance to eligible families.

To promote the general welfare of citizens and insure peaceable relations among them, the State seeks to protect citizens from lawless elements in society by maintaining those conditions of stability and order necessary for a well-functioning society. Law enforcement is largely a local matter, but the Department of Corrections is responsible for the safe custody and supervision of offenders using the best, most effective correctional policies and procedures, as well as keeping citizens protected, helping offenders succeed in the community and making every effort to reduce costs to taxpayers. The Department of Justice furnishes legal services to State agencies and provides technical assistance to local law enforcement agencies. The Office of the State Public Defender makes determinations of indigence and provides legal representation for specified defendants who are unable to afford a private attorney.

The State also provides an armed military force to protect the populace in times of State or national emergencies, natural or man-made, and to supplement the federal armed forces in time of war. These activities come under the jurisdiction of the Department of Military Affairs.

General Executive

The administrative or staff functions that support the direct services provided to Wisconsin residents and local governments are included in this functional group. Although each operating agency may conduct some staff functions, some agencies perform staff functions almost exclusively.

- *Department of Administration* duties include budgeting, information technology, data processing, accounting, payroll, financial reporting, processing the receipt and disbursement of monies received or expended by the State, engineering, and facilities management and planning. In addition, the 2015-17 biennial budget abolished the Office of State Employment Relations and transferred its duties, which included supervision of State personnel practices, to the Department of Administration. In addition, the Department of Administration administers the State's Section 529 College Savings Plans. Further information about these Section 529 College Savings Plans can be found at www.edvest.com and www.tomorrowsscholar.com. These web sites, and the materials available on the web sites, are not incorporated into, nor are they a part of, the 2016 Annual Report.
- *Government Accountability Board* administers a code of ethics for State public officials, overseeing the election processes of the State, administering public funding of campaigns, monitoring candidate expenditures, and keeping election records. Under 2015 Wisconsin Act 118, the Government Accountability Board was eliminated, effective June 30, 2016, and replaced by two commissions—an Elections Commission responsible for overseeing the election process and keeping election records and an Ethics Commission responsible for administering public funding of campaigns and monitoring candidate expenditures.
- *Department of Revenue* collects the taxes imposed by Wisconsin Statutes, distributes that part of the revenue that is to be returned to the local units of government, calculates the equalized value of the property that has been assessed by local government, operates and distributes the proceeds of the State lottery and serves as custodian of unclaimed property.
- *Office of the State Treasurer* participates in the promotion of the State's unclaimed property program administered by the Department of Revenue, and signs certain checks and other financial instruments.
- *Department of Employee Trust Funds* manages the State's public employee retirement system and health and other group insurance contracts.
- *Office of the Secretary of State* keeps and authenticates various State records.
- *State of Wisconsin Investment Board* invests the assets of the Wisconsin Retirement System and various State funds, including the State Investment Fund.

Legislative

The legislative function provides for the operation of the Legislature, its committees, and service agencies.

General Appropriations

The function of general appropriations is assigned those appropriations that do not fit easily into any of the other functions. Most general appropriations are for payments to local governments of taxes collected by the State but shared with local governments and for other payments intended to relieve local taxes.

The major portion of this reporting area relating to State operations is the funding of any planned adjustments to employee compensation, which is budgeted centrally but transferred to, and ultimately paid by, each agency.

STATE OF WISCONSIN BUILDING COMMISSION

The Commission supervises all matters relating to the State's issuance of general obligations, revenue obligations, and operating notes. In addition, the Commission also oversees the planning, improvement, major maintenance, and renovation of State facilities.

Limitations in the Wisconsin Constitution severely restricted the issuance of direct State debt until 1969, when the Wisconsin Constitution was amended to authorize the State to borrow money. Chapter 18 of the Wisconsin Statutes delegates powers to the Commission and establishes the procedures for the issuance of debt.

The Commission is composed of eight members. The Governor serves as the chairperson. Each house of the Legislature appoints three members. One citizen member is appointed by the Governor and serves at the Governor's pleasure. State law provides for the two major political parties to be represented in the membership from each house, and one member appointed from each house must be a member of the Legislative State Supported Program Study and Advisory Committee. The members act without liability except for misconduct.

DOA assists the Commission, with the Administrator of the Division of Facilities Development with the concurrence of the Secretary of Administration, serving as the Secretary to the Commission. As of the date of the 2016 Annual Report, the Acting Administrator for the DOA Division of Facilities Development serves as Acting Secretary to the Commission. The Secretary of Administration, and both the head of the engineering function and the ranking architect in the DOA Division of Facilities Development, serve as nonvoting advisory members. Employees of the DOA Division of Executive Budget and Finance, including the Capital Finance Director, serve as staff responsible for managing the State's various borrowing programs.

The Commission's office is located at the Administration Building, 7th Floor, 101 East Wilson Street, its mailing address is P.O. Box 7866, Madison, Wisconsin 53707-7866, and its telephone number is (608) 266-1855.

STATE OBLIGATIONS

General Obligations

The State, acting through the Commission, may issue general obligation bonds and notes or enter into loans that are secured by the State's full faith, credit, and taxing power. There is irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for the timely payment of State general obligations. As of December 15, 2016, the State had $8.071 billion of outstanding general obligations.

The State has never defaulted in the punctual payment of principal or interest on any general obligation indebtedness and has never attempted to prevent or delay such required payments. The State has reserved no right to reduce or modify any terms with respect to security or source of payment of general obligation bonds or notes. See Part III of the 2016 Annual Report for additional information on general obligations.

Operating Notes

The Commission may issue operating notes to fund operating expenses upon the request of the Department of Administration if it determines that a deficiency will occur in the funds of the State that will not permit the State to pay its operating expenses in a timely manner. The Governor and the JCF must also approve the request for issuance.

Operating notes may be issued in an amount not exceeding 10% of budgeted appropriations of general purpose and program revenues in the year in which operating notes are issued. Operating notes are not general obligations of the State and are not on parity with State general obligations. The General Fund may be pledged for the repayment of operating notes, and money of the General Fund may be impounded for future payment of principal and interest; however, any such repayment or impoundment must adhere to statutory requirements related to payment of the amounts due the Bond Security and Redemption Fund securing the repayment of State general obligation bonds. All payments and impoundments securing the operating notes are also subject to appropriation. Owners of the operating notes have a right to file suit against the State in accordance with procedures established in the Wisconsin Statutes.

As of December 15, 2016, the State had not issued operating notes in fiscal year 2016-17.

Master Lease Program

The State, acting by and through the Department of Administration, has entered into a master lease for the purpose of acquiring property (and in limited situations, prepaid service contracts) for State agencies through installment payments. The State's obligation to make lease payments is subject to annual appropriation by the Legislature. The full faith and credit of the State are not pledged to the lease payments; the State is not obligated to levy or pledge any tax to pay the lease payments. The State's obligation to make the lease payments does not constitute debt for purposes of the Wisconsin constitutional debt limit, and there is no limit to the amount of such obligations that the State can incur. Although an effort is made to use the master lease program for all property acquired by the State through nonappropriation leases, it is possible that State agencies may separately incur such obligations through other lease arrangements. Certificates of participation have been issued that evidence a proportionate interest in certain lease payments to be made by the State. As of December 15, 2016, the outstanding principal amount of the State's obligations under the master lease program was approximately $116 million. See Part IV of the 2016 Annual Report for additional information on master lease certificates of participation.

State Revenue Obligations

Subchapter II of Chapter 18 of the Wisconsin Statutes authorizes the State, acting through the Commission, to issue revenue obligations. Revenue obligations may be in one of the following forms:

- *Enterprise obligations.* Secured by a pledge of revenues or property derived solely from the operation of a program funded by the issuance of the revenue obligations.
- *Special fund obligations.* Secured by a pledge of revenues or property derived from any program or any pledge of revenues.

Any such program to be undertaken or obligations to be issued must be specifically authorized by the Legislature. The resulting obligations are not general obligations of the State.

Revenues pledged to the repayment of revenue obligations are deposited with a trustee for the obligations. These revenues are pledged to the owners of revenue obligations, who have a security interest on all such revenues until payment of the obligations has been made or provided for. Four such programs have been authorized and are currently outstanding:

- *Transportation revenue bond program.* This program finances a portion of the costs of the State highways and related transportation facilities. The obligations are secured by motor vehicle registration fees and other registration-related fees. The Commission has issued 36 series of bonds (which include refunding bond issues) and three series of commercial paper notes for this program, which were outstanding in the aggregate amount of $1.976 billion as of December 15, 2016. See Part V of the 2016 Annual Report for additional information on transportation revenue obligations.
- *Clean water fund program.* This program makes loans to municipalities in the State for the construction or improvement of their water pollution control facilities. The Commission has authorized two revenue bond programs for the funding the clean water fund program. The first are clean water revenue bonds; the Commission has issued 28 series of bonds for this program (including refunding bond issues), which were outstanding in the amount of $635 million as of December 15, 2016. The State does not intend to issue any additional clean water revenue bonds other than potential refunding bonds. See Part VI of the 2016 Annual Report for additional information on clean water revenue bonds. The second are environmental improvement fund revenue bonds; the Commission issued its first series of such bonds on December 3, 2015, which were outstanding in the

amount of $40 million as of December 15, 2016. See Part VII of the 2016 Annual Report for additional information on environmental improvement fund revenue bonds.

- *Petroleum inspection fee revenue obligations program.* This program funds environmental remediation claims submitted under the Petroleum Environmental Cleanup Fund Award Program. Obligations issued for this program are secured by petroleum inspection fees. The Commission has issued six series of bonds (including refunding bond issues) and two series of extendible municipal commercial paper for this program, which only bonds were outstanding in the aggregate amount of $76 million as of December 15, 2016. See Part VIII of the 2016 Annual Report for additional information on petroleum inspection fee revenue obligations.

General Fund Annual Appropriation Bonds

The State has issued general fund annual appropriation bonds (1) to pay the State's unfunded accrued prior service (pension) liability and the State's unfunded accrued liability for sick leave conversion and (2) to finance the purchase of tobacco settlement revenues that the State previously sold to BTASC. The general fund annual appropriation bonds are not a debt of the State, and the State's obligation to make debt service payments is subject to annual appropriation by the Legislature. The full faith and credit of the State are not pledged, and the State is not obligated to levy or pledge any tax, to make the debt service payments.

The State has issued six series of general fund annual appropriation bonds (including refunding bond issues) to pay the State's unfunded accrued prior service (pension) liability, determined as of January 1, 2003, and the State's unfunded accrued liability for sick leave conversion, determined as of October 1, 2003. See "STATE OBLIGATIONS; Prior Service Pension Liabilities and Other Post-Employment Benefits". The general fund annual appropriation bonds issued for this purpose were outstanding in the aggregate amount of $1.623 billion as of December 15, 2016. With respect to the outstanding general fund annual appropriation bonds that are in the form of taxable floating rate notes, the State has hedged nearly all its variable-rate exposure by entering into interest rate exchange agreements (commonly called swap agreements).

The State has issued one series of general fund annual appropriation bonds to finance the purchase of tobacco settlement revenues that the State previously sold to BTASC. See "STATE BUDGET; Tobacco Settlement Revenues". The general fund annual appropriation bonds issued for this purpose were outstanding in the aggregate amount of $1.479 billion as of December 15, 2016.

See Part IX of the 2016 Annual Report for additional information on all general fund annual appropriation bonds.

Independent Authorities

State law creates and grants to three independent special purpose authorities the power to issue bonds and notes. None of these entities is a department or agency of the State, and none can issue bonds or notes that are legal obligations of the State.

Wisconsin Housing and Economic Development Authority

The Wisconsin Housing and Economic Development Authority (**WHEDA**) acts as a funding vehicle for the development of housing for low- and moderate-income families and economic development projects. WHEDA is also authorized to administer the State's agricultural production loan guaranty program.

WHEDA may issue bonds and notes, which are to be general obligations of WHEDA (except for bonds for the housing rehabilitation loan program) unless WHEDA chooses to limit the obligation. The State is expressly not liable on WHEDA obligations. Repayment may be secured by capital reserve funds, which may be created for each bond issue in an amount that is appropriate for the type of projects being funded. Invasion of this reserve triggers a moral obligation pledge on the part of the State and prevents further WHEDA borrowing until the reserve is replenished. In the event a capital reserve fund is not established for a particular bond issue, the moral obligation pledge would not be applicable. As of June 30, 2016, WHEDA had borrowing authority of approximately $600 million for programs secured by the capital reserve fund, excluding debt issued to refund other debt, the current outstanding balance for programs secured by the capital reserve fund was approximately $337 million, and in aggregate, WHEDA had $1.139 billion in outstanding notes and bonds. WHEDA has borrowing authority for several specific programs:

- *Programs secured by capital reserve fund.* Borrowing authority of $600 million, excluding debt issued to refund other debt, of which $403 million of borrowing authority was available on October 31, 2016.
- *Housing rehabilitation programs.* Borrowing authority of $100 million, of which $100 million of borrowing authority was available on November 30, 2016.
- *Single-family home ownership mortgage loan program.* WHEDA has issued $8.107 billion in such bonds as of November 30, 2016. In the one-year period ending November 30, 2016, one single-family issue of approximately $377 million was sold.
- *Residential facilities for the elderly and chronically disabled.* Borrowing authority of $99 million, and as of November 30, 2016, WHEDA had sold three bond issues totaling $5 million.
- *Economic development and agriculture loans.* Current borrowing authority of $167 million. From current and previous borrowing authority, as of November 30, 2016, WHEDA had sold 143 series of bonds for economic development and agriculture totaling $125 million, which are not general obligations of WHEDA, and 58 series of bonds, totaling $93 million, which are general obligations of WHEDA.
- *General programs not secured by capital reserve fund.* Approximately $3 million of obligations issued for this purpose remain outstanding as of November 30, 2016.

WHEDA is directed by a twelve-member board comprising the Secretary of Administration, the chief executive officer of the Wisconsin Economic Development Corporation, two representatives to the Assembly and two State Senators who are appointed in the same manner as the members of standing committees in their respective houses and equally represent the two major political parties, and six public members serving staggered terms, nominated by the Governor and confirmed by the Senate. Financial reports may be obtained from the Wisconsin Housing and Economic Development Authority, P.O. Box 1728, Madison, WI 53701. The telephone number is (608) 266-7884, the e-mail address is info@wheda.com, and the web site address is www.wheda.com.

Wisconsin Health and Educational Facilities Authority

The Wisconsin Health and Educational Facilities Authority **(WHEFA)** provides revenue bond financing for all Wisconsin 501(c)(3) nonprofit organizations. It may finance any qualifying capital project and may refinance any qualifying outstanding indebtedness. As of June 30, 2016, WHEFA had outstanding 232 issues totaling approximately $9.109 billion. All bonds are limited obligations of WHEFA, payable only from revenues specified in the documents pertaining to each bond financing and are not State debt. There is no capital reserve fund or authorization for a moral obligation pledge. An annual program and financial report to the Legislature and the Governor is required. The State Auditor is empowered to investigate WHEFA's financial affairs and prescribe methods of accounting. The governance of WHEFA is by a seven-member, staggered-term board nominated by the Governor and confirmed by the Senate. The Governor annually appoints the chairperson. Financial reports may be obtained from Wisconsin Health and Educational Facilities Authority, 18000 West Sarah Lane, Suite 300, Brookfield, WI 53045-5841. The telephone number is (262) 792-0466, the e-mail address is info@whefa.com, and the web site address is www.whefa.com.

University of Wisconsin Hospitals and Clinics Authority

The University of Wisconsin Hospitals and Clinics Authority (**UWHCA**) operates hospitals in Wisconsin: the University of Wisconsin Hospital, American Family Children's Hospital, and The American Center Hospital. Hospitals in Illinois include: the Swedish American Hospital and the Swedish American Medical Center and a number of clinics in Wisconsin and Illinois. It provides instruction for medical and other health related professions, students, and sponsors. It also supports medical research and assists health care programs and personnel throughout the State. As of June 30, 2016, UWHCA had outstanding long-term debt totaling approximately $612 million.

UWHCA may issue bonds and notes payable solely from the funds pledged in the bond resolution or any trust indenture or mortgage or deed of trust that secures the obligations. The State is not liable for the payment of principal or interest on the debt, nor is it liable for the performance of any pledge, mortgage, obligation, or agreement entered into by UWHCA.

UWHCA is directed by a sixteen-member board. Composition and selection of members are specified by Chapter 233 and Section 15.96 of the Wisconsin Statutes. The sixteen voting members consist of: Six persons appointed by the Governor for staggered five-year terms with the approval of the State Senate, two members either filled by or appointed by each co-chairperson of JCF, three members of the Board of Regents appointed by the President of the Board of Regents, the Chancellor of UW-Madison, Dean of the UW School of Medicine and Public Health (**UWSMPH**), a Chair of a department of the UWSMPH appointed by the Chancellor of UW-Madison, a Faculty member of a UW-Madison health professional school other than the UWSMPH appointed by the Chancellor of UW-Madison, and the Secretary of DOA or his/her designee. Financial reports can be obtained from the University of Wisconsin Hospitals and Clinics Authority, Room H4/893, 600 Highland Avenue, Madison, WI 53792-8360. The telephone number is (608) 265-7131.

Local Districts

The Legislature has authorized the creation of the following types of local districts, which may be created by one or more local units of government:

- *Local exposition district.* This type of district is authorized to issue bonds for costs related to an exposition center. If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district’s debt service reserve fund that secure up to $200 million principal amount of bonds in the event that project revenues and tax revenues received by the district are inadequate to pay debt service on the bonds. To date, one such district has been created (the Wisconsin Center District). Provisions of 2015 Wisconsin Act 60 further authorized this type of district to issue up to $203 million of obligations for costs related to a sports and entertainment arena facilities. Obligations issued for this purpose are not subject to a moral obligation of the State.
- *Local professional baseball park district.* The territory of this type of district consists of each county with a population of more than 600,000 and all contiguous counties. A district is authorized to issue bonds for costs related to a baseball park. If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district’s reserve funds that secure up to $160 million principal amount of bonds in the event the project revenues and tax revenues received by the district are inadequate to pay debt service. To date, one such district has been created (the Southeast Wisconsin Professional Baseball Park District).
- *Local professional football park district.* The territory of this type of district consists of any county with a population of more than 150,000 that includes the principal site of a stadium that is the home of a professional football team. A district is authorized to issue revenue bonds for costs related to a football park. If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district’s reserve funds that secure up to $160 million principal amount of bonds in the event the project revenues and tax revenues received by the district are inadequate to pay debt service. To date, one such district has been created (the Green Bay-Brown County Professional Football Stadium District).

Moral Obligations

In certain situations where the State does not have a legal obligation to make a payment, the Legislature has recognized a moral obligation to make an appropriation for the payment and has expressed its expectation and aspiration that, if ever called upon to do so, it would. The following items describe these situations and the amount of outstanding obligations that are subject to the State's moral obligation:

- *Payments to reserve funds securing certain obligations of WHEDA.* As of June 30, 2016 there were eleven issues outstanding in the aggregate amount of $338 million that carry a moral obligation of the State.

Name of WHEDA Issue	Maturity Date	Principal Issued	Outstanding Balance
Housing Revenue Bonds			
1998 Series A, B & C	11/1/2018	$ 39,895,000	$ 240,000
2003 Series A-E	5/1/2044	41,975,000	9,940,000
2005 Series A-F	11/1/2045	179,535,000	97,080,000
2006 Series A-D	5/1/2047	28,580,000	22,305,000
2007 Series A-G	11/1/2042	42,570,000	15,190,000
2008 Series A-G	11/1/2033	56,155,000	14,975,000
2009 Series A	5/1/2042	14,045,000	8,805,000
2010 Series A-B	11/1/2043	42,775,000	31,445,000
2012 Series A-B	5/1/2055	53,540,000	52,670,000
2012 Series C	11/1/2044	16,670,000	-0-
2013 Series A-C	5/1/2045	21,270,000	12,825,000
2015 Series A-C	5/1/2052	73,170,000	72,330,000
Total			$337,805,000

- *Payments of debt service on petroleum inspection fee revenue obligations.* In its legislation authorizing the issuance of the petroleum inspection fee revenue obligations, the Legislature, recognizing a moral obligation to do so, expressed its expectation that, if the Legislature were to reduce the rate of the petroleum inspection fee (which has happened) and if the petroleum inspection fee were insufficient to pay debt service on the petroleum inspection fee revenue obligations when due (which has not happened), then the Legislature would make an appropriation from the general fund sufficient to pay such debt service. The petroleum inspection fee revenue obligations are currently outstanding in the principal amount of $76 million.

- *Payments to reserve funds securing certain obligations of different types of local districts,* subject to the Secretary of Administration's determination that certain conditions have been met. Currently there is one issue from a local exposition district (the Wisconsin Center District) that is outstanding in the amount of $118 million that carries a moral obligation of the State. Two other local districts (the Southeast Wisconsin Professional Baseball Park District and the Green Bay-Brown County Professional Football Stadium District) each have authority to issue $160 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. Both of these districts have issued revenue obligations, but those obligations do not carry the moral obligation of the State.

- *Payments to reserve funds securing obligations issued by certain redevelopment authorities,* subject to the Secretary of Administration's determination that certain conditions have been met. Currently there is one issue by a redevelopment authority (the Redevelopment Authority of the City of Milwaukee) for the Milwaukee Public Schools Neighborhood Schools Initiative that are outstanding in the total amount of $32 million that carries a moral obligation of the State.

- *Payments required to be made by municipalities on loans from the Clean Water Fund Program,* if so designated by the State. Currently no Clean Water Fund Program loan carries a moral obligation of the State.

Employee Pension Funds

The State is part of the Wisconsin Retirement System **(WRS)**, which is a hybrid pension plan with separate individual accounts maintained for all participants. Market-related risks are generally mitigated via (1) regular changes in active employee contributions based on actuarial costs and (2) adjustment of benefits based on investment performance. A further description of the WRS and identification of the State's obligation follows; this is supplemented with additional statistical material in Tables II-18 through II-23.

The State's pension obligations are defined by formulas that establish monthly retirement benefits as a function of annual compensation and years of service. The State's current contributions to meet these pension obligations are established by a yearly actuarial determination of the value of the retirement benefits that have accrued to State employees and will have to be paid out in the future. The actuarial method used to determine the size of the contributions is known as "Frozen Initial Liability" for prior service liability and "Entry Age Normal" for current contributions. Actuarial assumptions that have been adopted in application of this method are shown in Tables II-24, II-25, and II-26.

The Department of Employee Trust Funds administers the pension programs of both the State and local governments, and the State of Wisconsin Investment Board is responsible for investment of all the funds. Although the State provides pension and investment management staff for its own and local government employees, *the State has no financial obligation for payment of any local government contribution.*

WRS covers all full-time employees of the State. The total retirement contribution consists of a member (employee) contribution and an employer contribution, and an employer cannot fund any of the member's required contribution. As of June, 2016, employee and employer contributions for calendar year 2017 were set at the following rates:

WISCONSIN RETIREMENT SYSTEM
STATE EMPLOYER CONTRIBUTION RATES[(a)]

Employee Classification	Employee Required	Employer Required
General, Executive & Elected Officials (including teachers)	6.80%	6.80%
Protected Occupation with Social Security	6.80	10.60
Protected Occupation without Social Security	6.80	14.90

[(a)]Effective date January 1, 2017

Source: Department of Employee Trust Funds

The contributions are actuarially determined each year by an independent actuarial firm. In addition, the State is also charged 0.3% of its protective payroll for special duty disability coverage. Prior to the enactment of 2011 Wisconsin Act 10, employers were permitted to fund all, or some of, the member's required contribution. With the enactment of 2011 Wisconsin Act 10, the total retirement contribution must be split equally between the employee required contribution and the employer required contribution (except in certain circumstances).

Other changes to WRS as the result of 2011 Wisconsin Act 10 included the following:

- The employee required contribution for protective occupations with Social Security and for protective occupations without Social Security is the same as for general employees. The employer required contribution for these groups is the difference between the total required contribution and the employee required contribution.
- The benefit adjustment contribution was eliminated.
- All new participants after July 1, 2011 were subjected to a five-year vesting requirement. Participants terminating before fully vesting are not eligible for a retirement benefit but can receive a separation benefit of member contributions and interest.

- The work requirement to be eligible to participate in the WRS was increased from 33%, to 67%, of full-time employment.
- Employee required contributions may not be paid by the employer on behalf of the employee.
- The formula multiplier for State executives, judges, and elected officials was reduced from 2.0% to 1.6%.

Monthly benefits upon retirement at normal retirement age (65 for general employees, 62 for elected officials and certain other State positions, and 55 for protective occupation participants) are computed on a formula basis (the formula varies by the particular class of participation). Some inactive members and a small number of currently active employees may have benefits computed on some other basis when they apply for benefits.

Annual adjustments are also made to annuities from the WRS based on investment performance. In calendar years 2009, 2010, 2011, 2012, and 2013 retirees in the WRS's Core Retirement Trust experienced reductions of up to 2.1%, 1.3%, 1.2%, 7.0%, and 9.6%, respectively, to their monthly annuity amounts. While these were the first negative adjustments for the Core Retirement Trust since the WRS was created, retirees in the Variable Retirement Investment Trust see annual adjustments, sometimes negative, that reflect changing market value on a year-by-year basis. In calendar years 2014, 2015 and 2016, retirees in the WRS's Core Retirement Trust experienced increases of 4.7%, 2.9%, and 0.5%, respectively, to their monthly annuity amounts.

Contributions into the WRS are invested by the State of Wisconsin Investment Board, as provided by law, and are maintained in two separate funds: the Core Retirement Investment Trust and the Variable Retirement Investment Trust. Investments are recorded pursuant to the Wisconsin Statutes as follows:

- The assets of the Core Retirement Trust are carried by a hybrid method providing for the amortization of capital gains and losses as well as deferred items over a five-year period.
- The Variable Retirement Investment Trust assets are recorded at market value with all market adjustments included in current operations.

Except for certain protective occupation employees and a few other minor exceptions, employees under the WRS are also covered by Social Security.

Various reports and information relating to WRS and the Department of Employee Trust Funds, including the Wisconsin Retirement System Financial Report for Calendar Year 2015 and comprehensive annual financial reports for prior years for the Department of Employee Trust Funds (including WRS and other benefit plans and trust funds) are available from the State of Wisconsin Department of Employee Trust Funds publications web site at: etf.wi.gov/publications.htm. This web site, and the materials available on this web site, are not incorporated into, nor are they a part of, this Part II of the 2016 Annual Report.

Table II-18 provides comparative actuarial balance sheets for the most recent reporting periods. The unfunded accrued liability presented is solely the responsibility of local governments and is not an obligation of the State.

GASB Pension Accounting Standards

The Governmental Accounting Standards Board **(GASB)** pension accounting standards require uniform calculations of pension expense and liabilities. Under these standards each participating employer in the WRS is required to report its proportionate share of this net pension liability (or asset) on its financial statements, if such statements are prepared in accordance with GAAP. Using the GASB pension accounting standards, the net pension liability of participating WRS employers as of December 31, 2015 was $1.6 billion.

Prior Service Pension Liabilities and Other Post-Employment Benefits

Pension Liabilities in Accompanying Financial Statements

Liabilities of WRS are reported in the following tables. While WRS covers most public employers and employees in the State, including local governments, the State and its participants account for 28.5% of the all participants in the system. WRS tracks unfunded prior service liabilities in separate accounts for each employer. The unfunded prior service liabilities reported in the financial statements for WRS are entirely attributable to other units of government and not to the State of Wisconsin.

Pension liabilities are calculated using the “Entry Age Normal with Frozen Initial Liability” actuarial cost method. Under this method, actuarial gains and losses are treated as future costs in the normal cost calculation and do not affect the past service liability. Investment losses, such as those experienced in 2008, do not create an unfunded liability but do place upward pressure on future contribution rates.

Pension and Sick Leave Conversion Benefits

Prior to 2004, the State recognized for accounting and disclosure purposes an unfunded prior service liability for the State’s account within WRS. The State also recognized for accounting and disclosure purposes an unfunded prior service liability for sick leave conversion, which permits employees, at retirement, to use the value of unused sick leave to pay for health insurance premiums. Proceeds from the State’s issuance of General Fund Annual Appropriation Bonds in 2003 fully funded both of these prior service liabilities, and the State currently has no prior service liabilities associated with these benefits.

Implied Subsidy of Group Health Insurance

In July 2016, the State received a report containing the results of an actuarial valuation (as of January 1, 2015) of the State of Wisconsin Retiree Health Program. The report shows a total unfunded liability for other post-employment benefits of $942 million, which results from an implicit rate subsidy (previously referred to as implied subsidy of group health insurance). The liability for this implicit rate subsidy is up from the $893 million amount reported in May 2014 (as of January 1, 2013). Beginning January 1, 2012, prescription drug coverage for Medicare eligible retirees enrolled in the State group health insurance program is provided through a self-funded Medicare Part D Employer Group Waiver Plan, including a Medicare wrap. As a result, the State no longer receives the Retiree Drug Subsidy, and there is no longer a liability for any Medicare Part D subsidy.

Implied Subsidy of Retiree Life Insurance Program

A Retiree Life Insurance Program may also have an implied rate subsidy. The State provides post-retirement life insurance coverage to retired plan participants over the age of 65 at no cost to the employee. An actuarial valuation of this plan as of January 1, 2014 calculated an unfunded liability of approximately $164 million.

Table II-18

WISCONSIN RETIREMENT SYSTEM
ACTUARIAL STATEMENT OF ASSETS AND LIABILITIES
December 31, 2015
(Amounts in Millions)

	12/31/2015	12/31/2014	Increase (Decrease)
Assets and Employer Obligations:			
Net Assets			
Cash, Investments & Receivables			
Less: Payables & Suspense Items			
Core Division	$84,865.4	$82,385.4	$ 2,480.0
Variable Division	6,636.9	6,975.0	6,612.8
Totals	91,502.3	89,360.4	9,092.8
Obligations of Employers			
Unfunded Accrued Liability	24.1	31.7	(7.6)
TOTAL ASSETS	$91,526.3	$89,392.1	$9,085.2
Reserves and Surplus:			
Reserves			
Actuarial Present Value of Projected Benefits Payable to Terminated Vested Participants and Active Members:			
Member Normal Contributions	$16,537.2	$16,243.3	$ 293.9
Member Additional Contributions	169.9	16.0	153.9
Employer Contributions	21,967.4	22,001.7	(34.3)
Total Contributions	$38,674.5	$38,261.0	$ 413.5
Actuarial Present Value of Projected Benefits Payable to Current Retirees And Beneficiaries:			
Core Annuities	$48,897.5	$45,790.7	$ 3,106.8
Variable Annuities	3,910.1	3,917.1	(7.0)
TOTAL ANNUITIES	52,807.6	49,707.8	3,099.8
TOTAL RESERVES	$91,482.1	$87,968.8	$ 3,513.3
Surplus			
Core Annuity Reserve Surplus	$ 249.5	$ 1,345.0	$ (1,095.5)
Variable Annuity Reserve Surplus	(205.3)	78.3	(283.6)
TOTAL SURPLUS	44.2	1,423.3	(1,379.1)
TOTAL RESERVES AND SURPLUS	$ 91,526.3	$ 89,392.1	$ 2,134.2

Source: Department of Employee Trust Funds

Notes to Wisconsin Retirement System

All eligible State of Wisconsin employees participate in the Wisconsin Retirement System **(System)**, a cost-sharing multiple-employer public employee retirement system **(PERS)**. The payroll for State employees covered by the system for the year ended December 31, 2015 was $4.29 billion, which includes various public authorities in the State.

Effective June 29, 2011, all permanent employees expected to work over 1,200 hours a year (880 hours a year for teachers) are eligible to participate in the System. General category and Executive/Elected employees are required by statute to contribute one-half of the actuarially determined contribution (6.8% of their salary) for calendar year 2017. Employers may not make these contributions to the plan on behalf of the employees. Protective occupation employees are required to contribute the same percentage of their salaries as General category employees. Employers are required to contribute the remaining amounts necessary to pay the projected cost of future benefits. The total required contribution for the year ended December 31, 2015 was $599 million, which consisted of $306 million or 7.1% of payroll from the employer and $293 million or 6.8% of payroll from employees.

Employees who retire at or after age 65 (55 for protective occupation employees) are entitled to receive a retirement benefit. The benefit is calculated as 1.6% (2.0% for Executives, Elected Officials, and Protective Occupations with social security and 2.5% for protective occupations without social security) of final average earnings for each year of creditable service after December 31, 1999. Service earned before January 1, 2000 accrues benefits at a rate of 1.765% (2.165% for Executives, Elected Officials, and Protective Occupations with social security and 2.665% for protective occupations without social security). The benefit multiplier is reduced to 1.6% for service earned after June 29, 2011 for Executives and Elected Officials. Final Average Earnings is the average of the employee's three highest years' earnings. Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. For employees joining the system after June 29, 2011, five years of service are required to be eligible for a retirement benefit. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefit. The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes.

The System utilizes the "Entry Age Normal with Frozen Initial Liability" actuarial method in establishing employer contribution rates. Under this method, the Unfunded Accrued Actuarial Liability is affected only by the monthly amortization payments, compound interest, the added liability created by new employer units, and any added liabilities caused by changes in benefit provisions. All actuarial gains or losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost. The unfunded accrued actuarial liability is being amortized over a 40-year period beginning January 1, 1990. However, periodically, the Employee Trust Funds Board has reviewed and, when appropriate, adjusted the actuarial assumptions used to determine this liability. Changes in the assumptions affect the unfunded accrued actuarial liability, and the resulting actuarial gains or losses are credited or charged to employer's unfunded liability accounts. The State of Wisconsin, as of December 31, 2015, had no unfunded liability. The total system unfunded liability of $24 million, as of December 31, 2015, is attributable to local governments.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 2015 Comprehensive Annual Financial Report.

The preceding provides a comparative actuarial balance sheet for the most recent reporting periods.

Table II-19

WISCONSIN RETIREMENT SYSTEM
FUNDING RATIO
(Amounts in Thousands)

Year	A Net Real Assets	B Unfunded Actuarial Liability	C Reserve Requirement (A+B)	D Funding Ratio (A÷C)
2006	$73,415,300	$320,500	$73,735,800	99.6%
2007	79,791,900	287,800	80,079,700	99.6
2008	77,159,400	252,600	77,412,000	99.7
2009	78,911,300	193,300	79,104,600	99.8
2010	80,626,900	131,900	80,758,800	99.8
2011	78,940,000	99,300	79,039,300	99.9
2012	78,613,000	69,700	78,682,700	99.9
2013	85,276,100	52,600	85,328,700	99.9
2014	89,360,400	31,700	89,392,100	100.0
2015	91,502,400	24,100	91,526,500	100.0

Source: Department of Employee Trust Funds

Table II-20

WISCONSIN RETIREMENT SYSTEM
COVERED EMPLOYEES

Year	Active State	Active Local	Retired
2006	70,366	192,490	137,117
2007	71,162	192,219	142,906
2008	72,165	193,556	144,033
2009	72,415	194,878	150,671
2010	72,740	193,889	155,775
2011	70,391	186,863	167,453
2012	72,269	184,564	173,655
2013	73,091	183,697	180,056
2014	73,893	183,362	185,605
2015	73,036	183,041	191,795

Source: Department of Employee Trust Funds

Table II-21

WISCONSIN RETIREMENT SYSTEM
REQUIRED CONTRIBUTIONS BY SOURCE[(a)]
(Amounts in Thousands)

	State		Local		Total	
Year	**Employee**	**Employer**	**Employee**	**Employer**	**Employee**	**Employer**
2006	$1,169	$368,020	$4,606	$863,256	$5,775	$1,231,276
2007	1,622	393,386	4,934	902,112	6,556	1,295,498
2008	1,748	421,936	5,217	937,406	6,965	1,359,342
2009	1,248	415,600	6,703	950,177	7,951	1,365,777
2010	3,602	444,538	8,099	1,006,560	11,701	1,451,098
2011	62,391	347,477	101,703	878,753	164,094	1,226,230
2012	213,447	263,731	398,207	697,435	611,654	961,166
2013	249,681	305,657	511,329	704,475	761.010	1,010,132
2014	279,067	328,856	612,781	689,606	891,848	1,018,462
2015	293,397	305,518	615,017	677,349	908,414	982,867

(a) Employer contributions include employer pick-up, if any, of employee contributions. Contributions for 2011 and subsequent years reflect provisions of 2011 Wisconsin Act 10.

Source: Department of Employee Trust Funds

Table II-22

WISCONSIN RETIREMENT SYSTEM
REVENUES BY TYPE
(Amounts in Thousands)

Year	**Required Employee**	**Contributions Required Employer[(a)]**	**Additional Employee**	**Investment Income**	**Supplemental**	**Misc.**	**Total**
2006	$614,726	$653,849	$16,891	$10,962,280	$1,764	$127	$12,249,637
2007	688,044	646,615	18,462	6,495,914	1,422	401	7,850,858
2008	722,534	684,731	14,139	(22,744,110)	1,160	1,618	(21,319,928)
2009	728,181	705,257	9,249	13,024,986	912	205	14,468,790
2010	776,120	743,406	11,870	8,317,435	743	247	9,849,821
2011	783,609	781,064	14,760	699,546	602	1,897	2,281,478
2012	746,678	799,349	10,473	9,858,710	470	208	11,415,888
2013	863,079	914,698	8,180	11,343,231	342	190	13,129,720
2014	927,342	982,968	15,205	4,888,240	265	377	6,814,397
2015	921,963	969,318	16,019	(674,988)	210	38	1,232,560

(a) Amounts include payments from employee additional contributions.

Source: Department of Employee Trust Funds

Table II-23

WISCONSIN RETIREMENT SYSTEM
BENEFIT EXPENDITURES BY TYPE
(Amounts in Thousands)

Year	Separations	Death	Annuities	Supplemental[(a)]	Misc.	Total
2006	$25,072	$37,507	$3,195,279	$1,764	$16,316	$3,275,938
2007	24,172	36,874	3,480,104	1.422	17,689	3,560,261
2008	27,375	28,802	3,793,740	1,160	17,970	3,869,047
2009	24,800	29,124	3,758,389	912	36,543	3,843,300
2010	26,415	29,124	3,846,305	743	17,603	3,920,190
2011	28,006	33,129	4,103,321	601	18,620	4,183,677
2012	26,563	24,800	4,182,881	470	21,542	4,256,256
2013	33,271	37,972	4,186,386	342	22,858	4,280,829
2014	34,401	33,480	4,411,169	265	119,371	4,598,686
2015	37,642	31,746	4,748,334	210	66,005	4,883,937

(a) Supplemental benefits were granted to certain employees by the Legislature in 1974. These benefits are paid out of the State General Fund.

Source: Department of Employee Trust Funds

ACTUARIAL ASSUMPTIONS

Tables II-24, II-25, and II-26 set forth the actuarial assumptions that will be applied in the determination of contribution levels required for the funding of the WRS effective January 1, 2017.

Table II-24

WISCONSIN RETIREMENT SYSTEM
SEPARATION BEFORE AGE AND SERVICE RETIREMENT

Select and Ultimate Withdrawal

% of Active Participants Terminating

Age & Service	Protective: With Soc. Sec.	Protective: Without Soc. Sec.	Public Schools: Males	Public Schools: Females	University: Males	University: Females	Executive &Elected	Others: Males	Others: Females
0	17.0%	4.0%	18.3%	16.0%	16.0%	16.0%	18.0%	16.8%	20.0%
1	8.0	3.5	11.0	10.8	14.0	15.0	14.0	12.7	14.1
2	5.0	1.5	7.8	7.7	12.0	13.0	12.0	9.0	11.0
3	4.3	1.3	5.9	5.8	10.0	10.0	10.0	7.3	8.9
4	3.8	1.2	4.9	5.0	8.5	9.9	10.0	7.0	8.5
5	3.1	1.1	3.6	4.3	8.0	8.4	8.0	4.8	6.7
6	3.0	1.0	3.2	3.8	7.5	6.4	7.0	4.3	5.6
7	2.9	0.9	2.6	3.4	5.7	5.7	6.0	4.2	5.0
8	2.5	0.8	2.6	2.8	4.6	4.7	6.0	3.4	4.7
9	2.2	0.7	2.4	2.5	4.0	4.2	6.0	3.1	4.5
10 & over									
25	2.0	0.7	1.3	2.2	4.0	5.0	6.0	2.5	4.5
30	1.8	0.7	1.3	1.9	3.9	4.6	5.1	2.5	4.3
35	1.6	0.7	1.3	1.6	3.6	4.2	4.3	2.4	3.5
40	1.3	0.6	1.3	1.3	3.1	3.4	4.1	2.1	2.7
45	1.1	0.6	1.3	1.1	2.3	2.6	3.2	1.8	2.2
50	1.0	0.5	1.3	1.0	1.9	2.1	2.5	1.5	1.9
55	1.0	0.5	1.3	1.0	1.8	2.0	2.4	1.5	1.8
60	1.0	0.5	1.3	1.0	1.8	2.0	2.4	1.5	1.8

Disability Rates

% of Active Participants Becoming Disabled

Age	Protective: With Soc.Sec.	Protective: Without Soc.Sec.	Public Schools: Male	Public Schools: Female	University: Male	University: Female	Exec. & Elected: Male	Exec. & Elected: Female	Others: Male	Others: Female
20	0.01%	0.04	0.01%	0.01%	0.00%	0.00%	0.00%	0.00%	0.01%	0.01%
25	0.01	0.04	0.01	0.01	0.00	0.00	0.00	0.00	0.01	0.01
30	0.01	0.04	0.01	0.01	0.00	0.00	0.00	0.00	0.01	0.02
35	0.02	0.04	0.01	0.01	0.0	0.02	0.01	0.01	0.01	0.03
40	0.02	0.06	0.01	0.02	0.01	0.03	0.01	0.01	0.03	0.04
45	0.03	0.11	0.03	0.05	0.01	0.03	0.01	0.01	0.06	0.06
50	0.06	0.64	0.08	0.1	0.02	0.06	0.02	0.02	0.13	0.09
55	0.87	0.48	0.16	0.14	0.05	0.09	0.09	0.09	0.24	0.16
60	1.46	0.14	0.26	0.21	0.07	0.13	0.11	0.11	0.43	0.23

Source: **Department of Employee Trust Funds**

Table II-25

WISCONSIN RETIREMENT SYSTEM
RETIREMENT PATTERNS

Rates of Retirement for Those Eligible to Retire
(Normal Retirement Pattern)

% Retiring Next Year

	General		Public Schools		University		Protective		
							With	Without	Executive
Age	Males	Females	Males	Females	Males	Females	Soc. Sec.	Soc. Sec.	& Elected
50	%	%	%	%	%	%	6%	4%	%
51							7	4	
52							9	5	
53							23	17	
54							19	25	
55							19	21	
56							19	27	
57	18	15	36	28	12	14	19	30	12
58	18	15	31	28	12	12	18	30	12
59	18	15	24	28	12	10	16	30	12
60	18	15	30	28	12	12	20	26	12
61	18	15	28	28	12	16	20	15	12
62	25	25	37	36	12	14	22	20	12
63	30	25	32	30	12	19	26	40	12
64	25	25	27	27	12	13	17	40	12
65	25	28	29	35	15	18	30	40	12
66	32	32	33	35	17	22	25	40	20
67	26	26	27	30	16	17	30	40	15
68	19	22	24	30	16	16	30	40	15
69	19	20	24	30	16	14	30	40	10
70	19	20	20	35	16	18	100	100	10
71	19	20	20	30	18	18	100	100	10
72	19	20	20	22	14	18	100	100	15
73	19	20	20	22	14	18	100	100	15
74	19	20	20	22	10	18	100	100	15
75	100	100	100	100	100	100	100	100	100

Source: Department of Employee Trust Funds

Table II-26

WISCONSIN RETIREMENT SYSTEM
OTHER ASSUMPTIONS

Mortality Table

Active & Retired Future Life Expectancy

Sample Attained	Active Future Life Expectancy (Years)		Retired Future Life Expectancy (Years)	
Ages	**Males**	**Females**	**Males**	**Females**
40	44.6	47.8	42.9	46.2
45	39.6	42.8	38.1	41.3
50	34.6	37.8	33.4	36.5
55	29.8	32.9	28.8	31.8
60	25.2	28.1	24.4	27.2
65	20.8	23.5	20.2	22.8
70	16.6	19.0	16.1	18.4
75	12.7	14.8	12.4	14.4
80	9.3	11.0	9.1	10.7
85	6.5	7.7	6.4	7.6

Salary Scale

	Merit & Longevity Increase in Next Year					
Age	**General**	**University Teachers**	**Teachers**	**Protective With S.S.**	**Protective w/o S.S.**	**Executive & Elected**
1	3.5%	3.0%	5.6%	4.8%	5.5%	2.5%
2	3.5	3.0	5.6	4.8	5.5	2.5
3	3.1	2.9	5.2	4.1	4.7	2.0
4	2.8	2.8	4.7	3.5	3.8	1.6
5	2.5	2.7	4.3	2.8	3.0	1.1
10	1.5	2.2	2.6	1.1	0.9	1.6
15	1.1	1.7	1.4	0.8	0.5	0.2
20	0.9	1.2	0.6	0.7	0.4	0.2
25	0.6	0.9	0.3	0.6	0.3	0.2
30	0.4	0.7	0.2	0.5	0.2	0.2

In addition to the above Merit and Longevity increase assumptions, there is a 3.2% wage inflation assumption for every age.

Future Annual Investment Return

For purposes of the above tables, the future annual invested return is assumed to be 7.2%.

For benefit calculation purposes, an assumed benefit rate of 5.0% is used.

Source: Department of Employee Trust Funds

STATE OF WISCONSIN INVESTMENT BOARD

The State of Wisconsin Investment Board (**SWIB**) invests the assets of the State Investment Fund, WRS, and several smaller trust funds established by the State. Overall policy direction for SWIB is established by an independent, nine-member Board of Trustees (**Trustees**). The Trustees establish long-term investment policies, set guidelines for each investment portfolio, and monitor investment performance.

The nine members of the Board of Trustees include:

- The Secretary of Administration or a designee.
- Two participants in the WRS. One of these is a teacher who is appointed by the Teacher Retirement Board. The other represents non-teacher participants and is appointed by the Wisconsin Retirement Board.
- Six public members, who are appointed by the Governor. Of these public members, four are required to have at least ten years of investment experience, and one is required to be an individual with a minimum of ten years of financial experience who holds a nonelected finance position with a local government that participates in the Local Government Investment Pool.

All appointed members serve six-year terms. The Trustees usually meet on a monthly basis.

SWIB's executive director is appointed by the Trustees. The executive director is responsible for oversight of staff activities and developing and recommending policies for adoption by the Trustees. The portfolio managers and analysts are all responsible for daily investment decisions in their markets. Their activities are monitored by SWIB's chief investment officer, who is appointed by the executive director with participation of the Trustees.

Pursuant to Wisconsin Statutes, the State Investment Fund consists of cash balances of the General Fund, State agencies and departments, and WRS reserves. In addition, the State Investment Fund also includes investment deposits from elective participants consisting of over 1,000 municipalities and other public entities, which are accounted for in the LGIP, which is a subset of the State Investment Fund.

The objectives of the State Investment Fund are to provide (in order of priority):

- Safety of principal
- Liquidity
- Competitive rate of return

This fund includes the cash balances from retirement trust funds while they are pending longer-term investment. This fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The State Investment Fund is strategically managed as a money market fund but has the ability to have a longer average maturity than a typical money market fund. Because of the role played by the State Investment Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from the funds.

With regard to investments of the State Investment Fund, the Wisconsin Statutes establish parameters, and the Trustees establish and monitor policies covering:

- Types of assets and the amount that can be acquired
- Delegation of powers to purchase and sell and specific guidelines for various types of investments
- Emergency powers in the event the Trustees are unable to meet
- Guidelines that prohibit the use of derivatives, financial futures, and related options

The policies seek to achieve safety of principal and liquidity by attention to quality standards, maturity, and marketability. The policies seek to enhance return through portfolio management that considers, among other things, anticipated changes in interest rates and the yield curve.

As a public agency, SWIB is not registered under the Investment Company Act of 1940, the Investment Advisers Act of 1940, or the Commodity Exchange Act. However, a description of risk factors, guidelines, and investment objectives concerning the LGIP and the State Investment Fund may be obtained from the State of Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842. The telephone number is (608) 266-2381, the e-mail address is info@swib.state.wi.us, and the web site address is www.swib.state.wi.us.

Table II-27 presents unaudited financial and statistical information for the State Investment Fund. A copy of SWIB's annual report or information on the LGIP and the State Investment Fund may be obtained from SWIB, but are not part of this disclosure document.

Table II-27

STATE INVESTMENT FUND
(As of October 31, 2016)

HOLDINGS DETAIL REPORT

	Amortized Cost	Percent of Portfolio at Amortized Cost
U.S. Governments Agencies..................................	$7,788,064,000	73.6%
U.S. Repurchase Agreements	1,137,000,000	10.7
U.S. Bills and Notes	551,664,000	5.2
Certificates of Deposit and Bankers Acceptance.	77,576,000	0.7
Commercial Paper and Corporate Notes	1,024,501,000	1.0
	$10,578,805,000	100.0%

AVERAGE MATURITY FOR THE LAST SIX MONTHS

Reporting Date	Average Maturity (Days)	Reporting Date	Average Maturity (Days)
10/31/2016	71	7/31/2016	73
9/30/2016	75	6/30/2016	67
8/31/2016	78	5/31/2016	74

Summary of Investment Fund Participants
(As of October 31, 2016)

	Par Amount	Percent of Portfolio
Mandatory Participants		
State of Wisconsin and Agencies	$ 4,327,652,000	41.86%
State of Wisconsin Investment Board................	3,138,941,000	30.36
Elective Participants		
Local Government Investment Pool	2,872,226,000	27.78
	$10,338,819,000	100.0%

The difference between the total of the participants' share ($10,338,819,000, and the amortized cost of the State Investment Fund holdings detail report ($10,578,805,000) is the result of (1) check float (checks written and posted at the Department of Administration that have not cleared the bank) and a timing delay by the State in posting bank receipts that have already been invested by SWIB and (2) any cash in the State Investment Fund as of October 31, 2016.

Source: State of Wisconsin Investment Board

STATISTICAL INFORMATION

This section presents information pertaining to the State's economic condition, including property value, population, income, and employment.

Table II-28

STATE ASSESSMENT
(EQUALIZED VALUE)
OF TAXABLE PROPERTY

Calendar Year	Value of Taxable Property	Rate of Increase (Decrease)
2007	$497,920,348,700	6.2%
2008	514,393,963,700	3.3
2009	511,911,983,100	(0.5)
2010	495,904,192,300	(3.1)
2011	486,864,232,800	(1.8)
2012	471,092,529,200	(3.2)
2013	467,502,564,000	(0.8)
2014	479,479,968,800	2.6
2015	490,602,544,050	2.3
2016	505,124,328,250	3.0

Source: Department of Revenue

Table II-29

**DELINQUENCY RATE:
INCOME, FRANCHISE, GIFT, SALES, AND USE TAXES**

Fiscal Year	Total Revenues Expected (Amounts in Thousands)	Delinquent Balance[a] (Amounts in Thousands)	Delinquent Balance as a Percent of Total Revenues Expected
2007	$11,712,103	$794,238	5.45%
2008[b]	11,978,322	1,016,825	8.49
2009	10,957,071	1,128,139	10.30
2010	10,898,706	993,075	9.14
2011	11,662,010	914,671	7.84
2012	12,236,987	968,484	7.91
2013	12,832,365	971,303	7.57
2014	12,656,911	975,512	7.71
2015	13,222,872	928,244	7.02
2016	13,762,689	950,356	6.90

[a] The collectible delinquent balance is generally less than shown. The collectible delinquent balance is determined by decreasing the delinquent balance by various factors to address amounts owed by taxpayers in bankruptcy, amounts owed by deceased taxpayers, amounts owed by defunct corporations, and amounts owed by accounts assigned to field revenue agents.

[b] Starting with the 2007-08 fiscal year, the delinquent balance reflects changes due to an integrated audit, processing, and collection system and a change in the way DOR records accruing interest. In the previous system, accruing interest was only posted to the delinquent tax account when a payment or credit was received. In the current system, accruing interest is posted each month to the delinquent accounts.

Source: Department of Revenue

Table II-30

POPULATION TREND

Year	Wisconsin Total (Amounts in Thousands)	Rank	%change Wisconsin	%change U.S.	Population Per Sq. Mile Wisconsin	Population Per Sq. Mile U.S.
1910	2,334	13	12.8	21.0	42.2	26.0
1920	2,632	13	12.8	15.0	47.6	29.9
1930	2,939	13	11.7	16.2	53.7	34.7
1940	3,138	13	6.8	7.3	57.3	37.2
1950	3,435	14	9.5	14.5	62.8	42.6
1960	3,952	15	15.1	18.5	72.6	50.6
1970	4,418	16	11.8	13.3	81.1	57.5
1980	4,706	16	6.5	11.4	86.5	64.0
1990	4,892	16	4.0	9.8	90.1	70.3
2000	5,364	18	9.6	13.2	98.8	79.6
2001	5,404	18	0.8	1.3	99.5	80.6
2002	5,439	20	0.6	1.0	100.2	81.4
2003	5,472	20	0.6	1.0	100.8	82.2
2004	5,504	20	0.6	1.0	101.4	83.0
2005	5,536	20	0.6	1.0	101.9	84.0
2006	5,557	20	0.9	0.9	103.0	85.0
2007	5,602	20	0.8	1.0	103.5	86.4
2008	5,628	20	0.5	0.9	103.9	87.1
2009	5,655	20	0.5	0.9	104.0	88.0
2010	5,690	20	0.6	0.4	105.0	87.4
2011	5,710	20	0.4	0.8	105.4	88.3
2012	5,726	20	0.3	0.8	105.7	88.9
2013	5,744	20	0.3	0.7	106.1	89.6
2014	5,759	20	0.3	0.8	106.3	90.3
2015	5,771	20	0.2	0.8	106.6	91.0

Source: U.S. Census Bureau Population and Housing Units Estimates http://www.census.gov/popzest/ and land area statistics from U.S. Census Bureau State and County Quick Facts
http://quickfacts.census.gov/qfd/states/55000.html

Table II-31

POPULATION CHARACTERISTICS

	Wisconsin	**U.S.**
% Urban (2010)	70.2%	80.7%
% Rural (2010)	29.8	19.3
% Foreign-born (2015)	4.8	13.5
Dependency Ratio [(a)]	61.3	60.7

YEARS OF SCHOOL COMPLETED
(as % of population age 25 and over)

	Wisconsin	**U.S.**
Grade School - 8 years	97.0%	94.5%
High School/equiv.	91.4	87.1
Bachelor's Degree	28.4	30.6

(a) Dependency Ratio = $\frac{\text{(Population under 18) + (Population aged 65+)}}{\text{(Population aged 18-64)}}$

Source: **All U.S. Census Bureau web site, American FactFinder**
Urban/Rural: 2010 Census Summary File 1 Table P2
Foreign-Born: 2015 American Community Survey 1-Year Estimates Table S0501
Dependency Ratio: 2015 American Community Survey 1-Year Estimates Table S0101
Educational Attainment: 2015 American Community Survey 1-Year Estimates Table S1501

Table II-32

POPULATION BY AGE GROUP
(2015)

Age Group	Wisconsin	U.S.
Under 5	5.8%	6.2%
5-14	12.7	12.8
15-44	38.2	40.0
45-59	21.3	20.1
60 and over	22.0	20.9
Total	100.0	100.0

Note: Totals may not equal 100% due to rounding

Source: 2015 American Community Survey 1-Year Estimates Table S0101

Table II-33

ESTIMATED PERSONAL INCOME

Year	Wisconsin Total (Amounts in Millions)	Per Capita Wisconsin	Per Capita U.S.	Percentage Wisconsin to U.S.
2006	$ 202,289	$ 36,268	$ 38,144	95.1%
2007	211,378	37,674	39,821	94.6
2008	219,886	38,980	41,082	94.9
2009	217,247	38,320	39,376	97.3
2010	220,826	38,815	40,277	96.4
2011	233,132	40,837	42,453	96.2
2012	243,096	42,463	44,266	95.9
2013	245,438	42,737	44,438	96.2
2014	254,405	44,186	46,049	96.0
2015	255,753	44,406	46,414	95.7

Source: Table SA1 State and Local Area Income, Bureau of Economic Analysis, U.S. Department of Commerce, doa.wi.gov/capitalfinance

Table II-34

MEDIAN INCOME FOR FOUR-PERSON FAMILY

Year[a]	Wisconsin	U.S.	Percentage
2006	$69,010	$65,093	106.0%
2007	75,111	72,336	103.8
2008	78,742	75,648	104.1
2009	77,946	74,985	103.9
2010	77,829	74,964	103.8
2011	79,141	75,845	104.3
2012	80,612	76,365	105.6
2013	82,053	77,507	105.9
2014	83,145	79,784	104.2
2015	86,695	81,953	105.8

[a] Annual values are not adjusted for inflation.

Source: American Community Survey 1-Year Estimates Table B19019. The 2015 data is from the 2015 1-year estimates, the 2014 data is from the 2014 1-year estimates, and so forth.

Table II-35

DISTRIBUTION OF EARNINGS BY INDUSTRY
(By Place of Work)

	Wisconsin Distribution		U.S. Distribution	
	2014	**2015**	**2014**	**2015**
Farm Wage and Salary Disbursements..............	0.7%	0.6%	0.4%	0.3%
Forestry, Fishing, and Related	0.2	0.2	0.2	0.2
Mining	0.2	0.2	1.1	1.0
Utilities	0.8	0.8	0.7	0.7
Construction	4.6	4.8	4.7	4.8
Manufacturing	20.1	19.7	10.5	10.3
Durable Goods Manufacturing	12.7	12.3	7.0	6.8
Nondurable Goods Manufacturing	7.5	7.5	3.5	3.5
Wholesale Trade	5.8	5.8	5.7	5.6
Retail Trade	6.0	6.1	6.1	6.1
Transportation & Warehousing	3.2	3.2	3.2	3.3
Information	2.4	2.5	3.4	3.4
Finance and Insurance	6.8	6.9	7.8	7.8
Real Estate and Rental and Leasing	0.7	0.7	1.5	1.5
Professional, Scientific, and Technical	5.3	5.5	9.9	10.1
Management of Companies and Enterprises	4.3	4.5	3.3	3.3
Administrative and Waste Management............	3.3	3.2	4.3	4.3
Educational Services	1.5	1.5	1.8	1.8
Health Care and Social Assistance	13.3	13.3	11.3	11.4
Arts, Entertainment, and Recreation..................	0.9	0.8	1.1	1.1
Accommodation and Food Services	2.7	2.9	3.6	3.7
Other Services, Except Public Administration ...	3.0	3.0	3.2	3.1
Government and Government Enterprises	14.1	13.8	16.3	16.0
Federal, Civilian	1.4	1.4	2.8	2.8
Military	0.3	0.3	1.3	1.2
State and Local	12.4	12.2	12.2	12.0

Note: This table reflects NAICS.

Source: Bureau of Economic Analysis, U.S. Department of Commerce Table SA07, World Wide Web Site

Table II-36

ESTIMATED EMPLOYEES IN WISCONSIN ON NONAGRICULTURAL PAYROLLS (2015 Annual Average)

	Wisconsin		U.S.	
	(Amounts in Thousands)	%	(Amounts in Thousands)	%
Natural Resources & Mining	4	0.1	820	0.6
Construction	110	3.8	6,446	4.5
Manufacturing	469	16.2	12,318	8.7
Retail Trade	305	10.6	15,641	11.0
Wholesale Trade	122	4.2	5,875	4.1
Transportation, Warehousing & Utilities	105	3.6	5403	3.8
Information	49	1.7	2,750	1.9
Financial Activities	151	5.2	8,124	5.7
Professional & Business Services	312	10.8	19,672	13.9
Educational & Health Services	436	15.1	22,055	15.5
Leisure & Hospitality	269	9.3	15,128	10.7
Other Services	148	5.1	5,625	4.0
Government	410	14.2	22,007	15.5
Total	2,888	100.0	141,865	100.0

Source: Department of Workforce Development

Table II-37

GENERAL STATISTICS OF MANUFACTURING [(a)]

	2013	2014
Total Capital Expenditures (millions)	$ 5,586	$ 5,034
Number of Employees (thousands)	434.3	428.8
Total Payroll (millions)	$ 22,175	$ 22,486
Number of Production Workers (thousands)	310.8	308.4
Value Added by Manufacturer (millions)	$ 83,725	$ 83,030
Value of Shipments (millions)	$ 179,294	$ 181,898

(a) Data is from the US Census Bureau's Annual Survey of Manufactures.

Source: U.S. Census Bureau Annual Survey of Manufactures, World Wide Web Site

Table II-38

TOTAL NEW HOUSING UNITS AUTHORIZED IN PERMIT ISSUING PLACES

		Percent Change	
Year[a]	**Wisconsin**	**Wisconsin**	**U.S.**
2006	27,329	(22.7%)	(14.7%)
2007	21,837	(20.1)	(24.0)
2008	15,509	(29.0)	(35.3)
2009	10,780	(30.5)	(35.6)
2010	10,864	0.8	3.7
2011	9,939	(8.5)	3.2
2012	12,041	21.1	32.9
2013	13,869	15.2	19.4
2014	14,741	6.3	6.2
2015	16,793	13.9	12.4

[a]Data from 2014 forward is discontinuous with data from 2013 and earlier, due to revised count methodology.

Source: U.S. Bureau of the Census, Building Permits Survey https://www.census.gov/construction/bps/

Table II-39

UNEMPLOYMENT RATE COMPARISON [a][b]
By Month 2011 To 2016
By Quarter 2007 To 2010

	2016		2015		2014		2013		2012		2011	
	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.
January	5.2	5.3	5.4	6.1	6.4	7.0	7.9	8.5	7.8	8.8	8.8	9.8
February	5.5	5.2	5.5	5.8	6.8	7.0	7.9	8.1	8.2	8.7	9.1	9.5
March	5.0	5.1	5.3	5.6	6.6	6.8	7.6	7.6	7.9	8.4	8.8	9.2
April	4.3	4.7	4.5	5.1	5.6	5.9	7.1	7.1	7.0	7.7	7.9	8.7
May	3.8	4.5	4.6	5.3	5.4	6.1	6.5	7.3	7.0	7.9	7.7	8.7
June	4.4	5.1	4.8	5.5	5.6	6.3	7.1	7.8	7.5	8.4	8.2	9.3
July	4.2	5.1	4.6	5.6	5.5	6.5	6.7	7.7	7.3	8.6	7.8	9.3
August	4.0	5.0	4.2	5.2	5.1	6.3	6.3	7.3	6.9	8.2	7.5	9.1
September..	3.5	4.8	4.0	4.9	4.6	5.7	5.9	7.0	6.1	7.6	7.0	8.8
October......	3.5	4.7	3.9	4.8	4.4	5.5	5.9	7.0	6.0	7.5	6.7	8.5
November..			4.2	4.8	4.5	5.5	6.0	6.6	6.2	7.4	6.7	8.2
December ..			4.2	4.8	4.5	5.4	6.0	6.5	6.6	7.6	6.9	8.3
Annual Average			4.6	5.3	5.4	6.2	6.7	7.4	7.0	8.1	7.8	8.9

2010 Quarters	WI	U.S.	2009 Quarters	WI	U.S.
I	10.3	10.4	I	8.6	8.8
II	8.7	9.5	II	8.7	9.1
III	8.1	9.5	III	8.5	9.6
IV	7.6	9.2	IV	8.5	9.5

2008 Quarters	WI	U.S.	2007 Quarters	WI	U.S.
I	5.3	5.3	I	5.6	4.8
II	4.5	5.2	II	4.9	4.4
III	4.6	6.0	III	4.5	4.7
IV	5.3	6.6	IV	4.1	4.6

[a] Figures show the percentage of labor force that is unemployed and are *not seasonally adjusted*.

[b] Historical information has been adjusted due to benchmarking through the Local Area Unemployment Statistics (LAUS).

Source: Department of Workforce Development and U.S. Bureau of Labor Standards

APPENDIX A

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

(Updated April 7, 2017)

On December 23, 2016, the State of Wisconsin **(State)** provided an Additional/Voluntary filing with the Municipal Securities Rulemaking Board **(MSRB)**, through its Electronic Municipal Market Access **(EMMA)** system, that provided notice that the audited General Purpose External Financial Statements for the fiscal year ended June 30, 2016 would not be available as of the submittal date of this 2016 Annual Report, December 23, 2016.

On March 30, 2017, the Comprehensive Annual Financial Report (**CAFR**) and the audited General Purpose External Financial Statements section of the CAFR for the fiscal year ended June 30, 2016 were published. The State filed both documents with the MSRB through its EMMA system on March 31, 2017, and the General Purpose External Financial Statements are now part of this APPENDIX A to Part II of the 2016 Annual Report.

No other information in Part II of the 2016 Annual Report is being updated at this time. The revision of Part II of the 2016 Annual Report to include the audited General Purpose External Financial Statements does not create any implication that any other information in the 2016 Annual Report remains accurate at any time after its date.

The entire CAFR is available from the State Controller's Office, Department of Administration, P.O. Box 7864, Madison, WI 53707-7864 and also available on the internet at:

www.doa.wi.gov/capitalfinance

{This page number is the last sequential page number of the 2016 Annual Report to be used in this Part II of the 2016 Annual Report. The following uses page numbers from the General Purpose External Financial Statements. The sequential page numbers for the 2016 Annual Report continue in Part III.}

STATE OF
WISCONSIN

General Purpose External Financial Statements

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

General Purpose External Financial Statements
For the Fiscal Year Ended June 30, 2016

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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 General Purpose External Financial Statements of the State of Wisconsin for the fiscal year ended June 30, 2016. They are part of the audited Comprehensive Annual Financial Report and present financial information in conformity with generally accepted accounting principles.

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

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

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

Sincerely,

Scott A. Neitzel	Jeffery C. Anderson, CPA
Secretary	State Controller

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 Matter

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.

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


FORWARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the State of Wisconsin's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended June 30, 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 10 and 11)

- *Net Position.* The assets plus deferred outflows of resources of the State of Wisconsin exceeded its liabilities plus deferred inflows of resources at the close of Fiscal Year 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 15.

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 20.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

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

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

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

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

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

(Table 1, continued)

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

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

Additional Required Supplementary Information

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

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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

Net Position

As presented in Table 2, total assets of the State on June 30, 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 15, 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

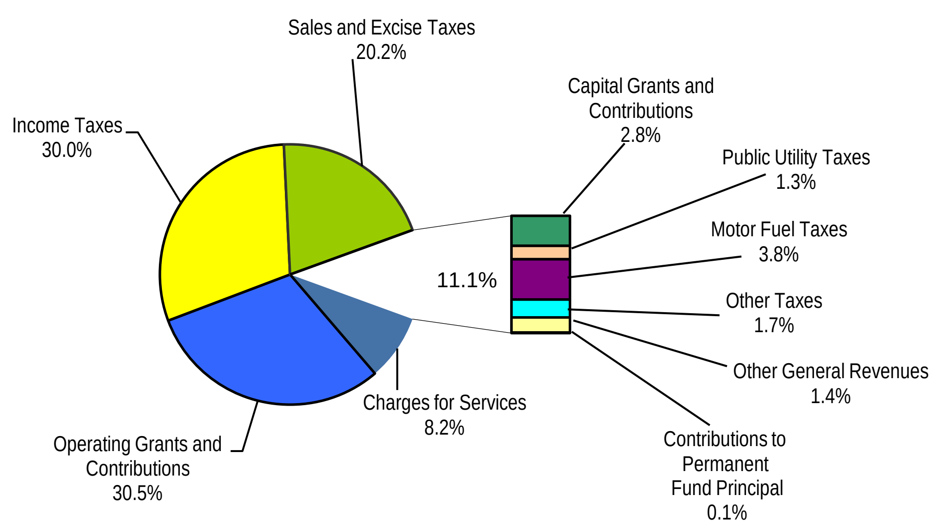
The net position of governmental activities increased $924.7 million in Fiscal Year 2016. Revenues for the governmental activities (including contributions to permanent fund principal) totaled $28.6 billion, while expenses and net transfers totaled $27.7 billion in Fiscal Year 2016.

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.

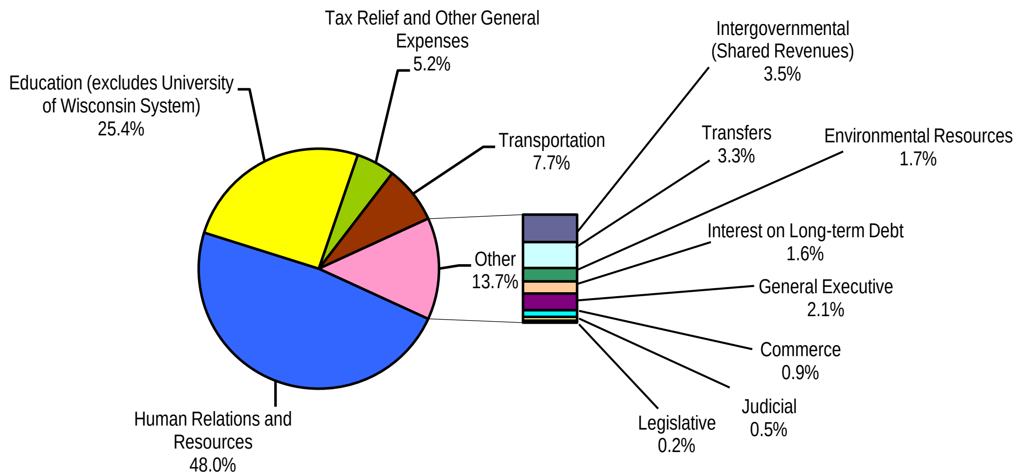
Table 4
Governmental Activities - 2016 Revenues



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

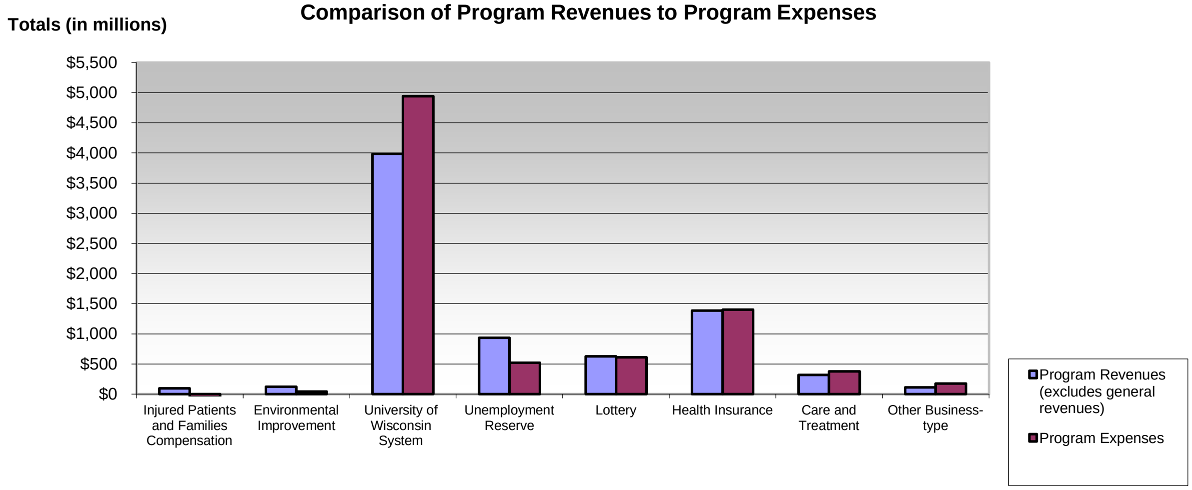
Net position of the State's business-type activities increased $482.7 million in Fiscal Year 2016.

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.

* * * *

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.

State of Wisconsin

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 23)		$	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 25)		$	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		Governmental Activities - Internal Service Funds
Nonmajor Enterprise	Totals	
$ 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	**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		Governmental Activities -
Nonmajor Enterprise	Totals	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 statewide 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 Maturities				
Investment Type	**Less Than 1 Year**	**1 to 5 Years**	**6 to 10 years**	**More Than 10 Years**	**Fair Value**
U.S. Government and U.S. agency holdings	$ 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
Norwegian 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
Swedish Krona	4.7	385.8	16.4	15.5	-	(0.1)	-	422.2
Swiss Franc	2.2	1,515.5	-	-	-	(4.5)	0.1	1,513.3
Taiwan 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

Currency	Foreign Currency Contract Receivables: Notional (local currency)	Receivables: Fair Value $US	Receivables: Unrealized Gain/(Loss) $US	Foreign Currency Contract Payables: Notional (local currency)	Payables: Fair Value $US	Payables: 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	Other Loans Receivable: Veterans Loans	Other Loans Receivable: Mortgage Loans	Other Loans Receivable: 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			Business-type Activities		
Commerce	$	2,100	University of Wisconsin System	$	303,909
Education		5,561	Lottery		16
Transportation		13,423	Veterans Mortgage Loan Repayment		11
Environmental Resources		19,734	Injured Patients and Families Compensation		230
Human Relations and Resources		99,965	Environmental Improvement		-
General Executive		14,524	Other Business-Type		17,768
Judicial		1,566	Total depreciation expense - business-type activities	$	321,935
Internal Service Funds		33,559			
Total depreciation expense - governmental activities	$	190,430			

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:											
Due from Other Funds:	General	Trans-portation	Capital Improvement	Nonmajor Govern-mental	Injured Patients and Families Compensation	Environ-mental Improve-ment	University of Wisconsin System	Unemploy-ment Reserve	Nonmajor Enterprise	Internal Service	Fiduciary	**Total**
General	$ -	$ 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	
	Transportation Revenue Bonds		Petroleum Inspection Fee Revenue Bonds		Environmental Improvement Fund Revenue Bonds	
Fiscal Year 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):

	Governmental Activities	
Fiscal Year	Principal	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

	Business-type Activities	
Fiscal Year	Principal	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, or
- At least 20 years from their WRS creditable service as of January 1, 1990, plus their years of group life insurance coverage after 1989, or
- At least 20 years on the payroll of their last employer.

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

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

Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

Duty Disability Fund

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

Retiree Life Insurance Fund

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

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

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

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

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

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

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

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

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

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

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

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

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

Policy loans are carried at the unpaid principal balance.

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

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

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

Required Supplementary Information

Required Supplementary Information about the OPEB plans is presented in the Department of Employee Trust Funds audited financial statements. The December 31, 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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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.

State of Wisconsin

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.

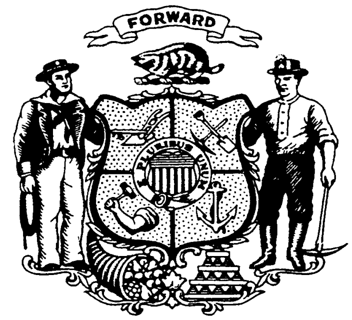
The State's biennial budget was enacted on July 12, 2015 and published on July 13, 2015. This legislation is recognized by State officials as the original budget and is treated as such on the Budgetary Comparison Schedules.

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.


FORWARD

PART III

GENERAL OBLIGATIONS

Part III of the 2016 Annual Report provides information about general obligations issued by the State of Wisconsin **(State)** in the form of bonds, notes, commercial paper notes **(CP Notes)**, and extendible municipal commercial paper (**EMCP**). Selected information is provided in this introduction for the convenience of the readers; however, all information presented in this Part III of the 2016 Annual Report should be reviewed to make an informed investment decision.

Total Outstanding Balance (12/15/2016)		$8,071,307,580
Amount Outstanding of Fixed-Rate Obligations		7,437,045,692
Amount Outstanding of Variable-Rate Obligations		634,261,888
Percentage of Outstanding Obligations in the form of Variable-Rate Obligations		7.86%
Ratings[a] (Fitch/Kroll/Moody's/S&P)		
Bonds		AA/AA/Aa2/AA
CP Notes/EMCP		F1+/K1+/P-1/A-1+
Authority	Chapters 18 and 20, Wisconsin Statutes	
Registrar/Paying Agent	The Secretary of Administration is the registrar and paying agent for all outstanding fixed-rate general obligations. U.S. Bank National Association serves as issuing and paying agent for the CP Notes and EMCP.	
Security	The Wisconsin Constitution pledges the full faith, credit, and taxing power of the State to its general obligations and requires the Legislature to provide for their payment by appropriation. The Wisconsin Statutes establish additional protections, provide for the repayment of all general obligations, and establish, as security for the payment of all debt service on general obligations, an irrevocable appropriation as a first charge on all revenues of the State.	

[a] The ratings presented are the ratings assigned to the State's general obligations without regard to any bond insurance policy. No information is provided in the 2016 Annual Report about any rating assigned to any general obligations based on any bond insurance policy.

Contact: Capital Finance Office
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P.O. Box 7864
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Web site: doa.wi.gov/capitalfinance

The State of Wisconsin Building Commission (**Commission**) supervises all matters concerning the State's issuance of general obligations. The Capital Finance Office, which is part of the Division of Executive Budget and Finance within the State of Wisconsin Department of Administration (**Department of Administration**), is responsible for managing the State's borrowing programs. The law firms of Foley & Lardner LLP and Quarles & Brady LLP provided bond counsel services in connection with the issuance of the outstanding general obligations. Requests for additional information about general obligations of the State may be directed to the Capital Finance Office.

Other than general obligation refunding notes issued in 2014 to evidence the State's repayment obligation under a term loan agreement with a bank, all outstanding fixed-rate general obligations have been issued in book-entry-only form. Two series of bonds commonly referred to as Higher Education Bonds had final maturity dates of May 1, 2011 and May 1, 2012. These Higher Education Bonds were issued in fully-registered form and U.S. Bank National Association is the registrar and paying agent. Any holder that has not presented these Higher Education Bonds for payment should contact the Capital Finance Office or U.S. Bank National Association for information on redeeming such bonds.

General obligations issued by the State have been issued as both tax-exempt obligations and taxable obligations, with some of the taxable obligations being "qualified build America bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended **(Code)**.

The 2016 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in one part of the 2016 Annual Report may differ from those of the same terms used in another part, and the total amount shown in a table may vary from the related sum due to rounding. No information or resource referred to in the 2016 Annual Report is part of the report unless expressly incorporated by reference.

General information about the State of Wisconsin, including but not limited to operating data such as revenues, expenditures, budgets, General Fund data, information on significant pending litigation, and statistical information on the State's economic condition and Wisconsin Retirement System, are included in Part II of the 2016 Annual Report. The State's audited general purpose external financial statements and independent auditor's report for the fiscal year ending June 30, 2016 are not available as of the date of the 2016 Annual Report. When such statements become available, they will be filed with the Municipal Securities Rulemaking Board **(MSRB)** through its Electronic Municipal Market Access **(EMMA)** system and will be added to Part II of the 2016 Annual Report.

Certain statements in this Part III of the 2016 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2016 Annual Report, and the State undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

SECURITY PROVISIONS FOR GENERAL OBLIGATIONS

Security

The Wisconsin Constitution pledges the full faith, credit, and taxing power of the State to its general obligations and requires the Legislature to provide for their payment by appropriation.

The Wisconsin Statutes establish additional protections and provide for the repayment of all general obligations. The Wisconsin Statutes establish, as security for the payment of all debt service on general obligations, a first charge on all revenues of the State. Further, a sufficient amount of those revenues is irrevocably appropriated, so that no subsequent legislative action is required to release such revenues, and those amounts are held in segregated funds or accounts.

The Wisconsin Statutes also provide that the validity of general obligations shall not be affected by any defect in their contracting, that all instruments evidencing general obligations are valid and incontestable, and that any legislative, judicial, or administrative determination that proceeds of general obligations may not be spent shall not affect their validity.

The State has never defaulted in the punctual payment of principal or interest on any general obligation and has never attempted to prevent or delay a required payment. The State has reserved no right to reduce or modify any terms affecting the security or source of payment of its general obligations.

In the event of default, the Wisconsin Constitution guarantees recourse by allowing suit to be brought against the State to compel payment. Statutory provisions expedite the bringing of suit. Further, in the event of a final judgment against the State, payment will be made as specifically provided, together with interest at a rate of 10% per annum until the date of payment. The venue for all actions in which the sole defendant is the State, any State board or commission, or any State officer, employee, or agent in an official capacity shall be the county designated by the plaintiff unless another venue is specifically authorized by law.

The Wisconsin Statutes also provide that, if payment has been made or duly provided for by the date that a general obligation becomes due for payment, then interest ceases to accrue, and the general obligation is no longer outstanding. If any general obligation is not presented for payment, then the money held for its payment shall be administered under the unclaimed property statutory provisions.

Flow of Funds to Pay Debt Service on General Obligations

The State's General Fund is available for the payment of debt service on all general obligations. Should the General Fund have insufficient resources to pay debt service, there is a single irrevocable and unlimited appropriation from all revenues of the State for timely payment on all general obligations. It is this appropriation that pledges all revenues of the State for payment of debt service, which enables the State to issue a general obligation that is undifferentiated by the purpose for which proceeds are used.

For budgetary control purposes, different internal funds flows apply to general obligations, depending on whether they are issued as bonds or notes, and in some cases depending on the purpose for which they are issued.

With respect to general obligation bonds, all funds necessary for timely payment of principal and interest are deposited in the statutorily created Bond Security and Redemption Fund at least 15 days in advance of the due date. Furthermore, if operating notes are outstanding, no impoundment payments required in connection with operating notes may be made until the amounts required to be paid into the Bond Security and Redemption Fund during the ensuing 30 days have been so deposited.

With respect to general obligation notes, funds for the payment of principal and interest are deposited in a separate and distinct account within the statutorily created Capital Improvement Fund for the repayment of notes. Proceeds of general obligations may also be used to retire notes. The Wisconsin Statutes specifically provide that if, at any time, there is not on hand in the Capital Improvement Fund sufficient money for the payment of principal and interest on general obligation notes, then the Department of Administration shall transfer to the Capital Improvement Fund, from an irrevocable and unlimited appropriation as a first charge upon all revenues of the State, the amount necessary to pay the principal of, and interest on, general obligation notes when due.

Interest on the outstanding CP Notes and EMCP is paid when due. It is collected in the same manner as other general obligation notes and is deposited by the State with the respective issuing and paying agent. The State's practice is to make deposits at regular intervals, chosen at its discretion.

Purposes of General Obligations

The Wisconsin Constitution provides that the State may issue general obligations for three categories of borrowing. The first is to acquire, construct, develop, extend, enlarge, or improve land, waters, property, highways, railways, buildings, equipment, or facilities for public purposes. The second is to make funds available for veterans housing loans. The third is to fund or refund any outstanding State general obligations. Subject to constitutional limitations about purposes and amounts, procedures governing the use of the borrowing authority are to be established by the Legislature. There is no constitutional requirement that the issuance of general obligations receive the direct approval of the electorate.

Limitations on Issuance of General Obligations

All general obligations issued by the State fall within a debt limit set forth in the Wisconsin Constitution and the Wisconsin Statutes. There is an annual limit of three-quarters of one percent, and a cumulative limit of five percent, of the aggregate value of all taxable property in the State. Currently, the annual limit is $3,788,432,462, and the aggregate limit is $25,256,216,413. A funding or refunding bond issue does not count for purposes of the annual debt limit, and a funded or refunded bond issue does not count for purposes of the cumulative debt limit. Accrued interest on any general obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the debt limitations. See Table III-5 in "DEBT INFORMATION".

Authorization of General Obligations

Within prescribed limitations, the Wisconsin Constitution assigns to the Legislature, acting by vote of a majority of the members elected to each of the two houses, all matters relating to the issuance of general obligations. The quorum in such votes is 60% of the membership. Among these assigned powers is the authority to establish the purposes (uses) and fix the amounts for which general obligations may be issued.

To date, the Legislature has authorized the issuance of general obligations for 111 distinct borrowing purposes and has limited the amount of general obligations that may be issued for each purpose. In practice, as a part of the budget, these amounts are adjusted to accommodate newly budgeted activity. As of the date of the 2016 Annual Report, approximately 45 of the distinct borrowing purposes essentially have no remaining borrowing authority or are subject to statutory restrictions that keep them from being used. The Legislature has delegated to the Commission responsibility to establish the form and terms of the issuance and sale of general obligations. Table III-1 describes, as of December 15, 2016, the amounts authorized, issued, and credited to the Capital Improvement Fund for each borrowing purpose.

Table III-1

GENERAL OBLIGATION ISSUANCE STATUS REPORT
DECEMBER 15, 2016

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[(a)]	Credit to Capital Improvement Fund: Premium [(a)]	Total Authorized Unissued Debt
University of Wisconsin; academic facilities	$ 2,341,609,100	$ 1,936,335,806	$ 13,072,507	$ 42,731,856	$ 349,468,931
University of Wisconsin; self-amortizing facilities	2,709,353,100	2,102,631,321	2,911,822	39,843,297	563,966,660
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program	1,046,250,000	798,297,379	405,319	18,202,785	229,344,517
Natural resources; municipal clean drinking water grants	9,800,000	9,518,744	141,818		139,438
Clean water fund program	686,743,200	627,527,240		2,749,943	56,466,017
Safe drinking water loan program	65,600,000	62,752,350		1,577,402	1,270,248
Natural resources; nonpoint source grants	94,310,400	93,954,036	190,043	165,649	672
Natural resources; nonpoint source	37,900,000	29,099,339	1,454	2,509,913	6,289,294
Natural resources; environmental repair	57,000,000	48,877,656	203,594	244,091	7,674,659
Natural resources; urban nonpoint source cost-sharing	49,900,000	41,295,076	30,671	1,449,756	7,124,497
Natural resources; contaminated sediment removal	32,000,000	23,838,803		1,112,200	7,048,997
Natural resources; environmental segregated fund supported administrative facilities	19,969,200	10,655,566	143	144,257	9,169,234
Natural resources; segregated revenue supported dam safety projects	6,600,000	6,571,582	617	27,795	6
Natural resources; pollution abatement and sewage collection facilities, ORAP funding	145,060,325	145,010,325	50,000		
Natural resources; pollution abatement and sewage collection facilities	893,493,400	874,927,239	18,513,077		53,084
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow	200,600,000	194,312,599	6,287,401		
Natural resources; recreation projects	56,055,000	56,053,994	1,006		
Natural resources; local parks land acquisition and development	2,490,000	2,447,741	42,259		
Natural resources; recreation development	23,061,500	22,919,742	141,325	68	364
Natural resources; land acquisition	45,608,600	45,116,929	491,671		
Natural resources; Wisconsin natural areas heritage program	2,500,000	2,445,793	17,174		37,032
Natural resources; segregated revenue supported facilities	102,365,300	80,234,562	93,544	2,520,030	19,517,164

Table III-1
GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
DECEMBER 15, 2016

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[a]	Credit to Capital Improvement Fund: Premium[a]	Total Authorized Unissued Debt
Natural resources; general fund supported administrative facilities	$ 16,514,100	$ 11,307,269	$ 21,753	$ 7,540	$ 5,177,538
Natural resources; ice age trail	750,000	750,000			
Natural resources; dam safety projects	21,500,000	15,447,296	49,701	1,059,219	4,943,784
Natural resources; segregated revenue supported land acquisition	2,500,000	2,500,000			
Natural resources; Warren Knowles - Gaylord Nelson stewardship program	231,000,000	229,243,222	1,306,849	132,869	317,060
Transportation; administrative facilities	8,890,400	8,759,479	33,943		96,978
Transportation; accelerated bridge improvements	46,849,800	46,849,800			
Transportation; major interstate bridge construction	245,000,000	211,166,181		31,716,475	2,117,344
Transportation; rail passenger route development	79,000,000	66,084,243	3,016	1,342,987	11,569,754
Transportation; accelerated highway improvements	185,000,000	185,000,000			
Transportation; connecting highway improvements	15,000,000	15,000,000			
Transportation; federally aided highway facilities	10,000,000	10,000,000			
Transportation; highway projects	41,000,000	41,000,000			
Transportation; major highway and rehabilitation projects	565,480,400	565,480,400			
Transportation; Southeast rehabilitation projects, southeast megaprojects, and high-cost bridge projects	1,328,550,000	1,077,995,155	3,018,078	80,228,154	167,308,613
Transportation; state highway rehabilitation projects, southeast megaprojects	820,063,700	781,310,356	1,182,897	37,234,535	335,912
Transportation; major highway projects	100,000,000	98,948,179		1,051,814	7
Transportation; state highway rehabilitation, certain projects	141,000,000	134,924,101		6,075,854	45
Transportation; major highway and rehabilitation projects subject to joint committee on finance approval	350,000,000	163,491,017		29,942,531	156,566,452
Transportation; harbor improvements	105,900,000	79,464,173	234,581	3,294,771	22,906,475
Transportation; rail acquisitions and improvements	238,300,000	159,655,892	5,187	13,319,149	65,319,772
Transportation; local roads for job preservation, state funds	2,000,000	2,000,000			
Corrections; correctional facilities	882,346,900	824,473,616	11,467,562	2,961,011	43,444,711

Table III-1
GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
DECEMBER 15, 2016

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[a]	Credit to Capital Improvement Fund: Premium[a]	Total Authorized Unissued Debt
Corrections; self-amortizing facilities and equipment	$ 2,116,300	$ 2,115,438	$ 99		$ 763
Corrections; juvenile correctional facilities	28,652,200	28,538,452	108,861	$ 988	3,899
Health services; mental health and secure treatment facilities	185,951,200	167,398,997	895,124	1,221,114	16,435,965
Agriculture; soil and water	61,075,000	52,643,579	3,025	1,882,929	6,545,467
Agriculture; conservation reserve enhancement	28,000,000	13,981,748		205,515	13,812,737
Administration; Black Point Estate	1,600,000	1,598,655	445		900
Administration; energy conservation projects; capital improvement fund	200,000,000	140,619,882		7,613,422	51,766,696
Building commission; previous lease rental authority	143,071,600	143,068,654			2,946
Building commission; refunding tax-supported general obligation debt	2,102,086,430	2,102,086,530			
Building commission; refunding self-amortizing general obligation debt	272,863,033	272,863,033			
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before June 30, 2005	250,000,000	250,000,000			
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before July 1, 2011	474,000,000	473,651,084			348,916
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before July 1, 2013	264,200,000	263,420,000			780,000
Building commission; refunding tax-supported and self-amortizing general obligation debt	5,285,000,000	4,248,918,916			1,036,081,084
Building commission; housing state departments and agencies	820,767,100	576,763,530	2,356,097	12,193,424	229,454,049
Building commission; 1 West Wilson street parking ramp	15,100,000	14,805,521	294,479		
Building commission; project contingencies	47,961,200	46,837,250	64,761	96,201	962,988
Building commission; capital equipment acquisition	125,660,000	123,144,850	740,327	233,130	1,541,693
Building commission; discount sale of debt	90,000,000	72,908,307			17,091,693
Building commission; discount sale of debt (higher education bonds)	100,000,000	99,988,833 [b]			11,167
Building commission; other public purposes	2,491,765,400	2,260,205,015	8,728,268	41,793,135	181,038,982

Table III-1
GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
DECEMBER 15, 2016

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[a]	Credit to Capital Improvement Fund: Premium[a]	Total Authorized Unissued Debt
Medical College of Wisconsin, Inc.; basic science education and health information technology facilities	$ 10,000,000	$ 10,000,000			
Norskedalen Nature and Heritage Center	1,048,300				$ 1,048,300
Bond Health Center	1,000,000	983,307		-	16,693
Lac du Flambeau Indian Tribal Cultural Center	250,000	210,495		-	39,505
Dane County; livestock facilities	9,000,000	7,577,838		$ 1,422,134	28
K I Convention Center	2,000,000	1,721,100		273,926	4,974
HR Academy, Inc.	1,500,000	1,500,000			
Medical College of Wisconsin, Inc.; biomedical research and technology incubator	35,000,000	33,755,270		901,921	342,809
AIDS Resource Center of Wisconsin, Inc.	800,000	800,000			
Bradley Center Sports and Entertainment Corporation	5,000,000	4,869,946		130,053	1
Medical College of Wisconsin; community medical education facilities	7,384,300				7,384,300
Family justice center	10,625,000	7,343,665		1,270,262	2,011,073
Marquette University; dental clinic and education facility	25,000,000	23,315,857	$ 818	969,163	714,162
Civil War exhibit at the Kenosha Public Museums	500,000	500,000			
AIDS Network, Inc.	300,000	300,000			
Wisconsin Maritime Center of Excellence	5,000,000				5,000,000
Hmong cultural centers	250,000	250,000			
Milwaukee Police Athletic League; youth activities center	1,000,000	1,000,000			
Children's research institute	10,000,000	10,000,000			
Domestic Abuse Intervention Services, Inc.	560,000	476,330		83,327	343
Carroll University	3,000,000	1,878,585			1,121,415
Wisconsin Agricultural Education Center, Inc.	5,000,000				5,000,000
Eau Claire Confluence Arts, Inc.	15,000,000				15,000,000
Administration; school educational technology infrastructure financial assistance	71,911,300	71,480,216	431,066		18
Myrick Hixon EcoPark, Inc.	500,000	500,000			
Madison Children's Museum	250,000	250,000			
Administration; public library educational technology infrastructure financial assistance	269,000	268,918	42		41
Educational communications board; educational communications facilities	24,169,000	24,112,683	38,515	11,925	5,877
Grand Opera House in Oshkosh	500,000	500,000			
Aldo Leopold climate change classroom and interactive laboratory	500,000	485,000		14,992	8
Historical society; self-amortizing facilities	1,029,300	1,029,156	3,896		

Table III-1
GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
DECEMBER 15, 2016

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[a]	Credit to Capital Improvement Fund: Premium [a]	Total Authorized Unissued Debt
Historical society; historic records	$ 26,650,000	$ 13,581,774		$ 2,058,772	$ 11,009,454
Historical society; historic sites	9,591,800	9,049,163	$ 847	289,816	251,974
Historical society; museum facility	4,384,400	4,362,469			21,931
Historical society; Wisconsin history center	16,000,000	5,194,127		900,065	9,905,808
Public instruction; state school, state center and library facilities	12,350,600	11,845,468	32,509	467,826	4,797
Military affairs; armories and military facilities	46,272,700	37,825,440	195,308	1,465,168	6,786,784
Veterans affairs; veterans facilities	10,686,100	9,405,485	50,593		1,230,021
Veterans affairs; self-amortizing mortgage loans	2,400,840,000	2,122,542,395			278,297,605
Veterans affairs; refunding bonds	1,015,000,000	761,594,245			253,405,755
Veterans affairs; self-amortizing facilities	69,948,700	26,282,457	1,613	979,837	42,684,793
State fair park board; board facilities	14,787,100	14,769,363	1		17,736
State fair park board; housing facilities	11,000,000	10,999,985	15		
State fair park board; self-amortizing facilities	53,687,100	52,699,335	22,401	13,596	951,768
Total	$30,994,328,588	$26,586,492,548	$73,888,124	$398,138,593	$3,935,813,176

(a) Amounts previously credited to the Capital Improvement Fund (which include interest earnings and may include sale proceeds representing purchase premium) reduce issuance authority by the same amount.

(b) Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the statutory authority to issue debt.

Source: Department of Administration.

DEBT INFORMATION

Table III-2 shows general obligations that have outstanding balances as of December 15, 2016 and history of other issuances during the past 20 years. If payment has been made or duly provided for by the date that a general obligation becomes due for payment, then interest ceases to accrue, and the general obligation is no longer outstanding for purposes of the following tables.

Table III-2

OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2016)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed-Rate General Obligations				
1996- Bonds Series A	1/15/96	1997-2016	$ 158,080,000	-0-
Refunding Bonds Series 1	2/15/96	1996-2015	104,765,000	-0-
Bonds Series B	5/15/96			
Serial Bonds		1998-99	4,215,000	-0-
Serial Bonds		2007-14	16,550,000	-0-
Term Bonds		2021	10,305,000	-0-
Term Bonds		2026	13,930,000	-0-
Bonds Series C	9/1/96	1998-2017	115,230,000	-0-
Bonds Series D	10/15/96			
Serial Bonds		2007-09	8,550,000	-0-
Term Bonds		2014	3,700,000	-0-
Term Bonds		2020	6,405,000	-0-
Term Bonds		2027	11,345,000	-0-
1997- Bonds Series 1	3/15/97			
Serial Bonds		2006-15	17,880,000	-0-
Serial Bonds		2017	5,760,000	-0-
Bonds Series A	3/15/97			
Term Bonds		2021	8,065,000	-0-
Term Bonds		2028	13,295,000	-0-
Bonds Series B	7/15/97	1999-2018	101,010,000	-0-
Bonds Series C	9/15/97			
Serial Bonds		2000-01	520,000	-0-
Serial Bonds		2003-13	22,755,000	-0-
Term Bonds		2017	7,850,000	-0-
Term Bonds		2023	10,580,000	-0-
Term Bonds		2026	3,295,000	-0-
Bonds Series D (Taxable)	9/15/97			
Serial Bonds		1999-2012	13,385,000	-0-
Term Bonds		2017	6,760,000	-0-
Term Bonds		2028	24,855,000	-0-
1998- Bonds Series A	3/1/98	1999-2018	156,185,000	-0-
Bonds Series B	5/15/98			
Serial Bonds		2007-08	2,865,000	-0-
Term Bonds		2010	4,775,000	-0-
Term Bonds		2018	2,865,000	-0-
Term Bonds		2023	8,670,000	-0-
Term Bonds		2028	11,390,000	-0-

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2016)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
1998- Bonds Series C (Taxable)	5/15/98			
Serial Bonds		1999-2008	$ 6,245,000	-0-
Term Bonds		2028	27,760,000	-0-
Refunding Bonds Series 1	8/15/98			
Serial Bonds		1999	2,820,000	-0-
Serial Bonds		2004-16	154,760,000	-0-
Refunding Bonds Series 2	9/15/98			
Serial Bonds		1999-2001	17,095,000	-0-
Serial Bonds		2004-09	77,155,000	-0-
Bonds Series D	9/1/98	2000-19	74,840,000	-0-
Bonds Series E	10/15/98	2012-17	6,155,000	-0-
Bonds Series F (Taxable)	10/15/98			
Serial Bonds		1999-2009	9,410,000	-0-
Term Bonds		2029	45,590,000	-0-
1999- Bonds Series A	2/1/99	2000-19	147,060,000	-0-
Refunding Bonds Series 1	5/1/99			
Serial Bonds		2008-12	4,905,000	-0-
Term Bonds		2015	3,880,000	0-
Term Bonds		2020	7,005,000	-0-
Bonds Series B (Taxable)	5/1/99			
Serial Bonds		2000-10	6,370,000	-0-
Term Bonds		2013	2,620,000	-0-
Term Bonds		2016	3,180,000	-0-
Term Bonds		2030	27,830,000	-0-
Bonds Series C	10/15/99	2001-20	100,000,000	-0-
Bonds Series D (Taxable)	11/1/99			
Term Bonds		2010	9,465,000	-0-
Term Bonds		2030	55,535,000	-0-
2000-Bonds Series A	3/15/00			
Serial Bonds		2001-18	128,875,000	-0-
Term Bonds		2020	21,125,000	-0-
Bonds Series B (Taxable)	7/1/00			
Term Bonds		2010	4,625,000	-0-
Term Bonds		2030	30,375,000	-0-
Bonds Series C	7/15/00	2012-21	87,715,000	-0-
Bonds Series D	11/1/00	2012-21	199,965,000	-0-
Bonds Series E (Taxable)	11/7/00			
Term Bonds		2016	5,000,000	-0-
2001- Bonds Series A (Taxable)	2/21/01			
Term Bonds		2031	15,000,000	$ 1,255,000
Bonds Series B	4/1/01	2012-21	91,620,000	-0-
Bonds Series C	6/1/01	2002-11	92,410,000	-0-
Bonds Series D (Taxable)	6/15/01			
Serial Bonds		2002-08	2,060,000	-0-
Term Bonds		2011	1,110,000	-0-
Term Bonds		2016	2,390,000	-0-
Term Bonds		2021	3,305,000	-0-
Term Bonds		2031	11,135,000	-0-

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2016)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
2001- Loan Series A	8/24/01		$ 50,000,000	-0-
Bonds Series F	10/1/01	2003-22	186,615,000	-0-
Refunding Bonds Series 1	10/1/01			
Serial Bonds		2005	4,230,000	-0-
Serial Bonds		2007-15	242,875,000	-0-
Bonds Series E (Taxable)	10/1/01			
Term Bonds		2017	6,210,000	-0-
Term Bonds		2021	2,730,000	-0-
Term Bonds		2031	11,060,000	-0-
2002- Bonds Series A	3/1/02	2003-22	112,280,000	-0-
Refunding Bonds Series 1	3/1/02	2004-20	75,000,000	-0-
Bonds Series B (Taxable)	3/26/02			
Term Bonds		2032	15,000,000	$ 1,285,000
Bonds Series C	6/1/02	2003-22	143,545,000	-0-
Bonds Series D (Taxable)	6/12/02			
Term Bonds		2033	20,000,000	1,945,,000
Bonds Series E (Taxable)	9/26/02			
Term Bonds		2018	2,000,000	115,000
Bonds Series F (Taxable)	9/26/02			
Term Bonds		2033	13,000,000	1,650,000
Bonds Series G	10/15/02	2004-23	190,550,000	-0-
Bonds Series H	12/30/02			
Term Bonds		2033	15,000,000	1,970,000
2003- Refunding Bonds Series 1 (Taxable)	4/3/03	2019	7,000,000	-0-
Refunding Bonds Series 2	4/1/03			
Serial Bonds		2007-21	10,650,000	2,720,000
Term Bonds		2024	3,090,000	-0-
Bonds Series A	5/1/03	2004-23	173,900,000	-0-
Bonds Series B (Taxable)	7/24/03	2033	30,000,000	4,015,000
Bonds Series C	10/15/03		285,130,000	
Serial Bonds		2005-24	251,865,000	-0-
Term Bonds		2026	5,420,000	-0-
Term Bonds		2029	9,190,000	-0-
Term Bonds		2034	18,655,000	-0-
Refunding Bonds Series 3	10/30/03			
Serial Bonds		2004-07	9,495,000	-0-
Term Bonds		2013	16,210,000	-0-
Term Bonds		2025	13,000,000	-0-
Term Bonds		2026	29,185,000	5,700,000
2004- Refunding Bonds Series 1	1/28/04	2006-19	146,970,000	-0-
Refunding Bonds Series 2	1/28/04	2006-20	175,830,000	-0-
Refunding Notes Series 1	3/16/04	2004	175,000,000	-0-
Bonds Series A	4/14/04	2005-24	307,435,000	-0-
Bonds CWF Global Certificate	5/1/04	2009-24	116,840,688	50,339,137
Refunding Bonds Series 3	6/15/04	2006-22	175,000,000	-0-
Refunding Bonds Series 4	7/29/04	2006-20	117,200,000	-0-
Bonds Series B (Taxable)	8/12/04			
Term Bonds		2014	1,000,000	-0-

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2016)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
2004- Bonds Series C (Taxable)	8/12/04				
Term Bonds		2019	$ 1,000,000	$ 65,000	
Bonds Series D (Taxable)	8/26/04				
Term Bonds		2034	20,000,000	-0-	
Bonds Series E	10/21/04	2006-25	225,000,000	-0-	
2005- Bonds Series A	2/10/05	2016-25	131,485,000	-0-	
Refunding Bonds Series 1	2/10/05	2006-21	430,240,000	-0-	
Bonds Series C (Taxable)	4/7/05				
Term Bonds		2035	5,000,000	765,000	
Bonds Series D	8/11/05	2007-25	186,640,000	10,935,000	
Bonds Series E	12/8/05	2007-11	48,275,000	-0-	
2006- Refunding Bonds Series 1	1/31/06	2007-15	96,780,000	-0-	
Bonds Series A	3/28/06	2015-26	331,215,000	-0-	
Bonds Series B (Taxable)	7/7/06				
Term Bonds		2037	2,000,000	180,000	
Bonds Series C	8/2/06	2008-37	61,685,000	10,490,000	
Bonds Series D	9/13/06	2018-26	176,490,000	-0-	
2007- Bonds Series A	2/1/07	2016-27	158,390,000	-0-	
Refunding Bonds Series 1	2/1/07	2014-20	299,005,000	214,135,000	
Bonds CWF Series A	2/1/07	2026	13,148,554	7,317,109	
Bonds CWF Series B	2/1/07	2027	6,851,446	6,851,446	
Refunding Bonds Series 2	10/31/07				
Serial Bonds		2008-17	13,905,000	410,000	
Term Bonds		2022	2,510,000	2,475,000	
Term Bonds		2027	4,155,000	4,095,000	
Refunding Bonds Series 3	10/31/07	2026	3,835,000	-0-	
Bonds Series C	12/5/07	2009-28	154,890,000	15,665,000	
2008- Bonds Series A	4/30/08	2009-28	164,535,000	17,555,000	(a)
Bonds Series B (Taxable)	5/30/08				
Term Bonds		2038	4,445,000	1,160,000	
Bonds CWF Series B	6/17/08	2026-28	16,600,000	16,600,000	
Refunding Bonds Series 1	6/26/08				
Serial Bonds		2009-18	3,120,000	750,000	
Term Bonds		2018	14,680,000	1,925,000	
Serial Bond		2023	175,000	-0-	
Refunding Bonds Series 2	6/26/08				
Term Bonds		2020	1,880,000	-0-	
Bonds Series C	9/4/08	2010-29	302,200,000	32,795,000	
Bonds, Series D	12/23/08	2012-30	100,000,000	10,480,000	(a)
2009- Bonds CWF Series A	1/27/09	2016-26	17,700,000	15,500,000	
Bonds Series A	6/18/09	2012-22	47,440,000	13,435,000	(a)
Bonds Series B (Taxable)	6/18/09				
Serial Bonds		2023-26	24,610,000	24,610,000	
Term Bonds		2030	29,925,000	29,925,000	
Bonds Series C	9/3/09	2012-22	197,265,000	80,880,000	(a)

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2016)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
2009- Bonds Series D (Taxable)	9/3/09				
Serial Bonds		2023-30	$ 182,890,000	$ 182,890,000	
Term Bonds		2034	13,990,000	13,990,000	
Term Bonds		2040	28,945,000	28,945,000	
Refunding Bonds Series 1	9/15/09	2011-16	54,355,000	-0-	
2010- Refunding Bonds Series 1	3/3/10	2012-29	201,165,000	38,495,000	(a)
Bonds Series A	4/7/10	2012-19	143,525,000	60,470,000	
Bonds Series B (Taxable)	4/7/10	2020-30	179,105,00	179,105,000	
Bonds CWF Series A	4/13/10	2025-31	15,243,000	15,243,000	
Bonds Series C	9/2/10	2012-19	146,680,000	61,800,000	
Bonds Series D (Taxable)	9/2/10				
Serial Bonds		2020-26	155,835,000	155,835,000	
Term Bonds		2032	118,025,000	118,025,000	
Term Bonds		2041	35,880,000	35,880,000	
Bonds CWF Series B	12/7/10	2030-31	15,000,000	15,000,000	
2011- Bonds Series A	2/11/11	2012-31	428,740,000	108,185,000	(a)
Refunding Bonds Series 1	6/2/11	2013-22	275,375,000	185,420,000	
Bonds Series B	8/4/11	2013-32	329,260,000	157,055,000	(a)
Refunding Bonds Series 2	10/31/11	2013-22	316,070,000	273,225,000	
Bonds Series C	12/22/11	2023-32	138,260,000	92,135,000	(a)
2012- Refunding Bonds Series 1	3/20/12	2014-31	221,460,000	106,350,000	(a)
Bonds CWF Series A	4/24/12	2014-30	12,300,000	10,300,000	
Refunding Bonds Series 2	5/1/12	2018-29	143,555,000	143,555,000	
Bonds Series A	6/5/12				
Serial Bonds		2022-35	167,475,000	109,240,000	(a)
Term Bonds		2037	7,960,000	7,960,000	
Term Bonds		2042	23,580,000	23,580,000	
Bonds Series B	11/1/12	2022-33	293,070,000	269,390,000	(a)
2013- Bonds Series A	5/9/13	2014-33	410,250,000	300,370,000	(a)
Refunding Bonds Series 1	11/7/13	2016-33	405,470,000	402,620,000	
2014- Refunding Bonds Series 1	2/4/14	2015-20	181,595,000	111,805,000	
Bonds Series A	2/13/14	2015-34	231,405,000	213,575,000	
Bonds CWF Series A	4/17/14	2014-33	10,700,000	8,500,000	
Refunding Bonds Series 2	4/24/14	2015-34	241,985,000	217,675,000	
Bonds Series B	7/29/14	2016-31	250,990,000	157,665,000	(a)
Refunding Bonds Series 3	9/3/14	2020-29	275,865,000	275,865,000	
Refunding Bonds Series 4	1/15/15	2019-28	257,415,000	257,415,000	
Refunding Notes Series A-E	5/1/15	2017-21	279,810,000	279,810,000	
2015- Bonds Series A	2/19/15	2021-35	331,915,000	274,620,000	
Refunding Bonds Series 1	4/14/15	2015-29	151,045,000	110,760,000	
Bonds Series B	6/30/15	2017-21	88,830,000	88,830,000	
Bonds Series C	9/16/15	2017-36	387,025,000	387,025,000	

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2016)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
2016- Refunding Bonds Series 1	3/8/16	2019-28	295,225,000	295,225,000
Bonds Series A	3/16/16	2024-36	295,185,000	295,185,000
Bonds Series B	7/28/16	2018-23	83,980,000	83,980,000
Bonds Series C (Taxable)	7/28/16	2018-26	9,735,000	9,735,000
Refunding Bonds Series 2	8/25/16	2021-30	370,850,000	370,850,000
Bonds Series D	10/25/16	2018-37	324,405,000	324,405,000
Total Fixed-Rate General Obligations				$7,437,045,692
Variable-Rate General Obligations				
2005- CP Notes Series A	12/14/05		$ 100,350,000	$ 21,543,000
EMCP Series A (AMT)	12/29/05		61,000,000	-0-
2006- EMCP Series A	2/9/06		161,905,000	-0-
CP Notes Series A	8/2/06		123,510,000	57,936,000
EMCP Series B	12/1/06		91,720,000	-0-
EMCP Series C (AMT)	12/1/06		4,445,000	-0-
2008- EMCP Program	Various		452,189,000	349,607,888
Bonds CWF Series A	3/18/08		10,300,000	10,300,000
2013- CP Notes Series A	12/10/13		58,825,000	58,825,000
2016- CP Notes Series A	9/15/16		136,050,000	136,050,000
Total Variable-Rate General Obligations				$ 634,261,888
TOTAL OUTSTANDING GENERAL OBLIGATIONS				$8,071,307,580

[a] Pursuant to a refunding escrow agreement, the principal of, and interest on, all or a portion of the bonds will be paid as it comes due or will be called for redemption prior to maturity. The principal amount of bonds for which payment is provided is not treated as outstanding for purposes of this table.

On January 16, 2014, the State of Wisconsin entered into a Term Loan Agreement with JPMorgan Chase Bank, National Association, and on April 15, 2015, terms of the agreement were met and the State drew proceeds of loans that were applied on May 1, 2015 to refund certain general obligation bonds. The Term Loan Agreement includes loans with May 1 maturities in the years 2017 to and including 2021. The interest rates on these loans are fixed. The State issued its General Obligation Refunding Notes of 2014, Series A-E to evidence its repayment obligation under the Term Loan Agreement, and these refunding notes are included in Table III-2.

Table III-3 provides a historical view of the amount of outstanding general obligations as of December 15th for the previous ten years and the other following tables provide additional data about the State's outstanding general obligations.

Table III-3

HISTORICAL SUMMARY OF OUTSTANDING GENERAL OBLIGATIONS

Year (December 15)	**Outstanding Amount**
2006	$ 5,697,308,688
2007	5,781,428,689
2008	5,939,381,431
2009	6,222,792,743
2010	6,822,771,981
2011	7,378,610,318
2012	8,014,705,521
2013	8,027,531,244
2014	7,856,685,602
2015	7,988,224,416

Table III-4

PER CAPITA STATE GENERAL OBLIGATION DEBT

Year Ending December 31	**Outstanding Indebtedness (Amounts in Thousands)**	**Debt Per Capita**	**Debt Per Capita as % of Per Capita Income**
2006....................	$ 5,898,647	$1,061.48	2.92%
2007....................	5,893,590	1,052.05	2.79
2008....................	6,146,978	1,092.21	2.80
2009....................	6,481,078	1,146.08	2.98
2010....................	7,407,431	1,302.06	3.35
2011....................	7,878,628	1,380.04	3.38
2012....................	8,385,972	1,464.80	3.45
2013....................	8,344,530	1,452.99	3.40
2014....................	8,134,099	1,412.66	3.20
2015....................	8,239,224	1,427.69	3.22

Sources: Legislative Audit Bureau

Tables II-30 and II-33 in Part II of the 2016 Annual Report

Table III-5

LIMITATION ON ANNUAL AGGREGATE PUBLIC DEBT THAT MAY BE CONTRACTED

The State Constitution provides that the aggregate debt contracted by the State in calendar year 2016 shall not exceed the lesser of (a) or (b):

(a)	3/4 of 1% x $505,124,328,250		$ 3,788,432,462
(b)	5% x $505,124,328,250	$25,256,216,413	
	Deduct: Net Indebtedness 1/1/2016	8,238,758,824	
			$17,017,457,589

The amount of $505,124,328,250 shown above is the aggregate full market value of all taxable property in the State for the year 2016 as certified by the Department of Revenue.

The amount of $8,238,758,824 shown above is the net indebtedness as of January 1, 2016 as certified by the Legislative Audit Bureau.

The lesser of (a) or (b) is $3,788,432,462. Aggregate debt contracted by the State in calendar year 2016 shall not exceed this amount.

Source: Department of Administration

Table III-6

ANNUAL DEBT LIMIT COMPARED TO ACTUAL BORROWING

Calendar Year	Annual Debt Limitation	Actual Borrowing	Borrowing as Percentage of Limitation
2007	$3,734,402,615	$483,280,000	12.9%
2008	3,857,954,728	493,635,000	12.8
2009	3,839,339,873	542,765,000	14.1
2010	3,719,281,442	809,293,000	21.8
2011	3,651,481,746	896,260,000	24.6
2012	3,533,193,969	735,585,000	20.8
2013	3,506,269,230	642,295,000	18.3
2014	3,596,099,766	598,170,000	16.6
2015	3,679,519,080	750,475,000	20.4
2016	3,788,432,462	713,305,000	18.8

Source: Department of Administration

Table III-7

DEBT STATEMENT
(December 15, 2016)

	Tax-Supported Debt		Revenue-Supported Debt[a]		
	General Fund	Segregated Funds[b]	Veterans Housing	Other[c]	Total
General Obligations	$4,780,879,167	$1,523,683,247	$42,970,000	$1,723,775,166	$8,071,307,580
Total Outstanding Indebtedness	$4,780,879,167	$1,523,683,247	$42,970,000	$1,723,775,166	$8,071,307,580

(a) Revenue-Supported Debt represents general obligation debt of the State issued to fund particular programs and facilities with the initial expectation that revenues and other proceeds derived from the operation of the programs and facilities will amortize the allocable debt without recourse to the General Fund.

(b) Includes the Transportation Fund and certain administrative facilities for the Department of Natural Resources.

(c) Includes university dormitories, food service, intercollegiate athletic facilities, certain facilities on the State Fair grounds, and capital equipment acquisition.

Source: Department of Administration

Table III-8
COMPARISON OF OUTSTANDING INDEBTEDNESS TO EQUALIZED VALUATION OF PROPERTY

Calendar Year	Value of Taxable Property (Amounts in Thousands)	Outstanding Indebtedness[a] (Amounts in Thousands)	Debt as Percentage of Equalized Value
2006	$468,983,200	$5,898,647	1.26%
2007	497,920,349	5,893,590	1.18
2008	514,393,964	6,146,978	1.19
2009	511,911,983	6,481,078	1.27
2010	495,904,192	7,407,431	1.49
2011	486,864,233	7,878,628	1.62
2012	471,092,529	8,385,972	1.78
2013	467,502,564	8,344,530	1.78
2014	479,968,800	8,134,099	1.70
2015	505,124,328	8,239,224	1.61

(a) As of December 31.

Sources: Department of Revenue and Wisconsin Legislative Audit Bureau

Table III-9
DEBT SERVICE PAYMENT HISTORY:
AMOUNT PAID ON GENERAL
OBLIGATIONS

Fiscal Year	Principal	Interest	Total Debt Service
To June 30, 1995	$2,632,788,430	$2,424,726,973	$5,057,515,376
1995-96	199,622,231	159,090,781	358,713,012
1996-97	205,112,886	167,659,261	372,772,147
1997-98	217,184,565	171,783,741	388,968,306
1998-99	236,344,072	173,743,794	410,087,867
1999-2000	244,211,911	183,158,974	427,370,884
2000-01	285,088,311	209,230,800	494,319,110
2001-02	273,060,055	202,386,510	475,446,565
2002-03	270,544,076	216,328,685	486,872,762
2003-04	310,843,832	183,991,355	494,835,186
2004-05	361,327,888	185,242,899	546,570,787
2005-06	349,172,670	216,358,460	565,531,131
2006-07	379,470,000	233,687,100	613,157,100
2007-08	350,005,000	268,124,600	618,129,600
2008-09	397,266,258	255,994,695	653,260,953
2009-10	119,029,189	251,749,918	370,779,107
2010-11	222,253,398	263,514,405	485,767,804
2011-12	159,343,712	262,202,521	421,546,232
2012-13	626,021,930	300,123,248	926,145,178
2013-14	736,319,021	322,918,374	1,059,237,395
2014-15	527,677,280	308,323,446	836,000,726
2015-16	554,334,289	316,040,351	870,374,639
7/1/2016-12/15/2016	43,911,616	157,141,883	201,053,498
Totals	$9,700,932,619	$7,433,522,773	$17,134,455,393

Source: Department of Administration

Table III-10

DEBT SERVICE MATURITY SCHEDULE:
AMOUNT DUE ANNUALLY ON GENERAL OBLIGATION BONDS
(Issued to December 15, 2016)

Fiscal Year (Ending June 30)	Principal	Interest	Total Debt Service
2017[a]	$ 455,253,734	$ 172,380,995	$ 627,634,729
2018	538,734,630	325,334,036	864,068,666
2019	534,232,162	301,564,308	835,796,471
2020	537,082,905	276,723,315	813,806,220
2021	482,078,476	249,819,459	731,897,935
2022	453,207,142	226,022,651	679,229,793
2023	469,104,552	204,348,040	673,452,592
2024	437,270,831	183,567,960	620,838,790
2025	423,852,120	164,334,652	588,186,773
2026	399,688,316	143,072,096	542,760,412
2027	417,551,824	126,070,642	543,622,465
2028	335,890,000	107,013,507	442,903,507
2029	335,276,000	90,948,168	426,224,168
2030	327,918,000	74,928,959	402,846,959
2031	322,470,000	58,995,464	381,465,464
2032	268,515,000	45,442,355	313,957,355
2033	240,680,000	33,151,234	273,831,234
2034	140,125,000	22,742,556	162,867,556
2035	125,515,000	15,804,555	141,319,555
2036	88,895,000	9,543,805	98,438,805
2037	46,310,000	5,104,683	51,414,683
2038	13,430,000	2,794,445	16,224,445
2039	14,115,000	2,116,950	16,231,950
2040	14,910,000	1,404,165	16,314,165
2041	9,750,000	650,510	10,400,510
2042	5,190,000	207,600	5,397,600
TOTALS	$ 7,437,045,692	$ 2,844,087,108	$ 10,281,132,801

[a] For the fiscal year ending June 30, 2017, the table includes debt service amounts for the period December 15, 2016 through June 30, 2017.

Source: Department of Administration

Table III-11

EXPECTED AMORTIZATION SCHEDULE:
GENERAL OBLIGATION VARIABLE RATE OBLIGATIONS[a]
(Issued to December 15, 2016)

(Year Ending June 30)	Principal
2017	$ 117,055,911
2018	101,345,028
2019	84,992,993
2020	91,222,931
2021	116,962,616
2022	80,524,357
2023	15,539,353
2024	16,318,699
2025	
2026	
2027	
2028	
2029	
2030[b]	10,300,000
	$ 634,261,888

[a] In general, the State has treated each general obligation variable rate issue as if it were a long-term bond issue by making annual principal payments on May 1; in prior fiscal years, certain principal amounts that were budgeted for payment on May 1 were re-amortized.

[b] This amount reflects a General Obligation Bond sold to the State Environmental Improvement Fund with a stated maturity date of June 1, 2008; however, at the option of the purchaser, the maturity date may be extended for six-month periods (for all or a portion of the outstanding amount) with such extensions not extending beyond December 1, 2029.

Source: Department of Administration

Table III-12

SOURCE OF DEBT SERVICE PAYMENTS
ON GENERAL OBLIGATIONS
(June 30, 2016)

	Fiscal Year 2015-16	%	Fiscal Year 2014-15	%	Fiscal Year 2013-14	%
Tax-Supported Debt						
General Fund	$ 577,731,923	65.0	$ 561,151,621	67.1	$ 767,398,851	72.4
Segregated Funds	154,960,040	17.4	100,286,920	12.0	87,358,882	8.2
Subtotal	732,691,963	82.3	661,438,541	79.1	854,757,733	80.7
Revenue-Supported Debt						
Veterans	83,250	0.0	18,654,404	2.2	25,733,808	2.4
University of Wisconsin	130,014,890	14.6	127,292,688	15.2	148,962,359	14.1
State Fair Park	3,987,088	0.4	3,333,355	0.4	3,675,626	0.3
Historical	2,066	0.0	2,432	0.0	2,363	0.0
Housing State Depts./Other	23,674,974	2.6	25,279,305	3.0	26,105,507	2.5
Subtotal	157,762,538	17.7	174,562,184	20.9	204,479,663	19.3
Total Debt Service	$ 890,454,501	100.0	$ 836,000,725	100.0	$1,059,237,395	100.0

Source: Department of Administration

VARIABLE RATE OBLIGATIONS

The State has issued, and there currently remain outstanding, both general obligation CP Notes and EMCP.

Commercial Paper Notes

In 1997, the Commission adopted a Program Resolution for State of Wisconsin General Obligation Commercial Paper Notes (as amended, **CP Notes Program Resolution**), which governs the issuance of the State's CP Notes.

The State has appointed, to serve as **Dealers** of CP Notes, Goldman, Sachs & Co., J.P. Morgan Securities LLC, and Merrill Lynch, Pierce, Fenner & Smith Incorporated. The State has appointed U.S. Bank National Association, as successor to Deutsche Bank Trust Company Americas, to serve as **Issuing and Paying Agent** for the CP Notes, and The Depository Trust Company (**DTC**) serves as **Depository** for the CP Notes.

The State has obtained a **Liquidity Facility** in the form of a line of credit, which is provided through a **Credit Agreement** between the State and BMO Harris Bank N.A. **(Liquidity Facility Provider)**. The amount available under the Credit Agreement is currently $275 million.

Table III-13 summarizes, for each authorized and outstanding series of CP Notes, the principal amount initially issued, the date of initial issuance, and the principal amount outstanding as of December 15, 2016.

Table III-13

SUMMARY OF OUTSTANDING GENERAL OBLIGATION CP NOTES
(December 15, 2016)

Series of CP Notes	Amount Issued	Date of Initial Issuance	Amount Outstanding
2005 Series A	$100,350,000	December 14, 2005	$ 21,543,000
2006 Series A	123,510,000	August 2, 2006	57,936,000
2013 Series A	58,825,000	December 10, 2013	58,825,000
2016 Series A	136,050,000	September 15, 2016	136,050,000
			$274,354,000

Additional CP Notes may be issued pursuant to action of the Commission, but the aggregate amount of CP Notes outstanding may not exceed the principal amount of the Liquidity Facility.

Description of CP Notes

Each CP Note is dated the date it is issued. It is issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000.

The CP Notes are not callable prior to maturity.

Each CP Note matures from 1 to 270 days from its issue date. Also, the CP Note Program Resolution provides that no CP Note may be issued with a maturity date later than the expiration date of the Liquidity Facility, including any substitute Liquidity Facility.

Each CP Note bears interest from its date of issuance, at the rate determined at the date of issuance, payable at maturity. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed.

Liquidity Facility

To provide liquidity for the payment of the principal of maturing CP Notes, the State entered into the Credit Agreement with the Liquidity Facility Provider. Payment of each CP Note is made to the Depository and then distributed by the Depository.

Pursuant to the Credit Agreement, the Liquidity Facility Provider is obligated, subject to certain conditions, to make **Advances** from time to time on any business day during the term of the Credit Agreement, only for providing funds to pay the principal of the CP Notes on the maturity date thereof to the extent that proceeds of other CP Notes or other moneys on deposit in the Note Fund for the CP Notes are not available. Payment of interest on the Notes cannot be made from the line of credit established by the Credit Agreement. The aggregate principal amount of all Advances made on any date may not exceed the commitment under the Credit Agreement (currently $275 million), as such amount may be increased or decreased from time to time. Also, pursuant to the CP Note Program Resolution the principal portion of the Credit Agreement cannot be less than the sum of the outstanding CP Notes plus the aggregate principal amount of all outstanding Advances provided by the Liquidity Facility Provider.

The Credit Agreement currently terminates on March 15, 2019. The Credit Agreement provides that the termination date may be extended, if the parties agree. Alternatively, the State is permitted to replace the Credit Agreement with another comparable agreement or agreements with any other liquidity facility provider, provided that such substitution meets all required qualifications, including, but not limited to, written evidence from each rating agency which, at the request of the State, is then rating the CP Notes and which is then also rating the provider (or its guarantor) of the proposed substitute Liquidity Facility, to the effect that the substitution of the Liquidity Facility will not by itself result in a withdrawal, suspension, or reduction of its ratings of the CP Notes from those which then prevail.

The State has delivered a promissory note **(Promissory Note)** to the Liquidity Facility Provider, evidencing its obligation to repay all Advances. The Promissory Note is a general obligation of the State. Likewise, a new Promissory Note would be issued to the provider of any substitute Liquidity Facility.

The State will notify the Dealers of any change in the Liquidity Facility. The State will also notify the MSRB through its EMMA system of any change in the Liquidity Facility.

Description of the Liquidity Facility Provider

The following information concerning the Liquidity Facility Provider has been provided by representatives of the Liquidity Facility Provider and has not been independently confirmed or verified by the State. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

BMO Harris Bank N.A. (formerly known as Harris N.A.) **(Bank)**, with executive offices in Chicago, Illinois, is a wholly owned subsidiary of BMO Financial Corp., a Delaware corporation **(BFC)**. BFC is a wholly owned subsidiary of Bank of Montreal. As such, the Bank is a member of BMO Financial Group **(BFG)**, a brand name representing Bank of Montreal and its subsidiaries and affiliates. The Bank is a commercial bank offering a wide range of banking and trust services to its customers throughout the United States and around the world.

Each quarter, the Bank files quarterly reports called "Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices" **(Call Reports)**. Each Call Report may be obtained from the FDIC on its website at http://www.fdic.gov, or by a written request directed to: BMO Harris Bank N.A., 111 West Monroe Street, P.O. Box 755, Chicago, Illinois 60690, Attention: Public Relations Department.

The financial information referenced in this paragraph is not incorporated by reference into this Part III of the 2016 Annual Report.

Extendible Municipal Commercial Paper

In 2007, the Commission adopted a Program Resolution for State of Wisconsin General Obligation Extendible Municipal Commercial Paper (**EMCP Program Resolution**), which replaced a program resolution previously adopted by the Commission in 2000 and which governs the issuance of the State's EMCP.

General obligation EMCP is similar to CP Notes; however, rather than liquidity being provided by a bank or credit facility, the maturity date can be extended in case there is a disruption in market liquidity for the EMCP. The State has appointed, to serve as **Dealers** of EMCP, Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith, Incorporated. The State has appointed U.S. Bank National Association to serve as Issuing and Paying Agent for the EMCP, and DTC serves as Depository for the EMCP.

On February 1, 2008, the State issued a single series of EMCP that replaced multiple series of outstanding EMCP that had been issued during calendar years 2000 through 2006. The total amount of EMCP authorized to be outstanding at any given time, pursuant to the EMCP Program Resolution, is $950 million. The State may increase the principal amount of EMCP outstanding, upon adoption by the Commission of one or more authorizing resolutions, to fund various general governmental purposes or veterans housing loans. With respect to an initial issuance, specific instructions must be provided to the Issuing and Paying Agent before a Dealer may increase the principal amount of EMCP outstanding. This has occurred five times since 2008 for an aggregate par increase of $530 million, with the last increase occurring on December 2, 2014 in the par amount of $105 million. EMCP is not given a series designation based on any initial issuance date.

Table III-14 summarizes, for each authorized and outstanding program under this single series of EMCP, the principal amount outstanding as of December 15, 2016.

Table III-14
SUMMARY OF OUTSTANDING GENERAL OBLIGATION EMCP
(December 15, 2016)

Series of EMCP	Amount Outstanding
Tax-Exempt Notes	$ 349,606,000
Tax-Exempt AMT Notes	-0-
	$ 349,606,000

Description of EMCP

Each EMCP note is dated the date it is issued and is issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed. Payment of principal of, and interest on, each EMCP note is made to the Depository and then distributed by the Depository.

Each EMCP note matures on its **Original Maturity Date,** which may range from 1 day to 180 days from its original issue date, unless the State exercises its option to extend the maturity date. In that case the EMCP note will mature on its **Extended Maturity Date,** which will be the date that is 270 days after its original issue date.

If the State exercises its option to extend the maturity date, notice of the extension must be provided to the Depository in accordance with the Depository's operational requirements.

Each EMCP note bears interest from its original issue date until the Original Maturity Date at the rate determined on the original issue date, payable on the Original Maturity Date, unless the maturity date is extended, in which case interest will be paid on the date described below. If the State exercises its option to extend the maturity date of an EMCP note, then the extended EMCP note will bear interest after the Original Maturity Date at the **Reset Rate** and be payable on the dates described below.

If the maturity date of an EMCP note is extended, accrued but unpaid interest to the Original Maturity Date will not be paid on the Original Maturity Date but will be payable on the following date (or any earlier redemption date):

(1) if the Original Maturity Date is before the 15th day of the month, then interest will be payable on the first **Business Day** (which is a day on which banks located in Madison, Wisconsin and in each of the cities where the principal office of the Issuing and Paying Agent and Dealers are located are not required or authorized by law or executive order to close for business and on which the New York Stock Exchange is not closed) of the next month, or

(2) if the Original Maturity Date is on or after the 15th day of the month, then interest will be payable on the first Business Day of the second succeeding month after the Original Maturity Date.

For example, if the Original Maturity Date is November 14th, interest will be payable on the first Business Day of December, and if the Original Maturity Date is November 15th, interest will be payable on the first Business Day of January.

Each EMCP note bears interest from the Original Maturity Date at the Reset Rate and is payable first on the date described above and thereafter on the first Business Day of each month and on any redemption date or the Extended Maturity Date.

The Reset Rate will be a rate of interest per annum determined by the following formula:

$$(1.35 \times \text{BMA}) + \text{E}$$

As used in the formula, the *BMA* variable will be Securities Industry and Financial Markets Association Index, or SIFMA Index (which previously was referred to as The Bond Market Association Municipal Swap Index, or BMA Index). This index is calculated weekly and released each Wednesday afternoon, effective Thursday. The *E* variable will be a fixed percentage rate expressed in basis points that is determined based on the ratings assigned to the EMCP **(Prevailing Ratings)**, as follows:

Prevailing Ratings			
Fitch	Moody's Investors Service, Inc.	S&P Global Ratings	*E* Variable (basis points)
F1+	P-1	A-1+	100
F1	–	A-1	150
F2	P-2	A-2	200
F3	P-3	A-3	300
Lower than F3 (or rating discontinued)	Lower than P-3 (or rating discontinued)	Lower than A-3 (or rating discontinued)	400

If at any time any rating agency announces that a lower rating is under consideration for the EMCP, then the Prevailing Rating from such rating agency will not be the rating then assigned to the EMCP; rather, it will be the next lower rating of such rating agency. If the Prevailing Ratings would indicate different *E* variables as a result of split ratings assigned to the EMCP, then the *E* variable will be the arithmetic average of those indicated by the Prevailing Ratings.

The Reset Rate applicable to any EMCP note will be determined weekly by the Issuing and Paying Agent based on the *BMA* variable and the Prevailing Ratings as of 11:00 a.m. (New York time) on its Original Maturity Date and each Thursday thereafter and will apply through the following Wednesday.

REVENUE SUPPORTED GENERAL OBLIGATION DEBT

General

Although all general obligations issued by the State are supported by its full faith, credit, and taxing power, a portion of these general obligations are issued with the expectation that debt service payments will not impose a direct burden on the State's taxpayers and its general revenue sources. Beneficiaries and users of revenue-supported programs and facilities pay fees and other amounts that are estimated to be at least sufficient to pay or reimburse the General Fund for the amount paid for debt service related to these revenue-supported programs and facilities.

Table III-7 identifies the amount of outstanding general obligations designated as revenue supported. The programs and facilities funded with these general obligations support debt service payments on approximately $1.767 billion of State general obligations outstanding on December 15, 2016. Furthermore, Table III-12 shows that revenue-supported debt service payments were approximately 17.7% of the total debt service cost for the fiscal year ending June 30, 2016.

Veterans Housing Loan Program

The veterans housing loan program, operated by the State of Wisconsin Department of Veterans Affairs **(DVA** or **Department of Veterans Affairs)**, is one of the revenue-supported general obligation bonding programs of the State. Lending activities under the veterans housing loan program began in 1974. The program is currently funded by general obligations that are either **Tax-Exempt Veterans Mortgage Bonds** or **Taxable Veterans Mortgage Bonds**, collectively referred to as **Veterans Mortgage Bonds.** The repayment of veterans housing loans funded with proceeds of the Veterans Mortgage Bonds are estimated to be at least sufficient to pay or reimburse the General Fund for the amount paid for debt service related to the Veterans Mortgage Bonds.

Approximately $43 million in aggregate principal amount of Veterans Mortgage Bonds remain outstanding on December 15, 2016. As outlined later in this section, there are different special redemption provisions for the Tax-Exempt Veterans Mortgage Bonds and each series of Taxable Veterans Mortgage Bonds. Due to market conditions and other factors resulting in private mortgage rates being lower than mortgage rates that could be offered with funds obtained through Veterans Mortgage Bonds, the State has not issued any general obligations for this purpose since 2008, and the Department of Veterans Affairs has not made any new mortgage loans under this program since June 2010. Furthermore, the State's 2015-17 biennial budget for the Department of Veterans Affairs continues to make the assumption that no new mortgage loans under this program will be made; however, the State continues to retain statutory authority to make new veterans housing loans in the future. Tables III-19 through III-22 include other unaudited information for the Veterans Mortgage Bonds and the veterans housing loan program.

Default Risks and Other Information

No prepayments have been assumed in the nominal amortization of outstanding Veterans Mortgage Bonds. Based on asset and liability balances as of July 1, 2014 and DVA assumptions, the cash flow of the mortgages on May 31, 2016 was sufficient to meet future debt service payments. A loan under the veterans housing loan program may be assumed only by another qualifying veteran.

After deducting a servicing charge (.375% per annum), the participating lender deposits the veteran's monthly loan repayments and any prepayments into the Veterans Mortgage Loan Repayment Fund of the veterans housing loan program, a segregated statutory fund. An irrevocable appropriation is provided by law as a first charge on assets of the Veterans Mortgage Loan Repayment Fund in a sum sufficient to provide for the repayment of principal of, premium, if any, and interest on, State general obligations issued to fund the program.

Program loans financed with Veterans Mortgage Bonds are not required to be insured or guaranteed (casualty insurance coverage is, however, required). Instead, the default risk with respect to such loans is borne by the program. The ability of DVA to dispose of defaulted properties and realize the amount of the outstanding principal balances of the related loans has varied in recent years depending upon the location of the properties within the State and their physical condition upon foreclosure. Although DVA expects that it will continue to experience liquidation losses, it also expects that such losses will not require recourse to the State's General Fund but rather will be covered by the Insurance Reserve Account within the Veterans Mortgage Loan Repayment Fund. As of October 31, 2016, of the 494 outstanding primary mortgage housing loans financed by the veterans housing loan program, 39 loans, with an aggregate principal amount of approximately $3.4 million, had payments that were 60 days or longer past due. The insurance reserve requirement (4% of the principal amount of outstanding loans) is currently satisfied. See Table III-19 for more complete details concerning delinquencies.

Special Redemption; Tax-Exempt Veterans Mortgage Bonds

As of December 15, 2016, approximately $29 million of Tax-Exempt Veterans Mortgage Bonds were outstanding. All Tax-Exempt Veterans Mortgage Bonds are subject to special redemption before maturity (even if not subject to optional redemption), at the option of the Commission, on any date, in whole or in part, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the date of redemption, from:

- Prepayments of veterans housing loans funded from, or attributed to, *any* series of Tax-Exempt Veterans Mortgage Bonds.
- Payments on veterans housing loans, or interest or income on investments in certain accounts, including money available from the Insurance Reserve Account, in excess of amounts required to meet scheduled debt service on all Tax–Exempt Veterans Mortgage Bonds and other costs associated with the veterans housing loan program.

The redemption provisions described above are commonly referred to as a "cross-call". In addition, other special redemption provisions (such as allowing redemptions funded from unexpended proceeds) may apply to certain series of Tax-Exempt Veterans Mortgage Bonds. In the event of a partial redemption, the Capital Finance Director is authorized to direct the maturities and amounts of the Tax-Exempt Veterans Mortgage Bonds to be redeemed.

Prepayments of mortgages originated with, or attributed to, any series of Taxable Veterans Mortgage Bonds may not be used for special redemption of Tax-Exempt Veterans Mortgage Bonds, and prepayments of mortgages originated with, or attributed to, any series of Tax-Exempt Veterans Mortgage Bonds may not be used for special redemption of Taxable Veterans Mortgage Bonds.

Table III-15 presents a summary of the outstanding Tax-Exempt Veterans Mortgage Bonds as of December 15, 2016, and Table III-21 presents further detailed information on these outstanding Tax-Exempt Veterans Mortgage Bonds.

The State has historically received, and expects to continue to receive, prepayments of veterans housing loans funded with Tax-Exempt Veterans Mortgage Bonds. See Table III-22 for a summary of the prepayments received over the past three years. The State previously from time to time used veterans housing loan prepayments to make new veterans housing loans. However, since 2010 the State has determined that it was not feasible to make new veterans housing loans, and the State used these prepayments to purchase or redeem Tax-Exempt Veterans Mortgage Bonds, as determined by the Commission. It is likely that State will continue to use future veterans housing loan prepayments to purchase or redeem Tax-Exempt Veterans Mortgage Bonds; however, the State continues to reserve the right to use such prepayments in the future to make new veterans housing loans.

Table III-15

SUMMARY OF OUTSTANDING
TAX-EXEMPT VETERANS MORTGAGE BONDS SUBJECT TO SPECIAL REDEMPTION
(December 15, 2016)

Series	Dated Date	Original Principal Amount Subject to Special Redemption	Outstanding Principal Amount Subject to Special Redemption	Range of Interest Rates on Outstanding Bonds
2003 Series 2	04/01/03	$ 13,740,000	$ 2,720,000	4.35%-4.65%
2003 Series 3	10/30/03	67,890,000	5,700,000	5.00
2006 Series C	08/02/06	61,685,000	10,490,000	4.60-5.00
2007 Series 2	10/31/07	16,735,000	6,980,000	4.25-4.50
2008 Series 1	6/26/08	17,975,000	2,675,000	4.00-4.75
			$ 28,595,000	

Prior to calendar year 2002, it had been the working policy of the Department of Administration, on behalf of the Commission, to call Tax-Exempt Veterans Mortgage Bonds for special redemption based on the highest estimated market price, while taking into consideration the Legislature's mandate that the veterans housing loan program be self-amortizing. Since that time, this working policy has been modified from time to time to address both (1) the impact special redemption cross-calls have on the cash flow that supports all Veterans Mortgage Bonds and (2) compliance with applicable federal tax law restrictions. This working policy is subject to change at any time. While the Tax-Exempt Veterans Mortgage Bonds that were called for special redemption in the year 2009 were those with the highest interest rates, the Tax-Exempt Veterans Mortgage Bonds called for special redemption in and after year 2010 reflect the more recent working policy outlined above.

A special redemption of Tax-Exempt Veterans Mortgage Bonds occurred on August 22, 2016, as summarized in Table III-16. This special redemption used prepayments of veterans housing loans funded with Tax-Exempt Veterans Mortgage Bonds.

Table III-16

AUGUST 22, 2016 SPECIAL REDEMPTION
TAX-EXEMPT VETERANS MORTGAGE BONDS

Bond Issue	Maturity Date	Coupon	Redemption Amount
2003 Series 3	2026	5.00%	$ 3,320,000

During calendar year 2016, another special redemption of Tax-Exempt Veterans Mortgage Bonds using prepayments of veterans housing loans and other allowable sources, including money available from the Insurance Reserve Account in excess of amounts required to meet scheduled debt service requirements, occurred on March 15 in a principal amount of $2 million.

Special Redemption; Taxable Veterans Mortgage Bonds

As of December 15, 2016, approximately $14 million of Taxable Veterans Mortgage Bonds were outstanding.

In addition to optional redemption provisions, the Taxable Veterans Mortgage Bonds are subject to special redemption prior to maturity, at the option of the Commission, on any date, in whole or in part at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from:

- Unexpended proceeds from only that series of Taxable Veterans Mortgage Bonds, as provided in the respective authorizing resolution.

- Prepayments of veterans housing loans or home improvement loan program **(HILP)** loans, or interest or income on investments in certain accounts, funded from or attributed to only that series of Taxable Veterans Mortgage Bonds, as provided in the respective authorizing resolution.

In the event of a partial redemption, the Commission shall direct the maturities of the Taxable Veterans Mortgage Bonds and the amounts thereof so to be redeemed; however, the Commission has stated in the respective Official Statements that it intends to apply amounts from these sources as a *pro rata* redemption on all applicable outstanding maturities of the Taxable Veterans Mortgage Bonds, subject to rounding, to reflect approximately the unexpended proceeds or prepayment from either veterans housing loans or HILP loans.

Prepayments of veterans housing loans or HILP loans originated with, or attributed to, a series of Taxable Veterans Mortgage Bonds may not be used for special redemption of any other series of Taxable Veterans Mortgage Bonds. Prepayments of mortgage loans or loans originated with, or attributed to, any series of Tax-Exempt Veterans Mortgage Bonds may not be used for special redemption of Taxable Veterans Mortgage Bonds.

The State has historically received, and expects to continue to receive, prepayments of veterans housing loans and HILP loans funded with Taxable Veterans Mortgage Bonds. See Table III-22 for a summary of these prepayments received over the past three years. The State may use prepayments of veterans housing loans and HILP loans funded with Taxable Veterans Mortgage Bonds to make new veterans housing loans and HILP loans. If the State determines that it is not feasible to make new veterans housing loans or HILP loans, then the State intends to use these prepayments to purchase or redeem Taxable Veterans Mortgage Bonds, as determined by the Commission.

The Commission has made several special redemptions of Taxable Veterans Mortgage Bonds from these prepayments. A special redemption of Taxable Veterans Mortgage Bonds occurred on August 22, 2016. The redemption is summarized in Table III-17.

Table III-17

AUGUST 22, 2016 SPECIAL REDEMPTION
TAXABLE VETERANS MORTGAGE BONDS

Bond Issue	Maturity Date	Interest Rate	Redemption Amount
2003 Series B	2033	4.35%	$ 160,000
2002 Series F	2033	5.25	60,000
2002 Series H	2033	5.25	45,000
2006 Series B	2021	5.65	10,000

During calendar year 2016, another special redemption of Taxable Veterans Mortgage Bonds was combined with optional redemptions of certain Taxable Veterans Mortgage Bonds using money available from certain funds and accounts that were in excess of amounts required to meet scheduled debt service requirements. This redemption occurred on March 15 and was for an aggregate principal amount of approximately $0.7 million.

See Table III-18 for an aggregate summary of special redemptions (from prepayments and unexpended proceeds) and optional redemptions (from allowable funds available from the veterans housing loan program) that have occurred on Taxable Veterans Mortgage Bonds for the past ten years.

Table III-18

SUMMARY OF SPECIAL AND OPTIONAL REDEMPTIONS
TAXABLE VETERANS MORTGAGE BONDS
(As of December 15, 2016)

Bond Issue	Dated Date	Maturity Date	Original Issue Amount	Special Redemption; Calendar Year 2007	Special Redemption; Calendar Year 2008	Special Redemption; Calendar Year 2009	Special Redemption; Calendar Year 2010	Special Redemption; Calendar Year 2011	Special Redemption; Calendar Year 2012	Special Redemption; Calendar Year 2013	Special Redemption; Calendar Year 2014	Special Redemption; Calendar Year 2015	Special Redemption; Calendar Year 2016	Sinking Fund and Other Optional Redemption Payments Made	Outstanding Par Amount	Coupon
1997 Series D	9/15/1997	11/1/1999	$ 620,000												-	6.15%
		11/1/2000	655,000												-	6.15%
		11/1/2001	695,000												-	6.25%
		11/1/2002	740,000												-	6.30%
		11/1/2003	785,000												-	6.40%
		11/1/2004	840,000												-	6.50%
		11/1/2005	895,000												-	6.55%
		11/1/2006	950,000												-	6.60%
		11/1/2007	1,010,000	$ 40,000											-	6.65%
		11/1/2008	1,080,000	40,000											-	6.70%
		11/1/2009	1,155,000	45,000											-	6.80%
		11/1/2010	1,230,000	50,000		$ 10,000	$ 10,000	-							-	6.85%
		11/1/2011	1,320,000	55,000		5,000	25,000	-							-	6.90%
		11/1/2012	1,410,000	50,000		10,000	20,000	-	$ 400,000						-	6.90%
		11/1/2017	6,760,000	200,000		55,000	145,000	-	1,370,000						-	7.15%
		11/1/2028	24,855,000	680,000		225,000	560,000	$ 4,530,000	-						-	7.25%
		Subtotal	45,000,000	1,160,000	-	305,000	760,000	4,530,000	1,770,000	-	-	-		-	-	
1998 Series C	5/15/1998	5/1/1999	495,000												-	5.80%
		5/1/2000	495,000												-	5.85%
		5/1/2001	525,000												-	5.90%
		5/1/2002	550,000												-	6.05%
		5/1/2003	595,000												-	6.05%
		5/1/2004	625,000												-	6.10%
		5/1/2005	675,000												-	6.15%
		5/1/2006	710,000												-	6.20%
		5/1/2007	760,000												-	6.25%
		5/1/2008	815,000	10,000											-	6.30%
		5/1/2028	27,760,000	550,000	$ 180,000	360,000	300,000	165,000	4,495,000					$ 680,000	-	6.95%
		Subtotal	34,005,000	560,000	180,000	360,000	300,000	165,000	4,495,000	-	-	-		680,000	-	

Table III-18 — Continued
SUMMARY OF SPECIAL AND OPTIONAL REDEMPTIONS
TAXABLE VETERANS MORTGAGE BONDS
(As of December 15, 2016)

Bond Issue	Dated Date	Maturity Date	Original Issue Amount	Special Redemption; Calendar Year 2007	Special Redemption; Calendar Year 2008	Special Redemption; Calendar Year 2009	Special Redemption; Calendar Year 2010	Special Redemption; Calendar Year 2011	Special Redemption; Calendar Year 2012	Special Redemption; Calendar Year 2013	Special Redemption; Calendar Year 2014	Special Redemption; Calendar Year 2015	Special Redemption; Calendar Year 2016	Sinking Fund and Other Optional Redemption Payments Made	Outstanding Par Amount	Coupon
1998 Series F	10/15/1998	11/1/1999	$ 355,000												-	
		11/1/2000	725,000												-	5.00%
		11/1/2001	760,000												-	5.10%
		11/1/2002	790,000												-	5.20%
		11/1/2003	830,000												-	5.35%
		11/1/2004	870,000												-	5.45%
		11/1/2005	915,000												-	5.55%
		11/1/2006	960,000												-	5.55%
		11/1/2007	1,015,000	$ 30,000											-	5.60%
		11/1/2008	1,065,000	30,000											-	5.65%
		11/1/2009	1,125,000	35,000		$ 20,000									-	5.75%
		11/1/2029	45,590,000	1,405,000		1,395,000	$ 585,000	$ 425,000	$ 3,995,000	$ 210,000				$ 2,945,000	-	6.40%
		Subtotal	55,000,000	1,500,000	-	1,415,000	585,000	425,000	3,995,000	210,000	-	-		2,945,000	-	
1999 Series B	5/1/1999	11/1/2000	420,000												-	5.35%
		11/1/2001	450,000												-	5.60%
		11/1/2002	480,000												-	5.80%
		11/1/2003	500,000												-	6.00%
		11/1/2004	535,000												-	6.20%
		11/1/2005	570,000												-	6.25%
		11/1/2006	600,000												-	6.25%
		11/1/2007	640,000	5,000											-	6.30%
		11/1/2008	680,000	10,000				-							-	6.35%
		11/1/2009	725,000	15,000		5,000		-							-	6.40%
		11/1/2010	770,000	10,000	$ 5,000	5,000		-							-	6.40%
		11/1/2013	2,620,000	40,000	5,000	10,000	15,000	-	255,000					120,000	-	6.50%
		11/1/2016	3,180,000	50,000	10,000	15,000	20,000	-	450,000						-	7.00%
		11/1/2030	27,830,000	420,000	70,000	145,000	165,000	2,375,000	1,570,000						-	7.25%
		Subtotal	40,000,000	550,000	90,000	180,000	200,000	2,375,000	2,275,000	-	-	-		120,000	-	

Table III-18 — Continued
SUMMARY OF SPECIAL AND OPTIONAL REDEMPTIONS
TAXABLE VETERANS MORTGAGE BONDS
(As of December 15, 2016)

Bond Issue	Dated Date	Maturity Date	Original Issue Amount	Special Redemption; Calendar Year 2007	Special Redemption; Calendar Year 2008	Special Redemption; Calendar Year 2009	Special Redemption; Calendar Year 2010	Special Redemption; Calendar Year 2011	Special Redemption; Calendar Year 2012	Special Redemption; Calendar Year 2013	Special Redemption; Calendar Year 2014	Special Redemption; Calendar Year 2015	Special Redemption; Calendar Year 2016	Sinking Fund and Other Optional Redemption Payments Made	Outstanding Par Amount	Coupon
1999 Series D	11/1/1999	11/1/2010	$ 9,465,000						-					$ 2,340,000	-	7.70%
		11/1/2030	55,535,000					$ 3,935,000	-					2,990,000	-	7.70%
		Subtotal	65,000,000	-	-	-	-	3,935,000	-	-	-	-		5,330,000	-	
2000 Series B	7/1/2000	11/1/2010	4,625,000	$ 5,000					-					1,130,000	-	7.50%
		11/1/2030	30,375,000	135,000					-					3,175,000	-	8.05%
		Subtotal	35,000,000	140,000	-	-	-	-	-	-	-	-		4,305,000	-	
2000 Series E	11/7/2000	11/1/2016	5,000,000	150,000									$ 150,000	1,300,000	$ -	7.00%
2001 Series A	2/21/2001	5/1/2031	15,000,000	280,000	$ 170,000	$ 530,000	$ 20,000	40,000		$ 15,000	$ 15,000		310,000	1,000,000	1,255,000	7.00%
2001 Series D	6/15/2001	11/1/2002	320,000												-	4.50%
2001 Series D	6/15/2001	11/1/2003	255,000												-	5.00%
2001 Series D	6/15/2001	11/1/2004	265,000												-	5.30%
2001 Series D	6/15/2001	11/1/2005	280,000												-	5.50%
2001 Series D	6/15/2001	11/1/2006	295,000												-	5.60%
2001 Series D	6/15/2001	11/1/2007	315,000	5,000											-	5.75%
2001 Series D	6/15/2001	11/1/2008	330,000	10,000				-							-	5.90%
2001 Series D	6/15/2001	11/1/2011	1,110,000	25,000		5,000	10,000	-						155,000	-	6.20%
2001 Series D	6/15/2001	11/1/2016	2,390,000	60,000		20,000	30,000	-	$ 300,000						-	6.60%
2001 Series D	6/15/2001	11/1/2021	3,305,000	85,000	5,000	25,000	50,000	-	395,000						-	6.90%
2001 Series D	6/15/2001	11/1/2031	11,135,000	275,000	15,000	90,000	175,000	-	1,340,000						-	7.05%
		Subtotal	20,000,000	460,000	20,000	140,000	265,000	-	2,035,000	-	-	-		-	-	
2001 Series E	10/1/2001	11/1/2017	6,210,000	205,000		305,000			125,000	160,000				1,295,000	-	6.12%
2001 Series E	10/1/2001	11/1/2021	2,730,000	115,000		210,000	5,000	15,000	425,000						-	6.71%
2001 Series E	10/1/2001	11/1/2031	11,060,000	470,000		835,000	15,000	40,000	1,750,000						-	6.96%
		Subtotal	20,000,000	790,000	-	1,350,000	20,000	55,000	2,300,000	160,000	-	-		1,295,000	-	

Table III-18 — Continued
SUMMARY OF SPECIAL AND OPTIONAL REDEMPTIONS
TAXABLE VETERANS MORTGAGE BONDS
(As of December 15, 2016)

Bond Issue	Dated Date	Maturity Date	Original Issue Amount	Special Redemption; Calendar Year 2007	Special Redemption; Calendar Year 2008	Special Redemption; Calendar Year 2009	Special Redemption; Calendar Year 2010	Special Redemption; Calendar Year 2011	Special Redemption; Calendar Year 2012	Special Redemption; Calendar Year 2013	Special Redemption; Calendar Year 2014	Special Redemption; Calendar Year 2015	Special Redemption; Calendar Year 2016	Sinking Fund and Other Optional Redemption Payments Made	Outstanding Par Amount	Coupon
2002 Series B	3/26/2002	11/1/2032	$ 15,000,000	$ 1,060,000	$ 160,000	$ 1,385,000	$ 350,000	$ 160,000	$ 270,000	$ 165,000	$ 25,000	$ 105,000	$ 5,000	$ 1,020,000	$ 1,285,000	6.25%
2002 Series D	6/12/2002	5/1/2033	20,000,000	850,000	130,000	1,110,000	750,000	330,000	760,000	205,000	170,000			1,220,000	1,945,000	6.25%
2002 Series E	9/26/2002	5/1/2018	2,000,000	-	220,000	110,000	15,000	50,000	35,000	10,000	-			910,000	115,000	4.80%
2002 Series F	9/26/2002	5/1/2033	13,000,000	-	430,000	2,270,000	985,000	1,440,000	1,045,000	540,000	700,000	35,000	60,000	1,805,000	1,650,000	5.25%
2002 Series H	12/30/2002	5/1/2033	15,000,000	230,000	660,000	2,170,000	990,000	1,225,000	1,295,000	435,000	345,000	160,000	255,000	2,060,000	1,970,000	5.25%
2003 Series 1	4/3/2003	11/1/2019	7,000,000	-	510,000	160,000	75,000	60,000	5,000	30,000	-			3,645,000	-	4.85%
2003 Series B	7/24/2003	11/1/2033	30,000,000	60,000	-	5,000,000	3,280,000	4,630,000	2,690,000	1,640,000	1,180,000	635,000	160,000	4,950,000	4,015,000	4.35%
2004 Series B	8/12/2004	11/1/2014	1,000,000	5,000	40,000	190,000	115,000	20,000	15,000	-	-			615,000	-	4.50%
2004 Series C	8/12/2004	11/1/2019	1,000,000	70,000	40,000	290,000	35,000	25,000	30,000	10,000	20,000			415,000	65,000	5.15%
2004 Series D	8/26/2004	11/1/2034	20,000,000	175,000	160,000	1,315,000	510,000	135,000	770,000	325,000	310,000	1,960,000		840,000	-	5.65%
2005 Series C	4/7/2005	5/1/2035	5,000,000	5,000	280,000	70,000	860,000	520,000	950,000	630,000	295,000			625,000	765,000	5.40%
2006 Series B	7/7/2006	11/1/2021	2,000,000	20,000		700,000	170,000	85,000	105,000		125,000		30,000	585,000	180,000	5.65%
2008 Series B	5/30/2008	5/1/2038	4,445,000	N/A		400,000	230,000	945,000	465,000	630,000	120,000	105,000		390,000	1,160,000	4.90%
		Totals	$ 469,450,000	$ 8,065,000	$ 3,090,000	$ 19,450,000	$ 10,515,000	$ 21,150,000	$ 25,305,000	$ 5,005,000	$ 3,305,000	$ 3,000,000	$ 970,000	$ 36,055,000	$ 14,405,000	

Note: The total original issue amount less all the special redemptions and sinking fund payment amounts does not equal the total outstanding par amount since the table does not show all the serial bonds that matured prior to the date of this 2016 Annual Report. In addition, certain optional redemptions that have been completed using allowable funds available from the veterans housing loan program are included within the above "special redemption" amounts.

Other Information

The following unaudited information and notes relate to certain facets of the veterans housing loan program. Veterans Mortgage Bonds issued to fund the program are general obligations; the bondholders have no special pledge or lien on revenues derived from this program.

Table III-19

VETERANS HOUSING LOAN PROGRAM[(a)]
60+ DAY LOAN DELINQUENCIES

	Month Ending	Principal Amount Outstanding	Number of Loans Outstanding	60+ Day Delinquent Loans	Percent of Total
2013	July	$ 87,151,033	983	38	3.87
	August	84,892,783	965	37	3.83
	September	83,302,504	946	36	3.81
	October	81,628,083	929	31	3.34
	November	79,547,239	913	31	3.40
	December	77,994,335	898	30	3.34
2014	January	77,146,328	890	28	3.15
	February	75,844,732	879	26	2.96
	March	74,486,913	866	28	3.23
	April	73,291,194	856	24	2.80
	May	72,257,773	844	22	2.61
	June	70,366,570	827	17	2.06
	July	68,833,897	815	21	2.58
	August	66,715,539	798	24	3.01
	September	65,504,141	787	26	3.30
	October	64,016,602	772	17	2.20
	November	63,230,049	762	21	2.76
	December	61,697,354	745	22	2.95
2015	January	60,690,283	736	26	3.53
	February	59,788,431	725	26	3.59
	March	58,561,020	713	24	3.37
	April	57,321,036	700	25	3.57
	May	55,596,259	686	24	3.50
	June	53,845,177	668	24	3.59
	July	52,700,106	655	28	4.27
	August	52,037,380	649	27	4.16
	September	51,212,370	641	29	4.52
	October	50,413,730	633	25	3.95
	November	49,643,794	626	25	3.99
	December	48,234,947	614	22	3.58
2016	January	47,393,166	605	25	4.13
	February	45,447,589	590	20	3.39
	March	43,995,370	577	21	3.64
	April	42,821,428	566	22	3.89
	May	41,523,484	553	25	4.52
	June	40,696,659	543	28	5.16
	July	39,516,341	530	22	4.15
	August	38,183,208	515	21	4.08
	September	37,252,164	503	34	6.76
	October	36,335,116	494	39	7.89

[(a)] Does not include information on outstanding HILP loans.

Source: Department of Veterans Affairs.

Table III-20

DEBT SERVICE SCHEDULE ON STATE GENERAL OBLIGATION BONDS ISSUED TO FUND VETERANS HOUSING AND HILP LOANS
(December 15, 2016)

Fiscal Year (Ending June 30)	Principal	Interest	Total Debt Service
2017[(a)]	$ 3,790,000	$ 1,057,046	$ 4,847,046
2018	4,695,000	1,919,439	6,614,439
2019	3,545,000	1,704,233	5,249,233
2020	2,075,000	1,523,655	3,598,655
2021	1,915,000	1,419,044	3,334,044
2022	1,995,000	1,322,884	3,317,884
2023	2,060,000	1,223,285	3,283,285
2024	2,340,000	1,114,338	3,454,338
2025	2,295,000	999,930	3,294,930
2026	3,940,000	883,255	4,823,255
2027	4,015,000	709,845	4,724,845
2028	2,045,000	516,769	2,561,769
2029	1,755,000	420,110	2,175,110
2030	1,900,000	327,563	2,227,563
2031	1,945,000	226,679	2,171,679
2032	1,005,000	124,709	1,129,709
2033	900,000	73,439	973,439
2034	420,000	29,456	449,456
2035	120,000	16,640	136,640
2036	70,000	10,535	80,535
2037	85,000	7,105	92,105
2038	60,000	2,940	62,940
TOTALS	$ 42,970,000	$ 15,632,896	$ 58,602,896

(a) For the fiscal year ending June 30, 2017, the table includes debt service amounts for the period December 15, 2016 through June 30, 2017.

Source: Department of Administration

Table III-21

OUTSTANDING TAX-EXEMPT VETERANS MORTGAGE BONDS
SUBJECT TO SPECIAL REDEMPTION
(As of December 15, 2016)

Series	Dated Date	Maturities	Original Par Amount May	Original Par Amount November	Par Amount Outstanding May	Par Amount Outstanding November	Interest Rate
2003 Series 2	04/01/03	2015	$ 720,000				4.15%
		2016	750,000				4.25
		2017	785,000		$ 785,000		4.35
		2018	815,000		815,000		4.50
		2019	855,000		855,000		4.60
		2020	890,000		265,000		4.65
		2021	935,000				4.80
		2024	3,090,000				5.00
2003 Series 3	10/30/03	2025		$ 13,000,000			5.00
		2026		29,185,000		$ 5,700,000	5.00
2006 Series C	08/02/06	2015	1,145,000				4.50
		2016	1,220,000				4.50
		2017	1,300,000		1,300,000		4.60
		2018	1,375,000		1,375,000		4.60
		2019	1,470,000		1,470,000		4.60
		2020	1,555,000				5.00
		2021	1,660,000				5.00
		2022	1,770,000				5.00
		2023	1,880,000				5.00
		2024	2,000,000				5.00
		2025	2,120,000				5.00
		2027	4,670,000		4,670,000		4.80
		2031	11,260,000		1,675,000		5.00
		2037	21,740,000				5.00
2007 Series 2	10/31/07	2015	180,000	570,000			4.05
		2016	195,000	6,715,000			4.13
		2017	205,000	210,000	205,000	205,000	4.25
		2022		2,510,000		2,475,000	4.38
		2027		4,155,000		4,095,000	4.50
2008 Series 1	06/26/08	2015	250,000				3.75
		2016	100,000				3.88
		2017	175,000		175,000		4.00
		2018	400,000		400,000		4.13
		2018	14,680,000		1,925,000		4.75
		2023		175,000		175,000	4.75

Source: Department of Administration

Table III-22

SUMMARY OF PREPAYMENTS ON VETERANS HOUSING AND HILP LOANS FUNDED WITH VETERANS MORTGAGE BONDS

Mortgage Pool	Interest Rate Charged to Veterans	October 2013 - March 2014	April 2014 - September 2014	October 2014 - March 2015	April 2015 - September 2015	October 2015 - March 2016	April 2016 - September 2016
		Prepayments October 2013-September 2016					
Tax-Exempt Veterans Mortgage Bonds							
1993 Series 6	5.25						
1993 Series 5	5.25						
1994 Series C	7.25						
1994 Series 1	6.00						
1994 Series 3							
1995 Series B	7.45						
1995 Series 1	7.45						
1995 Series 2	6.55						
1996 Series B	7.00						
1996 Series D	6.90						
1997 Series A	6.90						
1997 Series 1	6.90						
1997 Series C	6.40						
1998 Series B	6.65						
1998 Series E	6.50	6,108	0	33	38	25,235	6
1999 Series 1	N/A						
2003 Series 2	5.75	74,111	51,160	68,619	2,205	52,397	71,731
2003 Series 3	5.30	622,260	424,891	512,914	529,437	238,338	441,680
2006 Series C	6.00/6.25	1,733,336	2,046,404	674,301	991,314	1,537,048	1,313,251
2007 Series 2	5.65/6.00	290,125	843,454	398,297	267,301	638,872	251,469
2007 Series 3	5.65/6.00	59,204	172,118	81,278	54,546	130,370	51,316
2008 Series 1	5.75	256,554	467,692	940,884	572,263	434,347	261,507
2008 Series 2	5.75	830,925	609,624	857,499	461,103	775,872	420,964
Equity Pool	N/A	1,907,762	1,407,825	1,152,174	1,014,524	1,072,330	1,644,935
	Subtotal:	$ 5,780,386	$ 6,023,169	$ 4,686,001	$ 3,892,730	$ 4,904,809	$ 4,456,859
Taxable Veterans Mortgage Bonds							
1997 Series D	6.40%						
1998 Series C	6.65						
1998 Series F	6.50	72,844	98,064	84,050	117,383	91,611	37,623
1999 Series B	6.85	1,354	41,422	51,545	311	433	5,621
1999 Series D	7.80						
2000 Series B	7.90						
2000 Series E	6.80	6,908	8,763	4,381	3,488	269	
2001 Series A	7.00	6,212	3,402	2,033	42,364	4,740	82,340
2001 Series D	7.00	46,645	-	-	50,658		47,749
2001 Series E	6.80	950	921	916	916	916	886
2002 Series B	6.50	495	211,899	5	114,370		
2002 Series D	6.50	178,363	1,794	1,335	106,835	670	91,751
2002 Series E	5.65	17,228	42	1	-		3,961
2002 Series F	5.65	420,661	14,193	20,481	89,919	109,962	90,101
2002 Series H	5.75	239,555	120,076	88,262	324,582	151,992	10,227
2003 Series 1	N/A	527	580	581	694	816	1,332
2003 Series B	5.35/5.75/5.30	308,866	442,949	451,614	46,944	242,347	583,105
2004 Series B	5.35	7,805	3,075	3,681	-	177	159
2004 Series C	5.65	4,954		3,133	-		
2004 Series D	6.15	167,435	134,007	156,306	802	73,768	89,772
2005 Series C	5.99	4,215	198,155	-	-		70,687
2006 Series B	6.75/7.25	322	21,263	-	28,177	95,913	30,529
2008 Series B	6.00	1,260	121,387	101,537	218	207	118,234
	Subtotal:	$ 1,486,599	$ 1,421,992	$ 969,860	$ 927,661	$ 773,822	$ 1,264,079
	Total:	$ 7,266,985	$ 7,445,161	$ 5,655,861	$ 4,820,391	$ 5,678,631	$ 5,720,937

Source: Department of Veterans Affairs.

PART IV

MASTER LEASE CERTIFICATES OF PARTICIPATION

Part IV of the 2016 Annual Report provides information about master lease certificates of participation (**Certificates** or **COPs**) issued under the State of Wisconsin Master Lease Program (**Program**). Selected information is provided in this introduction for the convenience of the readers; however, all information presented in this Part IV of the 2016 Annual Report should be reviewed to make an informed investment decision.

Total Outstanding Balance (12/15/2016)	$116,238,338
Ratings[a] (Fitch/Kroll/Moody's/S&P) Certificates	AA-/AA-/Aa3/AA-
Authority	The Master Lease is authorized by Section 16.76(4), Wisconsin Statutes; Certificates are issued pursuant to the Master Indenture.
Trustee/Paying Agent	U.S. Bank National Association serves as Trustee, Paying Agent, registrar, and Lessor.
Security	The Certificates evidence a proportionate interest in Lease Payments to be made by the State under the Master Lease with regard to equipment items and service contracts. *The Certificates do not constitute debt of the State or any of its subdivisions. The State's obligation to make Lease Payments is not a general obligation of the State and is not supported by the full faith and credit of the State. The State is not obligated to levy or pledge any tax to make the Lease Payments, but such payments are required from legally available funds, subject to annual appropriation.*

[a] The ratings presented reflect the ratings assigned to the Certificates without regard to any bond insurance policy. No information is provided in the 2016 Annual Report about any rating assigned to any Certificates based on any bond insurance policy.

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The Capital Finance Office, which is part of the Division of Executive Budget and Finance within the State of Wisconsin Department of Administration (**Department of Administration** or **DOA**), is responsible for managing the State's borrowing and finance programs. The law firm of Foley & Lardner LLP provided bond counsel services in connection with the Program. Requests for additional information about the Certificates or the Program may be directed to the Capital Finance Office.

The 2016 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in one part of the 2016 Annual Report may differ from that of the same terms used in another part, and the total amount shown in a table may vary from the related sum due to rounding. No information or resource referred to in the 2016 Annual Report is part of the report unless expressly incorporated by reference.

General information about the State of Wisconsin, including but not limited to operating data such as revenues, expenditures, budgets, General Fund data, and information on significant pending litigation, is included in Part II of the 2016 Annual Report. The State's audited general purpose external financial statements and independent auditor's report for the fiscal year ending June 30, 2016 are not available as of the date of the 2016 Annual Report. When such statements become available, they will be filed with the Municipal Securities Rulemaking Board **(MSRB)** through its Electronic Municipal Market Access **(EMMA)** system and will be added to Part II of the 2016 Annual Report.

Certain statements in this Part IV of the 2016 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2016 Annual Report, and the State undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

OUTSTANDING CERTIFICATES

Pursuant to the Master Indenture, dated as of July 1, 1996 (**Master Indenture**), among the State of Wisconsin, acting by and through its Department of Administration (**State** or **Lessee**), Firstar Bank Milwaukee, N.A., now known as U.S. Bank National Association (**Lessor**), and Firstar Trust Company, now known as U.S. Bank National Association, as trustee (**Trustee** and **Paying Agent**), the Trustee, with the consent of the State, has issued Certificates on the dates and in the amounts shown in Table IV-1. The table includes the outstanding principal balances as of December 15, 2016, and only includes Certificates that have an outstanding balance as of that date.

Table IV-1

OUTSTANDING MASTER LEASE CERTIFICATES OF PARTICIPATION BY ISSUE
(As of December 15, 2016)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
Fixed-Rate Master Lease COPs					
2010- Master Lease COPs Series B	8/31/10	2011-17	$ 21,205,000	$ 41,300	(a)
2012- Master Lease COPs Series A	2/29/12	2012-17	26,810,000	1,130,000	
2014- Master Lease COPs Series A	2/27/14	2014-23	33,180,000	21,846,580	(a)
2014- Master Lease COPs Series B	11/13/14	2015-23	37,635,000	27,255,202	(a)
2015- Master Lease COPs Series A	7/8/15	2015-23	39,960,000	31,961,513	(a)
2016- Master Lease COPs Series A	7/14/16	2016-23	33,645,000	29,580,000	
Total Fixed-Rate Master Lease COPs				$ 111,814,595	
Variable-Rate Master Lease COPs					
2013- Master Lease COPs Series A[b]	8/29/13	2021	$ 50,000,000	$ 4,423,743	
Total Variable-Rate Master Lease COPs				$ 4,423,743	
TOTAL OUTSTANDING MASTER LEASE COPS				$ 116,238,338	

(a) The Master Lease provides that certain Lease Schedules 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. The principal amount of Certificates for which payment has been provided is treated as not outstanding for purposes of this table.

(b) This series of Certificates evidence the State's repayment of a revolving credit facility in the aggregate amount of $50,000,000, which the State uses for acquisition funding for the Program. See "SECURITY FOR CERTIFICATES; Two-Phase Financing Structure".

Table IV-2 provides a historical view of the amount of outstanding Certificates as of December 15th for the previous ten years.

Table IV-2
HISTORICAL OUTSTANDING MASTER LEASE CERTIFICATES OF PARTICIPATION

Year (December 15)	Total
2006	$ 84,216,773
2007	84,577,160
2008	74,135,428
2009	63,871,327
2010	74,099,653
2011	68,223,080
2012	55,891,494
2013	66,795,540
2014	92,103,222
2015	111,962,060

THE MASTER LEASE PROGRAM

General

The Program, which was created in 1992 for use by all State agencies, permits the State to acquire tangible property and, in certain situations, intangible property or prepaid service items (**Leased Items**), for State agencies through installment purchase contracts. Particular Leased Items are described in schedules (**Lease Schedules**) that are prepared under the Third Amended and Restated Master Lease, dated as of April 28, 2000 (**Master Lease**), between the Lessor and the State.

Through the period ending December 15, 2016, 16 State departments, the Legislature, the Supreme Court, and various other State bodies have used the Program to acquire approximately $730 million of Leased Items.

Program Structure

The Master Lease and the Master Indenture establish the structure of the Program. The Master Lease contains general terms and conditions applicable to both the Program and Lease Schedules entered into by the Lessor and the State. A supplemental indenture creates a particular series of Certificates. See "SUMMARY OF THE MASTER LEASE".

The Master Indenture establishes a trust (**Trust**) comprising certain Lease Schedules, rents, and other payments the State is required to make under the Master Lease (**Lease Payments**), Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted by the Master Lease. The Trust serves as a common pool of collateral, ratably securing all present and future Certificates. See "SUMMARY OF THE MASTER INDENTURE".

Program Operations

The Program structure places within the Department of Administration centralized control of day-to-day operations:

- Functions related to Program administration, review of requests for eligible use of the Program, and day-to-day Program operations occur in the Capital Finance Office.
- Functions related to review of requests for budgetary capacity for Lease Payments resulting from use of the Program and biennial budget preparation occur in the State Budget Office.
- Functions related to collection of Lease Payments occur in the State Controller's Office.

Each of these offices is part of the Department of Administration's Division of Executive Budget and Finance.

To use the Program to acquire a Leased Item, a State agency submits a written request to the Capital Finance Office. This request is reviewed and approved by the Capital Finance Office, the State Budget Office, and the Secretary of Administration. Requests that include information technology items, including development of software or related systems, are also reviewed by the Department of Administration's Division of Enterprise Technology. The review process includes a determination by the Capital Finance Office that lease financing is the best alternative for the particular circumstance and a determination by the State Budget Office that current resources are available to make the Lease Payments due in the current fiscal year. Upon receiving approval to use the Program, the State agency completes procurement of the Leased Item in compliance with State procurement requirements.

Upon acceptance of the Leased Item, the State agency forwards all related outstanding invoices to the Department of Administration for coordination of payment through the Program. Parallel to payment being made to the vendor, a Lease Schedule is prepared by the Department of Administration and executed by the State, the Lessor, and the State agency. This Lease Schedule is then added to the Master Lease. The Lease Schedule also identifies the budgetary appropriation from which the related Lease Payments are expected to be made.

Lease Payments are collected by the State Controller's Office. Scheduled Lease Payments are automatically withdrawn from the appropriations identified by the State agency and electronically wired to the Trustee.

State Appropriation Process

Lease Payments are not included in the State budget as a separate budget line item; rather, Lease Payments are included with other expenditures in one or more of a State agency's existing budget lines. State law establishes procedures for the budget's enactment. See "BUDGETING PROCESS AND FISCAL CONTROLS" in Part II of the 2016 Annual Report for a summary of the budget enactment process and other financial procedures of the State. The State Budget Office review and approval of requests to use the Program provides for Lease Payments to be addressed during preparation of a biennial budget.

The Department of Administration maintains separate accounts for all appropriations, showing the amounts appropriated, the amounts allotted, the amounts encumbered, the amounts expended, and certain other data necessary to the financial management and control of all State accounts. The Department of Administration also maintains the general ledgers of the General Fund and all other funds of the State.

SECURITY FOR CERTIFICATES

General

The Certificates represent proportionate interests in Lease Payments required to be made by the State under the Master Lease. The Master Lease requires the State to make Lease Payments from any source of legally available funds, subject to annual appropriation. The scheduled Lease Payments are sufficient to pay when due the semiannual principal and interest payments on all outstanding Certificates.

The obligation of the State to make Lease Payments does not constitute an obligation for which the State is obligated to levy or pledge any form of taxation or for which the State has levied or pledged any form of taxation. The obligation of the State to make Lease Payments does not constitute debt of the State. Lease Payments are required from legally available funds, subject to annual appropriation. See "RISK FACTORS".

Common Pool of Collateral

Under the Master Indenture, the Lessor has assigned to the Trustee, for the benefit of all owners of Certificates, all its rights in the following:

- The funds and accounts created by the Master Indenture.

- The Lease Schedules specified in supplemental indentures.
- All Lease Payments, Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted by the Master Lease.

All Leased Items serve as a common pool of collateral, ratably securing all present and future Certificates. All Certificates are secured by all Leased Items, regardless of their funding source or the time at which the Program finances them. If the Legislature fails to appropriate necessary funds for the continued performance of the State's obligations under any Lease Schedule or if an event of default occurs under the Master Lease, then an event of default exists with respect to all outstanding Certificates. Once a Lease Schedule is fully paid, the Leased Item covered by the Lease Schedule no longer serves as collateral.

In the opinion of Bond Counsel, the transfer of Lease Schedules by the Lessor to the Trustee constitutes a true sale and not a secured transaction. The State's obligation to make Lease Payments does not depend upon any service provided by the Lessor, and thus the transfer of Lease Schedules would be unaffected by any insolvency of the Lessor.

Reserve Fund

The Master Indenture allows a reserve fund to be established for any specific series of Certificates. As of December 15, 2016, no reserve fund has been established for any series of outstanding Certificates. In the event that the Department of Administration were to establish a reserve fund under the Master Indenture, the amounts in the reserve fund would only be available to the series of Certificates for which the reserve fund was established.

Expected Refunding of Certificates

Some of the Lease Schedules funded with Certificates had terms that extend beyond the final maturity date of the respective series of Certificates, including some terms that extended to March 1, 2029. The Lease Schedules have been amended to provide for rental payments sufficient to make scheduled payments of principal of, and interest on, the Certificates. Many series of Certificates currently have a maturity on March 1, 2023. The State intends to issue additional Certificates on or prior to March 1, 2023, to refund all or a portion of the principal of the Certificates maturing on March 1, 2023. Upon issuance of these Certificates, the State will further amend the Lease Schedules to provide for rental payments sufficient to make scheduled payments of principal of, and interest on, the Certificates, and to extend the payment terms in a manner consistent with their initial terms.

Governmental Use

In connection with each Lease Schedule, the State certifies that each Leased Item will be used to perform a governmental function. Many of the Leased Items will perform critical governmental functions, but the State does not certify that the Leased Items perform any "essential" functions. Examples of Leased Items currently existing in the Trust include components of the State's integrated tax collection and processing system, components of the State's central mainframe computer, technology upgrades and equipment for various information technology initiatives, and energy conservation projects for state-owned buildings, and components of a comprehensive information technology system that allows the State to centrally manage finance, budget, procurement, business intelligence and human resource functions. See "TABLE IV-3; Outstanding Master Lease Schedules".

Centralized Control and Review

The Program structure allows one division within the Department of Administration to centrally administer many Program activities. Program functions related to administration, review, and day-to-day operations occur in the Capital Finance Office. Program functions related to review and biennial budget preparation occur in the State Budget Office. Program functions related to collection of Lease Payments occur in the State Controller's Office. Each of these offices is part of the Division of Executive Budget and Finance.

Two-Phase Financing Structure

The State typically uses a two-phase financing structure for the Program. In the first (or acquisition) phase, all Leased Items are initially financed with proceeds from a revolving credit facility. The revolving credit facility is a line of credit, and the State, acting on behalf of the Trustee, requests draws from the revolving credit facility to pay for the acquisition of Leased Items. A Certificate has been issued to the provider of the revolving credit facility to evidence the State's repayment of balances under the facility. The provider is currently PNC Bank, National Association, and the current scheduled termination date to make draws is September 1, 2018. The State pays interest on funds drawn from the revolving credit facility based on a taxable variable interest rate, and the repayment term under the credit facility can extend for up to three years after the scheduled termination date.

In the second phase, the State, acting on behalf of the Trustee, may sell Certificates, with interest payments based on a fixed (and generally tax-exempt) interest rate to fund all, or a portion of, the Lease Schedules previously funded with proceeds from the revolving credit facility. Since the proceeds of the Certificates being used as part of the second phase are immediately applied to acquire existing Lease Schedules, the proceeds of those Certificates are not subject to nonorigination risk. The State most recently issued fixed-rate Certificates for this purpose in July 2016, July 2015, November 2014, and February 2014, and prior to these four series, the last issuance of such fixed-rate Certificates occurred in 2012.

In connection with any refinancing, the Master Lease and the Lease Schedules provide for amendments to the terms of the Lease Schedules to match the payment dates and amounts of the Certificates.

All sources of financing for the Program are issued under the Master Indenture. See "SECURITY FOR CERTIFICATES; Common Pool of Collateral".

Budget Process

The central control of the Program provides the State Budget Office with knowledge of all past, current, and pending scheduled Lease Payments due under the Master Lease. Lease Payments due under the Master Lease are not included in the State budget as a separate budget line item; rather, Lease Payments due under the Master Lease are included with other expenditures in one or more of the existing budget line items for the participating agencies. The Secretary of Administration, under the direction of the Governor and with assistance from the State Budget Office, compiles all budget information and prepares an executive budget consisting of the planned operating expenditures and revenues of all State agencies.

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. Under Wisconsin law an existing appropriation continues in effect until it is amended or repealed. Once a newly enacted budget becomes effective, the continuing authority of existing appropriations is superseded by the newly enacted appropriations.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. If an amount has been appropriated for the second fiscal year in one biennium, there will be continuing authority in the same amount until a new biennial budget is enacted or some other legislative action is taken to amend or repeal the appropriation. The 2015-17 biennial budget of the State was enacted on July 12, 2015, which was 11 days after the start of the biennium. Of the prior ten biennial budgets, the 2009-11, 2011-13 and 2013-15 biennial budgets were each enacted prior to the start of their respective biennium; however, each of the seven biennial budgets prior to the 2009-11 biennium were enacted after the start of the biennium, with the latest date after the start of a biennium being October 27, 1999 (for the 1999-2001 biennium), which was nearly four months after the start of the 1999-2000 fiscal year (the first fiscal year of that biennium).

The Secretary of Administration has statutory power to order reductions in the appropriations of State agencies (which represent less than one-third of the General Fund budget). See "BUDGETING PROCESS AND FISCAL CONTROLS" in Part II of the 2016 Annual Report for additional information on the State's budget process.

Priority of Claims

The Master Lease includes representations that, if an emergency arises that requires the Department of Administration to draw vouchers for payment that will be in excess of available moneys, then the Secretary of Administration will establish a priority schedule for payments that gives a high priority to Lease Payments due under the Master Lease. However, the Secretary of Administration is required to give higher priority to payments on outstanding State general obligations, operating notes, and employee payroll. See "GENERAL FUND INFORMATION; General Fund Cash Flow" in Part II of the 2016 Annual Report.

RISK FACTORS

Nonappropriation

The State's obligation to make Lease Payments is subject to appropriation of the necessary funds by the Legislature. No assurance is given that sufficient funds will be appropriated or otherwise available to make the Lease Payments. **Nonappropriation** is defined in the Master Lease as a determination by the State (or Lessee) that the Legislature has failed to appropriate necessary funds for the continued performance of the obligations of the Lessee under the Master Lease. A failure by the State to make a Lease Payment with respect to any Leased Item would cause the Master Lease to terminate with respect to all Leased Items. The State's obligation to make Lease Payments is not a general obligation of the State, and the obligation does not involve the State of Wisconsin Building Commission. Rather, the Master Lease is a contract entered into by the Department of Administration under separate statutory authority. The owners of the Certificates could suffer a loss or fail to obtain payment on a timely basis if no appropriation were made or if an insufficient appropriation were made. This could occur either through the direct action of the Legislature or the Governor or through a failure to act.

The Master Lease does not include a nonsubstitution clause. If the Legislature fails to appropriate necessary funds for the continued performance of the State's obligations under the Master Lease, the State is allowed to acquire and use similar items for the same function as the Leased Item for which no appropriation was made.

As described under "SECURITY FOR CERTIFICATES; Expected Refunding of Certificates", some Lease Schedules funded with series of Certificates previously had scheduled Lease Payment dates extending beyond the final maturities of those Certificates. This includes approximately $36 million of payments attributable to principal due March 1, 2023 that State agencies had intended to pay through a date that is after the final maturity for Certificates. The State intends to refund portions of the principal amounts of the Certificates that mature on March 1, 2023. However, if such refunding were not to occur for any reason, larger than normal appropriations would be needed to provide for the payment of the Certificates maturing on March 1, 2023.

While it is possible that failure to make the Lease Payments might hinder the State's subsequent access to the capital markets, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for Lease Payments. See "SUMMARY OF THE MASTER LEASE" and "SUMMARY OF THE MASTER INDENTURE" for additional information about remedies available under the Master Lease and Master Indenture if no appropriation is made.

Essentiality of Leased Items

Although the State has made certain representations that each Leased Item serves a governmental function and although many Leased Items serve critical functions, it should be assumed that the State could function without any Leased Item.

Collateral Value of Leased Items

Although the State has provided a security interest in the Leased Items to the Trustee (for the benefit of the owners of Certificates), the Certificates are not offered on the basis of the collateral value of the Leased Items or the value of any other pledged asset (other than the Lease Payments). The term of the

Lease Schedule is not permitted to exceed the useful life of the Leased Item; however, it should not be assumed that the value of the Leased Item at any particular time will exceed the portion of the remaining Lease Payments that will be applied to principal or that the existence of any excess would motivate the State to continue making Lease Payments. Typically it is difficult to realize the full value of collateral through sale of the collateral, and some of the Leased Items, such as service contracts, intangible property, or tangible property that is incorporated into real estate, may be impossible or difficult to sell or have little or no value to a third party purchaser.

Records that evidence the security interest are kept by the Department of Administration, separate and apart from the central record system of security interests kept by the State of Wisconsin Department of Financial Institutions under the Uniform Commercial Code.

Tax Exemption

No assurance can be given that, if the Master Lease were terminated, subsequent payments made by the Trustee with respect to the outstanding Certificates and designated as interest would be excluded from gross income for federal income tax purposes.

Applicability of Securities Law

If the Master Lease were terminated, then the transfer of a Certificate might be subject to compliance with the registration provisions of applicable federal and state securities laws, which could impair the liquidity of the Certificates.

Table IV-3

OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2016)

Schedule Number	Origination Date	Maturity Date	Leased Item	Amount Financed	Principal Balance
06-057	8/31/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	$ 160,000.00	$ 7,212.31
06-058	8/31/2006	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	70,000.00	6,297.43
06-060	8/31/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Oshkosh	152,000.00	6,851.69
06-064	9/29/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	180,000.00	8,159.90
06-065	9/29/2006	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	95,000.00	8,592.13
06-066	9/29/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Oshkosh	28,000.00	1,269.31
06-074	12/15/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	230,000.00	10,589.52
06-075	12/15/2006	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	285,000.00	26,075.18
06-078	12/29/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	110,879.00	5,120.17
06-079	12/29/2006	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	230,000.00	21,166.77
07-008	2/2/2007	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	318,576.00	29,510.42
07-035	8/10/2007	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	780,000.00	86,687.44
07-048	12/7/2007	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	300,000.00	34,195.27
08-007	3/7/2008	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	150,000.00	17,464.35
08-023	8/5/2008	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	100,000.00	11,110.83
08-026	9/5/2008	3/1/2017	WEI 3-Energy Perf Contract; UW-Oshkosh	12,912.00	775.34
08-035	11/26/2008	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	230,000.00	26,456.19
09-012	4/10/2009	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	99,440.00	12,022.68
10-055	10/15/2010	9/1/2017	Wisconsin Integrated Correction System (WICS) - Phase 2	1,643,868.00	232,106.45
10-071	11/30/2010	9/1/2017	Base Station Radios	1,366,000.00	197,140.51
10-079	12/15/2010	9/1/2017	Highly Integrated Adaptive Radiotherapy (Hi-Art) System	1,740,330.00	253,048.94
11-002	1/27/2011	9/1/2017	Base Station Radios	444,243.15	66,010.13
11-019	3/15/2011	9/1/2017	Highly Integrated Adaptive Radiotherapy (Hi-Art) System	193,370.00	29,414.58
11-029	4/29/2011	9/1/2017	Grounds Vehicle and Accessories	45,648.61	7,177.09
11-053	8/15/2011	9/1/2017	Hybrid Grounds Vehicles	269,350.00	28,598.33
11-060	9/16/2011	9/1/2017	Base Station Radios	213,423.67	35,618.06
11-067	11/15/2011	9/1/2017	Base Station Radios	67,932.76	11,694.22
12-005	2/15/2012	3/1/2019	Dispatch Console Replacement	1,776,827.76	571,819.29
12-012	3/30/2012	3/1/2017	Ozone Washing System	51,003.83	4,805.99
12-020	6/15/2012	3/1/2017	Golf Course Maintenance Equipment	75,528.60	7,496.09
12-021	6/29/2012	3/1/2019	Wisconsin Integrated Correction System (WICS) - Phase 3	1,275,647.00	438,192.35
12-024	7/16/2012	3/1/2017	Residence Hall Furniture	316,142.00	32,149.41
12-025	7/16/2012	3/1/2017	Golf Course Maintenance Equipment	20,628.15	2,097.73
12-033	12/17/2012	9/1/2019	Portable Radio Replacement	1,206,063.10	498,428.68
13-005	5/15/2013	3/1/2017	Golf Course Maintenance Equipment	50,990.00	5,792.58
13-006	5/15/2013	3/1/2017	Golf Course Maintenance Equipment	9,900.00	1,260.96
13-008	5/31/2013	9/1/2018	Delivery Vehicles	683,508.00	241,775.79
13-009	5/31/2013	9/1/2018	Golf Course Maintenance Equipment	70,070.89	24,786.03
13-010	6/14/2013	9/1/2028	ERP Software/Hardware - STAR Project	14,315,300.00	10,339,237.17
13-011	7/1/2013	9/1/2018	ERP Software/Hardware - STAR Project	1,606,208.91	589,617.01
13-012	7/1/2013	9/1/2018	Golf Course Maintenance Equipment	14,089.00	5,087.59
13-014	7/19/2013	9/1/2018	ERP Software/Hardware - STAR Project	1,148,211.55	426,175.95
13-015	8/1/2013	3/1/2018	Golf Course Maintenance Equipment	46,720.00	14,636.17
13-017	9/16/2013	9/1/2028	ERP Software/Hardware - STAR Project	10,000,000.00	7,389,034.49
13-019	10/1/2013	9/1/2017	Fleet Vehicles	41,042.00	10,164.72
13-020	10/1/2013	9/1/2020	Fleet Vehicles	37,942.00	20,504.77
13-021	11/1/2013	9/1/2017	Fleet Vehicles	86,516.00	21,960.41
13-025	12/23/2013	9/1/2017	Storage Hardware and Software	4,802,969.00	1,273,297.28
14-001	1/31/2014	3/1/2017	Computer Storage Cluster	76,328.00	12,636.45
14-002	2/7/2014	9/1/2017	Storage Hardware and Software	107,100.00	30,116.03
14-003	2/7/2014	3/1/2021	Potato Grader	110,000.00	66,740.52
14-004	2/28/2014	3/1/2029	Star Project	1,049,735.00	788,697.95
14-005	4/1/2014	3/1/2023	Benefits Administration System	2,500,000.00	1,693,179.63
14-006	4/1/2014	3/1/2029	Star Project	1,266,560.00	959,845.39
14-007	4/1/2014	3/1/2029	Star Project	2,629.87	1,992.59
14-008	4/11/2014	3/1/2019	Star Project	63,111.00	30,529.24
14-010	5/2/2014	3/1/2029	Star Project	1,779,630.00	1,360,353.04
14-011	5/2/2014	3/1/2018	Golf Course Maintenance Equipment	39,060.57	14,722.62
14-013	5/30/2014	3/1/2029	Star Project	2,211,085.00	1,703,365.09

Table IV-3—Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2016)

Schedule Number	Origination Date	Maturity Date	Leased Item	Amount Financed	Principal Balance
14-014	5/30/2014	3/1/2018	Golf Course Maintenance Equipment	$ 20,159.00	$ 7,774.10
14-016	6/30/2014	3/1/2019	Wisconsin Integrated Correction System (WICS)	1,135,814.00	579,553.21
14-017	6/30/2014	9/1/2020	Patient Lifts	101,190.50	44,159.87
14-018	6/30/2014	3/1/2017	Business School Computers	31,148.92	5,747.97
14-019	6/30/2014	3/1/2023	Benefits Administration System	929,300.00	652,499.74
14-020	6/30/2014	3/1/2029	Star Project	3,150,758.69	2,434,499.37
14-022	7/18/2014	3/1/2017	Computer Storage	149,761.16	29,694.22
14-023	7/18/2014	9/1/2020	Patient Lifts	113,916.90	72,474.55
14-024	8/8/2014	3/1/2029	Storage Hardware and Software	1,862,780.00	1,472,107.73
14-025	8/8/2014	9/1/2021	Biennial Budget System	335,859.30	226,087.59
14-026	9/16/2014	3/1/2029	Storage Hardware and Software	5,995,392.20	4,741,050.34
14-027	9/16/2014	3/1/2023	Benefits Administration System	1,761,132.00	1,267,447.73
14-028	9/16/2014	9/1/2019	Networking Equipment	380,835.80	217,366.50
14-029	10/1/2014	9/1/2018	Storage Hardware and Software	13,373,204.90	6,452,358.55
14-030	10/1/2014	9/1/2020	Patient Lifts	148,281.99	94,249.64
14-031	10/17/2014	3/1/2029	Storage Hardware and Software	2,459,415.00	1,941,920.56
14-032	6/30/2014	3/1/2019	Computer Software	941,472.00	501,502.13
14-033	11/18/2014	3/1/2029	ERP Systems Integrator	2,459,415.00	1,956,899.51
14-034	12/3/2014	3/1/2029	STAR Project - ERP Software	2,459,415.00	1,965,258.75
15-001	1/9/2015	3/1/2029	STAR Project - ERP Software	2,459,415.00	1,985,409.07
15-002	2/13/2015	3/1/2029	STAR Project ERP Software and Services	7,468,416.60	6,122,814.75
15-003	2/13/2015	3/1/2023	Integration Benefits Administration System	652,124.03	496,830.12
15-004	2/13/2015	9/1/2019	Wireless Mobile Microphones	282,452.10	182,380.00
15-005	2/13/2015	9/1/2021	Microwave Network Communications Equipment	1,228,998.25	896,923.24
15-006	3/16/2015	3/1/2029	STAR Project ERP Software and Services	4,405,967.00	3,608,934.88
15-007	3/16/2015	9/1/2018	IT Storage Hardware and Software	1,333,701.84	744,541.71
15-008	3/16/2015	3/1/2018	Ultrasound Equipment	194,228.00	95,359.70
15-009	3/1/2015	3/1/2018	Ultrasound Equipment	137,945.50	23,539.71
15-010	4/21/2015	9/1/2018	Storage Hardware and Software	747,523.62	417,109.92
15-011	4/21/2015	9/1/2021	Microware Network Hardware and Software	13,771.50	10,041.51
15-012	4/21/2015	3/1/2029	STAR Project ERP Software and Services	4,584,263.80	3,753,208.47
15-014	5/22/2015	9/1/2018	IT Storage Hardware and Software	151,226.85	90,976.28
15-015	5/22/2015	3/1/2018	Mainframe and Software Licenses	7,189,000.00	3,852,476.18
15-016	5/22/2015	3/1/2029	STAR Project ERP Software and Services	3,557,638.40	2,976,841.12
15-017	7/2/2015	3/1/2029	STAR Project ERP Software and Services	3,139,506.40	2,625,751.16
15-018	7/2/2015	3/1/2018	Copier/Printer/MultiFunctional Devises	129,595.00	69,415.78
15-019	7/2/2015	3/1/2020	Golf Course Maintenance Equipment	111,285.12	78,743.21
15-020	7/2/2015	9/1/2018	IT Storage Hardware and Software	300,092.15	180,447.98
15-021	7/2/2015	3/1/2018	Copier/Printer/MuntiFunctional Devices	264,854.00	143,804.54
15-022	7/29/2015	9/1/2019	Management Services	885,113.10	603,471.58
15-023	7/29/2015	9/1/2020	Golf Course Maintenance Equipment	27,802.62	20,617.32
15-024	7/29/2015	3/1/2029	ERP Software/Hardware - STAR Project	1,466,367.00	1,215,565.19
15-025	8/19/2015	9/1/2018	IT Storage and Hardware	102,802.21	66,367.40
15-026	8/26/2015	3/1/2029	ERP Software/Hardware - STAR Project	1,466,367.00	1,223,475.91
15-027	8/19/2015	9/1/2018	IT Storage and Hardware	99,304.00	64,109.01
15-028	8/19/2015	9/1/2018	Copier/Printer/MuntiFunctional Devices	90,506.00	64,839.83
15-029	9/18/2015	9/1/2020	ERP Software/Hardware - STAR Project	1,340,408.15	1,016,223.50
15-030	9/18/2015	9/1/2020	ERP Software/Hardware - STAR Project	1,466,367.00	1,116,875.65
15-031	10/26/2015	3/1/2017	Dell Computers	27,792.00	18,961.24
15-032	10/26/2015	9/1/2020	ERP Software/Hardware - STAR Project	445,742.00	344,007.74
15-033	11/23/2015	9/1/2020	ERP Software/Hardware - STAR Project	1,595,192.00	1,247,248.01
15-034	11/30/2015	9/1/2018	Biochemistry Analyzer	19,693.00	15,450.73
15-035	12/22/2015	9/1/2028	IT Storage and Hardware	1,692,524.00	1,214,071.18
15-036	12/22/2015	9/1/2018	IT Storage and Hardware	320,952.48	187,057.03
15-037	12/22/2015	9/1/2020	ERP Software/Hardware - STAR Project	89,148.40	68,815.39
16-001	1/12/2016	9/1/2020	ERP Software/Hardware - STAR Project	45,333.20	34,382.16
16-002	1/12/2016	9/1/2020	Veterinary Nuclear Medicine System	127,500.00	102,162.01
16-003	1/12/2016	3/1/2017	Dell Computers	20,151.00	13,754.24
16-004	1/29/2016	3/1/2021	Microwave Network	734,883.72	734,146.25

Table IV-3—Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2016)

Schedule Number	Origination Date	Maturity Date	Leased Item	Amount Financed	Principal Balance
16-005	1/29/2016	3/1/2018	Mass Spectrometer	979,302.57	713,205.92
16-006	2/16/2016	3/1/2023	ERP Software/Hardware - STAR Project	1,973,887.00	1,687,364.61
16-007	2/16/2016	3/1/2018	Copier/Printer/MuntiFunctional Devices	3,095.00	2,255.84
16-008	2/16/2016	9/1/2020	ERP Software/Hardware - STAR Project	45,333.20	37,293.13
16-009	3/2/2016	3/1/2023	Microwave Network	83,388.85	71,313.24
16-010	3/2/2016	3/1/2018	IT Storage and Hardware	190,632.25	138,993.06
16-011	3/2/2016	9/1/2020	IT Storage and Hardware	6,455,575.11	4,908,621.55
16-012	3/2/2016	9/1/2020	IT Storage and Hardware	925,290.10	761,518.58
16-013	3/2/2016	3/1/2021	Laptops	2,827,902.00	2,249,978.95
16-014	3/2/2016	3/1/2021	ERP Software/Hardware - STAR Project	89,148.40	73,999.74
16-015	3/28/2016	3/1/2021	ERP Software/Hardware - STAR Project	89,148.40	74,054.20
16-016	3/28/2016	3/1/2021	ERP Software/Hardware - STAR Project	253,760.00	210,794.43
16-017	3/28/2016	3/1/2023	Microwave Network	734,883.72	628,902.80
16-018	4/15/2016	3/1/2021	Mobile Radios	1,535,514.00	1,275,527.92
16-019	4/15/2016	3/1/2021	ERP Software/Hardware - STAR Project	253,760.00	210,901.77
16-020	4/22/2016	9/1/2020	Computer Hardware Systems	2,157,633.56	1,444,072.69
16-021	7/2/2015	3/1/2018	Copier/Printer/MultiFunctional Devises	912,886.50	759,289.88
16-022	5/13/2016	3/1/2022	Mobile Radios	327,721.90	278,555.19
16-023	5/13/2016	3/1/2022	ERP Software/Hardware - STAR Project	206,933.20	175,887.84
16-024	5/13/2016	3/1/2022	IT Storage and Hardware	124,314.00	105,663.63
16-025	6/13/2016	3/1/2023	IT Storage and Hardware	146,682.60	125,790.44
16-026	6/13/2016	3/1/2023	ERP Software/Hardware - STAR Project	252,593.60	216,616.38
16-027	6/13/2016	3/1/2023	ERP Software/Hardware - STAR Project	358,535.00	307,468.51
16-028	6/13/2016	9/1/2022	Mobile Radios	27,185.86	23,326.53
16-029	6/13/2016	9/1/2021	Call Center Software/Hardware System	4,067,296.13	3,159,055.29
16-030	6/13/2016	3/1/2021	Forage Merger	99,000.00	82,418.20
16-031	6/30/2016	3/1/2019	IPADS	142,383.35	61,548.50
16-032	6/30/2016	9/1/2020	Computer Hardware Systems	145,499.97	140,110.51
16-033	6/30/2016	9/1/2022	Microwave Network	661,314.26	645,588.55
16-034	6/30/2016	9/1/2021	Mobile Radios	56,920.50	55,262.90
16-035	7/19/2016	3/1/2019	IPADS	90,765.00	86,928.54
16-036	8/9/2016	3/1/2022	ERP Software/Hardware - STAR Project	233,416.60	233,416.60
16-037	8/9/2016	9/1/2021	Golf Course Maintenance Equipment	141,239.60	141,239.60
16-038	8/31/2016	3/1/2022	ERP Software/Hardware - STAR Project	2,185,701.00	2,185,701.00
16-039	8/31/2016	3/1/2022	IT Storage and Hardware	77,513.95	77,513.95
16-040	8/31/2016	9/1/2019	IPADS	51,971.20	51,971.20
16-041	8/31/2016	3/1/2023	Industrial Equipment	167,696.58	167,696.58
16-042	10/6/2016	9/1/2020	Computer Hardware Systems	54,798.69	54,798.69
16-043	10/6/2016	9/1/2023	ERP Software/Hardware - STAR Project	63,148.40	63,148.40
16-044	10/26/2016	9/1/2023	ERP Software/Hardware - STAR Project	209,800.00	209,800.00
16-045	10/26/2016	9/1/2021	Call Center Software/Hardware System	109,931.25	109,931.25
16-046	12/2/2016	9/1/2023	ERP Software/Hardware - STAR Project	46,000.00	46,000.00
			Total		**$116,204,193.61**

Note: The principal balance of each Lease Schedule reflects amortization at an assumed fixed interest rate; during the period that a Lease Schedule is funded with proceeds from a revolving credit facility, interest accrues based on a variable interest rate. As a result, the principal balances included in this table may change slightly when reconciled to reflect actual accrued interest. Final reconciliation of the actual to the assumed interest rates occurs with the last scheduled Lease Payment.

SUMMARY OF THE MASTER LEASE

The following is a summary of certain provisions of the Master Lease.

Acquisition, Delivery, and Lease of Leased Items

The Master Lease establishes the process for acquiring property items and service items. It requires the State to provide written notice to the Lessor, identifying:

- The items it desires to lease
- The anticipated schedule for making Lease Payments
- The anticipated date or dates on which payments to acquire the Leased Item are due and payable

The notice must also confirm that the State expects that sufficient moneys will be available to pay the acquisition costs, as arranged solely by the State. The State (or the Lessor at the State's request) orders each Leased Item from the contractor selected by the State.

The State is responsible for selecting Leased Items, reviewing the terms of purchase, and arranging for the delivery, installation, testing, servicing, and maintenance of the Leased Items.

Upon delivery and any required installation of any Leased Item that is a property item, the State is required to inspect such item, and if it meets the State's specifications, then the State, before the end of the acceptance period agreed to by the contractor, must provide the Lessor with a certificate of acceptance. At the time the property item is accepted, the State will perfect a security interest therein in favor of the Lessor or any party to which such security interest is assigned with the State's consent. Before the commencement of service for a Leased Item that is a service contract, the State must provide the Lessor with a certificate of acceptance. Any Leased Items thus acquired become subject to the Master Lease, and upon acceptance, the State becomes obligated to make the Lease Payments.

Lease Term and Lease Termination

The Master Lease is in effect until all Lease Payments have been paid, unless the Master Lease is either extended or terminated earlier, as provided in the Master Lease. With respect to any Leased Item, the obligation to make Lease Payments begins:

- On the date of execution of the related Lease Schedule and the certificate of acceptance, or
- On the date that sufficient moneys are received in a particular fund from which the costs of Leased Items are to be paid.

Subject to appropriation, the State presently intends to keep the Master Lease in effect for its entire term and to make all Lease Payments. The State agrees that the appropriate budget requests for each fiscal year will include all Lease Payments coming due in the fiscal year. In the event an emergency arises that requires the State to draw vouchers for payments that will be in excess of available moneys and the Secretary of Administration establishes a priority schedule for payments under the Wisconsin Statutes **(Statutes)**, the Secretary will give a high priority to Lease Payments due under the Master Lease.

In accordance with the Statutes, the continuance of the Master Lease beyond the limits of funds already available to the State is contingent upon appropriation of the necessary funds. Upon the occurrence in any fiscal year of a Nonappropriation **(Event of Nonappropriation)**, the State has the right to terminate the Master Lease. Termination would affect all Leased Items and would be effective as of the last day of a fiscal year (that is, June 30th).

The State would still be obligated to make any Lease Payments due by the end of the fiscal year but would not be responsible for the payment of any Lease Payments scheduled to come due in any succeeding fiscal year. In the event of termination of the Master Lease based on an Event of Nonappropriation, if the Lessor requests, the State is required to deliver possession of all Leased Items to the Lessor and must convey to the Lessor, or release, its interest in all Leased Items.

With respect to any Leased Item, the respective Lease Schedule terminates when all Lease Payments relating to it are paid under the Lease Schedule or when the State terminates the Lease Schedule by paying the applicable purchase price for the Leased Item.

The Master Lease will terminate in its entirety (which will affect all Leased Items) if the State exercises it right to terminate upon the occurrence of an Event of Nonappropriation, or if the State defaults and the Lessor elects to terminate the Master Lease.

Insurance Requirements; Loss or Damage to Leased Items

The State is required to provide insurance coverage against certain risks, through its self-funded liability and property programs, for which sum-sufficient appropriations are made under the Statutes. Insured risks include:

- Damage to, or destruction of, Leased Items
- Liability for injuries to or death of any person or damage to or loss of property related to use of the Leased Items
- The employer's costs for worker's compensation relating to use of the Leased Items

The State assumes all risks and liabilities for loss or damage to any Leased Item and for injury to or death of any person or damage to any other property arising from use of the property items or arising with respect to service items, to the extent such loss, damage, injury, death, or damage to other property is caused by acts committed by an officer or employee of the State while acting within the scope of employment or any agent of the State while acting within the scope of the agency.

If any Leased Item delivered to the State is lost, then the State is required to replace the item or pay the applicable purchase price for that Leased Item.

When the State pays the purchase price for any Leased Item, the Master Lease terminates with respect to such Leased Item and the State becomes entitled to such Leased Item, as is, where is, and without any warranty, except for any warranty from the contractor that provided the Leased Item.

Other Obligations

The Lessor has no responsibility for the use or maintenance of the Leased Items. The State is required to use all Leased Items carefully, properly, and lawfully. The State is required to maintain all Leased Items. The State is required to pay any charges assessed against Leased Items.

Rights in Leased Items; Security Interest

The Lessor does not have legal title to Leased Items that are property items. Legal title to all property items rests in the State. Should the Master Lease terminate due to an Event of Nonappropriation or an event of default under the Master Lease, the State is required to transfer to the Lessor its interest in all Leased Items.

The State has granted to the Lessor a first priority purchase-money security interest in Leased Items to secure the State's payment of all Lease Payments.

The Lessor has no responsibility in connection with the selection of the Leased Items or the contractors providing the Leased Items. The Leased Items and contractors are selected solely by the State.

The Lessor has no responsibility for the condition or usefulness of the Leased Items. The Leased Items are leased as is, where is, and without any warranty. The Lessor also is not responsible for any damages in connection with the use of the Leased Items.

Assignment, Mortgaging, and Selling

The Lessor may not, without the prior written consent of the State, assign its obligations under the Master Lease or its interest in the Leased Items or grant a security interest in or lien upon the Leased Items or enter into any financing for the Leased Items.

Option to Terminate Lease Schedule

Depending on the source of funding for the Lease Schedule, the State may have the option to terminate the Lease Schedule by depositing an amount equal to the applicable purchase price. The amount shall be either:

- An amount equal to the outstanding principal amount of the Lease Schedule, interest to the date of redemption of the source of funding, and any redemption premium, or
- If permitted, an amount sufficient to purchase investments maturing on such dates and in such amounts to pay the Lease Payments when due (or until the source of funding may be redeemed).

Events of Default and Remedies

Each of the following shall be an event of default under the Master Lease:

- Failure by the State to pay when due any Lease Payments and the continuation of such failure for five business days.
- Failure by the State to observe any covenant with respect to any Leased Item (other than a failure to make Lease Payments) for a period of thirty days after notice, unless the Lessor and the Trustee agree to an extension.
- Any representation or warranty by the State in the Master Lease was untrue in any material respect.
- An event of default shall have occurred and be continuing under the Master Indenture.

If by reason of *force majeure* the State is unable to carry out its obligations under the Master Lease with respect to any Leased Item (other than its obligation to make Lease Payments, which must still be paid when due), then the State shall not be deemed in default during the period of inability.

Whenever any event of default occurs, the Lessor has the right to take one or more of the following steps:

- The Lessor, with or without terminating the Master Lease, may declare all Lease Payments due or to become due during the fiscal year to be immediately due and payable.
- The Lessor, with or without terminating the Master Lease, may give the State written notice requiring the State to deliver all the Leased Items to the Lessor. If the State were to fail to return them within 30 days, then the Lessor may exercise all its legal rights to take possession of the Leased Items and to receive damages resulting from the State's failure. Even if the Lessor were to take possession of the Leased Items, the State would continue to be responsible for Lease Payments during the fiscal year. If the event of default were cured and the Master Lease had not been terminated with respect to such Leased Items, then the Lessor would be required to return the Leased Items to the State at the State's expense.
- If the Lessor were to terminate the Master Lease and take possession of Leased Items, then the Lessor would be required to attempt to sell the Leased Items in a commercially reasonable manner. The Lessor would be required to apply any proceeds of the sale in the following order: (1) all expenses incurred in securing possession of the Leased Items, (2) all expenses incurred in completing the sale, (3) any amounts payable to any party having a security interest in or lien against the Leased Items, (4) the applicable purchase price for the Leased Items, and (5) the balance of any Lease Payments due with respect to such Leased Items for such Fiscal Year. Any remaining proceeds of the sale would be paid to the State.

- The Lessor would be permitted to use any other remedy available at law or in equity with respect to such event of default.

If the Master Lease were terminated before all Lease Payments had been paid, then the Lessor may require the State to return the Leased Items.

SUMMARY OF THE MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture.

General

Pursuant to the Master Indenture, the Lessor has transferred to the Trustee without recourse (but also without limitation on its obligations under the Master Lease) all its right in the funds and accounts established under the Master Indenture, the Lease Schedules specified in supplemental indentures, and all Lease Payments, Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted by the Master Lease. Except as provided in the Master Indenture, all properties and rights received by, and moneys and investments held by, the Trustee under the provisions of the Master Indenture shall be held in trust for the benefit of the owners of the Certificates.

Funds and Accounts; Payments to be Deposited

The Master Indenture creates the following funds and accounts to be held and administered by the Trustee for each series of Certificates:

- Certificate Payment Fund (within which is an Interest Account, a Principal Account, and an Additional Rents Account),
- Project Fund (within which is a Project Account and an Earnings Account),
- Lease Payment Fund (within which is an Interest Account, a Principal Account, and an Additional Rents Account),
- Lease Payment Reserve Fund,
- Administrative Expense Payment Fund, and
- Insurance Fund.

The Trustee will deposit the proceeds from the issuance of a series of Certificates, net of the underwriters' discount:

- If specified in the supplemental indenture providing for the issuance of that series, then the Trustee will deposit in the Principal Account and the Interest Account of the Certificate Payment Fund an amount to be used for the partial or complete redemption of one or more series of outstanding Certificates, and the Leased Items related with the redeemed Certificates will thereafter relate to the newly issued Certificates.
- If specified in the supplemental indenture, then the Trustee will pay to the Lessor the costs of acquiring Leased Items that have not been reimbursed.
- If specified in the supplemental indenture, then the Trustee will deposit in the Principal Account in the Lease Payment Fund the amount specified for payment or reimbursement of costs of issuance.
- If specified in the supplemental indenture, then the Trustee will deposit an amount in the Lease Payment Reserve Fund.
- The Trustee will deposit an amount into the Project Account of the Project Fund specified in the supplemental indenture.
- The Trustee will deposit the balance of the proceeds, if any, in the Lease Payment Fund.

Earnings on the Project Account of the Project Fund are transferred as received to the Earnings Account of the Project Fund. Moneys in the Earnings Account are transferred and used for payment of amounts due or coming due within 30 days, in the following order: (1) to the Interest Account of the Lease Payment Fund for retransfer to the Interest Account of the Certificate Payment Fund and (2) to the Administrative Expense Payment Fund.

To the extent moneys in the Earnings Account of the Project Fund exceed amounts payable as described above, the excess is deposited in the Project Account of the Project Fund.

Money available in the Project Account of the Project Fund will be disbursed to pay for the acquisition of additional Leased Items, as directed by the State.

Except as provided in the Master Indenture, any money remaining in the Project Account of the Project Fund on the date specified in the applicable supplemental indenture will be transferred by the Trustee to the Principal Account of the Lease Payment Fund, to be applied as a credit against the Lease Payments required to be paid by the State.

Upon any Event of Nonappropriation or upon an event of default under the Master Lease requiring the surrender of Leased Items, or upon any other termination of a Lease Schedule other than pursuant to the payment of all Lease Payments or the exercise by the State of its option to pay the purchase price, the Trustee is required immediately to transfer all amounts on deposit in the Project Account of the Project Fund to the Principal Account of the Lease Payment Fund.

On any day on which Certificates are to be paid or redeemed, the Trustee is required to transfer the aggregate amount on deposit in the Principal Account of the Lease Payment Fund for deposit into the Principal Account of the Certificate Payment Fund. On the date Certificates are to be redeemed in accordance with the Master Indenture as a result of deposit of moneys into the Principal Account of the Lease Payment Fund, the Trustee is required then to transfer the money for deposit into the Principal Account of the Certificate Payment Fund. On the date that Certificates are to be redeemed due to the termination of a Lease Schedule as a result of an Event of Nonappropriation, and if funds have been transferred to the Principal Account of the Lease Payment Fund, the Trustee is required to transfer all amounts on deposit in such Principal Account for deposit into the Principal Account of the Certificate Payment Fund. On each Interest Payment Date with respect to Certificates, the Trustee is required to transfer from the Interest Account of the Lease Payment Fund (and, if necessary, from the Earnings Account of the Project Fund) for deposit into the Interest Account of the Certificate Payment Fund, an amount equal to the interest then due on the Certificates.

On each Interest Payment Date with respect to Certificates, the Trustee is required to transfer from the Lease Payment Reserve Fund to the Interest Account or the Principal Account of the Lease Payment Fund for a particular series of Certificates to the extent amounts on deposit in such Interest Account are insufficient to pay interest due on the Certificates of such series, or amounts on deposit in such Principal Account are insufficient to pay that portion of the principal of the Certificates of such series to be paid or redeemed. If at any time amounts on deposit in the Lease Payment Reserve Fund are less than the required amount, as adjusted from time to time as provided for in the Master Indenture, then the State, upon receiving notice of such deficiency from the Trustee, shall immediately pay the Trustee an amount equal to the deficiency.

The Trustee is enabled to bill the State semi-annually for all administrative expenses. If at any time the Trustee determines that payments deposited, or to be deposited, in the Administrative Expense Fund will be more or less than the expenses for the current Fiscal Year, then the Trustee is enabled to adjust the semi-annual billing. The Trustee shall disburse amounts from the Administrative Expense Fund to pay invoices rendered in accordance with the Master Indenture.

Except as provided in the Master Indenture, the Trustee is required to pay to the State any amount remaining in any Fund or Account after full payment (or redemption) of all Certificates outstanding and payment of any fees, expenses, or costs owing with respect to the Certificates or the Lease Schedules.

The Trustee is required to invest moneys it holds under the Master Indenture in **Qualified Investments,** to be selected at the direction of the State, giving consideration, however, to the times at which moneys are required to be disbursed under the Master Indenture and, in that connection, may place moneys in demand or time deposits with any bank or trust company authorized to accept deposits of public funds.

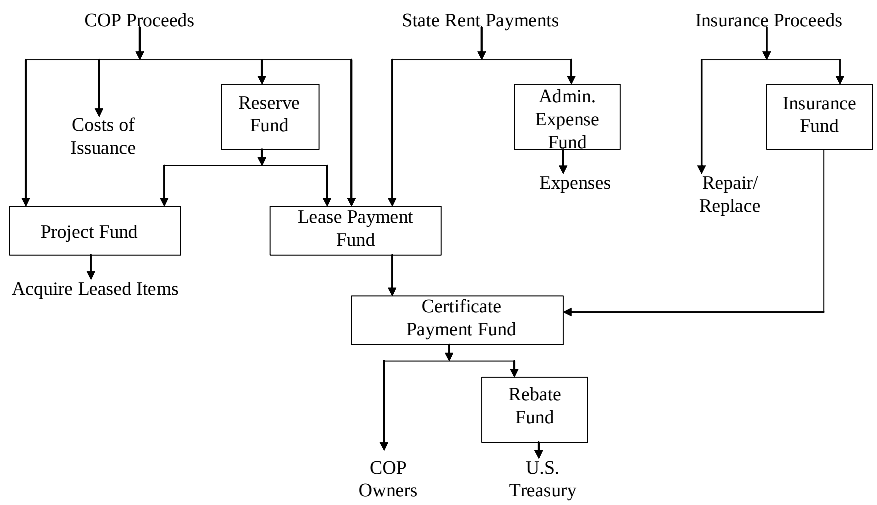
The following are Qualified Investments:

- Obligations of, or obligations guaranteed as to interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States.
- Federal Housing Administration debentures.
- Federal Home Loan Mortgage Corporation participation certificates.
- Farm Credit System consolidated system wide bonds and notes.
- Federal Home Loan Banks consolidated debt obligations.
- Federal National Mortgage Association senior debt obligations and mortgage-backed issues.
- Student Loan Marketing Association senior debt obligations and letter-of-credit-backed issues.
- Resolution Funding Corporation **(REFCORP)** debt obligations.
- Unsecured certificates of deposit, time deposits, and banker's acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated the highest classification (without regard to any suffix or numerical order) by each of those agencies selected by the State to assign a credit rating to the Certificates or the Program **(Rating Agencies)**.
- Certificates of deposit or time deposits constituting direct obligations of any bank, the full amount of which is insured by the Federal Deposit Insurance Corporation.
- Debt obligations, including prerefunded municipals, rated in either of the two highest classifications (without regard to any suffix or numerical order) by each of the Rating Agencies.
- Commercial paper rated the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies.
- Securities issued by those investment companies registered under the Investment Company Act of 1940 commonly known as "money market funds" rated in the highest classification by each of the Rating Agencies that invest solely in securities which are otherwise Qualified Investments.
- Investments made through repurchase agreements with any transferor with debt or commercial paper rated in the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies, *provided* that each repurchase agreement (1) is acceptable in form and substance to the State and the Trustee, (2) provides for the registration of title to certificated government obligations in the name of the Trustee or any agent of the Trustee and the physical transfer of certificated government obligations to the Trustee or to a custodial account in the name of the Trustee at a Federal Reserve Bank and for the registration of title to book-entry government obligations in the name of the Trustee, (3) provides that the government obligations acquired pursuant to such repurchase agreement shall be valued at least monthly at the lower of the then-current fair market value or the repurchase price in the applicable repurchase agreement (except that the Lease Payment Reserve Fund shall always be valued at the then current fair market value), and (4) is with any state or national bank or foreign bank with a United States branch or agency with short-term obligations rated in the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies.

- Any stripped securities rated in the highest classification by each of the Rating Agencies, including, but not limited to, U.S. Treasury STRIPS and REFCORP STRIPS.
- Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating from each of the Rating Agencies which is equal to or higher than the rating assigned to the Certificates by the Rating Agencies and the rating is in either of the two highest classifications (without regard to any suffix or numerical order) of each of the Rating Agencies.

The following chart depicts the sources and uses of the various funds.

State of Wisconsin Master Lease Program
Master Indenture - Sources and Uses of Funds



Servicing of Lease Schedules

The Lessor has agreed to service the Lease Schedules, and should the Lessor fail to do so, the Trustee has agreed to do so and to enforce their terms. At the time the State entered into the Master Lease and the Master Indenture, the Lessor and the Trustee were separate (but related) entities; now, as a result of successive corporate mergers, the Lessor and the Trustee are the same entity, serving in different capacities.

Events of Default and Remedies

The following shall constitute **Events of Default** under the Master Indenture:

- Any Event of Nonappropriation or event of default under the Master Lease or any Lease Schedule.
- Failure by the Lessor or the State to observe any covenant under the Master Indenture (other than an event specified above) for a period of 30 days after notice from the Trustee, the Lessor, or the owners of not less than 5% in aggregate principal amount of Certificates then outstanding; *provided, however,* if the failure cannot be corrected within the applicable period, then those parties may not unreasonably withhold their consent to an extension of such time if corrective action is instituted and diligently pursued.
- Any additional event designated as an Event of Default under any supplemental indenture.

If an Event of Nonappropriation or an Event of Default under the Master Lease were to occur and be continuing, then the Trustee would be required to cause the Certificates of all series to be redeemed pursuant to the Master Indenture, *pro rata,* to the extent money is available in the Lease Payment Fund. In addition, if an Event of Nonappropriation or an event of default were to occur and be continuing, then the Trustee may proceed, and upon written request of owners of not less than a majority in aggregate principal amount of Certificates then outstanding shall proceed, to take any of the remedial steps available under the Master Lease (including acceleration, if applicable) or whatever action at law or in equity may be necessary or appropriate to enforce its rights as assignee under the Master Indenture. All payments received by the Trustee with respect to the Trust upon an event of default, whether from the sale of Leased Items, damages, or otherwise, shall be applied by the Trustee, *first,* to its reasonable fees and expenses and *second,* to the Lease Payment Fund.

In the event that no action is taken to eliminate an event of default under the Master Lease, the owners of a majority in aggregate principal amount of the Certificates then outstanding may institute any suit, action, or other proceeding at law or in equity for the protection or enforcement of any right under the Master Lease or the Master Indenture, but only if such owners have first requested in writing that action be taken, have given a reasonable opportunity for such suit, action, or other proceeding to be instituted, and have offered reasonable indemnity against the costs, expenses, and liabilities to be incurred thereby.

Amendment

The Master Indenture, the Master Lease, or any Lease Schedule (**Operative Documents**) may be amended, or a supplemental indenture created, without the consent of any owners of Certificates, in order to provide for the issuance of a series of Certificates, to cure any ambiguity, to correct or supplement any provision in any of the Operative Documents that may be inconsistent with any provision in any other Operative Document, or to add any other provision with respect to matters or questions arising under any Operative Document if it is not inconsistent with the provisions of any Operative Document, *provided* that such action does not, as evidenced by an opinion of counsel, adversely affect in any material respect the interests of any owner of Certificates.

Any of the Operative Documents may also be amended from time to time with the consent of the owners of not less than 51% of the aggregate outstanding principal amount of Certificates of any series affected thereby for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Operative Documents, or of modifying in any manner the rights of the owners of not less than 51% of the aggregate outstanding principal amount of Certificates; *provided, however,* that no amendment shall without the consent of the owners of all Certificates:

- Increase or reduce the amount of, or delay the timing of, or otherwise adversely affect, collections of payments under any Lease Schedule (other than modifications permitted under the Master Lease) or required to be made on any Certificate,
- Release any Lease Schedule or all or substantially all collateral securing a Lease Schedule, or
- Reduce the percentage required for consent to any amendment.

Limitation on Rights of Certificate Owners

No owner of a Certificate has any right to vote (except as provided in the Master Indenture) or in any manner otherwise control the operation and management of the Trust, or the obligations of the parties to any of the Operative Documents; nor shall anything set forth in the Master Indenture, or contained in the terms of the Certificates, be construed so as to constitute the owners of Certificate as partners or members of an association; nor shall any owner of a Certificate be under any liability to any third person by reason of any action taken by the parties to the Master Indenture pursuant to any provision of the Master Indenture.

No owner of a Certificate has any right by virtue of any provision of the Master Indenture to institute any suit, action, or proceeding at law or in equity under or with respect to the Master Indenture, unless:

- Such owner of a Certificate has previously given to the Trustee a written notice of an event of default and of the continuance thereof, as provided in the Master Indenture,
- The owners of not less than 25% of the aggregate outstanding principal amount of Certificates have made written request of the Trustee to institute such action, suit, or proceeding in its own name as Trustee under the Master Indenture and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses, and liabilities to be incurred therein or thereby, and
- The Trustee, for 30 days after its receipt of such notice, request, and offer of indemnity, shall have neglected or refused to institute any such action, suit, or proceeding.

PART V

TRANSPORTATION REVENUE OBLIGATIONS

Part V of the 2016 Annual Report provides information about transportation revenue obligations issued by the State of Wisconsin **(State)** in the form of transportation revenue bonds **(Bonds)** and transportation revenue commercial paper notes **(Notes)**. Selected information is provided in this introduction for the convenience of the readers; however, all information presented in this Part V of the 2016 Annual Report should be reviewed to make an informed investment decision.

Total Outstanding Balance (12/15/2016)	$1,976,123,000
Amount Outstanding of Fixed-Rate Obligations	1,887,400,000
Amount Outstanding of Variable-Rate Obligations	88,723,000
Percentage of Outstanding Obligations in form of Variable-Rate Obligations	4.49%
Ratings[a] (Fitch/Kroll[b]/Moody's/S&P)	
Bonds	AA+/AAA/Aa2/AA+
Notes	F1+/P-1/A-1+

Authority	State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution, dated June 26, 1986, as amended, and Subchapter II of Chapter 18 and Section 84.59, Wisconsin Statutes
Trustee/Paying Agent	The Bank of New York Mellon Trust Company, N.A. serves as Trustee for all obligations, as well as Registrar and Paying Agent for the Bonds. U.S. Bank National Association, serves as Issuing and Paying Agent for the Notes.
Security	The Bonds are secured by a first lien pledge of Program Income, the Funds created by the General Resolution, as amended, and any other income of the Program. The Notes are payable from Program Income deposited into the Subordinated Debt Service Fund; this pledge is subordinate to that granted to payment of the Bonds. Program Income includes vehicle Registration Fees authorized under Section 341.25, Wisconsin Statutes (which is a substantial amount of the Program Income) and certain Other Registration-Related Fees added pursuant to 2003 Wisconsin Act 33 (including, but not limited to, vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees).
Audit Report and Financial Statements	APPENDIX A to this Part V of the 2016 Annual Report includes the independent auditor's reports and the audited statements of cash receipts and disbursements.

[a] The ratings presented are the ratings assigned to the transportation revenue obligations without regard to any bond insurance policy. No information is provided in the 2016 Annual Report about any rating assigned to any transportation revenue obligations based on any bond insurance policy.

[b] While the State of Wisconsin applied for and received a rating on the transportation revenue bonds from Kroll Bond Rating Agency, at this time, Kroll has not been requested to rate the Notes for this credit.

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Madison, WI 53707-7864
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The State of Wisconsin Building Commission (**Building Commission** or **Commission**) supervises all matters concerning the State's issuance of revenue obligations. The Capital Finance Office, which is part of the State of Wisconsin Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs. Requests for additional information about transportation revenue obligations may be directed to the Capital Finance Office. The law firm of Quarles & Brady LLP has provided bond counsel services in connection with the issuance of the outstanding transportation revenue obligations. The State of Wisconsin Department of Transportation **(DOT** or **Department of Transportation)** is responsible for the planning and completion of major highway projects funded, in part, with the proceeds of transportation revenue obligations.

Transportation revenue obligations have mostly been issued as tax-exempt obligations; however, in the years 2009 and 2010 a total of two series of taxable obligations were issued as "qualified build America bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended **(Code)**.

The 2016 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in one part of the 2016 Annual Report may differ from those of the same terms used in another part, and the total amount shown in a table may vary from the related sum due to rounding. See "GLOSSARY" for the definitions of capitalized terms used in this Part V of the 2016 Annual Report. No information or resource referred to in the 2016 Annual Report is part of the report unless expressly incorporated by reference.

Certain statements in this Part V of the 2016 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2016 Annual Report, and the State undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

OUTSTANDING OBLIGATIONS

The State has issued transportation revenue obligations on the dates and in the amounts shown in Table V-1. The table also includes the outstanding principal balances of the transportation revenue obligations as of December 15, 2016.

Table V-1

OUTSTANDING TRANSPORTATION REVENUE OBLIGATIONS BY ISSUE (As of December 15, 2016)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed-Rate Transportation Revenue Obligations				
1986- Series A	6/15/86	1987-2007	$ 139,055,000	-0-
1988- Series A	4/15/88	1989-2008	51,475,000	-0-
1989- Series A	4/15/89			
Serial Bonds		1990-2004	31,165,000	-0-
Term Bonds		2009	20,135,000	-0-
1991- Series A	10/1/91	1992-2011	105,660,000	-0-
1992- Series A	7/1/92			
Serial Bonds		1999-2006	96,945,000	-0-
Term Bonds		2009	22,260,000	-0-
Term Bonds		2012	3,520,000	-0-
Term Bonds		2022	16,880,000	-0-
Series B	7/1/92			
Serial Bonds		1993-2006	55,155,000	-0-
Term Bonds		2009	18,395,000	-0-
Term Bonds		2012	21,770,000	-0-
Term Bonds		2022	104,390,000	-0-
1993- Series A	9/1/93	1994-2012	116,450,000	-0-
1994- Series A	7/1/94			
Serial Bonds		1995-2012	84,320,000	-0-
Term Bonds		2014	15,680,000	-0-
1995- Series A	9/1/95	1996-2015	105,000,000	-0-
1996- Series A	5/15/96	1997-2016	115,000,000	-0-
1998- Series A **(1998 Series A Bonds)**	8/15/98	1999-2016	130,590,000	-0-
Series B	10/1/98			
Serial Bonds		2000-17	93,905,000	-0-
Term Bonds		2019	16,095,000	-0-
2000- Series A	9/15/00	2012-21	123,700,000	-0-
2001- Series A	11/15/01	2003-22	140,000,000	-0-
2002- Refunding Series 1	4/15/02	2003-19	241,865,000	-0-
Refunding Series 2	4/15/02			
Serial Bonds		2004-20	39,275,000	-0-
Term Bonds		2022	29,655,000	-0-
Series A	10/15/02	2004-23	200,000,000	-0-
2003- Series A	11/1/03	2005-24	250,000,000	-0-
2004- Refunding Series 1	9/30/04	2005-17	95,905,000	-0-
2005- Series A **(2005 Series A Bonds)**	3/10/05	2006-25	235,585,000	$ 28,575,000 [(a)]
Series B	9/29/05	2007-25	158,400,000	-0-
2007- Series A	3/8/07	2018-27	148,710,000	-0-
2007- Refunding Series 1 **(2007 Series 1 Bonds)**	3/8/07	2014-22	206,900,000	189,235,000
2008- Series A **(2008 Bonds)**	8/27/08	2010-29	185,000,000	16,140,000 [(a)]
2009- Series A	10/1/09	2012-14	17,870,000	-0-
2009- Series B (Taxable) **(2009 Series B Bonds)**	10/1/09			
Serial Bonds		2015-25	87,725,000	74,720,000
Term Bonds		2030	59,405,000	59,405,000
2010- Series A **(2010 Series A Bonds)**	12/9/10	2012-21	76,075,000	42,655,000
Series B (Taxable) **(2010 Series B Bonds)**	12/9/10	2022-31	123,925,000	123,925,000
2012- Series 1 **(2012 Series 1 Bonds)**	4/25/12	2013-32	343,725,000	266,030,000
Series 2 **(2012 Series 2 Bonds)**	6/28/12	2017-24	116,400,000	116,400,000

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
2013- Series 1 **(2013 Bonds)**................................	3/6/13	2016,18-21 23-33	$ 259,680,000	$ 249,965,000
2014- Series 1 **(2014 Series 1 Bonds)**	4/23/14	2015-34	339,745,000	211,535,000 [(a)]
Series 2 **(2014 Series 2 Bonds)**	12/10/14	2019-27	94,130,000	94,130,000
2015- Series 1 **(2015 Series 1 Bonds)**	4/30/15	2016-29	207,240,000	189,685,000
2015- Series A **(2015 Series A Bonds)**	12/10/15	2017-36	225,000,000	225,000,000
Total Fixed-Rate Transportation Revenue Obligations				$1,887,400,000
Variable-Rate Transportation Revenue Obligations				
1997 - Commercial Paper Notes, Series A	5/7/97		$ 157,763,000	$ 20,458,000
2006 - Commercial Paper Notes, Series A	10/2/06		91,290,000	11,260,000
2013 - Commercial Paper Notes, Series A	11/5/13		70,025,000	57,005,000
Total Variable-Rate Transportation Revenue Obligations				$ 88,723,000
Total Outstanding Transportation Revenue Obligations				$1,976,123,000

(a) Pursuant to a refunding escrow agreement, the principal of and interest on all, or a portion of the Bonds, have been or will be paid as it comes due or will be called for redemption prior to maturity. The principal amount of Bonds for which payment is provided is treated as not outstanding for purposes of this table.

The 2005 Series A Bonds, 2007 Series 1 Bonds, 2008 Bonds, 2009 Series B Bonds, 2010 Series A Bonds, 2010 Series B Bonds, 2012 Series 1 Bonds, 2012 Series 2 Bonds, 2013 Bonds, 2014 Series 1 Bonds, 2014 Series 2 Bonds, 2015 Series 1 Bonds, and 2015 Series A Bonds (collectively, **Prior Bonds**), together with any additional Bonds issued by the State pursuant to the General Resolution, are referred to collectively as the **Bonds**. See "SECURITY; Sources of Payment". All other previously issued Bonds have been defeased or redeemed in full and are not Outstanding Bonds within the meaning of the General Resolution.

The Transportation Revenue Commercial Paper Notes (**Notes**) consist of the Transportation Revenue Commercial Paper Notes of 1997, Series A, the Transportation Revenue Commercial Paper Notes of 2006, Series A, and the Transportation Revenue Commercial Paper Notes of 2013, Series A. The Notes are issued pursuant to the General Resolution on parity with each other and any other obligations to be issued on parity with the Notes, and the pledge granted to the Notes is subordinate to the pledge granted to the Bonds. See "VARIABLE RATE OBLIGATIONS".

The Commission typically adopts Series Resolutions that authorize the issuance of transportation revenue obligations for refunding purposes. This authorization is generally effective for a period of one year from date of adoption. In addition, the Commission has adopted Series Resolutions that authorize the issuance of Bonds to pay for the funding of the Notes; these Series Resolutions are required pursuant to the terms of a credit agreement by which the liquidity facility providers provide a line of credit for liquidity on the Notes, and this authorization is effective for the term of the Notes. The Bonds to refund outstanding Bonds, any Bonds to fund new money purposes, and Bonds to take-out the Notes, when and if issued, are expected to be issued on a parity with the Bonds issued by the State pursuant to the General Resolution. In addition, any Notes issued to fund new money purposes are expected to be issued on a parity with the Notes.

Table V-2 provides a historical view of the amount of outstanding Bonds and Notes as of December 15th for the previous ten years.

Table V-2

HISTORICAL OUTSTANDING TRANSPORTATION REVENUE OBLIGATIONS

Year (December 15)	Outstanding Bonds	Outstanding Notes	Total
2006	$1,338,635,000	$198,758,000	$1,537,393,000
2007	1,406,530,000	191,998,000	1,598,528,000
2008	1,511,135,000	177,618,000	1,688,753,000
2009	1,596,740,000	162,498,000	1,759,238,000
2010	1,719,545,000	146,593,000	1,866,138,000
2011	1,638,345,000	129,848,000	1,768,193,000
2012	1,693,935,000	112,218,000	1,806,153,000
2013	1,709,235,000	163,668,000	1,872,903,000
2014	1,890,880,000	144,103,000	2,034,983,000
2015	1,989,795,000	117,128,000	2,106,923,000

SECURITY

Sources of Payment

The Prior Bonds have been issued on parity with each other. The Prior Bonds and any additional parity Bonds issued by the State pursuant to the General Resolution, are revenue obligations of the State payable solely from the Redemption Fund created by the General Resolution and are secured by a first lien pledge of Program Income, the Funds created by the General Resolution, and any other income of the Program pledged to the payment of interest, principal, and Redemption Price on the Bonds.

Program Income includes vehicle registration fees authorized under Section 341.25, Wisconsin Statutes **(Registration Fees)** and certain other vehicle registration-related fees added pursuant to 2003 Wisconsin Act 33 and a supplement to the General Resolution dated October 15, 2003 **(Other Registration-Related Fees)**. The Other Registration-Related Fees include many types of fees that are enumerated in Wisconsin Statutes, however, many of the Other Registration-Related Fees result in insignificant or sporadic annual revenues. Given this insignificant and sporadic nature, the State is currently providing continuing disclosure on some, but not all, Other Registration-Related Fees. These specific Other Registration-Related Fees include vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees. See "OTHER REGISTRATION-RELATED FEES."

All Program Income is collected by the Trustee, or the Department of Transportation as agent of the Trustee, and deposited outside the State Treasury in an account with the Trustee defined as the **Redemption Fund**. Program Income is defined to include all the interest earned or gain realized from the investment of the Redemption Fund.

The Notes, and any other obligations to be issued on parity with the Notes, are also revenue obligations of the State payable from Program Income deposited into the Subordinated Debt Service Fund created by the General Resolution. The pledge of such Program Income to payment of the Notes is subordinate to the pledge of Program Income granted to payment of the Bonds. The pledge remains effective until all Bonds and Notes issued under the General Resolution are fully paid in accordance with their terms.

The Bonds are revenue obligations of the State payable solely out of the Redemption Fund. The Notes are revenue obligations of the State payable solely out of the Subordinated Debt Service Fund. The State is not generally liable on the Bonds and Notes, and the Bonds and the Notes are not a debt of the State for any purpose whatsoever.

Program Income Covenant

In the General Resolution, the State has covenanted that it will charge and cause to be deposited with the Trustee sufficient Program Income:

- To pay all interest on and principal of the Bonds as the same become due
- To maintain the Debt Service Reserve Requirement, if any, in the Reserve Fund
- To pay Program Expenses
- To pay principal of and interest on the Notes, as such amounts are deposited into the Subordinated Debt Service Fund
- To maintain the applicable requirements of such other funds and accounts specified under the General Resolution

Program Income received by the Trustee in the Redemption Fund is used in the above order. All Program Income in excess of the amounts needed for such purposes is to be transferred to the Transportation Fund held by the Department of Transportation and becomes free of the lien of the pledge of the General Resolution. DOT uses moneys in the Transportation Fund for many authorized purposes. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION".

The State pledges and agrees with the Bondholders and holders of Notes that the State will not limit or alter its powers to fulfill the terms of any agreements (made in the General Resolution, in the Bonds, or in the Notes) with the Bondholders and holders of Notes, or in any way impair the rights and remedies of the Bondholders and holders of Notes until the Bonds and Notes, together with interest, including interest on any unpaid installments of interest thereon, Redemption Price, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondholders and holders of Notes, are fully met and discharged.

Build America Bonds

The direct payment the State expects to receive from the United States Treasury on each interest payment date, in connection with the 2009 Series B Bonds and 2010 Series B Bonds, which were designated as "qualified build America bonds", is not Program Income and is not pledged to the payment of interest, principal, or Redemption Price on the Bonds or Notes.

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 of Notes, there is no direct impact on the Bonds or Notes with these direct payments being subject to the mandated across-the-board cuts to the Federal budget for the current federal fiscal year. The impact of these cuts for the current federal fiscal year is a 6.9% reduction in the direct payment amount that the State expected to receive.

Transportation Fund Constitutional Amendment

A constitutional amendment referendum question was approved in the State's general election on November 4, 2014. The constitutional amendment requires most revenues generated by use of the State's transportation system be deposited with a trustee for the benefit of the Department or the holders of transportation-related revenue bonds (such as Bondholders and holders of the Notes) or into the Transportation Fund administered by the Department for the exclusive purpose of funding the State's transportation systems. The constitutional amendment further prohibits any transfers or lapses from this Transportation Fund.

This constitutional amendment has no direct impact on Bondholders and holders of the Notes. Pursuant to the General Resolution, Program Income will continue to be first collected by the Trustee and deposited outside the State Treasury in the Redemption Fund and Subordinated Debt Service Fund. After all General Resolution requirements are met, excess Program Income is then transferred to the State's Transportation Fund. See "SECURITY; Program Income Covenant" above. At that time, the revenues will then be subject to the requirements of this constitutional amendment.

Reserve Fund

The General Resolution creates a Reserve Fund for the Bonds; however, the balance of the Reserve Fund is $0.00.

The State pursuant to each Series Resolution specifies the Debt Service Reserve Requirement, if any, for each Series of Bonds. The individual Debt Service Reserve Requirements for each Series of the Outstanding Bonds are combined to determine the aggregate Debt Service Reserve Requirement for the Reserve Fund. If all of the Bonds of a Series cease to be Outstanding, then the aggregate Debt Service Reserve Requirement is reduced by the Debt Service Reserve Requirement attributable to that Series of Bonds. Since 2003, the State has not specified a Debt Service Reserve Requirement for any Series of Bonds that have been issued. Furthermore, the State does not currently expect to specify a Debt Service Reserve Requirement for any future Series of additional Bonds; however, the State reserves the right to change its practice and no representation is made as to the amount of the Debt Service Reserve Requirement that the State may specify for any future Series of additional Bonds.

In the event that the Reserve Fund were to be funded in connection with a future Series of Bonds, the General Resolution provides that it shall be used to make up any deficiency in the Redemption Fund for the payment of principal of and interest on all of the-then Outstanding Bonds. If there is a deficiency in the Reserve Fund, the Trustee shall, after setting aside in the Principal and Interest Account the applicable amount required to be deposited therein, deposit Program Income into the Reserve Fund in an amount sufficient to remedy such deficiency.

Additional Bonds

The General Resolution authorizes the issuance of additional Bonds for the purpose of paying the costs of Projects, funding reserves, paying costs of issuance, and refunding Outstanding Bonds. Except in the case of additional Bonds being issued to refund Outstanding Bonds, the Series of additional Bonds may be issued only if Program Income for any 12 consecutive calendar months of the preceding 18 calendar months was at least equal to 2.25 times the maximum aggregate Principal and Interest Requirement in any Bond Year for all Outstanding Bonds, which includes the Bonds to be issued. The General Resolution defines Outstanding Bonds, as of any particular date, as all Bonds theretofore and thereupon being delivered except:

- Any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Registrar
- Any Bond deemed to have been defeased pursuant to the General Resolution
- Any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the requirements of the General Resolution or any Series Resolution

Statutory authority exists for the issuance of a total of $3.931 billion of transportation revenue obligations to finance a portion of major highway projects. Approximately $182 million of legislative authority remains unissued. The Building Commission has approved an authorizing resolution for not to exceed $144 million of transportation revenue obligations to finance a portion of major highway projects. This authorization is good until October 12, 2017, and the State intends to issue these obligations in the first or second quarter of calendar year 2017 in the in the form of additional Bonds or additional Notes. The issuance of transportation revenue obligations beyond the legislative authorized amount would require additional legislative authorization, which has customarily happened with each biennial budget of the State.

In addition, upon the issuance of additional Bonds the amount on deposit in the Reserve Fund must at least equal the aggregate Debt Service Reserve Requirement. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION; Additional Bonds" and "Reserve Fund".

Forecasted Debt Service Coverage

Table V-3 provides a summary of annual debt service due on the Outstanding Bonds and shows the forecasted coverage of annual debt service on the Outstanding Bonds as of December 15, 2016, based on the Department of Transportation's estimated total Program Income for fiscal years 2017 through 2027. The estimated Program Income includes both Registration Fees and certain Other Registration-Related Fees for this period. See "REGISTRATION FEES; Estimated Future Registration Fees" and "OTHER

REGISTRATION-RELATED FEES". There can be no assurance that the following estimates will be realized in the amounts shown.

In addition, Table V-3 also provides the expected amortization of the Outstanding Notes and shows the forecasted coverage of annual debt service on both the Outstanding Bonds and the Outstanding Notes, with the latter reflecting the Subordinated Debt Service Fund Requirement for each respective series of Notes with interest calculated at an assumed interest rate of 5% per annum.

The Department of Transportation will monitor Registration Fee and Other Registration-Related Fee revenues as they relate to scheduled debt service payments on the Bonds and payments on the Notes and recommend appropriate adjustments in Registration Fees or Other Registration-Related Fees to the Governor and the Legislature. The State has covenanted in the General Resolution that as long as Bonds and Notes are Outstanding it will charge and cause to be deposited with the Trustee sufficient Program Income, including Registration Fees and Other Registration-Related Fees, to pay principal and interest on such Bonds, as the same become due, to maintain the Reserve Fund at the Debt Service Reserve Requirement, to pay Program Expenses, and to make payments into the Subordinated Debt Service Fund.

Neither the State's independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information shown above, nor have they expressed any opinion or any other form of assurance on such information or its achievability and assume no responsibility for and disclaim any association with the prospective financial information.

REGISTRATION FEES

Current Fees and Registered Vehicles

Registration Fees as enumerated under Section 341.25 Wisconsin Statutes are highway user fees collected by the Department of Transportation from owners of most motor vehicles. Table V-4 summarizes the types of major Registration Fees and the specific fee.

Table V-3

DEBT SERVICE ON OUTSTANDING TRANSPORTATION REVENUE OBLIGATIONS AND ESTIMATED REVENUE COVERAGE

	Estimated Program Income[a]			Outstanding Bonds[(b)(d)*]				Outstanding Notes[(b)(c)(d)]				
Maturity (July 1)	Registration Fees (Millions)	Other Registration-Related Fees (Millions)	Total Program Income[b] (Millions)	Total Principal	Total Interest	Total Debt Service	Coverage Ratio	Total Principal-Notes	Estimated Total Interest - Notes	Estimated Total Debt Service - Notes	Estimated Total Debt Service - Bonds and Notes	Coverage Ratio
2017	$566.45	$104.92	$671.37	$103,350,000	$93,614,940	$196,964,940	3.41	$29,915,000	$4,436,150	$34,351,150	$231,316,090	2.90
2018	584.52	104.92	689.44	119,605,000	88,619,063	208,224,063	3.31	16,153,000	2,940,400	19,093,400	227,317,463	3.03
2019	584.67	104.92	689.59	124,735,000	82,819,902	207,554,902	3.32	7,720,000	2,132,750	9,852,750	217,407,652	3.17
2020	602.29	104.92	707.21	131,990,000	76,684,758	208,674,758	3.39	8,105,000	1,746,750	9,851,750	218,526,508	3.24
2021	602.03	104.92	706.95	136,235,000	70,203,337	206,438,337	3.42	8,510,000	1,341,500	9,851,500	216,289,837	3.27
2022	619.30	104.92	724.22	135,710,000	63,533,108	199,243,108	3.63	8,935,000	916,000	9,851,000	209,094,108	3.46
2023	619.46	104.92	724.38	122,055,000	56,873,491	178,928,491	4.05	9,385,000	469,250	9,854,250	188,782,741	3.84
2024	637.56	104.92	742.48	123,545,000	50,834,182	174,379,182	4.26					
2025	638.16	104.92	743.08	111,770,000	44,618,773	156,388,773	4.75					
2026	656.72	104.92	761.64	99,715,000	39,065,792	138,780,792	5.49					
2027	657.81	104.92	762.73	106,750,000	34,170,122	140,920,122	5.41					
2028				93,935,000	28,663,595	122,598,595						
2029				98,750,000	23,775,310	122,525,310						
2030				90,100,000	18,621,888	108,721,888						
2031				80,660,000	13,881,975	94,541,975						
2032				68,505,000	9,835,175	78,340,175						
2033				57,605,000	6,605,325	64,210,325						
2034				44,490,000	3,984,825	48,474,825						
2035				18,485,000	1,894,750	20,379,750						
2036				19,410,000	970,500	20,380,500						
				$1,887,400,000	$809,270,811	$2,696,670,811		$88,723,000	$13,982,800	$102,705,800		

(a) The estimated fees for 2017 through 2027 reflect revenue projections completed by the Department in October 2016. Excludes interest earnings.

(b) Does not reflect or include the direct payment the State is expected to receive from the United States Treasury on each interest payment date in the amount of 35% of the interest payable by the State on such date for the 2009 Series B Bonds and the 2010 Series B Bonds, each designated as "qualified build America bonds".

(c) Reflects principal component of the respective Subordinated Debt Service Fund Requirement and assumed interest rate of 5.00%.

(d) Assumes that no additional Bonds will be issued and continuation of current Registration Fees and Other Registration-Related Fees. Estimates of Program Income and coverage beyond 2027 are not currently available.

Table V-4

REGISTRATION FEES
(Section 341.25, Wisconsin Statutes)

Vehicle	Annual Fee
Automobile	$75
Trucks	Weight-based fee ranging from $75 to $2,560.
Bus	Fee equal to the fee for a truck of the same weight.
Trailer 12,000 lbs. and under	Fee equal to one-half of the fee for a truck of the same weight.
Trailer over 12,000 lbs.	Fee equal to the fee for a truck of the same weight.
Motor Homes	Weight-based fee ranging from $48.50 to $119.50.
Mobile Homes and Camping Trailers	$15
Motorcycle/Moped	$23 biennial fee.

Source: Department of Transportation

Table V-5 summarizes the number of motor vehicle registrations in the State, subject to Registration Fees under Section 341.25, Wisconsin Statutes, for the past ten years.

Table V-5

ACTUAL NUMBER OF MOTOR VEHICLE REGISTRATIONS[a]
(Millions of Vehicles)

Fiscal Year (June 30)	Automobiles[b]	Trucks[c]	Other Vehicles [d]	Total	% Change
2007	3.47	1.14	.97	5.58	2.5%
2008	3.52	1.14	.98	5.64	1.0
2009	3.51	1.13	1.07	5.71	1.2
2010	3.52	1.11	1.07	5.70	(0.2)
2011	3.52	1.12	1.14	5.78	1.4
2012	3.53	1.12	1.12	5.77	(0.2)
2013	3.59	1.14	1.20	5.92	2.7
2014	3.62	1.15	1.17	5.94	0.3
2015	3.66	1.18	1.27	6.11	2.8
2016	3.69	1.21	1.24	6.14	0.5

(a) In fiscal year 2005, the methodology for reporting vehicle registrations was changed from vehicle frame-based to vehicle registration-type. All of the information in this table reflects the use of the new vehicle registration-type methodology.

(b) "Automobiles" include autos, minivans, and sport utility vehicles.

(c) "Trucks" includes trucks and other vehicles that pay Registration Fees based on the vehicle's gross weight.

(d) "Other Vehicles" include mobile homes, motorcycles, mopeds, buses, and several other vehicle types.

Source: Wisconsin Department of Transportation

Table V-6 summarizes the total amount of Registration Fee revenues, under Section 341.25, Wisconsin Statutes, for the past ten years.

Table V-6

ACTUAL REGISTRATION FEE REVENUES
(Amounts in Millions)

Fiscal Year (June 30)	Non-IRP Fees	Pledged IRP Fees	Total	% Change
2007	$322.6	$62.2	$384.8	(2.9)%
2008[(a)]	385.4	71.8	457.2	18.8
2009[(a)]	435.5	75.3	510.8	11.7
2010	444.4	75.3	519.7	1.7
2011	433.0	76.8	509.8	(1.9)
2012	445.0	81.1	526.1	3.2
2013	440.1	82.8	522.8	(0.6)
2014	458.9	85.5	544.4	4.1
2015	459.5	87.9	547.4	0.6
2016	475.3	90.1	565.4	3.3

(a) The increase in fiscal years 2008 and 2009 reflects the $20 increase in registration fees for automobiles, along with other fee increases for other vehicle types, which went into effect on January 1, 2008.

Source: Wisconsin Department of Transportation

Interstate truck registration revenues are collected through the International Registration Plan (**IRP**) and is a component of Registration Fees. Wisconsin is one of 48 states, the District of Columbia, and ten Canadian provinces that participate in the IRP, which is a multi-state compact for the collecting and sharing of large truck registration fees. Under the IRP, the registration fees on trucks involved in multi-state commercial activity are split between the participating states on the basis of proportionate mileage.

The total amount of Registration Fee revenues for fiscal year 2016 are generated from three broad categories of vehicles:

(1) 53.3% of total revenues generated from registration of passenger vehicles (automobiles, mini-van, conversion vans, and sport-utility vehicles).

(2) 15.6% of total revenues generated from registration of small trucks (8,000 pounds or less gross weight).

(3) 31.1% of total revenues generated from registration of large trucks (over 8,000 pounds gross weight plus IRP vehicles).

Table V-6 reflects the steady rate of growth that has occurred in non-IRP Registration Fee revenues over the past ten years. In fiscal years 2008 and 2009 the percentage change reflects an increase in Registration Fees that occurred during that specific fiscal year.

The 2007-09 biennial budget (2007 Wisconsin Act 20) increased the Registration Fees for most vehicle types effective January 1, 2008. Registration Fee increases authorized in the 2007-09 budget include:

- $20 increase in the automobile fee.
- Increase in truck fees ranging from $22.50 to $590.
- Increase in various truck and trailer fees ranging from $6.75 to $590.50.

In addition, the 2003-05 biennial budget previously increased the automobile fees from $45 to $55, effective October 1, 2003.

Finally, the pattern of Registration Fees being lower in odd-numbered fiscal years reflects, in part, some vehicle types such as motorcycles and mopeds being registered only on a biennial basis. In a period of relatively flat vehicle registrations, the effect of this biennial registration becomes more apparent.

Estimated Future Registration Fees

Future Registration Fee revenues depend on the size of the vehicle fleet in subsequent years and the level of fees imposed on the various vehicle types. The methodology for Registration Fee revenue projections consists of two components:

- Projection of registration by vehicle type by an econometric model developed by DOT, which relates the size of the vehicle fleet to anticipated changes in certain key economic variables
- Application of the relevant registration fee to the projection of registered vehicle type

The Department of Transportation's model has two distinct components:

- Anticipated changes in the size of the State's automobile fleet
- Anticipated changes in the size of the State's truck fleet

The econometric model relates the size of the automobile fleet and truck fleet to the disposable income in the State, the relative price of new autos and light trucks, the level of unemployment, the size of the driving age population, historical rates of vehicle scrappage, construction employment in the State, and a measure of consumer sentiment. The long-range economic data used in the model are based on the projections published by IHS Global Insight, Inc., as well as the State of Wisconsin Department of Revenue.

Table V-7 summarizes projected Registration Fee revenues pursuant to Section 341.25, Wisconsin Statutes, until fiscal year 2027. These projections were completed by DOT in October 2016.

Table V-7

PROJECTED REGISTRATION FEE REVENUES
(Amounts in Millions)

Fiscal Year (June 30)	Revenues[(a)]	% Change
2017	$ 566.5	0.2%
2018	584.5	3.1
2019	584.7	0.0
2020	602.3	2.9
2021	602.0	0.0
2022	619.3	2.8
2023	619.5	0.0
2024	637.6	2.8
2025	638.2	0.1
2026	656.7	2.8
2027	657.8	0.2

[(a)] Includes both IRP and non-IRP Registration Fees pursuant to Section 341.25, Wisconsin Statutes. Does not include Other Registration-Related Fees, which are addressed later in this Part V of the 2016 Annual Report.

Source: Department of Transportation

Neither the State's independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information shown above, nor have they expressed any opinion or any other form of assurance on such information or its achievability and assume no responsibility for and disclaim any association with the prospective financial information.

Registration Fee Collection Procedures

Registration Fees are collected throughout the fiscal year. In order to smooth out the Department of Transportation's vehicle registration workload, it has staggered vehicle registrations throughout the year. As a result, in fiscal year 2016 the flow of quarterly collections of annual Registration Fee revenues ranged from a low of 22.3% to a high of 26.5%. Any future adjustment of Registration Fees may change the monthly distribution of Registration Fees collected.

The Department of Transportation is the agent of the Trustee with respect to the collection of Registration Fees, pursuant to an agreement between these parties. The non-IRP Registration Fees are collected in a number of ways:

- By mail to a lock-box system operated by U.S. Bank, National Association (**Bank**)
- Over the counter in field registration stations
- By mail to the Department of Transportation's Central office in Madison (**Central Office**)
- At vehicle emission testing stations
- By State auto, light truck, and motorcycle dealers
- Via internet charge card renewal system
- By financial institutions
- By private financial service centers
- By various retailers, such as grocery stores and convenience stores
- By law enforcement agencies
- By municipal and County Clerk offices, as well as some municipal courts

Regardless of the method of collection, all Registration Fees are initially deposited with the Trustee for deposit in the Redemption Fund.

The principal method of collecting non-IRP Registration Fees is registration renewals by mail, which are sent directly to the Bank operating the lock-box system as agent for the Trustee. Under this lock-box system the vehicle owner mails the renewals to the Bank. The renewal includes a check payable to "Registration Fee Trust" and an enclosure with relevant registration information on it. The Bank is to deposit its receipts of Registration Fees daily with the Trustee for deposit in the Redemption Fund.

Over-the-counter collections take place in 33 Division of Motor Vehicle Customer Service Centers (**DMV CSC**) throughout the State. These DMV CSCs collect Registration Fees on behalf of the Trustee, as well as driver license fees, title fees, lien fees, salesman's license fees, permit fees, disabled identification card fees, and various other Department of Transportation charges. The Department of Transportation's financial system is a transaction-based computer system with the field stations linked to the DOT's Central Office by terminal. All transactions are summarized daily and reported to the Central Office. The DMV CSCs deposit their collections in an account in the Trustee's name for deposit in the Redemption Fund.

Collections at the Department of Transportation's Central Office differ from DMV CSC collections in that it is primarily IRP payments and mail applications that are processed. IRP payments consist of checks submitted by individual truck operators, as well as checks generated by other states transmitting IRP payments to the State. Mail applications handled through the Central Office are primarily associated with the registration of vehicles that involve the transfer of ownership. All checks and cash collected through the Central Office are delivered to the Trustee for deposit in the Redemption Fund.

The Department of Transportation has a contract with a vehicle emission contractor to collect Registration Fees at any of the emission testing facilities. Currently, there are around 200 independently owned facilities throughout the seven county emission program area. A registrant may choose to renew their registrations at a testing station. Under this method, the emission testing station is treated like a field registration station with a direct connection to the Central Office's terminal. The vendor retains a service fee charged to registrants who use this option.

Licensed motor vehicle dealers are required by law to process vehicle title and registration transactions for their customers, unless exempted by the Department. The Department of Transportation has a series of contracts with car, light truck, and motorcycle dealers to process vehicle title and registration and transmit such information electronically to it through an interface managed by a third-party vendor. The contracts provide an electronic interface between the Department of Transportation and the dealer's data processing systems. The dealer collects registration and other fees that are electronically transferred daily from their bank accounts to the Department of Transportation by the third-party vendor. The vendor retains a service fee charged to registrants who use this option. In addition, dealers may choose to process title and registration applications electronically through an internet-based system managed by the Department.

Internet charge card renewal is a system available to motorists who prefer to charge their vehicle registration renewals. Under this system, motorists can renew their registrations through the internet. The Department of Transportation has contracted with a banking vendor to handle the interfaces and transmission of data to a credit card processing vendor. The vendor transfers all monies collected from these transactions daily, through a wire transfer to the Department of Transportation's account and then to the Trustee for deposit in the Redemption Fund. The vendor retains a service fee charged to registrants who use this option. Charge cards are also accepted at DMV CSCs. The Department of Transportation has contracted with the same banking vendor and credit card processing vendor to provide the necessary interfaces. The processing vendor charges a service fee and this fee is passed onto customers who use this option.

Financial institutions are required by law to process stand-alone lien add and release transactions electronically for customers, unless exempted by the Department of Transportation. Lenders may use contracted third party vendors or a free electronic interface provided by the Department of Transportation. In addition, the Department of Transportation runs a voluntary program for financial institutions, State agencies, and small businesses to contract in order to process titles and registrations and transmit the information through an electronic interface, provided by a separate vendor, to itself and the approved business. These contracted agents collect registration and other fees that are electronically transferred daily from the financial institution to the Trustee for deposit into the Redemption Fund. The vendor retains a service fee charged to registrants who use this option.

Registrants may renew vehicle registrations at private financial service centers. The Department of Transportation has contracted with a separate vendor to handle the electronic interface and transmission of data. The financial service centers collect Registration Fees that are electronically transferred daily from the center to the Trustee for deposit into the Redemption Fund. The vendor retains a service fee charged to registrants who use this option.

Registrants may also renew vehicle registration at participating retailers, law enforcement agencies, and municipal and County Clerk offices as well as some municipal courts. The Department of Transportation has contracted with a separate vendor to handle the electronic interface and transmission of data. The retailers, law enforcement agencies, and County Clerk offices collect Registration Fees that are electronically transferred daily from the participating agent to the Trustee for deposit into the Redemption Fund. The vendor retains a service fee charged to registrants who use this option.

OTHER REGISTRATION-RELATED FEES

General

Pursuant to provisions of 2003 Wisconsin Act 33 and the supplement to the General Resolution, adopted by the Commission on October 15, 2003, Other Registration-Related Fees are pledged as Program Income. The Other Registration-Related Fees include more than 60 types of fees that are enumerated in Wisconsin Statutes, however, many of the Other Registration-Related Fees result in insignificant or sporadic annual revenues. Given this insignificant and sporadic nature, the State is currently providing continuing disclosure on some, but not all, Other Registration-Related Fees. These specific Other

Registration-Related Fees include vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees.

Vehicle Title Transaction Fees

The Wisconsin Statutes require all motor vehicles and trailers exceeding 3,000 pounds to be titled. Titling occurs prior to vehicle registration and the resulting Certificate of Title is evidence of vehicle ownership. The Department of Transportation issues a title when ownership of the vehicle has been confirmed. This occurs when a vehicle is purchased from a dealer, or when vehicles are transferred between individuals in a non-dealer sale. Titling occurs only when vehicle ownership changes and is not an annual reoccurring fee.

The Certificate of Title document is issued on secured paper stock and contains the following information: name and address of owner, description of vehicle (make, year, color, vehicle type, and vehicle identification number), name of the secured party or lien holder, odometer reading information, and other required information.

The title fees are enumerated in Section 342.14, Wisconsin Statutes and is currently \$69.50. The title fee is comprised of two components; \$62 title fee and \$7.50 supplemental title fee. The \$69.50 title fee is paid by the owner when filing an application for first Certificate of Title, and by the buyer when filing an application for Certificate of Title after transfer of ownership of the vehicle. The titling fees are paid to the Department of Transportation at the same time the vehicle is registered. The replacement, or duplicate, title fee is currently \$20. Replacement titles are issued for lost, stolen, or mutilated titles.

From fiscal year 2012 to 2016, the Department of Transportation averaged the issuance of approximately 1.3 million titles each year, whereby a title fee was collected. In fiscal year 2016, the Department of Transportation issued 1.4 million titles.

Registration and Title Counter Service Fees

Customers have the option of processing their vehicle titling and registration transactions by mail or in person at a DMV CSC. If the transaction is processed at the DMV CSC, the customer is charged an additional fee for that service. The additional fee is intended to recover some of the cost of providing face-to-face service. Before the customer receives the various products, the counter fee, and titling and/or vehicle Registration Fees are collected.

The counter fee is enumerated in Section 341.255, Wisconsin Statutes. For transactions that renew a vehicle registration, the counter fee is \$3, however a \$5 counter fee is charged for transactions relating to the issuance of a Certificate of Title, issuance of temporary license plates, issuance of temporary or permanent parking permits for disabled persons, transactions involving both titling and registration for the same vehicle, or transactions relating to only vehicle registration (but not renewals).

The average volume of registration renewals for calendar years 2011 through 2015 was 395,966 transactions at the DMV CSCs. The calendar year 2015 volume at the DMV CSC for renewals was 409,311. The average volume of titling, temporary plates, and registrations for calendar years 2011 through 2015 was 1,407,684 transactions at the DMV CSCs. The calendar year 2015 volume at the DMV CSCs for titling, temporary plates and registrations was 1,563,065.

Personalized License Plate Fees

Personalized license plates are license plates whereby the registration number is composed of a maximum set of numbers or letters or both specifically requested by the customer. The personalized license plate is only available for certain vehicle types: automobiles, motorcycles, motor homes, motor trucks with a gross weight of no more than 8,000 pounds, and farm trucks with a gross weight of no more than 12,000 pounds.

During the initial vehicle registration process or any time a registrant desires to change a license plate message, an applicant must complete and return to the Department of Transportation a special application form specifying the desired personalized message and provide two alternate messages. Subject to approval by the Department of Transportation, the customized license plate is then manufactured and sent to the customer.

The personalized license plate fee is enumerated in Section 341.145, Wisconsin Statutes. The $15 annual fee must be submitted with the application and is also due annually at the time of vehicle registration renewals. This fee is in addition to the regular Registration Fees. For motorcycles and farm trucks that receive biennial license plates, the personalized license plate fee is also $15 a year, due with the initial application. The fee to maintain a personalized plate issued on a biennial basis is $30, payable during registration renewal and is in addition to the regular biennial Registration Fee.

The average number of requests for new personalized license plates processed for calendar years 2011 through 2015 was 21,299. The average number of annual personalized license plate registrations during calendar years 2011 through 2015 was 230,625. At the end of calendar year 2015, the State had 233,637 registered personalized license plates.

Actual and Estimated Other Registration-Related Fees

Table V-8 provides further information on the amount of Other Registration–Related Fees described above in "OTHER REGISTRATION-RELATED FEES; General". These amounts include actual collections for the past ten years and projections for the upcoming ten years; the projected Other Registration-Related Fees are for fiscal years 2017 through 2027.

The Other Registration-Related Fees include many types of fees that are enumerated in the Wisconsin Statutes; while all are Program Income, the certain Other Registration-Related Fees outlined by the box in Table V-8 are those fees for which the State is currently providing continuing disclosure. See Table V-3 for the total of Registration Fees and the Other Registration-Related Fees being used for ratings and continuing disclosure.

Neither the State's independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information shown above, nor have they expressed any opinion or any other form of assurance on such information or its achievability and assume no responsibility for and disclaim any association with the prospective financial information.

Table V-8

ACTUAL AND PROJECTED OTHER REGISTRATION-RELATED FEES

Fiscal Year (June 30)	Title Transaction Fees	Counter Service Fees and Personalized License Plates	Subtotal	Other Miscellaneous Vehicle Registration-Related Fees	Total Registration-Related Fees
2007	$ 50,470,381	$ 8,487,460	$ 58,957,841	$ 8,457,789	$ 67,415,630
2008[(a)]	63,825,116	8,504,542	72,329,658	8,690,501	81,020,159
2009[(a)]	73,326,881	8,065,590	81,392,471	8,300,302	89,692,773
2010	72,424,499	8,356,113	80,780,612	9,873,154	90,653,766
2011	73,817,627	7,736,294	81,553,921	12,201,959	93,755,880
2012[(a)]	86,902,864	8,082,787	94,985,651	13,046,048	108,031,699
2013	88,495,799	7,650,431	96,146,230	13,240,815	109,387,045
2014	92,478,346	7,838,553	100,316,899	14,053,506	114,370,405
2015	97,129,227	7,678,806	104,808,033	14,821,529	119,629,562
2016	99,096,834	8,131,116	107,227,950	15,466,786	122,694,736
2017	97,119,300	7,797,400	104,916,700	13,995,621	118,912,321
2018	97,119,300	7,797,400	104,916,700	13,995,621	118,912,321
2019	97,119,300	7,797,400	104,916,700	13,995,621	118,912,321
2020	97,119,300	7,797,400	104,916,700	13,995,621	118,912,321
2021	97,119,300	7,797,400	104,916,700	13,995,621	118,912,321
2022	97,119,300	7,797,400	104,916,700	13,995,621	118,912,321
2023	97,119,300	7,797,400	104,916,700	13,995,621	118,912,321
2024	97,119,300	7,797,400	104,916,700	13,995,621	118,912,321
2025	97,119,300	7,797,400	104,916,700	13,995,621	118,912,321
2026	97,119,300	7,797,400	104,916,700	13,995,621	118,912,321
2027	97,119,300	7,797,400	104,916,700	13,995,621	118,912,321

[(a)] Reflects (i) effective date of January 1, 2008 for additional $24.50 increase in title transaction fees, and (ii) effective date of July 1, 2011 for no increase in the actual title transaction fee, but a $9 increase in the portion of the title transaction fee that is now considered to be Program Income.

Source: Wisconsin Department of Transportation.

RISK FACTORS

Revenue Obligations

The Bonds are limited obligations of the State, payable from and secured by a first lien pledge of Program Income, the Funds created by the General Resolution, and any other income of the Program. The Notes are limited obligations of the State, payable from Program Income deposited into the Subordinated Debt Service Fund. The pledge of Program Income to the Subordinated Debt Service Fund for the Notes is junior and subordinate to the pledge of Program Income to the payment of the Bonds. See "SECURITY" above.

No representation or assurance can be made that Program Income will be realized in amounts sufficient to pay principal of, and interest on, the Bonds and Notes when due. The Program Income and the other amounts held by the Trustee under the General Resolution, and for the Notes, under the Transportation Revenue Commercial Paper Note Program Resolution (**CP Program Resolution**), constitute the only property pledged to secure the payment of the Bonds and Notes. No physical collateral secures the payment of the Bonds or Notes. Moreover, in the event the amount of the Program Income is inadequate for payment of the Bonds and Notes, the Trustee cannot compel the State to impose taxes to address such inadequacy.

The amount of Program Income collected is expected to be sufficient to pay debt service on the Bonds and Notes. However, no assurance can be given that such expected results will in fact be achieved, nor can there be any assurance that the sufficiency of historic Program Income collections indicates that future Program Income will similarly be sufficient.

Neither the full faith and credit nor the taxing power of the State or any political subdivision of the State will be pledged to the payment of the principal of, premium, if any, or interest on the Bonds or Notes.

Parity Debt

The Bonds are issued pursuant to the General Resolution on parity with each other and any other obligations to be issued on parity with the Bonds.

The Notes are issued pursuant to the General Resolution, as supplemented by the CP Program Resolution, on a parity with each other and any other obligations to be issued on a parity with the Notes. The pledge of Program Income granted to the Notes is junior and subordinate to the pledge granted to the Bonds.

The State may issue additional Bonds on a parity with existing Bonds, and additional Notes on a parity with existing Notes, under the General Resolution, and with respect to the Notes, the CP Program Resolution, if certain conditions are met. See "SECURITY; Additional Bonds" above. Any such additional Bonds or Notes will be entitled to share ratably with the holders of the Bonds or Notes, respectively, in any moneys realized from the exercise of remedies under the General Resolution and, with respect to the Notes, the CP Program Resolution, in the event of a default.

Impact of General Economic Factors

The amount of Program Income available to be collected depends on economic activity related to the registration of motor vehicles and related fee-generating activities. A reduction in the number of motor vehicle registrations, title transactions and related fee-generating activities could lead to a reduction in the amount of Program Income collected. Various economic, climatic, political, or civil disruptions could affect the State's economy and economic conditions, resulting in reduced Program Income. These include, without limitation, adverse changes in income levels, adverse changes in the availability of financing options for automobile and truck purchases, and fluctuations in the price of oil and gasoline.

Industry Demand Factors

The number of motor vehicle registrations, title transactions and related fee-generating activities depend in large part on demand for and use of automobiles, trucks and other motor vehicles in the State. In addition to adverse general economic factors, longer term trends in automobile, truck and other motor vehicle demand could be adversely affected by various factors, including increased reliance on alternative methods to trucking for business and industrial transport, increased reliance on public transportation, stagnation in or lack of acceptance of new motor vehicle product offerings, demographic changes in the driving age population, and increased alternative transportation options including rideshare services.

Registration Fee Collection Procedures

All Program Income is collected by the Trustee, or the Department of Transportation as agent of the Trustee, and deposited outside the State Treasury in an account with the Trustee defined as the Redemption Fund. Disruptions with respect to the collection of Program Income could adversely affect the Bonds and Notes.

Potential Future Reduction of Registration Fees and Other Registration-Related Fees

Registration Fees and Other Registration-Related Fees may be reduced by Legislative decisions, which may be influenced by many factors. While under the General Resolution the State has pledged and agreed that the State will not limit or alter the ability of the State to fulfill the terms of its agreements with respect to the Bonds and Notes, or impair the rights and remedies of holders of the Bonds and Notes, and has covenanted that it will charge sufficient Program Income to pay principal and interest on the Bonds and Notes, no guarantee can be made that the Legislature will not reduce the Registration Fees or Other Registration-Related Fees pledged to the Bonds and Notes. While a failure to make payments of the principal of, and premium, if any, and interest on, any of the Bonds or Notes could hinder the State's subsequent access to the capital markets, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to raise fees needed for those payments.

Future occurrences could adversely affect legislative support for the current level of the Registration Fee and Other Registration-Related Fees. Political factors may also come to bear on such fees.

Future Changes in Law

Future changes in applicable law by the Legislature could be adverse to holders of the Bonds and Notes. Legislative changes relating to the amount and timing of vehicle registration and related fees and collection procedures could lead to a reduction in or delay in receipt of Program Income. State law also allows for consideration of constitutional amendment referendum questions, which occurred for the Transportation Fund as recently as November 2014.

Liquidity Facility Risk for Notes

In order to provide liquidity for the payment of the principal of and interest on maturing Notes, the CP Program Resolution requires a liquidity facility. The State has obtained a Credit Agreement from the Liquidity Facility Provider in satisfaction of this requirement.

The ability of the Liquidity Facility Provider to honor draws on the Credit Agreement is based solely on the Liquidity Facility Provider's general credit. Declines and disruptions in the financial markets may adversely affect the municipal bond market and banking business, and may adversely affect the financial condition of financial institutions including the Liquidity Facility Provider, weakening its credit status as reflected in its credit ratings.

The Credit Agreement will not, and is not intended to, protect holders of the Notes from events affecting the Liquidity Facility Provider or its creditworthiness, including, without limitation, the insolvency of the Liquidity Facility Provider. No claim may be asserted for federal deposit insurance against the Federal Deposit Insurance Corporation in respect to the Notes or the Credit Agreement, and owners of the Notes should not assume any such insurance coverage is available with respect to the Notes or the Credit Agreement. If an event of termination or event of suspension occurs under the Credit Agreement, the obligation of the Liquidity Facility Provider will immediately and automatically terminate or suspend, without notice or demand and without payment of any Notes.

The Credit Agreement is subject to renewal or replacement from time-to-time. There can be no guarantee that the Credit Agreement will be renewed or replaced in the future, and failure to renew or replace the Credit Agreement may adversely affect the Notes. Any substitute liquidity facility may have covenants, events of default, conditions to borrowing, and other provisions different from the current Credit Agreement, and the Notes are not required to be tendered in connection with delivery of such substitute liquidity facility, as long as it meets the requirements of the Program Resolution. See "VARIABLE RATE OBLIGATIONS; Liquidity Facility" below.

Issuance of Additional Bonds to Fund Notes

The Commission has adopted Series Resolutions authorizing the issuance of Bonds to pay for the funding of the Notes. The State's ability to issue such Bonds, if necessary, will depend on the State's future market access for such Bonds and general market conditions, and no assurance can be given that such Bonds can be successfully marketed in the future.

Tax Matters

There are or may be pending in the Congress of the United States legislative proposals relating to the federal tax treatment of interest on obligations of the nature of the Bonds and Notes. The State cannot predict whether and in what form any such proposal might be enacted or how such proposals, if enacted, would apply to the Bonds or Notes. A change in the federal tax status of Bonds or Notes issued on a tax-exempt basis may cause the value of such Bonds or Notes to fall. In addition, interest on such Bonds or

Notes could become includible in gross income for federal income tax purposes as a result of future acts or omissions of the State.

A defeasance of any Bonds issued on a taxable basis may cause recognition of a gain or loss, for federal tax purposes, at the time of defeasance. Owners of such Bonds should consult their tax advisors regarding the tax consequences of any defeasance of such Bonds.

PROJECTS

Security on the Bonds or Notes is not dependent upon projects built with Bond or Note proceeds.

Bond and Note proceeds are used to finance a portion of major highway projects enumerated in the Wisconsin Statutes for construction. A major highway project is defined as a project which has a total cost of more than $30 million and which involves one or more of the following:

- Constructing a new highway 2.5 miles or more in length
- Reconstructing or reconditioning 2.5 miles or more of an existing highway
- Adding one or more lanes, 5 miles or more to an existing highway
- Improving 10 miles or more of existing multi-lane divided highway to freeway standards
- Total cost of $75 million, has been approved for construction by the Transportation Projects Commission, but does not address any of the above specific mileage threshold requirements.

All state highway improvement projects, including authorized major highway projects, are scheduled in the Department of Transportation's six-year highway improvement program. The six-year program, updated on a biennial basis, serves as a basic tool for the Department of Transportation's long-term improvement plans and construction programs.

Construction of major highway projects uses moneys from the following sources:

- Bond or Note proceeds
- Federal aid
- Moneys in the Transportation Fund which may be appropriated for such purposes

The Transportation Projects Commission approves major construction projects for enumeration. Major highway projects must be enumerated prior to construction. The Department of Transportation is actively working on 15 major highway projects with an estimated cost to complete of at least $2.158 billion in 2016 dollars. See "SECURITY; Additional Bonds".

Requests for additional information about the major highway projects funded or to be funded with proceeds of transportation revenue obligations may be directed as follows:

Contact: Wisconsin Department of Transportation
Attn: Office of Policy, Budget, and Finance
Phone: (608) 261-8628
Mail: 4802 Sheboygan Avenue
P.O. Box 7910
Madison, WI 53707-7910
E-mail: anna.richter@wisconsin.gov
Web site: doa.wi.gov/capitalfinance

VARIABLE RATE OBLIGATIONS

The State has issued, and there currently remains outstanding, transportation revenue commercial paper notes, or Notes.

General

The State has appointed Goldman, Sachs & Co., J.P. Morgan Securities LLC, and Morgan Stanley & Co. LLC to serve as **Dealers** and U.S. Bank National Association, as successor to Deutsche Bank Trust Company Americas, to serve as **Issuing and Paying Agent** for the Notes. The Depository Trust Company (**DTC**) serves as **Depository** for the Notes.

The State has obtained a **Liquidity Facility** in the form of a line of credit, which is provided for in the Second Amended and Restated Credit Agreement, dated as of April 20, 2016 (**Credit Agreement)** between the State and State Street Bank and Trust Company (**Liquidity Facility Provider**) which provides a current commitment of $120 million. Table V-9 summarizes, for each authorized and outstanding series of Notes, the principal amount initially issued, the date of initial issuance, and the principal amount outstanding as of December 15, 2016.

Table V-9

SUMMARY OF OUTSTANDING TRANSPORTATION REVENUE NOTES
(December 15, 2016)

Series Designation	Initial Principal Amount	Outstanding Principal Amount	Date of Initial Issuance
1997 Series A	$157,763,000	$ 20,458,000	May 7, 1997
2006 Series A	91,290,000	11,260,000	October 2, 2006
2013 Series A	70,025,000	57,005,000	November 5, 2013
	Total	$ 88,723,000	

Additional Notes may be issued pursuant to action of the Commission subject to meeting certain conditions as described in the **CP Program Resolution**, such as an additional bonds test. In addition, the aggregate principal amount of Notes outstanding, plus the interest to accrue on such Notes to maturity, plus the aggregate principal amount of all outstanding Advances made by the Liquidity Facility Provider, may not exceed the commitment amount of the Liquidity Facility.

Description of the Notes

Each Note will be dated the date it is issued. It will be issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000.

The Notes are not callable prior to maturity.

Each Note will mature from 1 to 270 days from its issue date but no Note may be issued with a maturity date later than two (2) business days prior to the expiration date of the Liquidity Facility.

Each Note will bear interest from its date of issuance, at the rate determined at the date of issuance, payable at maturity. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed. The interest rate on the Notes cannot exceed 12% per annum. Payment of each Note will be made to the Depository and then distributed by the Depository.

Liquidity Facility

In order to provide liquidity for the payment of the principal of and interest on maturing Notes, the State has entered into the Credit Agreement with the Liquidity Facility Provider.

Pursuant to the Credit Agreement, the Liquidity Facility Provider is obligated, subject to certain conditions, to make advances from a line of credit (**Advances)** from time to time on any business day during the term of the Credit Agreement, which Advances may only be used to provide funds to pay the principal of and interest on the Notes on the maturity date thereof to the extent that proceeds of roll-over Notes, or other moneys on deposit in the **Note Fund** held by the Issuing and Paying Agent for the Notes, are not available. The aggregate principal amount of all Advances made on any date may not exceed the outstanding commitment amount under the Credit Agreement (currently $120 million), as such amount may be increased or decreased from time to time. The CP Program Resolution requires that the commitment amount cannot be less than the sum of the outstanding Notes, plus the interest to accrue on such Notes to maturity, plus the aggregate principal amount of all outstanding Advances provided by the Liquidity Facility Provider.

If the amounts on deposit in the Note Fund are insufficient for payment of principal or interest on the Notes when due, then the Issuing and Paying Agent shall make a draw on the line of credit under the Credit Agreement to provide money for such payment. The obligation of the Liquidity Facility Provider to make advances when a draw is made is subject to certain conditions and may be terminated or be suspended immediately without notice or demand and without payment of Notes outstanding upon the occurrence of certain events.

The Credit Agreement currently terminates on April 20, 2019. The Credit Agreement provides that the termination date may be extended, if the parties agree. Alternatively, the State is permitted to replace the Credit Agreement with another comparable agreement or agreements with any other liquidity facility provider provided that such substitution meets all required qualifications set forth in the CP Program Resolution, including, but not limited to, written evidence from each rating agency (two at a minimum) which, at the request of the State, is then rating the Notes and which is then also rating the provider (or its guarantor) of the proposed substitute liquidity facility to the effect that the substitution of the Liquidity Facility will not by itself result in a withdrawal, suspension, or reduction of its ratings of the Notes from those which then prevail.

The State has delivered a promissory note **(Promissory Notes)** to the Liquidity Facility Provider evidencing its obligation to repay all Advances. The Promissory Note ranks equally with the Notes and is payable solely from Program Income deposited into the Subordinated Debt Service Fund, as provided for in the resolutions authorizing the Notes. Likewise, new Promissory Notes would be issued to the provider of any substituted Liquidity Facility. Any such substituted Liquidity Facility Agreement may have covenants, events of default, conditions to borrowing and other provisions different from those referred to above for the existing Liquidity Facility.

The State will notify the Dealers of any change in the Liquidity Facility or provider thereof. The State will also notify the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system of any change in the Liquidity Facility or provider thereof.

Investors should obtain and review a copy of the Credit Agreement in order to understand all of the terms and provisions of the document. A copy of the Credit Agreement can be obtained from the State at the address included on the first page of this Part V of the 2016 Annual Report.

Description of the Liquidity Facility Provider

The following information concerning State Street has been provided by representatives of State Street and has not been independently confirmed or verified by the State. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

State Street Bank and Trust Company **(Bank)** is a wholly-owned subsidiary of State Street Corporation **(Corporation)**. The Corporation (NYSE: STT) provides financial services to institutional investors, including investment servicing, investment management and investment research and trading. With $27.51 trillion in assets under custody and administration and $2.25 trillion in assets under management as of December 31, 2015, the Corporation operates in more than 100 geographic markets worldwide. The consolidated total assets of the Bank as of December 31, 2015 accounted for approximately 98% of the consolidated total assets of the Corporation as of the same date. As of December 31, 2015, the Corporation had consolidated total assets of $245.19 billion, total deposits (including deposits in non-U.S. offices) of $191.63 billion, total investment securities of $100.02 billion, total loans and leases, net of unearned income and allowance for loan losses, of $18.75 billion and total shareholders' equity of $21.10 billion.

The Bank's Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices Only -- FFIEC 031 **(Call Reports)** through December 31, 2015 have been submitted through the Federal Financial Institutions Examination Council and provided to the Board of Governors of the Federal Reserve System, the primary U.S. federal banking agency responsible for regulating the Corporation and the Bank. Publicly available portions of those Call Reports, and future Call Reports so submitted by the Bank, are available on the Federal Deposit Insurance Corporation's website at www.fdic.gov. The Call Reports are prepared in conformity with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles.

Additional financial and other information related to the Corporation and the Bank, including the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015 and additional annual, quarterly and current reports subsequently filed or furnished by the Corporation with the U.S. Securities and Exchange Commission **(SEC)**, can be accessed free of charge on the SEC's website at www.sec.gov. The above website is not incorporated by reference into this into this Part V of the 2016 Annual Report.

Any statement contained in any document referred to above shall be deemed to be modified or superseded for purposes of this Part V of the 2016 Annual Report to the extent that a statement contained herein or in any subsequently submitted, filed, or furnished document that also is referred to above modifies or supersedes such statement. The delivery hereof shall not create any implication that there has been no change in the affairs of State Street since the date hereof, or that information contained or referred to is correct as of any time subsequent to that date.

A copy of any or all of the publicly available documents referred to above, other than exhibits to such documents, may be obtained without charge on written request to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

The Credit Agreement is an obligation solely of State Street and is not an obligation of, or otherwise guaranteed by, the Corporation or any of its affiliates (other than State Street). Neither State Street nor its affiliates make any representation as to the contents of this Part V of the 2016 Annual Report (except as to this section), the suitability of the Notes for any investor, the feasibility or performance of any project, or compliance with any securities or tax laws or regulations.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The General Resolution contains various covenants and security provisions, certain of which are summarized below. In general, this Section does not summarize any provisions of the Series Resolutions. Reference should be made to the General Resolution for a full and complete statement of its provisions. A copy of the General Resolution or any Series Resolution may be obtained by contacting the State at the address provided in the introduction to this Part V of the 2016 Annual Report.

Resolution to Constitute Contract

The provisions of the General Resolution shall be a part of the contract of the State with the holders of Bonds and shall be deemed to be and shall constitute a contract among the State, the Trustee and the holders from time to time of the Bonds and shall be for the equal benefit, protection and security of the holders of any and all of such Bonds.

Provisions for Issuance of Bonds

The General Resolution authorizes Bonds of a Series to be issued from time to time in accordance with the terms of the General Resolution without limitation as to amount except as provided by law. Bonds shall be issued pursuant to authorization by a Series Resolution containing the provisions specified by the General Resolution. Following issuance of the initial Series of Bonds, the Commission must determine that the additional obligations test set forth in the General Resolution is met prior to issuing Bonds for other than refunding purposes. The Bonds of a Series may be authenticated and delivered only upon receipt by the Trustee of, among other things:

- A Bond Counsel's opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the Wisconsin Constitution and the Wisconsin Statutes and in accordance with the General Resolution; and,
- The proceeds of the Bonds of such Series to be deposited with the Trustee pursuant to the General Resolution.

Additional Bonds

Following the initial issuance of Bonds, the State will not create or permit the creation of, or issue any obligations or create any indebtedness which shall be secured by a superior or equal charge and lien on the Program Income, except that additional Series of Bonds may be issued from time to time subsequent to the issuance of the initial Series of Bonds on a parity with the Bonds of such initial Series of Bonds and secured by an equal charge and lien on the Program Income. However, no additional Series of Bonds shall be issued subsequent to the initial Series of Bonds unless:

- The principal amount of the additional Bonds together with the principal amount of the Outstanding Bonds will not exceed in aggregate principal amount any limitation thereon imposed by law;
- Except in the case of refunding Bonds, there shall be filed with the Trustee a Certificate of an Authorized Officer of the Commission and the Department of Transportation stating that Program Income, including interest earnings on amounts deposited in the Funds or Accounts held by the Trustee and available for debt service, for any twelve (12) consecutive calendar months of the preceding eighteen (18) calendar months, was equal to at least 2.25 times the maximum aggregate Principal Requirement and Interest Requirement for any Fiscal Year for all Outstanding Bonds (the General Resolution defines Outstanding Bonds to include the Bonds being issued upon the delivery of such Certificate);
- Upon the issuance and delivery of the additional Bonds, the amount credited to the Reserve Fund shall be at least equal to the Debt Service Reserve Requirement immediately after issuance; and
- All requirements with respect to adoption of Series Resolutions and conditions precedent to delivery of Bonds set forth in the General Resolution have been complied with.

Refunding Bonds

The State may issue refunding Bonds of one or more Series to refund any Outstanding Bonds of one or more Series whether by payment at maturity or by redemption. Refunding Bonds shall be issued pursuant to and in accordance with the provisions of a Series Resolution authorizing such refunding Bonds.

Application of Bond Proceeds

The proceeds of sale of a Series of Bonds shall be deposited as follows:

- To the Principal and Interest Account of the Redemption Fund, the amount of any accrued interest on the Series of Bonds to their date of delivery;
- To the Principal and Interest Account of the Redemption Fund, the amount of any premium determined by the applicable Series Resolution, or specified in a certificate of an authorized officer of the Commission;
- To the Principal and Interest Account of the Redemption Fund, the proceeds of any Series of refunding Bonds to the extent provided in the applicable Series Resolution;
- To the Reserve Fund, the amount specified in the Series Resolution as necessary to establish or increase the amount set aside therein to the Debt Service Reserve Requirement;

- To any other Fund or Account to the extent permitted by the Revenue Obligations Act and provided for by a Series Resolution; and
- To the Program Capital Fund, the balance of the proceeds of any Series of Bonds, which shall be allocated:
  (a) to the Capitalized Interest Account, the amount of capitalized interest, if any, determined by the applicable Series Resolution to be deposited; and
  (b) to the Program Account, the balance of the proceeds of any Series of Bonds.

Establishment of Funds

All Program Income and other moneys or securities held by the Trustee pursuant to the General Resolution are revenues of the Trustee and are revenues outside of the State Treasury which shall be held in trust and applied only in accordance with the provisions of the General Resolution. The General Resolution establishes and creates the following trust funds that are to be held by the Trustee:

- Program Capital Fund, which consists of a Capitalized Interest Account and a Program Account;
- Redemption Fund, which consists of a Principal and Interest Account and a Program Income Account;
- Reserve Fund; and
- Program Expense Fund.

The General Resolution authorizes the creation of other Funds and Accounts for a particular Series of Bonds by the applicable Series Resolution.

Capitalized Interest Account

Amounts in the Capitalized Interest Account, if any, shall be transferred to the Principal and Interest Account of the Redemption Fund to be used for payment of capitalized interest on the Bonds in accordance with the schedule set forth in a Series Resolution or in a Certificate of an Authorized Officer of the Building Commission delivered to the Trustee. Amounts in the Capitalized Interest Account shall also be transferred to the Principal and Interest Account of the Redemption Fund for redemption of Bonds (1) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that such redemption is necessary for compliance with the covenants contained in the General Resolution concerning tax exemption of the interest on certain of the Bonds, and (2) in accordance with the provisions of the terms of a Series Resolution with respect to the Series of Bonds authorized by such Series Resolution.

Program Account

Amounts in the Program Account shall be used solely for the following purposes:

- Paying the Costs of Issuance;
- Financing Projects in accordance with the Act and the General Resolution; and
- Transfers to the Principal and Interest Account of the Redemption Fund to pay interest on the principal of or Redemption Price of Outstanding Bonds (a) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that such redemption is necessary for compliance with the covenants contained in the General Resolution concerning tax exemption of the interest on certain of the Bonds, (b) in accordance with the provisions of the terms of a Series Resolution, and (c) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that there are no further Projects to be funded from the Program Account.

Redemption Fund

There shall be deposited into the Principal and Interest Account of the Redemption Fund from the proceeds of the sale of the Bonds, immediately upon receipt thereof, an amount equal to the accrued interest and any premium (if so specified in a certificate of an authorized officer of the Commission) paid upon the sale of the Bonds and the proceeds of any Series of refunding Bonds. All Program Income shall be deposited promptly with the Trustee (or with national banking associations, state banks or trust companies acting as agents of the Trustee for transfer daily to the Trustee) and such amounts shall be deposited in the Program Income Account of the Redemption Fund. There shall also be deposited in the Program Income Account of the Redemption Fund any other amounts required or permitted to be deposited therein pursuant to the General Resolution.

The amounts deposited in the Principal and Interest Account of the Redemption Fund from the proceeds of a Series of Bonds representing accrued interest and any specified premium shall be set aside and applied to the payment of interest on the next succeeding Interest Payment Date and any additional Interest Payment Dates specified in the Series Resolution or a Certificate of an Authorized Officer of the Building Commission.

The amounts deposited in the Principal and Interest Account of the Redemption Fund from the proceeds of a Series of refunding Bonds shall be applied to the payment or redemption of Bonds as provided in the Series Resolution.

Commencing on the date of issuance of the Bonds and continuing each succeeding business day until the amounts required in (1) through (5) of this paragraph are deposited and thereafter on each Redemption Fund Deposit Day (the 1st day of January, April, July, and October), and continuing each succeeding business day until the amounts required in (1) through (5) of this paragraph are deposited, the Trustee shall immediately transfer aside from the amounts deposited in the Program Income Account, in the following order of priority:

(1) To the Principal and Interest Account, after giving effect to:
   (a) amounts to be available from accrued interest and premium, if specified, and in the Capitalized Interest Account, and
   (b) any balance in the Principal and Interest Account on each Redemption Fund Deposit Day, and
   (c) amounts transferred from the Reserve Fund, and
   (d) amounts transferred from the Program Expense Fund, an amount equal to the Interest Requirement with respect to Outstanding Bonds;

(2) To the Principal and Interest Account, after giving effect to any balance in the Principal and Interest Account in excess of the Interest Requirement an amount equal to the Principal Requirement on the Outstanding Bonds;

(3) To the Reserve Fund, an amount equal to any deficiency in the Reserve Fund;

(4) To the Program Expense Fund created in the General Resolution, an amount equal to any unfunded portion of the Program Expenses payable over the next three months according to the General Resolution; and

(5) To the Subordinated Debt Service Fund created for the Notes, an amount equal to the Subordinated Debt Service Fund Requirement.

Immediately upon meeting the requirements set forth above, amounts in the Program Income Account of the Redemption Fund, including any interest earned thereon, in excess of the amounts required to be set aside above, shall be paid by the Trustee to the State Treasury for deposit into the Transportation Fund free and clear of the lien of the General Resolution in accordance with the Revenue Obligations Act and the Act.

To the extent not otherwise provided for in the Series Resolution applicable to any Series of Bonds, on the first day of each Fiscal Year and prior to any of the transfers by the Trustee that day specified above, all amounts in the Principal and Interest Account shall be paid by the Trustee to the State Treasury for deposit into the Transportation Fund free and clear of the lien of the General Resolution in accordance with the Revenue Obligations Act and the Act.

Payment of Bonds

The Trustee is required to pay to the Registrar and Paying Agent for the Bonds on or before each Interest Payment Date, (1) the amount equal to interest due on the Outstanding Bonds on such date, (2) the amount equal to the principal amount of Outstanding Bonds maturing on such date and (3) the amount equal to the Redemption Price of any Outstanding Bonds to be redeemed on such date, and in each such case, such amounts shall be applied by such Registrar and Paying Agent to such payments.

There shall be deposited in the Principal and Interest Account of the Redemption Fund any amounts which are required to be deposited therein pursuant to the General Resolution, a Series Resolution and any other amounts available therefor and determined by the State to be deposited therein for the purpose of redeeming Bonds. Subject to the provisions of the respective Series of Bonds and to the provisions of the respective resolutions authorizing the issuance thereof and authorizing the issuance of refunding Bonds, all amounts deposited in the Principal and Interest Account of the Redemption Fund in accordance with the provisions described in this paragraph shall be set aside and applied to the payment, purchase or redemption of Bonds.

Purchase of Bonds

Except as may be otherwise provided in connection with the issuance of refunding Bonds, at any time prior to the 45th day upon which Bonds are to be paid or redeemed from the amounts described in the preceding paragraph, the Trustee may upon receipt of written instructions signed by an Authorized Officer of the Building Commission apply such amounts to the purchase of any of the Bonds which may be paid or redeemed by application of amounts on deposit in the Principal and Interest Account of the Redemption Fund. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as the Building Commission shall direct. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond or the Redemption Price of such Bond on the next Redemption Date for such Bonds.

Program Expense Fund

On the 1st day of January, April, July, and October, the Trustee shall immediately transfer amounts on deposit in the Program Income Account to the Program Expense Fund for the purpose of paying Program Expenses for the succeeding three months as set forth in the annual budget prepared by the Department of Transportation, but only upon a Certificate of an Authorized Officer of the Department of Transportation, stating that the amounts are required and have been or will be expended for purposes for and to which the Program Expense Fund may be used and applied.

Reserve Fund

If on any Interest Payment Date, Principal Installment Date, or Redemption Date for the Bonds, the amount in the Principal and Interest Account of the Redemption Fund shall be less than the amount required for the payment of interest, principal or Redemption Price on Outstanding Bonds on such date, the Trustee shall apply assets in the Reserve Fund to the extent necessary to make good the deficiency.

In the event there is a deficiency in the Reserve Fund, it shall be made up from the Redemption Fund after both the Interest Requirement and the Principal Requirement with respect to Outstanding Bonds have been met. Monies flow to the Redemption Fund commencing on the date of issuance of a Series of Bonds or on a Redemption Fund Deposit Day, whichever is earlier.

On the first day of each Fiscal Year or on the maturity or redemption date of any Bonds, income and earnings from Investment Obligations in the Reserve Fund shall be transferred to the Principal and Interest Account to the extent such transfer will not reduce the amount in the Reserve Fund below an amount equal to the Debt Service Reserve Requirement.

Investments and Deposits

Subject to instructions from time to time received from an Authorized Officer of the Building Commission and to the provisions of the General Resolution, moneys in any Fund or Account shall be continuously invested and reinvested or deposited and redeposited by the Trustee in the highest yield Investment Obligations that may be reasonably known to the Trustee to the extent the same are authorized by the applicable Series Resolution and at the time legal for investment of funds under the Act, the Revenue Obligations Act and other applicable law. Investments shall be made with a view toward maximizing yield (with proper preservation of principal) and minimizing the instances of uninvested funds.

Investment Obligations purchased as an investment of moneys in any Fund or Account held by the Trustee under the provisions of the General Resolution shall be deemed at all times to be part of such Fund or Account but the income or interest earned and gains realized from Investment Obligations held by the Reserve Fund and Program Expense Fund in excess of the requirements of said Funds shall be transferred to the Principal and Interest Account on the first day of each Fiscal Year or on the maturity or redemption date of any Bonds.

The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Obligations purchased by it pursuant to the General Resolution whenever it shall be necessary in order to provide moneys to meet any payments or transfers from the Fund or Account for which such investment was made.

In computing the amount in the Reserve Fund, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made on the 20^{th} day of each March, June, September and December and as otherwise required under the General Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

The Trustee shall invest and reinvest the moneys in any Fund or Account in available Investment Obligations so that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which monies are needed to be so expended.

Investment Obligations means any of the investments described under "GLOSSARY".

Powers as to Bonds and Pledge

The State covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the Program Income purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution.

Payment Covenant

The State covenants that it will duly and punctually pay or cause to be paid, but solely from sources as provided in the General Resolution, the principal and Redemption Price of every Bond and the interest thereon, on the dates and at the places and in the manner stated in the Bonds according to the true intent and meaning thereof.

Tax Covenants

The State and the Trustee shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

The State and the Trustee shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the State to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148 of Code.

The State and the Trustee shall not permit at any time or times any proceeds of any Bonds or any other funds of the State to be used, directly or indirectly, in a manner which would result in the exclusion of any Bond from the treatment afforded by Section 103 of the Code, as from time to time amended, by reason of the classification of such Bond as a "private activity bond" within the meaning of Section 141 of the Code.

The State reserves the right to elect to issue Bonds, the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants as to tax exemption shall not apply to such Bonds.

Funds and Reports

The Department of Transportation covenants that it will keep, or cause to be kept and maintained proper books of account relating to the Program and within 120 days after the end of each Fiscal Year shall cause such books of account to be audited by an Accountant. A copy of each audit report, annual balance sheet and income and expense statement showing in reasonable detail the financial condition of the Program (including a schedule of monthly Program Income) as of the close of each Fiscal Year, and summarizing in reasonable detail the income and expenses for such year, including the transaction relating to the Funds, shall be filed promptly with the Trustee and shall be available for inspection by any Bondholder. See "AUDITED FINANCIAL STATEMENTS" in APPENDIX A.

Budgets

The Department of Transportation must file an annual budget broken down on a quarterly basis covering the fiscal operations of the Program for the succeeding Fiscal Year not later than the first day of each Fiscal Year with the Trustee. The annual budget shall at least set forth for such Fiscal Year the estimated Program Income, the debt service due and payable or estimated to become due and payable during such Fiscal Year and estimated Program Expenses. The Department of Transportation may at any time file with the Trustee an amended annual budget for the remainder of the then current Fiscal Year in the manner provided for the filing of the annual budget. Copies of the annual budget as then amended and in effect shall be made available by the Trustee during normal business hours in the Trustee's office for inspection by any Bondholder.

The Program

The State covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the Revenue Obligations Act, the provisions of the General Resolution and sound banking practices and principles to:

- Use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program, to finance Projects, pursuant to the Act, the Revenue Obligations Act and the General Resolution;
- Do all such acts and things as shall be necessary to charge and cause to be deposited with the Trustee Program Income sufficient to pay interest and principal and redemption premium on all Outstanding Bonds, to maintain the Debt Service Reserve Requirement in the Reserve Fund, to maintain any Credit Support and Liquidity Fund Requirement provided for in a Series Resolution, to pay Program Expenses; and maintain any Subordinated Debt Service Fund Requirement provided for in a Series Resolution

Power of Amendment

The Building Commission may, from time to time and without the consent and concurrence of any holder of any Bond, adopt a Supplemental Resolution modifying or amending the General Resolution if the modification or amendment does not adversely affect the rights of the holders of the Outstanding Bonds.

Any modification of or amendment to the General Resolution which does affect the rights and obligations of the State and of the holders of the Bonds, in any particular, may be made by a Supplemental Resolution with the written consent given as provided in the General Resolution, (1) of the holders of at least two-thirds in principal amount of the Outstanding Bonds at the time such consent is given, (2) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (3) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the General Resolution or Series Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

Events of Default

It is an Event of Default if:

(1) Payment of any installment of interest on the Outstanding Bonds shall not be made after the same shall become due;

(2) Payment of the principal of, Redemption Price or any Sinking Fund Installment on any Bond when and as the same shall become due and payable, whether at maturity or upon call for redemption or otherwise, shall not be made when and as the same shall become due; or

(3) The State shall fail or refuse to comply with the provisions of the General Resolution including replenishment of the Reserve Fund, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the General Resolution or in any Supplemental or Series Resolution or the Bonds, and such failure, refusal or default shall continue for a period of thirty (30) days after written notice thereof by the Trustee or the holders of not less than 25% in principal amount of the Outstanding Bonds.

Remedies

Upon the happening and continuance of any Event of Default specified in clauses (1) and (2) under Events of Default above, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in clause (3) under Events of Default above, the Trustee may proceed and, upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject to the General Resolution, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action, or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require the State to charge and cause to be deposited with the Trustee sufficient Program Income and to require the State to carry out the covenants and agreements with Bondholders and to perform its duties under the Act, the Revenue Obligations Act and the General Resolution; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require the State to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling Investment Obligations.

Before declaring the principal of Bonds due and payable upon an Event of Default, the Trustee shall first give thirty (30) days notice in writing to the Governor and Attorney General of the State.

Priority of Bonds After Default

In the event that upon the happening and continuance of an Event of Default, the Funds or Accounts held by the Trustee, Registrar and Paying Agent are insufficient for the payment of interest, principal or Redemption Price then due on the Bonds, such Funds or Accounts (other than portions of Funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other monies received or collected by the Trustee acting pursuant to the Act, the

Revenue Obligations Act and the General Resolution, after making provisions for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or the Registrar and Paying Agent in the performance of their respective duties under the General Resolution, are to be applied as follows:

(1) If the principal of all of the Bonds has not become or been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order or maturity of such installments, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference.

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds has become or been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Limitation on Rights of Bondholders

No individual Bondholder shall have any right to initiate legal proceedings to enforce rights under the General Resolution unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Outstanding Bonds have made written request of the Trustee after the right to exercise such right of action has occurred, and shall have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the General Resolution or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities and the Trustee has refused or neglected to comply with such request within a reasonable time. No provision in the General Resolution on defaults and remedies affects or impairs the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of the State to pay the same from the source, at the time and place specified in said Bond.

Compensation of Fiduciaries

Each Fiduciary is entitled to such fees and reimbursement as shall be established in an agreement between the Commission and such Fiduciary by the Trustee from the Program Expense Fund (except that the agreement for Registrar shall be between the Secretary of Administration and the Registrar). Each Fiduciary shall have a lien for such fees and reimbursement on any and all Funds at any time held by it under the General Resolution.

Removal of Trustee

The Trustee is required to be removed if so requested by the holders of a majority in principal amount of the Outstanding Bonds excluding any Bonds held by or for the account of the State. The State may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as the State may determine in its sole discretion. In either such event, a successor is required to be appointed.

Defeasance

If the State shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then the pledge of Program Income and other monies, securities and funds thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which monies have been set aside and shall be held in trust by Fiduciaries (through deposit by the State of funds for such payment or redemption or otherwise) shall, at the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any Bonds shall, prior to maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect so expressed if:

- In case any of the Bonds to be redeemed on any date prior to their maturity, the State has given to the Trustee in form satisfactory to it, irrevocable instructions to publish, as provided in the General Resolution, notice of redemption on said date of such Bonds;
- There has been deposited with the Trustee either monies in an amount which are sufficient, or Investment Obligations which are direct obligations of or obligations guaranteed by the United States of America or other obligations, the payment of which is provided for by an irrevocable escrow deposit invested in direct obligations of the United States of America, the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be; or
- In the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the State has given the Trustee, in form satisfactory to it, irrevocable instructions to publish, as soon as practicable, at least once in an Authorized Newspaper a notice to the holders of such Bonds that the deposit required above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or Redemption Date upon which monies are to be available for the payment of the principal of and Redemption Price on said Bonds.

Neither the Investment Obligations nor the monies so deposited with the Trustee nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than (and shall be held in trust for) the payment of the principal of, Redemption Price and interest on said Bonds, but any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose may, to the extent practicable and legally permitted, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal of, Redemption Price and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments may be paid over to the State, as received by the Trustee, free and clear of any trust, lien or pledge.

GLOSSARY

This Glossary includes definitions from the General Resolution and the Series Resolutions that apply to capitalized terms used in Part V of the 2016 Annual Report.

Accountant means such reputable and experienced independent certified public accountant or firm of independent certified public accountants of nationally recognized standing as may be selected by the Department of Transportation and be satisfactory to the Trustee which may be the accountant or firm of accountants who regularly audit the books and accounts of the Department.

Act means Section 84.59, Wisconsin Statutes.

Authorized Newspaper means either The Wall Street Journal or The Bond Buyer, or such other financial newspaper or financial journal of general circulation, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, in the Borough of Manhattan, City and State of New York.

Authorized Officer when used with reference to the Department of Transportation means the Secretary or other person designated from time to time by the Secretary, and when used with reference to the Commission, means the Chairperson of the Commission or other person designated from time to time by the Chairperson of the Commission and, in the case of any act to be performed or duty to be discharged, any other member, staff, officer or employee of the foregoing Department of Transportation or Commission then authorized to perform such act or discharge such duty.

Bond or **Bonds** means any bond or any other evidence of revenue obligation authorized under the General Resolution and issued pursuant to a Series Resolution.

Bond Counsel's Opinion means an opinion executed by the Attorney General of Wisconsin or an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the State.

Bondholder and the term **Holder** or **holder** means the registered owner of any Outstanding Bond or Bonds, if registered to a particular person or persons, or the holder of any Outstanding Bond or Bonds in bearer form or registered as to principal only, or his duly authorized attorney in fact, representative or assigns.

2005 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 2005 Series A, issued on March 10, 2005.

2007 Series 1 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2007 Series 1, issued on March 8, 2007.

2008 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2008 Series A, issued on August 27, 2008.

2009 Series B Bonds means the State of Wisconsin Transportation Revenue Bonds, 2009 Series B (Taxable), issued on October 1, 2009.

2010 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 2010 Series A, issued on December 9, 2010.

2010 Series B Bonds means the State of Wisconsin Transportation Revenue Bonds, 2010 Series B (Taxable), issued on December 9, 2010.

2012 Series 1 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2012 Series 1, issued on April 25, 2012.

2012 Series 2 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2012 Series 2, issued on June 28, 2012.

2013 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2013 Series 1, issued on March 6, 2013.

2014 Series 1 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2014 Series 1, issued on April 23, 2014.

2014 Series 2 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2014 Series 2, issued on December 10, 2014.

2015 Series 1 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2015 Series 1, issued on April 30, 2015.

2015 Series A Bonds mean the State of Wisconsin Transportation Revenue Bonds, 2015 Series A, issued on December 10, 2015.

Capitalized Interest Account shall mean the account established by Section 402 of the General Resolution.

Certificate means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the General Resolution, or (ii) the report of an Accountant as to audit or other procedures called for by the General Resolution.

Commercial Paper Notes or **Notes** means, in aggregate, the State of Wisconsin Transportation Revenue Commercial Paper Notes of 1997, Series A, the State of Wisconsin Transportation Revenue Commercial Paper Notes of 2006, Series A, and the State of Wisconsin Transportation Revenue Commercial Paper Notes of 2013, Series A.

Commission means the State of Wisconsin Building Commission established and existing pursuant to Section 13.48, Wisconsin Statutes, and any successor thereto to whom the powers and duties granted to or imposed by the General Resolution shall be given by law.

Costs of Issuance means all items of expense, directly or indirectly payable or reimbursable by or to the State which are related to the authorization, sale, credit support, liquidity or issuance of Bonds.

Credit Support and Liquidity Fund Requirement means as of any date of calculation, an amount equal to the aggregate Credit Support and Liquidity Fund Requirements for each Series of Outstanding Bonds as specified with respect to each such Series in the applicable Series Resolution.

Debt Service Requirement means as of any particular date of calculation, the aggregate Interest Requirement and Principal Requirement for Outstanding Bonds as specified in each Series Resolution authorizing the issuance of a Series of Bonds.

Debt Service Reserve Requirement means, as of any particular date of computation, an amount equal to the aggregate of the amounts specified in each Series Resolution authorizing the issuance of a Series of Bonds (any of which are Outstanding on the date of computation) as the amount to be the Debt Service Reserve Requirement, provided that, with respect to any Series of Bonds, in lieu of a deposit to the Reserve Fund of an amount equal to the applicable Series Debt Service Reserve Requirement, the State may provide for a letter of credit, municipal bond insurance policy, surety bond or other type of agreement or arrangement with an entity having, at the time of entering into such agreement or arrangement, a credit rating equal to or greater than the Bonds which provides for the availability, at the times required pursuant to the provisions of any Series Resolution, of an amount at least equal to such Series Debt Service Reserve Requirement and such method of funding shall be deemed to satisfy all provisions of the Series Resolution with respect to the Debt Service Reserve Requirement and the amount required to be on deposit in the Reserve Fund with respect to such Series of Bonds.

Department of Transportation or **Department** or **DOT** means the State of Wisconsin Department of Transportation established and existing pursuant to Section 15.46, Wisconsin Statutes, and any successor thereto to which the powers and duties granted to or imposed by the General Resolution shall be given by law.

Fiduciary means the Trustee, the Registrar and any Paying Agent, or any or all of them as may be appropriate.

Fiscal Year means the annual period beginning on July 1st of each year and ending on June 30th of the following year.

Fund means one or more, as the case may be, of the funds or accounts created and established pursuant to the General Resolution.

General Resolution means the General Resolution as the same may from time to time be amended, modified or supplemented by a Supplemental Resolution.

Interest Payment Dates means any date on which is due the payment of interest on any Series of Bonds as specified in each Series Resolution authorizing the issuance of the Series of Bonds.

Interest Requirement means as of any particular date of calculation, the amount equal to any unpaid interest then due, plus an amount to the interest accruing or payable during the period between the date of calculation and the next Redemption Fund Deposit Day with respect to each Series of Outstanding Bonds.

Investment Obligations means and includes any of the following obligations to the extent the same are at the time legal for investment of funds of the State under the Act, the Revenue Obligations Act, or under other applicable law:

1. Direct obligations of or obligations guaranteed by the United States of America;
2. Obligations the payment of principal and interest on which, by act of Congress or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the United States of America;
3. Bonds, debentures, notes, participation certificates or other similar evidences of indebtedness issued by any of the following: Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, the Federal Financing Bank, the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Export Import Bank of the United States, Student Loan Marketing Association, Farmer's Home Administration, Government National Mortgage Association, Small Business Administration, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of Congress of the United States as an agency or instrumentality thereof or sponsored thereby (including but not limited to the fully guaranteed portion of an obligation partially guaranteed by any of the foregoing, if the State's ownership of such portion is acknowledged in writing by an officer of the guaranteeing agency or instrumentality);
4. Public Housing Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
5. Obligations of any state within the United States or of any political subdivision of any state, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;
6. Bankers acceptances drawn on and accepted by banks (including the Trustee and Paying Agent) and certificates of deposit by banks (including the Trustee and Paying Agent), with a combined capital and surplus aggregating at least $100,000,000 and securities of which are currently rated within the two highest rating categories assigned by a nationally recognized rating agency, or the international branches or banking subsidiaries thereof;
7. Interest-bearing time deposits, or certificates of deposit of a bank (including the Trustee and Paying Agent) or trust company, continuously secured and collateralized by obligations of the type described in clauses (1), (2), (3) and (4) hereof, having a market value at least equal at all times to the amount of such deposit or certificate, to the extent such deposit or certificate is not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or any successors thereto;
8. Commercial paper given the highest rating by S&P Global Ratings and Moody's Investors Service at the time of such investments;

9. Investment agreements with banks or bank holding companies the senior long-term debt securities of which are rated within the two highest categories by a nationally recognized rating agency and which have a capital and surplus of at least $100,000,000;
10. Repurchase agreements, with banks or other financial institutions (including the Trustee and Paying Agent) (**Repurchaser**) provided that each such repurchase agreement (a) is in a commercially reasonable form and is for a commercially reasonable period, and (b) result in transfer to the Trustee of legal and equitable title to, or the granting to the Trustee of a prior perfected security interest in, identified obligations referred to in clauses (1), (2), (3) and (4) above which are free and clear of any claims by third parties and are segregated in a custodial or trust account held either by the Trustee or by a third party (other than the Repurchaser) as the agency solely of, or in trust solely for the benefit of the Trustee, provided that obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such obligations or the repurchase prices thereof set forth in the applicable repurchase agreement, such investments shall be made so as to mature on or prior to the date or dates that the Trustee anticipates that moneys therefrom be required;
11. Shares of beneficial interests in an investment fund or trust substantially all of whose assets consist of those identified obligations referred to in clauses (1) and (2) above; and
12. Any short term government fund whose assets consist of those identified obligations referred to in clauses (1), (2), (3), (4) and (10) above.

Notes or Commercial Paper Notes means, in aggregate, the State of Wisconsin Transportation Revenue Commercial Paper Notes of 1997, Series A, the State of Wisconsin Transportation Revenue Commercial Paper Notes of 2006, Series A, and the State of Wisconsin Transportation Revenue Commercial Paper Notes of 2013, Series A.

Outstanding, when used with reference to Bonds and as of any particular date, describes all Bonds that have been delivered and are expected to be delivered except (a) any Bond cancelled by the Trustee, or proven to the satisfaction of the Trustee to have been cancelled by the Registrar, at or before said date, (b) any Bond deemed to have been paid in accordance with the provisions of Section 1201 of the General Resolution, and (c) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the requirements of the General Resolution or any Series Resolution.

Paying Agent for the payment of the principal of, Redemption Price and interest on the Bonds of a particular Series means the Treasurer or any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner provided in the General Resolution.

Principal and Interest Account means the account established by Section 502 of the General Resolution.

Principal Installment means (a) the principal amount of Outstanding Bonds that mature on a single future date, and (b) the amount of any Sinking Fund Installment required to be paid on a single future date.

Principal Installment Dates means any dates designated in a Series Resolution as a day a Principal Installment is to be paid.

Principal Requirement means, as of any particular date of calculation, the amount of money equal to any unpaid Principal Installment then due with respect to each Series of Outstanding Bonds and the amount of the next succeeding Principal Installment divided by the number of Redemption Fund Deposit Days prior to the next Principal Installment Date with respect to each Series of Outstanding Bonds.

Program means the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations Program financed under the Act, the Revenue Obligations Act and the General Resolution in accordance with any other enactment of the State which may hereafter specify an extension, expansion, addition or improvement of and for said Program pursuant to the Act, the Revenue Obligations Act and the General Resolution but not financed under the provisions of any other bond resolution or indenture of trust.

Program Account means the account so designated by Section 402 of the General Resolution.

Program Capital Fund means the Fund that is established and created by Section 402 of the General Resolution and pursuant to Section 18.57 of the Revenue Obligations Act.

Program Expense Fund means the Fund that is established and created by Section 514 of the General Resolution.

Program Expenses means the reasonable and proper costs and expenses of the Department of Transportation for the operation and maintenance of the Program, including, without limitation, the administrative expenses allocable to the Program and the fees and expenses of the Trustee and the Paying Agents and Registrars of the Bonds.

Program Income means moneys derived under Sections 341.25, 341.09(2)(d), (2m)(a)1., (4), and (7), 341.14(2), (2m), (6)(d), (6m)(a), (6r)(b)2., (6w), and (8), 341.145(3), 341.16(1)(a) and (b), (2), and (2m), 341.17(8), 341.19(1)(a), 341.255(1), (2)(a), (b), and (c), (4), and (5), 341.26(1), (2), (2m)(am)and(b), (3), (3m), (4), (5), and (7), 341.264(1), 341.265(1), 341.266(2)(b) and (3), 341.268(2)(b) and (3), 341.30(3), 341.305(3), 341.308(3), 341.36(1) and (1m), 341.51(2), and 342.14, except Section 342.14(lr), of the Wisconsin Statutes or any other moneys that the State is authorized to pledge, which is to be deposited by the Department of Transportation under Section 18.562(3) and (5) of the Revenue Obligations Act in a separate and distinct fund outside of the State Treasury in an account maintained by the Trustee as the Redemption Fund and all interest earned or gain realized from the investment of amounts in said fund.

Program Income Account means the account established by Section 502 of the General Resolution.

Projects means the projects authorized under the Act and funded with proceeds of Bonds authorized by one or more Series Resolutions.

Redemption Date means the date upon which Bonds are to be called for redemption.

Redemption Fund means the Fund that is established and created by Section 502 of the General Resolution pursuant to Section 18.562(3) of the Revenue Obligations Act.

Redemption Fund Deposit Day means January 1st, April 1st, July 1st, and October 1st of each Fiscal Year.

Redemption Price when used with respect to a Bond or portion thereof, means the principal amount of such Bond or portion plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms pursuant to the General Resolution and to the Series Resolution.

Registrar means, with respect to Bonds of a particular Series, the Treasurer or any person with whom he has contracted with for the performance of any of his functions under Section 18.10(5) and (7), Wisconsin Statutes.

Reserve Fund means the Fund that is established and created by Section 508 of the General Resolution pursuant to Section 18.562 of the Revenue Obligations Act.

Revenue Obligations Act means Subchapter II of Chapter 18 of the Wisconsin Statutes, as amended.

Secretary means the Secretary of the Department of Transportation or any other officer, board, body, commission or agency succeeding to the powers, duties and functions thereof.

Serial Bonds means the Bonds so designated in a Series Resolution.

Series, when used with respect to less than all of the Bonds, means and refers to all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the General Resolution or a Series Resolution.

Series Resolution means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article II of the General Resolution, providing for the issuance of a particular Series of Bonds.

Sinking Fund Installment means the amount of money unconditionally required by or pursuant to a Series Resolution to be paid toward the retirement of any particular Term Bonds prior to their respective stated maturities.

State means the State of Wisconsin, including the Commission, or Department of Transportation, as the case may be, acting on behalf of the State pursuant to the Act or the Revenue Obligations Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of any of the foregoing.

Statutes means the Wisconsin Statutes.

Subordinated Debt Service Fund means an account established in Section 5.1 of 1997 State of Wisconsin Building Commission Resolution 7, adopted by the Commission on April 23, 1997, as amended, pursuant to Section 714(C) of the General Resolution, and pledged to the payment of the Commercial Paper Notes.

Subordinated Debt Service Fund Requirement means, as of any date of calculation, an amount equal to the aggregate Subordinated Debt Service Fund Requirements for each Subordinated Indebtedness Series of Outstanding Bonds (or Commercial Paper Notes) as specified with respect to each such Series in the applicable Series Resolution.

Subordinated Indebtedness means a Series of Bonds issued pursuant to Section 714 (C) of the General Resolution, and includes the Commercial Paper Notes.

Supplemental Resolution means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article VIII of the General Resolution amending or supplementing the provisions of the General Resolution as originally adopted or as amended or supplemented prior to the amending or supplementing affected by the particular Supplemental Resolution.

Term Bonds means the Bonds so designated in a Series Resolution.

Transportation Fund means the fund established in Section 25.40, Wisconsin Statutes.

Treasurer means the State Treasurer or any other officer, board, body, commission or agency succeeding to any of the powers, duties and functions thereof.

Trustee means The Bank of New York Mellon Trust Company, N.A., as trustee appointed by or pursuant to Section 1101 of the General Resolution, and its successor or successors and any other corporation or association that may at any time be substituted in its place pursuant to the General Resolution.

APPENDIX A

AUDITED FINANCIAL STATEMENTS

The following are the independent auditor's report and audited statements of cash receipts and disbursements for the years ended June 30, 2016 and June 30, 2015, and include (1) for the Transportation Revenue Bond Program, the Independent Auditors' Report, dated October 28, 2016, together with unaudited information pertaining to the Program Income, and (2) for the Transportation Revenue Commercial Paper Program, the Independent Auditors' Report, dated October 28, 2016, together with unaudited information pertaining to the Program Income.

{This page number is the last sequential page number of the 2016 Annual Report to be used in Part V of the 2016 Annual Report. The following uses page numbers from the independent auditor's reports, audited statements of cash receipts and disbursements, and unaudited supplementary information pertaining to Program Income. The sequential page numbers for the 2016 Annual Report continue in Part VI.}

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

Statements of Cash Receipts and Disbursements for the Fiscal Years Ended June 30, 2016 and 2015 with Independent Auditors' Report

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

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INDEPENDENT AUDITORS' REPORT

To the Wisconsin Department of Transportation
State of Wisconsin

Report on the Financial Statements

We have audited the accompanying statements of cash receipts and disbursements of the Wisconsin Department of Transportation Revenue Bond Program (the "Program") for the fiscal years ended June 30, 2016 and 2015, and the related notes to the statements of cash receipts and disbursements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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*, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Program'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 Program's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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 audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the statements of cash receipts and disbursements of the Wisconsin Department of Transportation Revenue Bond Program for the years ended June 30, 2016 and 2015, in accordance with the cash basis of accounting as described in Note 2.

Emphasis of Matter

As discussed in Note 3, the Program implemented GASB Statement No. 72, *Fair Value Measurement and Application.* Our opinion is not modified with respect to this matter.

Basis of Accounting

We draw attention to Note 2 of the notes to the statements of cash receipts and disbursements, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the statements of cash receipts and disbursements of the Program as a whole. The financial information listed in the table of contents as supplementary information on pages 13 through 27 are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The schedule of program revenue and schedule of motor vehicle registration and registration-related fees – cash basis on pages 28 and 29 have not been subject to the auditing procedures applied in the audits of the statements of cash receipts and disbursements 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 have also issued our report dated October 28, 2016, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
October 28, 2016

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH AND INVESTMENTS, BEGINNING OF FISCAL YEAR	$ 314,349,834	$ 489,181,499
RECEIPTS:		
Motor vehicle registration fees retained by Trustee	197,908,966	194,293,681
Investment income	2,190,543	429,327
Transfer in from Commercial Paper Debt Service	12,143	-
Revenue bond proceeds - par value	225,000,000	-
Revenue bond proceeds - accrued interest and original issuance premium, net of underwriter's discount	36,213,169	-
Revenue refunding bond proceeds - par value	-	301,370,000
Revenue refunding bond proceeds - accrued interest and original issuance premium, net of underwriter's discount	-	55,064,253
Total receipts	461,324,822	551,157,261
DISBURSEMENTS:		
Debt service - principal	107,690,000	108,385,000
Debt service - interest	92,190,645	92,516,204
Net premium paid/(discount earned) on investments	1,256,871	293,458
Highway program expenditures	181,915,750	213,408,541
Program expenses - revenue bond program	40,809	54,003
Program expenses - commercial paper program	697,173	702,477
Bond issuance costs	593,329	677,455
Defeasance of debt - payment to current noteholders	88,400,000	42,630,000
Defeasance of debt - purchase of securities for escrow account	-	267,321,788
Total disbursements	472,784,578	725,988,926
CASH AND INVESTMENTS, END OF FISCAL YEAR	$ 302,890,078	$ 314,349,834
Cash and investments reserved for debt service	$ 152,147,334	$ 243,012,192
Cash and investments reserved for program expenses	127,302	224,317
Cash and investments reserved for highway expenditures	150,615,443	71,113,325
	$ 302,890,078	$ 314,349,834

See notes to statements of cash receipts and disbursements.

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

1. NATURE OF PROGRAM

The State of Wisconsin Transportation Revenue Bond Program (the "Program") originated in April 1984 pursuant to the adoption of the General Resolution, as amended, by the State of Wisconsin Building Commission. The purpose of the Program is to provide financing for the construction, maintenance and repair of certain major highway projects and administrative facilities. Receipts provided from motor vehicle registration fees and certain other vehicle registration-related fees are used to service the Program's borrowing obligations. The Wisconsin Department of Transportation ("Department") is responsible for managing the construction projects and the collection of motor vehicle registration fees and certain other vehicle registration-related fees.

The Department has statutory authority (as amended) as of June 30, 2016, to issue a total of $3,931,472,900 of revenue obligations (excluding refunded bonds), in order to partially finance the costs of the authorized projects, in addition to proceeds from State of Wisconsin ("State") general obligation debt, federal aid and other money in the State Transportation Fund. As of June 30, 2016, the Department has remaining authority to issue $182,081,691 of additional obligations.

As part of the State's reporting entity, the Program's financial information is included in the State of Wisconsin Comprehensive Annual Financial Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Receipts and Disbursements Basis of Accounting—The statements of cash receipts and disbursements present the Program's cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, cash receipts are recorded when received and disbursements are recorded when paid. The Program's cash and investments balance is presented at cost.

The Department has entered into trust agreements, as amended, with The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), relating to the creation and administration of the State of Wisconsin Transportation Revenue Bonds, 1998 Series A, 2005 Series A, Series A, 2007 Series 1, 2008 Series A, 2009 Series B (Taxable), 2010 Series A, 2010 Series B (Taxable), 2012 Series 1, 2012 Series 2, 2013 Series 1, 2014 Series 1, 2014 Series 2, 2015 Series 1, and 2015 Series A. Among other provisions, the trust agreements, in conjunction with the General Resolution, specify those funds to be created and maintained, the timing and flow of monies through the funds, the determination of the debt service reserve requirements (see Note 6) and the procedure to be followed for the redemption of the bonds. It is the Department's view that the statements of cash receipts and disbursements along with the related notes meet the reporting requirements of the trust agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Receipts and Disbursements*:**

Motor Vehicle Registration Fees Retained by Trustee - Motor vehicle registration fees and certain other vehicle registration-related fees retained by the Trustee are recorded at time of impounding, when transfer of possession occurs.

Investment Income - Investment income is recorded when received.

Bond Proceeds - Bond proceeds are recorded as receipts on the date of closing at gross value of the issuance. All related fees are reported as bond issuance costs within disbursements.

Debt Service - Principal and Interest - Debt service payments are recorded when paid.

Net Premium Paid/(Discount Earned) on Investments - The net of the premium paid on investments purchased at more than face value and the discount earned on investments purchased at less than face value.

Highway Program Expenditures - Highway program expenditures are recorded when paid by the Program to the Transportation Fund of the State of Wisconsin.

Program Expenses – Revenue Bond Program - Program expenses are recorded when paid.

Program Expenses - Commercial Paper Program - Represents payments for expenses made by the Revenue Bond Program on behalf of the Commercial Paper Program.

Bond Issuance Costs - Costs associated with issuing bonds, such as legal, financial advisor and accounting fees, are recorded when paid. For bonds issued late in the fiscal year, subsequent payment of the related issuance costs may occur and be reported in the fiscal year following issuance of the bonds and recording of the bond proceeds.

3. CASH AND INVESTMENTS

The Program's investment policies are governed by the General Resolution and Wisconsin Statutes. The Program is authorized to invest in direct obligations of or obligations guaranteed by the United States, obligations of agencies created or sponsored by an Act of Congress, obligations of any state or municipality that are rated in either of the two highest rating categories by a nationally recognized bond rating agency, bankers acceptances and certificates of deposit from banks with combined capital and surplus aggregating at least $100 million whose securities are rated within the two highest rating categories assigned by a nationally recognized rating agency, corporate commercial paper given the highest rating by S&P Global Ratings and Moody's Investors Service, Inc., and a fund whose assets consist of direct obligations or obligations guaranteed by the United States or obligations of agencies created or sponsored by Congress. Program assets are to be invested in the highest yielding authorized securities, with maturity or redemption dates coinciding as closely as possible with cash flow and liquidity needs of Program operations.

3. CASH AND INVESTMENTS (Continued)

During fiscal years 2016 and 2015, the Program's assets were held in deposit accounts or invested in a money market fund, U.S. government securities, and federal agency securities by the Trustee. The money market fund invests exclusively in obligations of the U.S. Treasury, including Treasury bills, bonds and notes. Program assets are reported at cost, which approximates fair value.

The following table summarizes the cost and fair market value for each of the investments:

	June 30, 2016		June 30, 2015	
Investment	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Bank of New York Cash	$ 408,595	$ 408,595	$ -	$ -
Bank of New York Cash Reserve (deposit account)	123,466,742	123,466,741	51,003,182	51,003,182
Money Market Funds:				
• Dreyfus Treasury Cash Management	34,512,649	34,512,649	127,970,447	127,970,447
Federal Agency Securities:				
• Federal Home Loan Mortgage Corp Discount Notes	-	-	25,563,105	25,569,000
• Federal Home Loan Bank Discount Notes	-	-	82,888,639	82,903,400
• Federal National Mortgage Association Discount Notes	51,069,833	51,192,000	26,924,461	26,956,000
• United States Treasury Note/Bond	93,432,259	92,320,838	-	-
Total	$302,890,078	$301,900,823	$314,349,834	$314,402,029

Investments of the Program are subject to various risks:

- Custodial credit risk is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, the Program will not be able to recover the value of investments or collateral securities that are in the possession of another party. Securities of the U.S. government and its agencies were registered and held by the Program's agent in the Program's name. The deposit account is FDIC-insured up to $250,000 but is not collateralized. Money market funds are not insured or collateralized.

- Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as S&P Global Ratings, Moody's Investors Service, Inc., and Fitch Ratings. As of June 30, 2016, the deposit account was rated Aa1 by Moody's, AA- by S&P and AA by Fitch. S&P's rating for U.S. government securities was AA+. All remaining investments were rated AAA.

3. CASH AND INVESTMENTS (Continued)

- Concentration of credit risk may be a concern if investments in any one issuer represent 5 percent or more of net Program assets, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Concentration of credit risk is not addressed in the Program's investment requirements. As of June 30, 2016, 41 percent of the Program's assets were held in a deposit account. 11 percent of the Program's assets were invested in federal agency securities and 48 percent in a money market fund; however, this fund solely invests in U.S. government securities.

- Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Money market funds are liquid, having no future maturity dates. The Fannie Mae Discount Notes will mature on July 1, 2016.

- Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. Foreign currency holdings are not specifically addressed in the Program's investment requirements; however, no investments denominated in foreign currency were held by the Program as of June 30, 2016.

Fair Value Measurements

The Program implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending June 30, 2016. The Program 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 observable inputs; Level 3 inputs are significant unobservable inputs.

The Program has the following fair value measurements as of June 30, 2016:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments:			
Federal National Mortgage Association Discount Notes	$ 51,192,000	$ -	$ -
United States Treasury Note/Bond	92,320,838	-	-
Total investments by fair value level	$143,512,838	$ -	$ -

4. REVENUE BONDS

The Program's revenue obligations are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes as amended, Section 84.59 of the Wisconsin Statutes and a General Resolution and Series Resolutions adopted by the State of Wisconsin Building Commission. The bonds are revenue obligations of the State, payable solely from the Redemption Fund created by the General Resolution. The bonds are collateralized by a first lien pledge of income derived from vehicle registration fees under Section 341.25 of the Wisconsin Statutes and certain other vehicle registration-related fees, as collected by the Trustee ("Program Income"). The State has covenanted in the General Resolution that it will charge motor vehicle registration fees and certain other vehicle registration-related fees sufficient to pay principal and interest on the bonds, as they become due, to pay program expenses and to maintain the debt service reserve requirement. Fees collected in excess of the amount needed to service this Program, and outstanding Wisconsin Department of Transportation Revenue Commercial Paper Notes, are transferred to the Department free of the first lien pledge of the General Resolution. The State is not generally liable on the bonds nor are the projects financed by the bonds pledged as collateral.

A summary of these revenue obligations outstanding as of June 30, 2016 and 2015 is as follows:

	2016	2015
Transportation Revenue Bonds, 1998 Series A, fixed interest rate of 5.5%, interest payable semiannually, annual principal payments of variable amounts through 2016	$ 8,825,000	$ 17,185,000
Transportation Revenue Bonds, 2005 Series A, varying fixed interest rates of 5.0% interest payable semiannually, annual principal payments of variable amounts through 2021	43,440,000	165,545,000
Transportation Revenue Bonds, 2005 Series B, fixed interest rate of 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2016	-	10,400,000
Transportation Revenue Refunding Bonds, 2007 Series 1, varying fixed interest rates from 4.35% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2022	200,070,000	203,580,000
Transportation Revenue Bonds, 2008 Series A, fixed interest rate of 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2018	23,640,000	30,780,000
Transportation Revenue Bonds, 2009 Series B (Taxable), varying fixed interest rates from 2.23% to 3.80%, interest payable semiannually, annual principal payments of variable amounts through 2030	140,740,000	147,130,000

4. REVENUE BONDS (Continued)

Transportation Revenue Bonds, 2010 Series A, fixed interest rate of 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2021	50,005,000	57,005,000
Transportation Revenue Bonds, 2010 Series B (Taxable), varying fixed interest rates from 4.7% to 6.0%, interest payable semiannually, annual principal payments of variable amounts through 2031	123,925,000	123,925,000
Transportation Revenue Bonds, 2012 Series 1, varying fixed interest rates from 3.5% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2032	272,235,000	284,945,000
Transportation Revenue Bonds, 2012 Series 2, varying fixed interest rates from 4.0% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2024	116,400,000	116,400,000
Transportation Revenue Bonds, 2013 Series 1, varying fixed interest rates from 4.0% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2033	259,680,000	259,680,000
Transportation Revenue Bonds, 2014 Series 1, varying fixed interest rates from 2.0% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2034	224,465,000	242,940,000
Transportation Revenue Bonds, 2014 Series 2, fixed interest rates of 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2027	94,130,000	94,130,000
Transportation Revenue Bonds, 2015 Series 1, varying fixed interest rates from 1.0% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2029	207,240,000	207,240,000
Transportation Revenue Bonds, 2015 Series A, varying fixed interest rates from 1.0% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2036	225,000,000	-

4. REVENUE BONDS (Continued)

Total principal amount of bonds outstanding at June 30	1,989,795,000	1,960,885,000
Less: current maturities		
Available bond proceeds for current refunding	-	88,400,000
Program income on deposit with trustee	102,395,000	107,690,000
Subtotal	102,395,000	196,090,000
Principal outstanding at June 30 due beyond one year	$1,887,400,000	$1,764,795,000

At June 30, 2015, the Program had cash and investments totaling $88,400,000 from bond proceeds to be used to retire principal payments due July 1, 2016.

Additional series of bonds may be issued on par with the current bond series outstanding and collateralized by an equal charge and lien on the Program Income. However, no additional series may be issued unless, among other things, Program Income, including interest, for 12 consecutive months within the preceding 18-month period is at least 2.25 times the maximum aggregate principal and interest requirement in any bond year for all outstanding bonds.

Future maturities of bonds payable as of June 30, 2016 are as follows:

Fiscal Year Ending June 30,	
2017	$ 102,395,000
2018	103,350,000
2019	119,605,000
2020	124,735,000
2021	131,990,000
2022 – 2026	629,315,000
2027 – 2031	489,250,000
2032 – 2036	269,745,000
2037	19,410,000
	$1,989,795,000

The 2009 Series B (Taxable) and 2010 Series B (Taxable) Bonds are "qualified build America bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended. The State expects to receive 35% of the interest payable to bondholders from the United States Treasury. Interest subsidies from the United States Treasury received in connection with these "build America bonds" are not pledged to the payment of principal, interest, or redemption price on the bonds and are not reported as income to the Program. The $4.6 million subsidy for interest due January 1 and July 1, 2016, was received and deposited in the State Transportation Fund. The subsidy was reduced by $.03 million (6.8%), as required by the Budget Control Act of 2011 (federal budget sequestration).

5. DEFEASED REVENUE BONDS

From time to time, the Program issues revenue bonds to defease older revenue bonds in order to generate debt service savings. The proceeds from the issuance of revenue bonds, together with assets transferred from the refunded bond series, are deposited with a trustee bank in a separate Escrow Account. These funds are invested by an escrow agent in U.S. Treasury obligations and certain other government securities so that sufficient monies are available to pay the principal, interest and redemption price of the defeased bonds.

A summary of the debt service savings and economic gain (present value of debt service savings) as a result of refunding transactions during the fiscal years ended June 30, 2016 and 2015 follows:

Refunding Issue	Debt Service Savings	Economic Gain
2015 Series 1	$ 23,817,151	$ 20,482,348
2014 Series 2	$ 8,217,454	$ 6,656,361

Defeased bonds, totaling $220.1 million as of June 30, 2016, are not included in the outstanding revenue bonds summarized in Note 4. Also, the related securities in the Escrow Accounts are not included in the Program's cash and investments balance. Once defeased, no related activity in the Escrow Accounts is reported in the Program's Statements of Cash Receipts and Disbursements. The following is a summary of these defeased bonds at June 30, 2016.

The revenue bonds defeased by 2014 Series 2 that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
2008 Series A	July 1, 2019	$ 8,680,000		
	July 1, 2020	9,115,000		
	July 1, 2021	9,570,000		
	July 1, 2022	10,045,000		
	July 1, 2023	10,550,000		
	July 1, 2024	11,075,000		
	July 1, 2025	11,630,000		
	July 1, 2026	12,210,000	July 1, 2018	Par
		82,875,000		

5. DEFEASED REVENUE BONDS (Continued)

The revenue bonds defeased by 2015 Series 1 that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
2008 Series A	July 1, 2027	12,825,000		
	July 1, 2028	13,465,000		
	July 1, 2029	14,140,000	July 1, 2018	Par
		40,430,000		
2014 Series 1	July 1, 2021	13,285,000		
	July 1, 2022	15,115,000		
	July 1, 2023	15,870,000		
	July 1, 2024	16,665,000		
	July 1, 2025	17,495,000		
	July 1, 2026	18,375,000	July 1, 2019	Par
		96,805,000		
		137,235,000		
Total defeased bonds outstanding at June 30, 2016:		$220,110,000		

6. DEBT SERVICE RESERVE FUND REQUIREMENT

The General Resolution creates a Reserve Fund for the Bonds; however, the balance as of June 30, 2016 is zero. The State, pursuant to each Series Resolution, specifies the Debt Service Reserve Requirement ("DSRR"), if any, for each Series of Bonds. The individual DSRRs for each Series of outstanding bonds are combined to determine the aggregate DSRR for the Reserve Fund. If all of the Series of Bonds cease to be outstanding, then the aggregate DSRR is reduced by the individual DSRR attributable to that Series of Bonds. Since 2003, the State has not specified a DSRR for any Series of bonds that have been issued. Furthermore, the State does not currently expect to specify a DSRR for any future Series of additional bonds; however, the State reserves the right to change its practice and specify a DSRR for any future Series of additional bonds.

7. ADMINISTRATIVE EXPENSES

The Program is not charged for certain departmental administrative expenses incurred by the State of Wisconsin related to the operation of the Program. All such costs are charged to the Transportation Fund of the State of Wisconsin. Costs charged to the Program include expenses of the trustee, audit fees and other direct expenses of the Program. Program expenses of the Transportation Revenue Commercial Paper Program are paid by the Revenue Bond Program.

SUPPLEMENTARY INFORMATION

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - SCHEDULE OF MOTOR VEHICLE REGISTRATION AND REGISTRATION-RELATED FEES RETAINED BY TRUSTEE

FOR THE YEAR ENDED JUNE 30, 2016

	July 2015	October 2015	January 2016	April 2016	Total
Program Expense	$ 226,000	$ 200,000	$ 140,000	$ 120,000	$ 686,000
Program Income	-	-	-	(2)	(2)
1998 Series A	2,327,594	2,327,594	2,327,594	2,327,594	9,310,376
2005 Series A	4,268,541	4,268,541	4,268,541	4,268,541	17,074,164
2007 Series 1	5,160,908	5,160,908	5,160,908	5,160,908	20,643,632
2008 Series A	2,170,500	2,170,500	2,170,500	2,170,500	8,682,000
2009 Series B (Taxable)	3,502,825	3,502,825	3,502,825	3,502,825	14,011,300
2010 Series A	2,462,563	2,462,563	2,462,563	2,462,563	9,850,252
2010 Series B (Taxable)	1,704,171	1,704,171	1,704,171	1,704,171	6,816,684
2012 Series 1	4,944,813	4,944,813	4,944,813	4,944,813	19,779,252
2012 Series 2	1,389,738	1,389,738	1,389,738	1,389,738	5,558,952
2013 Series 1	3,079,375	3,079,375	5,508,125	5,508,125	17,175,000
2014 Series 1	5,138,019	5,138,019	5,941,769	5,941,769	22,159,576
2014 Series 2	4,462,977	4,409,125	1,176,625	1,176,625	11,225,352
2015 Series 1	7,622,100	7,622,100	6,803,700	6,803,700	28,851,600
2015 Series A	-	-	3,042,414	3,042,414	6,084,828
Total	$ 48,460,124	$ 48,380,272	$ 50,544,286	$ 50,524,284	$ 197,908,966

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 1998 SERIES A
JUNE 30, 2016

Maturity July 1,	Rate (%)	Principal
2016	5.50	$ 8,825,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2005 SERIES A
JUNE 30, 2016

Maturity July 1,	Rate (%)	Principal
2016	5.25	$ 14,865,000
2020	5.00	28,575,000
		$ 43,440,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2007 SERIES 1
JUNE 30, 2016

Maturity July 1,	Rate (%)	Principal
2016	5.00	$ 10,835,000
2017	5.00	22,800,000
2018	5.00	50,180,000
2019	5.00	52,735,000
2020	5.00	33,540,000
2021	4.35	14,670,000
2022	4.35	15,310,000
		$ 200,070,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2008 SERIES A
JUNE 30, 2016

Maturity July 1,	Rate (%)	Principal
2016	5.00	$ 7,500,000
2017	5.00	7,875,000
2018	5.00	8,265,000
		$ 23,640,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2009 SERIES B (TAXABLE)
JUNE 30, 2016

Maturity July 1,	Rate (%)	Principal
2016	4.00	$ 6,615,000
2017	4.15	6,880,000
2018	4.44	7,165,000
2019	4.54	7,485,000
2020	4.74	7,825,000
2021	4.89	8,200,000
2022	5.04	8,600,000
2023	5.19	9,040,000
2024	5.29	9,510,000
2025	5.44	10,015,000
2026	5.84	10,555,000
2027	5.84	11,180,000
2028	5.84	11,840,000
2029	5.84	12,545,000
2030	5.84	13,285,000
		$ 140,740,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2010 SERIES A
JUNE 30, 2016

Maturity July 1,	Rate (%)	Principal
2016	5.00	$ 7,350,000
2017	5.00	7,720,000
2018	5.00	8,105,000
2019	5.00	8,510,000
2020	5.00	8,935,000
2021	5.00	9,385,000
		$ 50,005,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2010 SERIES B (TAXABLE)
JUNE 30, 2016

Maturity July 1,	Rate (%)	Principal
2022	4.70	$ 9,850,000
2023	4.90	10,345,000
2024	5.10	10,865,000
2025	5.30	11,405,000
2026	5.50	11,975,000
2027	5.60	12,575,000
2028	5.70	13,205,000
2029	5.80	13,865,000
2030	5.85	14,555,000
2031	6.00	15,285,000
		$ 123,925,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2012 SERIES 1
JUNE 30, 2016

Maturity July 1,	Rate (%)	Principal
2016	5.00	$ 6,205,000
2017	5.00	6,510,000
2018	5.00	6,840,000
2019	5.00	7,180,000
2020	3.50 & 5.00 (3)	7,530,000
2021	5.00	39,575,000
2022	5.00	41,590,000
2023	5.00	39,045,000
2024	5.00	26,455,000
2025	5.00	9,560,000
2026	5.00	10,040,000
2027	5.00	10,540,000
2028	5.00	11,070,000
2029	5.00	11,620,000
2030	5.00	12,205,000
2031	5.00	12,815,000
2032	5.00	13,455,000
		$ 272,235,000

(3) $2,500,000 @ 3.50% and $5,030,000 @ 5.00%

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2012 SERIES 2
JUNE 30, 2016

Maturity July 1,	Rate (%)		Principal
2017	4.00	$	11,335,000
2018	4.00		11,575,000
2019	4.00 & 5.00 (1)		12,035,000
2020	5.00		12,700,000
2021	5.00		13,425,000
2022	5.00		27,315,000
2023	5.00		13,665,000
2024	5.00		14,350,000
		$	116,400,000

(1) $3,195,000 @ 4.00% and $8,840,000 @ 5.00%

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2013 SERIES 1
JUNE 30, 2016

Maturity July 1,	Rate (%)		Principal
2016	4.00	$	9,715,000
2018	4.00 & 5.00 (1)		10,675,000
2019	4.00 & 5.00 (2)		11,290,000
2020	4.00 & 5.00 (3)		11,940,000
2021	4.00 & 5.00 (4)		12,585,000
2023	4.00 & 5.00 (5)		15,255,000
2024	5.00		25,935,000
2025	5.00		42,535,000
2026	5.00		26,975,000
2027	5.00		11,440,000
2028	5.00		12,010,000
2029	5.00		12,610,000
2030	5.00		13,240,000
2031	4.00		13,905,000
2032	4.50		14,460,000
2033	4.00 & 5.00 (6)		15,110,000
		$	259,680,000

(1) $2,500,000 @ 4.00% and $8,175,000 @ 5.00%
(2) $3,500,000 @ 4.00% and $7,790,000 @ 5.00%
(3) $6,000,000 @ 4.00% and $5,940,000 @ 5.00%
(4) $3,690,000 @ 4.00% and $8,895,000 @ 5.00%
(5) $7,000,000 @ 4.00% and $8,255,000 @ 5.00%
(6) $13,110,000 @ 4.00% and $2,000,000 @ 5.00%

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2014 SERIES 1
JUNE 30, 2016

Maturity July 1,	Rate (%)	Principal
2016	5.00	$ 12,930,000
2017	5.00	14,495,000
2018	5.00	1,830,000
2019	5.00	1,670,000
2020	5.00	9,715,000
2027	5.00	19,285,000
2028	5.00	20,255,000
2029	5.00	21,270,000
2030	5.00	22,330,000
2031	5.00	23,450,000
2032	4.50	24,620,000
2033	4.50	25,730,000
2034	4.50	26,885,000
		$ 224,465,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2014 SERIES 2
JUNE 30, 2016

Maturity July 1,	Rate (%)		Principal
2019	5.00	$	8,040,000
2020	5.00		8,440,000
2021	5.00		8,860,000
2022	5.00		9,300,000
2023	5.00		9,770,000
2024	5.00		10,255,000
2025	5.00		10,770,000
2026	5.00		11,305,000
2027	5.00		17,390,000
		$	94,130,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2015 SERIES 1
JUNE 30, 2016

Maturity July 1,	Rate (%)	Principal
2016	1.00	$ 17,555,000
2017	5.00	23,255,000
2018	5.00	12,390,000
2019	5.00	13,105,000
2021	5.00	26,605,000
2022	5.00	13,940,000
2023	5.00	14,640,000
2024	5.00	15,370,000
2025	5.00	16,135,000
2026	5.00	16,950,000
2027	5.00	11,830,000
2028	5.00	12,420,000
2029	5.00	13,045,000
		$ 207,240,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2015 SERIES A
JUNE 30, 2016

Maturity July 1,	Rate (%)	Principal
2017	5.00	$ 2,480,000
2018	5.00	2,580,000
2019	5.00	2,685,000
2020	5.00	2,790,000
2021	5.00	2,930,000
2022	5.00	9,805,000
2023	5.00	10,295,000
2024	5.00	10,805,000
2025	4.00	11,350,000
2026	3.00	11,915,000
2027	5.00	12,510,000
2028	5.00	13,135,000
2029	5.00	13,795,000
2030	5.00	14,485,000
2031	5.00	15,205,000
2032	5.00	15,970,000
2033	5.00	16,765,000
2034	5.00	17,605,000
2035	5.00	18,485,000
2036	5.00	19,410,000
		$ 225,000,000
Total Bonds Outstanding		$ 1,989,795,000

UNAUDITED INFORMATION

The following information has been prepared by the Wisconsin Department of Transportation and is unaudited.

Unaudited Information

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE OBLIGATION PROGRAM

Schedule of Program Revenue (Unaudited)
For the Fiscal Years Ended June 30, 2016 and 2015

Date	Section 341.25 Registration Fees: Registration Non-IRP	Section 341.25 Registration Fees: IRP Revenues (2)	Subtotal	Title Transaction Fees	Counter Service Fees and Personalized License Plates	Subtotal (1)	Other Miscellaneous Vehicle Registration & Related Fees	Total Program Revenues
July, 2015	$ 37,227,861	$ 4,627,480	$ 41,855,341	$ 9,094,181	$ 745,417	$ 51,694,939	$ 1,382,069	$ 53,077,008
August, 2015	33,887,210	3,507,309	37,394,519	8,441,154	668,661	46,504,334	1,280,107	47,784,441
September, 2015	35,482,994	6,673,878	42,156,872	8,678,770	656,151	51,491,794	1,327,949	52,819,743
October, 2015	32,262,512	5,638,478	37,900,990	8,306,520	633,822	46,841,331	1,252,598	48,093,930
November, 2015	42,228,457	5,491,781	47,720,238	7,156,986	532,840	55,410,064	1,178,886	56,588,950
December, 2015	53,710,405	7,460,779	61,171,184	6,970,237	526,571	68,667,992	1,095,603	69,763,594
January, 2016	37,854,648	8,055,173	45,909,821	6,733,807	544,080	53,187,708	1,076,726	54,264,435
February, 2016	37,368,614	7,639,398	45,008,012	7,298,288	637,028	52,943,327	1,105,329	54,048,656
March, 2016	46,789,033	10,299,897	57,088,930	9,643,578	876,598	67,609,106	1,448,573	69,057,679
April, 2016	40,773,438	13,705,532	54,478,970	8,514,694	802,472	63,796,137	1,303,039	65,099,176
May, 2016	38,326,307	10,948,487	49,274,794	8,831,890	752,162	58,858,846	1,478,613	60,337,458
June, 2016	39,431,370	6,020,928	45,452,298	9,426,729	755,315	55,634,342	1,537,293	57,171,635
TOTAL for Fiscal Year ended June 30, 2016	$ 475,342,850	$ 90,069,121	$ 565,411,970	$ 99,096,834	$ 8,131,116	$ 672,639,921	$ 15,466,786	$ 688,106,706

Date	Section 341.25 Registration Fees: Registration Non-IRP	Section 341.25 Registration Fees: IRP Revenues (2)	Subtotal	Title Transaction Fees	Counter Service Fees and Personalized License Plates	Subtotal (1)	Other Miscellaneous Vehicle Registration & Related Fees	Total Program Revenues
July, 2014	$ 37,638,454	$ 4,524,112	$ 42,162,567	$ 8,775,089	$ 740,526	$ 51,678,182	$ 1,313,767	$ 52,991,948
August, 2014	32,677,396	3,984,066	36,661,463	8,280,510	645,381	45,587,354	1,155,264	46,742,618
September, 2014	34,939,665	6,284,393	41,224,058	8,451,515	646,591	50,322,164	1,267,713	51,589,877
October, 2014	34,715,423	7,040,536	41,755,959	8,747,785	643,490	51,147,233	1,259,499	52,406,732
November, 2014	35,855,627	5,097,519	40,953,146	6,165,285	469,858	47,588,289	1,034,132	48,622,422
December, 2014	53,502,583	6,892,615	60,395,198	6,937,152	520,334	67,852,684	1,112,465	68,965,149
January, 2015	38,167,850	5,507,327	43,675,177	7,015,709	558,635	51,249,522	1,102,227	52,351,749
February, 2015	33,365,630	8,493,761	41,859,391	7,048,179	574,846	49,482,416	1,072,161	50,554,577
March, 2015	44,025,728	15,363,545	59,389,273	9,028,215	729,526	69,147,014	1,441,214	70,588,228
April, 2015	38,960,236	14,339,911	53,300,148	8,960,240	731,462	62,991,850	1,366,208	64,358,058
May, 2015	35,342,834	4,147,031	39,489,865	8,341,356	668,089	48,499,310	1,279,170	49,778,481
June, 2015	40,333,025	6,238,829	46,571,854	9,378,191	750,069	56,700,114	1,417,708	58,117,822
TOTAL for Fiscal Year ended June 30, 2015	$ 459,524,452	$ 87,913,646	$ 547,438,098	$ 97,129,227	$ 7,678,806	$ 652,246,131	$ 14,821,529	$ 667,067,661

(1) This is the amount of Program Revenue for which the State has undertaken to provide continuing disclosure and the amount of Program Revenue that will be used for determining the debt service coverage ratio and the additional bonds test.

(2) IRP - The International Registration Plan is a multi-state compact for collecting and sharing large truck registration fees. Under the IRP, the registration fees on trucks involved in multi-state commercial activity are collected by the state in which the company is headquartered and are split between the participating states on the basis of proportionate mileage.

Unaudited Information

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

Schedule of Motor Vehicle Registration and Registration-Related Fees--Cash Basis (Unaudited)
For the Fiscal Years Ended June 30, 2016 and 2015

	2016	2015
Motor Vehicle Registration and Related Fees Collected	$ 688,106,706	$ 667,067,661
Less:		
Motor Vehicle Registration and Related Fees Retained by Trustee for Commercial Paper Program	(28,405,000)	(25,870,478)
Motor Vehicle Registration and Related Fees Available for Transportation Fund	(461,792,740)	(446,903,502)
Motor Vehicle Registration and Related Fees Retained by Trustee for Revenue Bond Program	$ 197,908,966	$ 194,293,681

Note: The Commercial Paper Program is subordinate to the pledge of Program Income for payment of Revenue Bond obligations. Program Income in excess of the amounts needed for the Commercial Paper or Revenue Bond Programs is transferred to the State Transportation Fund.

Source: Wisconsin Department of Transportation

WISCONSIN DEPARTMENT OF TRANSPORTATION
COMMERCIAL PAPER PROGRAM

Statements of Cash Receipts and Disbursements for the Fiscal Years Ended June 30, 2016 and 2015 with Independent Auditors' Report

WISCONSIN DEPARTMENT OF TRANSPORTATION
COMMERCIAL PAPER PROGRAM

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INDEPENDENT AUDITORS' REPORT

To the Wisconsin Department of Transportation
State of Wisconsin

Report on the Financial Statements

We have audited the accompanying statements of cash receipts and disbursements of the Wisconsin Department of Transportation Commercial Paper Program (the "Program") for the fiscal years ended June 30, 2016 and 2015, and the related notes to statements of cash receipts and disbursements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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*, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Program'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 Program's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statements of cash receipts and disbursements of the Wisconsin Department of Transportation Commercial Paper Program for the years ended June 30, 2016 and 2015, in accordance with the cash basis of accounting as described in Note 2.

Emphasis of Matter

As discussed in Note 3, the Program implemented GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Basis of Accounting

We draw attention to Note 2 of the notes to the statements of cash receipts and disbursements, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

The schedule of program revenue and schedule of motor vehicle registration and registration-related fees – cash basis on pages 10 and 11 have not been subject to the auditing procedures applied in the audits of the statements of cash receipts and disbursements 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 have also issued our report dated October 28, 2016, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
October 28, 2016

WISCONSIN DEPARTMENT OF TRANSPORTATION
COMMERCIAL PAPER PROGRAM

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH AND INVESTMENTS, BEGINNING OF FISCAL YEAR	$ 29,030,410	$ 22,879,291
RECEIPTS:		
Motor vehicle registration fees retained by Trustee	28,405,000	25,870,478
Investment income	237,057	46,865
Total receipts	28,642,057	25,917,340
DISBURSEMENTS:		
Debt service - principal	26,975,000	19,565,000
Debt service - interest	149,471	158,051
Net premium paid/(discount earned) on investments	195,470	43,170
Transfer Out to Revenue Bond Debt Service	12,143	-
Total disbursements	27,332,084	19,766,221
CASH AND INVESTMENTS, END OF FISCAL YEAR	$ 30,340,383	$ 29,030,410
Cash and investments restricted for debt service	$ 30,340,383	$ 29,030,410

See notes to statements of cash receipts and disbursements.

WISCONSIN DEPARTMENT OF TRANSPORTATION
COMMERCIAL PAPER PROGRAM

NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

1. NATURE OF PROGRAM

The State of Wisconsin Transportation Revenue Commercial Paper Program (the "Program") originated on April 23, 1997, pursuant to the adoption of the Program Resolution, as amended, by the State of Wisconsin Building Commission. The Program Resolution is a Series Resolution to the General Resolution, as amended, adopted by the Commission. The purpose of the Program is to provide financing for the construction, maintenance and repair of certain major highway projects and transportation facilities. Receipts provided from motor vehicle registration fees and certain other vehicle registration-related fees are used to service the Program's borrowing obligations, after the debt service requirements for the Transportation Revenue Bond Program have been met. The Wisconsin Department of Transportation ("Department") is responsible for managing the construction projects and the collection of motor vehicle registration fees and certain other vehicle registration-related fees.

The Department has statutory authority (as amended) as of June 30, 2016, to issue a total of $3,931,472,900 of revenue obligations, including notes and excluding refunded bonds. The Program has authority to issue notes in an aggregate outstanding principal amount not to exceed $275,000,000, in order to partially finance the costs of the authorized projects, in addition to proceeds from the Transportation Revenue Bond Program, State of Wisconsin ("State") general obligation debt, federal aid and other money in the State Transportation Fund. As of June 30, 2016, the Department has remaining authority to issue $182,081,691 of additional obligations.

As part of the State's reporting entity, the Program's financial information is included in the State of Wisconsin Comprehensive Annual Financial Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Receipts and Disbursements Basis of Accounting—The statements of cash receipts and disbursements present the Program's cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, cash receipts are recorded when received and disbursements are recorded when paid. The cash and investments balance is presented at cost.

The Department has entered into trust agreements, as amended, with The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), relating to the creation and administration of the Transportation Revenue Commercial Paper Notes of 1997 Series A, 2006 Series A and 2013 Series A. Among other provisions, the trust agreements, in conjunction with the General Resolution, specify those funds to be created and maintained, the timing and flow of monies through the funds, and the procedure to be followed for the redemption of the notes.

It is the Department's view that the statements of cash receipts and disbursements along with the related notes meet the reporting requirements of the trust agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U.S. Bank National Association is the Issuing and Paying Agent (the "Agent") for the Notes. The Depository Trust Company ("DTC") serves as securities depository for the Notes. Purchasers of the Notes do not receive note certificates but instead have their ownership recorded in the DTC book-entry system. The Trustee transfers to the Agent monies sufficient to cover Note principal and interest payments; the Agent makes payment to the DTC. Owners of the Notes receive payments through brokers and other organizations participating in the DTC system.

Receipts and Disbursements—

Motor Vehicle Registration Fees Retained by Trustee - Motor vehicle registration fees and certain other vehicle registration-related fees retained by the Trustee are recorded at time of impounding, when transfer of possession occurs.

Investment Income - Investment income is recorded when received.

Commercial Paper Note Proceeds - Proceeds are recorded as receipts on the date of closing at gross value of the issuance when new notes are issued by the program to finance highway related project costs. Notes maturing and subsequently reissued during the year are not reported as cash receipts and disbursements in the financial statements. All related fees are reported as issuance costs within disbursements.

Debt Service - Principal and Interest - Cash payments for debt service are recorded when paid. Notes payable that mature and are replaced with new notes are not reflected in the statements of cash receipts and disbursements as there is no cash receipt or cash disbursement.

Net Premium Paid/(Discount Earned) on Investments – The net of the premium paid on investments purchased at more than face value and the discount earned on investments purchased at less than face value.

Highway Program Expenditures—Highway program expenditures are recorded when paid by the Program to the Transportation Fund of the State of Wisconsin.

3. CASH AND INVESTMENTS

The Program's investment policies are governed by the General Resolution and Wisconsin Statutes. The Program is authorized to invest in direct obligations of or obligations guaranteed by the United States, obligations of agencies created or sponsored by an Act of Congress, obligations of any state or municipality that are rated in either of the two highest rating categories by a nationally recognized bond rating agency, bankers acceptances and certificates of deposit from banks with combined capital and surplus aggregating at least $100 million whose securities are rated within the two highest rating categories assigned by a nationally recognized rating agency, corporate commercial paper given the highest rating by S&P Global Ratings and Moody's Investors Service, Inc., and a fund whose assets consist of direct obligations or obligations guaranteed by the United States or obligations of agencies created or sponsored by Congress. Program assets are to be invested in the highest yielding authorized securities, with maturity or redemption dates coinciding as closely as possible with cash flow and liquidity needs of Program operations.

3. CASH AND INVESTMENTS (Continued)

During fiscal years 2016 and 2015, the Program's assets were held in a deposit account or invested in money market funds, federal agency securities and U.S. Treasury securities. The money market funds invest exclusively in obligations of the U.S. Treasury, including Treasury bills, bonds and notes. Program assets are reported at cost, which approximates fair value.

The following table summarizes the cost and fair market value for each of the investments:

Investment	June 30, 2016 Cost	June 30, 2016 Fair Value	June 30, 2015 Cost	June 30, 2015 Fair Value
Bank of New York Cash	$ 127,344	$ 127,344	$ -	$ -
Bank of New York Cash Reserve (deposit account)	5,032,224	5,032,224	3,175,865	3,175,865
Money Market Funds:				
• Dreyfus Treasury Cash Management	16,415,771	16,415,771	8,711,278	8,711,278
• Fidelity Institutional - Treasury Portfolio	1,354,282	1,354,282	1,474,452	1,474,452
• Goldman Sachs Financial Sq Funds	550,062	550,062	577,663	577,663
Federal Agency Securities:				
• Federal National Mortgage Association Discount Notes	6,860,700	6,881,000	6,742,103	6,750,000
• Federal Home Loan Bank Discount Notes	-	-	6,742,419	6,743,000
• Federal Home Loan Mortgage Corp Discount Notes	-	-	1,606,630	1,607,000
Total	$ 30,340,383	$ 30,360,683	$ 29,030,410	$ 29,039,258

Investments of the Program are subject to various risks:

- Custodial credit risk is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, the Program will not be able to recover the value of investments or collateral securities that are in the possession of another party. The deposit account is FDIC-insured up to $250,000 but is not collateralized. Money market funds are not insured or collateralized. Securities of the U.S. government were registered and held by the Program's agent in the Program's name.

- Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as S&P Global Ratings, Moody's Investors Service, Inc., and Fitch Ratings. As of June 30, 2016, the deposit account was rated Aa1 by Moody's, AA- by S&P and AA by Fitch. Fitch rated one money market fund with an A. All remaining investments were rated AAA.

NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

3. CASH AND INVESTMENTS (Continued)

- Concentration of credit risk may be a concern if investments in any one issuer represent 5 percent or more of net Program assets, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Concentration of credit risk is not addressed in the Program's investment requirements. As of June 30, 2016, 17 percent of the Program's assets were held in a deposit account. 23 percent of the Program's assets were invested in federal agency securities and 60 percent in a money market fund; however, this fund solely invests in U.S. government securities.

- Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Money market funds are liquid, having no future maturity dates while federal agency securities mature on July 1, 2016.

- Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. Foreign currency holdings are not specifically addressed in the Program's investment requirements; however, no investments denominated in foreign currency were held by the Program as of June 30, 2016.

Fair Value Measurements

The Program 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 observable inputs; Level 3 inputs are significant unobservable inputs.

The Program has the following fair value measurements as of June 30, 2016:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments:			
Federal National Mortgage Association Discount Notes	$ 6,881,000	$ -	$ -
Total investments by fair value level	$ 6,881,000	$ -	$ -

4. NOTES PAYABLE

The notes consist of interest-bearing obligations issued in initial denominations of $100,000 and additional increments of $1,000 above $100,000. The notes are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes as amended, Section 84.59 of the Wisconsin Statutes, the General Resolution, a Program Resolution and Series Resolutions adopted by the State of Wisconsin Building Commission. The notes are revenue obligations of the State, payable solely from the Subordinated Debt Service Fund (see Note 5).

The State is not generally liable on the notes, nor are the projects financed by the notes pledged as collateral. The notes are collateralized by a pledge of income derived from vehicle registration fees under Section 341.25 of the Wisconsin Statues and certain other vehicle registration-related fees, as collected by the Trustee ("Program Income"). The notes are subordinate to the pledge of Program Income for payment of the State Transportation Revenue Bonds outstanding. The State has covenanted in the General Resolution that it will charge motor vehicle registration fees and certain other vehicle registration-related fees sufficient to pay principal and interest on the notes. Fees collected in excess of the amount needed to service this Program and the outstanding State Transportation Revenue Bonds are transferred to the Department pursuant to the General Resolution.

In order to assure the timely payment of principal and interest on the notes, the State has entered into a Second Amended and Restated Credit Agreement, dated April 20, 2016, with State Street Bank and Trust Company (the "Credit Agreement"). As of June 30, 2016, the commitment amount is $120,000,000, an amount not less than the note principal outstanding at that time. This Credit Agreement, which is a Liquidity Facility Agreement under the program resolution, expires April 20, 2019, but may be extended upon agreement of both parties. The Credit Agreement describes events which, if they occur, would cause early termination.

The notes will mature no later than 270 days from the date of issuance provided that a credit agreement is in effect. No notes may be issued with a maturity date after the stated expiration of the credit agreement or after the stated date of a substitute credit agreement. The principal of and interest on the notes will be paid at maturity and the notes are not callable prior to maturity. The State expects to pay the principal on the notes with the proceeds of additional notes until the State provides permanent financing through the issuance of long-term transportation revenue bonds. Each note bears interest from its date of issuance, at the rate determined on the date of issuance (which may not exceed 12% per annum).

A summary of the notes outstanding as of June 30, 2016 and 2015 is as follows:

	2016	2015
Commercial Paper Notes of 1997, Series A	$ 31,468,000	$ 41,878,000
Commercial Paper Notes of 2006, Series A	21,985,000	32,200,000
Commercial Paper Notes of 2013, Series A	63,675,000	70,025,000
Total Notes Payable as of June 30	$ 117,128,000	$ 144,103,000

4. NOTES PAYABLE (Continued)

As of June 30, 2016, the Commercial Paper Notes of 1997, Series A had maturities ranging from July 5 to July 20, 2016. The Commercial Paper Notes of 2006, Series A had maturities ranging from July 7 to July 20, 2016. The Commercial Paper Notes of 2013, Series A had maturities ranging from July 7 to July 19, 2016. The weighted average interest rate for all series of Transportation Revenue Commercial Paper Notes was 0.478%.

As of June 30, 2015, the Commercial Paper Notes of 1997, Series A had maturities ranging from August 3 to August 6, 2015. The Commercial Paper Notes of 2006, Series A had maturities ranging from August 3 to August 6, 2015. The Commercial Paper Notes of 2013, Series A had maturities ranging from September 1 to October 8, 2015. The weighted average interest rate of all series of Transportation Revenue Commercial Paper notes was 0.0926%

5. SUBORDINATED DEBT SERVICE FUND

The General Resolution creates a Subordinated Debt Service Fund which is intended to be used to provide for the payment of principal and interest on the notes from Program Income deposited into this fund. The pledge of such Program Income to payment of the notes is subordinate to the pledge of Program Income to payment of outstanding State Transportation Revenue Bonds.

6. ADMINISTRATIVE EXPENSES

The Program is not charged for certain departmental administrative expenses related to the operation of the Program. All such costs are charged to the Transportation Fund of the State of Wisconsin. Expenses related to dealer fees, issuing and paying agent fees, trustee fees, bond rating fees, audit fees and other expenses of the Program are paid by the Revenue Bond Program.

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UNAUDITED INFORMATION

The following information has been prepared by the Wisconsin Department of Transportation and is unaudited.

Unaudited Information

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE OBLIGATION PROGRAM

Schedule of Program Revenue (Unaudited)
For the Fiscal Years Ended June 30, 2016 and 2015

Date	Section 341.25 Registration Fees: Registration Non-IRP	Section 341.25 Registration Fees: IRP Revenues (2)	Section 341.25 Registration Fees: Subtotal	Title Transaction Fees	Counter Service Fees and Personalized License Plates	Subtotal (1)	Other Miscellaneous Vehicle Registration & Related Fees	Total Program Revenues
July, 2015	$ 37,227,861	$ 4,627,480	$ 41,855,341	$ 9,094,181	$ 745,417	$ 51,694,939	$ 1,382,069	$ 53,077,008
August, 2015	33,887,210	3,507,309	37,394,519	8,441,154	668,661	46,504,334	1,280,107	47,784,441
September, 2015	35,482,994	6,673,878	42,156,872	8,678,770	656,151	51,491,794	1,327,949	52,819,743
October, 2015	32,262,512	5,638,478	37,900,990	8,306,520	633,822	46,841,331	1,252,598	48,093,930
November, 2015	42,228,457	5,491,781	47,720,238	7,156,986	532,840	55,410,064	1,178,886	56,588,950
December, 2015	53,710,405	7,460,779	61,171,184	6,970,237	526,571	68,667,992	1,095,603	69,763,594
January, 2016	37,854,648	8,055,173	45,909,821	6,733,807	544,080	53,187,708	1,076,726	54,264,435
February, 2016	37,368,614	7,639,398	45,008,012	7,298,288	637,028	52,943,327	1,105,329	54,048,656
March, 2016	46,789,033	10,299,897	57,088,930	9,643,578	876,598	67,609,106	1,448,573	69,057,679
April, 2016	40,773,438	13,705,532	54,478,970	8,514,694	802,472	63,796,137	1,303,039	65,099,176
May, 2016	38,326,307	10,948,487	49,274,794	8,831,890	752,162	58,858,846	1,478,613	60,337,458
June, 2016	39,431,370	6,020,928	45,452,298	9,426,729	755,315	55,634,342	1,537,293	57,171,635
TOTAL for Fiscal Year ended June 30, 2016	$ 475,342,850	$ 90,069,121	$ 565,411,970	$ 99,096,834	$ 8,131,116	$ 672,639,921	$ 15,466,786	$ 688,106,706

Date	Section 341.25 Registration Fees: Registration Non-IRP	Section 341.25 Registration Fees: IRP Revenues (2)	Section 341.25 Registration Fees: Subtotal	Title Transaction Fees	Counter Service Fees and Personalized License Plates	Subtotal (1)	Other Miscellaneous Vehicle Registration & Related Fees	Total Program Revenues
July, 2014	$ 37,638,454	$ 4,524,112	$ 42,162,567	$ 8,775,089	$ 740,526	$ 51,678,182	$ 1,313,767	$ 52,991,948
August, 2014	32,677,396	3,984,066	36,661,463	8,280,510	645,381	45,587,354	1,155,264	46,742,618
September, 2014	34,939,665	6,284,393	41,224,058	8,451,515	646,591	50,322,164	1,267,713	51,589,877
October, 2014	34,715,423	7,040,536	41,755,959	8,747,785	643,490	51,147,233	1,259,499	52,406,732
November, 2014	35,855,627	5,097,519	40,953,146	6,165,285	469,858	47,588,289	1,034,132	48,622,422
December, 2014	53,502,583	6,892,615	60,395,198	6,937,152	520,334	67,852,684	1,112,465	68,965,149
January, 2015	38,167,850	5,507,327	43,675,177	7,015,709	558,635	51,249,522	1,102,227	52,351,749
February, 2015	33,365,630	8,493,761	41,859,391	7,048,179	574,846	49,482,416	1,072,161	50,554,577
March, 2015	44,025,728	15,363,545	59,389,273	9,028,215	729,526	69,147,014	1,441,214	70,588,228
April, 2015	38,960,236	14,339,911	53,300,148	8,960,240	731,462	62,991,850	1,366,208	64,358,058
May, 2015	35,342,834	4,147,031	39,489,865	8,341,356	668,089	48,499,310	1,279,170	49,778,481
June, 2015	40,333,025	6,238,829	46,571,854	9,378,191	750,069	56,700,114	1,417,708	58,117,822
TOTAL for Fiscal Year ended June 30, 2015	$ 459,524,452	$ 87,913,646	$ 547,438,098	$ 97,129,227	$ 7,678,806	$ 652,246,131	$ 14,821,529	$ 667,067,661

(1) This is the amount of Program Revenue for which the State has undertaken to provide continuing disclosure and the amount of Program Revenue that will be used for determining the debt service coverage ratio and the additional bonds test.

(2) IRP - The International Registration Plan is a multi-state compact for collecting and sharing large truck registration fees. Under the IRP, the registration fees on trucks involved in multi-state commercial activity are collected by the state in which the company is headquartered and are split between the participating states on the basis of proportionate mileage.

Source: Wisconsin Department of Transportation

Unaudited Information

WISCONSIN DEPARTMENT OF TRANSPORTATION
COMMERCIAL PAPER PROGRAM

Schedule of Motor Vehicle Registration and Registration-Related Fees--Cash Basis (Unaudited)
For the Fiscal Years Ended June 30, 2016 and 2015

	2016	2015
Motor Vehicle Registration and Related Fees Collected	$ 688,106,706	$ 667,067,661
Less:		
Motor Vehicle Registration and Related Fees Retained by Trustee for Revenue Bond Program	197,908,966	(194,293,681)
Motor Vehicle Registration and Related Fees Available for Transportation Fund	(857,610,672)	(446,903,502)
Motor Vehicle Registration and Related Fees Retained by Trustee for Commercial Paper Program	$ 28,405,000	$ 25,870,478

Note: The Commercial Paper Program is subordinate to the pledge of Program Income for payment of Revenue Bond obligations. Program Income in excess of the amounts needed for the Commercial Paper or Revenue Bond Programs is transferred to the State Transportation Fund.

Source: Wisconsin Department of Transportation

PART VI

CLEAN WATER REVENUE BONDS

Part VI of the 2016 Annual Report provides information about clean water revenue bonds **(Bonds)** issued by the State of Wisconsin **(State)**. Selected information is provided on this page for the convenience of the readers; however, all information presented in this Part VI of the 2016 Annual Report should be reviewed to make an informed investment decision.

Total Outstanding Balance (12/15/2016)	$634,815,000
Amount Outstanding of Fixed-Rate Obligations	634,815,000
Amount Outstanding of Variable-Rate Obligations	0
Percentage of Outstanding Obligations in form of Variable-Rate Obligations	0.00%
Ratings[a] (Fitch/Moody's/S&P)	
Bonds	AA+/Aa1/AA+
Authority	Clean Water Revenue Bond General Resolution adopted by the Commission on March 7, 1991, as supplemented and amended, and Subchapter II of Chapter 18 and Sections 281.58 and 281.59, Wisconsin Statutes.
Trustee/Paying Agent	U.S. Bank National Association serves as Trustee, registrar, and Paying Agent.
Security	The Bonds are payable solely from (1) Pledged Loan Repayments, (2) amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, and (3) any other Pledged Receipts. The Milwaukee Metropolitan Sewerage District and the State are currently expected to be the sources of approximately 33% and 16%, respectively, of the funds applied to pay debt service on the Outstanding Bonds.
Audit Report and Financial Statements	APPENDIX A to this Part VI of the 2016 Annual Report includes independent auditor's reports and the financial statements for the Environmental Improvement Fund and Leveraged Loan Portfolio.

[a] The ratings presented are the ratings assigned to the State's clean water revenue bonds without regard to any bond insurance policy. No information is provided in the 2016 Annual Report about any rating assigned to any clean water revenue bonds based on any bond insurance policy.

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The State of Wisconsin Building Commission (**Commission**) supervises all matters concerning the State's issuance of revenue obligations. The Capital Finance Office, which is part of the State of Wisconsin Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs. The law firm of Foley & Lardner LLP provided bond counsel services in connection with the issuance of clean water revenue bonds. Requests for additional information about the Bonds, the Environmental Improvement Fund, or the Clean Water Fund Program may be directed to the Capital Finance Office.

Most Bonds have been issued as tax-exempt obligations; however, in 2010 one series of taxable obligations was issued as "build America bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended **(Code)**, for which the State is allowed a refundable tax credit.

See "FINANCING PLAN" for a summary of the two different revenue bond programs the State has used to fund loans from the State's Clean Water Fund Program. This Part VI of the 2016 Annual Report addresses clean water revenue bonds while Part VII of the 2016 Annual Report addresses environmental improvement fund revenue bonds.

The 2016 Annual Report includes information and defined terms for different types of municipal securities issued by the State. The context or meaning of terms used in one part of the 2016 Annual Report may differ from those of the same terms used in another part, and the total amount shown in a table may vary from the related sum due to rounding. See "GLOSSARY" for the definitions of capitalized terms used in this Part VI of the 2016 Annual Report. No information or resource referred to in the 2016 Annual Report is part of the report unless expressly incorporated by reference.

Certain statements in this Part VI of the 2016 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2016 Annual Report, and the State undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

OUTSTANDING BONDS

The State has issued Bonds on the dates and in the amounts shown in Table VI-1. The table also shows the outstanding principal balances of Bonds as of December 15, 2016. All clean water revenue bonds issued, or to be issued, under the General Resolution are collectively referred to as the **Bonds**. U.S. Bank National Association is the trustee for the Bonds **(Trustee)**. In addition, the Trustee is the registrar **(Registrar)** and paying agent **(Paying Agent)** for the Bonds.

Table VI-1

OUTSTANDING CLEAN WATER REVENUE BONDS
BY ISSUE
(As of December 15, 2016)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
1991- Series 1	3/1/91			
Serial Bonds		1994-2008	$ 167,555,000	-0-
Term Bonds		2011	57,445,000	-0-
1993- Series 1	8/15/93	1996-2013	84,345,000	-0-
Series 2	8/15/93	1994-2008	81,950,000	-0-
1995- Series 1	7/1/95	1997-2015	80,000,000	-0-
1997- Series 1	1/15/97	1999-2017	80,000,000	-0-
1998- Series 1	1/15/98	1999-2018	90,000,000	-0-
Refunding Series 2	8/15/98			
Serial Bonds		1999	1,800,000	-0-
Serial Bonds		2003	12,160,000	-0-
Serial Bonds		2009-17	90,400,000	$ 5,665,000
1999- Series 1	8/15/99			
Serial Bonds		2001-18	67,965,000	-0-
Term Bonds		2020	12,035,000	-0-
2001- Series 1	4/2/01	2002-21	70,000,000	-0-
2002- Series 1	5/1/02	2003-23	100,000,000	-0-
Refunding Series 2	8/1/02	2003-16	85,575,000	-0-
2004- Series 1	3/3/04	2006-24	116,795,000	-0-

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Refunding Series 2	1/22/05	2009-20	$107,025,000	-0-
2006- Series 1	3/16/06	2008-27	80,000,000	-0-
Series 2	11/7/06	2008-27	100,000,000	-0-
2008- Series 1	2/12/08	2009-28	100,000,000	$ 8,855,000 [a]
Refunding Series 2	2/12/08	2016-18	27,335,000	21,965,000
Series 3	12/11/08			
Serial Bonds		2010-21	60,745,000	13,685,000 [a]
Term Bonds		2025	24,825,000	-0- [a]
Serial Bonds		2026	6,640,000	-0- [a]
2010- Series 1 Bonds	2/25/10			
Serial Bonds		2012-16	20,180,000	-0-
Serial Bonds		2026-31	47,235,000	-0- [a]
Series 2 Bonds	2/25/10	2019-21	14,070,000	14,070,000
Series 3 Bonds (Taxable)	2/25/10	2017-25	49,690,000	49,690,000
Series 4 Bonds	11/18/10	2012-31	116,290,000	19,250,000 [a]
Series 5 Bonds	11/18/10	2018-23	36,760,000	36,760,000
2012- Series 1 Bonds	7/26/12	2014-33	55,000,000	49,035,000
Series 2 Bonds	7/26/12	2015-24	92,450,000	83,220,000
2013- Series 1 Bonds	3/20/13	2016-27	82,845,000	78,495,000
2015- Series 1 Bonds	7/15/15	2017-28	133,235,000	133,235,000
2016-Series 1 Bonds	4/12/16	2021-31	120,890,000	120,890,000
Total Outstanding Clean Water Revenue Bonds				$634,815,000

[a] The principal amount of Bonds for the payment of which funds have been provided as required by the General Resolution is not treated as outstanding for purposes of this table. Pursuant to a refunding escrow agreement, the principal of, and interest on, such Bonds will be paid as it comes due or will be called for redemption prior to maturity.

Table VI-2 provides a historical view of the amount of outstanding Bonds as of December 15th for the previous ten years.

Table VI-2

HISTORICAL OUTSTANDING CLEAN WATER REVENUE BONDS

Year (December 15)	Outstanding Bonds
2006	$776,660,000
2007	729,575,000
2008	866,035,000
2009	805,305,000
2010	968,165,000
2011	897,475,000
2012	885,510,000
2013	822,940,000
2014	764,745,000
2015	698,160,000

STATE REVOLVING FUND

Federal Water Quality Act

The Federal Water Quality Act of 1987, as amended **(Water Quality Act)**, established a joint federal and state program commonly referred to as the State Revolving Fund (**Federal SRF**) Program. Under the Federal SRF Program, the United States Environmental Protection Agency (**EPA**) is authorized to make grants (**Capitalization Grants**) to a state to assist in providing financial assistance to municipalities within the state for governmentally-owned water treatment projects and other water pollution abatement projects. As a condition to receipt of Capitalization Grants, a state is required to establish a perpetual Federal SRF into which each Capitalization Grant must be deposited and to provide state matching funds **(State Match)** equal to at least 20% of the Capitalization Grant for deposit in the Federal SRF. Amounts in a Federal SRF are permitted to be applied to provide financial assistance to municipalities for governmentally-owned water treatment projects and other water pollution abatement projects in a number of ways.

Capitalization Grants

The federal government has authorized appropriations for Capitalization Grants for federal fiscal years 1989 through 2016. For the Clean Water Fund Program, the State has been awarded Capitalization Grants from EPA aggregating approximately $1.112 billion for federal fiscal years 1989 through 2016. For the Safe Drinking Water Loan Program, the State has been awarded Capitalization Grants from EPA aggregating approximately $365 million for federal fiscal years 1998 through 2016. The aggregate amounts of Capitalization Grants stated above also include funds awarded to the State pursuant to the American Recovery and Reinvestment Act of 2009, for which no State Match was required. Prior to 2015, the State issued general obligations to provide the State Match required for the State to receive its Capitalization Grants. In 2015, the State issued its first environmental improvement fund revenue bonds under a new program resolution to provide funds for the State Match required for the Clean Water Fund Program. The State expects to fund current and future State Match requirements for the Clean Water Fund Program through the issuance of such revenue bonds, while continuing to issue general obligations for the State Match required for the Safe Drinking Water Loan Program.

Any reduction in future Capitalization Grants (including through sequestration or failure to make an appropriation) will not have any impact on the Bonds, because the Capitalization Grants are not pledged to the repayment of the Bonds.

State Revolving Fund

In response to the Water Quality Act, the State created the Environmental Improvement Fund and the Clean Water Fund Program. Financial assistance is made available to Municipalities in the form of Loans from the Clean Water Fund Program. See "ENVIRONMENTAL IMPROVEMENT FUND" and "CLEAN WATER FUND PROGRAM".

ENVIRONMENTAL IMPROVEMENT FUND

The State's Environmental Improvement Fund currently provides for the following separate environmental financing programs:

- **Clean Water Fund Program.** Established in 1990, the Clean Water Fund Program is a municipal financial assistance program for water pollution control projects and includes the State's implementation of a Federal SRF Program under the Water Quality Act. This program also funds the Land Recycling Loan Program, which is a municipal loan program for remediation of contaminated lands. See "CLEAN WATER FUND PROGRAM".
- **Safe Drinking Water Loan Program.** The Safe Drinking Water Loan Program is a municipal loan program for drinking water projects and includes the State's implementation of the federal Safe Drinking Water Act Amendments of 1996. Loans from the Safe Drinking Water Loan Program are primarily funded from federal Capitalization Grants awarded for this purpose, the

required State Match for those Capitalization Grants, and recycled State Drinking Water Loan payments.

Under current law the State is authorized to issue Bonds to make loans under the Clean Water Fund Program only for water treatment and other water pollution abatement projects and to make loans under the Land Recycling Loan Program for remediation of contaminated land projects. However, the last loan under the Land Recycling Loan Program was made in 2008. If changes were to be made to Wisconsin Statutes, Bond proceeds could be used to make loans under the Safe Drinking Water Loan Program for drinking water projects; however, no legislation is pending that would make such changes.

FINANCING PLAN

From 1991 through 2012, the State issued Bonds to fund loans under the Clean Water Fund Program. The security for the Bonds is outlined in this Part VI of the 2016 Annual Report. In 2015, the State established a new and separate program for the issuance of environmental improvement fund revenue bonds to provide financing for the Clean Water Fund Program. As a result, the State does not intend to issue any additional Bonds under the General Resolution other than Bonds for refunding purposes.

The environmental improvement fund revenue bond program and the security for the environmental improvement fund revenue bonds are described in Part VII of the 2016 Annual Report. The pledged revenues and pledged loans for each revenue bond program are different, and readers of the 2016 Annual Report are asked to use caution to ensure they are making reference to the correct part of the 2016 Annual Report.

Environmental Improvement Fund Revenue Bond Program Resolution

As of December 15, 2016, approximately $40 million of the environmental improvement fund revenue bonds were outstanding. Those bonds are not secured by the Pledged Revenues under the General Resolution and the Bonds are not secured by the program resolution for the environmental improvement fund revenue bonds.

The State has had discussions with EPA regarding possible amendments to the program resolution for the environmental improvement fund revenue bonds, to permit the issuance of such revenue bonds to finance the Pledged Loans currently held under the General Resolution. If EPA provides consent, the State may issue environmental improvement fund revenue bonds under that program resolution to defease the outstanding Bonds issued under the General Resolution. At this time, the Commission has not authorized the issuance of environmental improvement fund revenue bonds for those purposes.

CLEAN WATER FUND PROGRAM

The Clean Water Fund Program is a single program that consists of three loan portfolios, based on the sources of funds:

- **Leveraged Portfolio,** consisting of **Pledged Loans** funded with Bond proceeds, together with repayments of the principal of, and interest on, those Pledged Loans. The term “Pledged Loans” is used in this Part VI of the 2016 Annual Report to refer to the same loans that are called “Leveraged Loans” and “Loans” in both the Clean Water Revenue Bond General Resolution, adopted by the Building Commission on March 7, 1991, as amended (**General Resolution**), and some prior continuing disclosure annual reports of the State.
- **Direct Portfolio,** consisting of **Direct Loans** funded with federal Capitalization Grants, the required State Match, and proceeds of environmental improvement fund revenue bonds, together with repayments of principal of, and interest on, those Direct Loans. The Direct Portfolio is pledged to secure payment of the outstanding environmental improvement fund revenue bonds and does not secure the Bonds under the General Resolution.
- **Proprietary Portfolio**, consisting in part of **Proprietary Loans** funded primarily with State general obligation bond proceeds together with repayments of principal of, and interest on,

Proprietary Loans. Proprietary Loans are used to fund projects that may not meet all the construction or financial criteria of the Leveraged Portfolio or Direct Portfolio. The Proprietary Portfolio also includes State general obligation proceeds that are used to provide hardship low-interest loans and grants to municipalities.

Only Pledged Loans are funded with Bond proceeds, and only **Pledged Loan Repayments** are pledged to the repayment of the Bonds. In other words, Bond proceeds do not fund Direct Loans or Proprietary Loans, and neither repayments of Direct Loans or Proprietary Loans, nor the federal Capitalization Grants and State Match, are pledged to the repayment of the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS".

The Clean Water Fund Program receives applications for financial assistance and reviews and approves such applications prior to the award of any loan. All loans are made to Municipalities pursuant to Financial Assistance Agreements. As evidence of each Loan, the Municipality is required to issue and deliver to the State a bond or note of the Municipality **(Municipal Obligation)** obligating the Municipality to repay the Loan on the maturity schedule and at the interest rate set forth in the Financial Assistance Agreement. See "LOANS".

Funding Levels

The Legislature has authorized the issuance of $2.527 billion of revenue bonds (not including refunding bonds) for the Clean Water Fund Program. The Legislature has also authorized the issuance of general obligations in the aggregate amount of $687 million for the Clean Water Fund Program. These general obligations are used to provide the State Match, to fund Proprietary Loans, and to fund deposits into the Subsidy Fund, all as described further within this Part VI of the 2016 Annual Report.

As of December 15, 2016, approximately $914 million of authority remained for the issuance of revenue bonds (which takes into account any environmental improvement fund revenue bonds issued for the same legislative purpose), and $56 million of authority remained for the issuance of general obligations for the purposes described above.

Bonds issued under the General Resolution for the funding of loans under the Clean Water Fund Program were most recently issued July 2012. Starting in June 2013, loans that previously would have been funded with Bond proceeds have been funded with unallocated moneys of the Direct Portfolio; this funding is an allowable investment activity of that portfolio. In December, 2015, the State issued environmental improvement fund revenue bonds for loans under the Clean Water Fund Program. The State does not intend to issue any additional Bonds under the General Resolution other than potential refunding Bonds; however, it reserves the right to do so. See "FINANCING PLAN".

Management

Management responsibilities for the Clean Water Fund Program are shared between two State agencies. The State of Wisconsin Department of Natural Resources **(DNR)** is responsible for the environmental and programmatic management of the Clean Water Fund Program. The State of Wisconsin Department of Administration (**DOA)** is responsible for the financial and investment management of the Clean Water Fund Program. DNR and DOA have agreed upon the division of responsibilities and joined in a memorandum of understanding that details their respective roles. Joint responsibilities between DNR and DOA include issuing notices of financial assistance commitment (**Commitments**) to Municipalities and entering into financial assistance agreements **(Financial Assistance Agreements)** with Municipalities to finance eligible wastewater projects. DOA and DNR also jointly prepare biennial finance plans which include the estimated wastewater facility needs of municipalities in the State, the amount of financial assistance projected to be provided, and the sources of the funding projected to be provided.

Operating Agreement with EPA

In connection with receipt of Capitalization Grants, the State, acting through DNR and DOA, has entered into an Operating Agreement, as amended, with EPA. The Operating Agreement sets forth the objectives and structure of the Clean Water Fund Program and the responsibilities of DNR and DOA. Among these responsibilities are:

- Financial management
- Management of the environmental and project construction aspects
- Preparation of an intended use plan, setting forth the projects the State expects to finance under the Clean Water Fund Program.

SECURITY AND SOURCE OF PAYMENT FOR BONDS

Pledged Loan Repayments are pledged to the Trustee to secure the Bonds; payments of principal of, and interest on, either Direct Loans or Proprietary Loans are not pledged as security for the Bonds.

Each Pledged Loan must meet the criteria described under "LENDING CRITERIA" and must be evidenced by a Municipal Obligation. Any Pledged Loans made by the State to Municipalities will have terms not exceeding 20 years and at interest rates that are below market rates. Due to the below-market interest rates, Pledged Loan Repayments are not expected to be sufficient to pay the principal of, and interest on, the Bonds as they become due. The State has provided, and expects to continue to provide, additional moneys to fund the difference between debt service payments due on the Bonds and revenues to be derived from Pledged Loan Repayments. Such additional moneys include payments from State general obligations that are deposited into the Subsidy Fund.

Revenue Obligations

Each Series of Bonds is issued on parity with all other Bonds previously issued or to be issued from time to time under the General Resolution. See "OUTSTANDING BONDS". With the creation of the environmental improvement fund revenue bond program, the State does not intend to issue any Bonds other than potential refunding Bonds. See "FINANCING PLAN".

The Bonds are special obligations of the State, payable solely from the revenues, receipts, funds, and moneys pledged therefor under the General Resolution.

The State is not obligated to pay the principal of, or interest on, the Bonds from any funds of the State other than those pledged pursuant to the General Resolution, and neither the full faith and credit nor the taxing power of the State or any agency, instrumentality, or political subdivision thereof is pledged to the payment of the principal of, or interest on, the Bonds.

Pledge of Revenues

Pursuant to the General Resolution, the State has pledged the following to the Trustee for the benefit of the Bondowners and any owner of a Parity Reimbursement Obligation for the payment of the principal or redemption price of, or interest on, the Bonds in accordance with the terms and provisions of the General Resolution:

(1) all Pledged Receipts, which are defined in the General Resolution as follows:

- All Pledged Loan Repayments, including both timely and delinquent payments
- Fees and Charges held or collected by the State
- Any State payments intercepted by DOA, and taxes collected by county treasurers, upon a default under a Municipal Obligation
- Any moneys made available to the Leveraged Portfolio pursuant to a State "moral obligation" for individual Pledged Loans
- Any moneys collected by recourse to collateral and security devices under the Municipal Obligations
- Any other moneys held or received by the State or the Trustee relating to the Municipal Obligations; and

(2) certain funds and accounts established in connection with the issuance of the Bonds, including the Loan Fund (pending use to make or acquire Pledged Loans), the Subsidy Fund, and the Loan Credit Reserve Fund, but not including the Rebate Fund or the State Equity Fund.

For a detailed description of the various funds, accounts, and revenues securing the Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF GENERAL RESOLUTION". For further discussion of State payments to Municipalities intercepted by DOA, the taxes collected by county treasurers, and the State "moral obligation" on individual Pledged Loans, see "LOANS; Statutory Powers".

Pledged Loans

The proceeds of Bonds and other amounts deposited into the Loan Fund are used for the purpose of making Pledged Loans to Municipalities. Each Pledged Loan must meet the criteria described under "LENDING CRITERIA". As of December 15, 2016, disbursements for Pledged Loans totaled $1.577 billion, and the outstanding principal balance of these Pledged Loans was $606 million. As of December 15, 2016, the amount of Pledged Loans that had been awarded but not yet disbursed was $5 million and there were no amounts on deposit in the Loan Fund.

Table VI-3 identifies all Municipalities that have entered into Financial Assistance Agreements that include Pledged Loans, the amount that had been disbursed to each Municipality as of December 15, 2016, and the amount that remained to be disbursed pursuant to its Financial Assistance Agreement. Table VI-3 also provides information as to the principal loan balance outstanding under the Financial Assistance Agreement for each Municipality. The term "FAA Loan" used in Table VI-3 refers to the loan made under a Financial Assistance Agreement. The Municipalities are listed in the order of the principal amounts of the Pledged Loans outstanding.

In addition, the percentage of a Municipality's debt service payments on its Pledged Loan (or Pledged Loans) to the total debt service payments on the Outstanding Bonds will change when changes occur in either the repayment schedules for the Pledged Loans or the debt service payments remaining on the Outstanding Bonds. If a Municipality has entered into a Financial Assistance Agreement that is funded with both Pledged Loans and Direct Loans or Proprietary Loans, or if it has entered into multiple Financial Assistance Agreements that are funded with both Pledged Loans and Direct Loans or Proprietary Loans, then the entire amount of all Financial Assistance Agreements is included in Table VI-3. In these circumstances, there are separate columns that identify the "Pledged Loan Balance" and the "Non-Pledged Loan Balance".

Pledged Loan Repayments are the majority of the revenues available to pay debt service on the Bonds. The extent to which the failure of one Municipality to make its Pledged Loan Repayments affects the Clean Water Fund Program's ability to pay debt service on the Bonds will vary based on the percentage of debt service payments on the Bonds to be paid from the Pledged Loan Repayments from that Municipality. The State believes that the security provisions of the Financial Assistance Agreements, as well as the amounts available from the Loan Credit Reserve Fund and the Subsidy Fund, will limit the effect on Bondowners of a failure by one or more Municipalities to pay debt service on their Pledged Loans. Revenues available from amounts in the Subsidy Fund will not be directly affected by the failure of any Municipality to pay debt service on its Pledged Loan. However, a persistent failure by one or more Municipalities to pay debt service on Pledged Loans may adversely affect the ability of the Clean Water Fund Program to pay debt service on the Bonds. See "LOANS; Statutory Powers", "LOAN CREDIT RESERVE FUND SCHEDULES", and "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Subsidy Fund".

The Milwaukee Metropolitan Sewerage District (**MMSD**) is currently the largest borrower with respect to loans in the Leveraged Portfolio, with $239 million in principal amount of Pledged Loans outstanding as of December 15, 2016. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Milwaukee Metropolitan Sewerage District". Other Municipalities had Pledged Loans outstanding in principal amounts ranging from $9,000 to $34 million as of the same date. For a discussion about the information that is available concerning the Municipalities, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Additional Information".

As of December 15, 2016, the Municipal Obligations that evidenced outstanding Pledged Loans consisted of 59% (by total outstanding principal amount) general obligations and 41% (by total outstanding principal amount) revenue or special assessment obligations.

As discussed in more detail under "LOANS; Statutory Powers", DOA may intercept State Aid payable to certain types of Municipalities if such a Municipality defaults on a Loan. As of December 15, 2016, 42% (by total outstanding principal amount) of Municipal Obligations that evidenced outstanding Pledged Loans represented Loans with such State Aid intercept provisions. These percentages will change as new Pledged Loans, if any, are made and as existing Pledged Loans are repaid.

As of December 15, 2016, no Municipality has been in default of any Municipal Obligations issued to evidence Pledged Loans.

Table VI-3
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 15, 2016[a]
(Amount in Thousands)

Municipality	FAA Loan Amount[b](c)	Total FAA Loan Disbursed	Leveraged Balance[c]	Non-Pledged Loan Balance	Total Outstanding Balance[d]	FAA Loan Remaining to Fund[e]	% of Bond Payment[a](f)
Milwaukee Metropolitan Sewerage District	$1,129,773	$1,028,106	$238,520	$372,664	$611,184	$13,041	33.03%
City of Fond du Lac	91,744	91,124	33,802	21,779	55,581	-	4.52%
Madison Metropolitan Sewerage District	198,677	185,633	32,227	107,107	139,334	6,612	4.40%
Green Bay Metropolitan Sewerage District	230,797	137,810	31,585	77,091	108,676	88,976	4.50%
City of Janesville	36,367	36,228	21,783	2,697	24,480	-	3.00%
City of Franklin	27,563	24,589	20,379	821	21,200	-	2.93%
Heart of the Valley Metropolitan Sewerage District	40,884	39,461	17,595	4,353	21,948	-	2.35%
City of Milwaukee - Comptroller's Office	171,680	164,939	11,926	105,173	117,099	502	1.72%
Grand Chute - Menasha West Sewerage Commission	15,941	15,802	11,412	489	11,901	-	1.63%
City of Eau Claire	41,396	39,742	9,664	28,341	38,005	1,654	1.44%
City of Reedsburg	20,026	19,615	9,499	2,653	12,152	214	1.30%
Village of East Troy	10,102	9,819	6,272	-	6,272	-	0.87%
Walworth County Metropolitan Sewerage District	25,167	25,070	6,207	10,837	17,044	-	0.87%
City of Superior	7,047	6,747	5,081	331	5,412	-	0.74%
Village of Sussex	7,813	7,633	4,856	-	4,856	-	0.67%
Village of New Glarus	7,382	7,106	4,822	-	4,822	-	0.66%
Village of Cottage Grove	10,759	9,922	4,320	3,106	7,426	13	0.61%
Delafield - Hartland Pollution Control Commission	10,000	10,000	4,298	-	4,298	-	0.57%
City of Two Rivers	14,995	14,394	4,168	4,384	8,552	124	0.57%
Village of Whitefish Bay	8,329	8,032	4,096	1,573	5,669	-	0.59%
Village of Hortonville	5,533	5,393	4,008	-	4,008	-	0.56%
City of Menomonie	8,151	7,919	3,944	-	3,944	-	0.55%
Village of Belleville	6,688	6,688	3,923	-	3,923	-	0.53%
Town of Salem	17,577	16,930	3,744	8,091	11,835	107	0.52%
Village of Cross Plains	10,534	9,708	3,655	2,703	6,358	330	0.49%
City of Racine	124,080	123,625	3,624	44,639	48,263	142	0.48%
City of Manitowoc	23,300	22,794	3,446	1,027	4,473	-	0.43%
Village of Cambridge	6,880	6,538	3,442	151	3,593	-	0.46%
City of Sheboygan	20,935	19,162	3,124	11,282	14,406	1,213	0.45%
City of Monroe	24,362	22,909	3,015	17,236	20,251	992	0.44%
Town of Oakland Sanitary District #1	5,768	5,211	2,793	-	2,793	-	0.37%
City of Beloit	3,482	3,398	2,696	-	2,696	-	0.39%
City of Waupun	6,249	6,062	2,564	-	2,564	-	0.34%
City of Brookfield	8,870	8,199	2,497	502	2,999	-	0.33%
Village of Saukville	9,754	9,138	2,481	-	2,481	-	0.32%
Village of Union Grove	9,268	9,121	2,466	1,510	3,976	-	0.32%
Village of Ellsworth	3,209	3,087	2,450	106	2,556	-	0.35%
City of Mineral Point	7,478	6,836	2,329	567	2,896	2	0.30%
Village of Dousman	3,268	3,124	2,322	-	2,322	-	0.34%
City of Edgerton	5,650	5,385	2,228	104	2,332	-	0.31%
City of Stevens Point	15,501	15,401	2,219	10,073	12,292	-	0.31%
Village of Hammond	4,101	3,923	2,207	-	2,207	177	0.30%
City of Ripon	6,337	5,773	2,153	-	2,153	-	0.28%
City of Stoughton - Utilities	9,770	8,954	2,112	3,470	5,582	-	0.28%
City of Whitewater	25,018	12,211	2,094	9,335	11,429	12,775	0.30%
Village of Cedar Grove	4,400	4,253	1,953	180	2,133	-	0.26%
City of Omro	3,510	3,354	1,893	-	1,893	-	0.26%
City of Baraboo	3,902	3,802	1,795	-	1,795	-	0.24%
Village of Lomira	3,563	3,334	1,742	358	2,100	-	0.24%
Village of Deerfield	5,611	5,031	1,697	362	2,059	-	0.22%
City of South Milwaukee	17,923	17,520	1,675	9,903	11,578	-	0.22%
City of Oshkosh	49,022	48,154	1,560	15,942	17,502	425	0.21%
City of Milton	4,328	4,091	1,528	-	1,528	-	0.20%
Village of Fox Crossing	1,828	1,716	1,281	-	1,281	-	0.19%
Village of Caledonia	14,522	14,094	1,268	8,597	9,865	-	0.17%
Village of Lake Delton	26,675	26,118	1,222	13,005	14,227	247	0.16%
Village of Twin Lakes	8,806	8,709	1,204	2,210	3,414	65	0.15%
City of Rhinelander	20,730	19,228	1,184	14,350	15,534	1,282	0.17%
Village of Bristol	2,153	2,082	1,102	-	1,102	-	0.15%
City of Waterloo	1,466	1,385	1,050	161	1,211	-	0.15%
City of Waupaca	4,646	4,333	1,020	482	1,502	-	0.14%
Norway Sanitary District #1	5,547	4,424	873	-	873	-	0.11%
Village of Random Lake	1,455	1,299	853	-	853	-	0.12%
Village of Jackson	6,130	6,130	803	-	803	-	0.10%
Village of Slinger	6,528	6,082	772	2,831	3,603	-	0.10%
City of Mauston	2,905	2,759	758	-	758	-	0.10%
City of Portage	5,630	5,536	733	618	1,351	-	0.10%
City of Mayville	3,454	3,174	713	1,337	2,050	178	0.10%
City of Juneau	1,365	1,302	700	16	716	-	0.10%

Table VI-3—Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PRINCIPAL BALANCES
December 15, 2016[a]
(Amount in Thousands)

Municipality	FAA Loan Amount[b][c]	Total FAA Loan Disbursed	Leveraged Balance[c]	Non-Pledged Loan Balance	Total Outstanding Balance[d]	FAA Loan Remaining to Fund[e]	% of Bond Payment[a][f]
Village of Somerset	2,981	2,744	689	-	689	-	0.09%
Village of Howards Grove	2,102	1,905	687	-	687	-	0.09%
City of Dodgeville	4,995	4,995	684	-	684	-	0.08%
Village of Luxemburg	3,178	2,945	670	-	670	-	0.09%
City of Chilton	5,737	5,703	659	1,576	2,235	-	0.08%
City of Neenah	27,506	26,663	657	12,861	13,518	-	0.09%
City of Viroqua	4,219	4,123	640	1,631	2,271	-	0.08%
Village of Black Creek	2,325	2,066	629	1,133	1,762	-	0.09%
Village of Silver Lake	2,318	2,318	593	-	593	-	0.08%
City of Cuba City	2,562	2,316	586	-	586	-	0.07%
Village of Marshall	8,209	7,944	585	382	967	-	0.07%
Village of Allouez	5,373	4,790	521	3,852	4,373	416	0.08%
City of Brodhead	6,549	6,284	517	-	517	-	0.06%
City of Delafield	1,556	1,556	494	-	494	-	0.06%
Village of North Fond du Lac	2,592	2,590	477	-	477	-	0.06%
Town of Ixonia	1,340	1,308	473	-	473	-	0.06%
Village of Coleman	717	707	464	-	464	-	0.06%
Village of Plover	12,754	12,644	455	5,675	6,130	-	0.06%
City of Bloomer	6,694	6,690	454	-	454	-	0.06%
Village of Footville	2,131	2,097	417	149	566	-	0.05%
City of Hudson	4,483	4,140	412	-	412	-	0.05%
Western Racine County Sewerage District	11,459	10,617	409	4,643	5,052	-	0.05%
Village of Bangor	1,587	1,584	396	-	396	-	0.05%
City of Oconto Falls	11,501	11,270	378	9,119	9,497	-	0.05%
Village of Albany	1,396	1,244	371	402	773	83	0.06%
City of Oconomowoc	5,449	5,414	363	-	363	-	0.04%
City of Lake Mills	1,246	1,165	360	-	360	-	0.05%
Village of Frederic	470	435	346	-	346	-	0.05%
O'Dell's Bay Sanitary District #1	475	475	346	-	346	-	0.05%
City of New Richmond	3,967	3,801	340	757	1,097	49	0.04%
City of Jefferson	3,953	3,765	339	1,360	1,699	-	0.04%
City of Galesville	588	584	334	123	457	-	0.05%
City of Ashland	6,868	6,126	329	1,603	1,932	261	0.04%
Village of Little Chute	427	427	321	-	321	-	0.05%
Village of West Salem	8,049	7,510	319	1,983	2,302	-	0.04%
City of Darlington	5,687	5,649	314	2,509	2,823	-	0.04%
Village of Boyceville	411	391	313	-	313	-	0.05%
Village of Iron Ridge	1,441	1,254	311	-	311	-	0.04%
City of Brillion	2,754	2,707	267	1,572	1,839	-	0.03%
City of New Holstein	4,300	3,979	248	2,898	3,146	121	0.03%
Village of Mishicot	4,106	3,966	244	2,089	2,333	-	0.03%
City of Altoona	846	756	230	359	589	-	0.03%
Village of Cambria	302	297	220	-	220	-	0.03%
City of Marshfield	24,170	22,996	220	2,701	2,921	-	0.03%
City of Kewaunee	667	667	212	-	212	-	0.03%
City of Marinette	18,676	17,426	209	10,977	11,186	-	0.03%
Village of Shorewood	2,512	2,298	187	-	187	-	0.02%
Village of Lena	3,128	2,963	173	2,566	2,739	-	0.02%
Village of Dane	2,862	2,817	156	1,448	1,604	-	0.02%
Village of Mount Horeb	1,774	1,685	150	1,397	1,547	-	0.02%
Village of Brokaw	1,051	996	134	203	337	-	0.02%
City of Cumberland	2,488	2,368	105	1,202	1,307	-	0.01%
Village of Muscoda	898	777	101	-	101	-	0.01%
Village of Wrightstown	14,909	13,893	97	10,719	10,816	902	0.01%
Village of Lake Nebagamon	1,539	1,456	96	-	96	-	0.01%
Village of Newburg	1,549	1,430	94	-	94	-	0.01%
City of Tomah	21,213	19,907	80	3,905	3,985	136	0.01%
City of Boscobel	698	593	79	-	79	-	0.01%
City of Shullsburg	687	626	78	-	78	-	0.01%
Wisconsin Dells - Lake Delton Sewerage Commission	449	416	77	-	77	-	0.01%
Village of Kohler	401	367	73	-	73	-	0.01%
City of Watertown	30,535	29,384	72	10,612	10,684	-	0.01%
Village of Campbellsport	2,087	1,963	69	1,316	1,385	-	0.01%
Village of Fontana	4,751	4,678	68	1,719	1,787	-	0.01%
Village of Brownsville	1,017	917	67	157	224	-	0.01%
Village of Linden	224	216	65	-	65	-	0.01%
City of Chetek	528	512	64	-	64	-	0.01%
Village of Rockland	1,311	1,210	57	201	258	-	0.01%
Village of Wyocena	389	298	55	-	55	-	0.01%

Table VI-3—Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PRINCIPAL BALANCES
December 15, 2016[(a)]
(Amount in Thousands)

Municipality	FAA Loan Amount[(b)(c)]	Total FAA Loan Disbursed	Leveraged Balance[(c)]	Non-Pledged Loan Balance	Total Outstanding Balance[(d)]	FAA Loan Remaining to Fund[(e)]	% of Bond Payment[(a)(f)]
Village of Highland	1,381	1,329	51	415	466	-	0.01%
City of Westby	417	395	49	-	49	-	0.01%
City of Montello	260	256	49	-	49	-	0.01%
Village of Knapp	669	669	46	-	46	-	0.01%
Village of Rosholt	662	649	44	-	44	-	0.01%
City of Shawano	2,361	1,937	42	1,196	1,238	-	0.01%
Village of Hancock	503	482	33	333	366	1	0.00%
Village of Walworth	584	557	21	177	198	-	0.00%
Village of Combined Locks	117	40	19	-	19	-	0.00%
Village of Pepin	588	506	19	196	215	-	0.00%
Village of Potosi	291	260	17	-	17	-	0.00%
Village of Prairie du Sac	1,798	1,737	12	1,280	1,292	-	0.00%
Village of Gays Mills	180	173	11	-	11	-	0.00%
City of Hillsboro	3,015	2,900	9	2,206	2,215	48	0.00%
Totals	$ 3,025,246	$ 2,751,864	$ 605,548	$ 1,036,149	$ 1,641,697	$ 131,088	

(a) Amounts and percentages were determined after the November 1, 2016 interest payments due on the loans, including Pledged Loans, and after the December 1, 2016 interest payments due on the Bonds, were made.

(b) For Municipalities that have entered into a Financial Assistance Agreement that is funded with both Pledged Loans and Direct Loans or Proprietary Loans, or for Municipalities that have entered into more than one Financial Assistance Agreement that is funded, in part, with Pledged Loans, the entire amount all Financial Assistance Agreements are included in the table.

(c) The amount of financial assistance depicts only loans. Not included are amounts for any grants and other awards such as those made pursuant to the American Recovery and Reinvestment Act of 2009 and the grants awarded pursuant to the Capitalization Grant received for federal fiscal years 2010 and 2011, which have been awarded in the aggregate amount of approximately $277 million.

(d) The principal balance may be less than the total amount disbursed due to repayment of loans.

(e) "FAA Loan Remaining to Fund" is the "FAA Loan Amount" less "Total FAA Loan Disbursed", except for loans that have been closed out or paid off, in which case the "FAA Loan Remaining to Fund" is zero. Since the entire amount of all Financial Assistance Agreements is shown in aggregate, specific loans that have been closed out (and for which the "FAA Loan Remaining to Fund" is zero) may result in deviations in the above formula.

(f) Total remaining Pledged Loan Repayments (excluding amounts payable after the retirement of the previously issued and Outstanding Bonds) are shown as a percentage of total debt service remaining on the Outstanding Bonds, less those Bonds that have been defeased. If any Pledged Loans have amortization periods of shorter duration than the Bonds, then they will reflect a lower comparative percentage of the Bonds' debt service. Other revenues expected to be available for payment of the Bonds consist of Subsidy Fund transfers and repayments on Pledged Loans.

Subsidy Fund

In order to supplement revenues produced by Pledged Loan Repayments, the General Resolution creates a Subsidy Fund and establishes provisions concerning both a Subsidy Fund Requirement and a Subsidy Fund Transfer Amount. The State expects to continue to make most of the Pledged Loans to Municipalities at interest rates that are less than the Clean Water Fund Program's cost of borrowing.

The Subsidy Fund Requirement is a projected amount equal to the amount that Aggregate Debt Service payable during each period commencing after an interest payment date and ending on the next interest payment date (**Period**) exceeds the sum of scheduled disbursements from the Capitalized Interest Account and Pledged Loan repayments scheduled to be received in the same Period. In making the projections, estimated investment earnings may be taken into account.

In making the projections set forth above, the State may treat undisbursed amounts in the Loan Fund as if:

- Such undisbursed amounts are invested at an appropriate rate of interest to the final maturity of Bonds, and
- Such undisbursed amounts and the earnings thereon are transferred from time to time to the Revenue Fund to pay debt service, and for purposes of calculating the Subsidy Fund Requirement, such amounts may be treated as if they were Pledged Loan Repayments; *provided*

that prior to each Pledged Loan disbursement the State recalculates the Subsidy Fund Requirement assuming for purposes of calculation that the disbursement has been made (and the amount is repayable in accordance with the applicable Municipal Obligations), and if such calculation fails to confirm that following the disbursement the Subsidy Fund Requirement is met, the State may not make a requisition for the disbursement.

The Subsidy Fund Transfer Amount is the amount by which Aggregate Debt Service payable during a Period exceeds the sum of:

- Pledged Loan Repayments scheduled to be received and delinquent Pledged Loan Repayments actually received during the Period,
- Earnings on the Loan Credit Reserve Fund deposited in the Revenue Fund during the Period,
- Any moneys on deposit in the Revenue Fund, the Interest Account of the Debt Service Fund, or the Principal Account of the Debt Service Fund at the beginning of the Period,
- Any amounts in the Loan Fund transferred to the Revenue Fund during the Period as directed in a certificate of an Authorized Officer, and
- Amounts scheduled to be transferred from the Capitalized Interest Account to the Interest Account during the Period.

On or before the business day preceding each interest payment date, the Trustee shall transfer the Subsidy Fund Transfer Amount from the Subsidy Fund to the Debt Service Fund.

Whenever the money in the Debt Service Fund and money available in the Loan Credit Reserve Fund are insufficient to pay the principal of, and interest on, the Bonds, the Trustee shall transfer amounts from the Subsidy Fund to the Debt Service Fund to the extent necessary to cure the deficiency.

The General Resolution permits the issuance of a Series of Bonds only if an Authorized Officer certifies to the Trustee that, upon delivery of such Bonds, there will be in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement. In addition, except in the case of a default in payment of the Bonds, the General Resolution permits disbursements from the Loan Fund only upon receipt of a certificate from an Authorized Officer stating that, after taking into account the disbursement, there is on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement.

As of December 15, 2016, the outstanding balance of State general obligations issued and on deposit in the Subsidy Fund was $146 million. As of that date, future principal and interest payments due the Subsidy Fund from these State general obligations, and other cash on deposit in the Subsidy Fund totaled $206 million.

It is possible that State general obligations on deposit in the Subsidy Fund could be replaced with environmental improvement fund revenue bonds issued under a separate program resolution. This replacement would be dependent on the rating of such revenue bonds meeting the requirements of the General Resolution for investments in the Subsidy Fund. See "FINANCING PLAN".

Loan Credit Reserve Fund

As additional security for the Bonds there has been established a Loan Credit Reserve Fund, which will, upon the issuance of any Series of Bonds, be funded in an amount at least equal to the Loan Credit Reserve Fund Requirement. The **Loan Credit Reserve Fund Requirement** means and is calculated as follows:

- DOA has delivered, and upon the future disbursements of funds for Pledged Loans from the Loan Fund will deliver, to the Trustee an approved schedule of credit quality categories and loan credit reserve fund requirements (**Schedule**) for each Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Pledged Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Pledged Loan disbursement. A Schedule may be amended from time to time upon the presentation to the

Trustee of a certificate of an Authorized Officer, supported by a certificate from the Rating Agency to which such Schedule applies, confirming that such amendment to the Schedule will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency. For a description of the Schedules currently in effect, see "LOAN CREDIT RESERVE FUND SCHEDULES".

- The amount required in the Schedules for each disbursement from the Loan Fund is the **Contribution Amount**.
- The Loan Credit Reserve Fund Requirement, as of any date of calculation, is the total Contribution Amount derived from each Schedule (and if the Schedules provide for a different total Contribution Amounts, then the highest total Contribution Amount) that would be required were all disbursements from the Loan Fund outstanding to be disbursed on that date, based on the then-current Schedules.

Prior to the issuance of Bonds or other obligations that are on parity with the Bonds, the State must certify that, upon the delivery of such Bonds, there will be on deposit in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement. The Trustee may not disburse moneys from the Loan Fund unless there is deposited in the Loan Credit Reserve Fund concurrently with the disbursement an amount equal to the Contribution Amount; *provided,* however, that if the amount on deposit would be in excess of the Loan Credit Reserve Fund Requirement, then the Contribution Amount may be reduced by an amount equal to such excess.

If upon the issuance of a Series of Bonds, there is on deposit in the Loan Credit Reserve Fund an amount in excess of the Loan Credit Reserve Fund Requirement (such excess being the **Funded Amount**), any Contribution Amount required to be deposited into the Loan Credit Reserve Fund upon a disbursement from the Loan Fund shall be deemed to be made from such Funded Amount until the Funded Amount is exhausted. Any Funded Amount will be available until issuance of a subsequent Series of Bonds, whereupon a new Funded Amount is required to be calculated. The Loan Credit Reserve Fund Requirement is calculated based on disbursements from the Loan Fund. Upon issuance of an additional Series of Bonds, additions to the Loan Credit Reserve Fund Requirement will be zero prior to any additional Pledged Loan disbursement. Failure to make required deposits in the Loan Credit Reserve Fund (including deemed deposits from the Funded Amount) would preclude making any subsequent disbursements from the Loan Fund.

If at any time moneys in the Debt Service Fund are insufficient to pay the principal of, or interest on, the Bonds, the Trustee will apply amounts from the Loan Credit Reserve Fund to the extent necessary to cure the deficiency. Except in the event of the issuance of additional Bonds, the State is not required to replenish the Loan Credit Reserve Fund following creation of a deficiency therein, except from surpluses in the Subsidy Fund that would otherwise be transferred to the State Equity Fund.

If at any time moneys and securities in the Loan Credit Reserve Fund (excluding earnings required to be transferred to the Revenue Fund) exceed the Loan Credit Reserve Fund Requirement, the Trustee is required (at the written direction of an Authorized Officer), subject to certain conditions, to transfer all, or any portion of, such surplus from the SRF Account to any account within the Clean Water Fund Program or from the Non-SRF Account to the Revenue Fund. Any withdrawal of surpluses from the Loan Credit Reserve Fund shall reduce the Funded Amount by an amount equal to the amount of such withdrawal.

As of December 15, 2016, the Loan Credit Reserve Fund Requirement is approximately $75 million, and the balance in the Loan Credit Reserve Fund consisted of $98 million in cash and investments.

As of December 15, 2016, the cash and investments in the Loan Credit Reserve Fund were invested as follows:

- $31 million in direct obligations of the United States under four forward delivery agreements with Wells Fargo Bank, National Association, as successor to Wachovia Bank, National Association.

- $14 million in direct obligations of the United States under two separate reserve fund forward delivery agreements with JPMorgan Chase Bank, NA.
- $10 million in general obligations of the State of Wisconsin with an extendible maturity date.
- $43 million in an investment pool managed by the State of Wisconsin Investment Board.

Each of the above investments allows for liquidation of the investment if and when required by the terms of the General Resolution.

No information is provided in this Part VI of the 2016 Annual Report about any rating assigned to an obligor or guarantor of any investment agreement or forward delivery agreement held on deposit in the Loan Credit Reserve Fund. Certain events related to those agreements could occur that may affect the Loan Credit Reserve Fund or the amount available in the Loan Credit Reserve Fund to meet the Loan Credit Reserve Fund Requirement.

If one or more Municipalities fail to make their Pledged Loan Repayments, and the amount of the delinquent payments is in excess of the amount available from the Loan Credit Reserve Fund, the Clean Water Fund Program may be unable to make timely payments of the principal or redemption price of, or interest on, the Bonds.

Statutory Powers

Sections 281.58 and 281.59 of the Wisconsin Statutes, as amended **(Act),** include several provisions that may provide additional security for payment of the principal or redemption price of, or interest on, the Bonds. These provisions include state aid intercept, collection through county treasurers, and state moral obligation, if designated. See "LOANS; Statutory Powers" for more information.

Lending Criteria and Conditions of Clean Water Fund Program

Although the Act permits financial assistance to take forms other than loans, such as guaranteeing or purchasing insurance for Municipal Obligations, awarding hardship grants to certain Municipalities, or subsidizing the interest cost on certain other loans, the State currently makes financial assistance available from the Clean Water Fund Program primarily by making loans to Municipalities with terms up to 20 years at interest rates that are at or below market rates, as specified in the Act.

The State currently determines the market interest rate based on a calculated cost of borrowing using various indices and taking into consideration other factors. A review is done quarterly to complete this determination. The following is a summary of recent market interest rate changes for the Clean Water Fund Program:

- Decreased from 3.50% to 3.00% on January 1, 2015,
- Increased from 3.00% to 3.25% on July 1, 2015,
- Decreased from 3.25% to 3.00% on April 1, 2016,
- Decreased from 3.00% to 2.80% on October 1, 2016, and
- Increased from 2.80% to proposed 3.40% effective January 1, 2017.

The rate in effect at the time the Municipality authorizes the execution of the Financial Assistance Agreement applies to all disbursements of the loan. Proceeds of loans are disbursed in installments pursuant to a Municipality's Financial Assistance Agreement, as project costs are incurred. As proceeds are disbursed, interest on the loan accrues on the amount disbursed from the date of disbursement until the date such amount is repaid.

In most instances, the repayment schedule of each loan is structured to provide level annual debt service from the disbursement dates until the final maturity specified in the respective Municipality's Financial Assistance Agreement. Upon project completion, a Municipality's loan repayment schedule under its Financial Assistance Agreement will reflect the cumulative principal amortization of the disbursements to the Municipality.

If an audit of the project conducted after the final disbursement of a loan reveals that the eligible project costs are less than the amount disbursed to the Municipality, the Municipality agrees to reimburse the State within 60 days after DNR or DOA provides a notice of overpayment.

If the Municipality fails to make any payment when due on the Municipal Obligation or fails to observe or perform any other covenant, condition or agreement on its part under the Financial Assistance Agreement for a period of 30 days after written notice specifying the default and requesting that it be remedied has been given to the Municipality by DNR, the State shall have all remedies provided by law and, to the extent permitted by law, the Financial Assistance Agreement.

Each Financial Assistance Agreement requires the Municipality to submit annual audited financial statements to the State, within 180 days after the end of the Municipality's fiscal year, for the State's review. DOA takes an active role in the collection of these documents with initial and follow-up requests to Municipalities that have not complied with this requirement. The State's review of these financial statements focuses on revenue sufficiency; if concerns about sufficient revenues are identified, the Municipality is notified and required, pursuant to the Financial Assistance Agreement, to take actions to address the concerns. In addition, each Municipality covenants in the Financial Assistance Agreement to review its user charge system every two years for the life of the Loan.

See "MUNICIPALITIES", "LOANS", and "LENDING CRITERIA" for additional information concerning the loan application process, lending criteria, levy limits for municipalities, and Financial Assistance Agreements.

State Financial Participation

The State has funded, and currently expects to continue to fund, all or a substantial portion of the Subsidy Fund through the issuance of State general obligation bonds. Although the State has no present intent to cause this to happen, State general obligations may also be sold to the Clean Water Fund Program for deposit in the Loan Credit Reserve Fund to meet the Loan Credit Reserve Fund Requirement.

Based on the general obligations of the State deposited in the Subsidy Fund and cash-flow calculations as of December 15, 2016, the State's general obligations were expected to be the source of approximately 16% of the cash flow servicing the Outstanding Bonds. The percentage changes when changes occur in the amount of general obligations issued by the State for this purpose, the repayment schedules for the Pledged Loans, or the debt service payments remaining on the Outstanding Bonds. This percentage was also approximately 16% as of December 1, 2015.

Information about the State, including the status of its financial statements for the 2015-16 fiscal year, is included in Part II of the 2016 Annual Report.

Milwaukee Metropolitan Sewerage District

As of December 15, 2016, payments from MMSD were expected to be the source of approximately 33% of the cash flow servicing the Outstanding Bonds. The percentage changes when changes occur in the amount of general obligations issued by the State deposited in the Subsidy Fund, the repayment schedules for the Pledged Loans, or the debt service payments remaining on the Outstanding Bonds. This percentage was also approximately 33% as of December 1, 2015.

MMSD has issued Municipal Obligations to evidence its obligation to repay its Pledged Loans. The Municipal Obligations issued by MMSD are general obligations; MMSD has made an irrepealable levy of ad valorem property taxes sufficient to pay debt service on its Pledged Loans when due.

The MMSD Comprehensive Annual Financial Report for the year ended December 31, 2015 (**MMSD CAFR**) is incorporated by reference as part of this Part VI of the 2016 Annual Report. The MMSD CAFR has been filed with the Municipal Securities Rulemaking Board (**MSRB**) through its EMMA system and should be consulted only with respect to MMSD. No representation is made as to the accuracy or completeness of the information included in the MMSD CAFR, or that there has been no material change since its date.

Copies of the MMSD CAFR can be obtained from:

Milwaukee Metropolitan Sewerage District
Attention: Mark T. Kaminski, Director of Finance/Treasurer
260 West Seeboth Street
Milwaukee, Wisconsin 53204-1446
Telephone: (414) 225-2050
Email: mkaminski@mmsd.com
Website: http://mmsd.com/financial/financial-reports

Build America Bond Payments

As of December 15, 2016, one series of taxable Bonds treated as "build America bonds" pursuant to Section 54AA of the Code, for which the State is allowed a refundable tax credit, had been issued in the amount of $50 million and remained outstanding in the same amount. The Code provides for direct payments of the refundable tax credit, in the amount of 35% of each interest payment, but the amount has and continues to be subject to reduction pursuant to federal sequestration.

The direct payment the State expects to receive from the United States Treasury with respect to interest payable by the State for taxable Bonds previously issued by the State and treated as "build America bonds" is not a revenue, receipt, fund, or money pledged under the General Resolution, and is not pledged to the payment of debt service on the Bonds.

Additional Information

The Financial Assistance Agreements require that financial statements be provided to the Clean Water Fund Program by each Municipality that has received a loan. The financial statements for MMSD (but not those of any other Municipality) are included by reference in this Part VI of the 2016 Annual Report.

Additional Bonds

The General Resolution permits the issuance of additional Bonds, without limitation as to amount, except for any statutory limitations on the aggregate authorized amount of revenue bonds that can be issued for the Program. There is no statutory limit that restrains the amount of Bonds that may be issued for refunding purposes. The State is currently authorized by the Building Commission to issue up to $325 million of Bonds for refunding purposes. With the creation of the environmental improvement fund revenue bond program, the State does not intend to issue any additional Bonds under the General Resolution other than potential refunding Bonds. See "FINANCING PLAN".

As a condition to the issuance of any additional Bonds, the General Resolution requires that there be delivered to the Trustee a certificate of an Authorized Officer that, upon the issuance of such Bonds, there will be in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement and that there will be in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement.

Any additional Bonds issued under the General Resolution will be on a parity with all other Bonds previously issued, and will be entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the State set forth in the General Resolution (except for funds pledged to defease any specific Bonds).

Disposition of Loans

The State may sell, assign, transfer, or otherwise dispose of any loan and the Municipal Obligations evidencing such loan, at such price as the Commission shall determine, *provided* that prior to such sale, assignment, transfer, or disposition the State files with the Trustee a certificate of an Authorized Officer to the effect that, immediately following such sale, assignment, transfer, or disposition and the deposit of the proceeds thereof in the applicable account, there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and there will be on deposit in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

The State may sell, assign, transfer, or otherwise dispose of any loan and the Municipal Obligations evidencing such loan and deposit the proceeds thereof in the applicable account if such loan and such Municipal Obligation are delinquent in payments of principal or interest and if, in the reasonable opinion of the State, as evidenced by a certificate of an Authorized Officer, the proceeds of such sale, assignment, transfer, or disposition are not less than the fair market value of such delinquent loan or Municipal Obligation.

The State may consent to prepayment of any loan and the Municipal Obligation evidencing such loan, *provided* that, prior to such prepayment, the State files with the Trustee a certificate of an Authorized Officer to the effect that, immediately following such prepayment and deposit of the proceeds thereof to the applicable fund or account, the Subsidy Fund Requirement has not been increased.

LOAN CREDIT RESERVE FUND SCHEDULES

Introduction

The General Resolution establishes the amount and timing of funds and securities required to be on deposit in the Loan Credit Reserve Fund, based on Schedules reviewed by no fewer than two Rating Agencies. The State, with the consent of a Rating Agency, may from time to time change the Schedule previously approved by such Rating Agency so long as the change does not adversely affect the then-current rating on the Bonds. To the extent the amount required to be available by the Schedule approved by one Rating Agency differs from the amount required by the Schedule approved by another Rating Agency, the larger amount is required. As of December 15, 2016, the total Loan Credit Reserve Fund Requirement is approximately $75 million while the amount on deposit in the Loan Credit Reserve Fund equaled $98 million.

No information is provided in this Part VI of the 2016 Annual Report about any rating assigned to an obligor or guarantor of any investment agreement, forward delivery agreement, or other investment held on deposit in the Loan Credit Reserve Fund.

Current Schedules

The Bonds are currently rated AA+ by Fitch Ratings (**Fitch**), Aa1 by Moody's Investors Service, Inc. (**Moody's**), and AA+ by Standard & Poor's Global Ratings (**S&P**). The following describes each of the Schedules approved by the respective Rating Agencies.

Fitch Ratings

Based on certain credit characteristics, each Pledged Loan will be assigned to one of six credit categories, which are explained below. Any assignment of a Pledged Loan to a credit category other than "Not Rated; Interceptable State Aid Factor 2.0 or Greater" or "Not Rated; Interceptable State Aid Factor Less Than 2.0" is subject to review by Fitch. The amount required to be on deposit in the Loan Credit Reserve Fund with respect to a particular Pledged Loan and any amounts disbursed under that Pledged Loan differ, depending on the Municipality. The Municipality having the largest total outstanding balance of Pledged Loans in a credit category below that of the Bonds is the "Largest Borrower Below Bond Credit Quality". The required deposit attributable to the Largest Borrower Below Bond Credit Quality shall equal the total of all debt service payments attributable to the Pledged Loan or Pledged Loans to that Borrower over the four-year period in which such debt service payments are the greatest. For any Pledged Loan to a Municipality other than the Largest Borrower Below Bond Credit Quality, the required deposit shall equal the product of the total of all debt service payments attributable to such Pledged Loans over the four-year period in which such debt service payments are the greatest times the factor, described below, assigned to Pledged Loans of the applicable credit category.

Pledged Loans are currently assigned to credit categories based on one or more of the following characteristics: (1) the Fitch rating given to the Municipal Obligation (or its lack of a Fitch rating), (2) the credit quality estimate for the Municipal Obligation based on information available to Fitch from sources it believes to be reliable, or (3) the anticipated amount of annual State payments that can potentially be intercepted by DOA. The intercept power is described under "LOANS; Statutory Powers".

If a Municipal Obligation is not rated by Fitch, then the State may request that Fitch assign a credit quality estimate, or "shadow rating", for the Municipal Obligation. The State recognizes that the credit quality estimate, or "shadow rating", is not necessarily the official or public Fitch rating for the Municipal Obligation and is used solely for purposes of analyzing the credit quality of the Bonds.

Credit categories to which Pledged Loans may be assigned by Fitch currently include the following:

"AAA" Credit Quality Category. A Pledged Loan is assigned to this category if its related Municipal Obligation is deemed to be of the highest credit quality, denoting the lowest expectation of credit risk. Assignments to this category are made only in cases of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

"AA" Credit Quality Category. A Pledged Loan is assigned to this category if its related Municipal Obligation is deemed to be of very high credit quality, denoting a very low expectation of credit risk. Assignments to this category are made in cases of very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

"A" Credit Quality Category. A Pledged Loan is assigned to this category if its related Municipal Obligation is deemed to be of high credit quality, denoting a low expectation of credit risk. Assignments to this category are made in cases of strong capacity for timely payment of financial commitments. Nevertheless, this capacity may be more vulnerable to changes in circumstances or in economic conditions than is the case for higher credit quality categories.

"BBB" Credit Quality Category. A Pledged Loan is assigned to this category if its related Municipal Obligation is deemed to be of good credit quality, denoting a currently low expectation of credit risk. Assignments to this category are made in cases of adequate capacity for timely payment of financial commitments. Adverse changes in circumstances and in economic conditions are more likely to impair this capacity than is the case for higher credit quality categories.

Not Rated; Interceptable State Aid Factor 2.0 or Greater. The anticipated amount of annual State payments that can potentially be intercepted by the State is determined by DOA based on the minimum of the five most recent years for which data are available of one source of State payments to the Municipality. A Pledged Loan is currently assigned to this category if (1) its related Municipal Obligation is not rated by Fitch or is categorized as being of speculative grade credit quality by Fitch and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State equals or exceeds twice the maximum annual debt service payments on the entire amount of the Pledged Loan, whether or not the entire amount has been disbursed.

Not Rated; Interceptable State Aid Factor Less Than 2.0. A Pledged Loan is currently assigned to this category if (1) its related Municipal Obligation is not rated by Fitch or is categorized as being of speculative grade credit quality and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State is less than twice the maximum annual debt service payments on the entire amount of the Pledged Loan, whether or not the entire amount has been disbursed.

The following chart shows the current factor assigned to each of the six credit categories by Fitch.

Category	Factor
"AAA" Credit Quality Category	0%
"AA" Credit Quality Category	0
"A" Credit Quality Category	6
"BBB" Credit Quality Category	12
Not Rated; Interceptable State Aid Factor 2.0 or Greater	6
Not Rated; Interceptable State Aid Factor Less Than 2.0	34

The State recognizes that lower factors may be assigned to Pledged Loans related to Municipal

Obligations that are deemed by Fitch to be general obligations secured by the Municipality's full faith and credit, based on Fitch's current rating guidelines for leveraged municipal loan pools. However, the State does not currently opt to assign such lower factors to such Pledged Loans, since the above factors result in a more conservative level of funding for the Loan Credit Reserve Fund.

The State recognizes that Fitch's rating on the Bonds is based only in part upon the level of funding in the Loan Credit Reserve Fund and the credit quality of Municipalities receiving Pledged Loans. Other factors upon which the Bonds' rating is based currently include, but are not limited to, Fitch's rating of the State's general obligations, structural and legal characteristics of the Clean Water Fund Program, Clean Water Fund Program management, Clean Water Fund Program loan underwriting practices, Clean Water Fund Program loan monitoring practices, and permitted Clean Water Fund Program investments. Factors upon which the Bonds' rating is based may change in the future. The State expects to maintain the Loan Credit Reserve Fund at approximately the same proportional levels as it has since inception of the Clean Water Fund Program, and the State recognizes that the rating maintained by Fitch may be based on the maintenance of amounts greater than the amounts required under this particular Loan Credit Reserve Fund Schedule. The State has further agreed that, if practicable, it will provide Fitch with at least 30 days' notice of significant changes in either the credit quality or amounts maintained in the Loan Credit Reserve Fund.

Moody's Investors Service, Inc.

As part of the Schedule submitted to Moody's in connection with the issuance of the 2016 Series 1 Bonds, the State has indicated that it will maintain the Loan Credit Reserve Fund at a level that corresponds to certain loan portfolio credit characteristics. The amount required to be on deposit in the Loan Credit Reserve Fund is sum of the products of the average annual debt service payments for each Municipality times a factor of 120%, and is based on an evaluation of the Pledged Loans shown in "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Pledged Loans".

Standard & Poor's Global Ratings

Based on certain credit characteristics, each Pledged Loan will be assigned one of five categories, which are explained below. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund with respect to a particular disbursement from the Loan Fund is the product of the maximum annual debt service payment on the Pledged Loan attributable to the disbursement times the factor assigned to that particular category.

The following chart shows the current factor assigned to each of the five categories by S&P. Following the chart is an explanation of the characteristics of each category.

Category	Factor
Higher Investment Grade Rating	0%
Medium Investment Grade Rating	40
Lower Investment Grade Rating	64
Not Rated; Greater State Aids	40
Not Rated; Lesser State Aids	140

Pledged Loans are categorized based on two characteristics: (1) the rating given to the Municipal Obligation (or its lack of a rating) and (2) the anticipated amount of annual State payments that can potentially be intercepted by DOA.

The anticipated amount of annual State payments that can potentially be intercepted by DOA is determined by DOA based on the minimum of the five most recent years for which data are available of one source of State payments to the Municipality. The intercept power is described under "LOANS; Statutory Powers".

If the Municipal Obligation is not rated by S&P, then the State may request permission from S&P to assign the Municipal Obligation to a particular category.

Higher Investment Grade Rating. A Pledged Loan is assigned to this category if the Municipal Obligation is rated by S&P in either of the two highest rating categories (AAA or AA).

Medium Investment Grade Rating. A Pledged Loan is assigned to this category if the Municipal Obligation is rated by S&P in the third highest rating category (A). S&P may also permit a Pledged Loan to be assigned to this category, regardless of whether or not the Municipal Obligation is rated, in the event the State designates the Pledged Loan as one to which the State "moral obligation" applies. The State "moral obligation" is described in "LOANS; Statutory Powers".

Lower Investment Grade Rating. A Pledged Loan is assigned to this category if the Municipal Obligation is rated by S&P in the minimum investment grade rating category (BBB).

Not Rated; Greater State Aids. A Pledged Loan is assigned to this category if (1) the Municipal Obligation either is not rated or is rated below investment grade and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State equals or exceeds twice the average annual debt service payments on the entire amount of the Pledged Loan, whether or not the entire amount has been disbursed.

Not Rated; Lesser State Aids. A Pledged Loan is assigned to this category if (1) the Municipal Obligation either is not rated or is rated below investment grade and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State is less than twice the average annual debt service payments on the entire amount of the Pledged Loan, whether or not the entire amount has been disbursed.

The State recognizes that the rating maintained by S&P is based in part upon the level of funds available in the Loan Credit Reserve Fund. The State expects to maintain the Loan Credit Reserve Fund at approximately the same proportional levels as it has since inception of the Clean Water Fund Program, and the State recognizes that the rating maintained by S&P may be based on the maintenance of amounts greater than the amounts required under this Loan Credit Reserve Fund Schedule. The State has further agreed that, if practicable, it will provide S&P with at least 30 days' notice of significant changes in either the credit quality or amounts maintained in the Loan Credit Reserve Fund.

The State has agreed that if the rating on, or ratability of, an investment in the Loan Credit Reserve Fund is based on either a credit enhancement policy or financial guaranty, the State will notify S&P not less than 30 days prior to the expiration of such policy and indicate what action, if any, is expected to be taken with respect to the credit quality of the investment.

Ratings on Municipal Obligations

Any further explanation of the significance of a rating with respect to a Municipal Obligation may only be obtained from the Rating Agency furnishing the rating. There is no assurance that the rating given to a Municipal Obligation will be maintained for any period of time; a rating may be lowered or withdrawn entirely by the Rating Agency if in its judgment circumstances warrant.

MUNICIPALITIES

Pursuant to the Act, the Clean Water Fund Program is authorized to provide financial assistance in the form of loans to any Municipality. The following discussion applies to all loans under the Clean Water Fund Program. A Municipality may be any city, town, village, county, town sanitary district, public inland lake protection and rehabilitation district, metropolitan sewerage district, or federally recognized American Indian tribe or band located in the State. Due to the diversity of the types of potential recipients of financial assistance, the manner in which the Municipalities raise revenues and issue and secure debt will vary.

Prospective municipal borrowers fall into one of several general categories:

- *General purpose Municipalities*, such as counties, cities, villages, and towns, may borrow for a variety of public purposes, including the construction or improvement of wastewater and water facilities. Such general purpose Municipalities may incur long-term obligations in the form of general obligation debt secured by property tax levies, revenue obligations secured by user fees and special assessments, or installment lease contracts.

- *Special purpose Municipalities,* such as town sanitary districts, public inland lake protection and rehabilitation districts, and metropolitan sewerage districts, may borrow for the purpose for which they are created, primarily wastewater and water facilities. Debt may be incurred by special purpose Municipalities in generally the same forms as may be incurred by general purpose Municipalities. Town utility districts may be utilized by towns to allocate tax levies, but the town is the actual borrower; and any general obligation issued for a town utility district is secured by the full faith and credit of the entire town.
- *Indian tribes and bands* are sovereign governments that may borrow for various purposes, including the construction or improvement of wastewater and water facilities.
- *Intergovernmental Cooperation Commissions **(ICC)*** are special purpose intergovernmental bodies formed by agreements authorized under State law between two or more Municipalities, some of which own and operate wastewater treatment facilities. Because an ICC does not have general taxing powers and typically depends upon its contracting members to collect revenues via user fees or tax levies from individual users of wastewater facilities, loans are made only to the individual Municipalities that constitute the ICC.

Constitutional and Statutory Requirements

Municipal powers are primarily statutory and in some instances established by the State Constitution. To the extent not inconsistent with the State Constitution and State law, Municipalities may adopt and amend local laws and ordinances relating to their property, affairs, or government.

In general, the State Constitution and State law limit the power of Municipalities to issue Municipal Obligations and otherwise to contract indebtedness. As a condition for making any loan, the State will require an opinion of counsel to the effect that (subject to certain exceptions for bankruptcy, insolvency, and similar laws affecting creditors' rights or remedies and equitable principles) the Financial Assistance Agreement and the Municipal Obligation evidencing the loan constitute legal, valid, and binding obligations of the Municipality enforceable against the Municipality in accordance with their respective terms.

Limitations on Indebtedness

Generally, the aggregate general obligation debt that may be incurred by a Municipality may not exceed 5% of the equalized value of all real estate in the Municipality. Municipalities are not limited as to the amount of revenue obligations that they may incur. However, as described under "LENDING CRITERIA", the Act requires that a Municipality must comply with a number of requirements, including establishing a dedicated source of revenue for the repayment of financial assistance and developing and adopting a system of equitable user charges.

Revenues

Revenues of counties, cities, villages, and towns are principally derived from property taxes, state and federal aids, and fees and charges. Counties may levy a sales tax of up to a 0.5% rate. For a discussion of real property taxes and special assessments, see "MUNICIPALITIES; Collection of Real Property Taxes and Assessments".

Counties, cities, villages, and towns receive financial assistance from the State (**State Aid**). The State is not constitutionally obligated to maintain or continue State Aid. Accordingly, no assurance can be given that present State Aid levels will be maintained in the future. The payment of State Aid by the State is subject to appropriations being made by the Legislature. As discussed in more detail under "LOANS; Statutory Powers", DOA may intercept State Aid payable to certain types of Municipalities if such a Municipality defaults on a loan.

Collection of Real Property Taxes and Assessments

Real property taxes, special assessments, and special charges are collected by the county treasurer and remitted to the proper taxing authority. Special assessments may be levied generally by a taxing authority as an assessment against property to compensate for all, or part of, the costs of a public work or improvement which benefits the property. The right to levy special assessments may be based upon the taxing power of the Municipality or the police power of the Municipality. The clearest difference between the two types of special assessments is that under the taxing power, the amount of the special assessment may not exceed the benefit conferred on the property, while under the police power, the amount of the special assessment need only be determined upon a reasonable basis as determined by the governing body of the Municipality. Costs of any public work or improvements that may be reflected in whole or in part by special assessments may include the direct and indirect costs thereof and the anticipated interest on a Municipal Obligation issued in anticipation of the collection of the assessments. Special assessments are collected by county treasurers along with general property taxes.

Although general property taxes may be paid in installments in the year following the levy thereof (so long as all installments are paid no later than July 31), special assessments and special charges that are included in the tax roll must be paid in full on or before January 31, and even though a person elects to pay general property taxes in installments, if any special assessment or special charge entered on the tax roll is delinquent because it is not paid by January 31, the entire annual amount of real property taxes on that parcel that is unpaid becomes delinquent as of February 1. If the county treasurer receives a payment that is not sufficient to pay all general property taxes, special assessments, and special charges, then the county treasurer applies the payments to the amounts due, including interest and penalties, in the following order:

- Special charges
- Special assessments
- Special taxes
- General property taxes

The county treasurer settles with the appropriate taxation district on or before January 15 of each year for all payments received through the previous December 31, and on or before February 20 for all payments received through January 31, including all special assessments and special charges received.

On or before each August 20, the county treasurer must settle in full with the underlying taxing jurisdictions for all real estate and special taxes (except special assessments). Counties are authorized, but not required, to settle in full with all taxing jurisdictions for special assessments and special charges, and if so directed by the county board of supervisors, August 20 would be the date upon which the Municipality would receive the cash in settlement of unpaid special assessments and special charges.

As discussed under "LOANS; Statutory Powers", if a Municipality is in default of payment on its Municipal Obligation, the State may, pursuant to the Act, add a special charge to the amount of State taxes levied upon the county. The enforceability of such a procedure has not been tested in court. Therefore, no assurance can be given as to the enforceability of this procedure.

A Municipality issuing a general obligation to the State must levy sufficient taxes, upon the adoption of the resolution authorizing the Municipal Obligation, to pay debt service on the Municipal Obligation, which tax levy will be collected along with other real estate taxes as discussed above. A Municipality may, however, abate such levy, to the extent it deposits amounts in its statutorily required debt service fund before the date it carries the levy unto the tax roll. A Municipality issuing a revenue obligation may rely entirely upon sewer (or water) utility revenues to pay the Municipal Obligation or, alternatively, may in addition levy special assessments upon property within the boundaries of the Municipality in an amount sufficient to pay all or part of the Municipal Obligation.

Municipalities Exhibiting Financial Distress

Certain State municipalities that are borrowers from the Environmental Improvement Fund loan programs have made prior disclosures relating to financial distress they were undergoing. These municipalities have previously made the Environmental Improvement Fund aware of such disclosures, and the disclosures made within the past five years are discussed below; however, *the Environmental Improvement Fund loans made to these municipalities are not Pledged Loans and thus are not pledged to the repayment of the Bonds.*

Village of Warrens

The Village of Warrens had a Clean Water Fund loan, dated August 24, 2005, in an amount as of June 30, 2014, of nearly $4 million. The Village of Warrens retired the outstanding Clean Water Fund loan in full on June 30, 2014.

The Municipal Obligation issued to the Environmental Improvement Fund to secure the loan was a revenue obligation, and the Village of Warrens planned to pay debt service with expected tax increment receipts from its Tax Increment District No. 1, established to capture tax increments from a residential and commercial real estate development. Coincidentally with a recent recession, property values for this development fell, resulting in a shortfall of tax increment receipts and other revenues, and the Village of Warrens failed to make full principal and interest payments on this loan when due. DOA entered into a Forbearance Agreement with the Village of Warrens on May 1, 2010, and amended such agreement on November 1, 2010, May 1, 2011, November 1, 2011, May 1, 2012, December 12, 2013 and May 1, 2014.

The Village of Warrens is current on its repayment obligations (principal and interest) for a Safe Drinking Water Loan Program loan, dated June 23, 2004, in the outstanding amount of $233,610.

Further details of these and other matters relating to the Village of Warrens may be found in disclosure filings made by the Village of Warrens with the MSRB through its EMMA system at www.emma.msrb.org. The disclosure filings from the Village of Warrens are not part of this Part VI of the 2016 Annual Report.

City of Menasha

The Environmental Improvement Fund has made ten loans to the City of Menasha for Safe Drinking Water Loan Program and Clean Water Fund Program purposes. All these loans are performing loans. Four of the loans are from the Safe Drinking Water Loan Program; the initial security for those loans was a pledge of revenues from the City of Menasha water utility. Separately, the City of Menasha issued its steam utility revenue bonds and notes to convert an existing electrical generation plant to a municipal steam utility. Due to both project cost overruns and insufficient steam customer contracts, the project failed to provide sufficient revenues to pay debt service on certain steam utility obligations, and those obligations are in default. To partially address this situation, the City of Menasha entered into a sale and lease-back of the City of Menasha's electric utility assets. On March 24, 2011, at the request of the City of Menasha, the Environmental Improvement Fund determined that sufficient water utility revenues were available to service the then-outstanding Safe Drinking Water Loan Program loans, and the Environmental Improvement Fund released the City of Menasha's security pledge of electric utility revenues to the outstanding Safe Drinking Water Loan Program loans discussed above. On December 1, 2011, the federal court approved a settlement with holders of the steam utility obligations that were in default. The City of Menasha is current on its repayment obligations (principal and interest) for all ten loans from the Environmental Improvement Fund.

Further details of these and other matters relating to the City of Menasha may be found in disclosure filings made by the City of Menasha with the MSRB through its EMMA system at www.emma.msrb.org. The disclosure filings from the City of Menasha are not part of this Part VI of the 2016 Annual Report.

LOANS

Financial Assistance

Projects are segregated into four different project-type categories, and the interest rates for the project-type categories are determined pursuant to Wisconsin Statutes. Prior to July 1, 2011, the interest rate on each loan varied by project type and the Clean Water Fund Program's costs of borrowing; the differing interest rates were designed to provide greater incentives for compliance with environmental requirements than for new sewer systems or correcting discharge permit violations. Loans made after July 1, 2011 and prior to July 13, 2015 to finance most project-type categories have the same interest rate, which is an annual rate equal to 75% of the Clean Water Fund Program's actual or calculated cost of borrowing. Loans made on or after July 13, 2015 have an interest rate equal to 70% of the actual or calculated cost of borrowing. The four project types include the following:

- *Compliance Maintenance Projects*–Projects that are necessary to maintain compliance with permit requirements or to implement new or changed effluent limits required by DNR. If the project includes construction of a septage receiving and treatment facility, that portion of the project may be eligible for an interest rate of 0%.
- *Stormwater & Nonpoint Projects*–Projects pertaining to urban stormwater and nonpoint pollution sources.
- *Unsewered Projects*–Projects involving unsewered areas within Municipalities. More than two-thirds of the initial flow must be wastewater originating from residences in existence at least 20 years prior to the application date for this type of project to qualify for assistance.
- *Industrial, Violator, and Future Growth Projects*–Projects that address violations of a DNR discharge permit or that provide industrial or reserve capacity, or that involve certain other capital costs attributed to industrial or commercial needs, or involve unsewered areas where residences were not in existence at least 20 years prior to the application date. These projects were not affected by the 2011 and 2015 changes to interest rates, and these projects may receive loans that bear interest at a per annum rate equal to 100% of the Clean Water Fund Program's actual or calculated cost of borrowing.

If a Municipality undertakes a project that includes more than one of the above categories (or components within a category), the respective portions of the project may be allocated accordingly, resulting in a loan with a blended interest rate.

In a limited number of cases, the Clean Water Fund Program and the Safe Drinking Water Loan Program may provide additional financial assistance in the form of grants or loans with interest rates lower than those indicated above for qualifying projects. Under current law, the maximum amount of financial assistance that any Municipality may receive is a grant equal to 70% of project costs and an interest-free loan for the remaining 30% of project costs. State law establishes a program to provide additional assistance to municipalities qualified as "hardship". In addition, financial assistance in the form of principal forgiveness has been a component of recent Capitalization Grants. Between October 1, 1989 and December 15, 2016, agreements have been made with municipalities to fund $316 million in project costs with additional financial assistance.

In addition, the Clean Water Fund Program and the Safe Drinking Water Loan Program provided financial assistance using awards made to the State pursuant to the American Recovery and Reinvestment Act of 2009. This financial assistance funded $145 million of projects, and the funds were committed between October 28, 2009 and February 17, 2010.

The majority of loans have been made for compliance maintenance projects.

Requirements Under the Act

The Act sets forth certain requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund Program. Each Municipality must be one of the types of governments specified by the Act. The Act further requires that the Municipality comply with a number of other requirements, including establishing a dedicated source of revenue for the repayment of the financial assistance, complying with the requirements of the Water Quality Act, developing a program of water conservation as required by DNR, and developing and adopting a system of equitable user charges. While the Act permits financial assistance to take forms other than loans, such as guaranteeing or purchasing insurance for Municipal Obligations, awarding grants to certain hardship Municipalities, or subsidizing the interest cost on certain other loans, the State currently makes financial assistance available from the Clean Water Fund Program primarily by making loans to Municipalities at interest rates that are at or below market rates, as specified in the Act.

DNR is responsible for establishing eligibility criteria for determining applicants and projects that are eligible to receive financial assistance. Among the criteria DNR considers are water quality and public health. A Municipality is eligible for financial assistance from the Clean Water Fund Program for a wastewater project that corrects a DNR discharge violation.

Loan Application Process

DOA and DNR have developed an application form for Municipalities to apply for financial assistance from the Clean Water Fund Program. The application form requires the Municipality to provide technical information regarding the proposed project and the existing wastewater system, a project schedule, financial information relating to the project, and financial and other information relating to the Municipality. The application is reviewed by DNR for items pertaining to technical, administrative, and environmental matters, including project eligibility and determination of the interest rate category for which the project is eligible. The application is reviewed by DOA to determine, among other things:

- The financial capability of the applicant to repay its loan,
- The financial terms and conditions of the loan, and
- The security that will be required to be pledged by the Municipality for the loan.

A loan is made only if DOA determines that the Municipality is likely to be able to repay the loan.

Commitments

Upon a determination by DOA that the Municipality meets the financial criteria that DOA has established, DNR and DOA may approve an application and issue a Commitment to the Municipality to finance all, or part of, the project. The Commitment will include an estimated loan repayment schedule and other terms of the financial assistance. The Commitment may contain certain conditions that the Municipality must meet to secure a Financial Assistance Agreement.

Financial Assistance Agreements

The Financial Assistance Agreement is the loan agreement by which the loan is made. The Financial Assistance Agreement contains the terms and conditions of the loan, including the final maturity, maximum principal amount, interest rate, procedures for disbursement of funds to the Municipality, agreements of the Municipality to construct the project, and covenants of the Municipality regarding proper use of loan proceeds and compliance with Clean Water Fund Program requirements.

Certain Provisions of Financial Assistance Agreements

Proceeds of Loans are disbursed in installments pursuant to a Municipality's Financial Assistance Agreement, as Project costs are incurred. As proceeds are disbursed, interest on the Loan accrues on the amount disbursed from the date of disbursement until the date such amount is repaid.

In most instances, the repayment schedule of each loan is structured to provide level annual debt service from the disbursement dates until the final maturity date specified in the respective Municipality's Financial Assistance Agreement. Upon project completion, a Municipality's loan repayment schedule under its Financial Assistance Agreement will reflect the cumulative principal amortization of the disbursements to the Municipality.

If the final audit of the project reveals that the eligible project costs are less than the amount disbursed to the Municipality, the Municipality agrees to reimburse the State within 60 days after DNR or DOA provides a notice of overpayment.

If the Municipality fails to make any payment when due on the Municipal Obligation or fails to observe or perform any other covenant, condition, or agreement on its part under the Financial Assistance Agreement for a period of 30 days after written notice specifying the default and requesting that it be remedied has been given to the Municipality by DNR, the State has all remedies provided by law and, to the extent permitted by law, the Financial Assistance Agreement.

The Financial Assistance Agreement may be modified or amended upon a written agreement between the State and the Municipality.

Loans and Municipal Obligations

Upon execution of a Financial Assistance Agreement, a Municipality is required to issue and deliver to the State one or more Municipal Obligations evidencing the obligation of the Municipality to repay the loan. The Municipal Obligations will reflect the terms of the loan set forth in the Financial Assistance Agreement. Upon execution of a Financial Assistance Agreement and issuance of one or more Municipal Obligations, a Municipality will be required to deliver an opinion of counsel concerning the validity and enforceability of its obligations under the agreement.

Statutory Powers

The Act includes several provisions that may provide additional security in the event a Municipality does not make payment of principal of, or interest on, its loan. These provisions include state aid intercept, collection through county treasurers, and, if designated, a State moral obligation.

State Aid Intercept

The Act confers an "intercept power" upon DOA. If a Municipal Obligation to the State is in default, DOA, which is the paying agent for State moneys payable to Wisconsin municipalities, is required to place on file a certified statement of all amounts due under the loan. Thereafter, DOA is authorized to collect all amounts due under the loan by deducting those amounts from any State payments due the Municipality. The State has covenanted in the General Resolution to exercise this intercept power with respect to Pledged Loans to the extent State payments are available. Certain Municipalities, including town sanitary districts, public inland lake protection and rehabilitation districts, metropolitan sewerage districts, and intergovernmental cooperation commissions, do not receive any State payments. The amount of money realized by the Clean Water Fund Program from the exercise of the intercept power will depend on the amount of State payments to the Municipality. The level of State payments to Municipalities may vary in the future. Although State payments can be intercepted by the State for certain other purposes, current administrative rules require DOA to exercise the Clean Water Fund Program intercept as a first charge against State payments due to a particular Municipality. As of December 15, 2016, DOA had not exercised this intercept power.

Collection Through County Treasurers

If a Municipal Obligation to the State is in default, the Act gives DOA the authority, after placing on file the certified statement of amounts due under a loan, to add the amount due on the loan as a special charge to the amount of taxes levied upon the county in which the defaulting Municipality is located. In turn, the county treasurer is required to apportion the amount of such special charges to the underlying governmental entities, and the special charges are then collected with the annual property tax. The enforceability of this procedure for collection of special charges has not been tested in court. Accordingly, no assurance can be given as to the enforceability of this procedure. As of December 15, 2016, DOA had not taken any actions under this authorization.

Power to Designate a Loan as a State Moral Obligation

At the time a loan is made, the Commission may by resolution designate the loan as one to which the State "moral obligation" applies. If a loan is so designated, the Act provides that, if at any time the payments received or expected to be received from a Municipality on any loan are insufficient to pay when due the principal of, and interest on, such loan, DOA shall certify the amount of such insufficiency to the Secretary of Administration, the Governor, and the Joint Committee on Finance. The Joint Committee on Finance is then required to introduce a bill appropriating the amount so requested for the purpose of payment of the designated loan. Recognizing its "moral obligation" to do so, the Legislature expressed in the Act its expectation and aspiration that, if ever called upon to do so, it would make the appropriation. The "moral obligation" does not apply to the Bonds; it applies only to the loans that are specifically designated by the Commission at the time the loan is made.

In the opinion of Bond Counsel, the provisions of the Act relating to the State's "moral obligation" do not violate the constitution of the State or any other law of the State, but such provisions do not constitute a legally enforceable obligation or create a debt on behalf of the State.

No Pledged Loan has been designated as a "moral obligation" loan, and no Pledged Loan is expected to be so designated.

Loan Terms

Loan Size

The size of each loan is determined as follows:

- The principal amount of the loan will not exceed 100% of the estimated project costs, plus a contingency of up to 10% where applicable, plus any allowable amount of capitalized interest on the loan.
- A contingency amount may be allowed only if the project has not been completed.
- In general, capitalized interest is only allowed for unsewered municipalities that will not have revenues available for loan debt service until after the project is complete.

Final Maturity and Amortization

The final maturity on a loan may not exceed 20 years from the date of its origination. DOA requires principal amortization on a level-debt-service basis or, in certain cases, on a level-principal basis, with principal amortization beginning not later than 12 months after the expected date of substantial completion of the project (except in the case of a refinancing, in which case principal amortization generally begins immediately).

Debt Service Payment Dates

Principal payments are required on May 1 and interest payments on May 1 and November 1. For loans secured primarily by special assessments, an annual payment of principal and interest on May 1 may be allowed to align more closely with the date on which the Municipality's collection of the special assessments is deposited into its debt service fund.

Special Provisions

DOA requires that the Financial Assistance Agreement include certain provisions that apply if an event of default occurs. These provisions permit the State to intercept any State aids to the Municipality and to appoint a receiver to manage the Municipality's utility operations and require the Municipality, to the extent it has taxing power, to add delinquent user charges to the property tax bill of the user.

Tax Levy Rate Limit for Counties

Counties are subject to a tax levy rate limit. The tax levy of each county is limited, generally to the rate at which taxes were levied in 1992 or a higher rate approved by the voters at referendum. The tax rate limit excludes taxes levied for debt service on general obligations.

Tax Levy Limit for Cities, Villages, Towns, and Counties

Under current law and subject to certain exceptions and adjustments, no city, village, town, or county (**political subdivision**) may increase its property tax levy in any year by a percentage that exceeds its valuation factor. The valuation factor is the greater of zero percent and the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between January 1 of the previous year and the current year. However, the levy increase limit may be increased in either (but not both) of the following ways by action of the governing body:

- If a political subdivision's allowable levy in the prior year was greater than its actual levy, the levy increase limit otherwise applicable may be increased by the difference between the two amounts, up to a maximum increase of 1.5% of the actual levy in the prior year, or
- The levy increase limit may be increased by the total amount by which the valuation factor exceeded the actual percentage increase in the levy for each of the previous five years (beginning in 2014), up to a maximum increase of 5% of the actual levy in the prior year, to the extent such excess had not previously formed the basis for such an increase.

A political subdivision may also exceed the levy limit by action of its governing body that is approved by a referendum.

Exceptions apply to amounts levied to pay general obligation debt service. The levy increase limit otherwise applicable does not apply to property taxes levied to pay debt service on general obligations authorized on or after July 1, 2005. For general obligations authorized before July 1, 2005, if the amount of scheduled debt service in the preceding year is less than the amount of debt service needed in the current year, the levy increase limit otherwise applicable is increased by the difference in the two amounts. If the levy for debt service on general obligations issued before July 1, 2005 (and general obligations issued to fund or refund such general obligations) is less in the current year than it was in the previous year, the political subdivision shall reduce its levy increase limit in the current year by an amount equal to the amount that its levy was reduced; this adjustment does not apply to a political subdivision in any year in which the political subdivision does not increase its levy increase limit otherwise applicable, by action of the governing body or at referendum.

The levy increase limit otherwise applicable does not apply to the amount that a political subdivision levies to make up any revenue shortfall for the debt service on a revenue bond issued under Section 66.0621 of the Wisconsin Statutes, which authorizes revenue obligations. Other exceptions or adjustments to the levy increase limit, which are not described in this summary, apply in specified situations.

Interest Rate Subsidies for Small Loans

In addition to providing loans to directly fund project costs, the Clean Water Fund Program is authorized to subsidize the interest cost on loans made by the State Board of Commissioners of Public Lands to municipalities for construction or improvement of their wastewater facilities. This subsidy is only available on loans of $2,000,000 or less. The Clean Water Fund Program makes payments to municipalities in March of each year to reduce the municipalities' interest cost on their loans from the State Board of Commissioners of Public Lands. As of December 15, 2016, the Clean Water Fund Program had outstanding agreements with 34 municipalities to provide annual interest subsidies on 38 projects. Proceeds of the Bonds are not used for this purpose, and the subsidy payment is not paid from any funds pledged to the repayment of the Bonds.

LENDING CRITERIA

The same general loan underwriting standards are generally applied to all loans regardless of the Clean Water Fund Program loan portfolio to which they will be assigned.

DOA, in consultation with DNR, has the statutory responsibility to establish the financial terms and conditions of loans, including what type of Municipal Obligation is required. In establishing these terms and conditions, DOA may consider factors that it finds relevant, including the type of Municipal

Obligation and the Municipality's creditworthiness. DOA must be satisfied that the Municipality has the financial capacity to assure sufficient revenues to operate and maintain the project for its useful life and to pay debt service on the loan according to its terms.

The following is a summary of the current lending criteria of DOA. DOA may change its lending criteria from time to time.

DOA requires each loan to be evidenced by one of three types of Municipal Obligations:

- A revenue obligation secured by a covenant to assess user fees and a pledge of the utility's revenues,
- A revenue obligation secured by special assessments and other utility revenue and a pledge of the utility's revenues, or
- A general obligation secured by a tax levy and a pledge of the full faith and credit of the Municipality.

Some loans may be evidenced by more than one type of Municipal Obligations.

Revenue Obligations

When a local government issues a revenue obligation, the obligation is a limited obligation of the government. Only revenues that are specifically pledged are available to pay the principal of, and interest on, the revenue obligation. Sewer utility revenues typically include sewer user charges and investment earnings but may also include impact fees, hook-up fees, and payments from tax incremental districts for their beneficial share of wastewater projects. Most of the Municipalities receiving financial assistance under the Clean Water Fund Program do not have sewer utilities regulated by the State of Wisconsin Public Service Commission.

So long as the following criteria can be met, DOA will accept revenue obligations from all types of Municipalities except counties and metropolitan sewerage districts. Under the State constitution a county's issuance of revenue obligations is treated as public debt. A metropolitan sewerage district is required to provide general obligations as security for its loans.

Coverage Ratio

For a revenue obligation, DOA will require the Municipality to covenant to generate each year "net revenues" (that is, utility revenues after deducting operating and maintenance expenses but not deducting depreciation, debt service, tax equivalents, or capital expenditures) equal to at least 110% of the annual principal of and interest on the loan and other revenue obligations payable from the revenues of the utility (**110% Coverage**). The net revenues from the existing utility revenues or projected net revenues from a newly imposed user fee rate structure may establish the "net revenues". If the Municipality does not have outstanding any other obligations with a lien on pledged revenues, DOA will require the Municipality to covenant to generate "net revenues" sufficient to provide 110% Coverage. In the event the Municipality has other obligations outstanding with a lien on pledged revenues, DOA will require that the Municipality covenant to generate "net revenues" at least equal to the highest level of debt service coverage (but not less than 110% Coverage) then required under the Municipality's outstanding revenue obligations. In the event an outstanding obligation requires a debt service reserve fund for a parity obligation or requires payment dates that do not match the loan payment dates, or requires other conditions which prevent the loan from being a parity obligation, DOA will accept a subordinate obligation but will normally require any additional revenue obligations (whether senior, subordinate, or on a parity) to meet a coverage test equal to the highest ratio then in effect on any other obligations (including the loan). During construction periods when the annual principal and semiannual interest payments are based on cumulative amounts drawn under the Financial Assistance Agreement, user fees may be assessed such that the level of coverage available is estimated based on debt service projections.

In the event a Municipality were to breach any of the covenants described above, it would be subject to a suit for mandamus to compel performance of such covenants. However, enforcement of the covenants through a suit for mandamus would likely be subject to the delays and costs inherent in litigation.

Collection of Delinquent Sewer User Charges

The Clean Water Fund Program loan documents require that the Municipality take all actions permitted by law to certify any delinquent user fees to the County Treasurer so that such unpaid user fees will be added as a special charge to the property tax bill of the user.

Senior Revenue Bonds

In most instances the Clean Water Fund Program loan documents limit a Municipality's ability to issue additional bonds payable out of the revenues of the wastewater system that have payment priority over the bonds sold to the Clean Water Fund Program. In some situations this provision has been modified by the Clean Water Fund Program to allow additional senior bonds if the Municipality can demonstrate to the satisfaction of DOA that, following the issuance of the additional senior bonds, the rating of the Municipal Revenue Obligation evidencing the Clean Water Fund Program loan will be no lower than AA or Aa2 or equivalent.

Service Contract

DOA will also require the Municipality to agree to pay for the value of sewerage services provided to it and to stipulate that the value equals any unpaid debt service on the loan or debt coverage shortfall. Although such provisions are often used in revenue obligations from Wisconsin local governments, their enforceability has not been tested in court. Accordingly, no assurance can be given as to the enforceability of such a service contract. Moreover, the Wisconsin Statutes or local law may limit the value of the sewerage service, and unless the Municipality has already appropriated money for such payment, it would be necessary for the Municipality to levy and collect a tax, which could result in some delay in payment.

No Debt Service Reserve Fund or Mortgage

Although Wisconsin municipalities issuing revenue obligations typically establish a debt service reserve fund and sometimes pledge a mortgage to secure the revenue obligations, the current policy of DOA does not permit a debt service reserve fund to be established with respect to Municipal Obligations, and DOA will not require a mortgage on the property the Municipality uses to operate its wastewater facilities.

Special Assessment-Secured Revenue Obligations

Special assessments may be levied by a Municipality to pay the costs of a public improvement. Payments to the Municipality of such special assessments may be used to repay a revenue obligation. The special assessments are paid in annual installments as established by the Municipality. Because special assessments under State law may not exceed the cost of the project, the regularly scheduled special assessment revenue alone will typically not meet the 110% Coverage test. In the event the Municipality receives prepayments of its special assessment installments, or the term of the Clean Water Fund Program loan exceeds the term of the special assessments, or the interest rate on the special assessment exceeds the interest rate on the Clean Water Fund Program loan, the Municipality may have more special assessment revenue in a year than required for debt service on its Clean Water Fund Program loan. In general, excess special assessment revenue collected by the Municipality will be applied to reduce debt incurred for the public improvement project. If special assessments are levied to secure revenue obligations, payments on the special assessments are deposited in the funds and accounts of the revenue-generating enterprise.

Collection of Delinquent Special Assessments

A special assessment constitutes a lien on the property against which it is levied on behalf of the local government that levies it. Delinquent special assessment payments are entered on the tax roll as a delinquent tax on the property against which they are levied and are subject to the same proceedings for collection, return, and sale of property that apply to delinquent real estate taxes.

General Obligations

When a Municipality issues a general obligation, its full faith and credit are pledged to secure payment when due of the principal of, and interest on, the obligation. State law requires the Municipality to levy taxes that will be collected in amounts and at times sufficient to make these payments (or to appropriate available funds for payments that are required to be made before taxes can be levied and collected). If the Municipality fails to make a payment when due, the owner of a general obligation can bring a suit for mandamus to require the tax levy to be collected and applied to debt service. A suit for mandamus would likely be subject to the delays and costs inherent in litigation.

With respect to general obligations:

- The amount of the general obligation may not exceed the constitutional or statutory limits. For an American Indian tribe or band, the amount of the general obligation may not exceed the amount that would be permitted if the constitutional and statutory limits were to apply to the tribe or band.
- As required by law, the Municipality must levy taxes sufficient to pay when due the principal of, and interest on, the loan.

Intergovernmental Cooperation Commissions

The Clean Water Fund Program does not make loans to intergovernmental cooperation commissions. Instead, DOA will analyze each member's credit, and separate loans will be made to its members in proportion to their participation in the project.

SUMMARY OF CERTAIN PROVISIONS OF GENERAL RESOLUTION

Through the General Resolution, the State pledges revenues that secure the Bonds, establishes the funds and accounts, specifies the conditions under which Bonds may be issued, and makes covenants and other provisions for the benefit of Bondowners. The terms and provisions of the General Resolution are summarized below. Certain capitalized terms are defined in either the General Resolution or the "GLOSSARY". As indicated earlier in this Part VI of the 2016 Annual Report, the term "Pledged Loans" is being used in this Part VI of the 2016 Annual Report to refer to the same loans that are called "Leveraged Loans" and "Loans" in the General Resolution. A copy of the General Resolution may be obtained by contacting the State at the address provided on the first page of this Part VI of the 2016 Annual Report.

In addition, as indicated earlier in this Part VI of the 2016 Annual Report, in 2015, the State established a separate program for the issuance of environmental improvement fund revenue bonds to provide financing for the Clean Water Fund Program. A description of those environmental improvement fund revenue bonds, and a summary of the program resolution for environmental improvement fund revenue obligations, is included in Part VII of the 2016 Annual Report.

Resolution to Constitute a Contract

The provisions of the General Resolution are deemed to be a contract among the State, the Trustee, and the owners from time to time of the Bonds. The provisions, covenants, and agreements set forth in the General Resolution (except for those relating to funds pledged to defease any specific Bonds) to be performed by, or on behalf of, the State are for the equal benefit, protection, and security of the owners of the Bonds, all of which are of equal rank without preference, priority, or distinction of any of the Bonds over any other Bonds except as expressly provided in the General Resolution.

Pledge

Under the General Resolution, the State pledges to the Trustee, for the benefit of all current and future Bondowners and any owner of a Parity Reimbursement Obligation, the Pledged Receipts, all funds and accounts established in connection with the issuance of the Bonds (except the Rebate Fund and the State Equity Fund), the investments of the funds and accounts and the proceeds of such investments for the payment of the principal and redemption price of, and interest on, the Bonds and the payment of any Parity Reimbursement Obligation, subject only to the provisions of the General Resolution permitting or further limiting the application thereof. Subject to the provisions of the General Resolution providing for defeasance of Bonds, the pledge is valid and binding, and the lien of such pledge is valid and binding, as against all parties having claims of any kind in tort, contract, or otherwise against the State, irrespective of whether such parties have notice of the lien.

Establishment of Funds and Accounts

The following funds (and within certain of the funds, the following accounts) are established and required to be maintained pursuant to the provisions of the General Resolution:

(1) Loan Fund

(2) Revenue Fund

(3) Debt Service Fund

  (a) Interest Account

  (b) Principal Account

  (c) Redemption Account

  (d) Capitalized Interest Account

(4) Loan Credit Reserve Fund

  (a) SRF Account

  (b) Non-SRF Account

(5) Subsidy Fund

(6) Administrative Fund

  (a) Costs of Issuance Account

  (b) Expense Account

(7) State Equity Fund

(8) Rebate Fund

Each of the funds and accounts, or assets for each of the funds and accounts, are deposited with, and held by, a Depository and maintained by the Trustee pursuant to the provisions of the General Resolution, except for the State Equity Fund, which is held and maintained by the State.

Loan Fund

Each Series Resolution authorizing a Series of Bonds will specify the amount of the proceeds of the Bonds of the Series and any other State moneys that are required to be deposited in the Loan Fund. Amounts in the Loan Fund shall be applied by the State from time to time as follows:

(1) For financing Pledged Loans to Municipalities under the Clean Water Fund Program, including transfers of Pledged Loan capitalized interest to the Revenue Fund;

(2) As directed in a certificate of an Authorized Officer, for deposit into the Revenue Fund; and

(3) To the extent that other moneys are not available, for deposit into the Debt Service Fund.

Moneys may be withdrawn from the Loan Fund for financing a Pledged Loan upon a requisition of an Authorized Officer certifying: (1) that the aggregate amount of the requisition is equal to the sum of amounts disbursable to Municipalities pursuant to properly submitted and approved requisitions of such Municipalities; (2) that the amount requisitioned for each Municipality does not exceed the amount available to be disbursed pursuant to that Municipality’s Financial Assistance Agreement and Municipal Obligation; (3) the identity of the Municipalities receiving disbursements from the requisition, the amount of the requisition allocable to each such Municipality, and the designation of the Municipal Obligations evidencing the applicable Pledged Loan; (4) that there is on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement; and (5) that the Contribution Amount has been transferred (or deemed transferred) to the Loan Credit Reserve Fund.

Prior to the initial transfer of amounts to a Municipality with respect to a Pledged Loan, the State shall deliver to the Trustee: (1) a copy of the original executed Financial Assistance Agreement evidencing the Pledged Loan to be so made and (2) a copy of the Municipal Obligation evidencing or securing such Pledged Loan in an aggregate principal amount equal to the maximum permissible Pledged Loan amount.

In addition, money and earnings in the Loan Fund may be transferred to the Revenue Fund, *provided* that the amount in the Subsidy Fund is at least equal to the Subsidy Fund Requirement.

Revenue Fund

The Trustee shall promptly deposit the following into the Revenue Fund:

(1) Transfers of capitalized interest on a Pledged Loan from the Loan Fund (which shall be deemed to be Pledged Loan disbursements), as directed in a certificate of an Authorized Officer;

(2) Other transfers of moneys from the Loan Fund;

(3) All Pledged Loan Repayments (excluding prepayments of Pledged Loans, which shall be deposited in the Redemption Account of the Debt Service Fund) received by the Trustee; and

(4) On the business day preceding an interest payment date, interest earned on Investment Obligations in the Loan Credit Reserve Fund (less amounts required to be transferred to the Rebate Fund).

The Revenue Fund shall be applied as follows:

(1) First, to the Interest Account of the Debt Service Fund for the payment of interest due or to become due on the next succeeding interest payment date;

(2) Second, to the Principal Account of the Debt Service Fund for the payment of principal and sinking fund installments, if any, on the next succeeding interest payment date; and

(3) Third, to the Rebate Fund so that the balance in the Rebate Fund shall equal the amount required to be deposited therein.

Debt Service Fund

The Trustee shall promptly deposit the following receipts in the Debt Service Fund:

(1) Any accrued interest received as proceeds of a Series of Bonds as set forth in the applicable Series Resolution, which shall be deposited in the Interest Account;

(2) All amounts required to be transferred from the Revenue Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(3) The Subsidy Fund Transfer Amount transferred from the Subsidy Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(4) All amounts required to be transferred from the Loan Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(5) Any amounts directed by the State to be transferred from the Administrative Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on

the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(6) Any amounts received by the Trustee for the purpose of redeeming Bonds, which shall be deposited in the Redemption Account; and

(7) Any portion of Bond proceeds designated by a Series Resolution as capitalized interest on the Bonds, which shall be deposited into the Capitalized Interest Account.

The Trustee shall transfer from the Capitalized Interest Account to the Interest Account on the business day preceding each interest payment date the amount required for the payment of capitalized interest on such Bonds due on such interest payment date.

The Trustee shall pay out of the Interest Account of the Debt Service Fund (1) on each interest payment date, the amount required for the payment of interest on Bonds due on such interest payment date and (2) on any redemption date, the amount required for the payment of accrued interest on Bonds redeemed, unless the payment of such accrued interest shall be otherwise provided for.

The Trustee shall pay out of the Principal Account on each principal payment date or sinking fund redemption date, as applicable (as set forth in a Series Resolution), the amounts required for the payment of such principal on such date or such sinking fund redemption price on such date, as applicable.

The amount accumulated in the Principal Account for each sinking fund redemption may, and if so directed by the State shall, be applied (together with amounts accumulated in the Interest Account of the Debt Service Fund with respect to interest on the Bonds subject to sinking fund redemption) by the Trustee prior to the 45^{th} day preceding the sinking fund redemption date, or such shorter period as shall be acceptable to the Trustee, to:

(1) the purchase of Bonds of the Series and maturity of such Bonds subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the redemption price payable for such Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase, or

(2) the redemption of such Bonds if then redeemable by their terms, at the redemption price referred to in paragraph (1) above.

Upon any such purchase or redemption of Bonds of any Series and maturity, for which sinking fund installments shall have been established, an amount equal to the applicable redemption prices thereof shall be credited toward any one or more of such sinking fund installments, as directed by the State in an Authorized Officer's certificate, or failing such direction toward such sinking fund installments in inverse order of their due dates. The portion of any such sinking fund installment remaining after the deduction of any such amounts credited toward such installment (or the original amount of any such sinking fund installment if no such amounts shall have been so credited) shall constitute the unsatisfied balance of such sinking fund installment for the purpose of the calculation of principal installments due on a future date.

If, after all transfers provided for above have been made, the moneys in the Debt Service Fund are insufficient to pay the interest, principal, and sinking fund installments due on Bonds on any interest payment date, the Trustee shall apply amounts from the following funds to the extent necessary to cure the deficiency in the order of priority as provided below:

(1) First, from the Loan Credit Reserve Fund;

(2) Second, from the Subsidy Fund;

(3) Third, from the Loan Fund, which transfers shall not be deemed to be a Pledged Loan disbursement subject to the requirements applicable to Pledged Loan disbursements; and

(4) Fourth, from any other fund or account (except the Rebate Fund and the State Equity Fund).

As soon as practicable after the 45th day preceding the date of any sinking fund redemption, the Trustee shall proceed to call for redemption on such redemption date Bonds of the Series and maturity for which such sinking fund redemption was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such sinking fund redemption. The Trustee shall pay out of the Redemption Account of the Debt Service Fund to the Paying Agents on each redemption date (as set forth in a Series Resolution) for any such Bonds for which there have not been made sinking fund installments, the amounts required for the payment of such redemption price on the redemption date and such amounts shall be applied by the Paying Agents to such payments.

Loan Credit Reserve Fund

If at any time the moneys in the Debt Service Fund are insufficient to pay the interest, principal, and sinking fund installments due on Bonds, the Trustee shall apply amounts from the Loan Credit Reserve Fund to the extent necessary to cure the deficiency. The State may designate the amounts from the SRF Account and Non-SRF Account, respectively, to be applied by the Trustee for such payment.

Whenever moneys and securities in the Loan Credit Reserve Fund (excluding earnings required to be transferred to the Revenue Fund) shall exceed the Loan Credit Reserve Fund Requirement, the Trustee may, at the direction of an Authorized Officer, transfer all, or any portion of, such surplus from the SRF Account to any account within the Clean Water Fund Program or from the Non-SRF Account to the State Equity Fund. However, if any Municipality is in default with respect to Pledged Loan Repayments, no such transfer shall be made to the extent it would cause the balance in the Loan Credit Reserve Fund to be less than the sum of the Loan Credit Reserve Fund Requirement plus the amount of Pledged Loan Repayments then in default and not otherwise provided for. After a defaulting Municipality has cured its default and has fully resumed its payment obligations under the Financial Assistance Agreement, such surplus amounts may be withdrawn from the Loan Credit Reserve Fund.

See "GLOSSARY" for a definition of the Loan Credit Reserve Fund Requirement.

Subsidy Fund

Whenever the money in the Debt Service Fund and money available in the Loan Credit Reserve Fund are insufficient to pay the interest, principal, and sinking fund installments due on Bonds, the Trustee shall transfer amounts from the Subsidy Fund to the Debt Service Fund to the extent necessary to cure the deficiency.

The Trustee shall transfer any amount in the Subsidy Fund in excess of the Subsidy Fund Requirement upon the direction of an Authorized Officer:

(1) First, to the Loan Credit Reserve Fund to replenish the Loan Credit Reserve Fund to the then-current Loan Credit Reserve Fund Requirement; and

(2) Second, to the State Equity Fund or for any Program purpose.

See "GLOSSARY" for definitions of the Subsidy Fund Requirement and the Subsidy Fund Transfer Amount.

Notes

Whenever the Commission shall authorize the issuance of a Series of Bonds, the Commission is authorized to issue Notes (including renewals thereof) in anticipation of such Series. The principal of, and interest on, such Notes and renewals thereof shall be payable solely from the proceeds of such Notes or from the proceeds of the sale of the Series of Bonds in anticipation of which such Notes were issued. The proceeds of such Bonds may be pledged for the payment of the principal of, and interest on, such Notes, and any such pledge shall have a priority over any other pledge of such proceeds created by the General Resolution. Notes shall not be secured by any fund or account established under the General Resolution.

Issuance of Additional Bonds Other Than Refunding Bonds

The State may issue additional Series of Bonds from time to time on a parity with all other Bonds issued pursuant to the General Resolution and secured by an equal charge and lien on the Pledged Receipts and any other security pledged under the General Resolution.

No additional Series of Bonds shall be issued unless:

(1) The principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(2) All other requirements applicable to the issuance of Bonds are met, including the requirement that there be in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and there be in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement; and

(3) Evidence satisfactory to the Trustee that any credit rating assigned to the proposed Series of Bonds is no lower than the lowest credit rating then assigned by the applicable Rating Agency to any Outstanding Bonds of similar tenor, and no notice has been received from any Rating Agency that the issuance of the proposed Series of Bonds will cause such Rating Agency to lower, suspend, remove, or otherwise modify adversely the credit ratings then assigned by it to any Outstanding Bonds.

Refunding Bonds

The General Resolution authorizes the Commission to issue one or more Series of Refunding Bonds to refund all, or any part of, one or more Series of outstanding Bonds. Refunding Bonds may be issued only upon receipt by the Trustee (in addition to the other requirements applicable to the issuance of Bonds) of:

(1) Irrevocable instructions to the Trustee to give notice of redemption to the owners of the Bonds being refunded; and

(2) Either Investment Obligations described below under "Defeasance" in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, or such amount of moneys, as shall be necessary to comply with the defeasance provisions of the General Resolution.

Payment of Bonds

The State covenants that it shall duly and punctually pay or cause to be paid the principal or redemption price of, and interest on, the Bonds, but only from the Pledged Receipts and other revenues or receipts, funds, or moneys pledged therefor as provided in the Act and the General Resolution, at the dates and places and in the manner provided in the Bonds according to the true intent and meaning thereof, and shall duly and punctually satisfy all sinking fund installments becoming payable with respect to any Series of Bonds.

Power to Issue Bonds and Make Pledges

The State represents that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the Pledged Receipts and other revenues, receipts, funds, or moneys purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution. The State represents that the Pledged Receipts and other revenues, receipts, funds, and moneys so pledged are, and will be, free and clear of any pledge, lien, charge, or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the General Resolution, and that all action on the part of the State to that end has been duly and validly taken. The State further represents that the Bonds and the provisions of the General Resolution are, and will be, the valid and legally enforceable obligations of the State in accordance with their terms and the terms of the General Resolution. The State covenants that it shall at all times, to the extent permitted by law, defend, preserve, and protect the pledge of the Pledged Receipts and revenues, receipts, funds, and moneys pledged under the General Resolution and all the rights of the Bondowners under the General Resolution against all claims and demands of all persons whomsoever.

Agreement of the State

The State pledges and agrees with the Bondowners that the State will not limit or alter the terms of any agreements made with Bondowners or in any way impair the rights and remedies of the Bondowners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondowners, are fully met and discharged.

Federal Tax Covenant

The State covenants that it shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excluded from the gross income of the recipients thereof.

The State shall not permit at any time any of the proceeds of the Bonds or other funds of the State to be used, directly or indirectly, to acquire any asset or obligation the acquisition of which would cause any Note or Bond to be an "arbitrage bond" for the purposes of Section 148 of the Internal Revenue Code of 1986, as amended.

Notwithstanding the foregoing, the State reserves the right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the federal tax covenants contained in the General Resolution shall not apply to such Bonds.

Accounts and Reports

The State shall keep, or cause to be kept, proper books of record and account in which complete and correct entries shall be made of its transactions relating to all Pledged Loan Repayments, Municipal Obligations, the Fees and Charges, if any, and all funds and accounts established by the General Resolution.

The State shall annually, on or before January 1 in each year, file with the Trustee and with the Rating Agencies a copy of the audited financial statements for the preceding Fiscal Year with respect to the Leveraged Portfolio, accompanied by an Accountant's Certificate, setting forth in complete and reasonable detail: (1) its receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the State for its operating and capital outlay purposes; (2) its assets and liabilities at the end of such Fiscal Year, including a schedule of its Pledged Loan Repayments, Municipal Obligations, and Fees and Charges, a list of Municipalities in default, and the status of the funds and accounts established by the General Resolution; and (3) a schedule of its Bonds and Notes outstanding and other obligations outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed, and issued during such Fiscal Year.

A copy of the independent auditor's reports and financial statements for the Environmental Improvement Fund and the Leveraged Loan Portfolio for the years ended June 30, 2016 and 2015 is set forth in APPENDIX A to this Part VI of the 2016 Annual Report.

Clean Water Revenue Bond Program

To provide sufficient moneys with which to pay the principal and interest and sinking fund installments when due and payable on its Bonds, the State covenants that it shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and the Water Quality Act as then amended and as interpreted in regulations adopted by EPA and DNR and in effect and with the provisions of the General Resolution, use and apply the proceeds of the Bonds to finance Pledged Loans pursuant to the Act as so amended and the General Resolution, to earn sufficient interest on its funds and accounts established within the General Resolution to generate income which when combined with moneys received with respect to the Municipal Obligations shall at least equal the principal and interest and sinking fund installments on the Bonds. The State further covenants that it shall do all such acts and things necessary to receive and collect the Pledged Loan Repayments and the interest on all funds and accounts established within the General Resolution and shall diligently enforce, and take all steps, actions, and proceedings for the enforcement of, all terms, covenants, and conditions of the Pledged Loans. However, the State has the authority to modify those terms and conditions, subject to the limitations in the General Resolution.

Events of Default

Each of the following events constitutes an "Event of Default":

(1) The State shall default in the payment of the principal or redemption price of any Bond when and as the same shall become due whether at maturity or upon call for redemption; or

(2) The State shall default in the payment of any installment of interest on any Bonds; or

(3) The State shall fail or refuse to comply with the provisions of the Act or shall default in the performance or observance of any other of the covenants, agreements, or conditions contained in the General Resolution, any Series Resolution, any Supplemental Resolution, or the Bonds, and such failure, refusal, or default shall continue for a period of 45 days after written notice thereof is given to the State by the Trustee or the owners of not less than 25% in principal amount of Bonds outstanding.

Remedies

Upon the occurrence and continuance of any Event of Default specified in clauses (1) or (2) immediately above, the Trustee shall proceed, or upon the occurrence and continuance of any Event of Default specified in clause (3) immediately above, the Trustee may proceed, and upon the written request of the owners of not less than 25% in principal amount of the outstanding Bonds shall proceed, to protect and enforce its rights and the rights of the Bondowners by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) By mandamus or other suit, action, or proceeding at law or in equity, enforce all rights of the Bondowners, including the right to require the State to collect Pledged Loan Repayments adequate to carry out the covenants and agreements as to, and the pledge of, such Pledged Loan Repayments, and other properties and to require the State to carry out any other covenant or agreement with Bondowners and to perform its duties under the Act;

(2) Bring suit upon the Bonds;

(3) By action or suit in equity, require the State to account as if it were the trustee of an express trust for the owners of the Bonds; or

(4) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds.

In the enforcement of any remedy under the General Resolution, the Trustee shall be entitled to sue for, enforce payment on, and receive, any and all amounts due from the State for principal, redemption price, interest, or otherwise under any provision of the General Resolution or a Series Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the General Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and to recover and enforce a judgment or decree against the State for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Program Expenses

The State covenants to pay all program expenses when due and payable, but only from the sources provided in the General Resolution.

The State covenants to pay to the Fiduciaries from time to time reasonable compensation for all services rendered under the General Resolution, and also all reasonable expenses, charges, counsel fees, and other disbursements, including those of their attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the General Resolution. The State further agrees to indemnify and save each Fiduciary harmless against any liabilities that it may incur in the exercise and performance of its powers and duties under the General Resolution, and which are not due to its willful misconduct, negligence, or bad faith.

Defeasance

If the State shall pay or cause to be paid to the owners of all Bonds then outstanding, the principal or redemption price and interest to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then, at the option of the State, the covenants, agreements, and other obligations of the State to the Bondowners shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the State, execute and deliver to the State all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the State all money, securities, and funds held by them pursuant to the General Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment at maturity or redemption of which moneys or securities shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the State of funds for such payment or redemption or otherwise) shall be deemed to have been paid within the meaning and with effect expressed in the immediately preceding paragraph. All outstanding Bonds of any Series shall be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph if all the following conditions apply:

(1) In case any of such Bonds are to be redeemed on any date prior to their maturity, the State shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give notice of redemption of such Bonds as provided in the General Resolution.

(2) There shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Obligations, the principal of, and the interest on, which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or redemption price of, and interest on, such Bonds on, and prior to, the redemption date or maturity date thereof, as the case may be.

(3) In the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the State shall have given the Trustee irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in Authorized Newspapers a notice to the owners of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price on said Bonds. Neither Investment Obligations nor moneys deposited with the Trustee nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than the payment of the principal or redemption price, if applicable, and interest on said Bonds. Any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal or redemption price and interest due and to become due on such Bonds on, and prior to, such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the State, as received by the Trustee, free and clear of any trust, lien, or pledge.

For the purposes of the defeasance provisions of the General Resolution, Investment Obligations shall mean and include direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or so long as such investments will not adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency, any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this paragraph.

Any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the State, be repaid by the Fiduciary to the State, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the State for the payment of such Bonds; *provided,* however, that before being required to make any such payment to the State, the Fiduciary shall, at the expense of the State, cause to be published at least once in Authorized Newspapers a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the State.

Right to Adopt Another General Resolution

The State expressly reserves the right to adopt one or more other general resolutions and reserves the right to issue bonds and notes and any other obligations so long as the same are not a charge or lien on the Pledged Receipts or payable from any fund or account (except for the State Equity Fund or the Rebate Fund) established under the General Resolution. As discussed above, the State has exercised that right through the establishment of a separate program resolution for environmental improvement fund revenue bonds.

GLOSSARY

The following definitions apply to capitalized terms used in this Part VI of the 2016 Annual Report:

Accreted Value means, with respect to any Capital Appreciation Bond, the initial principal amount at which such Capital Appreciation Bond is sold to the initial purchaser by the State without reduction to reflect underwriter’s discount, compounded from the date of delivery of such Bonds semiannually on each interest payment date prior to the date of calculation (and including such date of calculation if such date of calculation is an interest payment date) at the original issue yield to maturity less, with respect to Bonds with interest payable on a current basis, interest paid and payable during such period plus, if such date of calculation is not an interest payment date, a portion of the difference between the Accreted Value as of the immediately preceding interest payment date and the Accreted Value as of the immediately succeeding interest payment date calculated based upon an assumption that Accreted Value accrues during any semiannual period in equal daily amounts (based on a 360-day year of twelve 30-day months); *provided*, however, that the calculation of Accreted Value for purposes of determining whether Bondowners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent, or waiver under the General Resolution shall be based upon the Accreted Value calculated as of the interest payment date immediately preceding such date of calculation (unless such date of calculation is an interest payment date, in which case it shall be calculated as of the date of calculation).

Act means Sections 281.58 and 281.59 of the Wisconsin Statutes, as amended.

Administrative Fund means the fund of that name established by the General Resolution.

Aggregate Debt Service for any period means, with respect to the Bonds, as of any date of calculation, the sum of the amounts of Debt Service for such period.

Authorized Officer means the Capital Finance Director of the State and any other person designated in writing to the Trustee by the Capital Finance Director or by the Commission as an Authorized Officer.

Bond or **Bonds** means any bond or bonds, as the case may be, authenticated and delivered under the General Resolution pursuant to a Series Resolution.

Bondowners or **Owner of Bonds** or **Owner** (when used with reference to Bonds) or any term of similar import means the person or party in whose name the Bond is registered.

Business Day means any day other than a Saturday or Sunday or other day on which commercial banks in the city in which the principal office of the Trustee is located are not open for business, except as may be provided in a Series or Supplemental Resolution.

Capital Appreciation Bonds means Bonds that provide for the addition of all, or any part of, accrued and unpaid interest thereon to the principal due thereon upon such terms and for such periods of time as may be determined by the applicable Series Resolution.

Capitalized Interest Account means the account of that name established within the Debt Service Fund by the General Resolution.

Clean Water Fund Program means the program established pursuant to the Act and operated and administered as part of the Environmental Improvement Fund.

Code means the Internal Revenue Code of 1986, as amended from time to time, and all regulations promulgated thereunder to the extent applicable to any Bonds, loans, or Municipal Obligations, as the case may be.

Commission means the State of Wisconsin Building Commission or any successor body having the power under the Subchapter II of Chapter 18 of the Wisconsin Statutes, as amended, to authorize and direct the issuance of Bonds.

Contribution Amount has the meaning set forth in the definition of "Loan Credit Reserve Fund Requirement."

Costs of Issuance means, except as limited in any Series Resolution, any items of expense directly or indirectly payable by, or reimbursable to, the State and related to the authorization, sale, and issuance of Bonds or Notes and the investment of the proceeds thereof, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of Fiduciaries, legal fees and charges, professional consultants' fees, costs of credit ratings, premiums for insurance of the payment of Bonds or Notes, or any fees and expenses payable in connection with any entity insuring the State, the Trustee, or the owners of the Bonds or Notes against loss on loans or Municipal Obligations, fees and charges for execution, transportation, and safekeeping of Bonds or Notes, costs and expenses of refunding of Bonds or Notes, fees and expenses payable in connection with any Credit Facility, remarketing agreements, tender agent agreements or interest rate indexing agreements, and other costs, charges, and fees in connection with the original issuance of Bonds or Notes.

Costs of Issuance Account means the account of that name established within the Administrative Fund by the General Resolution.

Credit Facility means a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy, guaranty, or similar obligation, arrangement, or instrument issued by a bank, insurance company, or other financial institution or the federal government or an agency thereof which (1) provides for payment of all, or a portion of, the principal of, Redemption Price of, or interest on any Series of Bonds, (2) provides funds for the purchase of such Bonds or portions thereof, (3) provides deposits for a fund or account under the General Resolution, or (4) provides for, or further secures, payment of loans or Municipal Obligations, *provided* that with respect to (3) above, the issuer of such Credit Facility must be rated, or the effect of such Credit Facility must be to cause bonds insured or secured thereby to be rated, by each Rating Agency in a rating category no lower than the then current rating on the Bonds (without such Credit Facility).

Debt Service for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (1) interest payable during such period on Bonds of such Series, (2) that portion of the Principal Installments for such Series which are payable during such period, and (3) any "Reimbursement Obligation" or "Parity Reimbursement Obligation" as defined in the General Resolution. Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

Debt Service Fund means the fund of that name established by the General Resolution.

Depository means any bank, trust company, or national banking association, which may be the Trustee, selected by the Commission and approved by the Trustee as a depository of moneys and securities held under the provisions of the General Resolution and its successor or successors.

Direct Loans means loans made primarily from the proceeds of federal capitalization grants, the State Match, environmental improvement fund revenue bonds, or repayments of Direct Loans, and excludes any Pledged Loan or Proprietary Loan. This type of loan is not funded with Bond proceeds.

DNR means the State of Wisconsin Department of Natural Resources.

DOA means the State of Wisconsin Department of Administration.

DTC means The Depository Trust Company, New York, New York.

Environmental Improvement Fund means the nonlapsible trust fund of that name created by Section 25.43 of the Wisconsin Statutes.

EPA means the United States Environmental Protection Agency.

Expense Account means the account of that name established within the Administrative Fund established by the General Resolution.

Fees and Charges means all fees and charges, if any, charged by the State to Municipalities pursuant to the terms and provisions of Clean Water Fund Program loans or Municipal Obligations but does not include principal of, and interest on, such Municipal Obligations.

Fiduciary or **Fiduciaries** means the Trustee, any Paying Agent, any Depository, or any or all of them, as may be appropriate.

Financial Assistance Agreement means any agreement entered into between DNR, DOA, and a Municipality for financial assistance.

Fiscal Year means any 12 consecutive calendar months commencing with the 2nd day of June and ending on the 1st day of the following June.

General Resolution means the Clean Water Revenue Bond General Resolution adopted by the Building Commission on March 7, 1991, as amended by resolutions adopted by the Commission on July 30, 2003 and June 28, 2006, as the same may be further amended and supplemented from time to time.

Information Services means an institution or other service providing information with respect to called bonds, which shall include, but not be limited to, those identified in the General Resolution and others designated by an Authorized Officer.

Interest Account means the account of that name established within the Debt Service Fund by the General Resolution.

Investment Obligation means any of the following that at the time are legal investments for moneys of the State:

(1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United

States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or so long as at the time of their purchase such investments will not adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency, any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (1);

(2) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (1) above which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of, and interest on, the bonds and obligations of the character described in clause (1) above which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of, and redemption premium, if any, on, the bonds or other obligations described in this clause (2) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (2), as appropriate, and (d) which at the time of their purchase under the General Resolution bear the highest rating available from each Rating Agency;

(3) bonds, debentures, participation certificates (representing a timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Federal Financing Bank, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association (excluding “stripped” securities), Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association, or Tennessee Valley Authority;

(4) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary notes, or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; *provided*, however, that any investment purchased pursuant to this clause (4) shall be rated at the time of its purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(5) obligations of any state of the United States of America or of any political subdivision or public agency or instrumentality thereof, including the State, *provided* that at the time of their purchase under the General Resolution such obligations are rated by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(6) direct obligations of the State or obligations guaranteed by the State that have the same rating as direct obligations of the State;

(7) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having at the time of their purchase under the General Resolution the highest rating available from each Rating Agency;

(8) interest-bearing time deposits, certificates of deposit, or other similar banking arrangements with banks (which may include any Fiduciary), *provided* such deposits are made with banks rated by each Rating Agency at the time the deposit is made no lower than the rating assigned to the Bonds by such Rating Agency;

(9) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which are rated at the time of their purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(10) repurchase agreements for obligations of the type specified in clauses (1) and (3) above, *provided* either (a) the repurchase agreement is an unconditional obligation of the counterparty and such counterparty is rated at the time of its purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency or (b) the repurchase agreement is an obligation of a counterparty that is rated at the time of its purchase by each Rating Agency in an investment grade category and is collateralized by obligations which are marked to market daily and have a value equal to not less than the percentage of the amount thereby secured specified by each Rating Agency, taking into account the maturity of such obligations;

(11) any investment obligation or deposit the investment in which will not, at the time such investment is made, adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency;

(12) any investment agreement with a bank, bank holding company, insurance company, or other financial institution rated at the time such investment is made by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency or guaranteed by an entity rated by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency; and

(13) the Local Government Pooled–Investment Fund of the State established under Chapter 25 of the Wisconsin Statutes.

Loan Credit Reserve Fund means the fund of that name established by the General Resolution.

Loan Credit Reserve Fund Requirement means and is calculated as follows:

(1) DOA has delivered to the Trustee, with respect to each Rating Agency, a schedule of credit quality categories and loan credit reserve fund requirements (each a **Loan Credit Reserve Fund Schedule** or **Schedule**) approved by such Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Loan disbursement. A Schedule may be amended from time to time upon the presentation to the Trustee of a certificate of an Authorized Officer, supported by a certificate from the Rating Agency to which such Schedule applies, confirming that such amendment to the Schedule will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency.

(2) The amount required in the Schedules for each Loan disbursement from the Loan Fund is the "**Contribution Amount**".

(3) The Loan Credit Reserve Fund Requirement shall be, as of any date of calculation, the total Contribution Amount derived from each Schedule (and if the Schedules provide for different total Contribution Amounts, then the highest total Contribution Amount) that would be required were all disbursements from the Loan Fund outstanding to be disbursed on that date, based on the then-current Schedules.

Loan Fund means the fund of that name established by the General Resolution.

Municipal Obligations means the bonds, notes, or other evidences of debt issued by any Municipality and authorized by law and acquired by the State as evidence of indebtedness of a Pledged Loan, Direct Loan, or Proprietary Loan to the Municipality pursuant to the Act. Municipal Obligations may constitute any of a combination of the following: a revenue obligation secured by a covenant to assess user fees and a pledge of the utility's revenues, a revenue obligation secured by special assessments and other utility revenue and a pledge of the utility's revenues, or a general obligation secured by a tax levy and a pledge of the full faith and credit of the Municipality.

Municipality means a political subdivision of the State constituting a "municipality" within the meaning of the Act, duly organized and existing under the laws of the State and any successor entity or a federally recognized American Indian tribe or band in the State.

Non-SRF Account means account of that name established by the General Resolution within the Loan Credit Reserve Fund.

Notes mean any bond anticipation notes issued by the State pursuant to the Act.

Outstanding, when used with reference to Bonds, other than Bonds owned or held by or for the account of the State, means, as of any date, Bonds theretofore or then being delivered under the provisions of the General Resolution, except: (1) any Bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (2) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), *provided* that if such Bonds are to be redeemed, irrevocable notice of such redemption shall have been given as provided in the General Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice, (3) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Resolution, and (4) Bonds deemed to have been paid as provided in the General Resolution. In determining whether Bondowners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent, or waiver under the General Resolution, the principal amount of a Capital Appreciation Bond that shall be deemed Outstanding for such purposes shall be the Accreted Value thereof.

Parity Reimbursement Obligation means the obligation of the State to directly reimburse the issuer of a Credit Facility for amounts paid under the terms of such Credit Facility, together with interest thereon, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument, which obligation shall be secured on a parity with the lien created by the General Resolution.

Paying Agent for the Bonds of any Series means the bank, trust company, or national banking association, which may be the Trustee, and its successor or successors, appointed pursuant to the provisions of the General Resolution and a Series Resolution or any other resolution of the Commission adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Pledged Loan or Leveraged Loan means a loan made by the State to a Municipality from the Loan Fund pursuant to a Financial Assistance Agreement and the Act. This type of loan is funded from the Loan Fund and with Bond proceeds.

Pledged Loan Repayments or Leveraged Loan Repayments means any payments on a Pledged Loan pursuant to a Financial Assistance Agreement, or on the Municipal Obligations evidencing and securing the same, on account of the principal, interest, and premium, if any, due on such Pledged Loan, including scheduled payments of principal of, and interest on, such Loan or Municipal Obligation, any payments made to cure a default, prepayments of principal or interest, and any additional amounts payable upon prepayment of such Pledged Loan or Municipal Obligations, and any amounts paid with respect to such Pledged Loan or Municipal Obligation on account of (1) acceleration of the due date of such Pledged Loan or such Municipal Obligation, (2) the sale or other disposition of such Pledged Loan or the Municipal Obligations and other collateral securing such Pledged Loan, (3) the receipt of proceeds of any insurance or guaranty of such Pledged Loan or Municipal Obligations or any Credit Facility applicable to such Pledged Loan or Municipal Obligations, and (4) the exercise of any right or remedy granted to the State and available under law or the applicable Financial Assistance Agreement upon default on such Pledged Loan or Municipal Obligations, but specifically excluding any payment of Fees and Charges.

Pledged Receipts means:

(1) all Pledged Loan Repayments, including both timely and delinquent payments,

(2) Fees and Charges held or collected by the State,

(3) any moneys received by the State under Section 281.59 (11) (b) of the Wisconsin Statutes (that is, State payments intercepted by DOA and taxes collected by county treasurers) upon a default under a Municipal Obligation,

(4) any moneys made available to the Clean Water Fund Program pursuant to Section 281.59 (13m) of the Wisconsin Statutes (that is, as a result of the designation of an individual Pledged Loan as one to which the State's "moral obligation" applies),

(5) any moneys collected by recourse to collateral and security devices under the Municipal Obligations, and

(6) any other moneys held or received by the State or the Trustee relating to the Municipal Obligations.

Principal Account means the account of that name established within the Debt Service Fund by the General Resolution.

Principal Installment means, as of any date of calculation and with respect to any Series of Bonds Outstanding, (1) the principal amount or Accreted Value of Bonds of such Series due on any payment date for which no Sinking Fund Installments have been established, or (2) the Sinking Fund Installment due on a date for Bonds of such Series, or (3) if such dates coincide, the sum of such principal amount or Accreted Value of Bonds and of such Sinking Fund Installment(s) due on such date; in each case in the amounts and on the dates as provided in the Series Resolution authorizing such Series of Bonds; *provided,* however, that Principal Installments shall not include the principal of Notes.

Project means any municipal project for the design, acquisition, construction, improvement, repair, reconstruction, renovation, or expansion of any municipal wastewater collection or treatment system or water supply system that is eligible for financing by the State pursuant to the Act.

Proprietary Loan means financial assistance made primarily from the proceeds of State general obligation bonds or repayment of Proprietary Loans, and excludes any Direct Loan or Pledged Loan. This financial assistance is not funded with Bond proceeds.

Rating Agency means a credit rating agency which is nationally recognized for skill and expertise in rating the credit of obligations similar to the Bonds and which has assigned and currently maintains a rating on any Outstanding Bonds at the request of the State (which request may be withdrawn by the State so long as following such withdrawal of request, the Bonds are rated by at least two Rating Agencies), and any successor to any such agency by merger, consolidation, or otherwise.

Rebate Fund means the fund of that name established by the General Resolution.

Record Date means, unless otherwise determined by a Series Resolution for a Series of Bonds, the close of business on the 15th day preceding a payment date or, if such day shall not be a Business Day, the immediately preceding Business Day. For the 2006 Series 2 Bonds and all subsequently issued Bonds, each respective Series Resolution provides that **Record Date** means the close of business on the 15th day (whether or not a business day) of the calendar month next preceding the interest payment date.

Redemption Account means the account of that name established within the Debt Service Fund by the General Resolution.

Redemption Price, means (1) when used with respect to a Bond other than a Capital Appreciation Bond, or a portion of a Bond to be redeemed, means the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof, plus interest to the redemption date, pursuant to the General Resolution and the applicable Series Resolution and (2) when used with respect to a Capital Appreciation Bond, the Accreted Value on the date of redemption of such Bond or portion thereof plus the applicable premium, if any, pursuant to the General Resolution and the applicable Series Resolution.

Refunding Bonds means Bonds issued to refund other Bonds.

Revenue Fund means the fund of that name established by the General Resolution.

Series of Bonds or Bonds of a Series or words of similar meaning means the series of Bonds authorized by a Series Resolution.

Series Resolution means a resolution of the Building Commission authorizing the issuance of a Series of Bonds in accordance with the terms and provisions of the General Resolution.

Sinking Fund Installment means, as of any particular date of calculation, (1) the amount required by the General Resolution and a Series Resolution to be deposited by the State for the retirement of Bonds which are stated to mature subsequent to such date or (2) the amount required by the General Resolution and a Series Resolution to be deposited by the State on a date for the payment of Bonds at maturity on a subsequent date.

SRF Account means the account of that name established by the General Resolution within the Loan Credit Reserve Fund.

State means the State of Wisconsin.

State Equity Fund means the fund of that name established by the General Resolution.

Subsidy Fund means the fund of that name established by the General Resolution.

Subsidy Fund Requirement means that amount which, when invested as permitted in the General Resolution, is projected by an Authorized Officer to result in an amount being available during each period commencing on an interest payment date and ending on the next interest payment date **(Period)** which is at least equal to the amount by which Aggregate Debt Service payable during the Period exceeds the sum of (1) scheduled disbursements from the Capitalized Interest Account and (2) Pledged Loan Repayments scheduled to be received during the Period from sources other than transfers of Loan capitalized interest from the Loan Fund. In making the projections set forth above, the State may treat undisbursed amounts in the Loan Fund as if (a) such undisbursed amounts were invested at an appropriate rate of interest to the final maturity of Bonds and (b) such undisbursed amounts and the earnings thereon were transferred from time to time to the Revenue Fund to pay debt service, and for purposes of calculating the Subsidy Fund Requirement, such amounts may be treated as if they were Loan Repayments made pursuant to clause (2) above; *provided* that, prior to each Loan disbursement, the State recalculates the Subsidy Fund Requirement assuming for purposes of calculation that the disbursement has been made (and is repayable in accordance with the applicable Municipal Obligations).

Subsidy Fund Transfer Amount means, with respect to any interest payment date, the amount by which Aggregate Debt Service payable during the Period (as such term is used in the definition of Subsidy Fund Requirement) ending on such interest payment date exceeds the sum of (1) Loan Repayments scheduled to be received and delinquent Loan Repayments actually received during the Period, (2) earnings on the Loan Credit Reserve Fund deposited in the Revenue Fund during the Period, (3) any moneys on deposit in the Revenue Fund, the Interest Account of the Debt Service Fund, or the Principal Account of the Debt Service Fund at the beginning of the Period, (4) any amounts in the Loan Fund transferred to the Revenue Fund during the Period as directed in a certificate of an Authorized Officer, and (5) amounts scheduled to be transferred from the Capitalized Interest Account to the Interest Account during the Period.

Supplemental Resolution means a resolution supplemental to or amendatory of the General Resolution, adopted by the Commission in accordance with the General Resolution.

Trustee means U.S. Bank National Association, and its successor or successors and any other bank, trust company, or national banking association at any time substituted in its place pursuant to the General Resolution.

APPENDIX A

AUDITED FINANCIAL STATEMENTS

The following are the independent auditor's report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2016 and 2015, along with supplemental information as of June 30, 2016, and the independent auditor's report and financial statements for the Leveraged Loan Portfolio for the year ended June 1, 2016.

Financial statements present the financial position, results of operations, and cash flows of the Environmental Improvement Fund for the fiscal years ended June 30, 2016 and 2015. These financial statements are not intended to predict future cash flows that will be available for the benefit of bondholders pursuant to the bond resolutions.

Baker Tilly Virchow Krause, LLP, the independent auditor of the Environmental Improvement Fund, has not been engaged to perform and has not performed, since the date of its reports included on the following pages, any procedures on the financial statements addressed in those reports. Baker Tilly Virchow Krause, LLP also has not performed any procedures related to this Part VI of the 2016 Annual Report.

{This page number is the last sequential page number of the 2016 Annual Report to be used in Part VI of the 2016 Annual Report. The following uses page numbers from the financial statements and independent auditor's report. The sequential page numbers for the 2016 Annual Report continue in Part VII.}

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2016 and 2015

AND

SUPPLEMENTAL INFORMATION

As of and for the Year Ended June 30, 2016

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

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INDEPENDENT AUDITORS' REPORT

To the Secretary of the Department of Administration and the Secretary of the Department of Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of and for the years ended June 30, 2016, and 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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*, 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 over financial reporting relevant to the State of Wisconsin Environmental Improvement Fund'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 of Wisconsin Environmental Improvement Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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 audit opinion.

To the Secretary of the Department of Administration and the Secretary of the Department of
Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Wisconsin Environmental Improvement Fund, as an enterprise fund of the State of Wisconsin, as of June 30, 2016 and 2015, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the State of Wisconsin Environmental Improvement Fund and do not purport to, and do not, present fairly the financial position of the State of Wisconsin, as of June 30, 2016, and 2015, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Net Position by Program, Statement of Revenues, Expenses, and Changes in Net Position by Program, and the Statement of Cash Flows by Program as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Net Position by Program, Statement of Revenues, Expenses, and Changes in Net Position by Program, and the Statement of Cash Flows by Program are fairly stated in all material respects, in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State of Wisconsin Environmental Improvement Fund's financial statements. The "Other Information" listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Secretary of the Department of Administration and the Secretary of the Department of Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and on 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* in considering the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
December 14, 2016

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF NET POSITION
As of June 30, 2016 and 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Unrestricted cash and cash equivalents	$ 473,557,839	$ 365,403,382
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost	45,669,251	45,594,883
Receivables		
Loans to local governments - current portion	176,314,894	177,337,982
Due from other funds	111,248	2,849
Due from other governmental entities	10,637,631	8,805,800
Accrued investment income	190,009	190,009
Prepaid items	16,912	20,181
Total Current Assets	706,497,784	597,355,086
Noncurrent Assets		
Restricted assets - cash equivalents	93,918,196	98,781,334
Investments - State of Wisconsin general obligation clean water bonds, at fair value	187,049,829	176,611,170
Loans to local governments	1,794,103,762	1,861,526,894
Advances to other funds	6,238,282	6,222,149
Prepaid items	116,802	133,688
Net pension assets	-	81,885
Total Noncurrent Assets	2,081,426,871	2,143,357,120
Total Assets	2,787,924,655	2,740,712,206
Deferred Outflows of Resources		
Pension related amounts	174,945	48,406
Unamortized charges	30,433,129	14,411,933
Total Deferred Outflows of Resources	30,608,074	14,460,339
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,818,532,729	$ 2,755,172,545
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Accrued expenses	$ 220,052	$ 149,714
Accrued interest on bonds	2,743,258	2,888,107
Due to other funds	3,960,037	1,263,841
Due to other governmental entities	3,226	223,903
Unearned revenue	171,448	-
Compensated absences - current portion	143,259	57,440
Revenue obligation bonds - current maturities	54,105,000	59,935,000
Total Current Liabilities	61,346,280	64,518,005
Noncurrent Liabilities		
Accrued expenses	29,225	28,826
Net pension liability	30,126	-
Due to other governmental entities	622,846	574,584
Compensated absences	412,116	28,359
Revenue obligation bonds (including unamortized premium)	705,383,205	698,780,909
Total Noncurrent Liabilities	706,477,518	699,412,678
Total Liabilities	767,823,798	763,930,683
Deferred Inflows of Resources		
Pension related amounts	64,249	821
Net Position		
Restricted for environmental improvement	2,035,171,238	1,977,236,321
Unrestricted	15,473,444	14,004,720
Total Net Position	2,050,644,682	1,991,241,041
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 2,818,532,729	$ 2,755,172,545

See accompanying notes to financial statements.

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Loan interest	$ 34,343,107	$ 33,640,973
Interest income used as security for revenue bonds	17,054,674	18,870,494
Miscellaneous other	25,416	30,703
Total Operating Revenues	51,423,197	52,542,170
OPERATING EXPENSES		
Interest	29,538,619	31,300,577
Salaries and benefits	5,179,700	4,457,673
Contractual services and other	3,081,795	3,221,916
Total Operating Expenses	37,800,114	38,980,166
Operating Income	13,623,083	13,562,004
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,792,399	1,135,325
Investment income used as security for revenue bonds	27,126,574	3,463,690
Intergovernmental grants	42,986,116	55,812,249
Grants awarded	(7,095,325)	(9,532,629)
Total Nonoperating Revenues (Expenses)	64,809,764	50,878,635
INCOME BEFORE TRANSFERS	78,432,847	64,440,639
Transfers in	3,123,935	11,306,642
Transfers out	(22,153,141)	(8,011,761)
Increase in Net Position	59,403,641	67,735,520
TOTAL NET POSITION - Beginning of Year (as restated for 2015)	1,991,241,041	1,923,505,521
TOTAL NET POSITION - END OF YEAR	$ 2,050,644,682	$ 1,991,241,041

See accompanying notes to financial statements.

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of loans	$ 180,499,126	$ 174,170,680
Interest received on loans	51,776,085	52,415,116
Origination of loans	(112,052,909)	(203,390,663)
Payments to employees for services	(1,832,792)	(3,990,235)
Payments to suppliers and other	(3,533,714)	(3,135,564)
Other operating revenues	25,416	30,703
Net Cash Flows From Operating Activities	114,881,212	16,100,037
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental grants received	40,457,398	56,173,000
Grants paid	(7,095,325)	(9,532,629)
Transfers in	3,123,935	11,306,642
Transfers out	(22,153,141)	(8,011,761)
Proceeds from issuance of long-term debt	50,849,745	-
Retirement of long-term debt	(63,180,000)	(58,400,000)
Interest payments	(32,031,579)	(37,532,446)
Advances to other funds	(15,133)	(2,553)
Net Cash Flows From Noncapital Financing Activities	(30,044,100)	(45,999,747)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(31,032)
Liquidation of investments	8,291,809	7,768,448
Investment and interest income	10,162,398	8,752,715
Net Cash Flows From Investing Activities	18,454,207	16,490,131
Net Increase/(Decrease) in Cash and Cash Equivalents	103,291,319	(13,409,579)
CASH AND CASH EQUIVALENTS - Beginning of Year	464,184,716	477,594,295
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 567,476,035	$ 464,184,716

	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 13,623,083	$ 13,562,004
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities		
Interest expense classified as noncapital financing activity	28,968,085	31,300,577
Changes in assets and liabilities		
Loans to other governments	68,446,219	(29,219,984)
Due from other funds	(377,091)	133,295
Proportionate share of contributions	(63,111)	(34,821)
Prepaid items	20,156	18,655
Compensated absences	469,575	92
Other assets	81,886	39,577
Other post employment benefits	400	(1,479)
Accrued expenses	100,463	66,266
Accrued interest on bonds	378,302	(96,351)
Due to other funds	3,453,922	333,985
Due to other governmental entities	(220,677)	(1,779)
Total Adjustments	101,258,129	2,538,033
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 114,881,212	$ 16,100,037
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Unrestricted cash and cash equivalents - statement of net position	$ 473,557,839	$ 365,403,382
Investments in United States Treasury Notes, purchased in connection with forward delivery agreements	45,669,251	45,594,883
Investments in State of Wisconsin general obligation clean water bonds	187,049,829	176,611,170
Restricted cash and cash equivalents - statement of net position	93,918,196	98,781,334
Total Cash and Investments	800,195,115	686,390,769
Less: Noncash equivalents	(232,719,080)	(222,206,053)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 567,476,035	$ 464,184,716
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES		
Net change in unrealized gains and losses	$ 18,729,948	$ 4,540,353
Bond premium amortization	$ 22,841,572	$ 9,306,356

See accompanying notes to financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity—The State of Wisconsin Environmental Improvement Fund (the "Fund") is an enterprise fund of the State of Wisconsin (the "State") administered by the State of Wisconsin Department of Natural Resources (the "DNR") and the State of Wisconsin Department of Administration (the "DOA").

The Fund was established with the adoption of the 1997-1999 State of Wisconsin budget. The Fund replaced the Clean Water Fund Program and expanded loan activity to include drinking water system loans and brownfield loans. The Fund provides for three separate environmental financing programs: the Clean Water Fund Program, the Safe Drinking Water Loan Program, and the Land Recycling Loan Program.

The Clean Water Fund Program was established in 1990 and provides financial assistance to municipalities at subsidized interest rates for the purpose of constructing or improving municipal wastewater facilities. The Safe Drinking Water Loan Program was established in 1997 and provides municipal loans for the construction or repair of municipal drinking water facilities. The following four loan portfolios comprise the Environmental Improvement Fund:

- Leveraged Loan Portfolio—This portfolio is funded by proceeds of Clean Water revenue bonds and operating transfers from the State. Assets in this portfolio are used for loans for Wisconsin municipal wastewater projects that meet applicable State eligibility and reporting requirements of the Clean Water Fund Program.
- Direct Loan Portfolio—This portfolio is funded by the U.S. Environmental Protection Agency (the "EPA") grants and proceeds from the issuance of Environmental Improvement Fund revenue bonds (i.e., a minimum 20% match of EPA capitalization grant). Repayments from loans in this portfolio and proceeds from the issuance of Environmental Improvement Fund revenue bonds (i.e., in addition to the amount needed for match requirements of EPA capitalization grants) are used to fund new loans. Loans in this portfolio are made for wastewater projects that comply with EPA eligibility and reporting requirements of the Clean Water Fund Program.
- Proprietary Loan/Grant Portfolio—This portfolio is funded by operating transfers from the State. Assets of this portfolio are used to fund both loans and hardship grants for qualifying wastewater projects. Repayments from loans in this portfolio may be used to fund new loans or hardship grants under the Clean Water Fund Program.
- Drinking Water Loan Portfolio—This portfolio is funded by the EPA grants and operating transfers from the State (the State is required to match a minimum of 20% of EPA grants). Repayments from loans in this portfolio may be used to fund new loans. Loans in this portfolio are made for drinking water projects that comply with EPA eligibility and reporting requirements under the Safe Drinking Water Loan Program.

The Land Recycling Loan Program is a municipal loan program for the remediation of contaminated lands. As of June 30, 2016 and 2015, there were ten loans granted under this program for a total of $15,218,891. As of June 30, 2016 and 2015, the total amount drawn on these loans was $13,500,343. The Land Recycling Program loans are included in the Clean Water Fund Program – Direct Loan Portfolio for reporting purposes.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Implementation of Accounting Standards—In June 2012, the GASB issued statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and in November 2013, the GASB issued statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements establish the accounting and financial reporting standards for the employer share of pension plan activities that are administered through trusts and meet certain criteria as well as employer contributions made in a fiscal year subsequent to the pension plan's measurement date. These standards were implemented July 1, 2014. Additional footnote disclosures related to these standards have not been included within this report as amounts are not material to these financial statements. For further information, see the State of Wisconsin's Comprehensive Annual Financial Report as of and for the year ended June 30, 2016.

In February 2015, the GASB issued statement No. 72 – *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented July 1, 2015.

Net Operating Income/Loss—The Fund incurred net operating income of $13.6 million in both 2016 and 2015. Management anticipates the Fund will periodically incur net operating losses. As explained in Note 2, a loss will generally result from the Fund's statutory mission to provide loans to municipalities at interest rates below the Fund's own cost of funds. Previous losses have historically been funded by EPA grants and operating transfers from the State of Wisconsin. EPA grants were approximately $43.0 million and $55.8 million in 2016 and 2015, respectively, and are classified as intergovernmental grants. Transfers from the State of Wisconsin were approximately $3.1 million and $11.3 million in 2016 and 2015, respectively, and are classified as transfers in. Management expects the grants and transfers will continue for the foreseeable future sufficient to fund both the anticipated future net operating losses and, together with additional borrowing, to fund additional loans to municipalities.

Loans Receivable—Loans receivable are recorded at cost. Direct costs to originate loans are not material and are expensed as incurred. Fees received to originate loans are not material and are recorded as income when received.

Interest on Loans Receivable—Interest on loans receivable is recognized on an accrual basis and recorded within Due From Other Governmental Entities on the statements of net position.

Investments—The Fund 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 corporation 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 3).

Investments that are stated at fair value include the State of Wisconsin Investment Board Local Government Investment Pool (see Note 3) and the State of Wisconsin General Obligation Clean Water Bonds (see Note 8). The Fund has received fair value information for investments from external sources. Changes in the fair value of investments are included in investment income. All other investments are reported at cost. Accrued interest on investments is recorded as earned. To the extent interest income on investments exceeds applicable arbitrage limits specified in the internal Revenue Code; the amount that must be rebated ("estimated arbitrage") to the U.S. Treasury is recorded as a reduction of investment income (see Note 9). Investment transactions are recorded on the trade date.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements—The Fund holds United States Treasury Notes as investments at June 30, 2016 and 2015 and records the notes at cost. The Fund purchased these securities in accordance with the Forward Delivery Agreements (see Note 4).

Accounting standards require that investments in participating interest-earning investment contracts be reported at fair value. The four forward delivery agreements with Wells Fargo (formerly Wachovia) and two forward delivery agreements with JP Morgan Chase Bank described in Note 4 would be considered participating investment contracts under current accounting standards. Management has accounted for the agreements as investments in short-term U.S. treasury notes, at cost, rather than as investment contracts at fair value because management believes the difference between cost and fair value does not have a material impact on the financial statements. At June 30, 2016, the fair value of the Fund's interest in these agreements was above the cost of the treasury securities owned by $935,503. At June 30, 2015, the fair value was above the cost by $1,081,587.

Comparative Data—Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Revenue Obligation Bonds—Interest expense on revenue obligation bonds is recognized on an accrual basis.

Debt Defeasance—Advance refundings of debt obligations that meet the criteria of GASB Statement No. 23 are recorded as an extinguishment of debt. The securities held in trust and the defeased obligations are not reported in the financial statements (see Note 7).

Deferred Outflows of Resources—A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

The Fund defers the difference between the reacquisition price and the net carrying amount of defeased debt and amortizes it as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized deferred charge related to debt defeasance is classified as a deferred outflow of resources.

Cash Equivalents—The Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Fund also considers as cash equivalents guaranteed investment contracts or repurchase agreements permitting withdrawals required by the bond resolution to meet insufficiencies in debt service payments. Repurchase agreements and guaranteed investment contracts are valued at cost because they are nonparticipating contracts due to the non-negotiability of these investments and because the amount of any withdrawals made do not consider market interest rates.

Cash and cash equivalents in the Direct Loan Portfolio and Leveraged Loan Portfolio, while classified as unrestricted assets under accounting principles generally accepted in the United States ("GAAP"), are restricted as to use under federal statute and code and under the Clean Water Revenue Bond covenants and indenture. Those federal restrictions require that, with few exceptions, the funds can only be used for purposes of making loans to municipalities for program purposes, and that the funds must be kept available "in perpetuity" for such purposes. Likewise, the Clean Water Revenue Bond indenture specifies the use of bond proceeds, proceeds from loan repayments, and money in other accounts created under the bond indenture.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Restricted Assets—Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements. The restricted assets will be used for retirement of related long-term debt in the event that sufficient resources are not otherwise available.

Deferred Inflows of Resources—A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Net Position—Net position is classified as either restricted or unrestricted based on the presence or absence of restrictions, including federal laws, the Cleanwater Act of 1987, resolutions, state statutes, and Title XIV of the 1996 Safe Drinking Water Act, as amended. When both restricted and unrestricted resources are available for use, restricted resources are used first, then unrestricted as they are needed.

Revenue Recognition—Loan interest and investment income are recognized as revenue when earned. Operating grants are recognized as revenue in the period the related expense occurs and include $43.0 million and $55.8 million of EPA contributions in 2016 and 2015, respectively.

Hardship Grants—Hardship grants are recognized as an expense when the funds are disbursed.

Transfers In/(Out)—Transfers in consist of capital contributions from the State of Wisconsin and are recognized as the contributions are received. Transfers out consist of items related to debt service.

Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Claims and Judgments—Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred. Refer to Note 12 on commitments and contingencies.

NOTE 2 – FINANCIAL ASSISTANCE AGREEMENTS TO LOCAL GOVERNMENTS

Loans to local governments at June 30, 2016 and 2015 represent loans for wastewater treatment projects or drinking water projects and are for terms of up to 20 years. These loans are made at a variety of prescribed interest rates based on project type categories. In order to effectuate statutory policy, virtually all of the loans issued by the Clean Water Fund Program, Safe Drinking Water Loan Program and Land Recycling Loan Program are at interest rates that are below the State's cost of borrowing. The net losses that can result from this negative interest margin are funded by State transfers. Interest rates on loans receivable ranged from 0% to 4.95% in both 2016 and 2015. The weighted average interest rate was 2.468% and 2.500% at June 30, 2016 and 2015, respectively. The loans contractually are revenue obligations or general obligations of the local governments, or both. Additionally, various statutory provisions exist which provide further security for payment.

In the event of a default, the State can intercept State aid payments due to the applicable local government, induce an additional charge to the amount of property taxes levied by the county in which the applicable local government is located, or both. Accordingly, no reserve for loan loss is deemed necessary. At June 30, 2016 and 2015, all loan repayments were performing in accordance with the contractual terms.

NOTE 2 – FINANCIAL ASSISTANCE AGREEMENTS TO LOCAL GOVERNMENTS (cont.)

Of the loans outstanding at June 30, 2016 and 2015, $600,582,530 and $648,935,006 (30% and 32%), respectively, were loans due from the Milwaukee Metropolitan Sewerage District.

The Clean Water Fund Program, Safe Drinking Water Loan Program, and Land Recycling Loan Program entered into $230,887,026 of new loans and $9,499,885 of new grants during fiscal year 2016. For fiscal year 2015, these same programs entered into $172,173,563 of new loans and $7,533,727 of new grants. As of June 30, 2016, they had undisbursed commitments of $226,576,537 relating to loans and $3,705,271 relating to grants. For fiscal year 2015, they had undisbursed commitments of $125,038,717 relating to loans and $1,185,752 relating to grants. From July 1, 2016 to August 24, 2016, the Fund made additional loan disbursements of $26,441,653 for financial assistance agreements that were outstanding prior to June 30, 2016. $2,279,653 of additional loans were executed between July 1, 2016 and September 16, 2016. These funding commitments are generally met through the proceeds from additional Federal grants, recycled loan payments, and from the issuance of additional revenue obligation bonds (Note 6).

NOTE 3 – CASH AND CASH EQUIVALENTS

As of June 30, 2016 and 2015, cash and cash equivalents consisted of the following:

	2016	2015
Money market mutual funds	$ 142,900,034	$ -
Local Government Investment Pool ("LGIP"), at fair value	424,575,519	464,184,509
Miscellaneous cash	482	208
	567,476,035	464,184,717
Less: Amounts classified as restricted assets (see Note 6)	(93,918,196)	(98,781,335)
Total Unrestricted Cash and Cash Equivalents	$ 473,557,839	$ 365,403,382

The LGIP is an investment fund managed by SWIB that accepts investment deposits from over 1,000 municipalities and other public entities in the State of Wisconsin. The objectives of the LGIP are to provide safety of principal and liquidity while earning a competitive money market rate of return. The LGIP functions in a manner similar to a money market fund in that the yield earned changes daily and participants may invest or withdraw any or all amounts on a daily basis at par value. The LGIP is not a Securities and Exchange Commission ("SEC") registered investment, but is regulated by Wisconsin Statutes 25.14 and 25.17. At June 30, 2016, the current yield on the LGIP was 0.42%, compared to 0.14% as of June 30, 2015. The LGIP investment is stated at fair value.

NOTE 3 – CASH AND CASH EQUIVALENTS (cont.)

As of June 30, 2016	Amount	Exposure to Custodial Credit Risk	Credit Risk	Interest Rate Risk	Interest Rate Highly Sensitive	Foreign Currency Rate	% of Portfolio
LGIP	$ 424,575,519	N/A	Not rated	N/A	N/A	N/A	53.1%
Treasury notes – Forward delivery	45,669,251	$0	N/A	See Note 4	N/A	N/A	5.6
GO Bonds-WI	187,049,829	$0	Aa2	5-1-33 final maturity	N/A	N/A	23.4
Money market mutual funds	142,900,034	N/A	AAA	Weighted avg. maturity 60 days or less	Within 397 days	N/A	17.9

As of June 30, 2015	Amount	Exposure to Custodial Credit Risk	Credit Risk	Interest Rate Risk	Interest Rate Highly Sensitive	Foreign Currency Rate	% of Portfolio
LGIP	$ 464,184,509	N/A	Not rated	N/A	N/A	N/A	67.6%
Treasury notes – Forward delivery	45,594,883	$0	N/A	See Note 4	N/A	N/A	6.7
GO Bonds-WI	176,611,170	$0	Aa2	5-1-33 final maturity	N/A	N/A	25.7

The Environmental Improvement Fund 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.

The valuation methods for recurring fair value measurements are as follows:

- > State of WI General Obligation Bonds – The fair value calculation used a present value approach and utilized known market spreads.

	December 31, 2016			
Investment Type	Level 1	Level 2	Level 3	Total
State of WI General Obligation Bonds	$ -	$ 187,049,829	$ -	$ 187,049,829

	December 31, 2015			
Investment Type	Level 1	Level 2	Level 3	Total
State of WI General Obligation Bonds	$ -	$ 176,611,170	$ -	$ 176,611,170

NOTE 3 – CASH AND CASH EQUIVALENTS (cont.)

The Fund does not have an investment policy separate from the State of Wisconsin.

Restricted assets of $93,918,196 and $98,781,333 at June 30, 2016 and 2015, respectively, represent amounts legally restricted by the Clean Water revenue bonds. The amounts restricted are the product of the average annual debt service of the outstanding, disbursed loans times a factor of 120%.

NOTE 4 – FORWARD DELIVERY AGREEMENTS

The Fund has entered into multiple agreements for the future delivery and purchase of securities to be held as investments of the loan credit reserve fund of the Clean Water revenue bonds (see Note 6). Four of the agreements are with Wells Fargo (formerly Wachovia) and two are with JP Morgan and each provides for the delivery to, and purchase by, the Fund, of securities with a maturity value equal to the purchase price plus earnings calculated at the rate of the agreements. The agreements were entered into in conjunction with the 1997 Series 1, 1998 Series 1, 1999 Series 1, 2006 Series 1, 2006 Series 2, and 2008 Series 1 Clean Water revenue bonds.

Every six months during the term of the agreements, Wells Fargo and JP Morgan are required to deliver United States Treasury securities (“Treasury securities”) to the Fund for purchase. The Treasury securities are held as investments by the Fund. The price paid by the Fund for the Treasury securities is determined under the contract. That price is that which results in the predetermined annual earnings rate computed on the notional amount, taking into account the coupon interest on the delivered Treasury securities. The redemption value of the securities purchased for investment must equal at least the purchase price of the securities plus earnings calculated by multiplying the notional amount times the annual earnings rate as calculated for the term until the next bond payment date. The agreements may be terminated at the option of the Fund and a payment between the parties will be made to compensate for the difference in present value of the earnings expected under each agreement and the earnings available on similar agreements at the time of the termination.

Management has asserted that it does not anticipate terminating the agreements at a time when a payment would be required from the Fund to Wells Fargo or JP Morgan. If the agreements were terminated at a time when a payment would be due to Wells Fargo or JP Morgan, management has also asserted that it would be able to enter into similar agreements that would have consistent present values as the agreements are valued in relation to prevailing Treasury security rates. In addition, if the agreements are terminated in whole or in part due to the need to use funds at the maturity date for making a debt service payment on the bonds, then there is not a compensating payment made between the parties.

NOTE 4 – FORWARD DELIVERY AGREEMENTS (cont.)

By GASB definition, these securities are classified as having no exposure to custodial credit risk. The par values, coupon rates, the cost and rate at which the Treasury Notes accrue interest in accordance with the Forward Delivery Agreements at June 30, 2016, are as follows:

	Par Value of Treasuries	Coupon Rate of Treasuries	Cost of Treasuries	Agreement Interest Rate	Agreement Maturity Date	Agreement Market Value
Series 1997-1 Agreement	$ 7,169,000	0.500%	$ 6,992,075	5.58%	June 1, 2017	$ 7,174,601
Series 1998-1 Agreement	7,456,000	0.500	7,292,832	5.01	June 1, 2018	7,461,825
Series 1999-1 Agreement	7,119,000	0.500	6,918,903	6.32	June 1, 2020	7,124,562
Series 2006-1 Agreement	6,539,000	0.875	6,422,000	4.56	June 1, 2027	6,554,070
Series 2006-2 Agreement	8,158,000	0.875	8,000,000	4.84	June 1, 2027	8,178,802
Series 2008-1 Agreement	10,105,000	0.500	9,927,500	4.10	June 1, 2028	10,112,895

The par values, coupon rates, the cost and rate at which the Treasury Notes accrue interest in accordance with the Forward Delivery Agreements at June 30, 2015, are as follows:

	Par Value of Treasuries	Coupon Rate of Treasuries	Cost of Treasuries	Agreement Interest Rate	Agreement Maturity Date	Agreement Market Value
Series 1997-1 Agreement	$ 7,138,000	1.375%	$ 6,992,075	5.58%	June 1, 2017	$ 7,185,056
Series 1998-1 Agreement	7,424,000	1.375	7,292,832	5.01	June 1, 2018	7,472,942
Series 1999-1 Agreement	7,088,000	1.375	6,918,903	6.32	June 1, 2020	7,134,727
Series 2006-1 Agreement	6,560,000	0.250	6,422,000	4.56	June 1, 2027	6,565,971
Series 2006-2 Agreement	8,183,000	0.250	8,000,000	4.84	June 1, 2027	8,190,448
Series 2008-1 Agreement	10,061,000	1.375	9,969,073	4.10	June 1, 2028	10,127,326

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfunds resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The following is a schedule of transfers between the loan portfolios and/or other funds at the State of Wisconsin at June 30, 2016 and 2015:

Transferred To	Transferred From	June 30, 2016 Amount	June 30, 2015 Amount	Principal Purpose
Direct Loan Portfolio	Proprietary Portfolio	$ -	$ 7,575,311	State match
Proprietary Portfolio	Capital Improvement	59,335	8,221,642	Future debt service
Safe Drinking Water Loan Program	Capital Improvement	3,064,600	3,085,000	State match
Bond Security and Redemption	Direct Loan Portfolio	8,000,000	8,000,000	G.O. bond debt service
Debt Service Fund Program	Proprietary Portfolio	9,148	11,761	Personal services
Debt Service Fund Program	Leveraged Loan Portfolio	14,143,993	-	Excess subsidy return
Subtotal		25,277,076	26,893,714	
Less: Eliminations		(6,247,870)	(23,598,833)	
Total Transfers – Statements of Revenues, Expenses and Changes in Net Position		$ 19,029,206	$ 3,294,881	

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS

REVENUE OBLIGATION BONDS

Revenue bonds are payable only from revenues derived from the operation of the loan programs.

Clean Water revenue bonds activity as of June 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 706,345,000	$ 254,125,000	$ 325,655,000	$ 634,815,000	$ 51,830,000
Add:					
Unamortized premiums	52,370,909	47,969,199	22,253,363	78,086,745	-
Totals	$ 758,715,909	$ 302,094,199	$ 347,908,363	$ 712,901,745	$ 51,830,000

Clean Water revenue bonds activity as of June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 764,745,000	$ -	$ 58,400,000	$ 706,345,000	$ 59,935,000
Add:					
Unamortized premiums	61,677,265	-	9,306,356	52,370,909	-
Totals	$ 826,422,265	$ -	$ 67,706,356	$ 758,715,909	$ 59,935,000

Environmental Improvement Fund revenue bonds activity as of June 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ -	$ 43,380,000	$ 3,245,000	$ 40,135,000	$ 2,275,000
Add:					
Unamortized premiums	-	7,039,669	588,209	6,451,460	-
Totals	$ -	$ 50,419,669	$ 3,833,209	$ 46,586,460	$ 2,275,000

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

Clean Water revenue obligation serial and term bonds as of June 30, 2016 and 2015 consisted of the following:

	2016	2015
1998 Series 2:		
Serial Bonds, no optional redemption, June 1, 2017	$ 5,665,000	$ 11,590,000
Unamortized premium on bonds	32,959	102,847
	5,697,959	11,692,847
2002 Series 2:		
Serial Bonds, no optional redemption, June 1, 2016	-	3,935,000
Unamortized premium on bonds	-	39,793
	-	3,974,793
2004 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2016 (refunded July 15, 2015)	-	37,305,000
Unamortized premium on bonds	-	757,927
	-	38,062,927
2006 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2016	-	3,575,000
Unamortized premium on bonds	-	36,000
	-	3,611,000
2008 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018 (refunded July 15, 2015)	8,855,000	76,105,000
Unamortized premium on bonds	181,865	2,876,440
	9,036,865	78,981,440
2008 Series 2:		
Serial Bonds, no optional redemption, June 1, 2018	21,965,000	27,335,000
Unamortized premium on bonds	451,100	841,299
	22,416,100	28,176,299
2008 Series 3:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018 (refunded July 15, 2015)	13,685,000	71,850,000
Unamortized premium on bonds	107,003	812,595
	13,792,003	72,662,595
2010 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2031 (refunded April 12, 2016)	-	51,625,000
Unamortized premium on bonds	-	3,084,863
	-	54,709,863

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

	2016	2015
2010 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2021	$ 14,070,000	$ 14,070,000
Unamortized premium on bonds	874,962	1,079,235
	14,944,962	15,149,235
2010 Series 3:		
Build America Bonds, optional redemption for bonds at 100% of par, June 1, 2025	49,690,000	49,690,000
2010 Series 4:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2031 (refunded April 12, 2016)	19,250,000	100,635,000
Unamortized premium on bonds	1,048,837	7,814,270
	20,298,837	108,449,270
2010 Series 5:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2023	36,760,000	36,760,000
Unamortized premium on bonds	2,675,141	3,278,199
	39,435,141	40,038,199
2012 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2033	49,035,000	51,075,000
Unamortized premium on bonds	6,259,189	6,974,614
	55,294,189	58,049,614
2012 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2024	83,220,000	87,950,000
Unamortized premium on bonds	9,952,628	12,452,102
	93,172,628	100,402,102
2013 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2027	78,495,000	82,845,000
Unamortized premium on bonds	10,482,746	12,220,725
	88,977,746	95,065,725
2015 Series 1:		
Serial Bonds optional redemption for bonds at 100% of par, June 1, 2028	133,235,000	-
Unamortized premium on bonds	20,656,447	-
	153,891,447	-

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

	2016	2015
2016 Series 1:		
Serial Bonds optional redemption for bonds at 100% of par, June 1, 2031	$ 120,890,000	$ -
Unamortized premium on bonds	25,363,868	-
	146,253,868	-
Total of Clean Water Revenue Series	$ 712,901,745	$ 758,715,909

Environmental Improvement Fund revenue obligation serial and term bonds as of June 30, 2016 and 2015 consisted of the following:

	2016	2015
2015 Series A:		
Serial Bonds optional redemption for bonds at 100% of par, June 1, 2030	$ 40,135,000	$ -
Unamortized premium on bonds	6,451,460	-
	46,586,460	-
Total Environmental Improvement Fund Revenue Series	46,586,460	-
Total of All Series	$ 759,488,205	758,715,909

The original premium at issuance and the interest rates for Clean Water revenue bonds outstanding at June 30, 2016 or June 30, 2015, were the following:

Series	Original Issue (Premium)	Interest Rates
1998 Series 2	$ (7,739,808)	4.00 – 5.50%
2002 Series 2	(7,344,000)	3.00 – 5.50%
2004 Series 2	(11,408,668)	3.25 – 5.25%
2006 Series 1	(4,951,135)	3.50 – 5.00%
2008 Series 1	(7,712,015)	4.00 – 5.00%
2008 Series 2	(3,393,398)	5.00%
2008 Series 3	(2,764,120)	3.00 – 5.50%
2010 Series 1	(5,917,653)	3.00 – 5.00%
2010 Series 2	(2,065,947)	5.00%
2010 Series 3	-	3.957 - 5.441%*
2010 Series 4	(13,528,717)	3.00 – 5.00%
2010 Series 5	(5,845,742)	5.00%
2012 Series 1	(9,195,497)	2.00 – 5.00%
2012 Series 2	(20,160,489)	3.96 – 5.00%
2013 Series 1	(16,100,626)	4.50 – 5.00%
2015 Series 1	(23,504,408)	3.75 – 5.00%
2016 Series 1	(24,464,791)	2.00 – 5.00%

* - The effect of the interest rate subsidy on the 2010 Series 3 revenue bonds through June 1, 2025 is $4,615,527. The amount due in the next fiscal year is $831,375.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

The original premium at issuance and the interest rates for Environmental Improvement Fund revenue bonds outstanding at June 30, 2016, was the following:

Series	Original Issue (Premium)	Interest Rates
2015 Series A	$ (7,039,669)	3.00 – 5.00%

Principal and interest due on the Clean Water revenue bonds, net of advance refundings, as of June 30, 2016, are as follows:

Years Ending June 30,	Principal	Interest	Totals
2017	$ 51,830,000	$ 30,912,345	$ 82,742,345
2018	60,615,000	28,455,053	89,070,053
2019	55,425,000	25,481,914	80,906,914
2020	54,895,000	22,763,614	77,658,614
2021	51,080,000	20,068,834	71,148,834
2022-2026	230,620,000	64,961,311	295,581,311
2027-2031	124,200,000	18,055,812	142,255,812
2032-2033	6,150,000	410,750	6,560,750
Totals	$ 634,815,000	$ 211,109,633	$ 845,924,633

Principal and interest due on the Clean Water revenue bonds, net of advance refundings, as of June 30, 2015, are as follows:

Years Ending June 30,	Principal	Interest	Totals
2016	$ 59,935,000	$ 34,657,283	$ 94,592,283
2017	60,775,000	31,729,095	92,504,095
2018	60,510,000	28,824,553	89,334,553
2019	55,315,000	25,856,664	81,171,664
2020	54,780,000	23,143,864	77,923,864
2021-2025	239,810,000	78,094,832	317,904,832
2026-2030	147,475,000	25,573,425	173,048,425
2031-2033	27,745,000	1,798,000	29,543,000
Totals	$ 706,345,000	$ 249,677,716	$ 956,022,716

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

Principal and interest due on the Environmental Improvement Fund revenue bonds as of June 30, 2016, are as follows:

Years Ending June 30,	Principal	Interest	Totals
2017	$ 2,275,000	$ 2,006,750	$ 4,281,750
2018	2,390,000	1,893,000	4,283,000
2019	2,510,000	1,773,500	4,283,500
2020	2,640,000	1,648,000	4,288,000
2021	2,770,000	1,516,000	4,286,000
2022-2026	12,150,000	5,427,500	17,577,500
2027-2030	15,400,000	1,971,750	17,371,750
Totals	$ 40,135,000	$ 16,236,500	$ 56,371,500

The Clean Water revenue bonds are collateralized by a security interest in all assets of the Leveraged Loan Portfolio. At June 30, 2016 and 2015, the total assets of the Leveraged Loan Portfolio were $923,853,799 and $985,342,392, respectively. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the Clean Water revenue bonds. However, as the loans granted to the 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. The bonds are payable solely from loan revenues. Specifics of these requirements are as follows:

Type of Revenue Bonds	Outstanding	Issuance Dates	Maturity Through	Percentage of Revenues to Pay Principal and Interest	Principal Interest Outstanding	Principal and Interest Paid In Current Year	Total Net Revenues
Clean Water	$634.8 M	1998 - 2016	2033	52%	$845.9 M	$88.0 M	$96.4 M
Environmental Improvement Fund	$ 40.1 M	2015	2030	3%	$ 56.3 M	$ 4.1 M	$ 120 M

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

ADVANCE REFUNDINGS

In 2015, the Fund defeased its Clean Water Revenue Bonds 2004 Series 2, and a portion of its Clean Water Revenue Bonds 2008 Series 1 and Clean Water Revenue Bonds 2008 Series 3 bonds, with an average coupon rate of 5.12% for the refunded bonds, through the issuance of $133,235,000 of 2015 Series 1 Clean Water Revenue Refunding Bonds with an average coupon rate of 5.00%. The proceeds were used to purchase the U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Fund's financial statements. At June 30, 2016, there was $141,420,000 of the defeased bonds outstanding that will be secured by the irrevocable trust's remaining funds.

The cash flow requirements on the refunded bonds prior to the 2015 advance refunding was $194,127,950 from 2015 through 2028. The cash flow requirements on the 2015, Series 1 refunding bonds are $183,230,036 from 2015 through 2028. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $10,509,890.

In 2016, the Fund defeased its Clean Water Revenue Bonds 2010 Series 1 and a portion of its Clean Water Revenue Bonds 2010 Series 4 bonds, with an average coupon rate of 5.00% for the refunded bonds, through the issuance of $120,890,000 of 2016 Series 1 Clean Water Revenue Refunding Bonds with an average coupon rate of 4.95%. The proceeds were used to purchase the U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Fund's financial statements. At June 30, 2016, there was $124,300,000 of the defeased bonds outstanding that will be secured by the irrevocable trust's remaining funds.

The cash flow requirements on the refunded bonds prior to the 2016 advance refunding was $197,668,250 from 2016 through 2031. The cash flow requirements on the 2016, Series 1 refunding bonds are $189,394,299 from 2016 through 2031. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $7,290,551.

RESTRICTED ASSETS

Among other restrictions under the revenue obligation bond agreements are provisions that require a specified amount of cash and investments be held by an independent trustee in a reserve account for the purpose of paying bond interest and principal when due. The restricted assets on the statement of net position consist of $93.9 million of the LGIP balance held as a credit reserve. This amount is required in order to satisfy the conditions of certain agreements related to maintaining the minimum credit ratings on the bonds.

NOTE 7 – DEBT REFUNDING

PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the Fund defeased certain Clean Water revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Fund's financial statements. At June 30, 2016, $237,680,000 of bonds outstanding are considered defeased. At June 30, 2015, $53,325,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

Call Date	Amount as of June 30, 2016	Amount as of June 30, 2015
6/1/2016	$ -	$ 53,325,000
6/1/2018	113,380,000	-
6/1/2020	124,300,000	-

NOTE 8 – GLOBAL CERTIFICATE AND STATE OF WISCONSIN GENERAL OBLIGATION BONDS

In April 2004, all of the State of Wisconsin General Obligation Bonds previously owned by the Fund were exchanged for a State of Wisconsin General Obligation Bond as part of the Clean Water Program ("Global Certificate"). Subsequent to the Global Certificate, additional State of Wisconsin General Obligation Bonds were issued for the Clean Water Fund Program. Details of these investments as of June 30, 2016 are as follows:

Series	Par Value	Weighted Average Coupon Interest Rate	Market Value
2004	$ 52,867,890	0.00%	$ 49,590,988
2007A	8,129,971	5.54	9,860,266
2007B	6,851,446	5.76	9,238,820
2008A	10,300,000	Less than 1%	10,300,000
2008B	16,600,000	6.16	23,465,906
2009A	15,500,000	5.90	19,327,406
2010A	15,243,000	5.47	20,611,113
2010B	15,000,000	5.96	21,416,898
2012A	11,100,000	3.10	12,375,611
2014A	9,300,000	3.56	10,862,821
Totals	$ 160,892,307		$ 187,049,829

NOTE 8 – GLOBAL CERTIFICATE AND STATE OF WISCONSIN GENERAL OBLIGATION BONDS (cont.)

The details of the investments as of June 30, 2015 are as follows:

Series	Par Value	Weighted Average Coupon Interest Rate	Market Value
2004	$ 56,855,080	0.00%	$ 49,534,793
2007A	8,934,070	5.52	10,231,584
2007B	6,851,446	5.76	7,987,137
2008A	10,300,000	Less than 1%	10,300,000
2008B	16,600,000	6.16	20,548,786
2009A	17,700,000	5.78	20,957,780
2010A	15,243,000	5.47	17,403,345
2010B	15,000,000	5.96	17,859,396
2012A	11,900,000	2.96	11,820,034
2014A	9,800,000	3.40	9,968,315
Totals	$ 169,183,596		$ 176,611,170

The Global Certificate and bonds listed above are all registered in the name of the Fund and held by an independent trustee.

Par value of the principal maturities of the Global Certificate and State of Wisconsin General Obligation bonds as of June 30 excluding the 2008A issue which does not have a repayment schedule are as follows:

Years Ending June 30,	2016	2015
2016	$ -	$ 8,291,289
2017	12,025,350	12,025,350
2018	13,424,630	13,424,630
2019	11,522,163	11,522,163
2020	10,887,904	10,887,904
2021	8,723,476	8,723,476
2022-2026	43,317,960	43,317,960
2027-2031	46,990,824	46,990,824
2032-2033	3,700,000	3,700,000
Totals	$ 150,592,307	$ 158,883,596

NOTE 9 – INVESTMENT INCOME

Investment income is recorded net of estimated required arbitrage relating to outstanding State of Wisconsin Clean Water revenue bonds and consisted of the following for the fiscal years ended June 30, 2016 and 2015:

	2016	2015
Interest		
State of Wisconsin Investment Board Local Government Investment Pool	$ 1,176,419	$ 454,517
Repurchase Agreement with Bayerishe Landesbank	-	452,709
United States Treasury Notes	2,280,105	2,280,203
State of Wisconsin General Obligation Bonds	5,908,737	5,435,970
Federal Interest on Build America Bonds	872,026	770,685
Total Interest	10,237,287	9,394,084
Changes in Realized and Unrealized Gains (Losses)		
State of Wisconsin General Obligation Bonds	18,729,948	(4,540,353)
Total Interest and Changes in Unrealized Gains	28,967,235	4,853,731
Change in Estimated Rebatable Arbitrage Liability	(48,262)	(254,716)
TOTAL INVESTMENT INCOME	$ 28,918,973	$ 4,599,015

NOTE 10 – OPERATING GRANTS AND HARDSHIP ASSISTANCE

EPA Operating Grants for Wastewater Projects—The Federal Water Quality Act of 1987 (the “Water Quality Act”) established a joint Federal and State program with the EPA to assist in providing financial assistance to municipalities within the states for governmentally owned wastewater treatment projects. Under the terms of the EPA grant, the State was required (1) to establish the Clean Water Fund Program, a perpetual state revolving fund into which the grant monies must be deposited, (2) to provide State matching funds equal to 20% of the grant and (3) to use the monies to provide financial assistance to municipalities for governmental owned wastewater treatment projects in a number of ways, provided that such assistance is not in the form of a grant. Reauthorization of the Water Quality Act of 1987 is expected to result in the allocation of capitalization grants to Wisconsin of approximately $36.1 million for federal fiscal year 2016. Four percent of the EPA grant amount may be used for wastewater program administrative expenses. Authorization levels for years after 2016 are unknown at this time.

EPA Operating Grants for Drinking Water Projects—The Federal Safe Drinking Water Act Amendment of 1996 (the “Safe Drinking Water Act”) established a joint Federal and State program with the EPA to assist in providing financial assistance to municipal and community water system projects. Under the terms of the EPA grant, the State was required (1) to establish the Safe Drinking Water Loan Program, a perpetual state revolving fund into which the grant monies must be deposited, (2) to provide State matching funds equal to 20% of the grant and (3) to use the monies to provide financial assistance to municipal and community water system projects. The Safe Drinking Water Act was authorized through federal fiscal year 2016 and a grant to Wisconsin of approximately $14.5 million is expected for federal fiscal year 2016.

Reauthorization of the Safe Drinking Water Act may not be acted upon by the present Congress of the United States, although the Fund expects EPA capitalization grants to states to continue into the future. Four percent of the EPA grant amount may be used for water program administrative expenses plus a portion of the grant may be used by DNR for various water-related issues and initiatives.

NOTE 10 – OPERATING GRANTS AND HARDSHIP ASSISTANCE (cont.)

Hardship Assistance—Wisconsin statutes require that the Fund provide financial hardship assistance to communities that qualify under Wisconsin Statute 281.58(13). This assistance may come in the form of reduced interest rates (as low as 0%) or grants for wastewater projects subject to limitations prescribed by the statute. At both June 30, 2016 and 2015, the Fund was committed to award $0 of additional hardship grants. At June 30, 2016 and 2015, the Fund had projected additional hardship grants of $0 for both years. In addition to hardship grants, the Fund was committed to award $9,499,885 and $7,533,727, respectively, of reduced interest rate loans. At June 30, 2016 and 2015, the Fund had projected additional reduced interest rate loans of $15,187,392 and $6,665,553, respectively.

NOTE 11 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 77, *Tax Abatement Disclosures*
- Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*
- Statement No. 79, *Certain External Investment Pools and Pool Participants*
- Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*
- Statement No. 81, *Irrevocable Split-Interest Agreements*
- Statement No. 82, *Pension Issues-an Amendment of GASB Statement No. 67, No. 68, and No. 73*

When they become effective, application of these standards may restate portions of these financial statements.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Occasionally the Fund is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the state legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Fund's financial position or results of operations.

NOTE 13 – RISK MANAGEMENT

The State of Wisconsin's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, risks are managed internally through self-insurance accounted for in an internal service fund. No separate policies exist for the Fund itself.

SUPPLEMENTAL INFORMATION

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF NET POSITION
BY PROGRAM
As of June 30, 2016

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets			
Unrestricted cash and cash equivalents	$ 362,014,034	$ 8,021,342	$ (11,472,677)
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost	-	119,173	45,550,078
Receivables			
Loans to local governments - current portion	88,420,816	895,467	62,671,656
Due from other funds	7,036	2,068,098	-
Due from other governmental entities	4,987,510	30,408	2,554,128
Accrued investment income	-	-	190,009
Prepaid items	-	25	16,887
Total Current Assets	455,429,396	11,134,513	99,510,081
Noncurrent Assets			
Restricted assets - cash equivalents	-	-	93,918,196
Investments - State of Wisconsin general obligation clean water bonds, at fair value	-	-	187,049,829
Loans to local governments	985,639,576	6,164,476	543,258,891
Advances to other funds	6,238,282	-	-
Prepaid items	-	-	116,802
Total Noncurrent Assets	991,877,858	6,164,476	824,343,718
Total Assets	1,447,307,254	17,298,989	923,853,799
Deferred Outflows of Resources			
Pension related amounts	-	174,945	-
Unamortized charges	-	-	30,433,129
Total Deferred Outflows of Resources	-	174,945	30,433,129
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,447,307,254	$ 17,473,934	$ 954,286,928

Safe Drinking Water Loan Program	Eliminations	Totals
$ 114,995,140	$ -	$ 473,557,839
-	-	45,669,251
24,326,955	-	176,314,894
6,537	(1,970,423)	111,248
3,065,585	-	10,637,631
-	-	190,009
-	-	16,912
142,394,217	(1,970,423)	706,497,784
-	-	93,918,196
-	-	187,049,829
259,040,819	-	1,794,103,762
-	-	6,238,282
-	-	116,802
259,040,819	-	2,081,426,871
401,435,036	(1,970,423)	2,787,924,655
-	-	174,945
-	-	30,433,129
-	-	30,608,074
$ 401,435,036	$ (1,970,423)	$ 2,818,532,729

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF NET POSITION
BY PROGRAM
As of June 30, 2016

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
LIABILITIES AND NET POSITION			
Current Liabilities			
Accrued expenses	$ 32,561	$ 22,539	$ 135,566
Accrued interest on bonds	167,229	-	2,576,029
Due to other funds	1,323,101	787,386	1,964,503
Due to other governmental entities	-	-	-
Compensated absences - current portion	-	143,259	-
Unearned revenue	171,448	-	-
Revenue obligation bonds - current maturities	2,275,000	-	51,830,000
Total Current Liabilities	3,969,339	953,184	56,506,098
Noncurrent Liabilities			
Accrued expenses	-	29,225	-
Net pension liability	-	30,126	-
Due to other governmental entities	-	-	622,846
Compensated absences	-	412,116	-
Revenue obligation bonds (including unamortized premium)	44,311,460	-	661,071,745
Total Noncurrent Liabilities	44,311,460	471,467	661,694,591
Total Liabilities	48,280,799	1,424,651	718,200,689
Deferred Inflows of Resources			
Pension related amounts	-	64,249	-
Net Position			
Restricted for environmental improvement	1,399,026,455	511,590	236,086,239
Unrestricted	-	15,473,444	-
Total Net Position	1,399,026,455	15,985,034	236,086,239
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 1,447,307,254	$ 17,473,934	$ 954,286,928

Safe Drinking Water Loan Program	Eliminations	Totals
$ 29,386	$ -	$ 220,052
-	-	2,743,258
1,855,470	(1,970,423)	3,960,037
3,226	-	3,226
-	-	143,259
-	-	171,448
-	-	54,105,000
1,888,082	(1,970,423)	61,346,280
-	-	29,225
-	-	30,126
-	-	622,846
-	-	412,116
-	-	705,383,205
-	-	706,477,518
1,888,082	(1,970,423)	767,823,798
-	-	64,249
399,546,954	-	2,035,171,238
-	-	15,473,444
399,546,954	-	2,050,644,682
$ 401,435,036	$ (1,970,423)	$ 2,818,532,729

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY PROGRAM
For the Year Ended June 30, 2016

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
OPERATING REVENUES			
Loan interest	$ 28,098,363	$ 206,038	$ -
Interest income used as security for revenue bonds	-	-	17,054,674
Miscellaneous other	-	25,416	-
Total Operating Revenues	28,098,363	231,454	17,054,674
OPERATING EXPENSES			
Interest	994,363	-	28,544,256
Salaries and benefits	1,470,069	383,306	1,533,223
Contractual services and other	106,117	107,820	828,557
Total Operating Expenses	2,570,549	491,126	30,906,036
Operating Income (Loss)	25,527,814	(259,672)	(13,851,362)
NONOPERATING REVENUES (EXPENSES)			
Investment income	615,878	19,017	872,026
Investment income used as security for revenue bonds	-	-	27,126,574
Intergovernmental grants	30,697,825	-	-
Grants awarded	(4,157,959)	(226,913)	-
Total Nonoperating Revenues (Expenses)	27,155,744	(207,896)	27,998,600
INCOME (LOSS) BEFORE TRANSFERS	52,683,558	(467,568)	14,147,238
Transfers in	-	59,335	-
Transfers out	(8,000,000)	(9,148)	(14,143,993)
Change in Net Position	44,683,558	(417,381)	3,245
TOTAL NET POSITION - Beginning of Year	1,354,342,897	16,402,415	236,082,994
TOTAL NET POSITION - END OF YEAR	$ 1,399,026,455	$ 15,985,034	$ 236,086,239

Safe Drinking Water Loan Program	Eliminations	Totals
$ 6,038,706	$ -	$ 34,343,107
-	-	17,054,674
-	-	25,416
6,038,706	-	51,423,197
-	-	29,538,619
1,793,102	-	5,179,700
2,039,301	-	3,081,795
3,832,403	-	37,800,114
2,206,303	-	13,623,083
285,478	-	1,792,399
-	-	27,126,574
12,288,291	-	42,986,116
(2,710,453)	-	(7,095,325)
9,863,316	-	64,809,764
12,069,619	-	78,432,847
3,064,600	-	3,123,935
-	-	(22,153,141)
15,134,219	-	59,403,641
384,412,735	-	1,991,241,041
$ 399,546,954	$ -	$ 2,050,644,682

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF CASH FLOWS
BY PROGRAM
For the Year Ended June 30, 2016

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of loans	$ 90,924,309	$ 1,060,477	$ 64,971,048
Interest received on loans	28,190,494	210,057	17,343,482
Origination of loans	(79,912,265)	-	-
Payments to employees for services	(424,502)	(211,748)	(1,073,167)
Payments to suppliers and other	(144,404)	(57,129)	(1,132,358)
Other operating revenues	-	25,416	-
Net Cash Flows From Operating Activities	38,633,632	1,027,073	80,109,005
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental grants received	30,146,082	-	-
Grants paid	(4,157,959)	(226,913)	-
Transfers in	-	59,335	-
Transfers out	(8,000,000)	(9,148)	(14,143,993)
Proceeds from issuance of long-term debt	50,147,251	-	702,494
Retirement of long-term debt	(3,245,000)	-	(59,935,000)
Interest payments	(1,040,361)	-	(30,991,218)
Other cash flows from noncapital financing activities	(15,133)	-	-
Net Cash Flows From Noncapital Financing Activities	63,834,880	(176,726)	(104,367,717)
CASH FLOWS FROM INVESTING ACTIVITIES			
Liquidation of investments	-	-	8,291,809
Investment and interest income	615,878	(55,871)	9,316,913
Net Cash Flows From Investing Activities	615,878	(55,871)	17,608,722
Net Increase (Decrease) in Cash and Cash Equivalents	103,084,390	794,476	(6,649,990)
CASH AND CASH EQUIVALENTS - Beginning of Year	258,929,644	7,226,866	89,095,509
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 362,014,034	$ 8,021,342	$ 82,445,519

Safe Drinking Water Loan Program	Eliminations	Totals
$ 23,543,292	$ -	$ 180,499,126
6,032,052	-	51,776,085
(32,140,644)	-	(112,052,909)
(123,375)	-	(1,832,792)
(2,199,823)	-	(3,533,714)
-	-	25,416
(4,888,498)	-	114,881,212
10,311,316	-	40,457,398
(2,710,453)	-	(7,095,325)
3,064,600	-	3,123,935
-	-	(22,153,141)
-	-	50,849,745
-	-	(63,180,000)
-	-	(32,031,579)
-	-	(15,133)
10,665,463	-	(30,044,100)
-	-	8,291,809
285,478	-	10,162,398
285,478	-	18,454,207
6,062,443	-	103,291,319
108,932,697	-	464,184,716
$ 114,995,140	$ -	$ 567,476,035

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF CASH FLOWS
BY PROGRAM
For the Year Ended June 30, 2016

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	$ 25,527,814	$ (259,672)	$ (13,851,362)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Interest expense classified as noncapital financing activity	891,799	-	28,076,286
Changes in assets and liabilities:			
Loans to other governments	11,012,045	1,060,477	64,971,048
Due from other funds	(7,036)	(365,367)	-
Proportionate share of contributions	-	(63,111)	-
Prepaid items	-	3,269	16,887
Compensated absences	-	469,575	-
Other assets	-	81,886	-
Other postemployment benefits	-	400	-
Accrued expenses	31,456	39,227	95,565
Accrued interest on bonds	92,130	4,018	288,808
Due to other funds	1,085,424	56,371	511,773
Due to other governmental entities	-	-	-
Total Adjustments	13,105,818	1,286,745	93,960,367
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 38,633,632	$ 1,027,073	$ 80,109,005
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Unrestricted cash and cash equivalents - statement of net position	$ 362,014,034	$ 8,021,342	$ (11,472,677)
Investments in United States Treasury Notes, purchased in connection with forward delivery agreements	-	119,173	45,550,078
Investments in State of Wisconsin general obligation clean water bonds	-	-	187,049,829
Restricted cash and cash equivalents - statement of net position	-	-	93,918,196
Total Cash and Investments	362,014,034	8,140,515	315,045,426
Less: Noncash equivalents	-	(119,173)	(232,599,907)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 362,014,034	$ 8,021,342	$ 82,445,519
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES			
Net change in unrealized gains and losses	$ -	$ -	$ 18,729,948
Bond premium amortization	$ 588,209	$ -	$ 22,253,363

Safe Drinking Water Loan Program	Totals
$ 2,206,303	$ 13,623,083
-	28,968,085
(8,597,351)	68,446,219
(4,688)	(377,091)
-	(63,111)
-	20,156
-	469,575
-	81,886
-	400
(65,785)	100,463
(6,654)	378,302
1,800,354	3,453,922
(220,677)	(220,677)
(7,094,801)	101,258,129
$ (4,888,498)	$ 114,881,212
$114,995,140	$ 473,557,839
-	45,669,251
-	187,049,829
-	93,918,196
114,995,140	800,195,115
-	(232,719,080)
$114,995,140	$ 567,476,035
$ -	$ 18,729,948
$ -	$ 22,841,572

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

OTHER INFORMATION (UNAUDITED)
For the Years Ended June 30, 2016 and 2015

In management's opinion, the Governmental Accounting Standards Board (GASB) does not require an MD&A for individual fund reports under GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Therefore, the State has not prepared an MD&A for the State of Wisconsin Environmental Improvement Fund. An MD&A is included in the Comprehensive Annual Financial Report for the State of Wisconsin, which includes all funds and component units.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Secretary of the Department of Administration and the Secretary
of the Department of Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund
Madison, Wisconsin

We have audited, 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* issued by the Comptroller General of the United States, the financial statements of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State of Wisconsin Environmental Improvement Fund's financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Secretary of the Department of Administration and the Secretary
of the Department of Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Wisconsin Environmental Improvement Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
December 14, 2016

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 1, 2016

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

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INDEPENDENT AUDITORS' REPORT

To the Secretary of the Department of Administration and the Secretary of the Department of Natural Resources of the State of Wisconsin
Leveraged Loan Portfolio
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the Leveraged Loan Portfolio, (an environmental financing program) of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of and for the year ended June 1, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Leveraged Loan Portfolio'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 Leveraged Loan Portfolio's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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 audit opinion.

To the Secretary of the Department of Administration and the Secretary of the Department of Natural Resources of the State of Wisconsin
Leveraged Loan Portfolio

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Leveraged Loan Portfolio as of June 1, 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Leveraged Loan Portfolio of the State of Wisconsin Environmental Improvement Fund and do not purport to, and do not, present fairly the financial position of the State of Wisconsin, as of June 1, 2016, or June 30, 2016, and the changes in financial position, or cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Leveraged Loan Portfolio's financial statements. The "Other Information" listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
December 14, 2016

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF NET POSITION
As of June 1, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Unrestricted cash and cash equivalents	$	(12,571,350)
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost		45,550,078
Receivables		
Loans to local governments - current portion		62,671,656
Accrued interest receivable		1,140,052
Due from other governmental entities		1,298,709
Prepaid items		16,887
Total Current Assets		98,106,032
Noncurrent Assets		
Restricted assets - cash equivalents		93,918,196
Investments - State of Wisconsin general obligation clean water bonds, at fair value		182,608,589
Loans to local governments		543,258,891
Prepaid items		118,209
Total Noncurrent Assets		819,903,885
Total Assets		918,009,917
Deferred Outflows of Resources		
Unamortized charges		30,875,057
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	948,884,974
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$	70,000
Due to other funds		1,800,795
Revenue obligation bonds - current maturities		51,830,000
Total Current Liabilities		53,700,795
Noncurrent Liabilities		
Due to other governmental entities		605,219
Revenue obligation bonds (including unamortized premium)		662,067,485
Total Noncurrent Liabilities		662,672,704
Total Liabilities		716,373,499
Net Position		
Restricted for environmental improvement		232,511,475
Total Net Position		232,511,475
TOTAL LIABILITIES AND NET POSITION	$	948,884,974

See accompanying notes to financial statements.

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 1, 2016

OPERATING REVENUES	
Interest income used as security for revenue bonds	$ 17,196,631
Total Operating Revenues	17,196,631
OPERATING EXPENSES	
Salaries and benefits	1,494,885
Contractual services and other	1,176,804
Interest	28,946,124
Total Operating Expenses	31,617,813
Operating Loss	(14,421,182)
NONOPERATING REVENUES	
Investment income used as security for revenue bonds	21,892,922
Investment income	872,027
Total Nonoperating Revenues	22,764,949
INCOME BEFORE TRANSFERS	8,343,767
Transfers out	(14,143,993)
Change in Net Position	(5,800,226)
TOTAL NET POSITION - Beginning of Year	238,311,701
TOTAL NET POSITION - END OF YEAR	$ 232,511,475

See accompanying notes to financial statements.

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF CASH FLOWS
For the Year Ended June 1, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Collection on loans	$ 64,971,048
Interest and dividends received on loans	17,343,482
Payments to employees for services	(1,073,168)
Payments to suppliers and other	(1,510,479)
Net Cash Flows From Operating Activities	79,730,883
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(14,143,993)
Proceeds from issuance of long-term debt	702,494
Retirement of long-term debt	(59,935,000)
Interest payments	(30,991,218)
Net Cash Flows From Noncapital Financing Activities	(104,367,717)
CASH FLOWS FROM INVESTING ACTIVITIES	
Arbitrage rebate	97,184
Liquidation of investments	8,291,809
Investment and interest income	8,061,196
Net Cash Flows From Investing Activities	16,450,189
Net Decrease in Cash and Cash Equivalents	(8,186,645)
CASH AND CASH EQUIVALENTS - Beginning of Year	89,533,491
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 81,346,846

RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS USED BY OPERATIONS	
Operating loss	$ (14,421,182)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Interest expense classified as noncapital financing activity	28,478,153
Changes in assets and liabilities:	
Prepaid items	16,887
Loans to other governments	64,971,048
Interest receivable	146,852
Accounts payable	70,000
Due to other funds	469,125
Total Adjustments	94,152,065
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 79,730,883

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Unrestricted cash and cash equivalents - statement of net position	$ (12,571,350)
Investments in United States Treasury Notes, purchased in connection with forward delivery agreements	45,550,078
Investments in State of Wisconsin general obligation clean water bonds	182,608,589
Restricted cash and cash equivalents - statement of net position	93,918,196
Total Cash and Investments	309,505,513
Less: Noncash equivalents	(228,158,667)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 81,346,846

NONCASH INVESTING ACTIVITIES	
Net change in unrealized gains and losses	$ 13,119,186
Bond premium amortization	$ 15,441,390

See accompanying notes to financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity—The Leveraged Loan Portfolio (the "Portfolio") is one of three portfolios of the Clean Water Fund Program, an environmental financing program of the State of Wisconsin Environmental Improvement Fund (the "Fund"). The Fund is an enterprise fund of the State of Wisconsin (the "State") administered by the State of Wisconsin Department of Natural Resources (the "DNR") and the State of Wisconsin Department of Administration (the "DOA").

The Portfolio is funded by proceeds of Clean Water revenue bonds and contributions from the State. Assets in the Portfolio are used for loans for Wisconsin municipal wastewater projects that meet applicable State eligibility and reporting requirements.

Implementation of Accounting Standards—In February 2015, the GASB issued statement No. 72 – *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented June 2, 2015.

Net Operating Loss—The Portfolio incurred an operating loss of $14.4 million in 2016. Management expects the Portfolio will generally incur net operating losses for the foreseeable future. As explained in Note 2, the losses result from the Portfolio's statutory mission to provide loans to municipalities at interest rates below the Portfolio's own cost of funds. The losses have historically been funded by transfers from the State. There were no such transfers made in 2016 for this purpose. Management expects transfers will continue for the foreseeable future sufficient to fund future operating losses.

Loans Receivable—Loans receivable are recorded at cost. Direct costs to originate loans are not material and are expensed as incurred. Fees received to originate loans are not material and are recorded as income when received.

Interest on Loans Receivable—Interest on loans receivable is recognized on an accrual basis on the statement of net position.

United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements—The Portfolio holds United States Treasury Notes as investments at June 1, 2016 and records the notes at cost. The Portfolio purchased these securities in accordance with the Forward Delivery Agreements (see Note 4).

Accounting standards require that investments in participating interest-earning investment contracts be reported at fair value. The four forward delivery agreements with Wells Fargo (formerly Wachovia) and two forward delivery agreements with JP Morgan Chase Bank described in Note 4 would be considered participating investment contracts under current accounting standards. Management has accounted for the agreements as investments in short-term U.S. treasury notes, at cost, rather than as investment contracts at fair value because management believes the difference between cost and fair value does not have a material impact on the financial statements. At June 1, 2016, the fair value of the Fund's interest in these agreements exceeded the cost of the treasury securities owned by approximately $1,019,269.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Investments—Investments that are stated at fair value include the State of Wisconsin Investment Board ("SWIB") Local Government Investment Pool ("LGIP") (see Note 3). The Portfolio has received fair value information for investments from external sources. Changes in the fair value of investments are included in investment income. All other investments are reported at cost. Accrued interest on investments is recorded as earned. To the extent interest income on investments exceeds applicable arbitrage limits specified in the Internal Revenue Code, the amount that must be rebated ("estimated arbitrage") to the U.S. Treasury is recorded as a reduction of investment income (see Note 9). Investment transactions are recorded on the trade date.

Restricted Assets—Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements. The restricted assets will be used for retirement of related long-term debt in the event that sufficient resources are not otherwise available.

Revenue Obligation Bonds—Interest expense on revenue obligation bonds is recognized on an accrual basis.

Debt Defeasance—Advance refundings of debt obligations that meet the criteria of GASB Statement No. 23 are recorded as an extinguishment of debt. The securities held in trust and the defeased obligations are not reported in the financial statements (see Note 7).

Unamortized Charges—The Portfolio defers the difference between the reacquisition price and the net carrying amount of defeased debt and amortizes it as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized deferred charge related to debt defeasance is classified as a deferred outflow of resources.

Cash Equivalents—The Portfolio considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Portfolio also considers as cash equivalents guaranteed investment contracts or repurchase agreements permitting withdrawals required by the bond resolution to meet insufficiencies in debt service payments. Repurchase agreements and guaranteed investment contracts are valued at cost because they are nonparticipating contracts due to the non-negotiability of these investments and because the amount of any withdrawals made do not consider market interest rates.

Net Position—Net position are classified as either restricted or unrestricted based on the presence or absence of restrictions, including federal laws, the Clean Water Act of 1987, resolutions, state statutes, and Title XIV of the 1996 Safe Drinking Water Act, as amended.

Revenue Recognition—Loan interest and investment income are recognized as revenue when earned.

Transfers—Transfers in consist of capital contributions from the State of Wisconsin and are recognized as the contributions are received. Transfers out consist of amounts provided for debt service.

Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Claims and Judgments—Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred. Refer to Note 11 on commitments and contingencies.

NOTE 2 – FINANCIAL ASSISTANCE COMMITMENTS TO LOCAL GOVERNMENTS

Leveraged loans to local governments at June 1, 2016, represent loans for wastewater treatment projects and are for terms of up to 20 years. These loans are made at a variety of prescribed interest rates based on project type categories. In order to effectuate statutory policy, a majority of the loans issued by the Portfolio are at interest rates that are below the State's cost of borrowing. The net losses that can result from this negative interest margin are funded by State contributions. Interest rates on loans receivable ranged from 0% to 4.95% in 2016. The weighted average interest rate was 2.571% at June 1, 2016. The loans contractually are revenue obligations or general obligations of the local governments, or both. Additionally, various statutory provisions exist which provide further security for payment. In the event of a default, the State can intercept State aid payments due to the applicable local government, induce an additional charge to the amount of property taxes levied by the county in which the applicable local government is located, or both. Accordingly, no reserve for loan loss is deemed necessary.

Of the loans outstanding at June 1, 2016, $238,520,362 (39%) were loans due from the Milwaukee Metropolitan Sewerage District.

The Leverage Portfolio did not enter into any new loans during the 12 month period ended June 1, 2016. As of June 1, 2016, the Portfolio had undisbursed loan commitments totaling $9,127,821. From June 1, 2016 to September 19, 2016, the Portfolio made no additional loan disbursements for financial assistance agreements that were outstanding prior to June 1, 2016. There were no additional leverage loans executed between June 1, 2016 and September 19, 2016. These funding commitments are generally met through the proceeds from the issuance of additional Clean Water revenue bonds and investment earnings thereon (Note 6). Financial assistance in the form of grants is not provided in the Leverage Portfolio. The management of the EIF may elect to switch the target funding portfolio for a loan from Leverage to another loan portfolio based on various business or program needs.

NOTE 3 – CASH AND CASH EQUIVALENTS

As of June 1, 2016, cash and cash equivalents consisted of the following:

Local Government Investment Pool ("LGIP"), at fair value	
Cash held by custodian	$ 81,346,846
Less: Amounts classified as restricted assets (see Note 6)	(93,918,196)
Total Unrestricted Cash and Cash Equivalents	$ (12,571,350)

NOTE 3 – CASH AND CASH EQUIVALENTS (cont.)

The LGIP is an investment fund managed by SWIB that accepts investment deposits from over 1,000 municipalities and other public entities in the State of Wisconsin. The objectives of the LGIP are to provide safety of principal and liquidity while earning a competitive money market rate of return. The LGIP functions in a manner similar to a money market fund in that the yield earned changes daily and participants may invest or withdraw any or all amounts on a daily basis at par value. The LGIP is not a SEC registered investment, but is regulated by Wisconsin Statutes 25.14 and 25.17. At June 1, 2016, the current yield on the LGIP was 0.42%. The LGIP investment is stated at fair value.

	Amount	Exposure to Custodial Credit Risk	Credit Risk	Interest Rate Risk	Interest Rate Highly Sensitive	Foreign Currency Rate	% of Portfolio
LGIP	$ 81,346,846	N/A	Not rated	N/A	N/A	N/A	26.3%
Treasury notes – Forward delivery	45,550,078	$0	N/A	See Note 4	N/A	N/A	14.7
GO Bonds-WI	182,608,589	$0	Aa2	5-1-33 final maturity	N/A	N/A	59.0

The Leveraged Loan Portfolio 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.

The valuation methods for recurring fair value measurements are as follows:

> State of WI General Obligation Bonds – The fair value calculation used a present value approach and utilized known market spreads.

	December 31, 2016			
Investment Type	Level 1	Level 2	Level 3	Total
State of WI General Obligation Bonds	$ -	$ 182,608,589	$ -	$ 182,608,589

The Leveraged Loan Portfolio does not have an investment policy separate from the State of Wisconsin.

Restricted assets of $93,918,196 represent amounts legally restricted by the Clean Water revenue bonds. The amount restricted is the product of the average annual debt service of the outstanding, disbursed loans times a factor of 120%.

NOTE 4 – FORWARD DELIVERY AGREEMENTS

The Portfolio has entered into six agreements for the future delivery and purchase of securities to be held as investments of the loan credit reserve fund of the Revenue Obligation Bonds (see Note 6). Four of the agreements are with Wells Fargo (formerly Wachovia) and two are with JP Morgan and each provides for the delivery to, and purchase by, the Portfolio, of securities with a maturity value equal to the purchase price plus earnings calculated at the rate of the agreements. The agreements were entered into in conjunction with the 1997 Series 1, 1998 Series 1, 1999 Series 1, 2006 Series 1, 2006 Series 2, and 2008 Series 1 Revenue Obligation Bonds.

Every six months during the term of the agreements, Wells Fargo and JP Morgan are required to deliver United States Treasury securities (“Treasury securities”) to the Portfolio for purchase. The Treasury securities are held as investments by the Portfolio. The price paid by the Portfolio for the Treasury securities is determined under the contract. That price is that which results in the predetermined annual earnings rate computed on the notional amount, taking into account the coupon interest on the delivered Treasury securities. The redemption value of the securities purchased for investment must equal at least the purchase price of the securities plus earnings calculated by multiplying the notional amount times the annual earnings rate as calculated for the term until the next bond payment date. The agreements may be terminated at the option of the Portfolio and a payment between the parties will be made to compensate for the difference in present value of the earnings expected under each agreement and the earnings available on similar agreements at the time of the termination.

Management has asserted that it does not anticipate terminating the agreements at a time when a payment would be required from the Portfolio to Wells Fargo or JP Morgan. If the agreements were terminated at a time when a payment would be due to Wells Fargo or JP Morgan, management has also asserted that it would be able to enter into similar agreements that would have consistent present values as the agreements are valued in relation to prevailing Treasury security rates. In addition, if the agreements are terminated in whole or in part due to the need to use funds at the maturity date for making a debt service payment on the bonds, then there is not a compensating payment made between the parties.

By GASB definition, these securities are classified as having no exposure to custodial credit risk. The par values, coupon rates, the cost and rate at which the Treasury Notes accrue interest in accordance with the Forward Delivery Agreements at June 1, 2016, are as follows:

	Par Value of Treasuries	Coupon Rate of Treasuries	Cost of Treasuries	Agreement Interest Rate	Agreement Maturity Date	Agreement Market Value
Series 1997-1 Agreement	$ 7,169,000	0.500%	$ 6,992,075	5.58%	June 1, 2017	$ 7,168,440
Series 1998-1 Agreement	7,456,000	0.500	7,292,832	5.01	June 1, 2018	7,455,418
Series 1999-1 Agreement	7,119,000	0.500	6,918,903	6.32	June 1, 2020	7,118,444
Series 2006-1 Agreement	6,539,000	0.875	6,422,000	4.56	June 1, 2027	6,550,494
Series 2006-2 Agreement	8,158,000	0.875	8,000,000	4.84	June 1, 2027	8,172,340
Series 2008-1 Agreement	10,105,000	0.500	9,927,500	4.10	June 1, 2028	10,104,211

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
Proprietary Portfolio	Leveraged Loan Portfolio	$ 1,800,795
Total Due to Other Funds – Statement of Net Position		$ 1,800,795

This interfund resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS

REVENUE OBLIGATION BONDS

Revenue bonds are payable only from revenues derived from the operation of the loan programs.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 706,345,000	$ 254,125,000	$ 325,655,000	$ 634,815,000	$ 51,830,000
Add:					
Unamortized premiums	53,085,924	47,969,199	21,972,638	79,082,485	-
Totals	$ 759,430,924	$ 302,094,199	$ 347,627,638	$ 713,897,485	$ 51,830,000

Revenue obligation serial and term bonds as of June 1, 2016 consisted of the following:

	2016
1998 Series 2:	
Serial Bonds, no optional redemption, June 1, 2017	$ 5,665,000
Unamortized premium on bonds	35,917
	5,700,917
2008 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	8,855,000
Unamortized premium on bonds	192,469
	9,047,469
2008 Series 2:	
Serial Bonds, no optional redemption, June 1, 2018	21,965,000
Unamortized premium on bonds	477,404
	22,442,404
2008 Series 3:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	13,685,000
Unamortized premium on bonds	111,323
	13,796,323

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

	2016
2010 Series 2:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2021	$ 14,070,000
Unamortized premium on bonds	892,359
	14,962,359
2010 Series 3:	
Build America Bonds, optional redemption for bonds at 100% of par, June 1, 2025	49,690,000
2010 Series 4:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2031	19,250,000
Unamortized premium on bonds	1,084,446
	20,334,446
2010 Series 5:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2023	36,760,000
Unamortized premium on bonds	2,726,386
	39,486,386
2012 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2033	49,035,000
Unamortized premium on bonds	6,316,240
	55,351,240
2012 Series 2:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2024	83,220,000
Unamortized premium on bonds	10,147,761
	93,367,761
2013 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2027	78,495,000
Unamortized premium on bonds	10,614,373
	89,109,373
2015 Series 1:	
Serial Bonds optional redemption for bonds at 100% of par, June 1, 2028	133,235,000
Unamortized premium on bonds	20,941,127
	154,176,127
2016 Series 1:	
Serial Bonds optional redemption for bonds at 100% of par, June 1, 2031	120,890,000
Unamortized premium on bonds	25,542,680
	146,432,680
Total of All Series	$ 713,897,485

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

The original issue discount or premium at issuance and the interest rates at June 1, 2016, on the following bond series were:

Series	Original Issue (Premium)	Interest Rates
1998 Series 2	$ (7,739,808)	4.00 – 5.50%
2008 Series 1	(7,712,015)	4.00 – 5.00%
2008 Series 2	(3,393,398)	5.00%
2008 Series 3	(2,764,120)	3.00 – 5.50%
2010 Series 2	(2,065,947)	5.00%
2010 Series 3	-	3.957% - 5.441%*
2010 Series 4	(13,528,717)	3.00 – 5.00%
2010 Series 5	(5,845,742)	5.00%
2012 Series 1	(9,195,497)	2.00 – 5.00%
2012 Series 2	(20,160,489)	3.96 – 5.00%
2013 Series 1	(16,100,626)	4.50 – 5.00%
2015 Series 1	(23,504,408)	3.75 – 5.00%
2016 Series 1	(24,464,791)	2.00 – 5.00%

* - The effect of the interest rate subsidy on the 2010 Series 3 revenue bonds through June 1, 2025 is $4,615,527. The amount due in the next fiscal year is $831,375.

Principal and interest due on the bonds, net of advance refundings, as of June 1, 2016, are as follows:

Years Ending June 1,	Principal	Interest	Totals
2017	$ 51,830,000	$ 30,912,345	$ 82,742,345
2018	60,615,000	28,455,053	89,070,053
2019	55,425,000	25,481,914	80,906,914
2020	54,895,000	22,763,614	77,658,614
2021	51,080,000	20,068,834	71,148,834
2022-2026	230,620,000	64,961,311	295,581,311
2027-2031	124,200,000	18,055,812	142,255,812
2032-2033	6,150,000	410,750	6,560,750
Totals	$ 634,815,000	$ 211,109,633	$ 845,924,633

The revenue obligation bonds are collateralized by a security interest in all assets of the Leveraged Loan Portfolio. At June 1, 2016, the total assets of the Leveraged Loan Portfolio were $948,884,974. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the revenue obligation bonds. However, as the loans granted to the municipalities are at an interest rate which is less than the 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.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

Revenue obligation 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.

The Environmental Improvement Fund has pledged future loan revenues, net of specified operating expenses, to repay $634.8 million in revenue bonds issued between 1998-2016. Proceeds from the bonds provided financing for loans to municipalities to construct or improve water and wastewater projects. The bonds are payable solely from loan revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require 55% of revenues. The total principal and interest remaining to be paid on the bonds is $845,924,633. Principal and interest paid for the current year and total net revenues were $91.7 million and $97.0 million, respectively.

ADVANCE REFUNDINGS

In 2015, the Fund defeased its Clean Water Revenue Bonds 2004 Series 2, and a portion of its Clean Water Revenue Bonds 2008 Series 1 and Clean Water Revenue Bonds 2008 Series 3 bonds, with an average coupon rate of 5.12% for the refunded bonds, through the issuance of $133,235,000 of 2015 Series 1 Clean Water Revenue Refunding Bonds with an average coupon rate of 5.00%. The proceeds were used to purchase the U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Fund’s financial statements. At June 1, 2016, there was $141,420,000 of the defeased bonds outstanding that will be secured by the irrevocable trust’s remaining funds.

The cash flow requirements on the refunded bonds prior to the 2015 advance refunding was $194,127,950 from 2015 through 2028. The cash flow requirements on the 2015, Series 1 refunding bonds are $183,230,036 from 2015 through 2028. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $10,509,890.

In 2016, the Fund defeased its Clean Water Revenue Bonds 2010 Series 1 and a portion of its Clean Water Revenue Bonds 2010 Series 4 bonds, with an average coupon rate of 5.00% for the refunded bonds, through the issuance of $120,890,000 of 2016 Series 1 Clean Water Revenue Refunding Bonds with an average coupon rate of 4.95%. The proceeds were used to purchase the U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Fund’s financial statements. At June 1, 2016, there was $124,300,000 of the defeased bonds outstanding that will be secured by the irrevocable trust’s remaining funds.

The cash flow requirements on the refunded bonds prior to the 2016 advance refunding was $197,668,250 from 2016 through 2031. The cash flow requirements on the 2016, Series 1 refunding bonds are $189,394,299 from 2016 through 2031. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $7,290,551.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

RESTRICTED ASSETS

Among other restrictions under the revenue obligation bond agreements are provisions that require that a specified amount of cash and investments be held by an independent trustee in a reserve account for the purpose of paying bond interest and principal when due. The restricted assets on the statement of net position consist of $12.6 million of the Treasury securities (Note 4) and $93.9 million of the LGIP balance held as a credit reserve. These amounts are required in order to satisfy the conditions of certain agreements related to maintaining the minimum credit ratings on the bonds.

NOTE 7 – PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the Fund defeased certain revenue obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Fund's financial statements. At June 1, 2016, $237,680,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

Call Date	Amount as of June 1, 2016
6/1/2016	$ 53,325,000
6/1/2018	113,380,000
6/1/2020	124,300,000

NOTE 8 – GLOBAL CERTIFICATE AND STATE OF WISCONSIN GENERAL OBLIGATION BONDS

In April 2004, all of the State of Wisconsin General Obligation Bonds previously owned by the Fund were exchanged for a State of Wisconsin General Obligation Bond as part of the Clean Water Program ("Global Certificate"). Subsequent to the Global Certificate, additional State of Wisconsin General Obligation Bonds were issued for the Clean Water Fund Program. Details of these investments as of June 1, 2016 are as follows:

Series	Par Value	Weighted Average Coupon Interest Rate	Market Value
2004	$ 52,867,890	0.00%	$ 48,887,707
2007A	8,129,971	5.54	9,699,823
2007B	6,851,446	5.76	8,942,855
2008A	10,300,000	Less than 1%	10,300,000
2008B	16,600,000	6.16	22,758,969
2009A	15,500,000	5.90	18,945,835
2010A	15,243,000	5.47	19,863,169
2010B	15,000,000	5.96	20,591,044
2012A	11,100,000	3.10	12,072,163
2014A	9,300,000	3.56	10,547,024
Totals	$ 160,892,307		$ 182,608,589

NOTE 8 – GLOBAL CERTIFICATE AND STATE OF WISCONSIN GENERAL OBLIGATION BONDS (cont.)

The Global Certificate and bonds listed above are all registered in the name of the Fund and held by an independent trustee.

Par value of the principal maturities of the Global Certificates as of June 1 excluding the 2008A issue which does not have a repayment schedule are as follows:

Years Ending June 1,	
2017	$ 12,025,350
2018	13,424,630
2019	11,522,163
2020	10,887,904
2021	8,723,476
2022-2026	43,317,960
2027-2031	46,990,824
2032-2033	3,700,000
Totals	$ 150,592,307

NOTE 9 – INVESTMENT INCOME

Investment income is recorded net of estimated required arbitrage relating to outstanding State of Wisconsin Clean Water revenue bonds and consisted of the following for the fiscal year ended June 1, 2016:

Interest	
State of Wisconsin Investment Board Local Government Investment Pool	$ 237,565
United States Treasury Notes	2,280,105
State of Wisconsin General Obligation Bonds	5,908,737
Federal interest on Build America Bonds	872,027
Total Interest	9,298,434
Changes in Realized and Unrealized Gains (Losses)	
State of Wisconsin General Obligation Bonds	13,119,186
Total Interest and Changes in Unrealized Gains (Losses)	22,417,620
Change in Estimated Rebatable Arbitrage Liability	347,329
TOTAL INVESTMENT INCOME	$ 22,764,949

NOTE 10 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 77, *Tax Abatement Disclosures*
- Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*
- Statement No. 79, *Certain External Investment Pools and Pool Participants*
- Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*
- Statement No. 81, *Irrevocable Split-Interest Agreements*
- Statement No. 82, *Pension Issues-an Amendment of GASB Statement No. 67, No. 68, and No. 73*

When they become effective, application of these standards may restate portions of these financial statements.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Occasionally the Portfolio is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the state legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Portfolio's financial position or results of operations.

NOTE 12 – RISK MANAGEMENT

The State of Wisconsin's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, risks are managed internally through self-insurance accounted for in an internal service fund. No separate policies exist for the Portfolio itself.

STATE OF WISCONSIN LEVERAGED LOAN PORTFOLIO

OTHER INFORMATION (UNAUDITED)
For the Year Ended June 1, 2016

In management's opinion, the Governmental Accounting Standards Board (GASB) does not require an MD&A for individual fund reports under GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Therefore, the State has not prepared an MD&A for the State of Wisconsin Leveraged Loan Portfolio. An MD&A is included in the Comprehensive Annual Financial Report for the State of Wisconsin, which includes all funds and component units.

PART VII

ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS

Part VII of the 2016 Annual Report provides information about environmental improvement fund revenue bonds **(Bonds)** issued by the State of Wisconsin **(State)**. Selected information is provided on this page for the convenience of the readers; however, all information presented in this Part VII of the 2016 Annual Report should be reviewed to make an informed investment decision.

Total Outstanding Balance (12/15/2016)		$40,135,000
Amount Outstanding of Fixed-Rate Obligations		40,135,000
Amount Outstanding of Variable-Rate Obligations		0
Percentage of Outstanding Obligations in form of Variable-Rate Obligations		0.00%
Ratings (Fitch/S&P)		
Bonds		AAA/AAA
Authority	Environmental Improvement Fund Revenue Obligations Program Resolution adopted by the Commission on October 7, 2015, and Subchapter II of Chapter 18 and Sections 281.58 and 281.59, Wisconsin Statutes.	
Trustee/Paying Agent	U.S. Bank National Association serves as Trustee, Registrar, and Paying Agent.	
Security	The Bonds are payable solely from Pledged Revenues, which include (1) Loan Repayments on Pledged Loans, (2) moneys received by the State upon any default under Municipal Obligations, and (3) any other moneys or revenues pledged in the Program Resolution to secure the Bonds, and from any amounts on deposit in the Loan Fund, Revenue Fund, Redemption Fund and certain other funds created under the Program Resolution.	
Audit Report and Financial Statements	APPENDIX A to this Part VII of the 2016 Annual Report includes the independent auditor's report and the financial statements for the State's Environmental Improvement Fund.	

[a] The ratings presented are the ratings assigned to the State's environmental improvement fund revenue bonds without regard to any bond insurance policy. No information is provided in the 2016 Annual Report about any rating assigned to any environmental improvement fund revenue bonds based on any bond insurance policy.

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The State of Wisconsin Building Commission (**Commission**) supervises all matters concerning the State's issuance of revenue obligations. The Capital Finance Office, which is part of the State of Wisconsin Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs. The law firm of Foley & Lardner LLP provided bond counsel services, and the firm of Public Financial Management, Inc. provided financial advisor services, in connection with the issuance of environmental improvement fund revenue bonds. Requests for additional information about the Bonds or the Environmental Improvement Fund may be directed to the Capital Finance Office.

See "FINANCING PLAN" for a summary of the two different revenue bond programs the State has used to fund loans from the State's Clean Water Fund Program. This Part VII of the 2016 Annual Report addresses environmental improvement fund revenue bonds while Part VI of the 2016 Annual Report addresses clean water revenue bonds.

The 2016 Annual Report includes information and defined terms for different types of municipal securities issued by the State. The context or meaning of terms used in one part of the 2016 Annual Report may differ from those of the same terms used in another part, and the total amount shown in a table may vary from the related sum due to rounding. See "GLOSSARY" for the definitions of capitalized terms used in this Part VII of the 2016 Annual Report. No information or resource referred to in the 2016 Annual Report is part of the report unless expressly incorporated by reference.

Certain statements in this Part VII of the 2016 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2016 Annual Report, and the State undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

OUTSTANDING BONDS

Table VII-1 shows the outstanding principal balances of Bonds as of December 15, 2016. The 2015 Series A Bonds and all other environmental improvement fund revenue bonds to be issued under the Program Resolution are collectively referred to as the **Bonds**. U.S. Bank National Association is the trustee for the Bonds **(Trustee)**. In addition, the Trustee is the registrar **(Registrar)** and paying agent **(Paying Agent)** for the Bonds.

Table VII-1

OUTSTANDING ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS
BY ISSUE
(As of December 15, 2016)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
2015- Series A **(2015 Series A Bonds)**	12/3/15	2016-30	$ 43,380,000	$ 40,135,000
Total Outstanding Environmental Improvement Fund Revenue Bonds				$ 40,135,000

Table VII-2 provides a historical view of the amount of outstanding Bonds as of December 15th for prior years.

Table VII-2

HISTORICAL OUTSTANDING ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS

Year (December 15)	Outstanding Bonds
2015	$43,380,000

STATE REVOLVING FUND

Federal Water Quality Act

The Federal Water Quality Act of 1987, as amended **(Water Quality Act)**, established a joint federal and state program commonly referred to as the State Revolving Fund (**Federal SRF**) Program. Under the

Federal SRF Program, the United States Environmental Protection Agency (**EPA**) is authorized to make grants (**Capitalization Grants**) to a state to assist in providing financial assistance to municipalities within the state for governmentally-owned water treatment projects and other water pollution abatement projects. As a condition to receipt of Capitalization Grants, a state is required to establish a perpetual Federal SRF into which each Capitalization Grant must be deposited and to provide state matching funds **(State Match)** equal to at least 20% of the Capitalization Grant for deposit in the Federal SRF. Amounts in a Federal SRF are permitted to be applied to provide financial assistance to municipalities for governmentally-owned water treatment projects and other water pollution abatement projects in a number of ways.

Capitalization Grants

The federal government has authorized appropriations for Capitalization Grants for federal fiscal years 1989 through 2016. For the Clean Water Fund Program, the State has been awarded Capitalization Grants from EPA aggregating approximately $1.112 billion for federal fiscal years 1989 through 2016. For the Safe Drinking Water Loan Program, the State has been awarded Capitalization Grants from EPA aggregating approximately $365 million for federal fiscal years 1998 through 2016. The aggregate amounts of Capitalization Grants stated above also include funds awarded to the State pursuant to the American Recovery and Reinvestment Act of 2009, for which no State Match was required. Prior to 2015, the State issued general obligations to provide the State Match required for the State to receive its Capitalization Grants. In 2015, the State issued its first Bonds under the Program Resolution to provide funds for the State Match required for the Clean Water Fund Program. The State expects to fund current and future State Match requirements for the Clean Water Fund Program through the issuance of such Bonds, while continuing to issue general obligations for the State Match required for the Safe Drinking Water Loan Program.

State Revolving Fund

In response to the Water Quality Act, the State created the Environmental Improvement Fund and the Clean Water Fund Program. Financial assistance is made available to Municipalities in the form of Loans from the Clean Water Fund Program. See "ENVIRONMENTAL IMPROVEMENT FUND" and "CLEAN WATER FUND PROGRAM".

ENVIRONMENTAL IMPROVEMENT FUND

The State's Environmental Improvement Fund currently provides for the following separate environmental financing programs:

- **Clean Water Fund Program**. Established in 1990, the Clean Water Fund Program is a municipal financial assistance program for water pollution control projects and includes the State's implementation of a Federal SRF Program under the Water Quality Act. This program also funds the Land Recycling Loan Program, which is a municipal loan program for remediation of contaminated lands. See "CLEAN WATER FUND PROGRAM".
- **Safe Drinking Water Loan Program**. The Safe Drinking Water Loan Program is a municipal loan program for drinking water projects and includes the State's implementation of the federal Safe Drinking Water Act Amendments of 1996. Loans from the Safe Drinking Water Loan Program are primarily funded from federal Capitalization Grants awarded for this purpose, the required State Match for those Capitalization Grants, and recycled Safe Drinking Water Loan payments.

Although the Program Resolution establishes funds and accounts to accommodate financing for the Safe Drinking Water Loan Program, the Act does not currently authorize the issuance of State revenue obligations under the Revenue Obligations Act with respect to the Safe Drinking Water Loan Program. If changes were made to the Wisconsin Statutes, Bond proceeds could be used to make loans under the Safe Drinking Water Loan Program; however, no legislation is pending that would make such changes. Under current law the State is authorized to issue State revenue obligations to make loans under the Land Recycling Loan Program; however, the last loan under the Land Recycling Loan Program was made in 2008.

FINANCING PLAN

From 1991 through 2012, the State issued clean water revenue bonds to fund Loans under the Clean Water Fund Program. The clean water fund revenue bond program and the security for clean water revenue bonds are described in Part VI of the 2016 Annual Report. In 2015, the Commission adopted the Program Resolution for State of Wisconsin Environmental Improvement Fund Revenue Bonds **(Program Resolution)**, which established a new and separate program for the issuance of the Bonds to provide financing for the Clean Water Fund Program. The environmental improvement fund revenue bond program and the security for the Bonds are described in this Part VII of the 2016 Annual Report. The pledged revenues and pledged loans for each revenue bond program are different, and readers of the 2016 Annual Report are asked to use caution to ensure they are making reference to the correct part of the 2016 Annual Report.

Clean Water Revenue Bond General Resolution

As of December 15, 2016, approximately $635 million of the clean water revenue bonds were outstanding. Those bonds are not secured by the Pledged Revenues under the Program Resolution and the Bonds are not secured by the general resolution for the clean water revenue bonds **(Prior General Resolution)**. The State does not intend to issue any additional clean water revenue bonds under the Prior General Resolution (other than potential refunding bonds); however, it reserves the right to do so.

CLEAN WATER FUND PROGRAM

The Clean Water Fund Program is a single program that consists of three loan portfolios, based on the sources of funds:

- **Direct Portfolio**, consisting of Loans funded with Capitalization Grants, the required State Match, and the Bonds, together with repayments of the principal of, and interest on, those Loans. Upon the issuance of the 2015 Series A Bonds, all then-existing Loans under the Direct Portfolio were designated as Pledged Loans. In addition, all Loans made from the proceeds of the Bonds are Pledged Loans under the Program Resolution.
- **Leveraged Portfolio**, consisting of Loans that were funded with clean water revenue bond proceeds, together with repayments of the principal of, and interest on, those Loans. The Leveraged Portfolio is pledged to secure payment of the outstanding clean water revenue bonds and does not secure the Bonds issued under the Program Resolution.
- **Proprietary Portfolio**, consisting of Loans funded with State general obligation bond proceeds, together with repayments of the principal of, and interest on, those Loans. Proprietary Loans are used to fund projects that may not meet all the construction or financial criteria of the Direct Portfolio or Leveraged Portfolio. This portfolio also includes State general obligation proceeds that are used to provide hardship low-interest loans and grants to municipalities.

Only Pledged Loans for purposes of the Program Resolution will be funded with Bond proceeds, and only repayments of Pledged Loans are pledged to the repayment of the Bonds. In other words, Bond proceeds will not fund Loans in the Leveraged or Proprietary Portfolios, and repayments of Loans in the Leveraged or Proprietary Portfolios are not pledged to the repayment of the Bonds. See "SECURITY".

Under EPA regulations, Grant Proceeds and principal repayments of Pledged Loans are not permitted to be used to pay any amounts due with respect to debt incurred to finance the State Match. For that reason, the Bonds and the proceeds of the Bonds will be allocated to State Match Portions and Leveraged Portions, and the principal of, and interest on, the State Match Portions of the Bonds will be paid solely from interest receipts with respect to the Pledged Loans and investment earnings on the Funds and Accounts.

The Clean Water Fund Program receives applications for financial assistance and reviews and approves such applications prior to the award of any Loans. All Loans are made to Municipalities pursuant to Financial Assistance Agreements. As evidence of each Loan, the Municipality is required to issue and deliver to the State a bond or note of the Municipality **(Municipal Obligation)** obligating the Municipality to repay the Loan on the maturity schedule and at the interest rate set forth in the Financial Assistance Agreement. See "LOANS".

Funding Levels

Table VII-3 presents the historical funding sources for the Clean Water Fund Program's Direct Portfolio, reflecting only federal Capitalization Grants and required State Match.

Table VII-3

FUNDING SOURCES; CLEAN WATER FUND PROGRAM DIRECT PORTFOLIO

Fiscal Year				
Federal	**State**	**Federal Funding**	**State Match**	**Total**
Prior to 1995	Prior to 1996	$244,352,400	$ 48,870,400	$ 293,222,800
1995	1996	33,298,900	6,659,800	39,958,700
1996	1997	54,544,500	10,908,900	65,453,400
1997	1998	16,849,000	3,369,800	20,218,800
1998	1999	36,404,000	7,280,800	43,684,800
1999	2000	39,981,800	7,996,400	47,978,200
2000	2001	36,283,600	7,256,700	43,540,300
2001	2002	35,960,900	7,192,200	43,153,100
2002	2003	36,123,400	7,224,700	43,348,100
2003[(a)]	2004	37,162,600	7,229,200	44,391,800
2004	2005	35,828,500	7,165,700	42,994,200
2005	2006	29,132,000	5,826,400	34,958,400
2006	2007	23,673,900	4,734,800	28,408,700
2007	2008	28,934,800	5,787,000	34,721,800
2008	2009	18,396,600	3,679,300	22,075,900
2009[(b)]	2010	124,344,800	3,679,300	128,024,100
2010	2011	55,083,000	11,016,600	66,099,600
2011	2012	39,920,900	7,984,200	47,905,100
2012	2013	38,208,000	7,641,600	45,849,600
2013	2014	36,093,000	7,218,600	43,311,600
2014	2015	37,905,000	7,581,000	45,486,000
2015	2016	37,711,000	7,542,200	45,253,200
2016	2017	36,121,000	7,224,200	43,345,200
Total		**$1,112,313,485**	**$201,069,667**	**$1,313,383,152**

(a) Includes grant under the Federal Rural Communities Hardship Grants Program

(b) The American Recovery and Reinvestment Act of 2009 provided $104 million for grants and $2 million for administration and did not require a State Match

The amount of federal funding available in the future may affect the amount of Loans to be made by the Clean Water Fund Program and the amount of Bonds to be issued by the State. However, any change in the amount and timing of future Capitalization Grants for the Clean Water Fund Program would not affect the Pledged Revenues available for payment of Debt Service on the Bonds.

The Legislature has authorized the issuance of $2.527 billion of revenue bonds (not including refunding bonds) for the Clean Water Fund Program. In addition to $43 million of Bonds, the State has issued $1.570 billion of clean water revenue bonds and an additional $903 million of clean water revenue refunding bonds under the Prior General Resolution. The remaining statutory revenue bond authorization may be used for the issuance of additional Bonds under the Program Resolution or additional clean water revenue bonds under the Prior General Resolution. See "FINANCING PLAN" and "SECURITY; Additional Bonds".

Management

Management responsibilities for the Clean Water Fund Program are shared between two State agencies. The State of Wisconsin Department of Natural Resources **(DNR)** is responsible for the environmental and programmatic management of the Clean Water Fund Program. The State of Wisconsin Department of Administration (**DOA)** is responsible for the financial and investment management of the Clean Water Fund Program. DNR and DOA have agreed upon the division of responsibilities and joined in a memorandum of understanding that details their respective roles. Joint responsibilities between DNR and DOA include issuing notices of financial assistance commitment (**Commitments**) to Municipalities and entering into financial assistance agreements **(Financial Assistance Agreements)** with Municipalities to finance eligible wastewater projects. DOA and DNR also jointly prepare biennial finance plans which include the estimated wastewater facility needs of municipalities in the State, the amount of financial assistance projected to be provided, and the sources of the funding projected to be provided.

Operating Agreement with EPA

In connection with receipt of Capitalization Grants, the State, acting through DNR and DOA, has entered into an Operating Agreement, as amended, with EPA. The Operating Agreement sets forth the objectives and structure of the Clean Water Fund Program and the responsibilities of DNR and DOA. Among these responsibilities are:

- Financial management
- Management of the environmental and project construction aspects
- Preparation of an intended use plan, setting forth the projects the State expects to finance under the Clean Water Fund Program.

SECURITY

General

The 2015 Series A Bonds are the first series of Bonds issued under the Program Resolution and are Senior Bonds for purposes of the Program Resolution. Any other Bonds that may be issued under the Program Resolution in the future may be issued as Senior Bonds on a parity with the 2015 Series A Bonds, or as Subordinate Bonds.

The Act sets forth certain requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund Program. Financial assistance can only be awarded to one of the types of governments specified by the Act. The Act provides that the Municipality must comply with a number of requirements, including establishing a dedicated source of revenue for the repayment of the financial assistance, complying with the requirements of the Water Quality Act, developing a program of water conservation as required by DNR, and developing and adopting a system of equitable user charges.

The Bonds are special obligations of the State of Wisconsin, payable from the revenues or receipts, funds or moneys pledged under the Program Resolution. It is anticipated that Loan Repayments on Pledged

Loans pursuant to the Financial Assistance Agreements will be sufficient to pay principal of and interest on the Bonds. In addition, the Bonds are further secured by other amounts and Funds and Accounts held under the Program Resolution. Debt Service on all Bonds is secured by a pledge of:

- Pledged Revenues, consisting of:
  - Loan Repayments made by Municipalities on Pledged Loans;
  - moneys received by the State upon a default under a Municipal Obligation (State payments intercepted by the DOA, and taxes collected by county treasurers);
  - any Counterparty Swap Payments under a Swap Agreement;
  - earnings or income from Funds and Accounts payable into the Revenue Fund;
  - other moneys held or received relating to any Municipal Obligation; and
  - any other revenues pledged to secure Bonds.
- Amounts in the Loan Fund, Cost of Issuance Fund, Revenue Fund, and Redemption Fund, subject to any limits in a Supplemental Resolution.

The Program Resolution also contains provisions for:

- The establishment and funding of an account within the Reserve Fund (or, in the case of Subordinate Bonds, within the Subordinate Reserve Fund) in connection with the issuance of a series of Bonds; and
- The State to obtain letters of credit, bond insurance policies, or other credit enhancement instruments (each, a **Credit Enhancement Facility)** to provide a source of payment or security for a particular series of Bonds.

No account within the Reserve Fund has been established, and no Credit Enhancement Facility has been obtained, in connection with the issuance of the 2015 Series A Bonds. The 2015 Series A Bonds are not expected to be entitled to the benefit of any Account within the Reserve Fund that may be established, or Credit Enhancement Facility that may be obtained, in the future.

The Program Resolution also established an Equity Fund and a Rebate Fund, which are not pledged to the payment of the Bonds.

The State is not obligated to pay the principal of, and interest on, the Bonds from any revenues or funds of the State other than those pledged pursuant to the Program Resolution, and neither the full faith and credit nor the taxing power of the State or any agency, instrumentality or political subdivision thereof is pledged to the payment of the principal of, or interest on, the Bonds.

Pledged Loans

Upon issuance of the 2015 Series A Bonds, all then-existing Loans under the Direct Portfolio were designated as Pledged Loans. In addition, all Loans made from the proceeds of the Bonds are Pledged Loans under the Program Resolution. The State may designate additional Loans which are not otherwise subject to the pledge of the Program Resolution as Pledged Loans, and thereby assign and grant to the Trustee a security interest in the related Loan Repayments and other related Pledged Revenues, which will then become subject to the lien of the Program Resolution.

Table VII-4 identifies all Municipalities that have received Loans under the Direct Portfolio and provides certain other information about the Loans made to these Municipalities. As of December 15, 2016, disbursements for Loans under the Direct Portfolio totaled $2.4 billion, and the outstanding principal balance of the Loans under the Direct Portfolio was $1.1 billion.

Table VII-4 includes the total amount of the Financial Assistance Agreement, the total amount of all Loans disbursed under such Financial Assistance Agreement, the outstanding Pledged Loan principal balance as of December 15, 2016, the outstanding principal balance as of December 15, 2016 for Loans that are not Pledged Loans, and the percentage of the Pledged Loan principal balance compared to the principal balances for all outstanding Pledged Loans. The table also includes the amount that remained to be disbursed pursuant to each Municipality's Financial Assistance Agreements as of the same date; this amount includes both Pledged Loans and all other Loans pursuant to the Financial Assistance Agreement. The amounts included in the table may also include amounts for any grants and other awards such as those made pursuant to the American Recovery and Reinvestment Act of 2009 and the grants awarded pursuant to the Capitalization Grant received for federal fiscal years 2010 and 2011.

Loan Repayments of Pledged Loans are the primary revenues available to pay debt service on the Bonds. The extent to which the failure of a particular Municipality to make its Loan Repayment of Pledged Loans affects the Clean Water Fund Program's ability to pay debt service on the Bonds will vary based on the percentage of debt service payments on the Bonds to be paid from the Loan Repayments of Pledged Loans from that Municipality. The State believes that the security provisions of the Financial Assistance Agreements will limit the effect on Bondowners of a failure by one or more Municipalities to pay debt service on their Pledged Loans. However, persistent failures by one or more Municipalities to pay debt service on Pledged Loans may adversely affect the ability of the Clean Water Fund Program to pay debt service on the Bonds. See "LOANS; Statutory Powers".

The Milwaukee Metropolitan Sewerage District (**MMSD**) is currently the largest borrower with respect to Loans in the Direct Portfolio, with $362 million in principal amount of Pledged Loans outstanding as of December 15, 2016. Other Municipalities had amounts ranging from $8,000 to $103 million in principal amount of Pledged Loans outstanding as of the same date.

As of December 15, 2016, the Municipal Obligations that evidenced outstanding Loans under the Direct Portfolio consisted of 59% (by total outstanding principal amount) general obligations and 41% (by total outstanding principal amount) revenue or special assessment obligations.

As discussed in more detail under "LOANS; Statutory Powers", DOA may intercept State Aid payable to certain types of Municipalities if such a Municipality defaults on a Loan. As of December 15, 2016, 46% (by total outstanding principal amount) of Municipal Obligations that evidenced outstanding Loans under the Direct Portfolio represented Loans with such State Aid intercept provisions. These percentages will change as new Pledged Loans are made and existing Loans under the Direct Portfolio are repaid.

Table VII-4

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 15, 2016[(a)]
(Amounts in Thousands)

Municipality	FAA Loan Amount[(b)]	Total Loan Disbursed[(b)]	Pledged Loan Principal Balance[(a)]	% of All Pledged Loans[(a)]	Non-Pledged Loan Principal Balance[(b)]	Total Outstanding Principal Balance[(b)]	Total FAA Loan Amount Remaining To be Drawn [(a)(b)(c)]
Milwaukee Metro Sewer District	$1,129,773	$1,028,106	$362,328	33.39%	$248,856	$611,184	$13,041
Madison Metropolitan Sewerage District	198,677	185,633	102,628	9.46%	36,706	139,334	6,612
City of Milwaukee - Comptroller's Office	171,680	164,939	89,686	8.26%	27,412	117,098	502
Green Bay Metropolitan Sewerage District	230,797	137,810	47,913	4.41%	60,762	108,675	88,976
City of Waukesha	49,701	46,417	39,556	3.64%	5,078	44,634	3,284
City of Racine	124,080	123,625	33,287	3.07%	14,977	48,264	142
City of Eau Claire	41,396	39,742	27,695	2.55%	10,310	38,005	1,654
City of Wisconsin Rapids	26,966	26,616	19,537	1.80%	-	19,537	-
Neenah - Menasha Sewerage Commission	21,440	21,051	18,433	1.70%	-	18,433	390
City of Monroe	24,362	22,909	17,011	1.57%	3,240	20,251	992
Walworth County Metropolitan Sewerage District	25,167	25,070	10,837	1.00%	6,207	17,044	-
City of Watertown	30,535	29,384	10,612	0.98%	72	10,684	-
City of Burlington	15,256	14,910	10,059	0.93%	1,634	11,693	283
Ho-Chunk Nation	10,563	10,275	9,425	0.87%	-	9,425	-
City of Rhinelander	20,730	19,228	9,059	0.83%	6,474	15,533	1,282
Village of Lake Delton	26,675	26,118	8,902	0.82%	5,325	14,227	247
City of Sun Prairie	16,114	15,844	8,394	0.77%	-	8,394	-
Village of Caledonia	14,522	14,094	8,264	0.76%	1,600	9,864	-
City of Beaver Dam	10,317	10,317	7,923	0.73%	-	7,923	-
City of Oconto Falls	11,501	11,270	7,805	0.72%	1,693	9,498	-
Village of Paddock Lake	9,370	8,931	7,287	0.67%	90	7,377	-
Town of Salem	17,577	16,930	7,261	0.67%	4,574	11,835	107
City of Sheboygan	20,935	19,162	7,051	0.65%	7,355	14,406	1,213
Village of Kewaskum	9,423	9,204	6,091	0.56%	-	6,091	-
City of Saint Croix Falls	7,057	6,507	5,660	0.52%	346	6,006	549
City of Oshkosh	49,022	48,154	5,207	0.48%	12,295	17,502	425
City of Whitewater	25,018	12,211	5,029	0.46%	6,400	11,429	12,775
City of South Milwaukee	17,923	17,520	4,790	0.44%	6,789	11,579	-
Village of Plover	12,754	12,644	4,653	0.43%	1,477	6,130	-
Western Racine County Sewerage District	11,459	10,617	4,643	0.43%	409	5,052	-
City of Platteville	6,559	6,438	4,598	0.42%	-	4,598	-
Village of Suamico	9,940	9,283	4,417	0.41%	-	4,417	-
Heart of the Valley Metropolitan Sewerage District	40,884	39,461	4,353	0.40%	17,595	21,948	-
City of Chippewa Falls	9,396	8,865	3,634	0.33%	2,480	6,114	222
Village of Brooklyn	4,756	4,730	3,337	0.31%	-	3,337	-
Village of Wrightstown	14,909	13,893	3,322	0.31%	7,494	10,816	902
Town of Beloit	5,628	5,477	3,293	0.30%	1,656	4,949	99
City of Evansville	5,250	4,851	3,211	0.30%	-	3,211	-
City of Richland Center	5,262	4,928	3,149	0.29%	1,135	4,284	332
Village of Belmont	3,448	3,448	3,149	0.29%	32	3,181	-
Village of Hilbert	4,593	4,034	3,084	0.28%	373	3,457	553
Village of Osceola	6,271	6,115	3,051	0.28%	108	3,159	-
City of Stoughton - Utilities	9,770	8,954	3,047	0.28%	2,535	5,582	-
City of Tomahawk	3,354	3,280	2,970	0.27%	183	3,153	74
Consolidated Koshkonong Sanitary Commission	4,018	3,876	2,908	0.27%	-	2,908	-
Ashippun Sanitary District	4,489	4,236	2,889	0.27%	-	2,889	-
Village of Slinger	6,528	6,082	2,831	0.26%	772	3,603	-
City of Columbus	4,190	4,123	2,761	0.25%	-	2,761	-
City of Marshfield	24,170	22,996	2,701	0.25%	220	2,921	-
City of Reedsburg	20,026	19,615	2,366	0.22%	9,786	12,152	214
City of Darlington	5,687	5,649	2,324	0.21%	499	2,823	-
City of Ladysmith	6,752	6,658	2,297	0.21%	3,659	5,956	-
City of Green Lake	3,507	3,507	2,284	0.21%	-	2,284	-
City of New Holstein	4,300	3,979	2,270	0.21%	876	3,146	121
City of Gillett	4,478	4,478	2,267	0.21%	969	3,236	-
City of New Lisbon	5,802	5,570	2,176	0.20%	626	2,802	-
Wolf Treatment Plant Commission	11,573	11,103	2,151	0.20%	-	2,151	-
Village of Mishicot	4,106	3,966	2,089	0.19%	244	2,333	-
Village of Waldo	2,748	2,637	2,013	0.19%	79	2,092	-
City of West Allis	3,653	2,957	1,957	0.18%	-	1,957	-
Lyons Sanitary District #2	2,614	2,488	1,930	0.18%	-	1,930	-
Village of Twin Lakes	8,806	8,709	1,910	0.18%	1,503	3,413	65
Village of Belgium	5,713	5,661	1,793	0.17%	999	2,792	-
City of Hillsboro	3,015	2,900	1,756	0.16%	458	2,214	48
Village of Roberts	3,112	3,112	1,742	0.16%	-	1,742	-
City of River Falls	3,757	3,342	1,737	0.16%	-	1,737	-
City of Two Rivers	14,995	14,394	1,674	0.15%	6,878	8,552	124

Table VII-4 (Continued)

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 15, 2016[(a)]
(Amount in Thousands)

Municipality	FAA Loan Amount[(b)]	Total Loan Disbursed[(b)]	Pledged Loan Principal Balance[(a)]	% of All Pledged Loans[(a)]	Non-Pledged Loan Principal Balance[(b)]	Total Outstanding Principal Balance[(b)]	Total FAA Loan Amount Remaining To be Drawn[(a)(b)(c)]
Village of Port Edwards	3,368	3,291	1,579	0.15%	-	1,579	-
City of Chilton	5,737	5,703	1,576	0.15%	659	2,235	-
Village of Whitefish Bay	8,329	8,032	1,573	0.14%	4,096	5,669	-
City of Wisconsin Dells	5,100	2,817	1,544	0.14%	88	1,632	2,044
City of Tomah	21,213	19,907	1,528	0.14%	2,457	3,985	136
Village of Denmark	2,069	1,998	1,523	0.14%	-	1,523	-
City of Menasha	20,856	20,328	1,523	0.14%	10,931	12,454	-
Village of Fontana	4,751	4,678	1,499	0.14%	289	1,788	-
City of Hartford	11,415	11,415	1,491	0.14%	-	1,491	-
Greenville Sanitary District No. 1	5,952	5,732	1,457	0.13%	1,715	3,172	-
Village of Genoa City	4,227	4,015	1,445	0.13%	-	1,445	-
Village of Lowell	1,926	1,801	1,439	0.13%	6	1,445	-
Village of Cross Plains	10,534	9,708	1,421	0.13%	4,938	6,359	330
Village of Mount Horeb	1,774	1,685	1,397	0.13%	150	1,547	-
City of Owen	1,973	1,783	1,395	0.13%	-	1,395	-
City of Peshtigo	6,963	6,791	1,391	0.13%	3,047	4,438	-
Town of Oconomowoc	6,819	6,169	1,337	0.12%	-	1,337	-
City of Black River Falls	2,883	2,806	1,288	0.12%	483	1,771	-
City of Whitehall	4,904	4,901	1,274	0.12%	2,958	4,232	-
Village of Clinton	4,962	4,877	1,267	0.12%	-	1,267	-
Village of Athens	2,429	1,650	1,248	0.11%	-	1,248	-
City of Montreal	1,299	1,267	1,215	0.11%	-	1,215	-
Village of Sharon	1,946	1,884	1,193	0.11%	80	1,273	-
City of Shawano	2,361	1,937	1,190	0.11%	47	1,237	-
City of Sparta	6,230	5,714	1,185	0.11%	821	2,006	-
Village of Cassville	1,158	1,158	1,158	0.11%	-	1,158	-
Village of Campbellsport	2,087	1,963	1,150	0.11%	235	1,385	-
Village of Black Creek	2,325	2,066	1,133	0.10%	629	1,762	-
City of Pittsville	4,550	4,282	1,119	0.10%	1,175	2,294	-
City of Janesville	36,367	36,228	1,093	0.10%	23,386	24,479	-
Village of Rio	1,454	1,290	954	0.09%	161	1,115	164
City of Prairie du Chien	4,326	4,014	947	0.09%	1,612	2,559	142
Village of Black Earth	6,313	4,625	943	0.09%	344	1,287	1,534
City of Bayfield	3,481	3,130	943	0.09%	757	1,700	-
Village of Necedah	4,585	4,565	930	0.09%	1,141	2,071	-
Village of Plum City	1,436	1,436	908	0.08%	-	908	-
Village of Cascade	1,200	1,200	908	0.08%	-	908	-
St. Joseph's Sanitary District No. 1	1,562	1,555	876	0.08%	-	876	-
Village of Mazomanie	4,753	4,553	868	0.08%	-	868	-
City of Franklin	27,563	24,589	821	0.08%	20,379	21,200	-
Harmony Grove - Okee Sewerage Commission	2,327	2,155	805	0.07%	-	805	-
Village of Waterford	1,135	1,051	791	0.07%	-	791	-
City of Manitowoc	23,300	22,794	744	0.07%	3,729	4,473	-
Village of Ephraim	1,629	1,457	740	0.07%	-	740	-
City of Independence	1,592	1,556	740	0.07%	-	740	-
City of Phillips	2,233	2,233	683	0.06%	-	683	-
Village of Birchwood	759	759	677	0.06%	2	679	-
Town of Dover	1,787	1,606	667	0.06%	-	667	-
Village of Bayside	1,612	1,399	640	0.06%	-	640	-
City of Park Falls	7,672	5,789	620	0.06%	2,822	3,442	1,603
Village of Vesper	1,724	1,680	581	0.05%	-	581	-
City of Marinette	18,676	17,426	580	0.05%	10,605	11,185	-
Little Suamico Sanitary District #1	1,791	1,682	570	0.05%	-	570	-
Village of Rockdale	877	859	563	0.05%	-	563	-
City of Ashland	6,868	6,126	557	0.05%	1,374	1,931	261
City of Portage	5,630	5,536	557	0.05%	794	1,351	-
Mindoro Sanitary District #1	1,114	1,090	556	0.05%	-	556	-
Kelly Lake Sanitary District #1	2,439	2,413	524	0.05%	-	524	-
City of Delavan	3,842	3,599	516	0.05%	1,747	2,263	-
City of Brookfield	8,870	8,199	502	0.05%	2,497	2,999	-
Grand Chute - Menasha West Sewerage Commission	15,941	15,802	489	0.05%	11,412	11,901	-
City of Osseo	1,575	1,575	480	0.04%	-	480	-
City of New Richmond	3,967	3,801	466	0.04%	631	1,097	49
Village of Randolph	3,215	1,379	465	0.04%	830	1,295	1,801
Village of Whitelaw	1,494	1,491	453	0.04%	-	453	-
Village of Minong	844	755	447	0.04%	116	563	-
Lake Como Sanitary District #1	4,459	4,459	446	0.04%	-	446	-

Table VII-4 (Continued)

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 15, 2016[(a)]
(Amount in Thousands)

Municipality	FAA Loan Amount[(b)]	Total Loan Disbursed[(b)]	Pledged Loan Principal Balance[(a)]	% of All Pledged Loans[(a)]	Non-Pledged Loan Principal Balance[(b)]	Total Outstanding Principal Balance[(b)]	Total FAA Loan Amount Remaining To be Drawn[(a)(b)(c)]
Christmas Mountain Sanitary District	1,659	1,614	408	0.04%	-	408	-
Village of Edgar	555	555	404	0.04%	-	404	-
City of Kenosha	1,631	1,530	401	0.04%	-	401	-
Village of Junction City	1,055	1,055	398	0.04%	528	926	-
City of Jefferson	3,953	3,765	394	0.04%	1,305	1,699	-
City of Shell Lake	1,202	1,148	384	0.04%	687	1,071	54
Village of Saint Nazianz	1,104	1,029	368	0.03%	497	865	-
Village of Dallas	833	709	362	0.03%	224	586	-
Village of Marathon City	1,890	1,853	353	0.03%	-	353	-
Madeline Sanitary District	591	525	350	0.03%	-	350	-
Forest Junction Sanitary District	2,524	2,308	343	0.03%	1,452	1,795	141
City of Clintonville	4,750	4,501	339	0.03%	2,228	2,567	-
Village of Benton	1,702	1,702	333	0.03%	211	544	-
City of Superior	7,047	6,747	331	0.03%	5,081	5,412	-
Village of Camp Douglas	526	483	330	0.03%	-	330	-
Pikes Bay Sanitary District	1,621	666	322	0.03%	-	322	-
Krakow Sanitary District No. 1	625	625	319	0.03%	-	319	-
Village of Arlington	2,132	2,060	309	0.03%	312	621	-
Village of Orfordville	1,320	1,320	301	0.03%	969	1,270	-
Village of Grantsburg	1,001	981	297	0.03%	581	878	-
Village of Stetsonville	1,141	1,141	285	0.03%	-	285	-
Village of Stoddard	556	532	282	0.03%	-	282	-
Village of Merrillan	663	598	264	0.02%	241	505	-
Village of Arena	1,627	1,587	261	0.02%	81	342	-
Wrightstown Sanitary District #1	815	787	256	0.02%	404	660	-
City of Arcadia	3,599	3,430	236	0.02%	1,653	1,889	-
City of Waupaca	4,646	4,333	231	0.02%	1,270	1,501	-
Village of Rib Lake	636	636	219	0.02%	247	466	-
Lake Tomahawk Sanitary Dist #1	1,317	1,313	200	0.02%	-	200	-
City of Greenwood	2,461	2,364	198	0.02%	1,668	1,866	36
Village of Winneconne	1,644	1,494	198	0.02%	-	198	-
Village of Tennyson	372	354	194	0.02%	145	339	19
City of Fountain City	895	855	191	0.02%	371	562	-
City of Mayville	3,454	3,174	189	0.02%	1,861	2,050	178
Village of Bloomfield	5,917	5,917	188	0.02%	-	188	-
Village of Kendall	476	371	184	0.02%	159	343	-
Village of Walworth	584	557	177	0.02%	21	198	-
Roxbury Sanitary District #1	940	914	169	0.02%	-	169	-
Rockland Sanitary District #1	221	193	169	0.02%	-	169	-
City of Kiel	2,470	2,470	168	0.02%	-	168	-
Village of New Auburn	1,144	1,130	166	0.02%	417	583	-
City of Waterloo	1,466	1,385	161	0.01%	1,050	1,211	-
Village of Poplar	224	210	158	0.01%	-	158	-
Village of Butternut	881	712	144	0.01%	410	554	4
City of Galesville	588	584	123	0.01%	334	457	-
Village of Albany	1,396	1,244	117	0.01%	656	773	83
Village of Ellsworth	3,209	3,087	106	0.01%	2,450	2,556	-
Village of Forestville	585	552	105	0.01%	-	105	-
City of Edgerton	5,650	5,385	104	0.01%	2,228	2,332	-
City of Amery	629	482	98	0.01%	-	98	-
Village of De Soto	128	113	94	0.01%	-	94	-
Winneconne Sanitary District #3	2,079	1,985	84	0.01%	-	84	-
Village of Sherwood	1,900	1,823	84	0.01%	239	323	-
Sand Creek SD #1	135	106	71	0.01%	35	106	30
Poy Sippi Sanitary District	223	223	68	0.01%	-	68	-
Village of Haugen	285	285	56	0.01%	-	56	-
Village of Allouez	5,373	4,790	46	0.00%	4,327	4,373	416
Village of Bagley	229	218	41	0.00%	-	41	-
City of Loyal	1,138	851	33	0.00%	284	317	-
City of Juneau	1,365	1,302	16	0.00%	700	716	-
Fulton Sanitary District No. 2	211	211	8	0.00%	-	8	-
Totals	**$3,150,394**	**$ 2,862,121**	**$ 1,085,243**		**$ 685,709**	**$ 1,770,952**	**$ 144,253**

(a) Amounts and percentages are as of December 15, 2016 and after the Loan Repayments due November 1, 2016.

(b) For Municipalities that have entered into a Financial Assistance Agreement that is funded with both Pledged Loans and Loans from other portfolios, or for Municipalities that have entered into more than one Financial Assistance

Agreement that are funded, in part, with Pledged Loans, the entire amount of all Financial Assistance Agreements are included in this table. The amount of financial assistance depicts only loans. Not included are amounts for any grants and other awards such as those made pursuant to the American Recovery and Reinvestment Act of 2009 and the grants awarded pursuant to the Capitalization Grant received for federal fiscal years 2010 and 2011.

(c) Remaining amounts to be drawn that are equal to zero reflect Pledged Loans that have been closed out or paid off. Since the entire amount of all Financial Assistance Agreements awarded to a Municipality is shown in aggregate, specific Pledged Loans for a Municipality that have been closed out may not be apparent in this table.

Lending Criteria and Conditions of Clean Water Fund Program

Although the Act permits financial assistance to take forms other than Loans, such as guaranteeing or purchasing insurance for Municipal Obligations, awarding hardship grants to certain Municipalities, or subsidizing the interest cost on certain other loans, the State currently makes financial assistance available from the Clean Water Fund Program primarily by making Loans to Municipalities with terms up to 20 years at interest rates that are at or below market rates, as specified in the Act.

The State currently determines the market interest rate based on a calculated cost of borrowing using various indices and taking into consideration other factors. A review is done quarterly to complete this determination. The following is a summary of recent market interest rate changes for the Clean Water Fund Program:

- Decreased from 3.50% to 3.00% on January 1, 2015,
- Increased from 3.00% to 3.25% on July 1, 2015,
- Decreased from 3.25% to 3.00% on April 1, 2016,
- Decreased from 3.00% to 2.80% on October 1, 2016, and
- Increased from 2.80% to proposed 3.40% on January 1, 2017.

The rate in effect at the time the Municipality authorizes the execution of the Financial Assistance Agreement applies to all disbursements of the Loan. Proceeds of Loans are disbursed in installments pursuant to a Municipality's Financial Assistance Agreement, as project costs are incurred. As proceeds are disbursed, interest on the Loan accrues on the amount disbursed from the date of disbursement until the date such amount is repaid.

In most instances, the repayment schedule of each Loan is structured to provide level annual debt service from the disbursement dates until the final maturity specified in the respective Municipality's Financial Assistance Agreement. Upon project completion, a Municipality's Loan repayment schedule under its Financial Assistance Agreement will reflect the cumulative principal amortization of the disbursements to the Municipality.

If an audit of the project conducted after the final disbursement of a Loan reveals that the eligible project costs are less than the amount disbursed to the Municipality, the Municipality agrees to reimburse the State within 60 days after DNR or DOA provides a notice of overpayment.

If the Municipality fails to make any payment when due on the Municipal Obligation or fails to observe or perform any other covenant, condition or agreement on its part under the Financial Assistance Agreement for a period of 30 days after written notice specifying the default and requesting that it be remedied has been given to the Municipality by DNR, the State shall have all remedies provided by law and, to the extent permitted by law, the Financial Assistance Agreement.

Each Financial Assistance Agreement requires the Municipality to submit annual audited financial statements to the State, within 180 days after the end of the Municipality's fiscal year, for the State's review. DOA takes an active role in the collection of these documents with initial and follow-up requests to Municipalities that have not complied with this requirement. The State's review of these financial statements focuses on revenue sufficiency; if concerns about sufficient revenues are identified, the Municipality is notified and required, pursuant to the Financial Assistance Agreement, to take actions to address the concerns. In addition, each Municipality covenants in the Financial Assistance Agreement to review its user charge system every two years for the life of the Loan.

See “MUNICIPALITIES”, “LOANS”, and “LENDING CRITERIA” for additional information concerning the loan application process, lending criteria, levy limits for municipalities, and Financial Assistance Agreements.

As of December 15, 2016, no Municipality has been in default of any Municipal Obligations issued to evidence Pledged Loans.

Statutory Powers

Sections 281.58 and 281.59 of the Wisconsin Statutes, as amended **(Act)**, include several provisions that may provide additional security for payment of the principal or redemption price of, or interest on, the Bonds. These provisions include state aid intercept, collection through county treasurers, and state moral obligation, if designated. See “LOANS; Statutory Powers” for more information.

Milwaukee Metropolitan Sewerage District

Based on balances as of December 15, 2016, Loans to the Milwaukee Metropolitan Sewerage District **(MMSD)** were approximately 33% of the total principal amount of all outstanding Loans in the Direct Portfolio. This percentage will change when changes occur in the amount of outstanding Loans in the Direct Portfolio.

MMSD has issued Municipal Obligations to evidence its obligation to repay its Pledged Loans. The Municipal Obligations issued by MMSD are general obligations; MMSD has made an irrepealable levy of ad valorem property taxes sufficient to pay debt service on its Pledged Loans when due.

This Part VII of the 2016 Annual Report incorporates by reference the MMSD Comprehensive Annual Financial Report **(MMSD CAFR)** for the period ending December 31, 2015. The MMSD CAFR has been filed with the Municipal Securities Rulemaking Board (**MSRB**) through its EMMA system and should be consulted only with respect to MMSD. No representation is made as to the accuracy or completeness of the information included in the MMSD CAFR, or that there has been no material change since its date.

Copies of the MMSD CAFR can be obtained from:

Milwaukee Metropolitan Sewerage District
Attention: Mark T. Kaminski, Director of Finance/Treasurer
260 West Seeboth Street
Milwaukee, Wisconsin 53204-1446
Telephone: (414) 225-2050
Email: mkaminski@mmsd.com
Website: http://mmsd.com/financial/financial-reports

Additional Bonds

The Program Resolution permits the issuance of additional Senior Bonds or Subordinate Bonds. Prior to the issuance any Bonds, the State must certify that the State is not in default in the performance of any of its covenants and agreements in the Program Resolution and that after giving effect to the issuance of the Bonds and the pledge of any additional Pledged Loans to be financed with such Bonds or otherwise to be pledged, (i) the Aggregate Debt Service Coverage Ratio will be at least 1.0 to 1 for each future Fiscal Year, and (ii) if the Bonds to be issued are Senior Bonds, the Senior Debt Service Coverage Ratio will be at least 1.0 to 1 for each future Fiscal Year.

In connection with the issuance of Refunding Bonds, the State may instead certify that the issuance of the Refunding Bonds will not increase Debt Service in any Fiscal Year.

The State has had discussions with EPA regarding possible amendments to the Program Resolution to permit the issuance of Bonds to finance the Loans held as part of the Clean Water Fund Program’s Leveraged Portfolio. If EPA provides consent, the State may issue additional Bonds under the Program Resolution that would refund outstanding clean water revenue bonds issued under the Prior General Resolution and finance Loans currently financed under the Prior General Resolution. At this time, the Commission has not authorized the issuance of additional Bonds for those purposes.

Disposition of Loans

The State may sell, assign, transfer or otherwise dispose of any Pledged Loan and the Municipal Obligation(s) evidencing such Pledged Loan, free and clear of the pledge of the Program Resolution and at such price as the Commission (or the Capital Finance Director, on behalf of the Commission) may determine. Prior to any such sale or disposition, the State must deliver a State Certificate to the effect that, immediately following such sale, assignment, transfer or disposition (and if applicable, giving effect to the deposit of the proceeds thereof into the applicable Fund or Account and the further application thereof), the State could issue at least $1 of additional Bonds under the tests set forth in the Program Resolution and described above under "SECURITY; Additional Bonds".

The State may also assign, transfer or otherwise dispose of any Pledged Loan and the Municipal Obligation evidencing such Pledged Loan and deposit the proceeds in the applicable Account of the Revenue Fund as specified in a State Certificate, if such Pledged Loan is delinquent in payments of principal or interest and if in the reasonable opinion of the State, as evidenced by a State Certificate, the proceeds of such sale, assignment, transfer or disposition are not less than the fair market value of such delinquent Pledged Loan and Municipal Obligation.

Amendment of Loan Terms

The State may consent or agree to permit amendment or modification of any Financial Assistance Agreement or Municipal Obligation, including amendments and modifications made in connection with settlement of any delinquency or default on any Pledged Loan which settlement the State determines to be in the best interests of the State. However, an amendment or modification will be permitted only if the amended Financial Assistance Agreement or Municipal Obligation and the Pledged Loan thereunder satisfies the requirements of the Program Resolution for a Pledged Loan and the State determines that the modification will not have a material adverse effect, taking into account the reasonable expectations with respect to the Pledged Loan in question immediately prior to the modification, on the State's ability to pay the principal of and interest on the Bonds and the Other Obligations. In addition, prior to any such amendment or modification that reduces the payments due under the Municipal Obligation securing any Pledged Loan, the State must file with the Trustee a State Certificate to the effect that, immediately following such amendment or modification, the State could issue at least $1 of additional Bonds under the tests set forth in the Program Resolution and described under "SECURITY; Additional Bonds".

Prepayment of Pledged Loans Limited

The State may consent to prepayment of any Pledged Loan and the Municipal Obligation evidencing such Pledged Loan only if it delivers a State Certificate to the effect that, immediately following such prepayment (and giving effect to the deposit of the proceeds thereof into the applicable Fund or Account and the further application thereof), the State could issue at least $1 of additional Bonds under the tests set forth in the Program Resolution and described above under "SECURITY; Additional Bonds".

Flow of Funds

Within the Revenue Fund there are a Clean Water Revenue Account and a Safe Drinking Water Revenue Account, within each of which Accounts there are a Principal Receipts Subaccount and an Interest Receipts Subaccount. Upon receipt, all Pledged Revenues (other than (i) payments under Credit Enhancement Facilities or for the payment of the purchase price of Bonds on a Tender Date and (ii) any proceeds of the sale or other disposition of Pledged Loans that the State directs to be deposited in the Loan Fund or another Fund) shall be deposited to the Revenue Fund. Revenue obligations for the Safe Drinking Water Program are not contemplated at this time and could only be issued after appropriate changes to the Act.

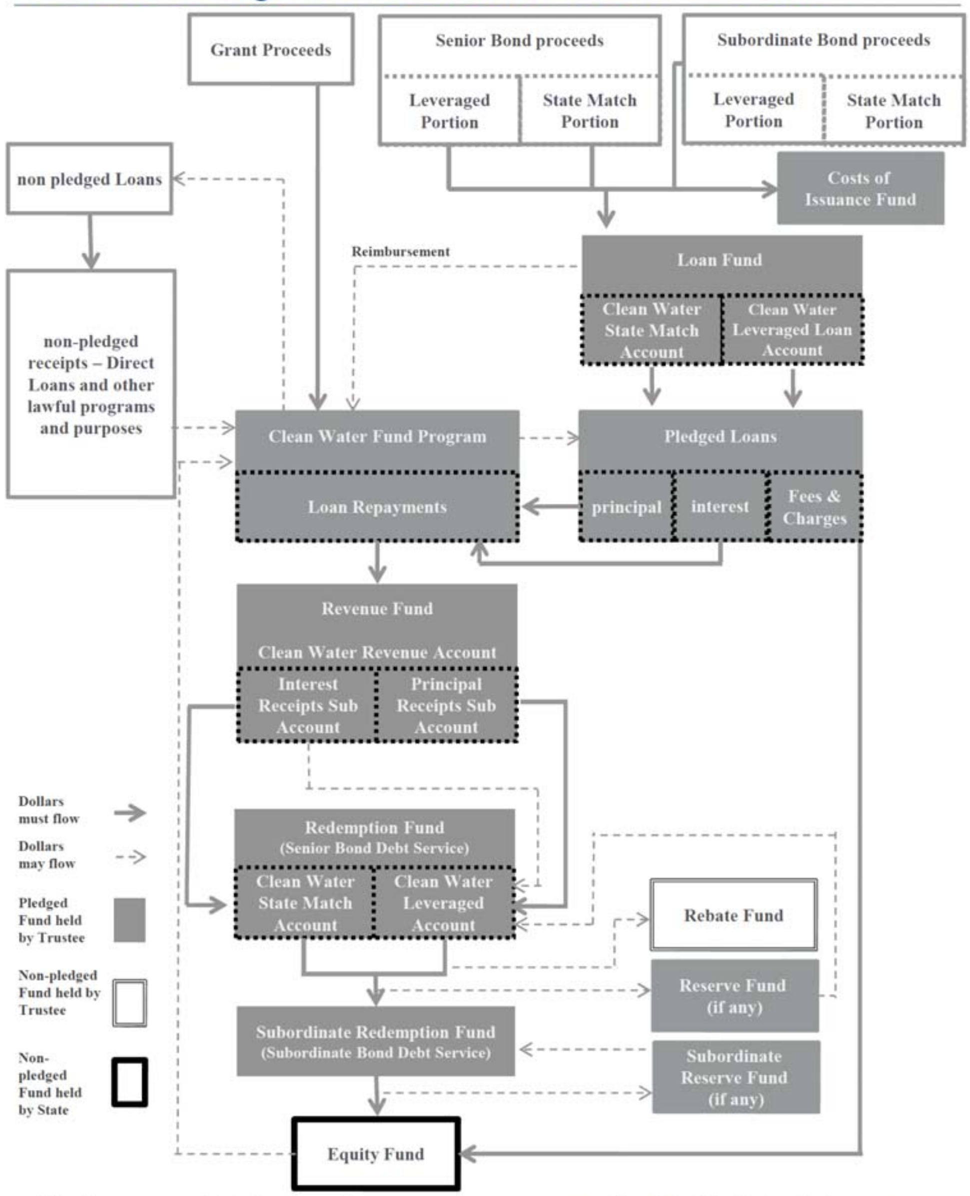
All Loan Repayments and other Pledged Revenues received with respect to Pledged Loans under the Clean Water Fund Program, and all Counterparty Swap Payments allocable to the Leveraged Clean Water Portion and the State Match Clean Water Portion, shall be credited to the Clean Water Revenue Account.

No Swap Agreements were entered into in connection with the issuance of the 2015 Series A Bonds, or are otherwise contemplated at this time.

The Equity Fund will be held and maintained by the State, and will not be subject to the lien of the Program Resolution. There shall be deposited in the Equity Fund (i) all Fees and Charges, (ii) amounts transferred from the Revenue Fund and (iii) such additional funds that are not subject to the lien of the Program Resolution as may be directed by an Authorized Commission Representative. Moneys and securities may be transferred from the Equity Fund for any purpose authorized by the Act and deposited into other funds and accounts established by the Program Resolution at the written direction of an Authorized Commission Representative.

The following diagram is a detailed summary of the flow of funds under the Program Resolution. Further details of the flow of funds within the Program Resolution are outlined in "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION".

Detailed Program Resolution Flow of Funds*



*This diagram does not depict any Accounts or subaccounts or any revenues related to the Safe Drinking Water Loan Program because loans under that program cannot be financed with Bonds under current law

No Acceleration

Upon the occurrence of an Event of Default under the Program Resolution, there is no remedy of acceleration available to the Trustee with respect to the Bonds.

Investment of Funds

Moneys held under the Program Resolution, including proceeds of the Bonds held in the Loan Fund pending disbursement under Financial Assistance Agreements, will be invested by the Trustee, at the direction of the State, in Permitted Investments.

Non-Impairment

Under Section 18.61 (2), Wisconsin Statutes, the State pledges and agrees with the Holders of the Bonds that the State will not limit or alter its powers to fulfill the terms of any agreements made with the Holders of the Bonds or in any way impair the rights and remedies of the Holders of the Bonds until the Bonds, together with interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the Holders of the Bonds are fully met and discharged.

PROJECTED CASH FLOW AND DEBT SERVICE TABLE

Table VII-5 sets forth projections of Projected Annual Revenues, Debt Service, and Aggregate Debt Service Coverage Ratio for each fiscal year, based upon assumptions that there are no defaults on the Pledged Loans. Actual events may vary from those assumptions and any variations may be material and adverse. The presentation of projected Aggregate Debt Service Coverage Ratios does not constitute a representation by the State that the Projected Annual Revenues will be realized or will be received at the times or in the amounts projected.

Table VII-5 also assumes that the 2015 Series A Bonds continue to be the only Bonds outstanding under the Program Resolution. The future issuance of additional Bonds and the acquisition of additional Pledged Loans will affect the Projected Annual Revenues, the annual Debt Service amounts, and the Debt Service Coverage Ratios. See "SECURITY; Additional Bonds".

Although satisfying certain projected Aggregate Debt Service Coverage Ratio tests is a condition to the issuance of additional Bonds under the Program Resolution, failure to maintain any level of coverage is not a default under the Program Resolution.

TABLE VII-5

PROJECTED DEBT SERVICE COVERAGE

Year (June 30)	Projected Annual Revenues	Debt Service	Aggregate Debt Service Coverage Ratio
2017	$ 117,012,016	$ 4,281,750	27.33x
2018	119,154,727	4,283,000	27.82x
2019	116,415,865	4,283,500	27.18x
2020	113,508,473	4,288,000	26.47x
2021	111,010,194	4,286,000	25.9x
2022	96,085,424	4,287,500	22.41x
2023	87,668,599	4,287,000	20.45x
2024	86,912,704	4,289,250	20.26x
2025	83,092,577	2,893,750	28.71x
2026	75,817,591	1,820,000	41.66x
2027	67,918,044	4,345,000	15.63x
2028	59,131,019	4,341,250	13.62x
2029	51,971,497	4,343,750	11.96x
2030	49,318,497	4,341,750	11.36x

MUNICIPALITIES

Pursuant to the Act, the Clean Water Fund Program is authorized to provide financial assistance in the form of Loans to any Municipality. The following discussion applies to all Loans under the Clean Water Fund Program. A Municipality may be any city, town, village, county, town sanitary district, public inland lake protection and rehabilitation district, metropolitan sewerage district, or federally recognized American Indian tribe or band located in the State. Due to the diversity of the types of potential recipients of financial assistance, the manner in which the Municipalities raise revenues and issue and secure debt will vary. The Program Resolution provides for financial assistance to other Borrowers; however, amendments to the Act would be needed before any such financial assistance could occur.

Prospective municipal borrowers fall into one of several general categories:

- *General purpose Municipalities,* such as counties, cities, villages, and towns, may borrow for a variety of public purposes, including the construction or improvement of wastewater and water facilities. Such general purpose Municipalities may incur long-term obligations in the form of general obligation debt secured by property tax levies, revenue obligations secured by user fees and special assessments, or installment lease contracts.
- *Special purpose Municipalities,* such as town sanitary districts, public inland lake protection and rehabilitation districts, and metropolitan sewerage districts, may borrow for the purpose for which they are created, primarily wastewater and water facilities. Debt may be incurred by special purpose Municipalities in generally the same forms as may be incurred by general purpose Municipalities. Town utility districts may be utilized by towns to allocate tax levies, but the town is the actual borrower; and any general obligation issued for a town utility district is secured by the full faith and credit of the entire town.
- *Indian tribes and bands* are sovereign governments that may borrow for various purposes, including the construction or improvement of wastewater and water facilities.
- *Intergovernmental Cooperation Commissions* ***(ICC)*** are special purpose intergovernmental bodies formed by agreements authorized under State law between two or more Municipalities, some of which own and operate wastewater treatment facilities. Because an ICC does not have general taxing powers and typically depends upon its contracting members to collect revenues via user fees or tax levies from individual users of wastewater facilities, Loans are made only to the individual Municipalities that constitute the ICC.

Constitutional and Statutory Requirements

Municipal powers are primarily statutory and in some instances established by the State Constitution. To the extent not inconsistent with the State Constitution and State law, Municipalities may adopt and amend local laws and ordinances relating to their property, affairs, or government.

In general, the State Constitution and State law limit the power of Municipalities to issue Municipal Obligations and otherwise to contract indebtedness. As a condition for making any loan, the State will require an opinion of counsel to the effect that (subject to certain exceptions for bankruptcy, insolvency, and similar laws affecting creditors' rights or remedies and equitable principles) the Financial Assistance Agreement and the Municipal Obligation evidencing the loan constitute legal, valid, and binding obligations of the Municipality, enforceable against the Municipality in accordance with their respective terms.

Limitations on Indebtedness

Generally, the aggregate general obligation debt that may be incurred by a Municipality may not exceed 5% of the equalized value of all real estate in the Municipality. Municipalities are not limited as to the amount of revenue obligations that they may incur. However, as described under "LENDING CRITERIA", the Act requires that a Municipality must comply with a number of requirements, including establishing a dedicated source of revenue for the repayment of financial assistance and developing and adopting a system of equitable user charges.

Revenues

Revenues of counties, cities, villages, and towns are principally derived from property taxes, state and federal aids, and fees and charges. Counties may levy a sales tax of up to a 0.5% rate. For a discussion of real property taxes and special assessments, see "MUNICIPALITIES; Collection of Real Property Taxes and Assessments".

Counties, cities, villages, and towns receive financial assistance from the State (**State Aid**). The State is not constitutionally obligated to maintain or continue State Aid. Accordingly, no assurance can be given that present State Aid levels will be maintained in the future. The payment of State Aid by the State is subject to appropriations being made by the Legislature. As discussed in more detail under "LOANS; Statutory Powers", DOA may intercept State Aid payable to certain types of Municipalities if such a Municipality defaults on a Loan.

Collection of Real Property Taxes and Assessments

Real property taxes, special assessments, and special charges are collected by the county treasurer and remitted to the proper taxing authority. Special assessments may be levied generally by a taxing authority as an assessment against property to compensate for all, or part of, the costs of a public work or improvement which benefits the property. The right to levy special assessments may be based upon the taxing power of the Municipality or the police power of the Municipality. The clearest difference between the two types of special assessments is that under the taxing power, the amount of the special assessment may not exceed the benefit conferred on the property, while under the police power, the amount of the special assessment need only be determined upon a reasonable basis as determined by the governing body of the Municipality. Costs of any public work or improvements that may be reflected in whole or in part by special assessments may include the direct and indirect costs thereof and the anticipated interest on a Municipal Obligation issued in anticipation of the collection of the assessments. Special assessments are collected by county treasurers along with general property taxes.

Although general property taxes may be paid in installments in the year following the levy thereof (so long as all installments are paid no later than July 31), special assessments and special charges that are included in the tax roll must be paid in full on or before January 31, and even though a person elects to pay general property taxes in installments, if any special assessment or special charge entered on the tax roll is delinquent because it is not paid by January 31, the entire annual amount of real property taxes on that parcel that is unpaid becomes delinquent as of February 1. If the county treasurer receives a payment that is not sufficient to pay all general property taxes, special assessments, and special charges, the county treasurer applies the payments to the amounts due, including interest and penalties, in the following order:

- Special charges
- Special assessments
- Special taxes
- General property taxes

The county treasurer settles with the appropriate taxation district on or before January 15 of each year for all payments received through the previous December 31, and on or before February 20 for all payments received through January 31, including all special assessments and special charges received.

On or before each August 20, the county treasurer must settle in full with the underlying taxing jurisdictions for all real estate and special taxes (except special assessments). Counties are authorized, but not required, to settle in full with all taxing jurisdictions for special assessments and special charges, and if so directed by the county board of supervisors, August 20 would be the date upon which the Municipality would receive the cash in settlement of unpaid special assessments and special charges.

As discussed under "LOANS; Statutory Powers", if a Municipality is in default of payment on its Municipal Obligation, the State may, pursuant to the Act, add a special charge to the amount of State taxes levied upon the county. The enforceability of such a procedure has not been tested in court. Therefore, no assurance can be given as to the enforceability of this procedure.

A Municipality issuing a general obligation to the State must levy sufficient taxes, upon the adoption of the resolution authorizing the Municipal Obligation, to pay debt service on the Municipal Obligation, which tax levy will be collected along with other real estate taxes as discussed above. A Municipality may, however, abate such levy to the extent it deposits amounts in its statutorily required debt service fund before the date it carries the levy unto the tax roll. A Municipality issuing a revenue obligation may rely entirely upon sewer (or water) utility revenues to pay the Municipal Obligation or, alternatively, may in addition levy special assessments upon property within the boundaries of the Municipality in an amount sufficient to pay all or part of the Municipal Obligation.

Municipalities Exhibiting Financial Distress

Certain State municipalities that are borrowers from the Environmental Improvement Fund loan programs have made prior disclosures relating to financial distress they were undergoing. These municipalities have previously made the Environmental Improvement Fund aware of such disclosures, and the disclosures made within the past five years are discussed below.

Village of Warrens

The Village of Warrens had a Clean Water Fund loan, dated August 24, 2005, in an amount as of June 30, 2014, of nearly $4 million. The Village of Warrens retired the outstanding Clean Water Fund loan in full on June 30, 2014.

The Municipal Obligation issued to the Environmental Improvement Fund to secure the loan was a revenue obligation, and the Village of Warrens planned to pay debt service with expected tax increment receipts from its Tax Increment District No. 1, established to capture tax increments from a residential and commercial real estate development. Coincidentally with a recent recession, property values for this development fell, resulting in a shortfall of tax increment receipts and other revenues, and the Village of Warrens failed to make full principal and interest payments on this loan when due. DOA entered into a Forbearance Agreement with the Village of Warrens on May 1, 2010, and amended such agreement on November 1, 2010, May 1, 2011, November 1, 2011, May 1, 2012, December 12, 2013 and May 1, 2014. Prior to the retirement on June 30, 2014, this Clean Water Fund Program loan was in the Environmental Improvement Fund's Direct Portfolio.

The Village of Warrens is current on its repayment obligations (principal and interest) for a Safe Drinking Water Loan Program loan, dated June 23, 2004, in the outstanding amount of $233,610.

Further details of these and other matters relating to the Village of Warrens may be found in disclosure filings made by the Village of Warrens with the MSRB through its EMMA system at www.emma.msrb.org. The disclosure filings from the Village of Warrens are not part of this Part VII of the 2016 Annual Report.

City of Menasha

The Environmental Improvement Fund has made ten loans to the City of Menasha for Safe Drinking Water Loan Program and Clean Water Fund Program purposes. All these loans are performing loans. Four of the loans are from the Safe Drinking Water Loan Program; the initial security for those loans was a pledge of revenues from the City of Menasha water utility. Separately, the City of Menasha issued its steam utility revenue bonds and notes to convert an existing electrical generation plant to a municipal steam utility. Due to both project cost overruns and insufficient steam customer contracts, the project failed to provide sufficient revenues to pay debt service on certain steam utility obligations, and those obligations are in default. To partially address this situation, the City of Menasha entered into a sale and lease-back of the City of Menasha's electric utility assets. On March 24, 2011, at the request of the City of Menasha, the Environmental Improvement Fund determined that sufficient water utility revenues were available to service the then-outstanding Safe Drinking Water Loan Program loans, and the Environmental Improvement Fund released the City of Menasha's security pledge of electric utility revenues to the outstanding Safe Drinking Water Loan Program loans discussed above. On December 1, 2011, the federal court approved a settlement with holders of the steam utility obligations that were in default. The City of Menasha is current on its repayment obligations (principal and interest) for all ten loans from the Environmental Improvement Fund.

Further details of these and other matters relating to the City of Menasha may be found in disclosure filings made by the City of Menasha with the MSRB through its EMMA system at www.emma.msrb.org. The disclosure filings from the City of Menasha are not part of this Part VII of the 2016 Annual Report.

LOANS

Financial Assistance

Projects are segregated into four different project-type categories and the interest rates for the project-type categories are determined pursuant to Wisconsin Statutes. Prior to July 1, 2011, the interest rate on each loan varied by project type and the Clean Water Fund Program's costs of borrowing; the differing interest rates were designed to provide greater incentives for compliance with environmental requirements than for new sewer systems or correcting discharge permit violations. Loans made after July 1, 2011 and prior to July 13, 2015 to finance most project-type categories have the same interest rate, which is an annual rate equal to 75% of the Clean Water Fund Program's actual or calculated cost of borrowing. Loans made on or after July 13, 2015 have an interest rate equal to 70% of the actual or calculated cost of borrowing. The four project types include the following:

- *Compliance Maintenance Projects*–Projects that are necessary to maintain compliance with permit requirements or to implement new or changed effluent limits required by DNR. If the project includes construction of a septage receiving and treatment facility, that portion of the project may be eligible for an interest rate of 0%.
- *Stormwater & Nonpoint Projects*–Projects pertaining to urban stormwater and nonpoint pollution sources.
- *Unsewered Projects*–Projects involving unsewered areas within Municipalities. More than two-thirds of the initial flow must be wastewater originating from residences in existence at least 20 years prior to the application date for this type of project to qualify for assistance.
- *Industrial, Violator, and Future Growth Projects*–Projects that address violations of a DNR discharge permit or that provide industrial or reserve capacity, or that involve certain other capital costs attributed to industrial or commercial needs, or involve unsewered areas where residences were not in existence at least 20 years prior to the application date. These projects were not affected by the 2011 and 2015 changes to interest rates, and these projects may receive Loans that bear interest at a per annum rate equal to 100% of the Clean Water Fund Program's actual or calculated cost of borrowing.

If a Municipality undertakes a project that includes more than one of the above categories (or components within a category), the respective portions of the project may be allocated accordingly, resulting in a Loan with a blended interest rate.

In a limited number of cases, the Clean Water Fund Program and the Safe Drinking Water Loan Program may provide additional financial assistance in the form of grants or Loans with interest rates lower than those indicated above for qualifying projects. Under current law, the maximum amount of financial assistance that any Municipality may receive is a grant equal to 70% of project costs and an interest-free loan for the remaining 30% of project costs. State law establishes a program to provide additional assistance to municipalities qualified as "hardship". In addition, financial assistance in the form of principal forgiveness has been a component of recent Capitalization Grants. Between October 1, 1989 and

December 15, 2016, agreements have been made with municipalities to fund $316 million in project costs with additional financial assistance.

In addition, the Clean Water Fund Program and the Safe Drinking Water Loan Program provided financial assistance using awards made to the State pursuant to the American Recovery and Reinvestment Act of 2009. This financial assistance funded $145 million of projects, and the funds were committed between October 28, 2009 and February 17, 2010.

The majority of Loans have been made for compliance maintenance projects.

Requirements Under the Act

The Act sets forth certain requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund Program. Each Municipality must be one of the types of governments specified by the Act. The Act further requires that the Municipality comply with a number of other requirements, including establishing a dedicated source of revenue for the repayment of the financial assistance, complying with the requirements of the Water Quality Act, developing a program of water conservation as required by DNR, and developing and adopting a system of equitable user charges. While the Act permits financial assistance to take forms other than Loans, such as guaranteeing or purchasing insurance for Municipal Obligations, awarding grants to certain hardship Municipalities, or subsidizing the interest cost on certain other loans, the State currently makes financial assistance available from the Clean Water Fund Program primarily by making Loans to Municipalities at interest rates that are at or below market rates, as specified in the Act.

DNR is responsible for establishing eligibility criteria for determining applicants and projects that are eligible to receive financial assistance. Among the criteria DNR considers are water quality and public health. A Municipality is eligible for financial assistance from the Clean Water Fund Program for a wastewater project that corrects a DNR discharge violation.

Loan Application Process

DOA and DNR have developed an application form for Municipalities to apply for financial assistance from the Clean Water Fund Program. The application form requires the Municipality to provide technical information regarding the proposed project and the existing wastewater system, a project schedule, financial information relating to the project, and financial and other information relating to the Municipality. The application is reviewed by DNR for items pertaining to technical, administrative, and environmental matters, including project eligibility and determination of the interest rate category for which the project is eligible. The application is reviewed by DOA to determine, among other things:

- The financial capability of the applicant to repay its loan,
- The financial terms and conditions of the loan, and
- The security that will be required to be pledged by the Municipality for the loan.

A Loan is made only if DOA determines that the Municipality is likely to be able to repay the loan.

Commitments

Upon a determination by DOA that the Municipality meets the financial criteria that DOA has established, DNR and DOA may approve an application and issue a Commitment to the Municipality to finance all, or part of, the project. The Commitment will include an estimated loan repayment schedule and other terms of the financial assistance. The Commitment may contain certain conditions that the Municipality must meet to secure a Financial Assistance Agreement.

Financial Assistance Agreements

The Financial Assistance Agreement is the loan agreement by which the loan is made. The Financial Assistance Agreement contains the terms and conditions of the loan, including the final maturity, maximum principal amount, interest rate, procedures for disbursement of funds to the Municipality, agreements of the Municipality to construct the project, and covenants of the Municipality regarding proper use of loan proceeds and compliance with Clean Water Fund Program requirements.

Certain Provisions of Financial Assistance Agreements

Proceeds of Loans are disbursed in installments pursuant to a Municipality's Financial Assistance Agreement, as project costs are incurred. As proceeds are disbursed, interest on the Loan accrues on the amount disbursed from the date of disbursement until the date such amount is repaid.

In most instances, the repayment schedule of each Loan is structured to provide level annual debt service from the disbursement dates until the final maturity date specified in the respective Municipality's Financial Assistance Agreement. Upon project completion, a Municipality's loan repayment schedule under its Financial Assistance Agreement will reflect the cumulative principal amortization of the disbursements to the Municipality.

If the final audit of the project reveals that the eligible project costs are less than the amount disbursed to the Municipality, the Municipality agrees to reimburse the State within 60 days after DNR or DOA provides a notice of overpayment.

If the Municipality fails to make any payment when due on the Municipal Obligation or fails to observe or perform any other covenant, condition, or agreement on its part under the Financial Assistance Agreement for a period of 30 days after written notice specifying the default and requesting that it be remedied has been given to the Municipality by DNR, the State has all remedies provided by law and, to the extent permitted by law, the Financial Assistance Agreement.

The Financial Assistance Agreement may be modified or amended upon a written agreement between the State and the Municipality.

Loans and Municipal Obligations

Upon execution of a Financial Assistance Agreement, a Municipality is required to issue and deliver to the State one or more Municipal Obligations evidencing the obligation of the Municipality to repay the loan. The Municipal Obligations will reflect the terms of the loan set forth in the Financial Assistance Agreement. Upon execution of a Financial Assistance Agreement and issuance of one or more Municipal Obligations, a Municipality will be required to deliver an opinion of counsel concerning the validity and enforceability of its obligations under the agreement.

Statutory Powers

The Act includes several provisions that may provide additional security in the event a Municipality does not make payment of principal of, or interest on, its Loan. These provisions include state aid intercept, collection through county treasurers, and, if designated, a State moral obligation.

State Aid Intercept

The Act confers an "intercept power" upon DOA. If a Municipal Obligation to the State is in default, DOA, which is the paying agent for State moneys payable to Wisconsin municipalities, is required to place on file a certified statement of all amounts due under the loan. Thereafter, DOA is authorized to collect all amounts due under the loan by deducting those amounts from any State payments due the Municipality. The State has covenanted in the Program Resolution to exercise this intercept power with respect to Pledged Loans to the extent State payments are available. Certain Municipalities, including town sanitary districts, public inland lake protection and rehabilitation districts, metropolitan sewerage districts, and intergovernmental cooperation commissions, do not receive any State payments. The amount of money realized by the Clean Water Fund Program from the exercise of the intercept power will depend on the amount of State payments to the Municipality. The level of State payments to Municipalities may vary in the future. Although State payments can be intercepted by the State for certain other purposes, current administrative rules require DOA to exercise the Clean Water Fund Program intercept as a first charge against State payments due to a particular Municipality. As of December 15, 2016, DOA had not exercised this intercept power.

Collection Through County Treasurers

If a Municipal Obligation to the State is in default, the Act gives DOA the authority, after placing on file the certified statement of amounts due under a loan, to add the amount due on the loan as a special charge to the amount of taxes levied upon the county in which the defaulting Municipality is located. In turn, the county treasurer is required to apportion the amount of such special charges to the underlying governmental entities, and the special charges are then collected with the annual property tax. The enforceability of this procedure for collection of special charges has not been tested in court. Accordingly, no assurance can be given as to the enforceability of this procedure. As of December 15, 2016, DOA had not taken any actions under this authorization.

Power to Designate a Loan as a State Moral Obligation

At the time a loan is made, the Commission may by resolution designate the loan as one to which the State "moral obligation" applies. If a loan is so designated, the Act provides that, if at any time the payments received or expected to be received from a Municipality on any loan are insufficient to pay when due the principal of, and interest on, such loan, DOA shall certify the amount of such insufficiency to the Secretary of Administration, the Governor, and the Joint Committee on Finance. The Joint Committee on Finance is then required to introduce a bill appropriating the amount so requested for the purpose of payment of the designated loan. Recognizing its "moral obligation" to do so, the Legislature expressed in the Act its expectation and aspiration that, if ever called upon to do so, it would make the appropriation. The "moral obligation" does not apply to the Bonds; it applies only to the Loans that are specifically designated by the Commission at the time the loan is made.

In the opinion of Bond Counsel, the provisions of the Act relating to the State's "moral obligation" do not violate the constitution of the State or any other law of the State, but such provisions do not constitute a legally enforceable obligation or create a debt on behalf of the State.

No Loan has been designated as a "moral obligation" loan, and no Loan is expected to be so designated.

Loan Terms

Loan Size

The size of each Loan is determined as follows:

- The principal amount of the loan will not exceed 100% of the estimated project costs, plus a contingency of up to 10% where applicable, plus any allowable amount of capitalized interest on the loan.
- A contingency amount may be allowed only if the project has not been completed.
- In general, capitalized interest is only allowed for unsewered municipalities that will not have revenues available for loan debt service until after the project is complete.

Final Maturity and Amortization

The final maturity on a Loan may not exceed 20 years from the date of its origination. DOA requires principal amortization on a level-debt-service basis or, in certain cases, on a level-principal basis, with principal amortization beginning not later than 12 months after the expected date of substantial completion of the project (except in the case of a refinancing, in which case principal amortization generally begins immediately).

Debt Service Payment Dates

Principal payments are required on May 1 and interest payments on May 1 and November 1. For Loans secured primarily by special assessments, an annual payment of principal and interest on May 1 may be allowed to align more closely with the date on which the Municipality's collection of the special assessments is deposited into its debt service fund.

Special Provisions

DOA requires that the Financial Assistance Agreement include certain provisions that apply if an event of default occurs. These provisions permit the State to intercept any State aids to the Municipality and to appoint a receiver to manage the Municipality's utility operations and require the Municipality, to the extent it has taxing power, to add delinquent user charges to the property tax bill of the user.

Tax Levy Rate Limit for Counties

Counties are subject to a tax levy rate limit. The tax levy of each county is limited, generally to the rate at which taxes were levied in 1992 or a higher rate approved by the voters at referendum. The tax rate limit excludes taxes levied for debt service on general obligations.

Tax Levy Limit for Cities, Villages, Towns, and Counties

Under current law and subject to certain exceptions and adjustments, no city, village, town, or county (**political subdivision**) may increase its property tax levy in any year by a percentage that exceeds its valuation factor. The valuation factor is the greater of zero percent and the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between January 1 of the previous year and the current year. However, the levy increase limit may be increased in either (but not both) of the following ways by action of the governing body:

- If a political subdivision's allowable levy in the prior year was greater than its actual levy, the levy increase limit otherwise applicable may be increased by the difference between the two amounts, up to a maximum increase of 1.5% of the actual levy in the prior year, or
- The levy increase limit may be increased by the total amount by which the valuation factor exceeded the actual percentage increase in the levy for each of the previous five years (beginning in 2014), up to a maximum increase of 5% of the actual levy in the prior year, to the extent such excess had not previously formed the basis for such an increase.

A political subdivision may also exceed the levy limit by action of its governing body that is approved by a referendum.

Exceptions apply to amounts levied to pay general obligation debt service. The levy increase limit otherwise applicable does not apply to property taxes levied to pay debt service on general obligations authorized on or after July 1, 2005. For general obligations authorized before July 1, 2005, if the amount of scheduled debt service in the preceding year is less than the amount of debt service needed in the current year, the levy increase limit otherwise applicable is increased by the difference in the two amounts. If the levy for debt service on general obligations issued before July 1, 2005 (and general obligations issued to fund or refund such general obligations) is less in the current year than it was in the previous year, the political subdivision shall reduce its levy increase limit in the current year by an amount equal to the amount that its levy was reduced; this adjustment does not apply to a political subdivision in any year in which the political subdivision does not increase its levy increase limit otherwise applicable, by action of the governing body or at referendum.

The levy increase limit otherwise applicable does not apply to the amount that a political subdivision levies to make up any revenue shortfall for the debt service on a revenue bond issued under Section 66.0621 of the Wisconsin Statutes, which authorizes revenue obligations. Other exceptions or adjustments to the levy increase limit, which are not described in this summary, apply in specified situations.

Interest Rate Subsidies for Small Loans

In addition to providing Loans to directly fund project costs, the Clean Water Fund Program is authorized to subsidize the interest cost on loans made by the State Board of Commissioners of Public Lands to municipalities for construction or improvement of their wastewater facilities. This subsidy is only available on loans of $2,000,000 or less. The Clean Water Fund Program makes payments to municipalities in March of each year to reduce the municipalities' interest cost on their loans from the State Board of Commissioners of Public Lands. As of December 15, 2016, the Clean Water Fund

Program had outstanding agreements with 34 municipalities to provide annual interest subsidies on 38 projects. Proceeds of the Bonds are not used for this purpose, and the subsidy payment is not paid from any funds pledged to the repayment of the Bonds.

LENDING CRITERIA

The same general loan underwriting standards are generally applied to all Loans regardless of the Clean Water Fund Program loan portfolio to which they will be assigned.

DOA, in consultation with DNR, has the statutory responsibility to establish the financial terms and conditions of Loans, including what type of Municipal Obligation is required. In establishing these terms and conditions, DOA may consider factors that it finds relevant, including the type of Municipal Obligation and the Municipality's creditworthiness. DOA must be satisfied that the Municipality has the financial capacity to assure sufficient revenues to operate and maintain the project for its useful life and to pay debt service on the loan according to its terms.

The following is a summary of the current lending criteria of DOA. DOA may change its lending criteria from time to time.

DOA requires each loan to be evidenced by one of three types of Municipal Obligations:

- A revenue obligation secured by a covenant to assess user fees and a pledge of the utility's revenues,
- A revenue obligation secured by special assessments and other utility revenue and a pledge of the utility's revenues, or
- A general obligation secured by a tax levy and a pledge of the full faith and credit of the Municipality.

Some Loans may be evidenced by more than one type of Municipal Obligations.

Revenue Obligations

When a local government issues a revenue obligation, the obligation is a limited obligation of the government. Only revenues that are specifically pledged are available to pay the principal of, and interest on, the revenue obligation. Sewer utility revenues typically include sewer user charges and investment earnings but may also include impact fees, hook-up fees, and payments from tax incremental districts for their beneficial share of wastewater projects. Most of the Municipalities receiving financial assistance under the Clean Water Fund Program do not have sewer utilities regulated by the State of Wisconsin Public Service Commission.

So long as the following criteria can be met, DOA will accept revenue obligations from all types of Municipalities except counties and metropolitan sewerage districts. Under the State constitution, a county's issuance of revenue obligations is treated as public debt. A metropolitan sewerage district is required to provide general obligations as security for its loans.

Coverage Ratio

For a revenue obligation, DOA will require the Municipality to covenant to generate each year "net revenues" (that is, utility revenues after deducting operating and maintenance expenses but not deducting depreciation, debt service, tax equivalents, or capital expenditures) equal to at least 110% of the annual principal of and interest on the loan and other revenue obligations payable from the revenues of the utility (**110% Coverage**). The net revenues from the existing utility revenues or projected net revenues from a newly imposed user fee rate structure may establish the "net revenues". If the Municipality does not have outstanding any other obligations with a lien on pledged revenues, DOA will require the Municipality to covenant to generate "net revenues" sufficient to provide 110% Coverage. In the event the Municipality has other obligations outstanding with a lien on pledged revenues, DOA will require that the Municipality covenant to generate "net revenues" at least equal to the highest level of debt service coverage (but not less than 110% Coverage) then required under the Municipality's outstanding revenue obligations. In the event an outstanding obligation requires a debt service reserve fund for a parity obligation or requires payment dates that do not match the loan payment dates, or requires other conditions which prevent the loan from being a parity obligation, DOA will accept a subordinate obligation but will normally require any additional revenue obligations (whether senior, subordinate, or on a parity) to meet a coverage test equal to the highest ratio then in effect on any other obligations (including the loan). During construction periods when the annual principal and semiannual interest payments are based on cumulative amounts drawn under the Financial Assistance Agreement, user fees may be assessed such that the level of coverage available is estimated based on debt service projections.

In the event a Municipality were to breach any of the covenants described above, it would be subject to a suit for mandamus to compel performance of such covenants. However, enforcement of the covenants through a suit for mandamus would likely be subject to the delays and costs inherent in litigation.

Collection of Delinquent Sewer User Charges

The Clean Water Fund Program loan documents require that the Municipality take all actions permitted by law to certify any delinquent user fees to the County Treasurer so that such unpaid user fees will be added as a special charge to the property tax bill of the user.

Senior Revenue Bonds

In most instances the Clean Water Fund Program loan documents limit a Municipality's ability to issue additional bonds payable out of the revenues of the wastewater system that have payment priority over the bonds sold to the Clean Water Fund Program. In some situations this provision has been modified by the Clean Water Fund Program to allow additional senior bonds if the Municipality can demonstrate to the satisfaction of DOA that, following the issuance of the additional senior bonds, the rating of the Municipal Revenue Obligation evidencing the Clean Water Fund Program loan will be no lower than AA or Aa2 or equivalent.

Service Contract

DOA will also require the Municipality to agree to pay for the value of sewerage services provided to it and to stipulate that the value equals any unpaid debt service on the loan or debt coverage shortfall. Although such provisions are often used in revenue obligations from Wisconsin local governments, their enforceability has not been tested in court. Accordingly, no assurance can be given as to the enforceability of such a service contract. Moreover, the Wisconsin Statutes or local law may limit the value of the sewerage service, and unless the Municipality has already appropriated money for such payment, it would be necessary for the Municipality to levy and collect a tax, which could result in some delay in payment.

No Debt Service Reserve Fund or Mortgage

Although Wisconsin municipalities issuing revenue obligations typically establish a debt service reserve fund and sometimes pledge a mortgage to secure the revenue obligations, the current policy of DOA does not permit a debt service reserve fund to be established with respect to Municipal Obligations, and DOA will not require a mortgage on the property the Municipality uses to operate its wastewater facilities.

Special Assessment-Secured Revenue Obligations

Special assessments may be levied by a Municipality to pay the costs of a public improvement. Payments to the Municipality of such special assessments may be used to repay a revenue obligation. The special assessments are paid in annual installments as established by the Municipality. Because special assessments under State law may not exceed the cost of the project, the regularly scheduled special assessment revenue alone will typically not meet the 110% Coverage test. In the event the Municipality receives prepayments of its special assessment installments, or the term of the Clean Water Fund Program loan exceeds the term of the special assessments, or the interest rate on the special assessment exceeds the interest rate on the Clean Water Fund Program loan, the Municipality may have more special assessment revenue in a year than required for debt service on its Clean Water Fund Program loan. In general, excess special assessment revenue collected by the Municipality will be applied to reduce debt incurred for the public improvement project. If special assessments are levied to secure revenue obligations, payments on the special assessments are deposited in the funds and accounts of the revenue-generating enterprise.

Collection of Delinquent Special Assessments

A special assessment constitutes a lien on the property against which it is levied on behalf of the local government that levies it. Delinquent special assessment payments are entered on the tax roll as a delinquent tax on the property against which they are levied and are subject to the same proceedings for collection, return, and sale of property that apply to delinquent real estate taxes.

General Obligations

When a Municipality issues a general obligation, its full faith and credit are pledged to secure payment when due of the principal of, and interest on, the obligation. State law requires the Municipality to levy taxes that will be collected in amounts and at times sufficient to make these payments (or to appropriate available funds for payments that are required to be made before taxes can be levied and collected). If the Municipality fails to make a payment when due, the owner of a general obligation can bring a suit for mandamus to require the tax levy to be collected and applied to debt service. A suit for mandamus would likely be subject to the delays and costs inherent in litigation.

With respect to general obligations:

- The amount of the general obligation may not exceed the constitutional or statutory limits. For an American Indian tribe or band, the amount of the general obligation may not exceed the amount that would be permitted if the constitutional and statutory limits were to apply to the tribe or band.
- As required by law, the Municipality must levy taxes sufficient to pay when due the principal of, and interest on, the loan.

Intergovernmental Cooperation Commissions

The Clean Water Fund Program does not make Loans to intergovernmental cooperation commissions. Instead, DOA will analyze each member's credit, and separate Loans will be made to its members in proportion to their participation in the project.

SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION

Through the Program Resolution, the State pledges revenues that secure the Bonds, establishes certain funds and accounts, specifies the conditions under which Bonds may be issued, and makes covenants and other provisions for the benefit of Holders of the Bonds. Certain capitalized terms are defined in "GLOSSARY". A copy of the Program Resolution may be obtained by contacting the State at the address provided on the first page of this Part VII of the 2016 Annual Report.

The Program Resolution includes provisions permitting the financing of Loans to borrowers other than Municipalities, as well as Loans under the Safe Drinking Water Program and potentially, with the approval of the EPA, other similar programs. However, those provisions could become effective only if the Act were to be amended to permit the State to issue revenue bonds to finance those Loans or programs. Currently, the Act authorizes only Clean Water Fund Program loans made to Municipalities to be financed with revenue bonds issued by the State.

In addition, as indicated earlier in this Part VII of the 2016 Annual Report, this summary addresses Bonds issued under the Program Resolution to fund Loans under the Clean Water Fund Program. In 2015, the Commission adopted the Program Resolution, which established a separate program for the issuance of environmental improvement fund revenue bonds to provide financing for the Clean Water Fund Program. Prior to the adoption of the Program Resolution, the State financed the Clean Water Fund Program, in part, with issuance of clean water revenue bonds issued under a Prior General Resolution. The security for those clean water revenue bonds is described in Part VI of the 2016 Annual Report.

Resolution to Constitute a Contract

The provisions of the Program Resolution (including each Supplemental Resolution) constitute a contract with the Holders of the Bonds and the other Beneficiaries.

Pledge

Pursuant to its power under the Wisconsin Statutes, the Building Commission (jointly with DOA and DNR) pledges the Pledged Revenues to the payment of the Bonds and Other Obligations and directs the Trustee to deposit the Pledged Revenues into the Funds and Accounts in the order and amounts described under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Establishment of Funds and Accounts", and determines that the amounts deposited in the Equity Fund may be made available for other purposes.

From time to time the State may, by State Certificate, designate Loans (which are not otherwise subject to the pledge of the Program Resolution) that meet the requirements set forth in the Program Resolution as "Pledged Loans," and thereby assign and grant to the Trustee a security interest in the related Loan Repayments and other related Pledged Revenues. Upon receipt by the Trustee of such State Certificate, the Loans identified therein will become Pledged Loans under the Program Resolution, subject to the lien of the Program Resolution.

In accordance with Section 18.561 (2), Wisconsin Statutes, a security interest is created, for the benefit of the Holders of the Bonds and the Other Beneficiaries, in the Pledged Revenues and in the Loan Fund, the Costs of Issuance Fund, the Revenue Fund, the Redemption Fund, and any Reserve Fund, Subordinate Redemption Fund and Subordinate Reserve Fund that may be established under the Program Resolution. Such Pledged Revenues and the moneys in such Funds will remain subject to the security interest until the Bonds and the Other Obligations have been paid in full or provision for their payment in full has been made, as described under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Defeasance". A Holder of the Bonds or any Other Beneficiary may (subject to the certain restrictions contained in the Program Resolution) either at law or in equity protect and enforce the security interest and compel performance of all duties required by Section 18.561, Wisconsin Statutes.

State Match Restriction.

The establishment of the Funds and Accounts under the Program Resolution, and the deposit and disbursement of moneys held under the Program Resolution, are intended to ensure that Grant Proceeds and the principal repayments of Pledged Loans made under the Clean Water Fund Program and the Safe Drinking Water Loan Program will not be used to pay, or to reimburse any Credit Facility Provider for the payment of, amounts due on the State Match Clean Water Portion or the State Match Safe Drinking Water Portion of the Bonds or to make rebate payments from the Rebate Fund allocable to such State Match Portions. In light of the State Match Restriction, interest payments on Pledged Loans and investment earnings will generally be used first to pay amounts due on the State Match Clean Water Portion and State Match Safe Drinking Water Portion of the Bonds, and then to pay any remaining amounts due on the Leveraged Clean Water Portion and the Leveraged Safe Drinking Water Portion of the Bonds, respectively.

Issuance of Bonds

The Bonds will be issued, pursuant to one or more Supplemental Resolutions, at one time or from time to time, in one or more series, in principal amounts specified by the Building Commission in or pursuant to a Supplemental Resolution.

The aggregate principal amount of Bonds issued under the Program Resolution shall not be greater than the aggregate amount at the time authorized by the Legislature for the program(s) or purpose(s) for which Bonds are issued, when considered together with any other obligations issued pursuant to such authorization.

From time to time, the State may issue one or more series of Bonds, upon compliance with the following conditions and any additional conditions specified in a Supplemental Resolution. In the case of Bond Anticipation Notes, the following conditions need be met only on the first date of issuance of any of the

Bond Anticipation Notes authorized under the Supplemental Resolution providing for such Bond Anticipation Notes:

(1) The Trustee shall have been provided with a State Certificate to the effect that the State is not in default in the performance of any of its covenants and agreements in the Program Resolution (unless, in the opinion of Independent Counsel, any such default does not deprive any Beneficiary in any material respect of the security afforded by the Program Resolution).

(2) Except with respect to the issuance of Refunding Bonds issued to fund Bond Anticipation Notes that are also Bonds, the Trustee shall have been provided with a State Certificate evidencing that, as of the date of issuance of the Bonds (and after giving effect to the issuance of the Bonds and the pledge of any additional Pledged Loans to be financed with such Bonds or otherwise to be pledged pursuant to the Program Resolution or the Supplemental Resolution authorizing the Bonds), (i) the Aggregate Debt Service Coverage Ratio will be at least 1.0 to 1 for each future Fiscal Year, and (ii) if the Bonds to be issued are Senior Bonds, the Senior Debt Service Coverage Ratio will be at least 1.0 to 1 for each future Fiscal Year. In connection with the issuance of Refunding Bonds, such State Certificate may instead evidence that the issuance of the Refunding Bonds will not increase Debt Service in any Fiscal Year.

(3) The Trustee, or another Fiduciary if directed by a Supplemental Resolution, shall have received the following:

(a) A duly certified copy of the Program Resolution, as then in effect.

(b) A duly certified copy of the particular Supplemental Resolution.

(c) Original, fully-executed Bonds for the series or an original, fully-executed master Bond that includes the series.

(d) An opinion of Bond Counsel to the effect that the Program Resolution and the particular Supplemental Resolution have each been duly adopted.

(e) An opinion of Bond Counsel to the effect that the Bonds of that series have been duly and validly authorized and, when duly executed in the form and manner provided in the Program Resolution and the particular Supplemental Resolution, duly authenticated by the Registrar or Issuing Agent, delivered, and paid for, will constitute valid and binding enterprise revenue obligations of the State.

(f) Such ancillary agreements or other documents as the Supplemental Resolution for such series shall specify.

Each Supplemental Resolution authorizing a series of Bonds shall designate the Bonds of such series as Senior Bonds or Subordinate Bonds; however, a Supplemental Resolution may provide that certain of the State's obligations with respect to such Bonds are Senior and its other obligations with respect to such Bonds are Subordinate.

Credit Enhancement Facilities and Swap Agreements

The State may from time to time, pursuant to a Supplemental Resolution and upon compliance with Section 18.55 (6) of the Wisconsin Statutes, enter into or obtain the benefit of any Credit Enhancement Facility with respect to Bonds of any series, or any Swap Agreement with respect to its Debt Service obligations relating to Bonds of any series. Any such Credit Enhancement Facility or Swap Agreement must satisfy any conditions specified in a Supplemental Resolution.

In connection with any Swap Agreement either a Supplemental Resolution or a State Direction provided to the Trustee shall set forth assumptions regarding State Swap Payments and Counterparty Swap Payments to be made thereunder for purposes of the definition of Debt Service in the "GLOSSARY".

Notwithstanding anything in the Program Resolution to the contrary, (1) any Supplemental Resolution authorizing the execution by the State of a Swap Agreement or Credit Enhancement Facility may include provisions with respect to the application and use of all amounts to be paid thereunder, (2) amounts paid under any such Credit Enhancement Facility with respect to the Bonds secured thereby shall be applied and used only as specifically provided in such Supplemental Resolution and no Beneficiaries shall have any rights with respect to any such amounts so paid except as may be specifically provided in such Supplemental Resolution, (3) Bonds of one or more series or any portions thereof may be secured by a pledge of any or all amounts payable pursuant to such Credit Enhancement Facility, in the manner and to the extent provided in such Supplemental Resolution, and (4) except as otherwise provided in the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained or such Swap Agreement is entered into, the State's obligations under any such Credit Enhancement Facility or Swap Agreement shall be limited obligations, payable solely from the revenues and assets of the State pledged therefor under the Program Resolution.

Each Supplemental Resolution authorizing any Swap Agreement or Credit Enhancement Facility shall designate the State's obligations under such Swap Agreement or Credit Enhancement Facility, as the case may be, as Senior Other Obligations or Subordinate Other Obligations. A Supplemental Resolution authorizing any Swap Agreement or Credit Enhancement Agreement may provide that certain of the State's obligations with respect thereto are Senior and its other obligations with respect thereto are Subordinate, except that all State Swap Payments in respect of the early termination of a Swap Agreement shall be designated as Subordinate.

Establishment of Funds and Accounts

The following funds (and within certain of the funds, the following accounts and subaccounts) are established and required to be maintained pursuant to the provisions of the Program Resolution:

- (1) Loan Fund
  - (a) Clean Water State Match Loan Account
  - (b) Clean Water Leveraged Loan Account
  - (c) Safe Drinking Water State Match Loan Account
  - (d) Safe Drinking Water Leveraged Loan Account
- (2) Revenue Fund
  - (a) Clean Water Revenue Account
    - (i) Principal Receipts Subaccount
    - (ii) Interest Receipts Subaccount
  - (b) Safe Drinking Water Revenue Account
    - (i) Principal Receipts Subaccount
    - (ii) Interest Receipts Subaccount
- (3) Rebate Fund
  - (a) Separate Account for each series of Tax-Exempt Bonds
    - (i) Clean Water State Match Subaccount
    - (ii) Clean Water Leveraged Subaccount
    - (iii) Safe Drinking Water State Match Subaccount
    - (iv) Safe Drinking Water Leveraged Subaccount
- (4) Redemption Fund
  - (a) Clean Water State Match Redemption Account
  - (b) Clean Water Leveraged Redemption Account

(c) Safe Drinking Water State Match Redemption Account

(d) Safe Drinking Water Leveraged Redemption Account

(5) Reserve Fund

(a) Separate Account for each series of Bonds to be secured by the Reserve Fund

(i) Clean Water State Match Subaccount

(ii) Clean Water Leveraged Subaccount

(iii) Safe Drinking Water State Match Subaccount

(iv) Safe Drinking Water Leveraged Subaccount

(6) Subordinate Redemption Fund

(a) Clean Water State Match Subordinate Redemption Account

(b) Clean Water Leveraged Subordinate Redemption Account

(c) Safe Drinking Water State Match Subordinate Redemption Account

(d) Safe Drinking Water Leveraged Subordinate Redemption Account

(7) Subordinate Reserve Fund

(a) Separate Account for each series of Subordinate Bonds to be secured by the Subordinate Reserve Fund

(i) Clean Water State Match Subaccount

(ii) Clean Water Leveraged Subaccount

(iii) Safe Drinking Water State Match Subaccount

(iv) Safe Drinking Water Leveraged Subaccount

(8) Cost of Issuance Fund

(9) Equity Fund

Each of the funds and accounts, or assets for each of the funds and accounts, are deposited with, and held by the Trustee (or such other Fiduciary as the State may designate) pursuant to the provisions of the Program Resolution, except for the Equity Fund, which is held and maintained by the State.

Loan Fund

Each Supplemental Resolution authorizing a series of Bonds will specify the amount of the proceeds of the Bonds of the series and any other State moneys that are required to be deposited in the Loan Fund. Amounts in the Loan Fund will be applied by the State from time to time as follows:

(1) For disbursing Loans to Borrowers under the Program, including transfers of Loan Capitalized Interest to the Revenue Fund; and

(2) For reimbursing the State for the application of other funds to the prior origination of Loans.

Moneys may be withdrawn from the Loan Fund for financing a Pledged Loan upon a requisition of an Authorized Commission Representative containing certifications as to the use of the amounts to be disbursed.

Prior to the initial transfer of amounts to a Municipality with respect to a Pledged Loan, the State will deliver to the Trustee:

(1) a copy of the original executed Financial Assistance Agreement evidencing the Loan to be so made and

(2) a copy of the original executed Debt Obligation evidencing and securing such Loan in an aggregate principal amount equal to the maximum permissible Loan amount.

Revenue Fund

Deposit of Pledged Revenues

The Trustee will credit all Pledged Revenues (other than (i) payments under Credit Enhancement Facilities for the payment of the principal of, and premium, if any, and interest on Bonds or for the payment of the purchase price of Bonds on a Tender Date and (ii) any proceeds of the sale or other disposition of Pledged Loans, to the extent directed to be applied in some other manner pursuant to the Program Resolution), upon receipt thereof, to the Revenue Fund. In accordance with the direction of an Authorized Commission Representative:

(1) all Loan Repayments and other Pledged Revenues received with respect to Pledged Loans under the Clean Water Fund Program, and all Counterparty Swap Payments allocable to the Leveraged Clean Water Portion and the State Match Clean Water Portion, will be credited to the Clean Water Revenue Account;

(2) all Loan Repayments and other Pledged Revenues received with respect to Pledged Loans under the Safe Drinking Water Loan Program, and all Counterparty Swap Payments allocable to the Leveraged Safe Drinking Water Portion and the State Match Safe Drinking Water Portion, will be credited to the Safe Drinking Water Revenue Account;

(3) all Loan Repayments and other Pledged Revenues allocable to the payment of principal of or prepayment fees or premiums, if any, with respect to the Pledged Loans will be credited to the Principal Receipts Subaccount of the applicable Account; and

(4) all Loan Repayments and other Pledged Revenues allocable to interest on the Pledged Loans (including Loan Capitalized Interest transferred from the Loan Account pursuant to the Program Resolution), all Counterparty Swap Payments, and all investment earnings on amounts in the Funds and Accounts (other than the Rebate Fund) will be credited to the Interest Receipts Subaccount of the applicable Account.

Application of Revenues

On each Transfer Date, the Trustee will transfer the moneys received in the Clean Water Revenue Account as follows:

First, amounts in the Interest Receipts Subaccount within such Account will be transferred to the Clean Water State Match Redemption Account, until it is funded up to the amount necessary to pay Debt Service on the State Match Clean Water Portion of the Senior Bonds prior to the next Transfer Date;

Second, amounts in the Principal Receipts Subaccount within such Account will be transferred to the Clean Water Leveraged Redemption Account, until it is funded up to the amount necessary to pay Debt Service on the Leveraged Clean Water Portion of the Senior Bonds prior to the next Transfer Date;

Third, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Clean Water Leveraged Redemption Account, to the extent of any shortfall under clause *Second* above;

Fourth, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Safe Drinking Water State Match Redemption Account, to the extent of any shortfall under clause *First* of the following paragraph;

Fifth, any remaining amounts in the Principal Receipts Subaccount within such Account will be transferred to the Safe Drinking Water Leveraged Redemption Account, to the extent of any shortfall under clause *Third* of the following paragraph;

Sixth, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Safe Drinking Water Leveraged Account, to the extent of any shortfall under clause *Fifth* above; and

Seventh, any excess amounts in the Principal Receipts Subaccount or the Interest Receipts Subaccount will (subject to the State Match Restriction) be transferred:

First, to the credit of the corresponding Account(s) or subaccount(s) within the Rebate Fund to the extent provided in the Program Resolution;

Second, to the credit of the corresponding Account(s) or subaccount(s) within the Reserve Fund to the extent provided in the Program Resolution;

Third, to the extent provided in a Supplemental Resolution, to the credit of the corresponding Account(s) or subaccount(s) within the Subordinate Redemption Fund or any Subordinate Reserve Fund established with respect thereto;

Fourth, (a) on the Transfer Date occurring in June of each year, remaining amounts in the Principal Receipts Subaccount will be transferred to the Clean Water Leveraged Redemption Account in an amount up to the amount necessary to cause the balance of such Account to equal the Debt Service to come due on the Leveraged Clean Water Portion of the Senior Bonds prior to the next June Transfer Date, and (b) on the Transfer Date occurring in December of each year, remaining amounts in the Interest Receipts Subaccount will be transferred to the Clean Water State Match Redemption Account in an amount up to the amount necessary to cause the balance of such Account to equal the Debt Service to come due on the State Match Clean Water Portion of the Senior Bonds prior to the next December Transfer Date; and

Fifth, pursuant to State Direction, to the credit of the Equity Fund.

On each Transfer Date, the Trustee will transfer the moneys received in the Safe Drinking Water Revenue Account as follows:

First, amounts in the Interest Receipts Subaccount within such Account will be transferred to the Safe Drinking Water State Match Redemption Account, until it is funded up to the amount necessary to pay Debt Service on the State Match Safe Drinking Water Portion of the Senior Bonds prior to the next Transfer Date;

Second, amounts in the Principal Receipts Subaccount within such Account will be transferred to the Safe Drinking Water Leveraged Redemption Account, until it is funded up to the amount necessary to pay Debt Service on the Leveraged Safe Drinking Water Portion of the Senior Bonds prior to the next Transfer Date;

Third, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Safe Drinking Water Leveraged Redemption Account, to the extent of any shortfall under clause *Second* above;

Fourth, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Clean Water State Match Redemption Account, to the extent of any shortfall under clause *First* of the immediately preceding paragraph;

Fifth, any remaining amounts in the Principal Receipts Subaccount within such Account will be transferred to the Clean Water Leveraged Redemption Account, to the extent of any shortfall under clause *Third* of the immediately preceding paragraph;

Sixth, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Clean Water Leveraged Redemption Account, to the extent of any shortfall under clause *Fifth* above; and

Seventh, any excess amounts in the Principal Receipts Subaccount or the Interest Receipts Subaccount will (subject to the State Match Restriction) be transferred:

First, to the credit of the corresponding Account(s) or subaccount(s) within the Rebate Fund to the extent provided in the Program Resolution;

Second, to the credit of the corresponding Account(s) or subaccount(s) within the Reserve Fund to the extent provided in the Program Resolution;

Third, to the extent provided in a Supplemental Resolution, to the credit of the corresponding Account(s) or subaccount(s) within the Subordinate Redemption Fund or any Subordinate Reserve Fund established with respect thereto; and

Fourth, (a) on the Transfer Date occurring in June of each year, remaining amounts in the Principal Receipts Subaccount will be transferred to the Safe Drinking Water Leveraged Redemption Account in an amount up to the amount necessary to cause the balance of such Account to equal the Debt Service to come due on the Leveraged Safe Drinking Water Portion of the Senior Bonds prior to the next June Transfer Date, and (b) on the Transfer Date occurring in December of each year, remaining amounts in the Interest Receipts Subaccount will be transferred to the Safe Drinking Water State Match Redemption Account in an amount up to the amount necessary to cause the balance of such Account to equal the Debt Service to come due on the State Match Safe Drinking Water Portion of the Senior Bonds prior to the next December Transfer Date; and

Fifth, pursuant to State Direction, to the credit of the Equity Fund.

If all Bonds and Other Obligations of a particular class (that is, Senior Bonds and Other Obligations or Subordinate Bonds and Other Obligations) have been paid, or payment has been provided for, and no Bonds or Other Obligations of that class are Outstanding, money remaining in any Fund or Account established for the payment of principal of or interest on Bonds or Other Obligations of that class, or any reserve fund established with respect thereto, will be transferred to the corresponding Account(s) within the Revenue Fund.

Investment

Pending transfers from the Revenue Fund, the moneys in either Account therein will be invested in Permitted Investments as provided in the Program Resolution, and any earnings on or income from said investments will be deposited in the Interest Receipts Subaccount of such Account.

Redemption Fund

The Redemption Fund will be used only for the payment when due of principal of, and premium, if any, and interest on, the Senior Bonds and Senior Other Obligations, as provided in the Program Resolution.

With respect to each series of Senior Bonds, the Trustee will, upon delivery to the original purchasers thereof and from the proceeds thereof, credit to each Account within the Redemption Fund the allocable portions of the amount, if any, so designated in any Supplemental Resolution for the issuance of Refunding Bonds. The Trustee will also deposit in each such Account (1) the allocable portions of the proceeds from the sale of the State's bonds, notes, or other evidences of indebtedness (including Refunding Bonds), if any, to be used to pay principal of the Senior Bonds or interest on the Senior Bonds (except to the extent a Supplemental Resolution or State Direction directs that such proceeds be deposited into an Escrow Account) and (2) all amounts required to be transferred thereto from the Revenue Fund and the Reserve Fund as described in the following paragraph.

To provide for the payment of (1) each installment of interest which falls due upon Outstanding Senior Bonds on each regularly scheduled Interest Payment Date, (2) each installment of principal which falls due upon Senior Serial Bonds (other than Bond Anticipation Notes which are also Senior Bonds, the payment of which will be paid from Refunding Bonds) at the stated maturity thereof or Senior Term Bonds on a Sinking Fund Payment Date therefor and (3) the reimbursement to all Credit Facility

Providers for payments of principal of and interest on the Bonds pursuant to Senior Credit Enhancement Facilities, the Trustee will make deposits to the credit of each applicable Account within the Redemption Fund on each Transfer Date, (a) to aggregate the full amount of such principal coming due on any Principal Payment Date prior to the next Transfer Date and such interest coming due on any Interest Payment Date prior to the next Transfer Date, and (b) to the extent of available moneys in applicable Accounts within the Revenue Fund, to aggregate the respective amounts referred to in subclause *Fourth* of clause *Seventh* of each of the paragraphs describing payments from the Revenue Fund above under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Revenue Fund; *Application of Revenues*". Each deposit provided for in the foregoing clauses (a) and (b) will be the amount allocable to the applicable Account, in proportion to the State Match Clean Water Portion, the State Match Safe Drinking Water Portion, the Leveraged Clean Water Portion and the Leveraged Safe Drinking Water Portion applicable to each applicable series of Bonds. To provide for the payment of all State Swap Payments and fees to a Credit Facility Provider, deposits will be made to each applicable Account in amounts determined as provided in the Supplemental Resolutions authorizing such Senior Swap Agreements or Senior Credit Enhancement Facilities, as the case may be.

Each deposit required by the immediately preceding paragraph will be made by transfer from the following Funds, in the following order of priority: the Revenue Fund and the Reserve Fund (but only from the Account therein, if any, established with respect to the series of Bonds for the payment of which such transfer is made, only with respect to the payments to come due prior to the next Transfer Date, and only to the extent authorized by the Supplemental Resolution pursuant to which such Account was established).

To provide for the payment of the redemption price of Senior Bonds to be redeemed on any Redemption Date, other than a Sinking Fund Payment Date for Term Bonds, the Trustee will make deposits to the applicable Accounts within the Redemption Fund from the proceeds of Refunding Bonds, excess amounts in the Loan Fund or the Costs of Issuance Fund, or such other source as may be provided in the Supplemental Resolution authorizing the issuance or redemption of such Senior Bonds.

The moneys in the Accounts within the Redemption Fund required for the payment of principal of and premium, if any, and interest on the Senior Bonds of any series, or for the reimbursement of amounts paid under a Senior Credit Enhancement Facility to pay principal of and premium, if any, and interest on the Bonds, will be applied by the Trustee to the payment of the allocable portions of such amounts when due without further authorization or direction and may be transferred to a Paying Agent, pursuant to State Direction.

Subject to the State Match Restriction and the provisions of the Program Resolution described below under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Remedies", when applicable, amounts on deposit in the Accounts within the Redemption Fund required to be applied on any date on which the balance in such Accounts (giving effect to the State Match Restriction) is not sufficient to pay all amounts payable therefrom on such date will be applied

> *first*, to the payment of interest on all Senior Bonds, State Swap Payments under Senior Swap Agreements, and fees and reimbursements, allocable to interest payments, payable to Credit Facility Providers under Senior Credit Enhancement Facilities, *pro rata,* among such obligations based upon such amounts then owing to Beneficiaries and
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> *second*, to the payment of Senior Bonds at their stated maturity or on a Redemption Date or the reimbursements, allocable to principal and premium payments, payable to Credit Facility Providers under Senior Credit Enhancement Facilities, *pro rata*, among such obligations based upon such amounts then owing to Beneficiaries.

Moneys in the Redemption Fund may also be applied to the purchase of Senior Bonds at a purchase price (including any brokerage or other charges) not to exceed the principal amount thereof plus accrued interest thereon, as determined by the State at such time, provided the Trustee will have first certified that no deficiencies exist at such time in the Redemption Fund or the Rebate Fund. Any such purchase will be limited to those Senior Bonds whose stated maturity or Sinking Fund Payment Date is the next succeeding Principal Payment Date. Any such purchase of Senior Bonds may be made with or without tenders of Bonds and at either public or private sale.

The moneys in the Redemption Fund will be invested in Permitted Investments as provided in the Program Resolution, and any earnings on or income from such investments in each Account will be transferred to the Interest Receipts Subaccount of the corresponding Account in the Revenue Fund.

Reserve Fund

Upon the delivery of any series of Bonds, and from the proceeds thereof or, at the option of the State, from any other available moneys under the Program Resolution, the Trustee will credit to the Reserve Fund the amount, if any, specified in the Supplemental Resolution authorizing the issuance of that series of Bonds. From time to time, additional amounts will be deposited in the respective Accounts in the Reserve Fund as provided in the Supplemental Resolutions authorizing the series of Bonds secured thereby, to the extent such amounts are available pursuant to the Program Resolution. *No deposit to the Reserve Fund has been made with the proceeds of the 2015 Series A Bonds, and the 2015 Series A Bonds are not expected to be entitled to the benefit of any amount that may be deposited in the Reserve Fund*.

Moneys in each Account of the Reserve Fund will be used and applied solely for the payment when due of principal of and interest on the Bonds of the corresponding series and amounts owing under Senior Other Obligations to the extent provided in the Supplemental Resolution that established such Account, or for the other purposes specified in such Supplemental Resolution, and (in the case of application to pay principal of and interest on the Bonds) will be so used and applied by transfer by the Trustee to the credit of the Redemption Fund, at any time and to the extent that the amount therein and the amounts available for deposit to the credit thereof from the Revenue Fund are insufficient to meet the requirements specified in the Program Resolution for deposit to the credit of the Redemption Fund at such time. Such amounts will be applied, subject to the State Match Restriction, to the payment of principal of and premium, if any, and interest on the Bonds of such series and the payment of Other Obligations related to such series in the order described above under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Redemption Fund". However, on the stated maturity date or any Redemption Date of any Bonds secured by an Account within the Reserve Fund, amounts in such Account will, upon State Direction and subject to the State Match Restriction, be applied to the payment at maturity or redemption of all Outstanding Bonds of the corresponding series, to the extent that such application, and payment of all deposits to be made to the credit of the Rebate Fund required by the Program Resolution upon such redemption, will not reduce the balance of such Account below the applicable Reserve Fund Requirement (calculated as though the Bonds to be retired on such stated maturity date or Redemption Date were not Outstanding as of the date of such calculation).

Pending transfers from the Reserve Fund, the moneys in each Account therein will be invested in Permitted Investments as provided in the Program Resolution, and any earnings on or income from such investments will be transferred to the Interest Receipts Subaccount of the corresponding Account in the Revenue Fund.

Subordinate Redemption Fund

At the time of the initial issuance of any Subordinate Bonds or incurrence of Subordinate Other Obligations, there will be established a Subordinate Redemption Fund and, within such Fund, Accounts that correspond to those within the Redemption Fund, to the extent applicable. The Subordinate Redemption Fund will only be used for the payment when due of principal of and premium, if any, and interest on the Subordinate Bonds and Subordinate Other Obligations.

Subordinate Reserve Fund

At the time of the initial issuance of any Subordinate Bonds there may be established a Subordinate Reserve Fund, and within such Fund, Accounts and subaccounts that correspond to those within the Reserve Fund, to the extent applicable, to be funded an applied as provided in the Supplemental Resolution authorizing such Subordinate Bonds.

Payment of Bonds

Each Bond certificate will contain on its face a statement to the effect that the State will not be generally liable on the Bonds, that the Bonds will not be a public debt of the State for any purpose whatsoever, and that each Bond will be payable only out of the redemption fund established for such payment.

Covenants

Authority; Due Execution. The State represents that it is duly authorized under the Constitution and laws of the State, including particularly the Revenue Obligations Act, to issue the Bonds, and to adopt the Program Resolution. The State further represents that all action on its part for the issuance of the Bonds and the adoption of the Program Resolution has been duly and effectively taken, and that the Bonds when issued and delivered in accordance with the provisions of the Program Resolution are and will be valid and enforceable enterprise revenue obligations of the State according to the terms thereof and of the Program Resolution.

Agreement of the State. The State pledges and agrees with the Holders of the Bonds and the Other Beneficiaries that the State will not limit or alter its powers to fulfill the terms of any agreements made with the Holders of the Bonds and the Other Beneficiaries or in any way impair the rights and remedies of the Holders of the Bonds or the Other Beneficiaries until the Bonds, together with interest (including interest on any unpaid installments of interest) and all costs and expenses in connection with any action or proceeding by or on behalf of the Holders of the Bonds are fully met and discharged and the Other Beneficiaries are fully discharged or provided for.

Arbitrage and Tax Covenants. The State agrees that it will, to the extent that it may lawfully do so, comply with all requirements of the Code that must be satisfied in order that interest on the Tax-Exempt Bonds be (or continue to be) excluded from gross income for federal income tax purposes.

The State agrees that it will not take any action or fail to take any action with respect to the investment of the proceeds of, or amounts pledged to the payment of, Tax-Exempt Bonds or in any other manner which would result in constituting such Tax-Exempt Bonds “arbitrage bonds” within the meaning of such term as used in Section 148 of the Code. The State reserves the right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the federal tax covenants contained in the Program Resolution will not apply to such Bonds.

Accounts and Reports. The State will keep, or cause to be kept, proper books of record and account in which complete and correct entries will be made of its transactions relating to all Loan Repayments, Debt Obligations, and Fees and Charges, if any, and all Funds and Accounts established by the Program Resolution.

The State will annually, within 180 days after the end of each Fiscal Year, file with the Trustee and with the Rating Agencies a copy of the audited financial report for the preceding Fiscal Year with respect to each Program.

A copy of the independent auditor’s report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2016 and 2015 is set forth as Appendix A to this Part VII of the 2016 Annual Report.

Covenants Relating to Loans. The State covenants to (i) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the State for the enforcement of, all terms, covenants and conditions of all Financial Assistance Agreements and the Debt Obligations evidencing the Pledged Loans, and (ii) at all times defend, enforce, preserve and protect the rights and privileges of the State under or with respect to each Pledged Loan and the Financial Assistance Agreements and Debt Obligations evidencing and securing the same. The State will have the power and authority to settle a default on any Pledged Loan on such terms as the State will determine to be in the best interests of the State and the Beneficiaries and to forbear from taking action with respect to enforcement of a Pledged Loan if it determines such forbearance to be in the best interests of the State and the Beneficiaries. The

State also has the authority to modify the terms and conditions of the Pledged Loans and Financial Assistance Agreements, subject to the limitations in the Program Resolution.

Events of Default

Each of the following events constitutes an "Event of Default":

(1) The State defaults in the due and punctual payment of any interest on any Bond of the most senior class then Outstanding; or

(2) The State defaults in the due and punctual payment of the principal of, or premium, if any, on, any Bond of the most senior class then Outstanding, whether at the stated maturity thereof, at the date fixed for redemption thereof (including, but not limited to, Sinking Fund Payment Dates) or otherwise upon the maturity thereof; or

(3) The State defaults in its obligation to purchase any Bond of the most senior class then Outstanding (or Beneficial Ownership Interests therein) on a Tender Date therefor; or

(4) The State defaults in the due and punctual payment of any amount owed by the State under a Swap Agreement or Credit Enhancement Facility to any Other Beneficiary the State's obligation to which is on a parity with Bonds of the most senior class then Outstanding; or

(5) The State defaults in the performance of any of the State's obligations with respect to the transmittal of moneys to be credited to the Revenue Fund, the Rebate Fund, or the redemption fund established for payment of Bonds of the most senior class then Outstanding (which, in the case of the Senior Bonds, will be the Redemption Fund and, in the case of the Subordinate Bonds, will be the Subordinate Redemption Fund) under the provisions of the Program Resolution and such default continues for a period of 30 days; or

(6) The State defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the State in the Program Resolution or in the Bonds of the most senior class then Outstanding, and such default continues for a period of 45 days after written notice thereof, specifying such default, has been given by the Trustee to the State, which may give such notice in its discretion and is required to give such notice at the written request of the Acting Beneficiaries Upon Default (and for this purpose the specified percentage will be 25% in aggregate Principal Amount of the Outstanding Bonds of the most senior class) to the State and the Trustee. Except with respect to the State's arbitrage and tax covenants under the Program Resolution, if the default is such that it can be corrected, but not within such 45 days, it will not constitute an Event of Default if corrective action is instituted by the State within such 45 days and is diligently pursued until the default is corrected.

Remedies

If an Event of Default has occurred and is continuing, the Trustee may (1) institute judicial proceedings in its own name and as or on behalf of a trustee of an express trust for the collection of all amounts then payable on the Bonds and any Other Obligations or under the Program Resolution with respect thereto, enforce any judgment obtained, and collect from the State and any other obligor upon such Bonds and Other Obligations moneys adjudged due, and (2) pursue any other available remedy by suit at law or in equity to enforce the covenants of the State in the Program Resolution, including, without limitation, any remedy of a secured party under the Uniform Commercial Code, foreclosure, and mandamus, and may pursue such appropriate judicial proceedings as the Trustee will deem most effective to protect and enforce, or aid in the protection and enforcement of, the covenants and agreements in the Program Resolution.

If an Event of Default has occurred and is continuing, and if it has been requested so to do by the Acting Beneficiaries Upon Default (and for this purpose the specified percentage will be a majority of the aggregate Principal Amount of Outstanding Bonds) and has been indemnified as described in the Program Resolution, the Trustee will be obliged to exercise such one or more of the rights and powers conferred by the Program Resolution as the Trustee, being advised by its counsel, deems most expedient in the interests of the Beneficiaries. However, the Trustee will have the right to decline to comply with any such request if the Trustee is advised by counsel that the action so requested may not lawfully be taken or if the Trustee receives, before exercising such right or power, contrary instructions from the Holders of not less than a majority in aggregate Principal Amount of the Bonds then Outstanding or from any Other Beneficiary.

Notwithstanding any other default and remedy provisions of the Program Resolution, if a default occurs under a Swap Agreement or a Credit Enhancement Facility and, as a result, the Other Beneficiary that is a party thereto is entitled to exercise one or more remedies thereunder, such Other Beneficiary may exercise such remedies, including, without limitation, the termination of such agreement, as provided therein, in its own discretion so long as the exercise of any such remedy will not adversely affect the legal ability of the Trustee or Acting Beneficiaries Upon Default to exercise any remedy available under the Program Resolution.

No remedy conferred upon or reserved to the Trustee or to the Beneficiaries under the Program Resolution is intended to be exclusive of any other remedy, but each and every such remedy is intended to be cumulative and to be in addition to any other remedy given to the Trustee or to the Beneficiaries under the Program Resolution or now or hereafter existing at law or in equity or by statute.

Supplemental Resolutions

The Program Resolution may not be modified or amended in any respect subsequent to the delivery of fully executed and authenticated Bonds except as provided in and in accordance with and subject to the provisions thereof.

Supplemental Resolutions Without Holder Consent. Subject to such additional provisions as a Supplemental Resolution may provide, the Building Commission may, from time to time and at any time, without the consent of or notice to the Beneficiaries, adopt Supplemental Resolutions for any of the following purposes:

(i) to cure any formal defect, omission, inconsistency, or ambiguity in the Program Resolution; however no such action may adversely affect the interests of the Beneficiaries who have not consented thereto;

(ii) to add to the covenants and agreements of the State in the Program Resolution other covenants or agreements, or to surrender any right or power reserved or conferred upon the State, which does not adversely affect the interests of the Beneficiaries who have not consented thereto;

(iii) to issue a particular series of Bonds as permitted by the Program Resolution or enter into a Swap Agreement or obtain a Credit Enhancement Facility as permitted by the Program Resolution and, in connection therewith, to establish provisions for making deposits to the Redemption Fund to provide for the payment of any Bonds or Other Obligations and to establish assumptions for computing the Debt Service with respect thereto;

(iv) to cause the Program Resolution to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(v) to provide for the removal of a Fiduciary or the Securities Depository, or the appointment of an additional or successor Fiduciary or a successor Securities Depository;

(vi) to make any change in the Program Resolution required by any Rating Agency in order to maintain the current, or restore the previous, rating by such Rating Agency on the Bonds, which does not adversely affect the interests of the Beneficiaries who have not consented thereto;

(vii) to provide for the creation of Funds or Accounts, to which amounts in the Revenue Fund may be credited on any Transfer Date prior to transfer of such amounts to the Subordinate Redemption Fund, or after the transfer of such amounts to such Fund but prior to the transfer of such amounts to the Equity Fund, but in either case only after all transfers therefrom to the Rebate Fund, the Redemption Fund, and (if applicable) the Reserve Fund, or the creation of one or more subordinate classes of Bonds payable from Funds and Accounts created under that or another Supplemental Resolution; however, no such subordinate class of Bonds or Other Obligations may be senior in any respect to any previously created class of Bonds or Other Obligations any of which are then Outstanding, except to the extent specifically authorized or permitted by the Supplemental Resolution authorizing such previously created class or except to the extent consented to by each Beneficiary who would be adversely affected thereby;

(viii) to pledge additional revenues of the Program(s) to secure the payment of the Bonds or Other Obligations under the Program Resolution;

(ix) to modify, alter, amend, or supplement the Program Resolution in any other respect which is not materially adverse to the Beneficiaries who have not consented thereto or which is permitted for Bonds of one or more particular series, as provided in the Supplemental Resolution for Bonds of those series, and affects only (1) the Holders of such Bonds and (2) any other Beneficiaries who have consented thereto;

(x) to provide for the financing of Loans under the Safe Drinking Water Loan Program, Loans to Borrowers other than Municipalities, and/or obligations incurred under such additional programs from time to time under the Water Pollution Control Act, the Safe Drinking Water Act, or any other similar State or federally-supported financing program as may be approved by the EPA, to the extent such Loans or other obligations are then authorized to be financed with enterprise revenue obligations under the Revenue Obligations Act;

(xi) to modify, alter, amend or supplement the provisions of the Program Resolution related to the establishment of the Rebate Fund or arbitrage and tax covenants to reflect or conform to amendments made to the Code as it applies to Bonds issued under the Program Resolution; or

(xii) to modify, alter, amend, or supplement the Program Resolution in any other respect so long as the State has determined that the adoption of such Supplemental Resolution will not result in the withdrawal or downgrade of any rating of the Bonds then maintained by any Rating Agency.

In connection with the adoption of any such Supplemental Resolution, there must be delivered to the Trustee an opinion of Bond Counsel to the effect that such Supplemental Resolution is authorized or permitted by the Program Resolution and the Revenue Obligations Act, complies with their respective terms, will, upon the adoption thereof, be valid and binding upon the State in accordance with its terms, and will not adversely affect the exclusion of the interest payable on any outstanding Tax-Exempt Bonds from gross income of the Holders of the Bonds for federal income tax purposes pursuant to the Code.

Supplemental Resolutions With Holder Consent. Subject to such additional provisions as a Supplemental Resolution may provide, the Building Commission may, from time to time and at any time, with the prior written consent of the Holders of a majority of the principal amount of each class of Bonds Outstanding affected by such Supplemental Resolution, and with the prior written consent of the Other Beneficiaries, adopt a Supplemental Resolution to modify, alter, amend, or supplement the Program Resolution in any respect. However, no Supplemental Resolution may permit (1) an extension of the stated maturity or reduction in the principal amount of, a reduction in the rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of, a reduction in the purchase price payable on a Tender Date for, or a reduction in the amount or extension of the time for any principal payment required for any sinking fund or otherwise applicable to, any of the Bonds without the consent of the Holders of all the Bonds and Other Beneficiaries which would be affected by the action to be taken, (2) except as expressly permitted under the Program Resolution, the creation of any security interest prior to or on a parity with the security interest in the Funds and Accounts for the benefit of the Holders of the Bonds and the Other Beneficiaries without the consent of the Holders of all the Bonds Outstanding and the Other Beneficiaries which would be adversely affected by such creation, (3) a reduction in the aggregate principal amounts of Bonds the Holders of which are required to consent to any Supplemental Resolution, without the consent of the Holders of all Bonds at the time Outstanding, or the elimination of a requirement that any Other Beneficiary consent to any Supplemental Resolution, without the consent of any Other Beneficiary which would be affected by the action to be taken, (4) a modification of the rights, duties, or immunities of the Trustee or any Fiduciary without the written consent of the Trustee or such Fiduciary, or (5) the creation of a privilege or priority of any Obligation of one class over any other Obligation of the same class, or of any other class except as provided in the Program Resolution, or the surrender of a privilege or a priority granted by the Program Resolution, to the detriment of another Beneficiary under the Program Resolution.

Redemption and Purchase of Bonds

Right of Redemption. The Bonds of any series are subject to redemption as provided in the Program Resolution and in the Supplemental Resolution creating such series.

Purchase of Bonds. The State may at any time authorize and direct the Trustee to purchase Bonds in the open market out of any funds available for such purpose (subject to the State Match Restriction), such purchases to be made at a price not in excess of the amount specified in the Program Resolution. In addition, the State may, from time to time, direct the Trustee to request the submission of tenders following published notice requesting such submission prior to making the purchases authorized pursuant to the Program Resolution. All Bonds so purchased by the Trustee will be canceled and not reissued.

Defeasance

Any Outstanding Bond (or any portion thereof) will be deemed to have been paid for the purposes of the Program Resolution, and will no longer be entitled to the benefit of the Program Resolution, if there are deposited in an Escrow Account either moneys in an amount sufficient, or Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys in an amount sufficient, to pay when due the principal of and premium, if any, and interest due and to become due on said Bond (or portion thereof) at or prior to the stated maturity thereof.

The moneys and Defeasance Securities deposited in an Escrow Account held by an escrow agent pursuant to the defeasance provisions of the Program Resolution shall be held in trust and shall not be withdrawn or used for any purpose other than the payment of the principal of and premium, if any, and interest on said Bonds (or portions thereof) deemed to have been paid in accordance with the defeasance provisions of the Program Resolution.

GLOSSARY

The following definitions apply to capitalized terms used in this Part VII of the 2016 Annual Report:

Account means any of the accounts in the Funds created by or pursuant to the Program Resolution.

Act means Sections 281.58 and 281.59 of the Wisconsin Statutes, as amended from time to time.

Acting Beneficiaries Upon Default means:

(1) for purposes of the direction of proceedings by the Trustee, the Holders of not less than the specified percentage (as set forth in the applicable provisions of the Program Resolution) of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds are Outstanding and otherwise the Holders of not less than the specified percentage of the most senior class of Bonds Outstanding, and

(2) for all other purposes under the Program Resolution, any Senior Other Beneficiary or the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds or Senior Other Obligations are Outstanding and otherwise the Holders of not less than the specified percentage of Bonds the most senior class any Bonds or Other Obligations of which are Outstanding and any Other Beneficiary of such class.

Aggregate Debt Service Coverage Ratio means, for any Fiscal Year, the ratio of Projected Annual Revenues to Debt Service.

Authorized Commission Representative means any person at the time designated to act on behalf of the State by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the State by the Capital Finance Director, and also includes the Capital Finance Director.

Balloon Bonds means any series of Bonds, 25% or more of the aggregate principal amount of which mature in a single year.

Balloon Payments means principal payments with respect to a series of Balloon Bonds that are due in any year in which 25% or more of the aggregate principal amount of such series of Balloon Bonds matures.

Beneficial Owner means the Person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository, Participant, or Indirect Participant, as the case may be.

Beneficial Ownership Interest means the right to receive payments and notices with respect to Bonds which are held by the Securities Depository under a Book-Entry System and for which the Securities Depository does not act on behalf of the Beneficial Owner in connection with the optional or mandatory tender of Bonds on a Tender Date.

Beneficiary means any Holder of Bonds and, to the extent provided in a Supplemental Resolution, any Swap Counterparty and any Credit Facility Provider.

Bond Anticipation Notes means obligations for the funding of which the Building Commission has authorized the issuance of Bonds in a Supplemental Resolution.

Bond Counsel means any Independent Counsel selected by the State and nationally recognized as an attorney or firm of attorneys whose opinions are generally accepted in the municipal bond market and who is familiar with the transactions contemplated under the Program Resolution. Any opinion of Bond Counsel required by the Program Resolution shall be in writing.

Bonds means revenue obligations of the State, however designated and whether Senior or Subordinate, that are issued pursuant to the Program Resolution and payable, in whole or in part, from the Pledged Revenues but does not include Bond Anticipation Notes that are payable solely from the proceeds of Bonds authorized in a Supplemental Resolution.

Book-Entry System means a book-entry system established and operated for the recordation of Beneficial Owners of Bonds pursuant to the Program Resolution and the Supplemental Resolution providing for the issuance of such Bonds.

Borrower means any Person authorized to obtain a Loan under the Act pursuant to a Program.

Building Commission means the State of Wisconsin Building Commission or any successor body having the power under subchapter II of Chapter 18 of the Wisconsin Statutes (or any successor provision) to authorize and direct the issuance of Bonds.

Capitalization Grant means grants that EPA is authorized to make, pursuant to the Water Pollution Control Act or the Safe Drinking Water Act, to a state to assist in providing financial assistance to municipalities within the state for governmentally-owned water treatment projects and other water pollution abatement projects.

Capitalization Grant Agreement means the agreement the State has entered into with EPA for receipt of the Capitalization Grant.

Clean Water Fund Program means the Clean Water Fund Program as defined in and established by the Act.

Code means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code in the Program Resolution shall be deemed to include the United States Treasury Regulations in effect or proposed from time to time with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

Commission means the State of Wisconsin Building Commission.

Costs of Issuance means, except as limited in any Supplemental Resolution, any items of expense directly or indirectly payable by or reimbursable to the State and related to the authorization, sale and issuance of Bonds and the investment of the proceeds thereof, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of Fiduciaries, fees, costs and expenses of underwriters, purchasers and placement agents, legal fees and charges, professional consultants' fees, costs of credit ratings, premiums for insurance of the payment of Bonds or any fees and expenses payable in connection with any Credit Enhancement Facilities or Swap Agreements, costs and expenses of refunding of Bonds or any fees and expenses payable in connection with any remarketing agreements, tender agent agreements or interest rate indexing agreements and other costs, charges and fees in connection with the original issuance of Bonds.

Costs of Issuance Fund means the Costs of Issuance Fund established by the Program Resolution.

Counterparty Swap Payment means a payment due to or received by the State from or for the account of a Swap Counterparty pursuant to a Swap Agreement (including payments in respect of any early termination of such Swap Agreement), including amounts received by the State under any related guaranty or other credit support in favor of the State given in connection with such Swap Agreement.

Credit Enhancement Facility means, if and to the extent provided for in a Supplemental Resolution, with respect to Bonds of one or more series, (1) an insurance policy insuring, or a letter of credit, surety bond, or other guaranty providing a direct or indirect source of funds for, the payment of principal of and interest on such Bonds or (2) a letter of credit, standby purchase agreement, line of credit, or similar instrument or facility, providing for the purchase of such Bonds (or the Beneficial Ownership Interests therein) on a Tender Date, and in either case, all agreements entered into by the State or the Trustee and the Credit Facility Provider with respect thereto.

Credit Facility Provider means any Person or Persons engaged by the State, pursuant to a Credit Enhancement Facility, to provide credit enhancement or liquidity for the payment of the principal of and interest on Bonds or the State's obligation to purchase Bonds (or the Beneficial Ownership Interests therein) on a Tender Date.

Debt Obligation means an evidence of indebtedness issued by a Borrower evidencing and securing a Loan to such Borrower, which in the case of a Municipality shall be a Municipal Obligation.

Debt Service means the aggregate principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments, and other payments of the State on all Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities). For purposes of calculating such amount:

(a) Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at a rate equal, as applicable, to: (i) if such Variable Rate Bonds bear interest based on a stated index or benchmark rate (including at a stated margin above or below such index or benchmark or a percentage thereof), the rate that would apply based on the daily average of such index or benchmark during the five years preceding the date of such calculation (or if such index or benchmark has not been available for five years, such shorter period during which it has been available) or (ii) if such Variable Rate Bonds do not bear interest based on a stated index or benchmark rate, (A) if such Variable Rate Bonds have been or are to be issued as Tax-Exempt Bonds, the daily average SIFMA Municipal Swap Index during the five years preceding the date of such calculation, or (B) if such Variable Rate Bonds have been or are to be issued as Taxable Bonds, the daily average LIBOR during the five years preceding the date of such calculation. A Supplemental Resolution that contains a determination by the Building Commission that another generally available index or benchmark more closely corresponds to the actual or expected interest rate on any such Variable Rate Bonds may substitute such index or benchmark for the SIFMA Municipal Swap Index or LIBOR, as applicable.

(b) All Outstanding Bond Anticipation Notes shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds in the full amount authorized with respect to such Bond Anticipation Notes, maturing according to such amortization schedule as the State may determine (however, the final maturity must not be later than 30 years from the original issuance of the Bond Anticipation Notes), and bearing interest at rates based on the then-applicable rates for comparable maturities of municipal bonds of comparable credit rating, as set forth in such nationally recognized municipal market publication as the State may select (including interest rate scales published by Municipal Market Data, a divisions of Thompson Reuters).

(c) All Balloon Payments shall be assumed to be funded or refunded at or before the stated maturity thereof, by the issuance of Senior Refunding Bonds in the full amount of such Balloon Payment, maturing according to such amortization schedule as the State may determine (however, the final maturity must not be later than 30 years from the original issuance of the related Balloon Bonds), and bearing interest at rates based on the then-applicable rates for comparable maturities of municipal bonds of comparable credit rating, as set forth in such nationally recognized municipal market publication as the State may select (including interest rate scales published by Municipal Market Data, a divisions of Thompson Reuters).

(d) Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts deposited in trust, escrowed, or otherwise set aside for the payment thereof with the Trustee or another Person approved by the State or the Trustee (including amounts in an Escrow Account established in the Redemption Fund pursuant to the Program Resolution).

(e) State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement Facility, as the case may be, or in a State Direction provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility, as provided in the Program Resolution.

(f) For purposes of applying the test set forth in the Program Resolution in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.

Defeasance Securities means, subject to any applicable restrictions relating to investment of Funds or Accounts in the Revenue Obligations Act or otherwise applicable to the Environmental Improvement Fund, and except as limited with respect to any series of Bonds as provided in the Supplemental Resolution authorizing such series:

(a) any direct and general obligations of, or any obligations unconditionally guaranteed by, the United States of America, which obligations are not redeemable prior to maturity other than at the option of the holder thereof;

(b) obligations of, or unconditionally guaranteed as to payment of principal and interest by, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Bank, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, the Farmers Home Administration or the

Federal Home Loan Mortgage Corporation, or any other agency or corporation created pursuant to an act of the Congress of the United States as an agency or instrumentality thereof, which obligations are not redeemable prior to maturity other than at the option of the holder thereof;

(c) any obligations of any state or political subdivision of a state ("Municipal Bonds") that are rated at least the rating then assigned to the Senior Bonds by each Rating Agency and that (a) are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the owners of the Municipal Bonds, and (b) are not redeemable prior to maturity other than at the option of the holder thereof;

(d) certificates of ownership of the principal of or interest on direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System, which certificates of ownership are not redeemable prior to maturity other than at the option of the holder thereof;

(e) the interest component of obligations issued by the Resolution Trust Corporation, which are not redeemable prior to maturity other than at the option of the holder thereof; and

(f) securities evidencing ownership interests in open-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, whose investments are limited to the obligations described in clauses (a) and (b) of the definition of "Permitted Investments" and to repurchase agreements fully collateralized by such obligations, the average maturity of which obligations does not exceed 90 days.

DNR means the State of Wisconsin Department of Natural Resources or any other body succeeding to the authority and responsibilities of the State of Wisconsin Department of Natural Resources under the Act.

DOA means the State of Wisconsin Department of Administration or any other body succeeding to the authority and responsibilities of the State of Wisconsin Department of Administration under the Act.

Environmental Improvement Fund means the separate nonlapsible trust fund created under Section 25.43, Wisconsin Statutes, which includes all the Funds and Accounts created under the Program Resolution and which is a separate fund held in the State treasury.

EPA means the United States Environmental Protection Agency or any successor entity which may succeed to the administration of the programs established by the Water Pollution Control Act or the Safe Drinking Water Act.

Escrow Account means a separate and distinct Account created within the Redemption Fund or the Subordinate Redemption Fund pursuant to the Program Resolution in connection with the defeasance of any Bonds pursuant to the Program Resolution.

Event of Default means one of the events described as such under the heading "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Events of Default".

Equity Fund means the Equity Fund created in the Program Resolution.

Fees and Charges means all fees and charges, if any, charged by the State to Borrowers pursuant to the terms and provisions of Pledged Loans or Financial Assistance Agreements but does not include principal of and interest on, or any prepayment fee or premium with respect to, such Pledged Loans.

Fiduciary means each of the Trustee and any co-trustee, Registrar, Issuing Agent, Paying Agent, or other fiscal agent and includes any agent designated by or on behalf of the Building Commission or a Fiduciary to perform the functions of a Fiduciary. One entity may perform multiple Fiduciary functions, and multiple entities may perform a particular Fiduciary function.

Financial Assistance Agreement means any agreement entered into between DNR and a Borrower for financial assistance.

Fiscal Year means the annual period beginning on July 1 of each year and ending on June 30 of the following year.

Fund means any of the funds created by the Program Resolution.

Grant Proceeds means the funds received under a capitalization grant award made to the DNR by the EPA under the terms of a Capitalization Grant Agreement.

Holder means the registered owner of any Bond (which shall be the Securities Depository Nominee so long as a Book-Entry System is being used), as shown on the registration books of the State maintained by the Registrar, *except* that to the extent and for the purposes provided in a Supplemental Resolution for a series of Bonds (including for purposes of the definition of "Acting Beneficiaries Upon Default"), a Credit Facility Provider that has delivered a Credit Enhancement Facility with respect to such series of Bonds may instead be treated as the Holder of the Bonds of such series.

Independent Counsel means an Independent Person duly admitted to practice law before the highest court of any state of the United States of America or the highest court of the District of Columbia. Any opinion of Independent Counsel required by the Program Resolution shall be in writing.

Independent Person means a Person designated by the State and not an employee of the State.

Indirect Participant means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

Interest Payment Date means any date on which interest is due on any Bond pursuant to the Program Resolution and the applicable Supplemental Resolution.

Issuing Agent means an entity designated by or on behalf of the Building Commission to perform such duties as may be required of the Issuing Agent under the Program Resolution or any Supplemental Resolution.

Legislature means the legislature of the State.

Leveraged Clean Water Portion means that portion of a series of Bonds designated as such in the applicable Supplemental Resolution, as adjusted pursuant to a State Direction, if applicable.

Leveraged Portion means the Leveraged Clean Water Portion and/or the Leveraged Safe Drinking Water Portion of a series of Bonds.

Leveraged Safe Drinking Water Portion means that portion of a series of Bonds designated as such in the applicable Supplemental Resolution, as adjusted pursuant to a State Direction, if applicable.

LIBOR means, for any date of determination, a rate of interest equal to the rate per annum (rounded to the nearest one-hundred thousandth percent) at which United States dollar deposits having a maturity of one month are offered to prime banks in the London interbank market which appears on Reuters Page LIBOR01 as of approximately 11:00 a.m., London time, on such date. If such rate does not appear on Reuters Page LIBOR01, the rate shall be determined from such other source in general use in the financial service industry as may be designated in a State Direction. For this purpose, "Reuters Page LIBOR01" means the display page so designated on the Reuters Money 3000 Service (or such other page as may replace that page on that service or such other service as may be nominated by ICE Benchmark Administration Limited or a successor organization for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

Loan means any form of financial assistance subject to repayment, whether or not interest bearing, provided by the State to a Borrower in accordance with a Financial Assistance Agreement for all or any part of the cost of a Project, made pursuant to the Act.

Loan Capitalized Interest means, for any Loan financed in whole or in part by disbursement of amounts in the Loan Fund, the amount, if any, that the State agrees in a Financial Assistance Agreement shall be paid on behalf of a Borrower as capitalized interest on such Loan, which amount shall be transferred by the Trustee from the Loan Fund to the Interest Receipts Subaccount(s) of the appropriate Account(s) in the Revenue Fund as provided in the Program Resolution, and which amount shall, when transferred, be deemed to be a Loan disbursement from the Loan Fund to such Borrower.

Loan Fund means the Loan Fund established by the Program Resolution.

Loan Repayment means any payment on a Pledged Loan pursuant to a Financial Assistance Agreement, or on the Debt Obligation evidencing and securing such Pledged Loan, on account of the principal, interest and premium, if any, due on such Pledged Loan, including scheduled payments of principal and interest on such Pledged Loan or Debt Obligation, any payment made to cure a default, prepayments of principal or interest and any additional amounts payable upon prepayment of such Pledged Loan or Debt Obligation, and any amounts paid with respect to such Pledged Loan or Debt Obligation on account of (i) acceleration of the due date of such Pledged Loan or such Debt Obligation, (ii) the sale or other disposition of such Pledged Loan or Debt Obligation and other collateral securing such Pledged Loan, (iii) the receipt of proceeds of any insurance, letter of credit or other guaranty of such Pledged Loan or Debt Obligation, (iv) payments with respect to such Pledged Loan pursuant to Section 281.59 (13m) of the Wisconsin Statutes (that is, the State moral obligation), and (v) the exercise or any right or remedy granted to the State and available under law or the applicable Financial Assistance Agreement or Debt Obligation upon default on such Pledged Loan or Debt Obligation (including by recourse to collateral and security devices under the Debt Obligations), but specifically excluding Fees and Charges.

Municipal Obligation means the Debt Obligation, in the form of a bond, note or other evidence of debt issued by any Municipality and authorized by law, which has been or shall be acquired by the State as evidence of indebtedness of a Loan to the Municipality pursuant to the Act.

Municipality means a political subdivision of the State or a federally recognized American Indian tribe or band located within the State, in either case constituting a “municipality” within the meaning of the Act.

Other Beneficiary means a Person who is a Beneficiary of an Other Obligation.

Other Obligation means, to the extent provided in a Supplemental Resolution, the State’s obligations to pay any amounts under any Swap Agreements and any Credit Enhancement Facilities.

Outstanding means, (1) when used in reference to the Bonds as of any given date, all Bonds which have been duly authenticated and delivered by the Registrar or Issuing Agent under the Program Resolution *except*:

(a) Bonds which have been canceled by the Registrar at or before such date or which have been delivered to the Registrar at or before such date for cancellation;

(b) Bonds deemed to be paid in accordance with Article VI of the Program Resolution (relating to defeasance);

(c) Bonds in lieu of which other Bonds have been authenticated under the Program Resolution;

(d) Bonds not surrendered for payment when due (unless the State shall default in the payment thereof); and

(e) Bonds which are otherwise not treated as Outstanding pursuant to the terms of the Supplemental Resolution providing for their issuance; and

(2) when used with respect to Other Obligations, means any Other Obligations which have become, or may in the future become, due and payable and which have not been paid or otherwise satisfied.

Participant means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository.

Paying Agent means the Trustee or another agent of the State designated by or on behalf of the Building Commission to process payments to Holders of the Bonds.

Permitted Investments means, subject to any applicable restrictions relating to investment of Funds or Accounts in the Revenue Obligations Act (including particularly Sections 18.561 (5) and 18.57 (3), Wisconsin Statutes) or otherwise applicable to the Environmental Improvement Fund, any of the following:

(a) Any bonds or other obligations which the timely payment of principal and interest constitutes direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies set forth in clause (c) of this definition to the extent unconditionally guaranteed by the United States of America.

(b) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (ii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) of this definition, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate, and (iii) as to which the principal of and interest on bonds or other obligations of the character described in clause (a) of this definition which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate; and that are rated at the date of purchase at least the Required Rating for Permitted Investments.

(c) Bonds, debentures or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an act of Congress as an agency or instrumentality of the United States of America.

(d) The interest component of obligations issued by the Resolution Trust Corporation, which are not redeemable prior to maturity other than at the option of the holder thereof.

(e) Obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any such state or political subdivision which are rated at least the Required Rating for Permitted Investments.

(f) Certificates or other instruments that evidence ownership of the right to payments of principal of or interest on obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, if (i) such obligations are held in trust by a commercial bank which is a member of the Federal Reserve System and meets the eligibility requirements for a Trustee under the Program Resolution, and (ii) payment of all principal of and interest on such certificates or such obligations is fully insured or unconditionally guaranteed by, or unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations the debt of which is rated at least the Required Rating for Permitted Investments, or, in the case of an insurer providing municipal bond insurance policies insuring the payment when due of the principal of and interest on municipal bonds, such insurance policy results in such municipal bonds being rated at least the Required Rating for Permitted Investments.

(g) Certificates that evidence ownership of the right to payments of principal of or interest on obligations described in clause (a) of this definition, provided that such obligations are held in trust by a commercial bank which is a member of the Federal Reserve System and meets the eligibility requirements for a Trustee under the Program Resolution.

(h) Certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any bank in the United States of America which is rated at least the Required Rating for Permitted Investments.

(i) Commercial paper, other than that issued by bank holding companies, the debt of which is rated at least the Required Rating for Permitted Investments.

(j) Written repurchase contracts, reverse repurchase contracts or securities lending agreements (collateralized by cash or securities) that satisfy the criteria for being rated at least the Required Rating for Permitted Investments.

(k) Shares of an investment company organized under or a money market fund regulated under the Investment Company Act of 1940, as amended, or units of a common trust fund, which satisfies the criteria for being rated at least the Required Rating for Permitted Investments.

(l) Any agreement for an investment of money with a Qualified Institution, provided that such agreement (or the debt of the Qualified Institution) must (i) be rated at least the Required Rating for Permitted Investments at the time such agreement is entered into or (ii) be collateralized with cash or securities in such manner as required for a Required Rating for Permitted Investments. "**Qualified Institution**" means any entity, the unsecured long-term debt obligations of which are rated at least the Required Rating for Permitted Investments.

(m) obligations secured or supported by a letter of credit, contract, guaranty, agreement or surety bond issued by an entity the obligations of which are rated at least the Required Rating for Permitted Investments.

(n) any investment agreements or debt obligations rated at least the Required Rating for Permitted Investments.

(o) Loans or other obligations incurred under the Clean Water Fund Program or the Safe Drinking Water Loan Program (other than Loans made with bonds issued pursuant to the Prior General Resolution).

(p) The local government pooled-investment fund managed by the State of Wisconsin Investment Board pursuant to Section 25.50 of the Wisconsin Statutes.

(q) Any other investment that the State is authorized to make pursuant to the Act and the Revenue Obligations Act and that is rated at least the Required Rating for Permitted Investments.

Person means any natural person, firm, association, corporation, company, trust, partnership, public body, or other entity.

Pledged Loan means (i) all Loans financed through the application of amounts in the Loan Fund as provided in the Program Resolution, and (ii) any other Loans designated as such by the State under the Program Resolution pursuant to the provisions thereof, except that "Pledged Loans" shall not include Loans released from the pledge of the Program Resolution as described under "SECURITY; Disposition of Loans".

Pledged Revenues means (i) all Loan Repayments, including both timely and delinquent payments; (ii) any moneys received by the State under Section 281.59 (11) (b) of the Wisconsin Statutes (that is, State payments intercepted by DOA, and taxes collected by county treasurers) upon a default under a Municipal Obligation that evidences and secures a Pledged Loan; (iii) all Counterparty Swap Payments; (iv) except as limited as provided in the Supplemental Resolution authorizing such Credit Enhancement Facility, all amounts received with respect to the payment of Bonds pursuant to a Credit Enhancement Facility; (v) earnings or income from investments of moneys in the Funds and Accounts that are payable into the Revenue Fund, (vi) any other moneys held or received by the State or the Trustee relating to any

Debt Obligation that evidences and secures a Pledged Loan; and (vii) any other revenues of the Program(s) pledged to secure Bonds by a Supplemental Resolution adopted pursuant to the Program Resolution.

Principal Amount when used with respect to a Bond, means the then outstanding principal amount of such Bond. To the extent provided in the Supplemental Resolution for Bonds of a series that pay interest less frequently than semiannually, accrued interest or amortized original issue discount with respect to such Bond shall be treated as principal, and to the extent provided in the Supplemental Resolution for Bonds of a series that bear no interest, only the purchase price plus amortized original issue discount shall be treated as principal.

Principal Payment Date means the stated maturity date of principal of any Serial Bond, the Sinking Fund Payment Date for any Term Bond, and any other Redemption Date for any Bond.

Prior General Resolution means 1991 State of Wisconsin Building Commission Resolution 5, entitled "State of Wisconsin Clean Water Revenue Bond General Resolution," as amended.

Program means the Clean Water Fund Program or the Safe Drinking Water Loan Program. However, until such time, if any, as the Act is amended to provide for the issuance of revenue obligations under the Revenue Obligations Act with respect to the Safe Drinking Water Loan Program, "**Program**" shall refer only to the Clean Water Fund Program.

Program Resolution means the 2015 State of Wisconsin Building Commission Resolution 10, entitled Program Resolution for State of Wisconsin Environmental Improvement Fund Revenue Obligations, adopted by the Building Commission on October 7, 2015, as it may be supplemented and amended from time to time by Supplemental Resolutions.

Project means any project for the planning, design, acquisition, construction, improvement, repair, reconstruction, modification, renovation or expansion of any wastewater collection or treatment system or water supply system that is eligible for financing by the State pursuant to the Act.

Projected Annual Revenues means, for any Fiscal Year, the sum of (i) the aggregate amount of Loan Repayments scheduled to come due during such Fiscal Year (based on the State's estimated schedule for disbursement of Loans), excluding any such payments with respect to Pledged Loans that are in default, and (ii) the aggregate amount that the State estimates will be received during such Fiscal Year as earnings or income from investments of moneys in the Funds and Accounts that are payable into the Revenue Fund.

Rating Agency means, at any time, any nationally recognized securities rating agency which then provides a rating on the Bonds at the request of the State (which request may be withdrawn) and includes the successors and assigns of any such agency.

Rebate Fund means the Rebate Fund created in the Program Resolution.

Redemption Date means the date fixed for redemption of any Bond pursuant to the Program Resolution and the applicable Supplemental Resolution.

Redemption Fund means the Redemption Fund created in the Program Resolution.

Refunding Bonds means Bonds issued or to be issued to provide for the payment of principal of (and, to the extent provided by the Supplemental Resolution authorizing the issuance thereof, premium, if any, and interest on) Bonds previously issued under the Program Resolution or to fund Bond Anticipation Notes.

Registrar means the Trustee or any other agent of the State designated by or on behalf of the Secretary of Administration to maintain the registration books for the Bonds.

Required Rating for Permitted Investments means:

(a) in the case of investment securities or debt obligations to which long-term debt ratings apply, that such securities or obligations (or where applicable, other securities or obligations of the issuer thereof) are rated by each Rating Agency at least "AA-," "Aa3" or their equivalent, and

(b) in the case of investment securities or debt obligations to which short-term debt ratings apply, that such securities or obligations (or where applicable, other securities or obligations of the issuer thereof) are rated by each Rating Agency in its highest applicable rating category,

in each case, without regard to numerical or other modifiers of such rating categories.

Reserve Fund means the Reserve Fund, if any, created in the Program Resolution.

Reserve Fund Requirement means, with respect to any Account within the Reserve Fund, the amount established as such in the Supplemental Resolution pursuant to which such Account is established, which may be expressed as a percentage of the Outstanding Bonds secured by such Account, as a stated dollar amount, or in any other manner. In calculating the Reserve Fund Requirement, all Bonds to be redeemed or defeased by a series of Refunding Bonds shall be deemed not Outstanding as of the date of calculation.

Revenue Fund means the Revenue Fund created in the Program Resolution.

Revenue Obligations Act means Subchapter II of Chapter 18 of the Wisconsin Statutes and any other enactment by the Legislature that shall authorize the issuance of revenue obligations of the nature of the Bonds on behalf of the State.

Safe Drinking Water Act means the federal Safe Drinking Water Act, 42 U.S.C. Section 300f *et seq.*, as amended from time to time, or any successor provisions.

Safe Drinking Water Loan Program means the Safe Drinking Water Loan Program as defined in and established by the Act.

Securities Depository means the securities depository and any substitute for or successor to such securities depository that shall, at the request of the Building Commission, maintain a Book-Entry System with respect to the Bonds.

Securities Depository Nominee means the Securities Depository or the nominee of the Securities Depository in whose name the Bonds are registered during the continuation with such Securities Depository of participation in its Book-Entry System.

Senior means, (1) when used with respect to a Bond, a Bond of a series designated (or deemed to have been designated) as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated (or deemed to have been designated) as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated (or deemed to have been designated) as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State. A Supplemental Resolution may provide that only certain obligations with respect to Bonds, Credit Enhancement Facilities or Swap Agreements are Senior. Payments in respect of any early termination of a Swap Agreement may not be designated as Senior.

Serial Bonds means all Bonds other than Term Bonds.

Senior Debt Service means Debt Service, computed without taking into account Subordinate Bonds and Other Subordinate Obligations.

Senior Debt Service Coverage Ratio means, for any Fiscal Year, the ratio of Projected Annual Revenues to Senior Debt Service.

Sinking Fund Payment Date means the date on which any Term Bond is to be called for redemption pursuant to the sinking fund requirements of the Supplemental Resolution providing for the issuance thereof or, if not redeemed, the stated maturity date thereof.

State means the State of Wisconsin.

State Certificate means a certificate signed by an Authorized Commission Representative and delivered to the Trustee or, if required by the context in which such term is used, to any other Fiduciary.

State Direction means a direction to the Trustee or, if required by the context in which such term is used, to any other Fiduciary and signed by an Authorized Commission Representative.

State Match means the amount of matching State funds required under the Water Pollution Control Act or the Safe Drinking Water Act, which presently equals not less than 20% of the amount of funds available under the applicable Capitalization Grant Agreement.

State Match Clean Water Portion means that portion of a series of Bonds designated as such in the applicable Supplemental Resolution, as adjusted pursuant to a State Direction, if applicable.

State Match Portion means the State Match Clean Water Portion and/or the State Match Safe Drinking Water Portion of a series of Bonds.

State Match Restriction means the prohibition set forth in the Program Resolution against using Grant Proceeds and principal repayments of Pledged Loans to pay amounts due with respect to State Match Portions.

State Match Safe Drinking Water Portion means that portion of a series of Bonds designated as such in the applicable Supplemental Resolution, as adjusted pursuant to a State Direction, if applicable.

State Swap Payment means a payment due to a Swap Counterparty from the State pursuant to the applicable Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement).

Subordinate means, after the adoption of a Supplemental Resolution pursuant to the Program Resolution to provide for the creation of a class of Bonds or Other Obligations that is subordinate to Senior Bonds, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant the Program Resolution and the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State. A Supplemental Resolution may provide that only certain obligations with respect to Bonds, Credit Enhancement Facilities or Swap Agreements are Subordinate.

Subordinate Redemption Fund means the Subordinate Redemption Fund created in the Program Resolution.

Supplemental Resolution means a resolution adopted by the Building Commission in accordance with the Program Resolution to supplement or amend the Program Resolution.

Swap Agreement means an interest rate exchange agreement or other interest rate hedge agreement between the State and a Swap Counterparty, for the purpose of (1) converting, in whole or in part, (a) the State's fixed interest rate liability on all or a portion of any Bonds to a variable interest rate liability, (b) the State's variable interest rate liability on all or a portion of any Bonds to a fixed interest rate liability, or (c) the State's variable interest rate liability on all or a portion of any Bonds to a different variable interest rate liability, or (2) providing a maximum or minimum with respect to the State's variable interest rate liability on all or a portion of any Bonds.

Swap Counterparty means any Person with whom the State shall, from time to time, enter into a Swap Agreement.

Taxable Bonds means Bonds of a series that are not offered on the basis that interest on the Bonds of that series is excluded from gross income of the Beneficial Owners for federal income tax purposes pursuant to the Code, as designated in the Supplemental Resolution authorizing such Bonds.

Tax-Exempt Bonds means Bonds of a series are offered on the basis that interest on the Bonds of that series is excluded from gross income of the Beneficial Owners for federal income tax purposes pursuant to the Code, as designated in the Supplemental Resolution authorizing such Bonds.

Tender Date means, with respect to any Bond or Beneficial Ownership Interest, a date on which such Bond or Beneficial Ownership Interest is required to be tendered for purchase by or on behalf of the State, or has been tendered for purchase by or on behalf of the State pursuant to a right given the Holder or Beneficial Owner of such Bond, in accordance with the provisions in the Supplemental Resolution providing for the issuance thereof.

Term Bonds means Bonds which are subject to mandatory redemption on Sinking Fund Payment Dates according to a schedule provided in or pursuant to the Supplemental Resolution providing for the issuance of such Bonds.

Transfer Date means each June 1 and December 1, commencing June 1, 2016.

Trustee means U.S. Bank National Association or any successor entity designated by or on behalf of the Building Commission to have custody of the Funds and Accounts and to perform such other duties as may be required of the Trustee under the Program Resolution or any Supplemental Resolution.

Variable Rate Bonds means Bonds whose interest rate is not fixed for the entire remaining term of such Bonds, but varies on a periodic basis as specified in the Supplemental Resolution providing for the issuance thereof.

Water Pollution Control Act means subchapter VI of the federal Water Pollution Control Act of 1987, 33 U.S.C. Section 1381 *et seq.*, as amended from time to time, or any successor provisions.

Appendix A

AUDITED FINANCIAL STATEMENTS

The following are the independent auditor's report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2016 and 2015, along with supplemental information as of June 30, 2016.

Financial statements present the financial position, results of operations, and cash flows of the Environmental Improvement Fund for the fiscal years ended June 30, 2016 and 2015. These financial statements are not intended to predict future cash flows that will be available for the benefit of bondholders pursuant to the bond resolutions.

Baker Tilly Virchow Krause, LLP, the independent auditor of the Environmental Improvement Fund, has not been engaged to perform and has not performed, since the date of its reports included on the following pages, any procedures on the financial statements addressed in those reports. Baker Tilly Virchow Krause, LLP also has not performed any procedures related to this Part VII of the 2016 Annual Report.

{This page number is the last sequential page number of the 2016 Annual Report to be used in Part VII of the 2016 Annual Report. The following uses page numbers from the financial statements and independent auditor's report. The sequential page numbers for the 2016 Annual Report continue in Part VIII.}

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2016 and 2015

AND

SUPPLEMENTAL INFORMATION

As of and for the Year Ended June 30, 2016

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

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INDEPENDENT AUDITORS' REPORT

To the Secretary of the Department of Administration and the Secretary of the Department of
Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of and for the years ended June 30, 2016, and 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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*, 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 over financial reporting relevant to the State of Wisconsin Environmental Improvement Fund'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 of Wisconsin Environmental Improvement Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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 audit opinion.

To the Secretary of the Department of Administration and the Secretary of the Department of Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Wisconsin Environmental Improvement Fund, as an enterprise fund of the State of Wisconsin, as of June 30, 2016 and 2015, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the State of Wisconsin Environmental Improvement Fund and do not purport to, and do not, present fairly the financial position of the State of Wisconsin, as of June 30, 2016, and 2015, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Net Position by Program, Statement of Revenues, Expenses, and Changes in Net Position by Program, and the Statement of Cash Flows by Program as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Net Position by Program, Statement of Revenues, Expenses, and Changes in Net Position by Program, and the Statement of Cash Flows by Program are fairly stated in all material respects, in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State of Wisconsin Environmental Improvement Fund's financial statements. The "Other Information" listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Secretary of the Department of Administration and the Secretary of the Department of Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and on 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* in considering the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
December 14, 2016

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF NET POSITION
As of June 30, 2016 and 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Unrestricted cash and cash equivalents	$ 473,557,839	$ 365,403,382
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost	45,669,251	45,594,883
Receivables		
Loans to local governments - current portion	176,314,894	177,337,982
Due from other funds	111,248	2,849
Due from other governmental entities	10,637,631	8,805,800
Accrued investment income	190,009	190,009
Prepaid items	16,912	20,181
Total Current Assets	706,497,784	597,355,086
Noncurrent Assets		
Restricted assets - cash equivalents	93,918,196	98,781,334
Investments - State of Wisconsin general obligation clean water bonds, at fair value	187,049,829	176,611,170
Loans to local governments	1,794,103,762	1,861,526,894
Advances to other funds	6,238,282	6,222,149
Prepaid items	116,802	133,688
Net pension assets	-	81,885
Total Noncurrent Assets	2,081,426,871	2,143,357,120
Total Assets	2,787,924,655	2,740,712,206
Deferred Outflows of Resources		
Pension related amounts	174,945	48,406
Unamortized charges	30,433,129	14,411,933
Total Deferred Outflows of Resources	30,608,074	14,460,339
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,818,532,729	$ 2,755,172,545
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Accrued expenses	$ 220,052	$ 149,714
Accrued interest on bonds	2,743,258	2,888,107
Due to other funds	3,960,037	1,263,841
Due to other governmental entities	3,226	223,903
Unearned revenue	171,448	-
Compensated absences - current portion	143,259	57,440
Revenue obligation bonds - current maturities	54,105,000	59,935,000
Total Current Liabilities	61,346,280	64,518,005
Noncurrent Liabilities		
Accrued expenses	29,225	28,826
Net pension liability	30,126	-
Due to other governmental entities	622,846	574,584
Compensated absences	412,116	28,359
Revenue obligation bonds (including unamortized premium)	705,383,205	698,780,909
Total Noncurrent Liabilities	706,477,518	699,412,678
Total Liabilities	767,823,798	763,930,683
Deferred Inflows of Resources		
Pension related amounts	64,249	821
Net Position		
Restricted for environmental improvement	2,035,171,238	1,977,236,321
Unrestricted	15,473,444	14,004,720
Total Net Position	2,050,644,682	1,991,241,041
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 2,818,532,729	$ 2,755,172,545

See accompanying notes to financial statements.

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Loan interest	$ 34,343,107	$ 33,640,973
Interest income used as security for revenue bonds	17,054,674	18,870,494
Miscellaneous other	25,416	30,703
Total Operating Revenues	51,423,197	52,542,170
OPERATING EXPENSES		
Interest	29,538,619	31,300,577
Salaries and benefits	5,179,700	4,457,673
Contractual services and other	3,081,795	3,221,916
Total Operating Expenses	37,800,114	38,980,166
Operating Income	13,623,083	13,562,004
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,792,399	1,135,325
Investment income used as security for revenue bonds	27,126,574	3,463,690
Intergovernmental grants	42,986,116	55,812,249
Grants awarded	(7,095,325)	(9,532,629)
Total Nonoperating Revenues (Expenses)	64,809,764	50,878,635
INCOME BEFORE TRANSFERS	78,432,847	64,440,639
Transfers in	3,123,935	11,306,642
Transfers out	(22,153,141)	(8,011,761)
Increase in Net Position	59,403,641	67,735,520
TOTAL NET POSITION - Beginning of Year (as restated for 2015)	1,991,241,041	1,923,505,521
TOTAL NET POSITION - END OF YEAR	$ 2,050,644,682	$ 1,991,241,041

See accompanying notes to financial statements.

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of loans	$ 180,499,126	$ 174,170,680
Interest received on loans	51,776,085	52,415,116
Origination of loans	(112,052,909)	(203,390,663)
Payments to employees for services	(1,832,792)	(3,990,235)
Payments to suppliers and other	(3,533,714)	(3,135,564)
Other operating revenues	25,416	30,703
Net Cash Flows From Operating Activities	114,881,212	16,100,037
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental grants received	40,457,398	56,173,000
Grants paid	(7,095,325)	(9,532,629)
Transfers in	3,123,935	11,306,642
Transfers out	(22,153,141)	(8,011,761)
Proceeds from issuance of long-term debt	50,849,745	-
Retirement of long-term debt	(63,180,000)	(58,400,000)
Interest payments	(32,031,579)	(37,532,446)
Advances to other funds	(15,133)	(2,553)
Net Cash Flows From Noncapital Financing Activities	(30,044,100)	(45,999,747)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(31,032)
Liquidation of investments	8,291,809	7,768,448
Investment and interest income	10,162,398	8,752,715
Net Cash Flows From Investing Activities	18,454,207	16,490,131
Net Increase/(Decrease) in Cash and Cash Equivalents	103,291,319	(13,409,579)
CASH AND CASH EQUIVALENTS - Beginning of Year	464,184,716	477,594,295
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 567,476,035	$ 464,184,716

	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 13,623,083	$ 13,562,004
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities		
Interest expense classified as noncapital financing activity	28,968,085	31,300,577
Changes in assets and liabilities		
Loans to other governments	68,446,219	(29,219,984)
Due from other funds	(377,091)	133,295
Proportionate share of contributions	(63,111)	(34,821)
Prepaid items	20,156	18,655
Compensated absences	469,575	92
Other assets	81,886	39,577
Other post employment benefits	400	(1,479)
Accrued expenses	100,463	66,266
Accrued interest on bonds	378,302	(96,351)
Due to other funds	3,453,922	333,985
Due to other governmental entities	(220,677)	(1,779)
Total Adjustments	101,258,129	2,538,033
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 114,881,212	$ 16,100,037
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Unrestricted cash and cash equivalents - statement of net position	$ 473,557,839	$ 365,403,382
Investments in United States Treasury Notes, purchased in connection with forward delivery agreements	45,669,251	45,594,883
Investments in State of Wisconsin general obligation clean water bonds	187,049,829	176,611,170
Restricted cash and cash equivalents - statement of net position	93,918,196	98,781,334
Total Cash and Investments	800,195,115	686,390,769
Less: Noncash equivalents	(232,719,080)	(222,206,053)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 567,476,035	$ 464,184,716
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES		
Net change in unrealized gains and losses	$ 18,729,948	$ 4,540,353
Bond premium amortization	$ 22,841,572	$ 9,306,356

See accompanying notes to financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity—The State of Wisconsin Environmental Improvement Fund (the “Fund”) is an enterprise fund of the State of Wisconsin (the “State”) administered by the State of Wisconsin Department of Natural Resources (the “DNR”) and the State of Wisconsin Department of Administration (the “DOA”).

The Fund was established with the adoption of the 1997-1999 State of Wisconsin budget. The Fund replaced the Clean Water Fund Program and expanded loan activity to include drinking water system loans and brownfield loans. The Fund provides for three separate environmental financing programs: the Clean Water Fund Program, the Safe Drinking Water Loan Program, and the Land Recycling Loan Program.

The Clean Water Fund Program was established in 1990 and provides financial assistance to municipalities at subsidized interest rates for the purpose of constructing or improving municipal wastewater facilities. The Safe Drinking Water Loan Program was established in 1997 and provides municipal loans for the construction or repair of municipal drinking water facilities. The following four loan portfolios comprise the Environmental Improvement Fund:

- Leveraged Loan Portfolio—This portfolio is funded by proceeds of Clean Water revenue bonds and operating transfers from the State. Assets in this portfolio are used for loans for Wisconsin municipal wastewater projects that meet applicable State eligibility and reporting requirements of the Clean Water Fund Program.
- Direct Loan Portfolio—This portfolio is funded by the U.S. Environmental Protection Agency (the “EPA”) grants and proceeds from the issuance of Environmental Improvement Fund revenue bonds (i.e., a minimum 20% match of EPA capitalization grant). Repayments from loans in this portfolio and proceeds from the issuance of Environmental Improvement Fund revenue bonds (i.e., in addition to the amount needed for match requirements of EPA capitalization grants) are used to fund new loans. Loans in this portfolio are made for wastewater projects that comply with EPA eligibility and reporting requirements of the Clean Water Fund Program.
- Proprietary Loan/Grant Portfolio—This portfolio is funded by operating transfers from the State. Assets of this portfolio are used to fund both loans and hardship grants for qualifying wastewater projects. Repayments from loans in this portfolio may be used to fund new loans or hardship grants under the Clean Water Fund Program.
- Drinking Water Loan Portfolio—This portfolio is funded by the EPA grants and operating transfers from the State (the State is required to match a minimum of 20% of EPA grants). Repayments from loans in this portfolio may be used to fund new loans. Loans in this portfolio are made for drinking water projects that comply with EPA eligibility and reporting requirements under the Safe Drinking Water Loan Program.

The Land Recycling Loan Program is a municipal loan program for the remediation of contaminated lands. As of June 30, 2016 and 2015, there were ten loans granted under this program for a total of $15,218,891. As of June 30, 2016 and 2015, the total amount drawn on these loans was $13,500,343. The Land Recycling Program loans are included in the Clean Water Fund Program – Direct Loan Portfolio for reporting purposes.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Implementation of Accounting Standards—In June 2012, the GASB issued statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and in November 2013, the GASB issued statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements establish the accounting and financial reporting standards for the employer share of pension plan activities that are administered through trusts and meet certain criteria as well as employer contributions made in a fiscal year subsequent to the pension plan's measurement date. These standards were implemented July 1, 2014. Additional footnote disclosures related to these standards have not been included within this report as amounts are not material to these financial statements. For further information, see the State of Wisconsin's Comprehensive Annual Financial Report as of and for the year ended June 30, 2016.

In February 2015, the GASB issued statement No. 72 – *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented July 1, 2015.

Net Operating Income/Loss—The Fund incurred net operating income of $13.6 million in both 2016 and 2015. Management anticipates the Fund will periodically incur net operating losses. As explained in Note 2, a loss will generally result from the Fund's statutory mission to provide loans to municipalities at interest rates below the Fund's own cost of funds. Previous losses have historically been funded by EPA grants and operating transfers from the State of Wisconsin. EPA grants were approximately $43.0 million and $55.8 million in 2016 and 2015, respectively, and are classified as intergovernmental grants. Transfers from the State of Wisconsin were approximately $3.1 million and $11.3 million in 2016 and 2015, respectively, and are classified as transfers in. Management expects the grants and transfers will continue for the foreseeable future sufficient to fund both the anticipated future net operating losses and, together with additional borrowing, to fund additional loans to municipalities.

Loans Receivable—Loans receivable are recorded at cost. Direct costs to originate loans are not material and are expensed as incurred. Fees received to originate loans are not material and are recorded as income when received.

Interest on Loans Receivable—Interest on loans receivable is recognized on an accrual basis and recorded within Due From Other Governmental Entities on the statements of net position.

Investments—The Fund 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 corporation 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 3).

Investments that are stated at fair value include the State of Wisconsin Investment Board Local Government Investment Pool (see Note 3) and the State of Wisconsin General Obligation Clean Water Bonds (see Note 8). The Fund has received fair value information for investments from external sources. Changes in the fair value of investments are included in investment income. All other investments are reported at cost. Accrued interest on investments is recorded as earned. To the extent interest income on investments exceeds applicable arbitrage limits specified in the internal Revenue Code; the amount that must be rebated ("estimated arbitrage") to the U.S. Treasury is recorded as a reduction of investment income (see Note 9). Investment transactions are recorded on the trade date.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements—The Fund holds United States Treasury Notes as investments at June 30, 2016 and 2015 and records the notes at cost. The Fund purchased these securities in accordance with the Forward Delivery Agreements (see Note 4).

Accounting standards require that investments in participating interest-earning investment contracts be reported at fair value. The four forward delivery agreements with Wells Fargo (formerly Wachovia) and two forward delivery agreements with JP Morgan Chase Bank described in Note 4 would be considered participating investment contracts under current accounting standards. Management has accounted for the agreements as investments in short-term U.S. treasury notes, at cost, rather than as investment contracts at fair value because management believes the difference between cost and fair value does not have a material impact on the financial statements. At June 30, 2016, the fair value of the Fund's interest in these agreements was above the cost of the treasury securities owned by $935,503. At June 30, 2015, the fair value was above the cost by $1,081,587.

Comparative Data—Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Revenue Obligation Bonds—Interest expense on revenue obligation bonds is recognized on an accrual basis.

Debt Defeasance—Advance refundings of debt obligations that meet the criteria of GASB Statement No. 23 are recorded as an extinguishment of debt. The securities held in trust and the defeased obligations are not reported in the financial statements (see Note 7).

Deferred Outflows of Resources—A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

The Fund defers the difference between the reacquisition price and the net carrying amount of defeased debt and amortizes it as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized deferred charge related to debt defeasance is classified as a deferred outflow of resources.

Cash Equivalents—The Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Fund also considers as cash equivalents guaranteed investment contracts or repurchase agreements permitting withdrawals required by the bond resolution to meet insufficiencies in debt service payments. Repurchase agreements and guaranteed investment contracts are valued at cost because they are nonparticipating contracts due to the non-negotiability of these investments and because the amount of any withdrawals made do not consider market interest rates.

Cash and cash equivalents in the Direct Loan Portfolio and Leveraged Loan Portfolio, while classified as unrestricted assets under accounting principles generally accepted in the United States ("GAAP"), are restricted as to use under federal statute and code and under the Clean Water Revenue Bond covenants and indenture. Those federal restrictions require that, with few exceptions, the funds can only be used for purposes of making loans to municipalities for program purposes, and that the funds must be kept available "in perpetuity" for such purposes. Likewise, the Clean Water Revenue Bond indenture specifies the use of bond proceeds, proceeds from loan repayments, and money in other accounts created under the bond indenture.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Restricted Assets—Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements. The restricted assets will be used for retirement of related long-term debt in the event that sufficient resources are not otherwise available.

Deferred Inflows of Resources—A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Net Position—Net position is classified as either restricted or unrestricted based on the presence or absence of restrictions, including federal laws, the Cleanwater Act of 1987, resolutions, state statutes, and Title XIV of the 1996 Safe Drinking Water Act, as amended. When both restricted and unrestricted resources are available for use, restricted resources are used first, then unrestricted as they are needed.

Revenue Recognition—Loan interest and investment income are recognized as revenue when earned. Operating grants are recognized as revenue in the period the related expense occurs and include $43.0 million and $55.8 million of EPA contributions in 2016 and 2015, respectively.

Hardship Grants—Hardship grants are recognized as an expense when the funds are disbursed.

Transfers In/(Out)—Transfers in consist of capital contributions from the State of Wisconsin and are recognized as the contributions are received. Transfers out consist of items related to debt service.

Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Claims and Judgments—Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred. Refer to Note 12 on commitments and contingencies.

NOTE 2 – FINANCIAL ASSISTANCE AGREEMENTS TO LOCAL GOVERNMENTS

Loans to local governments at June 30, 2016 and 2015 represent loans for wastewater treatment projects or drinking water projects and are for terms of up to 20 years. These loans are made at a variety of prescribed interest rates based on project type categories. In order to effectuate statutory policy, virtually all of the loans issued by the Clean Water Fund Program, Safe Drinking Water Loan Program and Land Recycling Loan Program are at interest rates that are below the State's cost of borrowing. The net losses that can result from this negative interest margin are funded by State transfers. Interest rates on loans receivable ranged from 0% to 4.95% in both 2016 and 2015. The weighted average interest rate was 2.468% and 2.500% at June 30, 2016 and 2015, respectively. The loans contractually are revenue obligations or general obligations of the local governments, or both. Additionally, various statutory provisions exist which provide further security for payment.

In the event of a default, the State can intercept State aid payments due to the applicable local government, induce an additional charge to the amount of property taxes levied by the county in which the applicable local government is located, or both. Accordingly, no reserve for loan loss is deemed necessary. At June 30, 2016 and 2015, all loan repayments were performing in accordance with the contractual terms.

NOTE 2 – FINANCIAL ASSISTANCE AGREEMENTS TO LOCAL GOVERNMENTS (cont.)

Of the loans outstanding at June 30, 2016 and 2015, $600,582,530 and $648,935,006 (30% and 32%), respectively, were loans due from the Milwaukee Metropolitan Sewerage District.

The Clean Water Fund Program, Safe Drinking Water Loan Program, and Land Recycling Loan Program entered into $230,887,026 of new loans and $9,499,885 of new grants during fiscal year 2016. For fiscal year 2015, these same programs entered into $172,173,563 of new loans and $7,533,727 of new grants. As of June 30, 2016, they had undisbursed commitments of $226,576,537 relating to loans and $3,705,271 relating to grants. For fiscal year 2015, they had undisbursed commitments of $125,038,717 relating to loans and $1,185,752 relating to grants. From July 1, 2016 to August 24, 2016, the Fund made additional loan disbursements of $26,441,653 for financial assistance agreements that were outstanding prior to June 30, 2016. $2,279,653 of additional loans were executed between July 1, 2016 and September 16, 2016. These funding commitments are generally met through the proceeds from additional Federal grants, recycled loan payments, and from the issuance of additional revenue obligation bonds (Note 6).

NOTE 3 – CASH AND CASH EQUIVALENTS

As of June 30, 2016 and 2015, cash and cash equivalents consisted of the following:

	2016	2015
Money market mutual funds	$ 142,900,034	$ -
Local Government Investment Pool ("LGIP"), at fair value	424,575,519	464,184,509
Miscellaneous cash	482	208
	567,476,035	464,184,717
Less: Amounts classified as restricted assets (see Note 6)	(93,918,196)	(98,781,335)
Total Unrestricted Cash and Cash Equivalents	$ 473,557,839	$ 365,403,382

The LGIP is an investment fund managed by SWIB that accepts investment deposits from over 1,000 municipalities and other public entities in the State of Wisconsin. The objectives of the LGIP are to provide safety of principal and liquidity while earning a competitive money market rate of return. The LGIP functions in a manner similar to a money market fund in that the yield earned changes daily and participants may invest or withdraw any or all amounts on a daily basis at par value. The LGIP is not a Securities and Exchange Commission ("SEC") registered investment, but is regulated by Wisconsin Statutes 25.14 and 25.17. At June 30, 2016, the current yield on the LGIP was 0.42%, compared to 0.14% as of June 30, 2015. The LGIP investment is stated at fair value.

NOTE 3 – CASH AND CASH EQUIVALENTS (cont.)

As of June 30, 2016	Amount	Exposure to Custodial Credit Risk	Credit Risk	Interest Rate Risk	Interest Rate Highly Sensitive	Foreign Currency Rate	% of Portfolio
LGIP	$ 424,575,519	N/A	Not rated	N/A	N/A	N/A	53.1%
Treasury notes – Forward delivery	45,669,251	$0	N/A	See Note 4	N/A	N/A	5.6
GO Bonds-WI	187,049,829	$0	Aa2	5-1-33 final maturity	N/A	N/A	23.4
Money market mutual funds	142,900,034	N/A	AAA	Weighted avg. maturity 60 days or less	Within 397 days	N/A	17.9

As of June 30, 2015	Amount	Exposure to Custodial Credit Risk	Credit Risk	Interest Rate Risk	Interest Rate Highly Sensitive	Foreign Currency Rate	% of Portfolio
LGIP	$ 464,184,509	N/A	Not rated	N/A	N/A	N/A	67.6%
Treasury notes – Forward delivery	45,594,883	$0	N/A	See Note 4	N/A	N/A	6.7
GO Bonds-WI	176,611,170	$0	Aa2	5-1-33 final maturity	N/A	N/A	25.7

The Environmental Improvement Fund 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.

The valuation methods for recurring fair value measurements are as follows:

> State of WI General Obligation Bonds – The fair value calculation used a present value approach and utilized known market spreads.

	December 31, 2016			
Investment Type	Level 1	Level 2	Level 3	Total
State of WI General Obligation Bonds	$ -	$ 187,049,829	$ -	$ 187,049,829

	December 31, 2015			
Investment Type	Level 1	Level 2	Level 3	Total
State of WI General Obligation Bonds	$ -	$ 176,611,170	$ -	$ 176,611,170

NOTE 3 – CASH AND CASH EQUIVALENTS (cont.)

The Fund does not have an investment policy separate from the State of Wisconsin.

Restricted assets of $93,918,196 and $98,781,333 at June 30, 2016 and 2015, respectively, represent amounts legally restricted by the Clean Water revenue bonds. The amounts restricted are the product of the average annual debt service of the outstanding, disbursed loans times a factor of 120%.

NOTE 4 – FORWARD DELIVERY AGREEMENTS

The Fund has entered into multiple agreements for the future delivery and purchase of securities to be held as investments of the loan credit reserve fund of the Clean Water revenue bonds (see Note 6). Four of the agreements are with Wells Fargo (formerly Wachovia) and two are with JP Morgan and each provides for the delivery to, and purchase by, the Fund, of securities with a maturity value equal to the purchase price plus earnings calculated at the rate of the agreements. The agreements were entered into in conjunction with the 1997 Series 1, 1998 Series 1, 1999 Series 1, 2006 Series 1, 2006 Series 2, and 2008 Series 1 Clean Water revenue bonds.

Every six months during the term of the agreements, Wells Fargo and JP Morgan are required to deliver United States Treasury securities (“Treasury securities”) to the Fund for purchase. The Treasury securities are held as investments by the Fund. The price paid by the Fund for the Treasury securities is determined under the contract. That price is that which results in the predetermined annual earnings rate computed on the notional amount, taking into account the coupon interest on the delivered Treasury securities. The redemption value of the securities purchased for investment must equal at least the purchase price of the securities plus earnings calculated by multiplying the notional amount times the annual earnings rate as calculated for the term until the next bond payment date. The agreements may be terminated at the option of the Fund and a payment between the parties will be made to compensate for the difference in present value of the earnings expected under each agreement and the earnings available on similar agreements at the time of the termination.

Management has asserted that it does not anticipate terminating the agreements at a time when a payment would be required from the Fund to Wells Fargo or JP Morgan. If the agreements were terminated at a time when a payment would be due to Wells Fargo or JP Morgan, management has also asserted that it would be able to enter into similar agreements that would have consistent present values as the agreements are valued in relation to prevailing Treasury security rates. In addition, if the agreements are terminated in whole or in part due to the need to use funds at the maturity date for making a debt service payment on the bonds, then there is not a compensating payment made between the parties.

NOTE 4 – FORWARD DELIVERY AGREEMENTS (cont.)

By GASB definition, these securities are classified as having no exposure to custodial credit risk. The par values, coupon rates, the cost and rate at which the Treasury Notes accrue interest in accordance with the Forward Delivery Agreements at June 30, 2016, are as follows:

	Par Value of Treasuries	Coupon Rate of Treasuries	Cost of Treasuries	Agreement Interest Rate	Agreement Maturity Date	Agreement Market Value
Series 1997-1 Agreement	$ 7,169,000	0.500%	$ 6,992,075	5.58%	June 1, 2017	$ 7,174,601
Series 1998-1 Agreement	7,456,000	0.500	7,292,832	5.01	June 1, 2018	7,461,825
Series 1999-1 Agreement	7,119,000	0.500	6,918,903	6.32	June 1, 2020	7,124,562
Series 2006-1 Agreement	6,539,000	0.875	6,422,000	4.56	June 1, 2027	6,554,070
Series 2006-2 Agreement	8,158,000	0.875	8,000,000	4.84	June 1, 2027	8,178,802
Series 2008-1 Agreement	10,105,000	0.500	9,927,500	4.10	June 1, 2028	10,112,895

The par values, coupon rates, the cost and rate at which the Treasury Notes accrue interest in accordance with the Forward Delivery Agreements at June 30, 2015, are as follows:

	Par Value of Treasuries	Coupon Rate of Treasuries	Cost of Treasuries	Agreement Interest Rate	Agreement Maturity Date	Agreement Market Value
Series 1997-1 Agreement	$ 7,138,000	1.375%	$ 6,992,075	5.58%	June 1, 2017	$ 7,185,056
Series 1998-1 Agreement	7,424,000	1.375	7,292,832	5.01	June 1, 2018	7,472,942
Series 1999-1 Agreement	7,088,000	1.375	6,918,903	6.32	June 1, 2020	7,134,727
Series 2006-1 Agreement	6,560,000	0.250	6,422,000	4.56	June 1, 2027	6,565,971
Series 2006-2 Agreement	8,183,000	0.250	8,000,000	4.84	June 1, 2027	8,190,448
Series 2008-1 Agreement	10,061,000	1.375	9,969,073	4.10	June 1, 2028	10,127,326

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfunds resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The following is a schedule of transfers between the loan portfolios and/or other funds at the State of Wisconsin at June 30, 2016 and 2015:

Transferred To	Transferred From	June 30, 2016 Amount	June 30, 2015 Amount	Principal Purpose
Direct Loan Portfolio	Proprietary Portfolio	$ -	$ 7,575,311	State match
Proprietary Portfolio	Capital Improvement	59,335	8,221,642	Future debt service
Safe Drinking Water Loan Program	Capital Improvement	3,064,600	3,085,000	State match
Bond Security and Redemption	Direct Loan Portfolio	8,000,000	8,000,000	G.O. bond debt service
Debt Service Fund Program	Proprietary Portfolio	9,148	11,761	Personal services
Debt Service Fund Program	Leveraged Loan Portfolio	14,143,993	-	Excess subsidy return
Subtotal		25,277,076	26,893,714	
Less: Eliminations		(6,247,870)	(23,598,833)	
Total Transfers – Statements of Revenues, Expenses and Changes in Net Position		$ 19,029,206	$ 3,294,881	

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS

REVENUE OBLIGATION BONDS

Revenue bonds are payable only from revenues derived from the operation of the loan programs.

Clean Water revenue bonds activity as of June 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 706,345,000	$ 254,125,000	$ 325,655,000	$ 634,815,000	$ 51,830,000
Add:					
Unamortized premiums	52,370,909	47,969,199	22,253,363	78,086,745	-
Totals	$ 758,715,909	$ 302,094,199	$ 347,908,363	$ 712,901,745	$ 51,830,000

Clean Water revenue bonds activity as of June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 764,745,000	$ -	$ 58,400,000	$ 706,345,000	$ 59,935,000
Add:					
Unamortized premiums	61,677,265	-	9,306,356	52,370,909	-
Totals	$ 826,422,265	$ -	$ 67,706,356	$ 758,715,909	$ 59,935,000

Environmental Improvement Fund revenue bonds activity as of June 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ -	$ 43,380,000	$ 3,245,000	$ 40,135,000	$ 2,275,000
Add:					
Unamortized premiums	-	7,039,669	588,209	6,451,460	-
Totals	$ -	$ 50,419,669	$ 3,833,209	$ 46,586,460	$ 2,275,000

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

Clean Water revenue obligation serial and term bonds as of June 30, 2016 and 2015 consisted of the following:

	2016	2015
1998 Series 2:		
Serial Bonds, no optional redemption, June 1, 2017	$ 5,665,000	$ 11,590,000
Unamortized premium on bonds	32,959	102,847
	5,697,959	11,692,847
2002 Series 2:		
Serial Bonds, no optional redemption, June 1, 2016	-	3,935,000
Unamortized premium on bonds	-	39,793
	-	3,974,793
2004 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2016 (refunded July 15, 2015)	-	37,305,000
Unamortized premium on bonds	-	757,927
	-	38,062,927
2006 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2016	-	3,575,000
Unamortized premium on bonds	-	36,000
	-	3,611,000
2008 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018 (refunded July 15, 2015)	8,855,000	76,105,000
Unamortized premium on bonds	181,865	2,876,440
	9,036,865	78,981,440
2008 Series 2:		
Serial Bonds, no optional redemption, June 1, 2018	21,965,000	27,335,000
Unamortized premium on bonds	451,100	841,299
	22,416,100	28,176,299
2008 Series 3:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018 (refunded July 15, 2015)	13,685,000	71,850,000
Unamortized premium on bonds	107,003	812,595
	13,792,003	72,662,595
2010 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2031 (refunded April 12, 2016)	-	51,625,000
Unamortized premium on bonds	-	3,084,863
	-	54,709,863

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

	2016	2015
2010 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par,		
June 1, 2021	$ 14,070,000	$ 14,070,000
Unamortized premium on bonds	874,962	1,079,235
	14,944,962	15,149,235
2010 Series 3:		
Build America Bonds, optional redemption for bonds at 100% of par,		
June 1, 2025	49,690,000	49,690,000
2010 Series 4:		
Serial Bonds, optional redemption for bonds at 100% of par,		
June 1, 2031 (refunded April 12, 2016)	19,250,000	100,635,000
Unamortized premium on bonds	1,048,837	7,814,270
	20,298,837	108,449,270
2010 Series 5:		
Serial Bonds, optional redemption for bonds at 100% of par,		
June 1, 2023	36,760,000	36,760,000
Unamortized premium on bonds	2,675,141	3,278,199
	39,435,141	40,038,199
2012 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par,		
June 1, 2033	49,035,000	51,075,000
Unamortized premium on bonds	6,259,189	6,974,614
	55,294,189	58,049,614
2012 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par,		
June 1, 2024	83,220,000	87,950,000
Unamortized premium on bonds	9,952,628	12,452,102
	93,172,628	100,402,102
2013 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par,		
June 1, 2027	78,495,000	82,845,000
Unamortized premium on bonds	10,482,746	12,220,725
	88,977,746	95,065,725
2015 Series 1:		
Serial Bonds optional redemption for bonds at 100% of par,		
June 1, 2028	133,235,000	-
Unamortized premium on bonds	20,656,447	-
	153,891,447	-

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

	2016	2015
2016 Series 1:		
Serial Bonds optional redemption for bonds at 100% of par, June 1, 2031	$ 120,890,000	$ -
Unamortized premium on bonds	25,363,868	-
	146,253,868	-
Total of Clean Water Revenue Series	$ 712,901,745	$ 758,715,909

Environmental Improvement Fund revenue obligation serial and term bonds as of June 30, 2016 and 2015 consisted of the following:

	2016	2015
2015 Series A:		
Serial Bonds optional redemption for bonds at 100% of par, June 1, 2030	$ 40,135,000	$ -
Unamortized premium on bonds	6,451,460	-
	46,586,460	-
Total Environmental Improvement Fund Revenue Series	46,586,460	-
Total of All Series	$ 759,488,205	758,715,909

The original premium at issuance and the interest rates for Clean Water revenue bonds outstanding at June 30, 2016 or June 30, 2015, were the following:

Series	Original Issue (Premium)	Interest Rates
1998 Series 2	$ (7,739,808)	4.00 – 5.50%
2002 Series 2	(7,344,000)	3.00 – 5.50%
2004 Series 2	(11,408,668)	3.25 – 5.25%
2006 Series 1	(4,951,135)	3.50 – 5.00%
2008 Series 1	(7,712,015)	4.00 – 5.00%
2008 Series 2	(3,393,398)	5.00%
2008 Series 3	(2,764,120)	3.00 – 5.50%
2010 Series 1	(5,917,653)	3.00 – 5.00%
2010 Series 2	(2,065,947)	5.00%
2010 Series 3	-	3.957 - 5.441%*
2010 Series 4	(13,528,717)	3.00 – 5.00%
2010 Series 5	(5,845,742)	5.00%
2012 Series 1	(9,195,497)	2.00 – 5.00%
2012 Series 2	(20,160,489)	3.96 – 5.00%
2013 Series 1	(16,100,626)	4.50 – 5.00%
2015 Series 1	(23,504,408)	3.75 – 5.00%
2016 Series 1	(24,464,791)	2.00 – 5.00%

* - The effect of the interest rate subsidy on the 2010 Series 3 revenue bonds through June 1, 2025 is $4,615,527. The amount due in the next fiscal year is $831,375.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

The original premium at issuance and the interest rates for Environmental Improvement Fund revenue bonds outstanding at June 30, 2016, was the following:

Series	Original Issue (Premium)	Interest Rates
2015 Series A	$ (7,039,669)	3.00 – 5.00%

Principal and interest due on the Clean Water revenue bonds, net of advance refundings, as of June 30, 2016, are as follows:

Years Ending June 30,	Principal	Interest	Totals
2017	$ 51,830,000	$ 30,912,345	$ 82,742,345
2018	60,615,000	28,455,053	89,070,053
2019	55,425,000	25,481,914	80,906,914
2020	54,895,000	22,763,614	77,658,614
2021	51,080,000	20,068,834	71,148,834
2022-2026	230,620,000	64,961,311	295,581,311
2027-2031	124,200,000	18,055,812	142,255,812
2032-2033	6,150,000	410,750	6,560,750
Totals	$ 634,815,000	$ 211,109,633	$ 845,924,633

Principal and interest due on the Clean Water revenue bonds, net of advance refundings, as of June 30, 2015, are as follows:

Years Ending June 30,	Principal	Interest	Totals
2016	$ 59,935,000	$ 34,657,283	$ 94,592,283
2017	60,775,000	31,729,095	92,504,095
2018	60,510,000	28,824,553	89,334,553
2019	55,315,000	25,856,664	81,171,664
2020	54,780,000	23,143,864	77,923,864
2021-2025	239,810,000	78,094,832	317,904,832
2026-2030	147,475,000	25,573,425	173,048,425
2031-2033	27,745,000	1,798,000	29,543,000
Totals	$ 706,345,000	$ 249,677,716	$ 956,022,716

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

Principal and interest due on the Environmental Improvement Fund revenue bonds as of June 30, 2016, are as follows:

Years Ending June 30,	Principal	Interest	Totals
2017	$ 2,275,000	$ 2,006,750	$ 4,281,750
2018	2,390,000	1,893,000	4,283,000
2019	2,510,000	1,773,500	4,283,500
2020	2,640,000	1,648,000	4,288,000
2021	2,770,000	1,516,000	4,286,000
2022-2026	12,150,000	5,427,500	17,577,500
2027-2030	15,400,000	1,971,750	17,371,750
Totals	$ 40,135,000	$ 16,236,500	$ 56,371,500

The Clean Water revenue bonds are collateralized by a security interest in all assets of the Leveraged Loan Portfolio. At June 30, 2016 and 2015, the total assets of the Leveraged Loan Portfolio were $923,853,799 and $985,342,392, respectively. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the Clean Water revenue bonds. However, as the loans granted to the 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. The bonds are payable solely from loan revenues. Specifics of these requirements are as follows:

Type of Revenue Bonds	Outstanding	Issuance Dates	Maturity Through	Percentage of Revenues to Pay Principal and Interest	Principal Interest Outstanding	Principal and Interest Paid In Current Year	Total Net Revenues
Clean Water	$634.8 M	1998 - 2016	2033	52%	$845.9 M	$88.0 M	$96.4 M
Environmental Improvement Fund	$ 40.1 M	2015	2030	3%	$ 56.3 M	$ 4.1 M	$ 120 M

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

ADVANCE REFUNDINGS

In 2015, the Fund defeased its Clean Water Revenue Bonds 2004 Series 2, and a portion of its Clean Water Revenue Bonds 2008 Series 1 and Clean Water Revenue Bonds 2008 Series 3 bonds, with an average coupon rate of 5.12% for the refunded bonds, through the issuance of $133,235,000 of 2015 Series 1 Clean Water Revenue Refunding Bonds with an average coupon rate of 5.00%. The proceeds were used to purchase the U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Fund’s financial statements. At June 30, 2016, there was $141,420,000 of the defeased bonds outstanding that will be secured by the irrevocable trust’s remaining funds.

The cash flow requirements on the refunded bonds prior to the 2015 advance refunding was $194,127,950 from 2015 through 2028. The cash flow requirements on the 2015, Series 1 refunding bonds are $183,230,036 from 2015 through 2028. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $10,509,890.

In 2016, the Fund defeased its Clean Water Revenue Bonds 2010 Series 1 and a portion of its Clean Water Revenue Bonds 2010 Series 4 bonds, with an average coupon rate of 5.00% for the refunded bonds, through the issuance of $120,890,000 of 2016 Series 1 Clean Water Revenue Refunding Bonds with an average coupon rate of 4.95%. The proceeds were used to purchase the U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Fund’s financial statements. At June 30, 2016, there was $124,300,000 of the defeased bonds outstanding that will be secured by the irrevocable trust’s remaining funds.

The cash flow requirements on the refunded bonds prior to the 2016 advance refunding was $197,668,250 from 2016 through 2031. The cash flow requirements on the 2016, Series 1 refunding bonds are $189,394,299 from 2016 through 2031. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $7,290,551.

RESTRICTED ASSETS

Among other restrictions under the revenue obligation bond agreements are provisions that require a specified amount of cash and investments be held by an independent trustee in a reserve account for the purpose of paying bond interest and principal when due. The restricted assets on the statement of net position consist of $93.9 million of the LGIP balance held as a credit reserve. This amount is required in order to satisfy the conditions of certain agreements related to maintaining the minimum credit ratings on the bonds.

NOTE 7 – DEBT REFUNDING

PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the Fund defeased certain Clean Water revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Fund's financial statements. At June 30, 2016, $237,680,000 of bonds outstanding are considered defeased. At June 30, 2015, $53,325,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

Call Date	Amount as of June 30, 2016	Amount as of June 30, 2015
6/1/2016	$ -	$ 53,325,000
6/1/2018	113,380,000	-
6/1/2020	124,300,000	-

NOTE 8 – GLOBAL CERTIFICATE AND STATE OF WISCONSIN GENERAL OBLIGATION BONDS

In April 2004, all of the State of Wisconsin General Obligation Bonds previously owned by the Fund were exchanged for a State of Wisconsin General Obligation Bond as part of the Clean Water Program ("Global Certificate"). Subsequent to the Global Certificate, additional State of Wisconsin General Obligation Bonds were issued for the Clean Water Fund Program. Details of these investments as of June 30, 2016 are as follows:

Series	Par Value	Weighted Average Coupon Interest Rate	Market Value
2004	$ 52,867,890	0.00%	$ 49,590,988
2007A	8,129,971	5.54	9,860,266
2007B	6,851,446	5.76	9,238,820
2008A	10,300,000	Less than 1%	10,300,000
2008B	16,600,000	6.16	23,465,906
2009A	15,500,000	5.90	19,327,406
2010A	15,243,000	5.47	20,611,113
2010B	15,000,000	5.96	21,416,898
2012A	11,100,000	3.10	12,375,611
2014A	9,300,000	3.56	10,862,821
Totals	$ 160,892,307		$ 187,049,829

NOTE 8 – GLOBAL CERTIFICATE AND STATE OF WISCONSIN GENERAL OBLIGATION BONDS (cont.)

The details of the investments as of June 30, 2015 are as follows:

Series	Par Value	Weighted Average Coupon Interest Rate	Market Value
2004	$ 56,855,080	0.00%	$ 49,534,793
2007A	8,934,070	5.52	10,231,584
2007B	6,851,446	5.76	7,987,137
2008A	10,300,000	Less than 1%	10,300,000
2008B	16,600,000	6.16	20,548,786
2009A	17,700,000	5.78	20,957,780
2010A	15,243,000	5.47	17,403,345
2010B	15,000,000	5.96	17,859,396
2012A	11,900,000	2.96	11,820,034
2014A	9,800,000	3.40	9,968,315
Totals	$ 169,183,596		$ 176,611,170

The Global Certificate and bonds listed above are all registered in the name of the Fund and held by an independent trustee.

Par value of the principal maturities of the Global Certificate and State of Wisconsin General Obligation bonds as of June 30 excluding the 2008A issue which does not have a repayment schedule are as follows:

Years Ending June 30,	2016	2015
2016	$ -	$ 8,291,289
2017	12,025,350	12,025,350
2018	13,424,630	13,424,630
2019	11,522,163	11,522,163
2020	10,887,904	10,887,904
2021	8,723,476	8,723,476
2022-2026	43,317,960	43,317,960
2027-2031	46,990,824	46,990,824
2032-2033	3,700,000	3,700,000
Totals	$ 150,592,307	$ 158,883,596

NOTE 9 – INVESTMENT INCOME

Investment income is recorded net of estimated required arbitrage relating to outstanding State of Wisconsin Clean Water revenue bonds and consisted of the following for the fiscal years ended June 30, 2016 and 2015:

	2016	2015
Interest		
State of Wisconsin Investment Board Local Government Investment Pool	$ 1,176,419	$ 454,517
Repurchase Agreement with Bayerishe Landesbank	-	452,709
United States Treasury Notes	2,280,105	2,280,203
State of Wisconsin General Obligation Bonds	5,908,737	5,435,970
Federal Interest on Build America Bonds	872,026	770,685
Total Interest	10,237,287	9,394,084
Changes in Realized and Unrealized Gains (Losses)		
State of Wisconsin General Obligation Bonds	18,729,948	(4,540,353)
Total Interest and Changes in Unrealized Gains	28,967,235	4,853,731
Change in Estimated Rebatable Arbitrage Liability	(48,262)	(254,716)
TOTAL INVESTMENT INCOME	$ 28,918,973	$ 4,599,015

NOTE 10 – OPERATING GRANTS AND HARDSHIP ASSISTANCE

EPA Operating Grants for Wastewater Projects—The Federal Water Quality Act of 1987 (the "Water Quality Act") established a joint Federal and State program with the EPA to assist in providing financial assistance to municipalities within the states for governmentally owned wastewater treatment projects. Under the terms of the EPA grant, the State was required (1) to establish the Clean Water Fund Program, a perpetual state revolving fund into which the grant monies must be deposited, (2) to provide State matching funds equal to 20% of the grant and (3) to use the monies to provide financial assistance to municipalities for governmental owned wastewater treatment projects in a number of ways, provided that such assistance is not in the form of a grant. Reauthorization of the Water Quality Act of 1987 is expected to result in the allocation of capitalization grants to Wisconsin of approximately $36.1 million for federal fiscal year 2016. Four percent of the EPA grant amount may be used for wastewater program administrative expenses. Authorization levels for years after 2016 are unknown at this time.

EPA Operating Grants for Drinking Water Projects—The Federal Safe Drinking Water Act Amendment of 1996 (the "Safe Drinking Water Act") established a joint Federal and State program with the EPA to assist in providing financial assistance to municipal and community water system projects. Under the terms of the EPA grant, the State was required (1) to establish the Safe Drinking Water Loan Program, a perpetual state revolving fund into which the grant monies must be deposited, (2) to provide State matching funds equal to 20% of the grant and (3) to use the monies to provide financial assistance to municipal and community water system projects. The Safe Drinking Water Act was authorized through federal fiscal year 2016 and a grant to Wisconsin of approximately $14.5 million is expected for federal fiscal year 2016.

Reauthorization of the Safe Drinking Water Act may not be acted upon by the present Congress of the United States, although the Fund expects EPA capitalization grants to states to continue into the future. Four percent of the EPA grant amount may be used for water program administrative expenses plus a portion of the grant may be used by DNR for various water-related issues and initiatives.

NOTE 10 – OPERATING GRANTS AND HARDSHIP ASSISTANCE (cont.)

Hardship Assistance—Wisconsin statutes require that the Fund provide financial hardship assistance to communities that qualify under Wisconsin Statute 281.58(13). This assistance may come in the form of reduced interest rates (as low as 0%) or grants for wastewater projects subject to limitations prescribed by the statute. At both June 30, 2016 and 2015, the Fund was committed to award $0 of additional hardship grants. At June 30, 2016 and 2015, the Fund had projected additional hardship grants of $0 for both years. In addition to hardship grants, the Fund was committed to award $9,499,885 and $7,533,727, respectively, of reduced interest rate loans. At June 30, 2016 and 2015, the Fund had projected additional reduced interest rate loans of $15,187,392 and $6,665,553, respectively.

NOTE 11 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 77, *Tax Abatement Disclosures*
- Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*
- Statement No. 79, *Certain External Investment Pools and Pool Participants*
- Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*
- Statement No. 81, *Irrevocable Split-Interest Agreements*
- Statement No. 82, *Pension Issues-an Amendment of GASB Statement No. 67, No. 68, and No. 73*

When they become effective, application of these standards may restate portions of these financial statements.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Occasionally the Fund is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the state legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Fund's financial position or results of operations.

NOTE 13 – RISK MANAGEMENT

The State of Wisconsin's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, risks are managed internally through self-insurance accounted for in an internal service fund. No separate policies exist for the Fund itself.

SUPPLEMENTAL INFORMATION

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF NET POSITION
BY PROGRAM
As of June 30, 2016

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets			
Unrestricted cash and cash equivalents	$ 362,014,034	$ 8,021,342	$ (11,472,677)
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost	-	119,173	45,550,078
Receivables			
Loans to local governments - current portion	88,420,816	895,467	62,671,656
Due from other funds	7,036	2,068,098	-
Due from other governmental entities	4,987,510	30,408	2,554,128
Accrued investment income	-	-	190,009
Prepaid items	-	25	16,887
Total Current Assets	455,429,396	11,134,513	99,510,081
Noncurrent Assets			
Restricted assets - cash equivalents	-	-	93,918,196
Investments - State of Wisconsin general obligation clean water bonds, at fair value	-	-	187,049,829
Loans to local governments	985,639,576	6,164,476	543,258,891
Advances to other funds	6,238,282	-	-
Prepaid items	-	-	116,802
Total Noncurrent Assets	991,877,858	6,164,476	824,343,718
Total Assets	1,447,307,254	17,298,989	923,853,799
Deferred Outflows of Resources			
Pension related amounts	-	174,945	-
Unamortized charges	-	-	30,433,129
Total Deferred Outflows of Resources	-	174,945	30,433,129
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,447,307,254	$ 17,473,934	$ 954,286,928

Safe Drinking Water Loan Program	Eliminations	Totals
$ 114,995,140	$ -	$ 473,557,839
-	-	45,669,251
24,326,955	-	176,314,894
6,537	(1,970,423)	111,248
3,065,585	-	10,637,631
-	-	190,009
-	-	16,912
142,394,217	(1,970,423)	706,497,784
-	-	93,918,196
-	-	187,049,829
259,040,819	-	1,794,103,762
-	-	6,238,282
-	-	116,802
259,040,819	-	2,081,426,871
401,435,036	(1,970,423)	2,787,924,655
-	-	174,945
-	-	30,433,129
-	-	30,608,074
$ 401,435,036	$ (1,970,423)	$ 2,818,532,729

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF NET POSITION
BY PROGRAM
As of June 30, 2016

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
LIABILITIES AND NET POSITION			
Current Liabilities			
Accrued expenses	$ 32,561	$ 22,539	$ 135,566
Accrued interest on bonds	167,229	-	2,576,029
Due to other funds	1,323,101	787,386	1,964,503
Due to other governmental entities	-	-	-
Compensated absences - current portion	-	143,259	-
Unearned revenue	171,448	-	-
Revenue obligation bonds - current maturities	2,275,000	-	51,830,000
Total Current Liabilities	3,969,339	953,184	56,506,098
Noncurrent Liabilities			
Accrued expenses	-	29,225	-
Net pension liability	-	30,126	-
Due to other governmental entities	-	-	622,846
Compensated absences	-	412,116	-
Revenue obligation bonds (including unamortized premium)	44,311,460	-	661,071,745
Total Noncurrent Liabilities	44,311,460	471,467	661,694,591
Total Liabilities	48,280,799	1,424,651	718,200,689
Deferred Inflows of Resources			
Pension related amounts	-	64,249	-
Net Position			
Restricted for environmental improvement	1,399,026,455	511,590	236,086,239
Unrestricted	-	15,473,444	-
Total Net Position	1,399,026,455	15,985,034	236,086,239
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 1,447,307,254	$ 17,473,934	$ 954,286,928

Safe Drinking Water Loan Program	Eliminations	Totals
$ 29,386	$ -	$ 220,052
-	-	2,743,258
1,855,470	(1,970,423)	3,960,037
3,226	-	3,226
-	-	143,259
-	-	171,448
-	-	54,105,000
1,888,082	(1,970,423)	61,346,280
-	-	29,225
-	-	30,126
-	-	622,846
-	-	412,116
-	-	705,383,205
-	-	706,477,518
1,888,082	(1,970,423)	767,823,798
-	-	64,249
399,546,954	-	2,035,171,238
-	-	15,473,444
399,546,954	-	2,050,644,682
$ 401,435,036	$ (1,970,423)	$ 2,818,532,729

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY PROGRAM
For the Year Ended June 30, 2016

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
OPERATING REVENUES			
Loan interest	$ 28,098,363	$ 206,038	$ -
Interest income used as security for revenue bonds	-	-	17,054,674
Miscellaneous other	-	25,416	-
Total Operating Revenues	28,098,363	231,454	17,054,674
OPERATING EXPENSES			
Interest	994,363	-	28,544,256
Salaries and benefits	1,470,069	383,306	1,533,223
Contractual services and other	106,117	107,820	828,557
Total Operating Expenses	2,570,549	491,126	30,906,036
Operating Income (Loss)	25,527,814	(259,672)	(13,851,362)
NONOPERATING REVENUES (EXPENSES)			
Investment income	615,878	19,017	872,026
Investment income used as security for revenue bonds	-	-	27,126,574
Intergovernmental grants	30,697,825	-	-
Grants awarded	(4,157,959)	(226,913)	-
Total Nonoperating Revenues (Expenses)	27,155,744	(207,896)	27,998,600
INCOME (LOSS) BEFORE TRANSFERS	52,683,558	(467,568)	14,147,238
Transfers in	-	59,335	-
Transfers out	(8,000,000)	(9,148)	(14,143,993)
Change in Net Position	44,683,558	(417,381)	3,245
TOTAL NET POSITION - Beginning of Year	1,354,342,897	16,402,415	236,082,994
TOTAL NET POSITION - END OF YEAR	$ 1,399,026,455	$ 15,985,034	$ 236,086,239

Safe Drinking Water Loan Program	Eliminations	Totals
$ 6,038,706	$ -	$ 34,343,107
-	-	17,054,674
-	-	25,416
6,038,706	-	51,423,197
-	-	29,538,619
1,793,102	-	5,179,700
2,039,301	-	3,081,795
3,832,403	-	37,800,114
2,206,303	-	13,623,083
285,478	-	1,792,399
-	-	27,126,574
12,288,291	-	42,986,116
(2,710,453)	-	(7,095,325)
9,863,316	-	64,809,764
12,069,619	-	78,432,847
3,064,600	-	3,123,935
-	-	(22,153,141)
15,134,219	-	59,403,641
384,412,735	-	1,991,241,041
$ 399,546,954	$ -	$ 2,050,644,682

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF CASH FLOWS
BY PROGRAM
For the Year Ended June 30, 2016

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of loans	$ 90,924,309	$ 1,060,477	$ 64,971,048
Interest received on loans	28,190,494	210,057	17,343,482
Origination of loans	(79,912,265)	-	-
Payments to employees for services	(424,502)	(211,748)	(1,073,167)
Payments to suppliers and other	(144,404)	(57,129)	(1,132,358)
Other operating revenues	-	25,416	-
Net Cash Flows From Operating Activities	38,633,632	1,027,073	80,109,005
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental grants received	30,146,082	-	-
Grants paid	(4,157,959)	(226,913)	-
Transfers in	-	59,335	-
Transfers out	(8,000,000)	(9,148)	(14,143,993)
Proceeds from issuance of long-term debt	50,147,251	-	702,494
Retirement of long-term debt	(3,245,000)	-	(59,935,000)
Interest payments	(1,040,361)	-	(30,991,218)
Other cash flows from noncapital financing activities	(15,133)	-	-
Net Cash Flows From Noncapital Financing Activities	63,834,880	(176,726)	(104,367,717)
CASH FLOWS FROM INVESTING ACTIVITIES			
Liquidation of investments	-	-	8,291,809
Investment and interest income	615,878	(55,871)	9,316,913
Net Cash Flows From Investing Activities	615,878	(55,871)	17,608,722
Net Increase (Decrease) in Cash and Cash Equivalents	103,084,390	794,476	(6,649,990)
CASH AND CASH EQUIVALENTS - Beginning of Year	258,929,644	7,226,866	89,095,509
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 362,014,034	$ 8,021,342	$ 82,445,519

Safe Drinking Water Loan Program	Eliminations	Totals
$ 23,543,292	$ -	$ 180,499,126
6,032,052	-	51,776,085
(32,140,644)	-	(112,052,909)
(123,375)	-	(1,832,792)
(2,199,823)	-	(3,533,714)
-	-	25,416
(4,888,498)	-	114,881,212
10,311,316	-	40,457,398
(2,710,453)	-	(7,095,325)
3,064,600	-	3,123,935
-	-	(22,153,141)
-	-	50,849,745
-	-	(63,180,000)
-	-	(32,031,579)
-	-	(15,133)
10,665,463	-	(30,044,100)
-	-	8,291,809
285,478	-	10,162,398
285,478	-	18,454,207
6,062,443	-	103,291,319
108,932,697	-	464,184,716
$ 114,995,140	$ -	$ 567,476,035

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF CASH FLOWS
BY PROGRAM
For the Year Ended June 30, 2016

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	$ 25,527,814	$ (259,672)	$ (13,851,362)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Interest expense classified as noncapital financing activity	891,799	-	28,076,286
Changes in assets and liabilities:			
Loans to other governments	11,012,045	1,060,477	64,971,048
Due from other funds	(7,036)	(365,367)	-
Proportionate share of contributions	-	(63,111)	-
Prepaid items	-	3,269	16,887
Compensated absences	-	469,575	-
Other assets	-	81,886	-
Other postemployment benefits	-	400	-
Accrued expenses	31,456	39,227	95,565
Accrued interest on bonds	92,130	4,018	288,808
Due to other funds	1,085,424	56,371	511,773
Due to other governmental entities	-	-	-
Total Adjustments	13,105,818	1,286,745	93,960,367
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 38,633,632	$ 1,027,073	$ 80,109,005
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Unrestricted cash and cash equivalents - statement of net position	$ 362,014,034	$ 8,021,342	$ (11,472,677)
Investments in United States Treasury Notes, purchased in connection with forward delivery agreements	-	119,173	45,550,078
Investments in State of Wisconsin general obligation clean water bonds	-	-	187,049,829
Restricted cash and cash equivalents - statement of net position	-	-	93,918,196
Total Cash and Investments	362,014,034	8,140,515	315,045,426
Less: Noncash equivalents	-	(119,173)	(232,599,907)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 362,014,034	$ 8,021,342	$ 82,445,519
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES			
Net change in unrealized gains and losses	$ -	$ -	$ 18,729,948
Bond premium amortization	$ 588,209	$ -	$ 22,253,363

Safe Drinking Water Loan Program	Totals
$ 2,206,303	$ 13,623,083
-	28,968,085
(8,597,351)	68,446,219
(4,688)	(377,091)
-	(63,111)
-	20,156
-	469,575
-	81,886
-	400
(65,785)	100,463
(6,654)	378,302
1,800,354	3,453,922
(220,677)	(220,677)
(7,094,801)	101,258,129
$ (4,888,498)	$ 114,881,212
$114,995,140	$ 473,557,839
-	45,669,251
-	187,049,829
-	93,918,196
114,995,140	800,195,115
-	(232,719,080)
$114,995,140	$ 567,476,035
$ -	$ 18,729,948
$ -	$ 22,841,572

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

OTHER INFORMATION (UNAUDITED)
For the Years Ended June 30, 2016 and 2015

In management's opinion, the Governmental Accounting Standards Board (GASB) does not require an MD&A for individual fund reports under GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Therefore, the State has not prepared an MD&A for the State of Wisconsin Environmental Improvement Fund. An MD&A is included in the Comprehensive Annual Financial Report for the State of Wisconsin, which includes all funds and component units.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Secretary of the Department of Administration and the Secretary
of the Department of Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund
Madison, Wisconsin

We have audited, 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* issued by the Comptroller General of the United States, the financial statements of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State of Wisconsin Environmental Improvement Fund's financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Secretary of the Department of Administration and the Secretary
of the Department of Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Wisconsin Environmental Improvement Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
December 14, 2016

PART VIII

PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS

Part VIII of the 2016 Annual Report provides information about petroleum inspection fee revenue obligations issued by the State of Wisconsin **(State)** in the form of bonds. Selected information is provided in this introduction for the convenience of the readers; however, all information presented in Part VIII of the 2016 Annual Report should be reviewed to make an informed investment decision.

Total Outstanding Balance (12/15/2016)	$76,055,000
Amount Outstanding of Fixed-Rate Obligations	76,055,000
Amount Outstanding of Variable-Rate Obligations	0
Percentage of Outstanding Obligations in the form of Variable-Rate Obligations	0%
Ratings[(a)] (Fitch/Moody's[(b)]/S&P)	
Senior Bonds	AA/Aa2/AA
Authority	Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, adopted by the Commission on January 19, 2000, as amended and restated, and Chapter 18 and Section 292.63(9m), Wisconsin Statutes.
Trustee/Paying Agent	The Bank of New York Mellon Trust Company, N.A. serves as Trustee, Registrar and Paying Agent for the Bonds.
Security	The Bonds are payable from, and secured by, the Petroleum Inspection Fees. Debt service payments on the Senior Bonds are payable from Petroleum Inspection Fees deposited into the Redemption Fund created for the Senior Bonds.
Audit Report and Financial Statement	APPENDIX A to this Part VIII of the 2016 Annual Report includes the auditor's report and the audited financial statement.

[(a)] The ratings presented are the ratings assigned to the petroleum inspection fee revenue obligations without regard to any bond insurance policy. No information is provided in the 2016 Annual Report about any rating assigned to any petroleum inspection fee revenue obligations based on any bond insurance policy.

[(b)] Moody's provided a rating for the 2009 Bonds but did not provide a rating for the 2016 Bonds.

Contact:	Capital Finance Office Attn: Capital Finance Director
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The State of Wisconsin Building Commission (**Commission**) supervises all matters concerning the State's issuance of revenue obligations. The Capital Finance Office, which is part of the State of Wisconsin Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs. Requests for additional information about petroleum inspection fee revenue obligations may be directed to the Capital Finance Office. The law firms of Foley & Lardner LLP and Quarles & Brady LLP provided bond counsel services in connection with the issuance of petroleum inspection fee revenue obligations.

The 2016 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in one part of the 2016 Annual Report may differ from those of the same terms used in another part, and the total amount shown in a table may vary from the related sum due to rounding. See "DEFINITIONS OF CERTAIN TERMS" for the definitions of capitalized terms used in this Part VIII of the 2016 Annual Report. No information or resource referred to in the 2016 Annual Report is part of the report unless expressly incorporated by reference.

Certain statements in this Part VIII of the 2016 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2016 Annual Report, and the State undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

OUTSTANDING OBLIGATIONS

The State has issued petroleum inspection fee revenue obligations on the dates and in the amounts shown in Table VIII-1. The table also includes the outstanding principal balances of the petroleum inspection fee revenue obligations as of December 15, 2016.

Table VIII-1

OUTSTANDING PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS BY ISSUE (As of December 15, 2016)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed-Rate Obligations				
2000- Series A	3/2/00			
Serial Bonds		2000	$ 1,750,000	0
Serial Bonds		2002-12	168,500,000	0
2001- Series A	12/18/01	2007-08	30,000,000	0
2004- Series A	2/4/04	2005-12	45,000,000	0
Refunding Series 1	5/20/04	2006-12	95,470,000	0
2009- Refunding Series 1 **(2009 Bonds)**	10/20/09	2013-17	117,460,000	$ 13,610,000
2016- Refunding Series 1 **(2016 Bonds)**	10/13/16	2017-19	62,445,000	62,445,000
Total Fixed-Rate Obligations				$ 76,055,000
Variable-Rate Obligations				
2000- EMCP	5/9/00		$ 80,000,000	0
2002- EMCP	8/1/02		62,300,000	0
Total Variable-Rate Obligations				$ 0
Total Outstanding Petroleum Inspection Fee Revenue Obligations				$ 76,055,000

As summarized in Table VIII-1, the State previously issued Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper **(EMCP)** as Variable-Rate Bonds for this borrowing program, no EMCP is currently outstanding.

Senior Bonds, as defined in the Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, adopted by the Commission on January 19, 2000, as amended and restated on May 2, 2000 and further amended on July 30, 2003 **(Program Resolution)**, include the 2009 Bonds, the 2016 Bonds, interest payments on any Variable Rate Bonds designated as Senior Bonds, and any additional parity Bonds that may be issued as such under the Program Resolution. **Junior Subordinate Bonds**, as defined in the Program Resolution, include the principal payments on any Variable Rate Bonds designated as Junior Subordinate Bonds and any additional parity Bonds that may be issued as such under the

Program Resolution. The term **Bonds** refers to all revenue obligations, without regard to seniority, that are issued under the Program Resolution and are payable in whole or in part from the Petroleum Inspection Fees. See "SECURITY".

Table VIII-2 provides a historical view of the amount of outstanding obligations as of December 15th for the previous ten years.

Table VIII-2

HISTORICAL OUTSTANDING PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS

Year (December 15)	Outstanding Senior Bonds	Outstanding EMCP	Total
2006	$130,290,000	$142,300,000	$272,590,000
2007	110,020,000	142,300,000	252,320,000
2008	88,740,000	142,300,000	231,040,000
2009	117,460,000	71,150,000	188,610,000
2010	117,460,000	71,150,000	188,610,000
2011	117,460,000	71,150,000	188,610,000
2012	117,460,000	71,150,000	188,610,000
2013	93,295,000	71,150,000	164,445,000
2014	67,950,000	71,150,000	139,100,000
2015	41,410,000	71,150,000	112,560,000

FINANCING THE PECFA PROGRAM

Bonds issued in the years 2000 through 2004 funded approved soil and groundwater remediation payments under the Petroleum Environmental Cleanup Fund Award **(PECFA)** Program, which is a petroleum storage remediation program. Bonds issued in the year 2009 provided for (1) the current refunding of certain Bonds previously issued by the State to fund such remediation payments and (2) the funding of a portion of the EMCP previously issued for the same purpose. Bonds issued in the year 2016 provided for the funding of all remaining EMCP.

In existence since 1987, the PECFA Program reimburses owners of petroleum storage tanks for 75% to 99% of remediation costs related to soil and groundwater contamination. Prior to the issuance of the Bonds, remediation payments approved under the PECFA Program were paid with Petroleum Inspection Fees as they were collected; however, the timing of the collections did not permit all remediation payments to be paid at the time they were presented and approved. When Bonds were first issued in March 2000, the backlog of approved but unpaid claims was about $200 million. The issuance of the Bonds allowed the PECFA Program to make payments in a timely manner and provided economic savings to the State, since the debt service costs on the Bonds were less than the interest costs that accrued on the approved but unpaid remediation awards.

Effective July 1, 2013, the State of Wisconsin Department of Natural Resources (**DNR**) is responsible for the administration of the PECFA Program. This is the result of provisions in the 2013-15 biennial budget (2013 Wisconsin Act 20).

The 2015-17 biennial budget (2015 Wisconsin Act 55) statutorily sunset the eligibility of PECFA Program by requiring owners to provide notification of a potential claim by July 20, 2015 and submitting the claim for reimbursement by July 1, 2020, provided that such claim is made by the later of (i) 180 days after incurring the eligible costs, or (ii) February 1, 2016.

As of the date of this Part VIII to the 2016 Annual Report, additional Bonds to fund soil and groundwater remediation costs under the PECFA Program could be issued only if legislation were enacted to authorize additional borrowing for that purpose. Additional Bonds may be issued without any additional legislative authority to refund Outstanding Bonds. See "SECURITY; Additional Bonds".

SECURITY

The Bonds are payable from, and secured by, the Petroleum Inspection Fees. The Program Resolution also includes an additional bonds test, provisions for a Reserve Fund (which is currently not funded), a Variable Rate Take-Out Capacity Test, and a nonimpairment pledge.

Proceeds of the Bonds are applied to purposes that do not generate revenues, and the application of proceeds of the Bonds *does not* create a source for the payment of the Bonds.

Debt service payments on the Senior Bonds are payable from Petroleum Inspection Fees deposited into the Redemption Fund created for the Senior Bonds. See "PETROLEUM INSPECTION FEES" and "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION".

The petroleum inspection fee revenue obligations are revenue obligations of the State. The State is not generally liable for these obligations, and they are not a public debt of the State for any purpose whatsoever.

Additional Bonds

As of the date of the 2016 Annual Report, additional Bonds to fund soil and groundwater remediation payments under the PECFA Program could be issued only if legislation were enacted to authorize additional borrowing for that purpose. If this were to occur, additional Bonds could be issued for that purpose under the Program Resolution only if the additional bonds test were met, which requires that the Debt Service Coverage Ratio be at least 2.0. The **Debt Service Coverage Ratio** is the ratio of Projected Annual Revenues to Maximum Annual Debt Service.

Additional Bonds may be issued to refund Outstanding Bonds. In connection with the issuance of any Senior Refunding Bonds, the additional bonds test may instead be met if the State certifies that the issuance of the Senior Refunding Bonds will not increase Maximum Annual Debt Service.

Additional Bonds may be issued in various forms, including among others Variable Rate Bonds or Bond Anticipation Notes. Additional Bonds may be designated as Senior Bonds (on a parity with the outstanding Senior Bonds), as Subordinate Bonds, or as Junior Subordinate Bonds.

See "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION" and "DEFINITIONS OF CERTAIN TERMS" for a complete description of the applicable additional bonds test and a definition of capitalized terms used for the additional bonds test.

Reserve Fund

The Program Resolution creates a Reserve Fund, which is available if there is any deficiency in the Redemption Fund and is used solely for the payment when due of principal of and interest on the Senior Bonds and other parity obligations. The Reserve Fund Requirement is an amount equal to the greatest amount established by a supplemental resolution. No Reserve Fund Requirement has been established in any Supplemental Resolution authorizing the previously issued Senior Bonds, and there is no money in the Reserve Fund.

Variable Rate Take-Out Capacity Test

There is currently no Variable Rate Debt Outstanding. Whenever Variable Rate Debt is Outstanding, the State will, by the 15th day of each month, provide the Trustee with the results of a Variable Rate Take-Out Capacity Test. Key terms and provisions for completing the Variable Rate Take-Out Capacity Test are described in "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION" and "DEFINITIONS OF CERTAIN TERMS".

Debt Service on Outstanding Senior Bonds

Table VIII-3 shows the annual debt service amounts on Outstanding Senior Bonds. Table VIII-3 also shows the projected Petroleum Inspection Fees and estimated debt service coverage. The projected

Petroleum Inspection Fees are based on the average of Petroleum Inspection Fees for the past five years. See "PETROLEUM INSPECTION FEES".

Table VIII-3

ANNUAL DEBT SERVICE AMOUNTS
OUTSTANDING SENIOR BONDS
(As of December 15, 2016)

Year Ending (July 1)	Principal	Interest	Total Annual Debt Service	Projected Petroleum Inspection Fees[a]	Estimated Debt Service Coverage
2017	$20,925,000	$2,422,614	$23,347,614	$74,459,916	3.19
2018	27,935,000	2,205,200	30,140,200	74,459,916	2.47
2019	27,195,000	1,087,800	28,282,800	74,459,916	2.63
TOTALS	**$76,055,000**	**$5,715,614**	**$81,770,614**		

[a] The projected Petroleum Inspection Fees are based solely on the average of collected Petroleum Inspection Fees for the past five fiscal years. See "PETROLEUM INSPECTION FEES".

Source: Departments of Administration, Natural Resources and Revenue.

Nonimpairment Clause

The State pledges and agrees with the Holders of the Bonds that the State will not limit or alter the ability of the State to fulfill the terms of its agreements (made in the Program Resolution or with respect to the Bonds) with the Holders of Bonds or impair the rights and remedies of the Holders of the Bonds, while the Bonds are Outstanding. See "RISK FACTORS; Potential Future Reduction of Petroleum Inspection Fees".

Moral Obligation

In the legislation authorizing the petroleum inspection fee revenue obligations, the Legislature, recognizing its moral obligation to do so, expressed its expectation and aspiration that, if the Legislature were to reduce the rate of the Petroleum Inspection Fee (which has happened) and if the Petroleum Inspection Fees were insufficient to pay debt service on the Bonds when due (which has not happened), the Legislature would make an appropriation from the general fund sufficient to pay such debt service. The Legislature reduced the rate of the Petroleum Inspection Fee on April 1, 2006 to $0.02 per gallon from $0.03 per gallon. Both before and after this reduction, Petroleum Inspection Fees have been sufficient to pay debt service on the Bonds when due.

The Legislature's expression of its expectation and aspiration is not a legally enforceable obligation. See "RISK FACTORS; Nature of Moral Obligation".

PETROLEUM INSPECTION FEES

General

Petroleum Inspection Fees are paid by suppliers of specified petroleum products distributed in the State. The current rate of the Petroleum Inspection Fee is $0.02 per gallon. The petroleum products include:

- Gasoline products, which include gasoline and gasoline-alcohol fuel blends.
- Oil products, which include fuel oil, burner oil, diesel fuel oil, kerosene, used motor oil, and other refined oils.

Nonpetroleum fuel products such as natural gas and liquefied propane are not subject to the Petroleum Inspection Fee. The Petroleum Inspection Fee is also not imposed on petroleum products that are shipped from storage at a refinery, marine terminal, pipeline terminal, pipeline tank farm or place of manufacture to a person for storage at another refinery, marine terminal, pipeline terminal, pipeline tank farm or place of manufacture, or petroleum products exported from the State.

Collection and Deposit

The Petroleum Inspection Fees and other motor fuel taxes paid by suppliers are received by the State of Wisconsin Department of Revenue **(Department of Revenue)** by the 15th day of each month, or the next business day if the 15th day falls on a weekend or holiday. The payment is for both Petroleum Inspection Fees and motor fuel taxes due from the suppliers for activity during the previous month. At the time the fees are remitted, the Petroleum Inspection Fees are not separated from the other motor fuel taxes. The allocation is not known until the tax returns evidencing the payments are processed, usually within 30 to 35 days after receipt of the fees and taxes.

As an example, by about December 15th, suppliers submit the amount of fees and taxes due for petroleum products shipped in the month of November. By the end of December, suppliers submit tax returns delineating the payments previously made. By about the next January 20th, the Department of Revenue processes the tax returns.

Due to a period of about 30 to 35 days between receipt of the combined fees and taxes and tabulation of the returns reporting such fees and taxes, the Department of Revenue will transfer to the Trustee on the Revenue Payment Date a base monthly transfer amount, based on prior collections, adjusted upward or downward to reflect the tabulations from the previous month's returns. The amount of this base monthly transfer may be changed from time to time to reflect actual collection experience.

The Department of Revenue has various enforcement powers relating to the collection of Petroleum Inspection Fees, including the ability to revoke suppliers' licenses, to impose penalties, to assess interest on late payments, and to enforce criminal penalties for the failure to report or pay Petroleum Inspection Fees. The Wisconsin Statutes establish the State as a preferred creditor and the fees as preferred claims in any State court action.

History of Petroleum Inspection Fees

Table VIII-4 shows the number of gallons of petroleum products that have been inspected and were subject to the Petroleum Inspection Fee for the fiscal years 2007 through 2016. Table VIII-5 shows the number of gallons of gasoline and oil products that have been inspected for each of the same fiscal years. The timing of when monthly tax returns are filed, especially those of large filers, may impact the number of gallons that have been inspected in any given annual period.

Table VIII-4

TOTAL GALLONS OF PETROLEUM PRODUCTS INSPECTED AND SUBJECT TO PETROLEUM INSPECTION FEE
(Actual Basis)

Fiscal Year	Total Gallons Inspected	% Increase (Decrease) from Previous Year
2007	3,799,004,886	1.81
2008	3,787,317,968	(0.31)
2009	3,727,415,844	(1.58)
2010	3,560,835,953	(4.47)
2011	3,708,194,660	4.14
2012	3,677,927,822	(0.82)
2013[a]	3,699,175,334	0.58
2014	3,392,388,870	(8.29)
2015[b]	4,061,698,396	19.73
2016[b]	3,791,904,561	(6.64)

(a) The number of gallons inspected for 2013 was increased from the Continuing Disclosure Annual Report issued on December 27, 2013 (2013 Annual Report). The increase is the result of reports submitted to the Department of Revenue subsequent to the 2013 Annual Report.

(b) One large taxpayer missed 10 monthly payments in the 2013-14 fiscal year. Those 10 payments, plus the 2014-15 monthly payments, were recorded in the 2014-15 fiscal year. The average annual increase in total gallons inspected from the 2013-14 fiscal year to the 2015-16 fiscal year is calculated to be 1.59%.

Source: Departments of Revenue and Natural Resources and the Legislative Fiscal Bureau.

Table VIII-5

GALLONS INSPECTED PER PETROLEUM PRODUCT AND SUBJECT TO PETROLEUM INSPECTION FEE
(Actual Basis)

Fiscal Year	Total Gallons of Gasoline Products Inspected	% Increase (Decrease) from Previous Year	Total Gallons of Oil Products Inspected	% Increase (Decrease) from Previous Year
2007	2,565,931,969	1.00	1,233,686,473	3.58
2008	2,555,474,719	(0.41)	1,231,843,249	(0.15)
2009	2,587,677,085	1.26	1,139,738,759	(7.48)
2010	2,471,964,236	(4.47)	1,088,871,717	(4.46)
2011	2,548,765,808	3.11	1,159,428,852	6.48
2012	2,545,913,873	(0.11)	1,132,013,949	(2.36)
2013[a]	2,564,622,632	0.73	1,134,552,702	0.22
2014	2,341,801,360	(8.69)	1,050,587,510	(7.40)
2015[b]	2,776,126,199	18.55	1,285,572,197	22.37
2016[b]	2,623,793,224	(5.49)	1,168,111,337	(9.14)

[a] The number of gallons inspected for 2013 was increased from the Continuing Disclosure Annual Report issued on December 27, 2013 (2013 Annual Report). The increase is the result of reports submitted to the Department of Revenue subsequent to the 2013 Annual Report.

[b] One large taxpayer missed 10 monthly payments in 2013-14 fiscal year. Those 10 payments plus the 2014-15 monthly payments were recorded in the 2014-15 fiscal year. The average annual increase in petroleum products inspected from the 2013-14 fiscal year to the 2015-16 fiscal year is calculated to be 1.46% for gasoline products and 1.94% for oil products.

Source: Departments of Revenue and Natural Resources and the Legislative Fiscal Bureau.

The total amount of Petroleum Inspection Fees collected for each of the last ten fiscal years is summarized in Table VIII-6. The annual percentage change in the amount of collected Petroleum Inspection Fees as shown in such table may not correlate to the annual percentage change in the number of gallons inspected in Table VIII-4. This is due to many reasons, including the following:

(1) the collected Petroleum Inspection Fees are reported on a cash basis in all fiscal years, whereas the amount of inspected gallons is reported on an actual basis for all years, and

(2) adjustments are made to, and refunds provided from, the collected Petroleum Inspection Fees.

Table VIII-6

TOTAL PETROLEUM INSPECTION FEES
(Amounts in Millions; Cash Basis for All Years)

Fiscal Year (June 30)	Total Fees	% Increase (Decrease) From Previous Year
2007[a]	75.4	(27.22)
2008	76.6	1.35
2009	73.4	(4.18)
2010	72.5	(1.11)
2011	73.8	1.79
2012	74.3	0.70
2013	71.9	(3.23)
2014	71.2	(0.97)
2015[b]	80.3	12.67
2016[b]	74.6	(6.97)

[a] The rate of the Petroleum Inspection Fee was reduced to $0.02 per gallon from $0.03 per gallon effective April 1, 2006.

[b] One large taxpayer missed 10 monthly payments in 2013-14 fiscal year. Those 10 payments plus the 2014-15 monthly payments were recorded in the 2014-15 fiscal year. The average annual increase in total petroleum inspection fees from the 2013-14 fiscal year to the 2015-16 fiscal year is calculated to be 1.58%.

Source: Wisconsin Legislative Audit Bureau.

Table VIII-7 shows the maximum, average, and minimum monthly amount of collected Petroleum Inspection Fees for each of the last 10 fiscal years. The maximum, average, and minimum monthly amounts in the table may not correlate to the annual amount of collected Petroleum Inspection Fees in Table VIII-6. This occurs because certain annual amounts are reported on an accrual basis, whereas the minimum, average, and maximum amounts are reported on a cash basis.

Table VIII-7

MAXIMUM, AVERAGE, AND MINIMUM MONTHLY COLLECTION
PETROLEUM INSPECTION FEES
(Amounts in Millions; Cash Basis)

Fiscal Year (June 30)	Maximum Monthly Amount	Average Monthly Amount	Minimum Monthly Amount
2007[a]	8.0	6.3	5.1
2008	7.5	6.4	5.4
2009	7.3	6.1	4.9
2010	7.3	6.1	4.9
2011	8.3	6.2	4.2
2012	8.4	6.2	3.0
2013	7.8	6.0	4.6
2014	8.4	5.9	3.0
2015	14.8	6.8	3.5
2016	9.0	6.2	4.1

[a] The rate of the Petroleum Inspection Fee was reduced to $0.02 per gallon from $0.03 per gallon effective April 1, 2006.

Source: Departments of Natural Resources and Revenue and Legislative Fiscal Bureau.

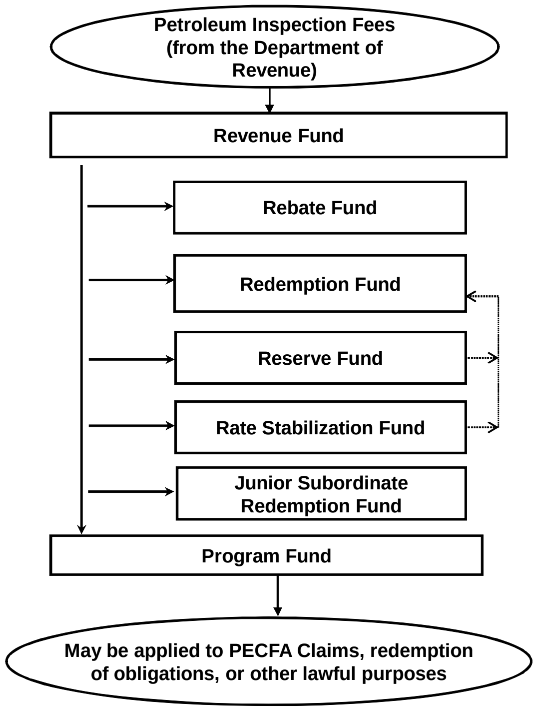
Diminished usage of petroleum products would reduce the amount of collected Petroleum Inspection Fees. Usage may be affected, for example, by production of oil, prices for petroleum products, usage of alternate fuels, or need for fuels. . See "RISK FACTORS; Impact of General Economic Factors."

Application of Petroleum Inspection Fees

Petroleum Inspection Fees received by the Trustee on each Revenue Payment Date in the Revenue Fund are deposited in the Funds and Accounts, and applied in the following order:

- To pay arbitrage rebate, if any, due on any Outstanding Bonds.
- To pay interest on all Outstanding Senior Bonds and other parity obligations.
- To pay the principal and redemption price, if any, of all Outstanding Senior Bonds, and other parity obligations, as the same become due.
- To maintain the Reserve Fund Requirement in the Reserve Fund; currently there is no Reserve Fund Requirement (and no balance in the Reserve Fund).
- To make any deposits, at the State's discretion, into the Rate Stabilization Fund; currently no Rate Stabilization Fund exists.
- To make deposits, at the State's discretion or if required, into the Junior Subordinate Redemption Fund.
- To pay any expenses payable from the Program Fund.

The following chart shows the flow of funds with respect to the Petroleum Inspection Fees.



The Program Resolution permits the issuance of Subordinate Bonds, which would have a pledge of Petroleum Inspection Fees that is subordinate to the pledge made for the Senior Bonds yet senior to the pledge made for the Junior Subordinate Bonds. As of the date of the 2016 Annual Report, only Senior Bonds are currently outstanding.

The pledge of the Petroleum Inspection Fees remains effective until all Bonds issued under the Program Resolution are fully paid in accordance with their terms, or payment is provided for in accordance with the Program Resolution. All Petroleum Inspection Fees deposited with the Trustee on each Revenue Payment Date in excess of the amounts required above are transferred at the direction of and to the State for deposit in the Petroleum Inspection Fund and become free of the pledge.

See "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION" for further information on the required transfer of Petroleum Inspection Fees to these various Funds and Accounts.

RISK FACTORS

Revenue Obligations

The Bonds are limited obligations of the State, payable from and secured by the Petroleum Inspection Fees. No representation or assurance can be made that Petroleum Inspection Fees will be realized in amounts sufficient to pay principal of, and interest on, the Bonds when due. The Petroleum Inspection Fees and the other amounts held by the Trustee under the Program Resolution constitute the only property pledged to secure the payment of the Bonds. No physical collateral secures the payment of the Bonds. Moreover, in the event the amount of the Petroleum Inspection Fees is inadequate for payment of the Bonds, the Trustee cannot compel the State to impose taxes at a higher rate.

The amount of Petroleum Inspection Fees collected is expected to be sufficient to pay debt service on the Bonds. However, no assurance can be given that such expected results will in fact be achieved, nor can there be any assurance that the sufficiency of historic Petroleum Inspection Fees collections portends the sufficiency of future Petroleum Inspection Fees collections.

Neither the full faith and credit nor the taxing power of the State or any political subdivision of the State of Wisconsin will be pledged to the payment of the principal of, premium, if any, or interest on the Bonds.

Parity Debt

Any Additional Senior Bonds issued in the future in respect to the lien on the Petroleum Inspection Fees under the Program Resolution would be entitled to share ratably with the holders of the 2009 Bonds and 2016 Bonds in any moneys realized from the exercise of remedies under the Program Resolution in the event of a default.

At this time, any additional Bonds to fund remediation payments could only be issued if legislation was enacted to authorize additional bonding for that purpose; Petroleum Inspection Fees in excess of the amounts required to be held by the Trustee are currently sufficient to pay all PECFA claims approved for payment. Additional Bonds may be issued without legislation being enacted to refund Outstanding Bonds.

Impact of General Economic Factors

The amount of Petroleum Inspection Fees collected depends on the economic activity related to petroleum products. A reduction in the sale of petroleum products in the State could lead to a reduction in the amount of Petroleum Inspection Fees collected. A combination of economic, climatic, political, or civil disruptions could affect the State's economy and result in reduced Petroleum Inspection Fees, including, in particular, general economic changes related to the energy industry, including, without limitation, fluctuations in the price of oil.

Concentration of Taxpayers

The ten largest taxpayers paying Petroleum Inspection Fees comprise 93.9% of the Petroleum Inspection Fees collected in the 2015-16 fiscal year. If any of the large taxpayers were to cease operations or would be unable to pay its Petroleum Inspection Fees, the State could experience a significant reduction in Petroleum Inspection Fees collected. It is expected that, assuming no impact from other factors, a reduction in Petroleum Inspection Fees due to ceased operations of a large taxpayer would be a short-term situation as the need for the petroleum products would continue and be satisfied, and Petroleum Inspection Fees paid, by another taxpayer. One large taxpayer missed 10 monthly payments in the 2013-14 fiscal year, which were later recorded in the 2014-15 fiscal year.

Potential Future Reduction of Petroleum Inspection Fee; Legislative Decision-Making

The Petroleum Inspection Fees may be reduced by Legislative decisions. The Legislature reduced the rate of the Petroleum Inspection Fee on April 1, 2006 to $0.02 per gallon from $0.03 per gallon. Legislative decisions, such as reducing the Petroleum Inspection Fee, may be influenced by many factors. While under the Program Resolution the State has pledged and agreed that the State will not limit or alter the ability of the State to fulfill the terms of its agreements with respect to the Bonds or impair the rights and remedies of holders of the Bonds, no guarantee can be made that the Legislature will not further reduce the Petroleum Inspection Fee. The Secretary of Administration believes that failure to make payments of the principal of, and premium, if any, and interest on, any of the Bonds might hinder the State's subsequent access to the capital markets; however, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for those payments.

Future occurrences could adversely affect legislative support for the current level of the Petroleum Inspection Fee. Further, political factors may also come to bear on such fee.

Nature of Moral Obligation

In the Act, the Legislature, recognizing its moral obligation to do so, expressed its expectation and aspiration that, if the Legislature were to reduce the rate of the Petroleum Inspection Fee and if the Petroleum Inspection Fees were insufficient to pay debt service on the Bonds when due, the Legislature would make an appropriation from the general fund sufficient to pay such debt service; however, the recognition of a moral obligation does not create a legally enforceable obligation.

Tax Exemption

There are or may be pending in the Congress of the United States legislative proposals relating to the federal tax treatment of interest on obligations of the nature of the Bonds. The State cannot predict whether and in what form any such proposal might be enacted or how such proposals, if enacted, would apply to the Bonds. A change in the federal tax status of the Bonds may cause the value of the Bonds to fall. In addition, interest on the Bonds could become includible in gross income for federal income tax purposes as a result of future acts or omissions of the State.

SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION

Certain provisions of the Program Resolution are summarized below. Reference should be made to the complete Program Resolution for a full and complete statement of its provisions. A copy of the Program Resolution may be obtained by contacting the State at the address provided on the initial page of Part VIII of the 2016 Annual Report.

Under existing statutory authority as of the date of the 2016 Annual Report, no additional Bonds may be issued to fund remediation payments under the PECFA Program; however, additional Bonds may be issued without statutory authority to refund Outstanding Bonds.

The Program Resolution provides for a Reserve Fund and a Rate Stabilization Fund, and for the State to obtain Credit Enhancement Facilities and enter into swap agreements with respect to the Bonds. *As of the date of this Part VIII to the 2016 Annual Report, there is no Reserve Fund Requirement (and no balance in the Reserve Fund), there is no balance in the Rate Stabilization Fund, and no Credit Enhancement Facilities or Swap Agreements are in effect.*

Additional Bonds

The Program Resolution provides that the State may issue additional Bonds, upon compliance with certain conditions, including, in some instances, meeting the additional bonds test. In the case of Bond Anticipation Notes, the conditions need be met only on the first date of issuance of any of the Bond Anticipation Notes authorized under the Supplemental Resolution providing for such Bond Anticipation Notes. These conditions include the following:

- Immediately after issuance, there cannot be a deficiency in the Reserve Fund.
- The State must certify that it is not in default in the performance of any of its covenants and agreements in the Program Resolution (unless an opinion of Independent Counsel is given that the default does not deprive any Beneficial Owner in any material respect of security given by the Program Resolution).
- Except with respect to the issuance of Refunding Bonds issued to fund Bond Anticipation Notes that are also Bonds, the State must certify that, as of the date of issuance of the Bonds, the Debt Service Coverage Ratio will be at least 2 to 1; *provided*, that in connection with the issuance of Refunding Bonds, the State may instead certify that the issuance of the Refunding Bonds will not increase Maximum Annual Debt Service.

For this purpose:

"Debt Service" means the aggregate principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments, and other payments of the State on all Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities); *provided*, however, that for purposes of calculating such amount:

- Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at the Projected Interest Rate (which is The Bond Buyer Revenue Bond Index, plus 3% per annum, so long as the index is published).
- All Outstanding Bond Anticipation Notes shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds in the full amount authorized with respect to Bond Anticipation Notes, bearing interest at the Projected Interest Rate and maturing according to such amortization schedule as the State may determine; *provided,* that the final maturity must not be later than 20 years from the original issuance of the Bond Anticipation Notes.
- Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts deposited in trust, escrowed, or otherwise set aside for the payment thereof with the Trustee or another Person approved by the Trustee (including, without limitation, amounts in an Escrow Account established in the Redemption Fund or amounts in the Capitalized Interest Account of the Proceeds Fund).
- State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement Facility, as the case may be, or in a State Certificate provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility.
- For purposes of applying the additional bonds test in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.
- Except to the extent provided in a Supplemental Resolution adopted to provide for the issuance of Subordinate or Junior Subordinate Bonds, with respect to the determination of Debt Service for purposes of limitations relating to Subordinate or Junior Subordinate Bonds or Subordinate or Junior Subordinate Other Obligations, debt service payments with respect to Subordinate or Junior Subordinate Bonds and Subordinate or Junior Subordinate Other Obligations shall not be taken into account.

“Debt Service Coverage Ratio” means the ratio of Projected Annual Revenues to Maximum Annual Debt Service.

“Projected Annual Revenues” means the largest amount of Petroleum Inspection Fees collected in any twelve consecutive months during the eighteen most recent months for which such information is available. If legislation changes the rate of the Petroleum Inspection Fee, “Projected Annual Revenues” shall be adjusted to take such change into account.

Variable Rate Take-Out Capacity Test

On each Monthly Reporting Date while any Variable Rate Debt is Outstanding, the State shall provide to the Trustee a State Certificate setting forth the Variable Rate Take-Out Capacity and the Variable Rate Debt Exposure based on the most current available information. If the Variable Rate Take-Out Capacity is less than the Variable Rate Debt Exposure, the State agrees (1) to promptly notify the Rating Agencies of such fact and (2) to submit to the Trustee and each Rating Agency, no later than 45 days after such Monthly Reporting Date, a plan to cause the Variable Rate Take-Out Capacity to exceed the Variable Rate Debt Exposure by the third Monthly Reporting Date following the Monthly Reporting Date that made the notification and plan necessary.

For this purpose:

“Debt Service” shall be calculated consistently with the provisions set forth above with respect to the additional bonds test.

“Monthly Reporting Date” means, in each month, a date on or before the 15th day of the month, as selected by an Authorized Commission Representative.

“Projected Monthly Revenues” means the average of the Petroleum Inspection Fees collected in each of the 12 most recent months for which such information is available; *provided*, that if the rate of the Petroleum Inspection Fee that will be in effect for any future month will be higher or lower than the rate of Petroleum Inspection Fee in effect for any corresponding prior month, “Projected Monthly Revenues” shall be adjusted to take such change into account.

“Senior Bond Anticipation Notes” includes all Bond Anticipation Notes for which the funding Bonds have been authorized as Senior Bonds.

“Variable Rate Debt” includes Bonds the interest rate on which is not fixed for their entire remaining term to maturity, all Senior Bond Anticipation Notes, and all Bonds with respect to which the State has entered into interest rate exchange agreements that have the effect of shifting the State’s fixed rate liability to a variable rate liability.

“Variable Rate Take-Out Capacity” means an amount equal to the present value of the net revenue stream that would be available after the collection of 50% of the Projected Monthly Revenues in each of the 240 succeeding months and the payment of Debt Service due in each such month with respect to all Outstanding Senior Bonds which do not constitute Variable Rate Debt (assuming the receipt of revenues and the payment of Debt Service on the first day of the month), discounted (on the basis of a 360-day year consisting of twelve 30-day months, and semi-annual compounding) using a discount rate equal to the Projected Interest Rate.

“Variable Rate Debt Exposure” means the difference, if any, of (1) the actual aggregate Outstanding principal amount of Variable Rate Debt, less (2) the sum of (a) the balance in the Principal Account in the Redemption Fund allocable to Variable Rate Debt, plus (b) the balance of the Rate Stabilization Fund established under the Program Resolution.

Funds and Accounts

The Program Resolution establishes the following Funds and Accounts:

- Proceeds Fund (and within it a Capitalized Interest Account, an Issuance and Administrative Account, and a Claims Account)
- Revenue Fund
- Rebate Fund
- Redemption Fund (and within it an Interest Account and a Principal Account)
- Reserve Fund
- Rate Stabilization Fund
- Junior Subordinate Redemption Fund (and within it a Junior Subordinate Principal Account)
- Program Fund (and within it a Program Expense Account)

Proceeds Fund

Upon the delivery of any series of Bonds, the Trustee will credit to the Proceeds Fund the amount specified in the Supplemental Resolution authorizing the issuance of the Bonds. The amounts, if any, so designated in the Supplemental Resolution will be credited to the Capitalized Interest Account and the Issuance and Administrative Account, respectively, and the remainder will be credited to the Claims Account.

Moneys in the Capitalized Interest Account will be applied only for the payment of interest on the Senior Bonds. Moneys in the Issuance and Administrative Account will be applied to the payment of costs of issuance of the Bonds and administrative expenses. Moneys in the Claims Account will be applied to costs of the petroleum storage remedial action program.

Revenue Fund

The Trustee will credit all Petroleum Inspection Fees received from the Department of Revenue to the Revenue Fund. On each Revenue Payment Date, the Trustee will transfer the money so credited, as follows:

- *First,* to the Rebate Fund.
- *Second,* to the Interest Account for the payment of interest on Senior Bonds or Senior Other Obligations payable therefrom.
- *Third,* to the Principal Account for the payment of principal of Senior Bonds or the payment of Senior Other Obligations payable therefrom.
- *Fourth,* to the Reserve Fund, if necessary to increase the balance to the Reserve Fund Requirement.
- *Fifth,* to the Rate Stabilization Fund, if directed by the State.
- *Sixth,* to the Junior Subordinate Principal Account within the Junior Subordinate Redemption Fund for the payment of principal of Junior Subordinate Bonds or the payment of Junior Subordinate Other Obligations payable therefrom.
- *Seventh,* to the Program Fund. If the Commission creates Funds and Accounts for Bonds or Other Obligations subordinate to the Junior Subordinate Bonds, it may apply money to Funds and Accounts established for those obligations before applying the money to the Program Fund.

The Program Resolution permits the issuance of Subordinate Bonds, which would have a pledge of Petroleum Inspection Fees that is subordinate to the pledge provided the Senior Bonds yet senior to the pledge provided the Junior Subordinate Bonds. If Subordinate Bonds are issued, then a Subordinate Redemption Fund will, and a Subordinate Reserve Fund may, be created.

Rebate Fund

The State will periodically determine, for each issue of Bonds, the arbitrage rebate liability under federal tax law. The State may specify an amount that should be held in the Rebate Account for arbitrage rebate payments. If the Trustee is furnished with a written opinion of Bond Counsel to the effect that amounts held in the Rebate Fund are not needed to make arbitrage rebate payments, then those amounts will be transferred to the Interest Account.

Redemption Fund

The Redemption Fund will be used only for the payment when due of principal of, and premium, if any, and interest on, the Senior Bonds and Senior Other Obligations.

Interest Account

The Trustee will credit to the Interest Account any premium or accrued interest paid as part of the purchase price for a series of Senior Bonds. The Trustee will also deposit in the Interest Account:

- The portion of the sale proceeds from the State's borrowings to be used to pay interest on the Senior Bonds (unless those proceeds are deposited into an Escrow Account).
- All Counterparty Swap Payments with respect to Senior Bonds.
- All investment earnings from money in the Redemption Fund (unless they are required to be in an Escrow Account), the Reserve Fund, the Rate Stabilization Fund, and the Junior Subordinate Redemption Fund.
- Amounts transferred, at the State's direction, from the Rate Stabilization Fund.
- Amounts transferred from the Rebate Fund.

- Other amounts required to be transferred thereto from the Funds and Accounts.

The Trustee will make periodic deposits to the credit of the Interest Account, at least 30 days before payment is due, of amounts determined or estimated to aggregate the full amount of each installment of interest which falls due upon Outstanding Senior Bonds on each regularly scheduled Interest Payment Date, and the reimbursement to all Credit Facility Providers for payments of interest on the Senior Bonds pursuant to Credit Enhancement Facilities.

If money in the Interest Account is insufficient when needed to pay the accrued interest due on the Senior Bonds, all State Swap Payments, and all reimbursements and fees payable to a Credit Facility Provider, or any portion of the purchase price of Senior Bonds to be purchased attributable to accrued interest, the Trustee will immediately deposit to the credit of the Interest Account an amount equal to such deficiency. Each deposit required to pay the foregoing amounts shall be made by transfer from the following Funds and Accounts, in the following order of priority: the Capitalized Interest Account, the Revenue Fund, the Rate Stabilization Fund, the Reserve Fund, and the Principal Account.

If money in the Interest Account is insufficient when needed to pay amounts payable therefrom, the money shall be applied, *pro rata,* among such obligations based upon such amounts then owing to Beneficiaries and to be paid from the Interest Account.

Principal Account

With respect to each series of Senior Bonds, the Trustee will deposit to the credit of the Principal Account:

- The portion of the sale proceeds from the State's borrowings to be used to pay principal of the Senior Bonds on a Principal Payment Date (unless those proceeds are deposited into an Escrow Account).
- Amounts transferred, at the State's direction, from the Rate Stabilization Fund or the Program Fund.
- Amounts required to be transferred thereto from the Revenue Fund, the Rate Stabilization Fund, and the Reserve Fund.

To provide for the payment of each installment of principal which falls due upon Senior Serial Bonds (other than certain Bond Anticipation Notes) at the stated maturity thereof or Senior Term Bonds on a Sinking Fund Payment Date therefor, the Trustee will make periodic deposits, to aggregate the full amount of such installment at least 30 days before such payment is due. To provide for the payment of the redemption price of Senior Bonds to be redeemed on any other Redemption Date, the Trustee shall make deposits, as directed by a Supplemental Resolution or the State, to aggregate the full amount of such redemption price at least five days before such redemption price is due.

Money in the Principal Account will be applied to the payment of Senior Bonds on a Principal Payment Date or for the payment of reimbursements for amounts paid under a Senior Credit Enhancement Facility to pay principal of, and premium, if any, on Senior Bonds, to such payment when due.

Each deposit required to be made to the credit of the Principal Account shall be made by transfer from the following Funds and Accounts, in the following order of priority: the Revenue Fund, the Rate Stabilization Fund, and the Reserve Fund.

When the balance in the Principal Account is not sufficient to pay all amounts payable therefrom on such date, the amounts in the account will be applied in the following order of priority: *first,* to the Interest Account; and *second,* to the payment of Senior Bonds at their stated maturity or on a Redemption Date or the reimbursement of such payments made by a Senior Credit Facility Provider, *pro rata,* among such obligations based upon such amounts then owing to Beneficiaries.

Money in the Principal Account may also be applied to the purchase of Senior Bonds if no deficiencies exist at such time in the Interest Account, the Principal Account, or the Rebate Fund. Any such purchase will be limited to those Senior Bonds whose stated maturity or Sinking Fund Payment Date is the next succeeding Principal Payment Date.

Reserve Fund

From the proceeds of any series of Bonds or, at the option of the State, from any other available moneys under the Program Resolution, the Trustee will credit to the Reserve Fund the amount, if any, specified in a Supplemental Resolution providing for the issuance of a series of Bonds, such that upon issuance of such Senior Bonds, the balance in the Reserve Fund shall not be less than the Reserve Fund Requirement. *As of the date of this Part VIII of the 2016 Annual Report, there is no Reserve Fund Requirement.*

If on any Revenue Payment Date the balance in the Reserve Fund is less than the Reserve Fund Requirement, then the Trustee will transfer an amount equal to the deficiency from the Revenue Fund (to the extent not required for credit to the Rebate Fund or the Redemption Fund).

Money in the Reserve Fund will be applied solely for the payment when due of principal of, and interest on, the Senior Bonds and amounts owing under Senior Other Obligations. It will be so applied by transfer to the Redemption Fund, if the amounts therein and available in the Revenue Fund, the Capitalized Interest Account, and the Rate Stabilization Fund are insufficient to meet the amount required for deposit to the credit of the Redemption Fund at such time. Amounts in the Reserve Fund shall be applied, *first,* to the payment of interest on the Senior Bonds and the payment of Senior Other Obligations payable from the Interest Account and, *second,* to the payment of principal of the Senior Bonds and the payment of Senior Other Obligations payable from the Principal Account. On the stated maturity date or any Redemption Date of any Senior Bonds, amounts in the Reserve Fund shall, upon State Direction, be applied to the payment at maturity or redemption of all Outstanding Senior Bonds of a series, to the extent that such application, and payment of all deposits to be made to the credit of the Rebate Fund required by the Program Resolution upon such redemption, will not reduce the balance of the Reserve Fund below the Reserve Fund Requirement (calculated as though the Senior Bonds to be retired on such stated maturity date or Redemption Date were not Outstanding as of the date of such calculation). At any time when the aggregate of the amounts in the Redemption Fund, the Capitalized Interest Account, the Reserve Fund, and the Rate Stabilization Fund equals an amount sufficient and available to discharge and satisfy the obligations of the State with respect to all the Outstanding Senior Bonds and Senior Other Obligations and to make all deposits to the credit of the Rebate Fund required by the Program Resolution, all in the manner described in the Program Resolution, such amounts shall, upon State Direction, be so applied. If on any Revenue Payment Date the balance in the Reserve Fund exceeds the Reserve Fund Requirement, such excess shall, upon State Direction, be transferred to the Rate Stabilization Fund or the Program Fund.

Rate Stabilization Fund

The Trustee will credit to the Rate Stabilization Fund such amounts as the State directs, from the Revenue Fund, from the Reserve Fund, or from the Program Fund.

On any date on which the balance in the Redemption Fund (after transfers thereto from the Revenue Fund and the Capitalized Interest Account) is not sufficient to pay all amounts payable therefrom on such date, the Trustee will transfer money in the Rate Stabilization Fund, as follows:

- *First,* to the Interest Account for the payment of interest on Senior Bonds or Other Senior Obligations payable therefrom; and
- *Second,* to the Principal Account for the payment of the principal of Senior Bonds or the payment of Other Senior Obligations payable therefrom.

In addition, the Trustee shall transfer from the Rate Stabilization Fund to the Interest Account or the Principal Account such amounts as the State directs. *As of the date of this Part VIII of the 2016 Annual Report, there is no balance in the Rate Stabilization Fund.*

Junior Subordinate Redemption Fund

The Trustee, or another Fiduciary if directed by a Supplemental Resolution, shall deposit to the credit of the Junior Subordinate Principal Account that portion of the proceeds from the sale of the State's bonds, notes, or other evidences of indebtedness, if any, to be used to pay principal of the Junior Subordinate Bonds on a Principal Payment Date (unless those proceeds are deposited into an Escrow Account) or other funds provided by the State.

To provide for the payment of each installment of principal which falls due upon such series of Junior Subordinate Bonds prior to the due date, the Trustee shall make deposits from the Revenue Fund only as directed by a Supplemental Resolution or State Certificate.

The moneys in the Junior Subordinate Principal Account required for the payment of Junior Subordinate Bonds on the maturity date (after taking into account any authorized extension of maturity or any acceleration of maturity) shall be transferred to the Paying Agent for such series of Junior Subordinate Bonds and applied by the Paying Agent to such payment when due without further authorization or direction.

When the balance in the Junior Subordinate Principal Account is not sufficient to pay all amounts payable therefrom on such date, the Trustee shall make periodic deposits from the Revenue Fund, prior to making any deposits to the Program Fund, to aggregate the full amount due on such maturity date from such date to the date of payment, *pro rata*, among such obligations based upon such amounts then owing to Holders of the Junior Subordinate Bonds.

The Program Resolution may be amended to establish Funds and Accounts that are senior in priority to the Junior Subordinate Principal Account.

Program Fund

Any amount in the Revenue Fund that is not required to be transferred to the Rebate Fund, the Redemption Fund, the Reserve Fund, the Rate Stabilization Fund, or any Fund created with respect to a Subordinate class of Bonds or Other Obligations will be transferred to the Program Fund.

Amounts that the State designates will be deposited in the Program Expense Account and will be disbursed for Bond issuance costs. Money in the Program Fund may be transferred to the Redemption Fund or the Junior Subordinate Redemption Fund, transferred to the Rate Stabilization Fund, or used for the purchase of Bonds. Money in the Program Fund may also be applied to any purpose permitted by law.

Investments

Money in any Fund or Account may be invested in Permitted Investments that mature or are redeemable at the option of the holder before the money is needed for the purpose for which it is held.

Pledge and Security Interest

The Commission has pledged the Petroleum Inspection Fees to the payment of the Bonds and Other Obligations. The Wisconsin Statutes create a security interest, for the benefit of the Holders of the Bonds and the Other Beneficiaries, in the Revenue Fund, the Redemption Fund, the Junior Subordinate Redemption Fund, the Reserve Fund, and the Rate Stabilization Fund.

Nonimpairment

The Program Resolution and each Supplemental Resolution will constitute a contract with the Holders of the Bonds and the other Beneficiaries. The State pledges and agrees with the Holders of the Bonds and the Other Beneficiaries that the State will not limit or alter its powers to fulfill the terms of any agreements made with the Holders of the Bonds and the Other Beneficiaries or in any way impair the rights and remedies of the Holders of the Bonds or the Other Beneficiaries until the Bonds, together with interest and all costs and expenses in connection with any action or proceeding by or on behalf of the Holders of the Bonds, are fully met and discharged and the Other Obligations are fully discharged or provided for.

Rating

The State covenants that it will, at all times Bonds are Outstanding, request at least one nationally recognized securities rating agency to maintain a rating on the Bonds.

Termination

If the State pays the principal, premium, if any, and interest payable upon any Bond, then the Bond will no longer be entitled to any benefit under the Program Resolution. If all Bonds and Other Obligations are paid and all expenses of the Fiduciaries have been paid, or are deemed to be paid, then the pledge of the Petroleum Inspection Fees and the security interest in the Funds and Accounts will cease.

Any Outstanding Bond will be deemed to be paid when there shall have been deposited (in an Escrow Account) either moneys in an amount which, or Federal Securities, the principal of, and the interest on, which when due, and without any reinvestment thereof, will provide money sufficient to pay when due the principal of, and premium, if any, and interest due and to become due on, the Bond at or prior to the stated maturity thereof.

Events of Default

If any of the following events occur, it constitutes an Event of Default:

- Default in the due and punctual payment of any interest on any Bond of the most senior class then Outstanding.
- Default in the due and punctual payment of the principal of, or premium, if any, on, any Bond of the most senior class then Outstanding, whether at the stated maturity or a redemption date.
- Default by the State in its obligation to purchase any Bond of the most senior class then Outstanding (or Beneficial Ownership Interests in such a Bond) on a Tender Date.
- Default in the due and punctual payment of any amount owed by the State under a Swap Agreement or Credit Enhancement Facility to any Other Beneficiary the State's obligation to which is on a parity with Bonds of the most senior class then Outstanding.
- Default in the performance of any of the State’s obligations to transmit money to be credited to the Revenue Fund, the Rebate Fund, or the redemption fund established for the payment of Bonds of the most senior class then Outstanding as required by the Program Resolution and such default shall have continued for a period of 30 days.
- Default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the State contained in the Program Resolution, or in the Senior Bonds, and such default shall have continued for a period of 30 days after written notice; *provided* that, except with respect to the State’s arbitrage rebate covenants, if the default is such that it can be corrected, but not within such 30 days, it shall not constitute an Event of Default if corrective action is instituted by the State within such 30 days and is diligently pursued until the default is corrected.

Acceleration

Whenever any Event of Default has occurred and is continuing, the Trustee may, and upon the written request of the Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be 25% of the aggregate Principal Amount of Outstanding Bonds of the pertinent class) the Trustee shall, by notice in writing delivered to the State, declare the principal of, and interest accrued on, all Bonds then Outstanding due and payable.

Before a judgment or decree for payment of the money due has been obtained by the Trustee, the Acting Beneficiaries Upon Default (and for this purpose, the specified percentage shall be a majority of the aggregate Principal Amount of Outstanding Bonds of the pertinent class) may rescind and annul such declaration and its consequences if there has been paid to or deposited with the Trustee by or for the account of the State, or provision satisfactory to the Trustee has been made for the payment of, a sum sufficient to pay:

- All overdue installments of interest on all Bonds of the most senior class Outstanding.
- The principal of (and premium, if any, on) any Bonds of the most senior class Outstanding which have become due otherwise than by such declaration of acceleration, together with interest thereon at the rate or rates borne by such Bonds.
- To the extent that payment of such interest is lawful, interest upon overdue installments of interest on the Bonds of the most senior class Outstanding at the rate or rates borne by such Bonds.
- All Other Obligations on a parity with Bonds of the most senior class Outstanding, which Other Obligations have become due other than as a direct result of such declaration of acceleration.
- All other sums required to be paid to satisfy the State's obligations to transmit money to be credited to the Revenue Fund, the Rebate Fund, and the redemption fund established for payment of Bonds of the most senior class Outstanding as required by the Program Resolution.
- All sums paid or advanced by the Trustee or any other Fiduciary under the Program Resolution and the reasonable compensation, expenses, disbursements, and advances of the Trustee or other Fiduciaries, their agents, and their counsel.

Similarly, before a judgment or decree for payment of the money due has been obtained by the Trustee, such Acting Beneficiaries Upon Default may rescind and annul such declaration and its consequences if all Events of Default, other than the nonpayment of the principal of Bonds of the most senior class Outstanding, or Other Obligations on a parity with Bonds of the most senior class Outstanding, which have become due solely by, or as a direct result of, such declaration of acceleration, have been cured or waived.

No rescission and annulment will affect any subsequent default or impair any right consequent thereon.

Other Remedies; Rights of Beneficiaries

If an Event of Default has occurred and is continuing, the Trustee may bring legal proceedings to collect money due or to enforce the covenants made by the State.

If an Event of Default has occurred and is continuing, and if it is requested so to do by the Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be a majority of the aggregate Principal Amount of Outstanding Bonds) or any Other Beneficiary and is indemnified, the Trustee will be obliged to exercise such of the rights and powers as the Trustee, being advised by its counsel, deems most expedient in the interests of the Beneficiaries; provided, however, that the Trustee shall have the right to decline to comply with any such request if the Trustee shall be advised by counsel that the action so requested may not lawfully be taken or if the Trustee receives, before exercising such right or power, contrary instructions from the Holders of not less than a majority in aggregate Principal Amount of the Bonds then Outstanding or from any Other Beneficiary.

If a default occurs under a Swap Agreement or a Credit Enhancement Facility, the Other Beneficiary may exercise such remedies as are provided therein.

Remedies are not exclusive, and delay in acting is not a waiver.

Application of Moneys

All moneys received by the Trustee pursuant to any right given or action taken will, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities, and advances incurred or made by the Trustee with respect thereto, be applied as follows (except that money received with respect to Credit Enhancement Facilities shall be applied only to the purposes for which such Credit Enhancement Facilities were provided, and shall be so applied prior to the application of other money):

(1) In every case, the Trustee shall apply the amounts to each class in order of priority, namely, Senior Bonds and Senior Other Obligations shall be paid in full before any payment shall be made with respect to Junior Subordinate Bonds and Junior Subordinate Other Obligations.

(2) Unless the principal of all the Outstanding Bonds of a particular class shall have become, or shall have been declared, due and payable, all such money will be applied to the payment to the Beneficiaries of all installments of principal and interest then due on the Bonds and all Other Obligations, and if the amount available is not sufficient to pay all such amounts in full, then to the payment ratably, in proportion to the amounts due, without regard to due date, to the Holders and to each Other Beneficiary, without any discrimination or preference (being applied first to interest and then to principal).

(3) If the principal of all Outstanding Bonds of a particular class shall have become due or shall have been declared due and payable and such declaration has not been annulled and rescinded, all such moneys will be applied to the payment to the Beneficiaries of the principal and interest then due and unpaid upon the Bonds and all Other Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Beneficiary over any Other Beneficiary, ratably, according to the amounts due, to the Persons entitled thereto without any discrimination or preference.

(4) If the principal of all the Outstanding Bonds of a particular class shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then (subject to the provisions of clause (3) above, in the event that the principal of all the Outstanding Bonds shall later become or be declared due and payable) the money held by the Trustee hereunder will be applied in accordance with the provisions of clause (2) above.

Whenever money is to be applied by the Trustee as described above, the money will be applied by it at such time or times as the Trustee determines, having due regard to the amount of such money available and the likelihood of additional money becoming available in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposits with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Limitation on Suits by Beneficiaries

Except as may be permitted in a Supplemental Resolution with respect to an Other Beneficiary, no Holder of any Bond or Other Beneficiary shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Program Resolution or for the execution of any trust or for the appointment of a receiver or any other remedy unless all the following conditions apply:

- An Event of Default shall have occurred and be continuing.
- The Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be 25% of the aggregate Principal Amount of Outstanding Bonds) shall have made written request to the Trustee.
- Such Beneficiary or Beneficiaries shall have offered the Trustee indemnity.
- The Trustee shall have thereafter failed for a period of 60 days after the receipt of the request and indemnification, or refused, to exercise the powers granted under the Program Resolution or to institute such action, suit, or proceeding in its own name.
- No direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by such Acting Beneficiaries Upon Default.

No one or more Holders of the Bonds or any Other Beneficiary shall have any right in any manner whatsoever to affect, disturb, or prejudice the security interest created in the Revenue Fund, the Redemption Fund, the Rate Stabilization Fund, the Reserve Fund, and the Junior Subordinate Redemption Fund or to enforce any right except in the manner provided in the Program Resolution. All proceedings at law or in equity shall be instituted, had, and maintained in the manner provided in the Program Resolution and for the benefit of the Holders of all Outstanding Senior Bonds and Other Beneficiaries under the Program Resolution as their interests may appear thereunder. The Acting Beneficiaries Upon Default may institute any suit, action, or proceeding permitted under the Program Resolution in their own names for the benefit of the Holders of all Outstanding Senior Bonds and Other Beneficiaries thereunder.

Supplemental Resolutions Without Holder Consent

The Commission may, without the consent of, or notice to, the Beneficiaries, adopt Supplemental Resolutions as follows:

- To cure any formal defect, omission, inconsistency, or ambiguity in the Program Resolution; *provided* that no such action shall adversely affect the interests of the Beneficiaries who have not consented thereto.
- To add other covenants or agreements, or to surrender any right or power reserved or conferred upon the State, and which shall not adversely affect the interests of the Beneficiaries who have not consented thereto.
- To issue a particular series of Bonds or to enter into a Swap Agreement or to obtain a Credit Enhancement Facility and, in connection therewith, to establish provisions for making deposits to the Redemption Fund to provide for the payment of any Senior Bonds, or Other Obligations and to establish assumptions for computing the Debt Service obligations with respect thereto.
- To cause the Program Resolution to comply with the requirements of the Trust Indenture Act of 1939.
- To provide for the removal of a Fiduciary or the Securities Depository, or the appointment of an additional or successor Fiduciary or a successor Securities Depository.
- To make any change in the Program Resolution required by any Rating Agency in order to maintain the current, or restore the previous, rating by such Rating Agency on the Bonds, and which shall not adversely affect the interests of the Beneficiaries who have not consented thereto.
- To provide for the creation of Funds or Accounts, to which amounts in the Revenue Fund may be credited on any Revenue Payment Date prior to transfer of such amounts to the Junior Subordinate Redemption Fund, but only after all transfers therefrom to the Rebate Fund, the Redemption Fund, the Reserve Fund, the Rate Stabilization Fund, or the creation of one or more subordinate classes of Bonds payable solely from Funds and Accounts created under that or another Supplemental Resolution; *provided* that no such subordinate class of Bonds or Other Obligations may be senior in any respect to any previously created class of Senior Bonds or Other Obligations any of which are then Outstanding, except to the extent specifically authorized or permitted by the Supplemental Resolution authorizing such previously created class or except to the extent consented to by each Beneficiary who would be adversely affected thereby.
- To modify, alter, amend, or supplement the Program Resolution in any other respect which is not materially adverse to the Beneficiaries who have not consented thereto or which is permitted for Bonds of one or more particular series, as provided in the Supplemental Resolution for Bonds of those series and affects only (1) the Holders of such Bonds and (2) any other Beneficiaries who have consented thereto.
- To modify, alter, amend, or supplement the Program Resolution in any other respect so long as each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Bonds will be reduced or withdrawn as a result of such modification, alteration, amendment, or supplement, as evidenced by written confirmations thereof delivered from each Rating Agency.

In connection with the adoption of any Supplemental Resolution without consent of the Holders of the Bonds, the Trustee must be given an opinion of Bond Counsel to the effect that such Supplemental Resolution is authorized or permitted by the Program Resolution and the Revenue Obligations Act, complies with their respective terms, will be valid and binding upon the State in accordance with its terms, and will not adversely affect the exclusion of the interest payable on the Bonds from gross income of the Holders of the Bonds for federal income tax purposes pursuant to the Code.

Supplemental Resolutions With Holder Consent

The Commission may, with the prior written consent of the Holders of a majority of the principal amount of each class of Bonds Outstanding affected by such Supplemental Resolution, and with the prior written consent of the Other Beneficiaries, adopt a Supplemental Resolution to modify, alter, amend, or supplement the Program Resolution in any respect. No Supplemental Resolution, however, may permit any of the following:

- An extension of the stated maturity or reduction in the principal amount of, a reduction in the rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of, a reduction in the purchase price payable on a Tender Date for, or a reduction in the amount or extension of the time for any principal payment required for any sinking fund or otherwise applicable to, any of the Bonds without the consent of the Holders of all the Bonds and Other Beneficiaries which would be affected by the action to be taken.
- The creation of any security interest prior to or on a parity with the security interest in the Funds and Accounts for the benefit of the Holders of the Bonds and the Other Beneficiaries without the consent of the Holders of all the Bonds Outstanding and the Other Beneficiaries which would be adversely affected by such creation.
- A reduction in the aggregate principal amount of Bonds the Holders of which are required to consent, or the elimination of a requirement that any Other Beneficiary consent, to any Supplemental Resolution without the consent of the Holders of all Bonds at the time Outstanding, and any Other Beneficiary which would be affected by the action to be taken.
- A modification of the rights, duties, or immunities of the Trustee or any Fiduciary without the written consent of the Trustee or Fiduciary.
- The creation of a privilege or priority of any Obligation of one class over any other Obligation of the same class, or of any other class except as provided in the Program Resolution, or the surrender of a privilege or a priority granted by the Program Resolution, to the detriment of another Beneficiary.

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to capitalized terms used in Part VIII of the 2016 Annual Report.

2009 Bonds means the $117,460,000 State of Wisconsin Petroleum Inspection Fee Revenue Refunding Bonds, 2009 Series 1, issued on October 20, 2009.

2016 Bonds means the $62,445,000 State of Wisconsin Petroleum Inspection Fee Revenue Refunding Bonds, 2016 Series 1, issued on October 13, 2016.

Account means any of the accounts in the Funds.

Acting Beneficiaries Upon Default means:

- for purposes of the provisions of the Program Resolution concerning acceleration of maturity, the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds are Outstanding and otherwise the Holders of not less than the specified percentage of the most senior class of Bonds Outstanding, and
- for all other purposes under the Program Resolution, any Senior Other Beneficiary or the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds or Senior Other Obligations are Outstanding and otherwise the Holders of not less than the specified percentage of Bonds of the most senior class of any Bonds or Other Obligations of which are Outstanding and any Other Beneficiary of such class.

Authorized Commission Representative means any person at the time designated to act on behalf of the State by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the State by the Capital Finance Director, and also includes the Capital Finance Director.

Beneficial Owner means the Person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository, Participant, or Indirect Participant, as the case may be.

Beneficial Ownership Interest means the right to receive payments and notices with respect to Bonds which are held by the Securities Depository under a Book-Entry System and for which the Securities Depository does not act on behalf of the Beneficial Owner in connection with the optional or mandatory tender of Bonds on a Tender Date.

Beneficiary means any Holder of Bonds, any Swap Counterparty, and any Credit Facility Provider.

Bond Anticipation Notes means obligations for the funding of which the Building Commission has authorized the issuance of Bonds in a Supplemental Resolution.

Bond Counsel means any Independent Counsel selected by the State and nationally recognized as an attorney or firm of attorneys whose opinions are generally accepted in the municipal bond market and who is familiar with the transactions contemplated under the Program Resolution. Unless specifically otherwise provided, any opinion of Bond Counsel required by the Program Resolution shall be in writing.

Bonds means revenue obligations of the State, however designated and whether Senior, Subordinate, or Junior Subordinate, that are issued pursuant to the Program Resolution and payable, in whole or in part, from the Petroleum Inspection Fees and does not include Bond Anticipation Notes that are payable solely from the proceeds of Bonds authorized in a Supplemental Resolution.

The Bond Buyer Revenue Bond Index means the Revenue Bond Index as published by *The Bond Buyer*.

Book-Entry System means a book-entry system established and operated for the recordation of Beneficial Owners of Bonds.

Building Commission or **Commission** means the State of Wisconsin Building Commission.

Business Day or **business day** means, with respect to any series of Bonds, a day on which (a) banks located in the city in which the Principal Office of any Fiduciary with responsibilities for that series of Bonds is located are not required or authorized by law or executive order to close for business, and (b) the New York Stock Exchange is not closed; *provided* that a Supplemental Resolution may provide for a different meaning with respect to Bonds of any series issued pursuant thereto.

Capitalized Interest Account means the Capitalized Interest Account created within the Proceeds Fund by the Program Resolution.

Claims Account means the Claims Account created within the Proceeds Fund by the Program Resolution.

Code means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations in effect or proposed from time to time with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

Counterparty Swap Payment means a payment due to, or received by, the State from a Swap Counterparty pursuant to a Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement) and amounts received by the State under any related Swap Counterparty Guaranty.

Credit Enhancement Facility means, if and to the extent provided for in a Supplemental Resolution, with respect to Bonds of one or more series, (1) an insurance policy insuring, or a letter of credit, surety bond, or other guaranty providing a direct or indirect source of funds for, the payment of principal of, and interest on, such Bonds (but not necessarily principal due upon acceleration of maturity) or (2) a letter of credit, standby purchase agreement, or similar instrument providing for the purchase of such Bonds (or the Beneficial Ownership Interests therein) on a Tender Date and, in either case, all agreements entered into by the State or the Trustee and the Credit Facility Provider with respect thereto.

Credit Facility Provider means any Person or Persons engaged by the State pursuant to a Credit Enhancement Facility to provide credit enhancement or liquidity for the payment of the principal of and interest on Bonds or the State's obligation to purchase Bonds (or the Beneficial Ownership Interests therein) on a Tender Date.

Debt Service means the aggregate principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments, and other payments of the State on all Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities); *provided*, however, that for purposes of calculating such amount:

- Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at the Projected Interest Rate.
- All Outstanding Bond Anticipation Notes shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds in the full amount authorized with respect to such Bond Anticipation Notes, bearing interest at the Projected Interest Rate and maturing according to such amortization schedule as the State may determine; *provided* that the final maturity must not be later than 20 years from the original issuance of the Bond Anticipation Notes.
- Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts deposited in trust, escrowed, or otherwise set aside for the payment thereof with the Trustee or another Person approved by the State or the Trustee (including, without limitation, amounts in an Escrow Account established in the Redemption Fund or amounts in the Capitalized Interest Account of the Proceeds Fund).
- State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement Facility, as the case may be, or in a State Certificate provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility.
- For purposes of applying the additional bonds test in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.
- Except to the extent provided in a Supplemental Resolution to provide for a subordinate class of Bonds or other obligations with respect to the determination of Debt Service for purposes of limitations relating to Subordinate or Junior Subordinate Bonds or Subordinate or Junior Subordinate Other Obligations, debt service payments with respect to Subordinate or Junior Subordinate Bonds and Subordinate or Junior Subordinate Other Obligations shall not be taken into account.

Debt Service Coverage Ratio means the ratio of Projected Annual Revenues to Maximum Annual Debt Service.

Escrow Account means a separate and distinct Account created within the Redemption Fund or the Junior Subordinate Redemption Fund in connection with the defeasance of any Bonds.

Event of Default means one of the events described as such in the Program Resolution.

Federal Securities means noncallable, direct obligations of the United States of America.

Fiduciary means each of the Trustee, and any co-trustee, Registrar, Issuing Agent, Paying Agent, or other fiscal agent and includes any agent designated by or on behalf of the Building Commission or a Fiduciary to perform the functions of a Fiduciary. One entity may perform multiple Fiduciary functions, and multiple entities may perform a particular Fiduciary function.

Fiscal Year means the annual period beginning on July 1st of each year and ending on June 30th of the following year.

Fund means any of the funds created by the Program Resolution.

Holder means the registered owner of any Bond (which shall be the Securities Depository Nominee so long as a Book-Entry System is being used), as shown on the registration books of the State maintained by the Registrar, except that to the extent and for the purposes provided in a Supplemental Resolution for a series of Bonds (including, without limitation, for purposes of the definition of "Acting Beneficiaries Upon Default"), a Credit Facility Provider that has delivered a Credit Enhancement Facility with respect to such series of Bonds may instead be treated as the Holder of the Bonds of such series.

Independent Counsel means an Independent Person duly admitted to practice law before the highest court of any state of the United States of America or the highest court of the District of Columbia, or with respect to opinions relating to the law of a country other than the United States of America, an Independent Person duly admitted to the practice of law in such country. Unless specifically otherwise provided, any opinion of Independent Counsel required by the Program Resolution shall be in writing.

Independent Person means a Person designated by the State and not an employee of the State.

Indirect Participant means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

Interest Account means the Interest Account created within the Redemption Fund by the Program Resolution.

Interest Payment Date means any date on which interest is due on any Bond pursuant to the Program Resolution.

Issuance and Administrative Account means the Issuance and Administrative Account created within the Proceeds Fund by the Program Resolution.

Issuing Agent means the entity designated by or on behalf of the Building Commission to perform such duties as may be required of the Issuing Agent under the Program Resolution or any Supplemental Resolution.

Junior Subordinate means, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

Junior Subordinate Principal Account means the Junior Subordinate Principal Account created within the Junior Subordinate Redemption Fund by the Program Resolution.

Junior Subordinate Redemption Fund means the Junior Subordinate Redemption Fund created under the Program Resolution.

Maximum Annual Debt Service means, as of the date of determination, the maximum annual Debt Service, as computed for the then current or any future Fiscal Year.

Other Beneficiary shall mean a Person who is a Beneficiary of an Other Obligation.

Other Obligation shall mean the State's obligations to pay any amounts under any Swap Agreements and any Credit Enhancement Facilities.

Outstanding means (1) when used in reference to the Bonds as at any given date, all Bonds which have been duly authenticated and delivered by the Registrar or Issuing Agent under the Program Resolution *except:*

- Bonds which have been canceled by the Registrar at or before such date or which have been delivered to the Registrar at or before such date for cancellation;
- Bonds deemed to be paid because their payment has been provided for;
- Bonds in lieu of which other Bonds have been authenticated;
- Bonds not surrendered for payment when due (unless the State shall default in the payment thereof); and
- Bonds which are otherwise not treated as Outstanding pursuant to the terms of the Supplemental Resolution providing for their issuance;

and (2) when used with respect to Other Obligations, means any Other Obligations which have become, or may in the future become, due and payable and which have not been paid or otherwise satisfied.

Participant means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository.

Paying Agent means an agent of the State designated by or on behalf of the Building Commission to process payments to Holders of the Bonds.

PECFA Program means the Petroleum Environmental Cleanup Fund Award Program, which is a petroleum storage remediation program provided for in the Wisconsin Statutes.

Permitted Investments means any of the following:

- Direct obligations of the United States and of agencies of, and corporations wholly owned by, the United States, and direct obligations of federal land banks, federal home loan banks, central bank for cooperatives and banks for cooperatives, international bank for reconstruction and development, the international finance corporation, inter-American development bank, African development bank, and Asian development bank, in each case maturing within one year or less from the date of investment;
- Commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the three highest ratings issued by Moody's Investors Service, Inc., S&P Global Ratings, or Fitch Ratings, Inc.;
- Certificates of deposit maturing within one year or less from the date of investment, issued by banks, credit unions, savings banks, or savings and loan associations located in the United States and having capital and surplus of at least $40 million; and
- Any other investment permitted by law, so long as each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Unenhanced Bonds will be reduced or withdrawn as a result of such investment, as evidenced by written confirmations thereof delivered from each Rating Agency, or if no Unenhanced Bonds are then Outstanding, but Other Obligations are Outstanding, the Beneficiaries holding such Other Obligations consent to such investment, as evidenced in writing to the Trustee by each such Beneficiary.

Person means any natural person, firm, association, corporation, company, trust, partnership, public body, or other entity.

Petroleum Inspection Fees means the fees imposed under Section 168.12 (1), Wisconsin Statutes, the payments under Section 292.63 (4) (h) 1m., Wisconsin Statutes, the payments under Section 292.63 (5) (a), Wisconsin Statutes, and the net recoveries under Section 292.63 (5) (c), Wisconsin Statutes.

Petroleum Inspection Fund means the separate nonlapsible trust fund created under Section 25.47, Wisconsin Statutes, which includes all the funds and accounts created under the Program Resolution and a separate fund held in the state treasury.

Principal Account means the Principal Account created within the Redemption Fund by the Program Resolution.

Principal Amount, when used with respect to a Bond, means the then outstanding principal amount of such Bond; *provided* that, to the extent provided in the Supplemental Resolution for Bonds of such series that pay interest less frequently than semiannually, accrued interest or amortized original issue discount with respect to such Bond shall be treated as principal, and to the extent provided in the Supplemental Resolution for Bonds of such series that bear no interest, only the purchase price plus amortized original issue discount shall be treated as principal.

Principal Office means, with respect to any Fiduciary, the office which may be designated as such, from time to time, by the Fiduciary in writing to the State and (in the case of any Fiduciary which is not the Trustee) to the Trustee.

Principal Payment Date means the stated maturity date of principal of any Serial Bond, the Sinking Fund Payment Date for any Term Bond, and any other Redemption Date for any Bond.

Proceeds Fund means the Proceeds Fund created under the Program Resolution.

Program Expense Account means the Program Expense Account created within the Program Fund by the Program Resolution.

Program Fund means the Program Fund created under the Program Resolution.

Program Resolution means the Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, as adopted by the Building Commission on January 19, 2000, as amended and restated on May 2, 2000, and further amended by a resolution adopted by the Building Commission on July 30, 2003, together with any and all Supplemental Resolutions.

Projected Annual Revenues means the largest amount of Petroleum Inspection Fees collected in any twelve consecutive months during the eighteen most recent months for which such information is available; *provided* that if, as a result of legislation enacted prior to the time of determination, the rate of the Petroleum Inspection Fee for any future month will be higher or lower than the rate of Petroleum Inspection Fee in effect for any corresponding prior month, Projected Annual Revenues shall be adjusted to take such change into account.

Projected Interest Rate means the sum of the Bond Buyer Revenue Bond Index, as most recently compiled and published in *The Bond Buyer* as of the date of determination, plus 3% per annum, or if such index is no longer published, Projected Interest Rate shall mean an interest rate determined in such alternate manner as the State may establish by State Certificate or Supplemental Resolution; *provided* that each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Unenhanced Bonds will be reduced or withdrawn as a result of the use of such alternate manner of determination, as evidenced by written confirmations thereof delivered from each Rating Agency, or if no Unenhanced Bonds are then Outstanding, but Other Obligations are Outstanding, the Beneficiaries holding such Other Obligations consent to the use of such alternate manner of determination, as evidenced in writing by each such Beneficiary.

Rate Stabilization Fund means the Rate Stabilization Fund created under the Program Resolution.

Rating Agency means, at any time, any nationally recognized securities rating agency that is then maintaining a rating on the Bonds at the request of the State. "*Rating Agency*" includes the successors and assigns of such agency.

Rebate Fund means the Rebate Fund created under the Program Resolution.

Redemption Date means the date fixed for redemption of any Bond pursuant to the Program Resolution.

Redemption Fund means the Redemption Fund created under the Program Resolution.

Refunding Bonds means Bonds issued or to be issued to provide for the payment of principal of (and, to the extent provided by the Supplemental Resolution authorizing the issuance thereof, premium, if any, and interest on) Bonds previously issued under this Resolution or to fund Bond Anticipation Notes.

Registrar means the Secretary of Administration or an agent of the State designated by or on behalf of the Secretary of Administration to maintain the registration books for the Bonds.

Reserve Fund means the Reserve Fund created under the Program Resolution.

Reserve Fund Requirement means, at any time, an amount equal to the greatest amount established as such in any Supplemental Resolution, which may be expressed as a percentage of Outstanding Bonds, as a stated dollar amount, or in any other manner. In calculating the Reserve Fund Requirement, all Bonds to be redeemed or defeased by a series of Refunding Bonds shall be deemed not Outstanding as of the date of calculation.

Revenue Fund means the Revenue Fund created under the Program Resolution.

Revenue Obligations Act means Subchapter II of Chapter 18, Wisconsin Statutes.

Revenue Payment Date shall mean each Business Day on which Petroleum Revenue Fees are received by the Trustee.

Securities Depository means the securities depository and any substitute for or successor to such securities depository that shall, at the request of the Building Commission, maintain a Book-Entry System with respect to the Bonds.

Securities Depository Nominee means the Securities Depository or the nominee of the Securities Depository in whose name the Bonds are registered during the continuation with such Securities Depository of participation in its Book-Entry System.

Senior means (1) when used with respect to a Bond, a Bond of a series designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

Serial Bonds means all Bonds other than Term Bonds.

Sinking Fund Payment Date means the date on which any Term Bond is to be called for redemption pursuant to the sinking fund requirements of the Supplemental Resolution providing for the issuance thereof or, if not redeemed, the stated maturity date thereof.

State means the State of Wisconsin.

State Certificate means a certificate signed by an Authorized Commission Representative and delivered to the Trustee or, if required by the context in which such term is used, to any other Fiduciary.

State Direction means a direction to the Trustee or, if required by the context in which such term is used, to any other Fiduciary and signed by an Authorized Commission Representative.

State Swap Payment shall mean a payment due to a Swap Counterparty from the State pursuant to the applicable Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement).

Subordinate means, after the adoption of a Supplemental Resolution to provide for the creation of a subordinate class of Bonds or Other Obligations that is subordinate to Senior Bonds and prior to Junior Subordinate Bonds, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

Supplemental Resolution means a resolution adopted by the Building Commission to supplement or amend the Program Resolution.

Swap Agreement means an interest rate exchange agreement or other interest rate hedge agreement between the State and a Swap Counterparty, as originally executed and as amended or supplemented, for the purpose of (1) converting, in whole or in part, (a) the State's fixed interest rate liability on all or a portion of any Bonds to a variable interest rate liability, (b) the State's variable interest rate liability on all or a portion of any Bonds to a fixed interest rate liability, or (c) the State's variable interest rate liability on all or a portion of any Bonds to a different variable interest rate liability, or (2) providing a maximum or minimum with respect to the State's variable interest rate liability on all or a portion of any Bonds.

Swap Counterparty means any Person with whom the State shall, from time to time, enter into a Swap Agreement.

Swap Counterparty Guaranty means a guaranty in favor of the State given in connection with the execution and delivery of a Swap Agreement under the Program Resolution.

Tender Date means, with respect to any Bond or Beneficial Ownership Interest, a date on which such Bond or Beneficial Ownership Interest is required to be tendered for purchase by or on behalf of the State, or has been tendered for purchase by or on behalf of the State pursuant to a right given the Holder or Beneficial Owner of such Bond, in accordance with the provisions in the Supplemental Resolution providing for the issuance thereof.

Term Bonds means Bonds that are subject to mandatory redemption on Sinking Fund Payment Dates according to a schedule provided in or pursuant to the Supplemental Resolution providing for the issuance of such Bonds.

Trustee means the entity designated by or on behalf of the Building Commission to have custody of the Funds and Accounts and to perform such other duties as may be required of the Trustee under the Program Resolution or any Supplemental Resolution. The Bank of New York Mellon Trust Company, N.A. currently serves as the Trustee.

Unenhanced Bond means a Bond the payment of the principal of and interest on which is not provided for or secured by a Credit Enhancement Facility.

Variable Rate Bonds means Bonds whose interest rate is not fixed for the entire remaining term of such Bonds, but varies on a periodic basis as specified in the Supplemental Resolution providing for the issuance thereof.

Variable Rate Debt (1) means all Senior Variable Rate Bonds and Senior Bond Anticipation Notes, and (2) includes any Principal Amount of Bonds with respect to which the State shall have entered into Senior Swap Agreements that have the effect of shifting the State's fixed rate liability to a variable rate liability.

Variable Rate Debt Exposure means the difference, if any, of (1) the actual aggregate Outstanding Principal Amount of Variable Rate Debt, less (2) the sum of the balance in the Principal Account allocable to Variable Rate Debt plus the balance of the Rate Stabilization Fund.

APPENDIX A

AUDITED FINANCIAL STATEMENT

This appendix sets forth the auditor's report and the audited financial statement for the Petroleum Inspection Fee Revenue Obligations Program for the years ended June 30, 2016 and June 30, 2015.

{This page number is the last sequential page number of the 2016 Annual Report to be used in Part VIII of the 2016 Annual Report. The following uses page numbers from the auditor's report and financial statement. The sequential page numbers for the 2016 Annual Report continue in Part IX.}

Report 16-8
November 2016

Petroleum Inspection Fee Revenue Obligations Program

Fiscal Year 2015-16

STATE OF WISCONSIN

Legislative Audit Bureau

Report 16-8
November 2016

Petroleum Inspection Fee Revenue Obligations Program

Fiscal Year 2015-16

Report 16-8
November 2016

LEGISLATIVE AUDIT BUREAU

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The Bureau is a nonpartisan legislative service agency responsible for conducting financial audits and performance evaluations of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Audit Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

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Contact the Bureau at 22 East Mifflin Street, Suite 500, Madison, Wisconsin 53703; *AskLAB@legis.wisconsin.gov*; or (608) 266-2818.

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

Celebrating 50 Years of Service 1966-2016

Joe Chrisman
State Auditor

November 9, 2016

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

At the request of the Department of Natural Resources and the Department of Administration, and to help fulfill our audit responsibilities under s. 13.94, Wis. Stats., we have completed a financial audit of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program for the fiscal years ended June 30, 2016, and June 30, 2015. We have provided an unmodified audit opinion on the Statement of Changes in Program Assets, which is presented on a cash basis.

Under the program, the State was authorized to issue $386.9 million in revenue obligations to provide financing for payment of claims under the Petroleum Environmental Cleanup Fund Award (PECFA) program. As of June 30, 2016, a total of $112.6 million in revenue obligations remained outstanding, including $41.4 million in revenue bonds and $71.2 million in commercial paper. In October 2016, the State issued refunding revenue bonds to fund the outstanding commercial paper.

The revenue obligations are not general obligation debt of the State. Instead, they are to be repaid primarily from the $0.02 per gallon fee charged to suppliers of petroleum products received for sale in Wisconsin. These fees, which are collected by the Department of Revenue, totaled $74.6 million in fiscal year 2015-16. Of this amount, $28.7 million was retained by the program to pay principal and interest on outstanding obligations.

The remaining fees of $45.9 million were deposited in the Petroleum Inspection Fund. Of this amount, $5.2 million was used to pay PECFA claims; $29.0 million was transferred to other funds, including $27.3 million to the Transportation Fund as required by 2015 Wisconsin Act 55, the 2015-17 Biennial Budget Act; and $11.7 million was used for other purposes. Transfers from the Petroleum Inspection Fund to other funds have occurred in each of the past twelve fiscal years.

2015 Wisconsin Act 55 sunsets the PECFA program. As of July 20, 2015, no new sites may be accepted into the program, but debt will remain outstanding until fully repaid. It is expected that the debt will be fully repaid in fiscal year 2019-20.

We appreciate the courtesy and cooperation extended to us during our audit by staff of the departments of Natural Resources, Administration, and Revenue.

Respectfully submitted,

Joe Chrisman
State Auditor

JC/SH/cb

Audit Opinion ■

STATE OF WISCONSIN
Legislative Audit Bureau

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Joe Chrisman
State Auditor

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

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee

Ms. Cathy Stepp, Secretary
Department of Natural Resources

Mr. Scott A. Neitzel, Secretary
Department of Administration

Report on the Financial Statement

We have audited the accompanying cash basis Statement of Changes in Program Assets and the related notes of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program as of and for the years ended June 30, 2016, and June 30, 2015.

Management's Responsibility for the Financial Statement

Management of the program is responsible for the preparation and fair presentation of the Statement of Changes in Program Assets in accordance with the cash basis of accounting described in Note 2 to the financial statement. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement of Changes in Program Assets based on our audits. We conducted our audits 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 statement is free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Statement of Changes in Program Assets.

Opinion

In our opinion, the Statement of Changes in Program Assets presents fairly, in all material respects, the Petroleum Inspection Fee Revenue Obligations Program's assets as of June 30, 2016, and June 30, 2015, and the program's receipts and disbursements for the years then ended in accordance with the cash basis of accounting described in Note 2 to the financial statement.

Emphases of Matter

As discussed in Note 1 to the Statement of Changes in Program Assets, the financial statement presents only the Petroleum Inspection Fee Revenue Obligations Program and does not purport to, and does not, present fairly the financial position of the State of Wisconsin as of June 30, 2016, and June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended.

As discussed in Note 2 to the Statement of Changes in Program Assets, and in order to provide a meaningful presentation to the bondholders and noteholders regarding resources available to pay debt service, the program's policy is to prepare its financial statement on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to either of these matters.

Other Matter

The Management's Discussion and Analysis on pages 9 through 12 is presented for the purposes of additional analysis and is not a required part of the financial statement. Such information has not been subjected to the auditing procedures applied in the audits of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2016, on our consideration of the program's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, and contracts; and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used when considering the program's internal control over financial reporting and compliance.

LEGISLATIVE AUDIT BUREAU

Joe Chrisman
State Auditor

October 28, 2016

Management's Discussion and Analysis ▪

Prepared by Management of the Petroleum Inspection Fee Revenue Obligations Program

Management's Discussion and Analysis (MD&A) is intended to provide users of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program's Statement of Changes in Program Assets with a narrative overview of the statement, as well as an analysis of some key data presented in the statement. The MD&A should be read in conjunction with the accompanying financial statement and notes. The financial statement, notes, and this discussion are the responsibility of the program's management.

Overview of the Statement of Changes in Program Assets

The Statement of Changes in Program Assets of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program is intended to show the changes in the program's assets for fiscal year (FY) 2015-16 and FY 2014-15. Accounting for the program is done outside the State of Wisconsin's central accounting system.

The Statement of Changes in Program Assets presents the program's receipts and disbursements on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Under the cash basis of accounting, receipts are reported when received and disbursements are reported when paid. The program's assets and activities are presented on the cash basis of accounting to provide a meaningful presentation to bondholders and extendible municipal commercial paper noteholders regarding resources available to pay debt service. The notes to the financial statement provide additional information that is essential for a full understanding of the data provided in the financial statement.

Noteworthy Financial Activity

The program originated in January 2000 pursuant to a State of Wisconsin Building Commission program resolution adopted on January 19, 2000, amended and restated on May 2, 2000, and further amended on July 30, 2003. The purpose of the program is to provide financing for the payment of claims under the State of Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program, which is accounted for in the Petroleum Inspection Fund. The Building Commission may, from time to time, adopt supplemental resolutions authorizing the issuance of revenue refunding obligations and, subject to legislative authorization, additional revenue obligations for the purpose for which the program was created.

The State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program is administered jointly by the Wisconsin Department of Natural Resources and the Wisconsin Department of Administration.

The program resolution establishes special trust funds and accounts, and establishes the fiduciary responsibilities that are to be undertaken by a trustee for the benefit of the bondholders, extendible municipal commercial paper noteholders, and holders of any other obligations that may be issued. The Bank of New York Mellon Trust Company N.A. has been appointed as the trustee for the revenue obligations. The trustee is responsible for maintaining the trust funds in accordance with the program resolution.

As shown in Table A, the program's assets were $30.1 million as of June 30, 2016, $30.7 million as of June 30, 2015, and $30.2 million as of June 30, 2014.

Table A

Program Assets

	June 30, 2016	June 30, 2015	Percentage Change 2015 to 2016	June 30, 2014	Percentage Change 2014 to 2015
Restricted for Debt Service	$30,071,234	$30,680,017	(2.0)%	$30,139,732	1.8%
Restricted for Other Purposes	3,008	3,000	0.3	17,609	(83.0)
Total Program Assets	**$30,074,242**	**$30,683,017**	(2.0)	**$30,157,341**	1.7

Program assets restricted for debt service are available for the payment of principal and interest on revenue obligations and may be invested in direct obligations of the United States or held in demand deposit accounts. All program assets as of June 30, 2016, June 30, 2015, and June 30, 2014, including those restricted for debt service and for other purposes, were held in demand deposit accounts. As of June 30, 2016, June 30, 2015, and June 30, 2014, program assets restricted for debt service remained consistent, as the balances were primarily used to pay debt service payments scheduled for July 1, 2016, July 1, 2015, and July 1, 2014. These debt service payments included both principal and interest due on the 2009 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds.

The program's revenue obligations were issued pursuant to subch. II of ch. 18, Wis. Stats.; s. 292.63 (9m), Wis. Stats.; and the program resolution and supplemental resolutions adopted by the State of Wisconsin Building Commission. The revenue obligations are not general obligations of the State of Wisconsin. They are payable from, and primarily secured by, petroleum inspection fees charged to suppliers of petroleum products received for sale in Wisconsin. These fees are subsequently transferred to and received by the trustee. The fee amount imposed under s. 168.12 (1), Wis. Stats., has been $0.02 per gallon since April 2006.

Wisconsin Statutes authorize the program to issue revenue obligations not to exceed $386,924,000 in principal amount, excluding any obligations that have been defeased under a cash optimization program administered by the Building Commission. As of June 30, 2016, all statutorily authorized revenue obligations have been issued in the form of revenue bonds and extendible municipal commercial paper. In addition to this limit on principal amount, the Building Commission may authorize the issuance of an unlimited amount of additional revenue obligations to fund or refund outstanding revenue obligations, pay issuance and administrative costs, make any necessary deposits to reserve funds, or pay accrued or capitalized interest.

On October 20, 2009, the State issued the 2009 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds in the amount of $117.5 million. The first principal payment on this issue was made on July 1, 2013. In addition, only interest has been paid on the extendible municipal commercial paper since December 11, 2009. As of June 30, 2016, revenue obligations outstanding totaled $112.6 million and consisted of $41.4 million in senior revenue bonds and $71.2 million in junior extendible municipal commercial paper.

On October 13, 2016, the state issued 2016 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds in the amount of $62.7 million. The proceeds of this issue are being used, along with other funds on deposit with the trustee, to fund all outstanding extendible municipal commercial paper.

The debt service coverage ratio, calculated as the ratio of petroleum inspection fees remitted by the State to the trustee divided by the senior debt service payments made during each fiscal year, excluding amounts related to bond refundings, was 2.55 in FY 2015-16 and 2.74 in FY 2014-15. The FY 2015-16 debt service coverage ratio was calculated based on $74,638,566 in petroleum inspection fees remitted by the State to the trustee, and senior debt service payments of $29,298,334. In FY 2014-15, the calculated ratio was based on $80,226,963 in petroleum inspection fees remitted by the State to the trustee, and senior debt service payments of $29,240,160.

Petroleum inspection fees not retained by the trustee for debt service and certain other costs are transferred from the trustee to the State. Petroleum inspection fee revenue, up to the amount authorized by statute, may be used to pay PECFA claims, PECFA administrative costs, and other costs and transfers, including optional transfers to the trustee for early redemption of revenue obligations. Petroleum inspection fees transferred to the State were $45.9 million in FY 2015-16, $50.4 million in FY 2014-15, and $41.2 million in FY 2013-14, as shown in Table B.

Table B

Petroleum Inspection Fees

	FY 2015-16	FY 2014-15	Percentage Change FY 2014-15 to FY 2015-16	FY 2013-14	Percentage Change FY 2013-14 to FY 2014-15
Petroleum Inspection Fees Remitted by the State to the Trustee	$74,638,566	$80,226,963	(7.0)%	$71,206,010	12.7%
Petroleum Inspection Fees Retained by the Trustee	28,744,220	29,824,161	(3.6)	29,969,491	(0.5)
Petroleum Inspection Fees Transferred from the Trustee to the State	**$45,894,346**	**$50,402,802**	(8.9)	**$41,236,519**	22.2

During FY 2015-16, claims paid from the petroleum inspection fees transferred to the State totaled $5.2 million, which represents an increase of 36.8 percent from the $3.8 million in claims paid from fees in FY 2014-15. No claims were paid from the proceeds of revenue obligations and any related interest and investment income during FY 2015-16, FY 2014-15, and FY 2013-14. All submitted claims had been reviewed and approved as of June 30, 2016.

A provision of 2015 Wisconsin Act 55, the 2015-17 Biennial Budget Act, sunsets the PECFA program. Landowners and others were required to notify the Department of Natural Resources of the potential for a PECFA cleanup site claim by July 20, 2015. All claims for reimbursement of cleanup costs must be submitted before July 1, 2020.

▪ ▪ ▪ ▪

Financial Statement ■

Statement of Changes in Program Assets for the Fiscal Years Ended June 30, 2016, and June 30, 2015

	Fiscal Year 2015-16		Fiscal Year 2014-15	
Program Assets, July 1		$ 30,683,017		$ 30,157,341
RECEIPTS				
Net Proceeds from Sale of Revenue Refunding Obligations		0		0
Petroleum Inspection Fees Remitted by the State of Wisconsin to the Trustee	$ 74,638,566		$ 80,226,963	
Less: Petroleum Inspection Fees Transferred from the Trustee to the State of Wisconsin Petroleum Inspection Fund (see Note 7)	(45,894,346)		(50,402,802)	
Petroleum Inspection Fees Retained by the Trustee		28,744,220		29,824,161
Interest and Investment Income		1,684		1,634
Total Receipts		**28,745,904**		**29,825,796**
TOTAL PROGRAM ASSETS AVAILABLE		**59,428,921**		**59,983,137**
DISBURSEMENTS				
Transfers of Proceeds from Sale of Revenue Obligations and Interest and Investment Income to the State of Wisconsin Petroleum Inspection Fund		0		0
Debt Service (see Notes 5 and 8):				
Senior Debt Service—Bond Principal	26,540,000		25,345,000	
Senior Debt Service—Bond Interest	2,588,488		3,817,200	
Senior Debt Service—Commercial Paper Interest	169,846		77,960	
Junior Subordinate Debt Service—Commercial Paper Principal	0		0	
Total Debt Service		29,298,334		29,240,160
Debt Issuance Costs		0		0
Other Costs		56,345		59,960
Total Disbursements		**29,354,679**		**29,300,120**
Program Assets Restricted for:				
Debt Service (see Note 4)	30,071,234		30,680,017	
Other Purposes (see Note 4)	3,008		3,000	
PROGRAM ASSETS, JUNE 30		**$ 30,074,242**		**$ 30,683,017**

The accompanying notes are an integral part of this statement.

Notes to the Statement of Changes in Program Assets ■

1. Description of the Program

The State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program originated in January 2000, pursuant to the State of Wisconsin Building Commission Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations adopted on January 19, 2000, amended and restated on May 2, 2000, and further amended on July 30, 2003. The purpose of the program is to provide financing for the payment of claims under the State of Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program. The program is administered jointly by the Wisconsin Department of Natural Resources and the Wisconsin Department of Administration.

Pursuant to the program resolution, the Building Commission may occasionally adopt supplemental resolutions authorizing the issuance of revenue obligations up to the aggregate amount authorized by Wisconsin Statutes. As of June 30, 2016, all statutorily authorized revenue obligations have been issued. In addition, the Building Commission may occasionally adopt supplemental resolutions authorizing the issuance of an unlimited amount of revenue refunding obligations.

The program resolution establishes special trust funds and accounts, and establishes the fiduciary responsibilities that are to be undertaken by a trustee for the benefit of the bondholders, extendible municipal commercial paper noteholders, and holders of any other obligations that may be issued. The Bank of New York Mellon Trust Company N.A. has been appointed as the trustee for the revenue obligations. The trustee is responsible for maintaining the trust funds in accordance with the program resolution, which requires investments of trust fund balances to be in accordance with directives established by the program resolution. The Bank of New York Mellon Trust Company N.A. is also the registrar for the revenue obligations.

The Bank of New York Mellon Trust Company N.A. is the issuing and paying agent for the revenue bonds. U.S. Bank National Association is the issuing and paying agent for the extendible municipal commercial paper.

When issued, proceeds from revenue bonds and extendible municipal commercial paper proceeds are held by the trustee until the Department of Natural Resources and the Department of Administration request the specific amounts be remitted to the State to pay PECFA claims. Petroleum inspection fee revenue obligations are payable from, and primarily secured by, petroleum inspection fees that result from a $0.02 per gallon fee authorized in s. 168.12 (1), Wis. Stats., and imposed on suppliers of petroleum products received for sale in Wisconsin. Petroleum inspection fees are paid monthly by suppliers to the Wisconsin Department of Revenue, which subsequently forwards them to the program's trustee.

All revenues and assets of the Petroleum Inspection Fee Revenue Obligations Program are initially restricted for the purposes provided by the program resolution under which the revenue obligations are issued. The fees in excess of the amounts needed to meet debt service requirements and pay program administrative costs are transferred from the trustee to the State of Wisconsin Petroleum Inspection Fund. Subject to appropriation, the State uses the transferred fees to pay PECFA claims, PECFA program administrative costs, and other costs and transfers. In addition, an appropriation exists for the optional transfer of excess petroleum inspection fees to the trustee for early redemption of revenue obligations.

The Statement of Changes in Program Assets presents only the Petroleum Inspection Fee Revenue Obligations Program and is not intended to present fairly the financial activity of the State of Wisconsin.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Statement of Changes in Program Assets presents the Petroleum Inspection Fee Revenue Obligations Program's receipts and disbursements on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Under the cash basis of accounting, receipts are reported when received and disbursements are reported when paid. The program's assets may include cash, consisting of demand deposits held by the Bank of New York Mellon Trust Company N.A. and U.S. Bank National Association, and investments valued at historical cost. The program's assets and activities are presented on the cash basis of accounting to provide a meaningful presentation to bondholders and extendible municipal commercial paper noteholders regarding resources available to pay debt service.

3. DEPOSITS AND INVESTMENTS

The program is authorized by Wisconsin Statutes and the program resolution to deposit funds with the trustee and the extendible municipal commercial paper issuing and paying agent. The program is also authorized by Wisconsin Statutes and the program resolution to invest funds restricted for debt service in direct obligations of the United States. Under s. 25.17 (3) (b), Wis. Stats., and as permitted by the program resolution, the program is authorized to invest funds not restricted for debt service in direct obligations of the United States, high-quality corporate commercial paper, certificates of deposit, and other investments.

Custodial credit risk for deposits is the risk that, in the event of the failure of a financial institution, the deposits may not be returned. As of June 30, 2016, the demand deposit accounts with the trustee and the extendible municipal commercial paper issuing and paying agent totaled $30,074,242. As of June 30, 2015, the demand deposit accounts with the trustee and the extendible municipal commercial paper issuing and paying agent totaled $30,683,017. As of June 30, 2016, $354,223 was insured against loss by the Federal Deposit Insurance Corporation (FDIC). The remaining balance of $29,720,019 as of June 30, 2016, was not insured or collateralized. As of June 30, 2015, $298,038 was insured against loss by the FDIC. The remaining balance of $30,384,979 as of June 30, 2015, was not insured or collateralized.

Custodial credit risk for investments is the risk that, in the event of failure of a counterparty to a transaction, the program will not be able to recover the value of the investments that are in the possession of another party. As of June 30, 2016, and June 30, 2015, the program did not hold any investments and, therefore, was not exposed to custodial credit risk for investments at the end of either fiscal year.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Under the program resolution, the program is generally permitted to make investments with maturities of one year or less. As of June 30, 2016, and June 30, 2015, the program did not hold any investments and, therefore, was not subject to interest rate risk at the end of either fiscal year.

The program does not have a specific policy related to custodial credit risk or interest rate risk.

4. PROGRAM ASSETS

Program assets required to be held in the various interest and principal redemption accounts at the trustee and the issuing and paying agent are reported as program assets restricted for debt service. Program assets in excess of those restricted for debt service are available for other uses as outlined in the program resolution.

As of June 30, 2016, the program's assets totaled $30,074,242. Of this amount, $30,071,234, consisting of demand deposits, was restricted for debt service. The remaining $3,008, consisting of demand deposits, was restricted for transfer to the State of Wisconsin Petroleum Inspection Fund or to pay debt issuance costs or administrative costs of the program.

As of June 30, 2015, the program's assets totaled $30,683,017. Of this amount, $30,680,017, consisting of demand deposits, was restricted for debt service. The remaining $3,000, consisting of demand deposits, was restricted for transfer to the State of Wisconsin Petroleum Inspection Fund or to pay debt issuance costs or administrative costs of the program.

5. REVENUE BONDS AND EXTENDIBLE MUNICIPAL COMMERCIAL PAPER

The program's revenue obligations are issued pursuant to subch. II of ch. 18, Wis. Stats.; s. 292.63 (9m), Wis. Stats.; and the program resolution and supplemental resolutions adopted by the State of Wisconsin Building Commission. The revenue obligations are payable from, and primarily secured by, petroleum inspection fees that suppliers are charged on petroleum products received for sale in Wisconsin (see also Note 7). The revenue obligations are not general obligations of the State.

The program's revenue obligations may include extendible municipal commercial paper, which may have original maturities from 1 to 180 days, is not callable prior to the original maturity date, and bears interest from the date of issuance at the rate determined on the date of issuance. The State expects to pay the principal of the extendible municipal commercial paper on the original maturity date with the proceeds from issuance of additional extendible municipal commercial paper or other means. If the principal of the extendible municipal commercial paper is not paid off on the original maturity date, the State, under certain circumstances, may exercise the option to extend the maturity date. In such an event, the maturity date is extended to a date that is 270 days after the original issue date. Interest is then due on the first business day of either the first or second month after the original maturity date and then on a monthly basis and on any redemption date or the extended maturity date. In addition, principal and interest on the extendible municipal commercial paper may be payable from issuance of additional revenue obligations in the form of bonds that have been authorized to refund the commercial paper or any other funds made available by the State for this purpose.

Interest payments on extendible municipal commercial paper are on parity with the payments on the senior bonds. Principal on extendible municipal commercial paper has a junior subordinate pledge and is payable from proceeds of rollover notes, issuance of refunding senior bonds, certain moneys held by the trustee, or other funds made available by the State for this purpose.

During the fiscal years ended June 30, 2015, and June 30, 2016, the following changes occurred in revenue bonds outstanding:

Change in Revenue Bonds Outstanding

Fiscal Year	Balance July 1	Bonds Issued	Principal Redeemed	Balance June 30
2014-15	$93,295,000	$0	$25,345,000	$67,950,000
2015-16	67,950,000	0	26,540,000	41,410,000

The senior revenue bonds issued by the program and outstanding as of June 30, 2016, were as follows:

Senior Revenue Bonds

Date Issued	Series	Interest Rates	Maturity Through	First Optional Redemption Date	Amount Issued	June 30, 2016 Amount Outstanding
10/20/2009	2009 Series 1	3.0 to 5.0%	7/1/2017	Not Callable	$117,460,000	$41,410,000
				Total Senior Revenue Bonds	$117,460,000	$41,410,000

The 2009 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds are not subject to redemption prior to maturity.

The program's future debt service requirements as of June 30, 2016, for principal and interest for the 2009 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds are as shown in the following table.

Future Debt Service on Revenue Bonds

Fiscal Year Ending June 30	Principal Amount	Interest Amount	Total Debt Service on Bonds
2017	$27,800,000	$1,269,700	$29,069,700
2018	13,610,000	290,050	13,900,050
	$41,410,000	$1,559,750	$42,969,750

The following table presents the extendible municipal commercial paper activity for FY 2014-15 and FY 2015-16.

Change in Extendible Municipal Commercial Paper Outstanding

Fiscal Year	Balance July 1	Commercial Paper Issued	Principal Repaid	Balance June 30
2014-15	$71,150,000	$0	$0	$71,150,000
2015-16	71,150,000	0	0	71,150,000

As of June 30, 2016, the $71,150,000 in outstanding extendible municipal commercial paper had interest rates ranging from 0.55 percent to 0.63 percent, and maturities ranging from July 6, 2016, to July 25, 2016. As of June 30, 2015, the $71,150,000 in outstanding extendible municipal commercial paper had interest rates ranging from 0.11 percent to 0.18 percent, and maturities ranging from August 12, 2015, to September 17, 2015.

Additional series of senior bonds may be issued on parity with the current bond series outstanding and collateralized by an equal lien on the petroleum inspection fees. However, no additional series, other than refunding bonds and bonds issued to fund outstanding extendible municipal commercial paper, may be issued unless, among other things, additional legislative authorization is provided and the debt service coverage ratio, as defined in the program resolution, is at least 2.0.

Each month that variable-rate debt, such as the extendible municipal commercial paper, is outstanding, the State is required by the program resolution to provide to the trustee a certificate setting forth the program's "variable-rate take-out capacity" and "variable-rate debt exposure." Variable-rate take-out capacity measures the State's ability, given certain conservative interest rate assumptions, to convert variable-rate debt to fixed-rate debt. Variable-rate debt exposure measures the program's outstanding variable-rate debt. This certification was required and performed each month during FY 2015-16 and FY 2014-15. Because the program's ability to convert variable-rate debt to fixed-rate debt was higher than the amount of variable-rate debt outstanding each month, as evidenced by the program's variable-rate take-out capacity, the State needed to take no further action. For June 2016, the program's variable-rate take-out capacity was calculated to be $391,698,779, which was $320,548,779 higher than the variable-rate debt exposure of $71,150,000. For June 2015, the program's variable-rate take-out capacity was calculated to be $349,653,099, which was $278,503,099 higher than the variable-rate debt exposure of $71,150,000.

On November 23, 2010, Moody's Investors Service affirmed its rating on the State's petroleum inspection fee revenue bonds at "Aa2." On March 15, 2016, Standard & Poor's Ratings Services affirmed its rating on the State's petroleum inspection fee revenue bonds at "AA." On May 4, 2015, Fitch Ratings affirmed its rating on the State's petroleum inspection fee revenue bonds at "AA." One of the rationales cited by Fitch Ratings for the affirmation of its rating was that inspection fees have consistently provided satisfactory coverage of debt service.

6. DEBT AUTHORITY FOR THE PROGRAM

Wisconsin Statutes authorize the program to issue revenue obligations not to exceed $386,924,000 in principal amount, excluding any obligations that have been defeased under a cash optimization program administered by the Building Commission. As of June 30, 2016, the balance of statutorily authorized revenue obligations has been issued. In addition to this limit on principal amount, the Building Commission may authorize the issuance of an unlimited amount of additional revenue obligations to fund or refund outstanding revenue obligations, to pay issuance and administrative costs, to make any necessary deposits to reserve funds, or to pay accrued or capitalized interest.

7. PETROLEUM INSPECTION FEES

Petroleum inspection fees result from the fees imposed under s. 168.12 (1), Wis. Stats., and other payments received under s. 292.63 (4) (h) 1m. and (5) (a) and (c), Wis. Stats. Under s. 168.12 (1), Wis. Stats., a $0.02 per gallon fee is imposed by the State on suppliers of petroleum products received for sale in Wisconsin. The per gallon fees are paid to the State of Wisconsin Department of Revenue by suppliers, along with motor fuel taxes, and are initially deposited into the Transportation Fund. The Department of Revenue determines the amount collected for the per gallon fees and remits it to the program's trustee on a monthly basis. The trustee transfers petroleum inspection fees in excess of the amount needed to meet debt service requirements and to pay administrative costs of the Petroleum Inspection Fee Revenue Obligations Program to the State of Wisconsin Petroleum Inspection Fund, free of the first lien pledge of the program resolution. The State uses the fees transferred to the State of Wisconsin Petroleum Inspection Fund to pay PECFA claims, PECFA program administrative costs, and other costs and transfers, including optional transfers to the trustee to redeem revenue obligations.

The other petroleum inspection fees that are pledged currently consist of penalty payments made under s. 292.63 (4) (h) 1m., Wis. Stats., by consultants for submitting claims for ineligible costs; proceeds under s. 292.63 (5) (a), Wis. Stats., from the sale of remedial equipment and supplies that had originally been paid for by PECFA awards; and net recoveries under s. 292.63 (5) (c), Wis. Stats., related to the Wisconsin Attorney General's actions against fraudulent claims. In FY 2015-16, these other petroleum inspection fees totaled $52,880 and were made available to the trustee. In FY 2014-15, these other petroleum inspection fees totaled $47,245 and were made available to the trustee. These fees were not transferred to the trustee in either fiscal year because the trustee indicated that no deficiencies that would require the transfer of the fees existed in any of the program's accounts held by the trustee as of June 30, 2016, or June 30, 2015.

The two tables that follow show the amounts of petroleum inspection fees that were remitted by the State of Wisconsin Department of Revenue to the trustee, retained by the trustee to meet debt service requirements and pay Petroleum Inspection Fee Revenue Obligations Program administrative costs, and transferred by the trustee to the State of Wisconsin Petroleum Inspection Fund during FY 2015-16 and FY 2014-15.

FY 2015-16

Month	Petroleum Inspection Fees Remitted by the State to the Trustee	Petroleum Inspection Fees Retained by the Trustee	Petroleum Inspection Fees Transferred by the Trustee to the State
July 2015	$ 5,413,617	$ 2,493,942	$ 2,919,675
August	9,030,319	2,500,041	6,530,278
September	4,174,316	2,500,241	1,674,075
October	6,842,183	2,508,755	4,333,428
November	6,531,668	2,481,192	4,050,476
December	7,813,848	2,479,942	5,333,906
January 2016	5,952,526	2,493,392	3,459,134
February	6,116,227	2,496,942	3,619,285
March	6,072,417	2,496,942	3,575,475
April	4,146,226	2,511,131	1,635,095
May	6,795,908	2,540,192	4,255,716
June	5,749,311	1,241,508	4,507,803
Total FY 2015-16	$74,638,566	$28,744,220	$45,894,346

FY 2014-15

Month	Petroleum Inspection Fees Remitted by the State to the Trustee	Petroleum Inspection Fees Retained by the Trustee	Petroleum Inspection Fees Transferred by the Trustee to the State
July 2014	$ 4,406,612	$ 2,482,806	$ 1,923,806
August	14,808,227	2,479,806	12,328,421
September	5,487,986	2,481,107	3,006,879
October	7,291,041	2,492,906	4,798,135
November	4,395,449	2,484,446	1,911,003
December	6,364,197	2,485,047	3,879,150
January 2015	5,666,838	2,498,806	3,168,032
February	6,785,911	2,482,806	4,303,105
March	6,003,349	2,482,806	3,520,543
April	8,047,198	2,492,627	5,554,571
May	3,502,695	2,481,056	1,021,639
June	7,467,460	2,479,942	4,987,518
Total FY 2014-15	$80,226,963	$29,824,161	$50,402,802

8. DEBT SERVICE COVERAGE RATIO FOR SENIOR DEBT

There are alternative methods to calculate debt service coverage. For purposes of additional analysis, the debt service coverage ratios for senior debt for FY 2015-16 and FY 2014-15 follow. They are calculated as the ratio of petroleum inspection fees remitted to the trustee during the respective fiscal years, divided by the senior debt service payments made during each fiscal year, excluding amounts related to bond refundings.

Debt Service Coverage Ratio for Senior Debt

	Fiscal Year 2015-16		Fiscal Year 2014-15	
Fees Remitted to the Trustee		$74,638,566		$80,226,963
Senior Debt Service:				
Principal—Bonds	$26,540,000		$25,345,000	
Interest—Bonds	2,588,488		3,817,200	
Interest—Commercial Paper	169,846		77,960	
Total Senior Debt Service		$29,298,334		$29,240,160
Debt Service Coverage Ratio for Senior Debt		2.55		2.74

9. PECFA CLAIMS

The Petroleum Inspection Fee Revenue Obligations Program was established during FY 1999-2000, and bonds and extendible municipal commercial paper were issued to reduce a backlog that had accumulated because, at that time, approved PECFA claims significantly exceeded the petroleum inspection fee revenues available to pay them. While the original backlog has been eliminated, PECFA claims continue to be submitted to the State.

2015 Wisconsin Act 55, the 2015-17 Biennial Budget Act, sunsets the PECFA program. Landowners and others were required to notify the Department of Natural Resources of the potential for a PECFA cleanup site claim by July 20, 2015. All claims for reimbursement of cleanup costs must be submitted before July 1, 2020. PECFA claims paid were $5.2 million in FY 2015-16 and were $3.8 million in FY 2014-15.

10. SUBSEQUENT EVENT

On October 13, 2016, the State issued 2016 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds in the amount of $62,670,000. Interest rates range from 4.0 to 5.0 percent, with interest payments payable semiannually beginning July 1, 2017. The bonds mature on July 1 of the years 2017 through 2019.

The proceeds of this issue are being used, along with petroleum inspection fees on deposit with the trustee, to fund all outstanding Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper previously issued to pay soil and groundwater remediation costs under the PECFA program.

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Auditor's Report ■

STATE OF WISCONSIN
Legislative Audit Bureau
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Celebrating 50 Years of Service 1966-2016

Report 16-8

Joe Chrisman
State Auditor

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee

Ms. Cathy Stepp, Secretary
Department of Natural Resources

Mr. Scott A. Neitzel, Secretary
Department of Administration

We have audited the cash basis Statement of Changes in Program Assets and the related notes of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program as of and for the years ended June 30, 2016, and June 30, 2015, and have issued our report thereon dated October 28, 2016. We conducted our audits 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.

Internal Control over Financial Reporting

Management of the program is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audits of the Statement of Change in Program Assets, we considered the program's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the program's internal control. Accordingly, we do not express an opinion on the effectiveness of the program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent misstatements, or to detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the program's financial statement will not be prevented, or that a material misstatement will not be detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the program's financial statement is free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used when considering the program's internal control and compliance. The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the program's internal control or on compliance. Accordingly, this report is not suitable for any other purpose.

LEGISLATIVE AUDIT BUREAU

Joe Chrisman
State Auditor

October 28, 2016

PART IX

GENERAL FUND ANNUAL APPROPRIATION BONDS

Part IX of the 2016 Annual Report provides information about general fund annual appropriation bonds issued by the State of Wisconsin **(State)** in the form of bonds and floating rate notes (which are mostly hedged with interest rate exchange agreements). Selected information is provided on in this introduction for the convenience of the readers; however, all information presented in this Part IX of the 2016 Annual Report should be reviewed to make an informed investment decision.

Total Outstanding Balance (12/15/2016)	$3,101,760,000
Amount Outstanding of Fixed-Rate Obligations	2,614,405,000
Amount Outstanding of Variable-Rate Obligations	487,355,000[a]
Percentage of Outstanding Obligations in the form of Variable-Rate Obligations	15.71%[a]
Ratings[b] (Fitch/Moody's /S&P)	
Bonds/Floating Rate Notes	AA–/Aa3/AA–
Authority	Authorizing Certifications of the Secretary of Administration and either the 2003 Indenture or the 2009 Indenture, and Section 16.527, Wisconsin Statutes.
Trustee/Paying Agent	U.S. Bank National Association serves as Trustee and Paying Agent.
Security	The payment of the principal of, 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 for that purpose. *The Bonds do not constitute debt of the State or any of its subdivisions. The State's obligation to make payments of the principal of, and interest on, the Bonds is not a general obligation of the State and is not supported by the full faith and credit of the State.*

[a] The State has hedged nearly all the variable-rate obligations through interest rate exchange agreements with multiple counterparties.

[b] The ratings presented are the ratings assigned to the general fund annual appropriation bonds without regard to any bond insurance. No information is provided in the 2016 Annual Report about any rating currently assigned to any general fund annual appropriation bonds based on any bond insurance policy.

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The Capital Finance Office, which is part of the Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs, and requests for additional information about general fund annual appropriation bonds may be directed to the Capital Finance Office. The law firms of Quarles & Brady LLP and Foley & Lardner LLP have provided bond counsel services in connection with the issuance of the outstanding general fund annual appropriation bonds.

General fund annual appropriation bonds have been issued as both tax-exempt obligations and taxable obligations.

The 2016 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in one part of the 2016 Annual Report may differ from those of the same terms used in another part, and the total amount shown in a table may vary from the related sum due to rounding. See "GLOSSARY" for the definitions of capitalized terms used in this Part IX of the 2016 Annual Report. No information or resource referred to in the 2016 Annual Report is part of the report unless expressly incorporated by reference.

General information about the State of Wisconsin, including but not limited to operating data such as revenues, expenditures, budgets, General Fund data, information on significant pending litigation, and statistical information on the State's economic condition and Wisconsin Retirement System, are included in Part II of the 2016 Annual Report. The State's audited general purpose external financial statements and independent auditor's report for the fiscal year ending June 30, 2016 are not available as of the date of the 2016 Annual Report. When such statements become available, they will be filed with the Municipal Securities Rulemaking Board **(MSRB)** through its Electronic Municipal Market Access **(EMMA)** system and will be added to Part II of the 2016 Annual Report.

Certain statements in this Part IX of the 2016 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2016 Annual Report, and the State undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

OUTSTANDING OBLIGATIONS

The State has issued general fund annual appropriation bonds on the dates and in the amounts shown in Table IX-1. The table also includes the outstanding principal balances of general fund annual appropriation bonds as of December 15, 2016.

Table IX-1

OUTSTANDING GENERAL FUND ANNUAL APPROPRIATION BONDS BY ISSUE
(As of December 15, 2016)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
Fixed-Rate Bonds					
2003- Series A (Taxable) **(2003 Series A Bonds)**....	12/18/03				
Serial Bond..		2013	$ 250,000,000	$ -0-	
Term Bond..		2018	100,000,000	52,405,000	
Term Bond..		2026	500,000,000	500,000,000	
2008- Series A (Taxable) **(2008 Series A Bonds)**....	4/1/08				
Serial Bonds		2009-14	135,120,000	-0-	
Serial Bond..		2018	150,000,000	-0-	
Serial Bond..		2018	213,000,000	-0-	
2009- Series A **(2009 Bonds)**..................................	4/8/09				
Serial Bonds		2010-29	586,575,000	478,330,000	(a)
Term Bond..		2033	100,000,000	100,000,000	
Term Bond..		2033	304,550,000	304,550,000	
Term Bond..		2036	395,345,000	395,345,000	
Serial Bond..		2037	142,595,000	-0-	(a)
2012- Series A (Taxable) **(2012 Bonds)**	11/29/12				
Serial Bonds		2015-18	137,940,000	69,500,000	
Serial Bonds		2027-32	113,615,000	113,615,000	
2016-Series A (Taxable) **(2016 Series A Bonds)**	08/16/16	2020-27	400,145,000	400,145,000	
Series B (Taxable) **(2016 Series B Bonds)**.....	08/16/16				
Series Bonds		2020-29	28,700,000	28,700,000	
Term Bond..		2033	13,680,000	13,680,000	
Term Bond..		2037	158,135,000	158,135,000	
Total Fixed-Rate Bonds				$2,614,405,0000	
Variable-Rate Obligations[(b)]					
2003- Series B (Taxable) **(2003 Series B Bonds)**	12/18/03	2009-32	$ 944,850,000	-0-	
2008- Series B (Taxable) **(2008 Series B Bonds)**	4/1/08	2026-32	300,000,000	$ 300,000,000	
Series C (Taxable) **(2008 Series C Bonds)**.....	6/10/08	2009-32	209,000,000	187,355,000	
Total Variable-Rate Obligations				$ 487,355,000	
Total Outstanding General Fund Annual Appropriation Bonds				$3,101,760,000	

(a) Pursuant to a refunding escrow agreement, the principal of, and interest on, all or a portion of the bonds will be paid as it comes due or will be called for redemption prior to maturity. The principal amount of bonds for which payment is provided is not treated as outstanding for purposes of this table.

(b) The State has hedged nearly all its variable rate exposure from the 2008 Series B Bonds and 2008 Series C Bonds through interest rate exchange agreements with multiple counterparties.

Of the outstanding general fund annual appropriation bonds, the 2003 Series A Bonds, 2008 Series B Bonds, 2008 Series C Bonds, 2012 Bonds, and 2016 Series A Bonds are collectively referred to as the **Outstanding 2003 Indenture Bonds**, and are currently outstanding in the amount of $1.623 billion. They were issued pursuant to an Indenture dated December 1, 2003, as amended and supplemented **(2003 Indenture)**, by and between the State, acting by and through the State of Wisconsin Department of Administration **(DOA** or **Department of Administration**), and U.S. Bank National Association, as successor to Deutsche Bank Trust Company Americas **(Trustee)**. The Outstanding 2003 Indenture Bonds, together with the obligations, if any, issued in the future under the 2003 Indenture, are referred to as the **2003 Indenture Bonds**. Similarly, the 2003 Series A Bonds and 2003 Series B Bonds are collectively referred to as the **2003 Bonds**, and the 2008 Series A Bonds, 2008 Series B Bonds, and 2008 Series C Bonds are collectively referred to as the **2008 Bonds**.

The 2009 Bonds and the 2016 Series B Bonds are referred to as the **Outstanding 2009 Indenture Bonds**, and are currently outstanding in the amount of $1.479 billion. They were issued pursuant to an Indenture dated April 1, 2009 **(2009 Indenture)**, by and between the State, acting by and through the Department of Administration and the Trustee. The Outstanding 2009 Indenture Bonds, together with the obligations, if any, issued in the future under the 2009 Indenture, are referred to as the **2009 Indenture Bonds**.

The 2003 Indenture Bonds and the 2009 Indenture Bonds are collectively referred to as the **Bonds**. References to the "**Indenture"** refer to the 2003 Indenture, the 2009 Indenture, or both, as applicable.

Table IX-2 provides a historical view of the amount of outstanding as of December 15th for the previous ten years.

Table IX-2

HISTORICAL OUTSTANDING GENERAL FUND ANNUAL APPROPRIATION BONDS

Year (December 15)	Outstanding Amount
2006	$1,794,850,000
2007	1,794,850,000
2008	1,857,120,000
2009	3,379,710,000
2010	3,359,690,000
2011	3,333,855,000
2012	3,302,625,000
2013	3,259,490,000
2014	3,179,230,000
2015	3,115,935,000

FINANCING PLAN

General

Part IX of the 2016 Annual Report addresses general fund annual appropriation bonds, which were authorized and have been issued:

- To fund the State's unfunded accrued prior service (pension) liability and the State's unfunded accrued liability for sick leave conversion, and to refund a portion of obligations previously issued for that purpose
- To finance the purchase of tobacco settlement revenues that had been previously sold by the State.

The State issued the 2003 Bonds to provide funds for costs of issuance, capitalized interest, and payment to the Wisconsin Retirement System (**Retirement System**) for the State's unfunded accrued prior service (pension) liability, as of January 1, 2003 and its unfunded accrued liability for sick leave conversion credits, as of October 1, 2003. The State issued the 2008 Bonds to refund the 2003 Series B Bonds, to pay termination payments related to certain interest rate exchange agreements, to pay a portion of the funded interest on certain 2003 Indenture Bonds. The State issued the 2012 Bonds to refund the 2003 Series A Bonds maturing May 1, 2013 and the State issued the 2016 Series A Bonds to refund the 2008 Series A Bonds maturing May 1, 2018; the intent at the time such 2003 Series A Bonds and 2008 Series A Bonds were issued was to issue Additional Bonds prior to the respective maturity dates.

The State issued the 2009 Bonds to purchase tobacco settlement revenues that were previously sold by the State to the Badger Tobacco Asset Securitization Corporation **(BTASC)** and to pay costs of issuance. The State issued the 2016 Series B Bonds to advance refund all or portions of certain maturities of the 2009 Bonds.

The Bonds were issued pursuant to Section 16.527, Wisconsin Statutes, as amended (**Enabling Act**), Authorizing Certifications signed by the Secretary of Administration, and the 2003 Indenture or the 2009 Indenture, respectively.

Statutory Authority for Issuance

2003 Indenture Bonds

The Enabling Act contains a legislative finding that the State, by prepaying all, or part of, its unfunded prior service liability and its unfunded liability for sick leave conversion credits, may reduce its costs and better ensure the timely and full payment of retirement benefits. The Department is authorized by the Enabling Act to issue bonds to provide up to $1.500 billion of net proceeds to make payments to the Retirement System for the State's unfunded prior service liability and its unfunded accrued liability for sick leave conversion credits. The State has issued bonds providing $1.488 billion of net proceeds for those purposes. The 2003 Bonds were issued primarily for such purposes. The Department is also authorized to issue bonds without limit to fund or refund outstanding 2003 Indenture Bonds, to pay issuance or administrative expenses, to make deposits to reserve funds, to pay accrued or funded interest, to pay costs of credit enhancement, or to make payments under certain ancillary agreements (including Existing Swap Agreements as defined below). The 2008 Bonds, 2012 Bonds, and 2016 Series A Bonds were issued for such purposes.

See "STATE OBLIGATIONS; Employee Pension Funds" in Part II of the 2016 Annual Report for further information on the Retirement System and prior service pension liabilities and other post-employment benefits.

2009 Indenture Bonds

The Enabling Act contains a legislative finding that the State, by purchasing tobacco settlement revenues previously sold by the State, will serve a public purpose. The Department is authorized by the Enabling Act to issue bonds to provide up to $1.700 billion of net proceeds to purchase tobacco settlement revenues previously sold by the State. The State has issued bonds in the aggregate par amount of $1.529 billion and with the proceeds completed the purchase of the tobacco settlement revenues from BTASC, as authorized by the Enabling Act. With the receipts received from the State's purchase, BTASC defeased and subsequently redeemed all the obligations that it previously issued. The Department is also authorized to issue bonds without limit to fund or refund outstanding 2009 Indenture Bonds, to pay issuance or administrative expenses, to make deposits to reserve funds, to pay accrued or funded interest, to pay costs of credit enhancement, or to make payments under certain ancillary agreements. The 2016 Series B Bonds were issued for such purposes.

Interest Rate Exchange Agreements

To hedge its variable rate exposure in connection with the 2003 Series B Bonds, the State entered into interest rate exchange agreements in calendar years 2003 and 2005. The State terminated some, and portions of other, interest rate exchange agreements in conjunction with the issuance of the 2008 Bonds. The remaining interest rate exchange agreements **(Existing Swap Agreements)** hedge substantially all the State's variable rate exposure with respect to the 2008 Series B Bonds and the 2008 Series C Bonds. The Existing Swap Agreements provide for the State to pay interest at the fixed rates per annum of 5.47% and 4.661%, respectively, and to receive interest at a variable rate equal to a one-month LIBOR index, with the notional amounts declining over time in amounts that approximate the expected aggregate amortization of the 2008 Series B Bonds and the 2008 Series C Bonds.

The counterparties on the Existing Swap Agreements and the current notional amounts under such agreements are:

Counterparty	Current Notional Amount
Citibank, N.A., New York	$140,648,750
UBS AG	166,221,250
JPMorgan Chase Bank, N.A.	172,330,000

The other outstanding 2003 Indenture Bonds and the 2009 Bonds are fixed-rate obligations and the Department has not entered, nor does it intend to enter, into any interest rate exchange agreement with respect to the other outstanding 2003 Indenture Bonds or the 2009 Indenture Bonds.

Payments and Termination

The State may terminate from time to time the Existing Swap Agreements and may also from time to time enter into (and thereafter may terminate) additional interest rate exchange agreements, indexing agreements, or similar agreements relating to any Bonds **(Swap Agreements,** which term includes the Existing Swap Agreements). The State's obligation to make payments under the Swap Agreements will be payable from money held in separate accounts established in the respective Debt Service Fund under the respective Indenture for that purpose. Payments under a Swap Agreement may include net payments based on the interest rates exchanged. If a Swap Agreement were terminated, then under certain circumstances the State may be required to pay a termination payment. The Enabling Act provides authority for the State to issue additional bonds to make this payment. Money held in the respective Debt Service Fund may be applied to a termination payment under a Swap Agreement only if the termination payment was due on September 1st of the year before the first Fiscal Year in a biennium and a budget bill has been enacted for the biennium. Correspondingly, the budget request for the first Fiscal Year in any biennium is expected to include an amount to provide for any termination payment that was due on September 1st of the prior year. If certain conditions of the respective Indenture are met, termination payments may be payable from money held in (or permitted to be transferred to) the respective Subordinated Payment Obligations Fund. See "RISK FACTORS; Existing Swap Agreements."

Additional Bonds

Subject to certain conditions, the issuance by the State of additional bonds for the following purposes **(Additional Bonds)** is permitted:

- Under the 2003 Indenture, to provide funds (up to the remaining amounts provided for in the Enabling Act, which at this time is limited to $12 million) for payment to the Retirement System for any unfunded accrued prior service (pension) liability and any unfunded accrued liability for sick leave conversion credits;
- Under the 2003 Indenture or the 2009 Indenture, to refund any Bonds, provided the principal amount of the refunding obligations may not exceed the sum of the principal amount of obligations being refunded, applicable redemption premiums, unpaid interest on the refunded obligations, and expenses incurred in the issuance of the refunding obligations; and
- Under the 2003 Indenture or the 2009 Indenture, to pay any cost of issuing Bonds (which includes accrued or funded interest, issuance expenses, deposits to reserve funds, administrative expenses, and credit enhancement facilities), or to make payments under any Swap Agreement, or Credit Facility.

INFORMATION ABOUT THE STATE OF WISCONSIN

See Part II of the 2016 Annual Report for further information about the State of Wisconsin. Part II of the 2016 Annual Report includes information on various State financial, budgetary, and statistical matters.

PAYMENT FROM ANNUAL APPROPRIATIONS

The Bonds are not general obligations of the State and do not constitute "public debt" of the State as that term is used in the Wisconsin Constitution and in the Wisconsin 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 for that purpose. The State is not legally obligated to appropriate any amounts for payment of debt service on the Bonds, and if it does not do so, it incurs no liability to the owners of the Bonds. Thus, payment of the Bonds is at the discretion of the Legislature.

The Enabling Act contains a statement to the effect that the Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on obligations such as the Bonds, expresses 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. Separate appropriations exist for payment of debt service on obligations issued under each respective Indenture, and an appropriation for payment of debt service on Bonds issued under one Indenture may not be available for payment of debt service on Bonds issued under the other Indenture. See "RISK FACTORS; Nature of Moral Obligation."

Separate appropriations exist for payment of debt service on obligations issued under the 2003 Indenture and the 2009 Indenture. An appropriation for payment of debt service on obligations issued under one trust indenture may not be available for payment of debt service on obligations issued under the other trust indenture.

General Fund

The State has chosen a name for the Bonds that includes the words "General Fund" because the Enabling Act reflects an expectation that appropriations to pay debt service will be made from the General Fund. In the Enabling Act, the Legislature expressed its expectation and intent (but not a binding obligation) that it would make timely appropriations from money in the General Fund that are sufficient to pay the principal and interest due in any year with respect to obligations such as the Bonds. A budget adopted for any Fiscal Year may fail to make an appropriation or may change the source of the appropriation to a fund other than the General Fund (and thus a fund with substantially less annual revenues than the General Fund).

2015-17 Biennium

Under each Indenture, the Department is required to take actions to facilitate the appropriation for each year of a specified amount **(Annual Appropriation Amount)** for the purpose of paying debt service on the respective Bonds and for other purposes under that Indenture. The General Fund budget adopted by the Legislature for the current biennium (2015-17), and the schedule of annual appropriations in the Wisconsin Statutes, includes an appropriation from the General Fund to make debt service payments due in the 2016-17 fiscal year on the Bonds issued under the Enabling Act, to make payments under ancillary agreements, to make deposits into reserve funds, and to pay related issuance or administrative costs.

In addition under each Indenture, the Annual Appropriation Amount for the second Fiscal Year of the 2015-17 biennium is based on the greater of the amount determined for the 2016-17 fiscal year and the amount determined for the first year of the next biennium (fiscal year 2017-18). If the Legislature did not adopt a new budget before the start of the 2017-19 biennium, the continuing authority of appropriations from the 2016-17 fiscal year would be sufficient to make all payments of principal and interest due on the Bonds and net payments on the outstanding Existing Swap Agreements through June 30, 2018. See "PAYMENT FROM ANNUAL APPROPRIATIONS; Annual Appropriations and Continuing Authority."

Furthermore, the Annual Appropriation Amount under each Indenture for the 2016-17 fiscal year is sufficient to address debt service due on the 2016 Series A Bonds and 2016 Series B Bonds, which were issued after the Annual Appropriation Amount under each Indenture was adopted by the Legislature. For the 2016 Series A Bonds, the debt service on such bonds due in the 2016-17 fiscal year is less than the Annual Appropriation Amount that was required to address the scheduled principal due May 1, 2018 on the 2008 Series A Bonds. For the 2016 Series B Bonds, the annual debt service on the 2016 Series B Bonds is less than annual debt service on the 2009 Bonds that were advance refunded. As a result, if the Legislature did not adopt a new budget before the start of the 2017-19 biennium, the continuing authority of appropriations from the 2016-17 Fiscal Year would be sufficient to make all payments of principal and interest due on the 2003 Indenture Bonds (including the 2016 Series A Bonds) and net payments on the outstanding Existing Swap Agreements, and all payments of principal and interest due on the 2009 Indenture Bonds (including the 2016 Series B Bonds), through June 30, 2018.

Budget Process

Annual appropriations are made through the enactment of the State budget. Most of the budget process derives from statutory laws or custom and practice, and thus the process is subject to change. The State budget is the legislative document that sets the level of authorized state expenditures for the two Fiscal Years in the biennium and the corresponding level of revenues (primarily taxes) projected to be available to finance those expenditures. See Part II of the 2016 Annual Report for further information about the State's budget process.

Annual Appropriations and Continuing Authority

Although the Wisconsin Statutes provide for other types of appropriations, any appropriation made to pay debt service on the Bonds as anticipated by the Enabling Act would be an annual appropriation. That is, the amount appropriated would be separately stated for each of the two Fiscal Years that the biennium comprises, and any unused amount would lapse at the end of the Fiscal Year.

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. Under Wisconsin law an existing appropriation continues in effect until it is amended or repealed. Thus, in the event a budget is not in effect at the start of a Fiscal Year, the prior year's budget serves as the budget until such time a new one is enacted. Once a newly enacted budget becomes effective, the continuing authority is superseded by the newly enacted appropriations.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. The 2015-17 biennial budget of the State was enacted on July 12, 2015, which was 11 days after the start of the biennium. Of the prior ten biennial budgets, the 2009-11, 2011-13, and 2013-15 biennial budgets were each enacted prior to the start of the respective biennium; however, each of the seven biennial budgets prior to the 2009-11 biennium were enacted after the start of the biennium, with the latest date after the start of a biennium being October 26, 2007 (for the 2007-09 biennium), which was nearly four months after the start of the 2007-08 fiscal year (which was the first fiscal year of that biennium). See "PAYMENT FROM ANNUAL APPROPRIATIONS; Determination of Annual Appropriation Amount" and Part II of the 2016 Annual Report.

General Fund Cash Flow and Priority of Payments

The State has experienced, and expects to continue to experience, certain periods when the General Fund is in a negative cash position. The Wisconsin Statutes provide certain administrative remedies to deal with these periods. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund.

If needed, the Secretary of Administration has statutory power to order reductions in the appropriations of state agencies, which represent less than one-quarter of the General Fund budget. In addition, the Secretary of Administration may set priorities for payments from the General Fund as well as prorate certain payments. The Wisconsin Statutes provide that all payments shall be in accordance with the following order of preference:

- All direct and indirect payments of principal of, and interest on, State general obligation debt have first priority and may not be prorated or reduced.
- All direct and indirect payments of principal of, and interest on, operating notes have second priority and may not be prorated or reduced.
- All State employee payrolls have third priority and may be prorated or reduced.

- All other payments shall be paid in a priority determined by the Secretary of Administration and may be prorated or reduced.

See Part II of the 2016 Annual Report for further information about these remedies when the General Fund is in a negative cash position.

Under the 2003 Indenture, the State has covenanted that the Secretary of Administration will give payment of the appropriation obligations issued under the 2003 Indenture the highest possible priority permitted under law. In the 2009 Authorizing Certification, the Secretary of Administration has covenanted to give debt service payments on appropriation obligations issued under the 2009 Indenture a higher priority than all other payments (after the first three statutory priorities above) that may be prorated or reduced. Similar covenants have been made with respect to priority of payment for lease payments due under the State's existing master lease and also for appropriations to the Wisconsin Center District to assist in the development and construction of a new arena in Milwaukee, Wisconsin. Before the Secretary of Administration may establish any priority schedule for payments, the Secretary of Administration is required to notify the Legislature's Joint Committee on Finance.

Determination of Annual Appropriation Amount

In each Indenture, the State directs officers of the Department of Administration to take actions to facilitate the appropriation for each Fiscal Year of the Annual Appropriation Amount. The Annual Appropriation Amount is summarized in more detail below and equals the sum of the following respective amounts (except that, for the second Fiscal Year in a biennium, the Annual Appropriation Amount equals the sum of the following amounts determined for such second Fiscal Year or the immediately succeeding Fiscal Year, whichever is greater).

2003 Indenture Bonds

With respect to the 2003 Indenture Bonds, the Annual Appropriation Amount is summarized in more detail below and equals the sum of the following amounts (except that, for the second Fiscal Year in a biennium, the Annual Appropriation Amount equals the sum of the following amounts determined for such second Fiscal Year or the immediately succeeding Fiscal Year, whichever is greater):

- *Bonds – Principal.* The amount of principal of 2003 Indenture Bonds coming due during the Fiscal Year.
- *Bonds – Redemption.* The amount of principal of 2003 Indenture Bonds to be redeemed during the Fiscal Year, including any scheduled amount to be redeemed pursuant to optional redemption.
- *Bonds – Fixed Rate Interest.* Interest to be paid during the Fiscal Year on 2003 Indenture Bonds bearing interest at a fixed rate.
- *Bonds – Variable Rate Interest (Maximum Rate).* Interest that would be payable during the Fiscal Year on 2003 Indenture Bonds bearing interest at a variable rate, assuming they bore interest at the maximum permitted rate, which is 35% for the 2008 Series B Bonds and 2008 Series C Bonds.
- *Swap Agreements (Maximum Rate).* The maximum amount of any payment obligations (other than termination payments) that would be payable during the Fiscal Year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the counterparty, with any payment that is determined without limit as to amount to be determined at a rate that would result if the index provided in such Swap Agreement were at 15% per annum.
- *Credit Facilities.* The maximum amount of payments due during the Fiscal Year with respect to credit facilities, to the extent not included in the amounts described above.

- *Administrative Expenses.* Estimated administrative expenses payable from the Operating Expense Fund during the Fiscal Year.
- *Swap Termination Payments.* The amount of all termination payments with respect to Swap Agreements that are unpaid as of the September 1st immediately preceding the commencement of the biennium that includes the Fiscal Year, plus interest to accrue on the payments to the date on which they are reasonably expected to be made.

Table IX-3 summarizes the calculation of the Annual Appropriation Amount for the 2003 Indenture Bonds applicable for the 2017-19 biennium, pursuant to the factors outlined above.

Table IX-3

DETERMINATION OF ANNUAL APPROPRIATION AMOUNT
2003 INDENTURE BONDS

Determination: 2017-19 Biennium	Fiscal Year 2017-18	Fiscal Year 2018-19 (Equal to Greater Total of the Following)	
		Fiscal Year 2018-19	Fiscal Year 2019-20[a]
Bonds – Principal	$ 66,000,000	$ 40,995,000	$ 98,995,000
Bonds – Redemption	0	0	0
Bonds – Fixed Rate Interest	42,806,296	40,739,177	38,471,147
Bonds – Variable Rate Interest (Maximum Rate)	170,159,500	169,741,250	169,319,500
Swap Agreements (Maximum Rate)	0	0	0
Credit Facilities	0	0	0
Administrative Expenses	1,004,000	1,004,000	1,004,000
Termination Payments	0	0	0
Totals	$279,969,796	$252,479,427	$307,789,647

[a] First Fiscal Year of the next biennium.

Table IX-4 includes the amounts previously appropriated by the Legislature for each of the prior ten Fiscal Years.

Table IX-4

AMOUNTS APPROPRIATED BY LEGISLATURE
(Section 20.505 (1)(br), Wisconsin Statutes)

Fiscal Year	Annual Appropriation Amount	Amount Appropriated By Legislature
2007-08	$190,833,100	$190,833,100
2008-09	200,629,300	200,629,300
2009-10	262,566,000	262,566,000
2010-11	274,749,000	274,749,000
2011-12	274,749,000	274,749,000
2012-13	533,473,500	533,473,500
2013-14	306,297,900	306,297,900
2014-15	279,865,100	279,865,100
2015-16	279,865,067	279,865,100
2016-17	662,929,976	662,930,000

2009 Indenture Bonds

With respect to the 2009 Indenture Bonds, the Annual Appropriation Amount equals the sum of the following amounts (except that, for the second Fiscal Year in a biennium, the Annual Appropriation Amount equals the sum of the following amounts determined for such second Fiscal Year or the immediately succeeding Fiscal Year, whichever is greater):

- *Bonds - Principal Maturities.* The amount of principal of 2009 Indenture Bonds maturing during the Fiscal Year.
- *Bonds - Redemption*. The amount of principal of 2009 Indenture Bonds to be redeemed during the Fiscal Year, including any scheduled amount to be redeemed pursuant to optional redemption.
- *Bonds and Notes - Fixed Rate Interest*. Interest to be paid during the Fiscal Year on 2009 Indenture Bonds and Notes, if any, bearing interest at a fixed rate.
- *Bonds and Notes - Variable Rate Interest (Maximum Rate).* Interest that would be payable during the Fiscal Year on 2009 Indenture Bonds and Notes, if any, bearing interest at a variable rate, assuming they bear interest at the maximum permitted rate.
- *Funding Obligations – Interest (Assumed Rate).* The amount of interest on Additional Bonds or Notes, if any, under the 2009 Indenture assuming that they are issued to fund Notes that mature during, or prior to, the Fiscal Year, that they bear interest at a rate of 15%, and that they are in a principal amount estimated by the Department to be sufficient.
- *Funding Obligations – Principal.* The amount, if any, certified by an authorized Department representative to be the expected principal amortization in such Fiscal Year for Additional Bonds under the 2009 Indenture to be issued to fund Notes, if any, that are scheduled to mature during, or prior to, the Fiscal Year.
- *Swap Agreements (Assumed Rate)*. The maximum amount of any payment obligations (other than termination payments) that would be payable during the Fiscal Year under interest rate exchange agreements that provide for a variable rate or rates to be paid by the State to the counterparty, with any payment that is determined without limit as to amount to be determined at a rate that would result if the index provided in such agreement were at 15% per annum.
- *Credit Facilities*. The maximum amount of payments due during the Fiscal Year with respect to credit facilities, to the extent not included in the amounts described above.
- *Administrative Expenses*. Estimated administrative expenses payable from the Operating Expense Fund during the Fiscal Year.
- *Swap Termination Payments*. The amount of all termination payments with respect to interest rate exchange agreements that are unpaid as of the September 1st immediately preceding the commencement of the biennium that includes the Fiscal Year, plus interest to accrue on the payments to the date on which they are reasonably expected to be made.

The determination of the Annual Appropriation Amount does not include the principal amount of any Notes.

Table IX-5 summarizes the calculation of the Annual Appropriation Amount for the 2009 Indenture Bonds applicable for the 2017-19 biennium, pursuant to the factors outlined above.

Table IX-5

DETERMINATION OF ANNUAL APPROPRIATION AMOUNT
2009 INDENTURE BONDS

Determination: 2017-19 Biennium	Fiscal Year 2017-18	Fiscal Year 2018-19 (Equal to Greater Total of the Following)	
		Fiscal Year 2018-19[(a)]	Fiscal Year 2019-20[(a)]
Bonds – Principal	$ 10,375,000	$ 17,475,000	$ 30,690,000
Bonds – Redemption	0	0	0
Bonds and Notes – Fixed Rate Interest	78,455,667	77,977,567	77,141,817
Bonds and Notes – Var. Rate Interest (Max. Rate)	0	0	0
Funding Obligations – Interest (Assumed)	0	0	0
Funding Obligations – Principal	0	0	0
Swap Agreements (Assumed Rate)	0	0	0
Credit Facilities	0	0	0
Administrative Expenses	10,000	10,000	10,000
Swap Termination Payments	0	0	0
Totals	$88,840,667	$95,462,567	$107,841,817

(a) First Fiscal Year of the next biennium.

Table IX-6 includes the amount previously appropriated by the Legislature in each Fiscal Year since the date the 2009 Indenture Bonds were issued. Prior to the 2011-12 fiscal year, an Annual Appropriation Amount was not yet required under the 2009 Indenture so the amount appropriated equaled either an estimate (for the 2008-09 fiscal year) or the amount that the Annual Appropriation Amount would have been for that respective Fiscal Year, if such a determination were so required.

Table IX-6

AMOUNTS APPROPRIATED BY LEGISLATURE
(Section 20.505 (1)(bq), Wisconsin Statutes)

Fiscal Year	Annual Appropriation Amount	Amount Appropriated By Legislature
2008-09	n/a	$ 165,000,000
2009-10	n/a	98,800,000
2010-11	n/a	92,600,000
2011-12	$ 92,474,100	92,474,100
2012-13	93,693,400	93,693,400
2013-14	93,693,400	93,693,400
2014-15	113,262,100	113,262,000
2015-16	113,262,037	113,262,000
2016-17	107,423.456	107,423,500

Deposit Amount

Each Indenture also provides that, on the first business day of each Fiscal Year, the State shall pay to the Trustee from appropriated funds, for deposit into the respective Appropriations Fund, an amount (**Deposit Amount**) certified by the Secretary as the net amount reasonably expected to be needed during that Fiscal Year to pay principal of the respective Bonds (including any scheduled amount to be redeemed by optional redemption), interest on the respective Bonds, and any payment obligations (other than

Subordinated Swap Payment Obligations) with respect to Swap Agreements, and to pay respective administrative expenses.

Due to requirements for determining each Annual Appropriation Amount, the respective Deposit Amount is expected to be less than the related Annual Appropriation Amount. The Deposit Amount in the 2016-17 fiscal year for the 2003 Indenture Bonds was calculated and certified to be $145 million and, for the 2009 Indenture Bonds, was calculated and certified to be $106 million.

Event of Nonappropriation

Each Indenture defines **Event of Nonappropriation** to mean an insufficiency of appropriated funds in any Fiscal Year to pay when due all debt service on Bonds and Additional Bonds and payment obligations under Swap Agreements, other than termination payments under Swap Agreements that were not included in the determination for that Fiscal Year of the Annual Appropriation Amount (**Subordinated Swap Payment Obligations**). Upon an Event of Nonappropriation, the Secretary of Administration will promptly provide a written notice to the Trustee.

Each Indenture provides that, if an executive budget bill, as introduced, or a budget bill adopted by either house of the Legislature, fails to include the Annual Appropriation Amount, then the Secretary of Administration will provide a written notice to the Governor and the presiding officer of each house of the Legislature, requesting action to ensure the satisfaction of the State's moral obligation and will promptly provide a written notice to the Trustee and each rating agency rating the Bonds, stating the nature of the deficiency. Similarly, if a budget bill that fails to include the Annual Appropriation Amount is signed into law by the Governor, then the Secretary of Administration will send a letter to the Governor and the presiding officer of each house of the Legislature seeking the introduction of a separate bill authorizing the appropriation that would be needed.

RISK FACTORS

Dependence Upon Annual Appropriations

The State's obligation to make payments of the principal of, and interest on, the Bonds is not a general obligation of the State and is not supported by the full faith and credit of the State. The State's obligation to make those payments is subject to annual appropriation of the necessary funds by the Legislature. No assurance is given that sufficient funds will be appropriated or otherwise available to make those payments.

The owners of Bonds could suffer a loss or fail to obtain payment on a timely basis if no appropriation were made or if an insufficient appropriation were made. This could occur either through the direct action of the Legislature or the Governor or through a failure to act. The Governor may include or exclude the annual appropriations in the executive budget bill, and similarly, the Legislature may include or exclude the annual appropriations in the budget it adopts. Moreover, even if the annual appropriations are included in the budget the Legislature adopts, the Governor has the power to veto the appropriations.

No Collateral

Other than granting a security interest in money held in funds under each respective Indenture, the State has not pledged any collateral or other security to support payment of the principal of, or interest on, the Bonds. If the State were to fail to appropriate sufficient funds for that payment, the beneficial owners of the Bonds would not have any recourse against any other property of the State.

Nature of Moral Obligation

The Legislature has recognized a moral obligation to appropriate money; however, the recognition of a moral obligation does not create a legally enforceable obligation. The Legislature's recognition of a moral obligation would provide strong but not conclusive evidence in support of a judicial determination that a payment made by the State serves a public purpose and thus should not be enjoined if a lawsuit challenged the payment.

Legislative Decision-Making

Legislative decisions, such as making appropriations through the adoption of a budget, may be influenced by many factors. The Secretary of Administration believes that failure to make payments of the principal of, and premium, if any, and interest on, the Bonds might hinder the State's subsequent access to the capital markets; however, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for those payments.

Future occurrences could adversely affect legislative support for appropriating the money needed for payment of the Bonds. For example, the State issued the 2003 Indenture Bonds in 2003 with the expectation that it would thereby save money, as compared to the payments on the liabilities that it would otherwise have had to make, but may fail to realize that expectation.

Moreover, certain events could result in the need for an appropriation that is larger than originally expected. For example, the State could be required to pay a substantial termination payment upon the termination of a Swap Agreement, including a termination outside the State's control. In addition, the Legislature may authorize the State to issue other obligations that are payable from the same annual appropriations, and it may also consider and adopt legislation that changes the amounts of existing appropriations.

Investment Loss

In the event a loss were incurred on appropriated funds held in funds or accounts under the respective Indenture, no assurance can be given that additional amounts could be withdrawn from the General Fund pursuant to the appropriation to replenish the loss. See "GLOSSARY" for a description of qualified investments.

Existing Swap Agreements

The State has hedged nearly all its variable-rate exposure on the 2008 Series B Bonds and the 2008 Series C Bonds through the Existing Swap Agreements. The State is subject to certain risks as the result of the Existing Swap Agreements. As of November 30, 2016, the aggregate fair market value of the Existing Swap Agreements was negative $163 million. The fair market value may vary throughout the life of the Existing Swap Agreements due to changes in interest rates and swap market conditions.

GASB 53 Disclosure

All the Existing Swap Agreements, as of June 30, 2016, continue to be classified as effective cash flow hedges for purposes of GASB Statement No. 53. As a result, changes to fair market value are not reported in the State's general purpose financial statements. The State contracts with a third party advisor to provide estimates of the fair market value of the Existing Swap Agreements.

Interest Rate Risks

Although the overall effective interest rate is synthetically fixed as a result of the Existing Swap Agreements, interest payments on the 2008 Series B Bonds and the 2008 Series C Bonds and net swap payments will vary as interest rates vary.

Credit Risks

To the extent the fair market value of an Existing Swap Agreement were positive, the State would be subject to credit risk of the counterparty in the like amount. The ratings of counterparties to the Existing Swap Agreements also present the State with other credit risk factors. As of November 30, 2016, the lowest rating assigned to these counterparties was A1 by Moody's, A by S&P, and A by Fitch. Under each of the Existing Swap Agreements and to mitigate the potential for credit risk, if any counterparty's credit rating falls below A3 by Moody's or A– by either S&P or Fitch, then the counterparty will be required to fully collateralize the fair market value of the Existing Swap Agreement. In addition, an event of termination occurs under an Existing Swap Agreement if the counterparty's credit rating falls below Baa2 by Moody's or BBB by either S&P or Fitch.

Termination Risks

Any Existing Swap Agreement may be terminated by the State upon two business days written notice, designating to the counterparty the termination date. In addition, either the State or the counterparty may terminate any Existing Swap Agreement if the other party fails to perform under the terms of the Existing Swap Agreement, or if other various events occur. If any Swap Agreement were terminated, the State would be unhedged and exposed to additional interest rate risk on a like amount of the 2008 Series B Bonds and 2008 Series C Bonds. In addition, if the terminated Existing Swap Agreement were to have a negative fair market value at the time of termination, the State would incur a loss and would be required to make a settlement payment to the counterparty. 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 and Rollover Risks

Each of the Existing Swap Agreements has a term that is equal to the related maturities of the 2008 Series B Bonds and the 2008 Series C Bonds. In addition, since the notional amounts of the Existing Swap Agreements decline in a manner substantially related to the scheduled amortization of the 2008 Series B Bonds and the 2008 Series C Bonds, there is no material market-access risk or rollover risk.

Defeasance

A defeasance of any outstanding 2003 Indenture Bonds and 2016 Series B Bonds may cause the recognition of a gain or loss, for federal tax purposes, at the time of the defeasance. Owners of the outstanding 2003 Indenture Bonds and 2016 Series B Bonds should consult their tax advisors regarding the tax consequences of any defeasance of the 2003 Indenture Bonds and 2016 Series B Bonds.

Additional Bonds

Neither Indenture precludes the issuance of Additional Bonds under circumstances in which the resulting debt service might exceed the amount appropriated for the biennium during which the Additional Bonds are issued. The 2003 Indenture does, however, require the State to provide the Trustee with evidence from each of at least two of the rating agencies then rating the 2003 Indenture Bonds that the issuance of the Additional 2003 Indenture Bonds would not adversely affect the ratings assigned to the 2003 Indenture Bonds by that rating agency.

SUMMARY OF THE 2003 INDENTURE

The following is a summary of certain provisions of the 2003 Indenture, which relates to the 2003 Indenture Bonds. The summary does not purport to be complete, and reference should be made to the full text of the 2003 Indenture for a complete recital of its terms.

The following summary may also use terms that are familiar to, but could slightly vary from similar terms used in the summary for the 2009 Indenture. The term "Bonds" in the following summary refers to 2003 Indenture Bonds.

Funds Established by 2003 Indenture

The 2003 Indenture establishes with the Trustee the following funds:

- Appropriations Fund
- Operating Expense Fund
- Debt Service Fund
- Subordinated Payment Obligations Fund, and
- Stabilization Fund.

On the first business day of each Fiscal Year, the State shall pay to the Trustee from appropriated funds, for deposit in the Appropriations Fund, an amount certified by the Secretary of Administration as the net amount reasonably expected to be needed during that Fiscal Year to pay principal of Bonds (including the scheduled amount, if any, to be redeemed by optional redemption), interest on the Bonds, and any payment obligations (other than Subordinated Swap Payment Obligations) with respect to Swap Agreements, and to pay administrative expenses. The Deposit Amount is expected to be less than the Annual Appropriation Amount.

The 2003 Indenture requires the Trustee, upon receipt of the deposit, to transfer from the Appropriations Fund an amount designated by the State (and consistent with its determination of the amount required to be deposited in that fund) to the Operating Expense Fund and then transfer the balance into the Debt Service Fund.

The 2003 Indenture requires the Trustee to apply money in the Debt Service Fund to pay:

- The unpaid interest due on the Bonds on each payment date.
- The amount due on Swap Agreements (other than Subordinated Swap Payment Obligations).
- The principal installment of Bonds due on each payment date.
- The principal due upon optional redemption of Bonds.

On any payment date on which the amount on deposit in the Debt Service Fund is insufficient, the 2003 Indenture requires the Trustee to withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall, and thereafter (if a shortfall still exists) to withdraw from the Stabilization Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall.

The State may at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund, for further distribution into any of the funds and accounts, appropriated funds in addition to the amounts specifically required by the 2003 Indenture. The State is permitted, but not required, to put additional amounts in the Stabilization Fund from time to time. The Stabilization Fund Amount is currently $32,960,500, but this required amount may be reduced after the 2003 Bonds are no longer Outstanding to an amount deemed reasonable, subject to Rating Confirmation.

The 2003 Indenture Bonds

The sum of the aggregate principal amount of Bonds issued to fund the State's unfunded prior service (pension) liability and unfunded liability for sick leave conversion credits may not exceed the limit set forth in the Enabling Act.

Deposit of Bond Proceeds to Funds and Accounts

Initial deposits will be made from proceeds of a Series of Bonds into the funds and accounts created under the 2003 Indenture as provided in a Closing Statement executed by an Authorized Department Representative and furnished to the Trustee. The Closing Statement shall specify the purchase price of the Bonds and shall further specify, with respect to that amount:

- the amount representing accrued interest, if any, on the Bonds and the amount, if any, representing Funded Interest, to be deposited in the Proceeds Account; and
- the amount, if any, to be deposited in any other fund or account as provided in the Closing Statement.

Issuance of Additional Bonds

The State reserves the right to issue one or more Series of Additional Bonds under the 2003 Indenture from time to time, with a charge or lien equal to the charge and lien applicable with respect to the 2003 Bonds, the 2008 Bonds, the 2012 Bonds, and the 2016 Series A Bonds, *provided* that:

- the proceeds of such Additional Bonds may be used only to pay the Payment or Payment Costs or to fund or refund Bonds issued for that purpose; and
- the aggregate amount of Bonds issued may not cause the authorization of the Enabling Act to be exceeded.

For each Series of Additional Bonds, the Department of Administration shall provide a separate Authorizing Certification authorizing a Supplemental Indenture and setting forth the aggregate principal amount of Additional Bonds authorized thereby, the manner of their sale, and the form and other terms thereof.

Prior to the delivery by the State of any of the Additional Bonds there must be filed with the Trustee:

- a Supplemental Indenture executed on behalf of the State by the Department of Administration and the Trustee creating the Additional Bonds, specifying their terms and providing for the disposition of the proceeds of their sale,
- a copy of the Authorizing Certification executed by the Secretary of Administration or his or her designee authorizing the execution and delivery of the Supplemental Indenture and the issuance of the Additional Bonds,
- a request and authorization to the Trustee by the Department of Administration on behalf of the State and signed by an Authorized Department Representative requesting the Trustee to authenticate and deliver the Additional Bonds, and
- evidence of a Rating Confirmation.

Redemption of Bonds

If the Bonds are to be called for redemption, and if sufficient monies are on deposit with the Trustee in the Debt Service Fund on the applicable redemption date to redeem the Bonds to be redeemed and to pay any interest and premium due thereon, the Trustee is authorized and directed to apply those funds to the payment of the Bonds to be redeemed. Interest on any Bonds called for redemption stops accruing on the date that the notice of redemption fixes for their redemption if:

- notice of their redemption has been given as provided in the 2003 Indenture, and
- money sufficient for their payment is on deposit with the Trustee as required by the 2003 Indenture.

General Terms and Provisions of Bonds

The Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations, together with any interest thereon, shall be special and limited obligations of the State, payable solely out of the Appropriated Funds. The Appropriated Funds consist principally of amounts that are subject to annual appropriation by the Legislature. The Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations are valid claims of the Registered Owners, Swap Providers, and Credit Issuers, respectively, only against the Trust Estate and other Appropriated Funds. The Trustee agrees to hold the Trust Estate and apply the Appropriated Funds only as provided in the 2003 Indenture, except to the extent otherwise specified by law in an appropriation. The State is not generally liable on the Bonds. Neither the general credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the Bonds. The Bonds do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

General Covenants

Payment of Principal and Interest, Swap Payment Obligations, and Credit Facility Payment Obligations

The State represents, warrants, and covenants that so long as any of the Bonds are Outstanding or any Swap Payment Obligations or any Credit Facility Payment Obligations exist, it will deposit, or cause to be paid to the Trustee for deposit, in the Appropriations Fund, but solely from the Appropriated Funds, amounts sufficient to promptly pay the principal of, and premium, if any, and interest on, the Outstanding Bonds and the Swap Payment Obligations and Credit Facility Payment Obligations as the same become due and payable.

Performance of Duties Under the 2003 Indenture and the Bonds

The State represents, warrants, and covenants that it will perform its obligations under the 2003 Indenture, and Bonds executed, authenticated, and delivered under the 2003 Indenture and all its proceedings relating to the issuance of the Bonds. The State further represents and warrants that it is duly authorized under the Constitution and laws of the State, including without limitation the Enabling Act, by and through the Department of Administration, to issue the Bonds, to execute the 2003 Indenture, and to pledge and assign the property described in the 2003 Indenture in the manner and to the extent set forth in the 2003 Indenture. The State represents that all action on the part of the State and the Department of Administration for the issuance of the Bonds and the execution and delivery of the 2003 Indenture have been effectively taken and that the Bonds, the Swap Payment Obligations, and the Credit Facility Payment Obligations are and will be valid and enforceable obligations of the State contracted by the Department of Administration according to the terms of the 2003 Indenture, the Bonds (where applicable), and the Enabling Act.

Nonimpairment

Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the Legislature, the State represents, warrants, and covenants that it will not enter into any contract or take any action impairing the rights of the Trustee, the Bondowners, any Swap Provider, or any Credit Issuer under the 2003 Indenture, the Bonds, a Swap Agreement, or any agreement relating to a Credit Facility. Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the Legislature, the State will not limit or alter its powers to fulfill the terms of any agreements made with Bondowners or in any way impair the rights and remedies of Bondowners until the Bonds, together with interest and all costs and expenses in connection with any action or proceeding on behalf of the Bondowners, are fully met and discharged.

Budget Process and Appropriations

The State directs the appropriate officers of the Department of Administration to take all appropriate actions within their power to assure that the Annual Appropriation Amounts with respect to the Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations are annually appropriated. The Secretary of Administration or his designee shall:

(a) while any Bonds are Outstanding or Swap Agreements or Credit Facilities are in effect, ensure that the budget request prepared under Section 16.42, Wisconsin Statutes, for each Fiscal Year includes the Annual Appropriation Amount;

(b) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly provide a written notice to the Governor and the presiding officer of each house of the Legislature, stating the nature of the deficiency and requesting action to ensure the satisfaction of the State's moral obligation;

(c) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly provide a written notice to the Trustee, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer stating the nature of the deficiency;

(d) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly send a letter to the Governor and the presiding officer of each house of the Legislature seeking an amendment to such Budget Bill or, if such a Budget Bill is signed into law by the Governor, promptly send a letter to the Governor and the presiding officer of each house of the Legislature seeking the introduction of a separate bill authorizing the necessary or additional appropriation required;

(e) upon an Event of Nonappropriation, promptly provide a written notice thereof to the Trustee, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer; and

(f) in the event a Swap Termination Payment becomes due, and there are insufficient funds available from Appropriated Funds under the 2003 Indenture or from other legal sources provided by the State to pay the Swap Termination Payment, promptly send a letter to the Governor and the presiding officer of each house of the Legislature seeking the introduction of a separate bill authorizing an additional appropriation.

The Secretary of Administration has covenanted that, in the event the secretary exercises his or her authority under Section 16.53(10)(a), Wisconsin Statutes, to establish a priority schedule for payments, he or she will give payment of the Outstanding Bonds, the Swap Payment Obligations, and the Credit Facility Payment Obligations the highest possible priority permitted by law.

Trustee Notices Regarding Budget Process and Appropriations

The Trustee may at any time request that the Secretary of Administration certify that he or she has performed his or her obligations under the 2003 Indenture described above under clause (a) of "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations*" and that no event described above in clause (b), (c), or (e) under "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations*" has occurred, and the Secretary of Administration shall promptly provide such a certification. The Trustee shall promptly provide written notice to the following parties of the occurrence of certain events, as follows:

- Upon failure to receive the certification requested by the Trustee with regard to compliance with clause (a) under "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations,*" to the Governor and the presiding officer of each house of the Legislature, with a copy to the Secretary of Administration, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event that the Secretary of Administration fails to include in the budget requests prepared under Section 16.42, Wisconsin Statutes, for any Fiscal Year, the Annual Appropriation Amount;

- Upon receipt of the notice described in clause (c) under "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations*" or upon failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the Legislature, with a copy to the Secretary of Administration, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event that a Budget Bill at any time fails to include the Annual Appropriation Amount; or

- Upon receipt of the notice described in clause (e) under "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations*" or upon failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the Legislature, with a copy to the Secretary of Administration, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event of an Event of Nonappropriation.

Event of Default

The State covenants that, should there be a Default or an Event of Default, the State will fully cooperate with the Trustee, the Registered Owners, the Swap Providers, and the Credit Issuers to the end of fully protecting the rights and security of the Registered Owners, the Swap Providers, and the Credit Issuers.

Appropriated Funds and Funds and Accounts

The 2003 Indenture establishes in the Debt Service Fund a Debt Service Account for each Series of Bonds and each Swap Agreement and a Proceeds Account. Sinking fund accounts for any Series of Bonds having sinking fund installments may be established within the Debt Service Account for such Series in any schedule to the 2003 Indenture or in a Supplemental Indenture.

The 2003 Indenture provides that any monies derived from an appropriation of the State Legislature may only be applied in a manner consistent with its appropriation.

On the last Business Day of each Fiscal Year, the Trustee shall transfer all monies remaining in the Appropriations Fund, the Operating Expense Fund (except for amounts therein funded from proceeds of Bonds), the Debt Service Accounts, and the Subordinated Payment Obligations Fund (1) to the Stabilization Fund or (2) to the State, as directed in writing by an Authorized Department Representative.

Deposits Into and Use of Monies in the Appropriations Fund

The Trustee shall receive for immediate deposit into the Appropriations Fund the Deposit Amount and any additional Appropriated Funds transferred to the Trustee by the State or by any Swap Provider pursuant to the terms of a Swap Agreement as follows:

- On the first Business Day of each Fiscal Year for which a Budget Bill has been enacted, the State shall pay the Deposit Amount to the Trustee for deposit in the Appropriations Fund, from amounts appropriated pursuant to Section 20.505(1)(br), Wisconsin Statutes, or any successor provision. On the first Business Day of each Fiscal Year, in the event a Budget Bill for that Fiscal Year has not yet been enacted, the State shall pay to the Trustee the full amount, up to the Deposit Amount, that is available pursuant to the carry-over of existing appropriations from the prior Fiscal Year pursuant to Section 20.002(1), Wisconsin Statutes. On the Business Day following the subsequent enactment of such a Budget Bill creating additional Appropriated Funds, the State shall pay to the Trustee, for deposit in the Appropriations Fund, the amount, if any, by which amounts appropriated thereby exceed amounts previously paid to the Trustee in such Fiscal Year for deposit therein, *provided* that the total paid to the Trustee shall not exceed the Deposit Amount.

- No later than 30 days following the enactment of any separate bill or bills providing for an appropriation available for the payment of the Bonds, Swap Payment Obligations, and/or Credit Facility Obligations, for payment of issuance or administrative expenses or for funding a deposit to the Stabilization Fund in that Fiscal Year, the State shall pay to the Trustee for deposit in the Appropriations Fund the amounts appropriated thereby.

- No later than 30 days following the enactment of a Budget Bill, the State shall pay to the Trustee the amount of any Swap Termination Payment which is a Parity Swap Payment Obligation and which was included in the calculation of Annual Appropriation Amount for that Fiscal Year, to the extent that Appropriated Funds are available.

- Any amounts appropriated pursuant to Section 20.505(1)(it), Wisconsin Statutes, or any successor provision, not otherwise deposited into the Indenture Funds under the terms of a Swap Agreement shall be transferred, immediately upon receipt by the State, to the Trustee for deposit in the Appropriations Fund.

- At any time during any Fiscal Year that any Appropriated Funds previously transferred to the Trustee are insufficient for the requirements of the Indenture Funds, the Trustee shall notify the State of such insufficiency and the State shall promptly pay such amount to the Trustee, but solely from Appropriated Funds, for deposit in the Appropriations Fund.

- The State may, at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund for further distribution into any of the funds and accounts described below, Appropriated Funds in addition to the Deposit Amount or other amounts required above.
- The State may direct the Trustee to transfer amounts from the Stabilization Fund to the Appropriations Fund as described below under "SUMMARY OF THE 2003 INDENTURE; Appropriated Funds and Funds and Accounts; *Use of Monies in the Stabilization Fund*."

The Trustee shall receive for immediate deposit into the Appropriations Fund the Deposit Amount and any additional Appropriated Funds transferred by the State or by any Swap Provider pursuant to the terms of a Swap Agreement to the Trustee. The Trustee, promptly after receipt of the Deposit Amount in the Appropriations Fund, shall transfer an amount thereof designated in writing by an Authorized Department Representative, consistent with the amount used in the computation of the Deposit Amount, to the Operating Expense Fund and shall transfer the balance into the Debt Service Fund for distribution into the Debt Service Accounts as designated in writing by an Authorized Department Representative. The Trustee, promptly after receipt of any other monies in the Appropriations Fund, and at any time thereafter as needed to fund the following Indenture Funds, shall make payments into the following Indenture Funds, but as to each Indenture Fund only within the limitations set forth below:

FIRST: Into the Operating Expense Fund, the amounts designated in writing by an Authorized Department Representative to be deposited in the Operating Expense Fund;

SECOND: Into each Debt Service Account, to the extent, if any, needed to increase the amount in such Debt Service Account so that it equals the interest and principal (whether at maturity or upon mandatory redemption) for the related Series of Bonds due on each Payment Date and the amount of any Parity Swap Payment Obligations, if any, due on each Payment Date, after taking into account amounts available for that purpose in the Proceeds Account;

THIRD: Into the Subordinated Payment Obligations Fund, the amount of any Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on each Payment Date; and

FOURTH: Into the Stabilization Fund, the amount designated in writing by an Authorized Department Representative to be deposited for such Fiscal Year into the Stabilization Fund.

Any remaining Appropriated Funds shall remain in the Appropriations Fund until June 30th of each Fiscal Year. On May 1st of each year, the State shall determine the extent to which there are available monies on deposit in the Appropriations Fund, the Debt Service Accounts and the Subordinated Payment Obligations Fund which will not be needed for the purposes thereof for the balance of that Fiscal Year as reasonably determined by the State, and the State shall direct the Trustee to apply such monies prior to the end of the Fiscal Year in an amount up to any amount set forth in a schedule or formula, if any, set forth in the 2003 Indenture or Supplemental Indenture pursuant to which Additional Bonds are issued, to the optional redemption of the Additional Bonds. To the extent that any such scheduled amount of optional redemption is not achieved in any Fiscal Year, the shortfall shall be added to the remaining scheduled amounts of optional redemptions on a prorated basis rounded to the nearest authorized denomination of the applicable Series of Bonds, and any schedule or formula for such Series of Bonds set forth in the related Supplemental Indenture shall be modified accordingly.

Use of Monies in the Debt Service Fund

The Trustee shall withdraw from the applicable Debt Service Account of the Debt Service Fund and the Proceeds Account on or prior to each Payment Date an amount equal to:

- The unpaid interest due on the Bonds on each such Payment Date, and shall cause the same to be applied to the payment of said interest when due.
- The amount of each Parity Swap Payment Obligation due on such Payment Date, and shall cause the same to be paid to the applicable Swap Provider (*provided* that any Swap Termination Payment which is a Parity Swap Payment Obligation will be paid no later than 30 days after enactment of the Budget Bill or other bill providing an appropriation available for its payment).
- The Principal Installment of such Bonds due on such Payment Date, and shall cause the same to be applied to the payment of such Principal Installment when due.
- The principal due upon optional redemption of such Bonds on such Payment Date, and shall cause the same to be applied to the payment of such principal when due, *provided* that, prior to distributing notice of any such optional redemption (other than scheduled optional redemption described under "SUMMARY OF THE 2003 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Appropriations Fund*"), an Authorized Department Representative has certified that the total of (1) amounts remaining on deposit in the Debt Service Fund (other than amounts on deposit in the Proceeds Account that are expected to be needed in future Fiscal Years) and (2) amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(br), Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year, assuming, for purposes of said certification, that the interest on any Variable Rate Bonds for the balance of the Fiscal Year shall be calculated at the Maximum Rate and the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum) and that interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation).

Prior to the Payment Date of a Principal Installment, any amounts then on deposit in a Debt Service Account shall, if so directed in writing by an Authorized Department Representative, be applied by the Trustee to another Debt Service Account to the extent not needed for purposes of the Debt Service Account in which it was originally deposited or to the purchase of Bonds of the Series and maturity for which such Principal Installment was established, in an amount not exceeding that necessary to complete the payment of the unsatisfied balance of such Principal Installment. All purchases of Bonds pursuant to the 2003 Indenture shall be made at prices not exceeding the applicable sinking fund Redemption Price or principal amount of such Bonds plus accrued interest.

If for any reason a Debt Service Account shall contain excess monies after a Payment Date, such excess may be held in that Debt Service Account as a credit against the requirements of that Debt Service Account for the balance of that Fiscal Year, transferred to another Debt Service Account, or returned to the Appropriations Fund, as the State shall direct.

In an amount at least equal to the Annual Appropriation Amount has been appropriated pursuant to Section 20.505(1)(br), Wisconsin Statutes, then the Trustee shall, if the State so directs, transfer monies in the Proceeds Account to the Operating Expense Fund or to the Stabilization Fund to increase or replenish the Stabilization Fund Amount therein, *provided* that any such direction shall be accompanied by a certificate of an Authorized Department Representative to the effect that such monies will not be needed to pay interest on the Bonds and that any increase in the Stabilization Fund Amount is reasonable.

In connection with a defeasance of any Bonds, the Trustee shall, if the State so directs, withdraw from the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to debt service on Bonds being defeased and deposit such amounts in escrow to be held for the payment of the principal amount or Redemption Price, if applicable, and interest on the Bonds being refunded; *provided* that such withdrawal shall not be made unless immediately thereafter the Bonds being defeased shall be deemed to have been paid pursuant to the 2003 Indenture as described under "SUMMARY OF THE 2003 INDENTURE; Discharge of 2003 Indenture" below.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the Legislature, and except as described under "SUMMARY OF THE 2003 INDENTURE; Defaults and Remedies" below, payments from the Debt Service Fund shall be made ratably by the Trustee according to amounts due in respect of each Bond and Parity Swap Payment Obligation without preference of one Bond or Parity Swap Payment Obligation over another (and without regard to the deposit of amounts in a particular Debt Service Account). Notwithstanding anything in the 2003 Indenture to the contrary, any monies derived from an appropriation of the State legislature may only be applied in a manner consistent with that appropriation.

Use of Monies in the Subordinated Payment Obligations Fund

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof, the Trustee shall withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. On (a) June 10^{th} (or if June 10^{th} is not a Business Day, the Business Day next succeeding June 10^{th}) of each Fiscal Year (but only if the amounts on deposit in the Debt Service Fund are sufficient to meet the requirements thereof for the balance of the Fiscal Year) or (b) such earlier date on which an Authorized Department Representative, at the State's option, certifies that the total of (1) the monies on deposit in the Debt Service Fund and (2) the amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(br), Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year, assuming, for purposes of said certification, that the interest on any Variable Rate Bonds for the balance of the Fiscal Year shall be calculated at the Maximum Rate and the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum) and that interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation), then the Trustee shall withdraw from the Subordinated Payment Obligations Fund the amount of any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations which are due and owing on such date and shall cause the same to be paid to the applicable Swap Provider or Credit Issuer.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the Legislature, payments from the Subordinated Payment Obligations Fund shall be made ratably by the Trustee according to the amounts due in respect of each Subordinated Swap Payment Obligation and Credit Facility Payment Obligation without priority or preference of one Subordinated Swap Payment Obligation or Credit Facility Payment Obligation over another.

Use of Monies in the Stabilization Fund

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof and amounts drawn from the Subordinated Payment Obligations Fund are not sufficient to make up the shortfall, the Trustee shall withdraw from the

Stabilization Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. Throughout each Fiscal Year until June 10th (or if June 10th is not a Business Day, the Business Day next succeeding June 10th), the State may, but is not required to, direct the Trustee to withdraw from the Stabilization Fund and transfer to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof. On June 10th (or if June 10th is not a Business Day, the Business Day next succeeding June 10th) of each Fiscal Year, the Trustee shall withdraw from the Stabilization Fund and transfer to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof, *provided* that amounts in the Stabilization Fund will not be required to be used to fund the Debt Service Fund to meet the requirements thereof for the balance of the Fiscal Year.

On the first Business Day of each Fiscal Year, the State may direct the Trustee to transfer amounts in the Stabilization Fund in excess of the Stabilization Fund Amount to the Appropriations Fund for further distribution to the Indenture Funds described above as directed by the State.

In connection with a defeasance of any Bonds, the Trustee shall, if the State so directs, withdraw from the Stabilization Fund, and deposit in escrow to be held for the payment of the principal amount or Redemption Price, if applicable, and interest on the Bonds being defeased, all, or any portion of, the amount therein in excess of the Stabilization Fund Amount after giving effect to the defeasance of such Bonds; *provided* that such withdrawal shall not be made unless immediately thereafter the Bonds being defeased shall be deemed to have been paid pursuant to the 2003 Indenture as described under "SUMMARY OF THE 2003 INDENTURE; Discharge of 2003 Indenture" below.

Amounts in the Stabilization Fund may be used for the final payment at maturity or upon earlier redemption of all remaining Outstanding Bonds.

Use of Monies in the Operating Expense Fund

The Trustee shall withdraw from the Operating Expense Fund the amounts, and pay to the parties, designated in writing by an Authorized Department Representative for the payment of issuance and administrative expenses related to the Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations.

Payments to the State

Any amounts remaining in the Appropriations Fund or any other funds or accounts established under the 2003 Indenture after payment of all Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations shall be paid to the State.

Funds Held in Trust

All money held in any of the Indenture Funds are held in trust in the custody of the Trustee subject to the provisions of the 2003 Indenture which permit their disbursements for specified purposes. All money and securities held in Indenture Funds are subject to the first lien of the 2003 Indenture and are not subject to any lien, attachment, garnishment, or other claims or proceedings by other creditors of the State or any third party (under the 2003 Indenture the money and securities are subject to the lien of the Trustee described under "SUMMARY OF THE 2003 INDENTURE; The Trustee").

Investments

The Trustee agrees to continuously invest and reinvest money on deposit in the Indenture Funds in Qualified Investments as directed in writing by the State, which the State agrees to provide. Investments made with money on deposit in the Indenture Funds may be made by the Trustee through its own bank investment department and:

- will have maturities or be readily marketable prior to maturity in the amounts and not later than the dates as may be necessary to provide funds for the purpose for which the money in any account is to be used,
- will be held by or under the control of the Trustee,

- will at all times be considered a part of the 2003 Indenture Fund (and in the case of the Debt Service Fund, the account therein) for whose benefit the investment was made,
- will have any loss attributable to them charged to the 2003 Indenture Fund (and in the case of the Debt Service Fund, the account therein) for whose benefit the investment was made, and
- in all other cases, will have any interest or profit derived from them retained in the 2003 Indenture Fund (and in the case of the Debt Service Fund, the account therein) from which the investment was made.

The Trustee shall not be responsible or liable for any loss resulting from such investment, except to the extent caused by its negligence or willful default.

Discharge of 2003 Indenture

The 2003 Indenture and the estate and rights granted by it ceases, determines, and is void if:

(a) the State has performed all its obligations under the 2003 Indenture and the applicable Bond Purchase Agreement,

(b) all Trustee's Expenses and the expenses of any other paying agent which have accrued and will accrue through the final payment of the Bonds have been paid or arrangements satisfactory to the Trustee for their payment have been made,

(c) provision for the payment of all Outstanding Bonds has been made to the satisfaction of the Trustee in one or more of the following ways:

(1) by paying or causing to be paid, when due, the principal of, and premium, if any, and interest on, all Outstanding Bonds,

(2) by irrevocably depositing with the Trustee, in trust for such purpose, at or before maturity, cash in an amount sufficient to pay or redeem (when redeemable) all Outstanding Bonds including unpaid interest which has accrued on the Bonds and will accrue through the final payment or redemption of the Bonds (assuming that any Variable Rate Bonds bear interest rate at the Maximum Rate for any period for which the interest rate is not then known) and any redemption premium,

(3) by delivering to the Trustee, for cancellation, all Outstanding Bonds, or

(4) by depositing with the Trustee, in trust, Defeasance Obligations that mature in an amount that will, together with the income or increment to accrue on them but without reinvestment, be sufficient to pay or redeem (when redeemable) all Bonds at or before their respective maturity dates, including interest which has accrued on the Bonds and will accrue through the final payment or redemption of the Bonds (assuming that any Variable Rate Bonds bear interest rate at the Maximum Rate for any period for which the interest rate is not then known) and any redemption premium,

(d) a notice of redemption which includes the Redemption Notice Information and which is not contingent upon satisfaction of any condition has been given as required by the 2003 Indenture if any of the Bonds are to be redeemed before their maturity (or if a notice of redemption cannot then be given as provided in the 2003 Indenture, then the State has given the Trustee, in a form satisfactory to the Trustee, irrevocable instructions to provide a notice of redemption which includes the Redemption Notice Information to the Registered Owners of any Bonds to be redeemed when a notice of redemption can be timely given under the 2003 Indenture),

(e) if the payment of the Bonds has been provided for under (c)(2) or (c)(4) above, the Trustee (1) has been furnished with an Opinion of Bond Counsel to the effect that the actions taken under the 2003 Indenture will not adversely affect the validity of any Bonds and (2) has given notice to the Registered Owners of the Bonds at the Registered Owner's Address of the actions taken under subsection (c) above,

(f) if the payment of the Bonds has been provided for under (c)(4) above, an opinion from an independent certified public accountant has been provided to the effect that the funds available or to be available in the escrow for the payment of the Bonds will be sufficient to pay the principal of, premium, if any, and interest on the Bonds, and

(g) any additional requirements set forth in the 2003 Indenture or a Supplemental Indenture with respect to the applicable Series of Bonds have been satisfied.

On the occurrence of the events described in (a) through (g) above, the Trustee is authorized and directed:

- to execute and deliver all appropriate instruments evidencing and acknowledging the satisfaction of the 2003 Indenture, and
- to assign and deliver to the Department of Administration any money and investments in any Indenture Fund (except money or investments held by the Trustee for the payment of the principal of, and premium, if any, and interest on, any Bonds).

Notwithstanding any other provision of the 2003 Indenture which may be contrary to the provisions set forth above, all money and Defeasance Obligations which are set aside and held in trust pursuant to the provisions of the 2003 Indenture for the payment of the principal of, and premium, if any, and interest on, Bonds will be applied to and used solely for the payment of the principal of, and premium, if any, and interest on, the particular Bonds with respect to which it was so set aside in trust. The income derived from Defeasance Obligations held by the Trustee under the 2003 Indenture which are not needed for the payment of the principal of, and premium, if any, or interest on, the Bonds is to be disposed of in a manner which, in the Opinion of Bond Counsel, will not adversely affect the validity of any Bonds.

Notwithstanding a discharge of the 2003 Indenture as provided in clause (c)(2) or (c)(4) above, resulting in the Owners of Bonds having a claim for the payment of their Bonds solely from the cash and Defeasance Obligations so set aside, the 2003 Indenture will continue to govern the method of making payments of principal of, and interest on, the Bonds, the registration, transfer, and exchange of Bonds, the circumstances under which the Bonds may be redeemed, and similar matters.

Defaults and Remedies

Events of Default

The occurrence and continuance of any of the following events is an Event of Default under the 2003 Indenture:

- failure to pay when due the principal of (whether at maturity, upon redemption or otherwise), or premium, if any, or interest on, any Bonds or any Parity Swap Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;
- failure to pay as required by the terms of the 2003 Indenture any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;
- failure to pay when due the tender price on any Bond upon mandatory or optional tender for purchase as provided in the 2003 Indenture, except to the extent that such failure is due to an insufficiency of appropriated funds to make such payment with respect to any Bonds for which there is no liquidity facility; or
- the State defaults in the due and punctual performance of any other of the covenants, conditions, agreements, and provisions contained in the Bonds, the 2003 Indenture, or any Supplemental Indenture on the part of the State to be performed and the default continues for 30 days after written notice specifying the default and requiring that it be remedied has been given to the State by the Trustee, which may give the notice in its discretion and must give the notice upon receipt of a written request of the Owners of at least 25% of the aggregate principal amount of any Series of Bonds then Outstanding that it do so, *provided* that if the default is one which can be remedied

but cannot be remedied within that 30-day period, the Trustee may grant an extension of the 30-day period if the State institutes corrective action within that 30-day period and diligently pursues that action until the default is remedied.

Remedies

Upon the occurrence of any Event of Default the Trustee may take whatever action at law or in equity it deems necessary or desirable (1) to collect any amounts then due under the 2003 Indenture, or the Bonds, any Swap Payment Obligations, or any Credit Facility Payment Obligations, (2) to enforce performance of any obligation, agreement, or covenant of the State under the 2003 Indenture or the Bonds, of a Credit Issuer under any Credit Facility issued or entered into with respect to any Bonds, or of the grantor of any other collateral given to secure the payment of any Bonds, or (3) to otherwise enforce any of its rights; *provided*, however, actions against the State shall be limited to those permitted by the Statutes and the Constitution of the State.

None of the remedies under the 2003 Indenture is exclusive of any other remedy or remedies. Each remedy given under the 2003 Indenture is cumulative and is in addition to every other remedy that is given or that now or hereafter exists at law, in equity, or by statute.

No delay or omission in the exercise of any right or power accruing upon an Event of Default impairs the right or power or is a waiver of or acquiescence in any Event of Default. Every right and power given by the 2003 Indenture may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default extends to, or affects, any subsequent or other Event of Default or impairs any rights or remedies consequent thereon.

Nothing in the 2003 Indenture is intended as a waiver by the State of its sovereign immunity, any procedural requirements for any remedy, or any defenses available to it.

Right to Direct Proceedings

Except as the 2003 Indenture or a Supplemental Indenture may otherwise provide with respect to rights of Credit Issuers to act in the stead of Bondowners, the Owners of the Bonds have the right to direct the exercise of any rights or remedies under the 2003 Indenture, and the method and place of conducting all proceedings to be taken in connection with the enforcement of the 2003 Indenture. The 2003 Indenture provides that, so long as the applicable Bond Insurer is not in default under its Bond Insurance Policy, it will be treated as the Owner of the 2003 Series A Bonds, the 2008 Series C Bonds, or certain 2008 Series B Bonds for all purposes of declaring defaults directing remedies, and dealing with the Trustee under the 2003 Indenture. A Supplemental Indenture authorizing the issuance of a Series of Additional Bonds may provide for a Credit Issuer to have such rights with respect to a Series of Bonds entitled to the benefits of its Credit Facility. See "SUMMARY OF THE 2003 INDENTURE; Certain Rights of Credit Issuers."

The directions of the Owners of Bonds are to be: (a) contained in a request which is signed by the Owners of at least a majority of the aggregate principal amount of each series of Bonds then Outstanding and delivered to the Trustee, (b) in accordance with law and the provisions of the 2003 Indenture, and (c) accompanied by indemnification of the Trustee as is provided in the 2003 Indenture.

Application of Funds

Upon an Event of Default or an Event of Nonappropriation, any Appropriated Funds received or held by the Trustee will, subject to the provisions of the 2003 Indenture relating to Credit Facilities, be applied as follows:

FIRST: To the payment of (1) the costs and expenses associated with the Trustee's carrying out its obligations with respect to the Event of Nonappropriation or the exercise of any remedy related to an Event of Default, including reasonable compensation to the Trustee and its attorneys and agents, and (2) any Trustee's Expenses.

SECOND: To the payment of interest, principal, and premium, if any, then due on the Bonds (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of Article 9 of the 2003 Indenture) and Parity Swap Payment Obligations, in the order of the maturity of the payments of interest, principal, and premium, if any, and Parity Swap Payment Obligations then due ratably and, if the amount available is not sufficient to pay in full interest, principal, premium, and Parity Swap Payment Obligations due on any particular date, then first to the payment of interest and Parity Swap Payment Obligations ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege and second to the amount of principal and premium, ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege.

THIRD: Subject to the provisions of the 2003 Indenture described under "SUMMARY OF THE 2003 INDENTURE; Appropriated Funds and Funds and Accounts; *Use of Monies in the Subordinated Payment Obligations Fund,"* to the payment of Subordinated Swap Payment Obligations and Credit Facility Payment Obligations then due in the order of the maturity of such payments and, if the amount available is not sufficient to pay in full the Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on any particular date, then to their payment ratably, according to the amount due, to the persons entitled to it without discrimination or privilege.

FOURTH: To the payment of any other sums required to be paid by the State pursuant to any provisions of any of the 2003 Indenture.

Whenever money is to be applied as described above, the money is to be applied at the times the Trustee determines, having due regard for the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee applies such funds it will fix the date (which will be an Interest Payment Date unless it deems another date more suitable) upon which the application is to be made and on that date interest on the amounts of principal paid ceases to accrue.

Any monies derived from an appropriation may only be applied in a manner consistent with its appropriation.

Remedies Vested in Trustee

All rights of action (including the right to file proofs of claim) under the 2003 Indenture or under any Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production of them in any trial or other proceeding relating to them. Any suit or proceeding instituted by the Trustee is to be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants the Registered Owners. Any resulting recovery or judgment is for the benefit of the Registered Owners of the Outstanding Bonds, the Swap Providers, and the Credit Issuers in accordance with the terms of the 2003 Indenture.

Rights and Remedies of the Bondowners

No Bondowner, Swap Provider, or Credit Issuer has any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the 2003 Indenture, for the execution of any trust created under the 2003 Indenture, for the appointment of a receiver, or for any other remedy, unless

- an Event of Default has occurred of which the Trustee has been notified as provided in the 2003 Indenture or of which the Trustee is deemed to have notice by the terms of the 2003 Indenture,
- the Trustee has received a request to do so and has been offered a reasonable opportunity either to proceed to exercise the powers granted in the 2003 Indenture or to institute an action, suit, or proceeding in its own name,
- the Trustee has been offered indemnity as provided in the 2003 Indenture, and

- the Trustee thereafter fails or refuses to exercise the powers granted in the 2003 Indenture or to institute an action, suit, or proceeding in its own name.

No Bondowner, Swap Provider, or Credit Issuer has any right to affect, disturb, or prejudice the security of the 2003 Indenture by its action or to enforce any right under the 2003 Indenture except in the manner provided in the 2003 Indenture, and all proceedings at law or in equity are to be conducted in the manner provided in the 2003 Indenture for the equal and ratable benefit of all the Bondowners, Swap Providers, or Credit Issuers in accordance with the priority provided in the 2003 Indenture. Nothing in the 2003 Indenture, however, affects or impairs the right of Bondowners, Swap Providers, or Credit Issuers to enforce the payment of the principal of, and premium, if any, and interest on, any Bonds, Swap Payment Obligations, or Credit Facility Payment Obligations, respectively, at and after their maturity or the obligation of the State to pay the principal of, and premium, if any, and interest on, the Bonds issued under the 2003 Indenture, Swap Payment Obligations, or Credit Facility Payment Obligations, respectively, to Bondowners, Swap Providers, and Credit Issuers, respectively, at the time and place, from the source, and in the manner expressed in the 2003 Indenture and the Bonds (if applicable).

Waivers of Events of Default

Subject to the provisions of the 2003 Indenture relating to Credit Facilities, the Trustee may waive any Event of Default under the 2003 Indenture and its consequences and must do so upon receipt of a request to do so from the Registered Owners of a majority in aggregate principal amount of all Bonds then outstanding in respect of which the failure to pay the principal of, or premium, if any, or interest on, which has resulted in an Event of Default or of the Owners of a majority in principal amount of each Series of Bonds then Outstanding in the case of any other Event of Default. Notwithstanding the preceding sentence, the Trustee may not waive any Event of Default in the payment of the principal of, or premium, if any, or interest on, any Bond unless prior to the waiver all arrears of principal, or premium, if any, and interest on, the Bonds for which appropriations have been made, and all expenses of the Trustee in connection with the Event of Default have been paid or provided for.

The Trustee

The Trustee accepts and agrees to perform the duties of the Trustee under the 2003 Indenture upon the terms and conditions set forth therein.

The Trustee is entitled to payment or reimbursement of its Trustee’s Expenses. Upon the occurrence of an Event of Default or an Event of Nonappropriation, but only upon the occurrence of an Event of Default or an Event of Nonappropriation, the Trustee has a lien with right to payment prior to payment on account of the principal of, and premium, if any, and interest on, any Bond, any Swap Payment Obligation, and any Credit Facility Payment Obligation upon the Trust Estate and any other collateral securing the Bond, any Swap Payment Obligation, and any Credit Facility Payment Obligation for the payment of the Trustee’s Expenses. To the extent permitted by the Statutes and Constitution of the State, the Trustee shall be entitled to payment or reimbursement from the State to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence, willful misconduct, or bad faith on its part, arising out of or in connection with the acceptance or administration of the 2003 Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the 2003 Indenture.

If an Event of Default or an Event of Nonappropriation occurs of which the Trustee is required to take notice or of which it has been given notice, the Trustee agrees to give written notice of the Event of Default or Event of Nonappropriation by first-class mail to the Owners of all Bonds then Outstanding at the Registered Owner’s Addresses.

The Trustee may, and upon receipt of a request to do so from the Owners of a majority of the principal amount of Bonds then Outstanding and upon indemnity being provided as required by the 2003 Indenture must, intervene on behalf of the Owners of Bonds in any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the

Owners of Bonds. The rights and obligations of the Trustee described in this paragraph are subject to the approval of a court of competent jurisdiction.

Successor Trustee; Resignation or Removal of the Trustee; Successor or Temporary Trustee

Any corporation or association (a) into which the Trustee may be converted or merged, (b) with which the Trustee may be consolidated, (c) to which the Trustee may sell or transfer its trust business and assets as a whole or substantially as a whole, or (d) resulting from a conversion, sale, merger, consolidation, or transfer to which the Trustee is a party becomes successor Trustee under the 2003 Indenture and is vested with all the title to the Trust Estate and the Trustee's interest in the 2003 Indenture and all the trusts, powers, discretions, immunities, privileges, and all other matters as its predecessor was without the execution or filing of any instrument or any further act, deed, or conveyance on the part of any of the parties to the 2003 Indenture, anything in the 2003 Indenture to the contrary notwithstanding.

The Trustee and any successor Trustee may at any time resign from the trusts the 2003 Indenture created by giving 30 days written notice by registered or certified mail to the State and the Registered Owners. A resignation takes effect upon the appointment of a successor or temporary Trustee by the Registered Owners or the State and the successor or temporary Trustee's acceptance of its appointment.

The Trustee may be removed at any time without cause (a) at the direction of the State (so long as no Default or Event of Default under the 2003 Indenture has occurred, whether or not continuing) or (b) by an instrument or concurrent instruments in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee and the State. A removal takes effect upon the appointment of a successor or temporary Trustee by the Registered Owners or the State and the successor or temporary Trustee's acceptance of its appointment.

In case the Trustee resigns, is removed, is dissolved, is in the course of dissolution or liquidation, is taken under the control of a public officer, has a receiver appointed for it by a court, or otherwise becomes incapable of acting under the 2003 Indenture, a successor may be appointed by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding. In case of a vacancy the State by an instrument executed and signed by an Authorized Department Representative in accordance with applicable law may appoint a temporary Trustee to fill the vacancy until a successor Trustee has been appointed by the Owners of Bonds in the manner described above. Any temporary Trustee appointed by the State immediately and without further act is superseded by the Trustee appointed by the Owners of Bonds. Every Trustee so appointed must be a trust company or a bank in good standing having a reported capital and surplus of not less than $10 million or having assets under administration of not less than $200 million if there is an institution willing, qualified, and able to accept the trust upon reasonable and customary terms and have the qualifications required by the Enabling Act.

Every successor Trustee appointed under the 2003 Indenture will execute, acknowledge, and deliver to its predecessor and to the State an instrument in writing accepting its appointment under the 2003 Indenture, and thereupon the successor, without any further act, deed, or conveyance, will become fully vested with all the estates, properties, rights, powers, trusts, duties, and obligations of its predecessor. Its predecessor agrees, nevertheless, on the written request of the State or of its successor, to execute and deliver an instrument transferring to its successor all the estates, properties, rights, powers, and trusts of the predecessor under the 2003 Indenture. Every predecessor Trustee agrees it will deliver to its successor all securities, money, investments, and other property held by it in any Indenture Fund, a list of all checks or other fund transfers which the Trustee has issued or made but which have not been paid on the date the successor trustee becomes the Trustee under the 2003 Indenture, a copy of the Registration Books certified by the Trustee to be correct, executed originals of all letters of credit, policies of bond insurance, or other Credit Facilities relating to the Bonds, all printed but unissued Bonds, all Bonds in the Trustee's possession which are to be but have not been destroyed, executed originals of all indemnity bonds relating to the Bonds, a list of all stop transfer orders held by the Trustee, and such other documents and information as the successor trustee reasonably requests. If any instrument in writing from the State is required by any successor Trustee for more definitely and certainly vesting in the successor the estate, rights, powers, and duties vested or intended to be vested in the predecessor the State agrees to execute, acknowledge, and deliver any and all requested instruments in writing on request. The instrument appointing a successor under the 2003 Indenture will be filed and/or recorded by the successor Trustee in each filing or recording office where any document providing collateral security for the 2003 Indenture has been filed and/or recorded.

In the event the Trustee is changed, the predecessor Trustee which has resigned or been removed ceases to be trustee of the Indenture Funds and bond registrar and paying agent for principal of, and premium, if any, and interest on, the Bonds, and the successor Trustee becomes the Trustee, the bond registrar, and paying agent.

It is the intent of the State and the Trustee that the 2003 Indenture not violate the law of any jurisdiction (including particularly the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in that jurisdiction. It is recognized that in case of litigation under the 2003 Indenture, and in particular in case of the enforcement on an Event of Default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies granted to it under the 2003 Indenture or hold title to the Trust Estate or take any other action which may be desirable or necessary in connection therewith, it may be necessary for the Trustee to appoint an additional individual or institution as a separate or co-trustee.

Supplemental Indentures

Supplemental Indentures Not Requiring the Consent of Bondowners or Swap Providers

Subject to the provisions of the 2003 Indenture relating to Credit Facilities, the State and the Trustee may, without the consent of or notice to the Bondowners or Swap Providers, enter into Supplemental Indentures which are not inconsistent with the terms and provisions of the 2003 Indenture in order:

- to provide for the issuance of Additional Bonds;
- to cure any ambiguity or formal defect or omission in the 2003 Indenture;
- to grant to, or confer upon, the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee, *provided* that such amendment does not adversely affect the rights or interests of any Swap Provider;
- to subject additional revenues, properties, or collateral to the 2003 Indenture; or
- to supplement the 2003 Indenture in any other way which, in the judgment of the Trustee, is not to the material prejudice of the Trustee, the Bondowners, or any Swap Provider.

Supplemental Indentures Requiring the Consent of Bondowners and Swap Providers

In addition to Supplemental Indentures described above under "SUMMARY OF THE 2003 INDENTURE; Supplemental Indentures; *Supplemental Indentures Not Requiring the Consent of Bondowners or Swap Providers*," the State and the Trustee, with the prior written consent of the Owners of a majority of the aggregate principal amount of each Series of Bonds then Outstanding and each Swap Provider, may enter into Supplemental Indentures as the State and the Trustee deem necessary and desirable for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the 2003 Indenture or in any Supplemental Indenture. No Supplemental Indenture, however, may permit (a) an extension of the stated maturity or a reduction in the principal amount of, reduction in the rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of or a reduction in the amount or extension of the time for any payment required by any sinking fund or principal fund applicable to any Bonds without the consent of the Owners of all the Bonds that would be affected by the action to be taken, (b) the creation of any lien prior to or, except in connection with the issuance of Additional Bonds, on a parity with the lien of the 2003 Indenture, without the consent of the Owners of all Bonds at the time Outstanding, or (c) a reduction in the aggregate principal amount of Bonds the Owners of which are required to consent to any Supplemental Indenture without the consent of the Owners of all Bonds at the time Outstanding that would be affected by the action to be taken.

If at any time the State requests the Trustee to enter into such a Supplemental Indenture, the Trustee agrees, upon being satisfactorily indemnified with respect to expenses, to send notice of the proposed execution of the Supplemental Indenture by registered or certified mail to the Registered Owner of each of the Bonds at the Registered Owner's Address subject, for so long as the Bonds are in Book Entry System, to the applicable Letter of Representations. The notice will briefly set forth the nature of the proposed Supplemental Indenture and state that copies of it are on file at the Designated Trust Office of the Trustee for inspection by the Registered Owner of any Bond. If, within 60 days or any longer period prescribed by the State following the mailing of the notice, consent of the Owners of a majority of the aggregate principal amount of each Series of Bonds then Outstanding has been obtained, no Registered Owner of any Bond has any right to object to any of the terms and provisions of the 2003 Indenture or their operation, in any manner to question the propriety of the execution of the Supplemental Indenture or to enjoin or restrain the Trustee or the State from executing the Supplemental Indenture or from taking any action pursuant to the provisions of the Supplemental Indenture. Upon the execution of any Supplemental Indenture as provided in the 2003 Indenture, the 2003 Indenture is modified and amended in accordance with it.

The Supplemental Indentures executed in connection with the issuance of the 2008 Bonds, the 2012 Bonds and 2016 Series A Bonds provide that, by their acceptance of the 2008 Bonds, 2012 Bonds and 2016 Series A Bonds, respectively, the Owners of the 2008 Bonds and 2012 Bonds and 2016 Series A Bonds shall be deemed to have consented to any future Supplemental Indenture that (a) reduces the Stabilization Fund Amount to an amount not less than that set forth in clause (2) of the definition of such term in the "GLOSSARY," or (b) provides that the consent of Owners of a Series of Bonds is not needed to authorize a Supplemental Indenture that does not affect the Owners of such Series.

Certain Rights of Credit Issuers

The 2003 Indenture provides that, so long as the Credit Issuer with respect to a Series of Bonds is not in default under its Credit Facility, the Credit Issuer may have certain rights, including but not limited to the rights: (1) to be subrogated to the rights of the Owners of Bonds of such Series that are paid by its Credit Facility and to have those Bonds continue to be treated as Outstanding under the 2003 Indenture; (2) to be treated as the Owner of the Bonds of such Series for such purposes as the Supplemental Indenture may provide (including for purposes of directing the exercise of remedies under the 2003 Indenture); (3) to limit the future issuance of Additional Bonds; and (4) to prohibit Supplemental Indentures without its consent. The 2003 Series A Bonds, the 2008 Series C Bonds, and certain of the 2008 Series B Bonds are insured under respective Bond Insurance Policies issued by Financial Security Assurance Inc. (now known as Assured Guaranty Municipal Corp.), which has been granted certain of the rights described above with respect to the 2003 Series A Bonds, the 2008 Series C Bonds, and the insured 2008 Series B Bonds.

No information is provided in this Part IX of the 2016 Annual Report about any credit rating currently assigned to the obligations of any Credit Issuer for any Outstanding Bonds.

Miscellaneous

Any consent, request, direction, approval, objection, or other instrument required by the 2003 Indenture to be signed by Bondowners may be in any number of concurrent writings of similar tenor. Proof of the execution of any consent, request, direction, approval, objection, or other instrument is sufficient for any of the purposes of the 2003 Indenture and is conclusive in favor of the Trustee with regard to any action taken by it, if it contains or is accompanied by (1) a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction to the effect that the person signing the writing acknowledged before him the execution thereof or (2) an affidavit of any witness to the execution. The ownership of Bonds and the amount, series, numbers, and other identification of them and the date on which they were held are conclusively proved by the Registration Books.

Unless provided to the contrary in the 2003 Indenture, all notices, certificates, or other communications under the 2003 Indenture are deemed given when delivered or mailed by first-class mail, postage prepaid, addressed to the parties at the addresses set forth in the 2003 Indenture.

If any date on which an obligation of the Trustee or the State is to be performed falls on a day that is not a Business Day, then the payment or fulfillment of the obligation may be made on the next succeeding Business Day with the same effect as if made on the date due except that (1) a Supplemental Indenture authorizing a Series of Additional Bonds may provide that interest on such Additional Bonds continues to accrue to the date of actual payment, and (2) in the case of the end of a Fiscal Year, such payment or fulfillment shall be made on the preceding Business Day.

SUMMARY OF THE 2009 INDENTURE

The following is a summary of certain provisions of the 2009 Indenture, which relates to the 2009 Indenture Bonds. The summary does not purport to be complete, and reference is made to the full text of the 2009 Indenture for a complete recital of its terms, including the defined terms used therein.

The following summary may also use terms that are similar to, but could slightly vary from, terms used in the summary for the 2003 Indenture. The term “Bonds” in the following summary refers to 2009 Indenture Bonds.

The Appropriation Obligations

Issuance of Appropriation Obligations

The State may issue one or more Series of Appropriation Obligations under the 2009 Indenture from time to time, without limit as to aggregate principal amount except as provided in the Act. Prior to or contemporaneously with the issuance of any Appropriation Obligations, there must be filed with the Trustee: (1) a Supplemental Indenture executed by the Department on behalf of the State and by the Trustee authorizing the Appropriation Obligations, designating them as either Bonds or Notes, specifying their terms, and providing for the disposition of the proceeds of their sale, (2) a copy of the Authorizing Certification executed by the Secretary or his or her designee authorizing the execution and delivery of the Supplemental Indenture and the issuance of the Appropriation Obligations, (3) an Opinion of Bond Counsel to the effect that the execution and delivery of such Supplemental Indenture and the issuance and sale of the Appropriation Obligations have been duly authorized in accordance with the Act and the 2009 Indenture, and (4) a request and authorization to the Trustee by the Department on behalf of the State and signed by an Authorized Department Representative requesting the Trustee to authenticate and deliver the Appropriation Obligations.

Deposit of Proceeds to Funds and Accounts

Proceeds of a Series of Appropriation Obligations are deposited into the funds and accounts created under the 2009 Indenture or otherwise applied, as provided in a Closing Statement executed by an Authorized Department Representative and furnished to the Trustee. The Closing Statement specifies the purchase price of the Appropriation Obligations and:

(a) the amount, if any, representing accrued interest on the Appropriation Obligations to be deposited in the Proceeds Interest Account;

(b) the amount, if any, representing Funded Interest to be deposited in the Proceeds Interest Account;

(c) the amount, if any, representing proceeds of Funding Obligations to be used to pay principal of Outstanding Notes, to be deposited in the Proceeds Funding Account(s) related to those Notes; and

(d) the amount, if any, to be deposited in any other fund or account or to be otherwise transferred as provided in the Closing Statement.

The Closing Statement further specifies the application of such monies.

General Terms and Provisions of Appropriation Obligations

Liability of the State Subject to Annual Appropriation

The Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations, together with any interest thereon, shall be special and limited obligations of the State, payable solely out of the Appropriated Funds. The Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations are valid claims of the Registered Owners, Swap Providers, and Credit Issuers, respectively, only against the Trust Estate and other Appropriated Funds. The Trustee agrees to hold the Trust Estate and apply the Appropriated Funds only as provided in the 2009 Indenture, except to the extent otherwise specified by law in an appropriation. The State is not generally liable on the Appropriation Obligations or any other Indenture Obligations. Neither the general credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the Indenture Obligations. The Indenture Obligations do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Registered Owners Treated as Owners

Except as a Supplemental Indenture may otherwise provide (including with respect to a Credit Issuer as described under "SUMMARY OF THE 2009 INDENTURE; Certain Rights of Credit Issuers"), the State and the Trustee may treat the Registered Owner of any Appropriation Obligation as its absolute owner (whether or not the Appropriation Obligation is overdue) for all purposes. Neither the State nor the Trustee shall be affected by any notice to the contrary.

Other Indenture Obligations

The 2009 Indenture provides that the State may enter into one or more Swap Agreements from time to time, without limit as to aggregate notional amount, and may enter into such Credit Facility Agreements as the Department shall determine are necessary or appropriate to obtain Credit Facilities with respect to the Indenture Obligations. The Swap Provider under any Swap Agreement must (a) have a rating of at least "AA" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement or (b) provide a guaranty as a credit support document under the Swap Agreement from a credit support provider that shall have a rating of at least "AA" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement and the guaranty, except that the State's counterparty or counterparties (or its or their credit support provider or providers) under a Swap Agreement or Swap Agreements having an aggregate notional amount equal to no greater than 33% of the principal amount of the Bonds then Outstanding may have a rating of "A" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement (and, if applicable, the guaranty).

For any Swap Agreement, Credit Facility Agreement, Swap Payment Obligations, or Credit Facility Payment Obligations to be recognized as such for purposes of the 2009 Indenture, there must be filed with the Trustee (1) a copy of an Authorizing Certification executed by the Secretary of the Department or his or her designee authorizing the execution and delivery of the Swap Agreement or Credit Facility Agreement or the procurement of the Credit Facility, (2) a certificate of an Authorized Department Representative, which shall (a) in substance identify the Swap Agreement, Credit Facility Agreement, or Credit Facility as being a Swap Agreement, Credit Facility Agreement, or Credit Facility, as the case may be, within the meaning of the 2009 Indenture and (b) certify that any applicable requirements of the Act have been satisfied with respect to the Swap Agreement, the Credit Facility, and/or the Credit Facility Agreement, and (3) a copy of the Swap Agreement, the Credit Facility, and/or the Credit Facility Agreement, as the case may be.

General Covenants

Payment of Indenture Obligations

The State represents, warrants, and covenants that so long as any of the Appropriation Obligations are Outstanding or any Swap Payment Obligations or any Credit Facility Payment Obligations exist, it will deposit, or cause to be paid to the Trustee for deposit, in the Appropriations Fund, but solely from the

Appropriated Funds, amounts sufficient to promptly pay the principal of, and premium, if any, and interest on, the Outstanding Appropriation Obligations and the Swap Payment Obligations and Credit Facility Payment Obligations as the same become due and payable.

Performance of Duties under the 2009 Indenture and the Appropriation Obligations

The State represents, warrants, and covenants that it will perform its obligations under the 2009 Indenture, any Appropriation Obligations executed, authenticated, and delivered under the 2009 Indenture and all its proceedings relating to the issuance of the Appropriation Obligations. The State further represents, warrants, and covenants that it is duly authorized under the Constitution and laws of the State, including the Act, by and through the Department, to issue the Appropriation Obligations, to execute the 2009 Indenture, and to pledge and assign the property described in the 2009 Indenture in the manner and to the extent set forth in the 2009 Indenture. The State represents that all action on the part of the State and the Department for the issuance of the Appropriation Obligations and the execution and delivery of the 2009 Indenture have been effectively taken and the Appropriation Obligations in the hands of the Registered Owners, the Swap Payment Obligations, and the Credit Facility Payment Obligations are and will be valid and enforceable obligations of the State contracted by the Department according to the terms of the 2009 Indenture and the Act.

Nonimpairment

Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the Legislature, the State represents, warrants, and covenants that it will not enter into any contract or take any action impairing the rights of the Trustee, the Registered Owners of the Appropriation Obligations, any Swap Provider, or any Credit Issuer under the 2009 Indenture, the Appropriation Obligations, a Swap Agreement, or any Credit Facility Agreement. Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the Legislature, the State will not limit or alter its powers to fulfill the terms of any agreements made with Registered Owners or in any way impair the rights and remedies of Registered Owners until the Appropriation Obligations, together with interest and all costs and expenses in connection with any action or proceeding on behalf of the Registered Owners, are fully met and discharged.

Budget Process and Appropriations

The State shall direct the appropriate officers of the Department to take all appropriate actions within their power to assure that (beginning with Fiscal Year 2011-12) the Annual Appropriation Amounts with respect to the Indenture Obligations are annually appropriated. The Secretary or his or her designee shall:

(a) while any Appropriation Obligations are Outstanding or Swap Agreements or Credit Facilities are in effect, ensure that the budget request prepared under Section 16.42 of the Wisconsin Statutes for each such Fiscal Year includes the Annual Appropriation Amount relating to such Appropriation Obligations (which, in the case of Notes, shall include only interest with respect thereto, and not principal), Swap Payment Obligations, or Credit Facility Payment Obligations in that Fiscal Year;

(b) in the event a Budget Bill for any such Fiscal Year fails to include the Annual Appropriation Amount, promptly provide a written notice to the Governor and the presiding officer of each house of the Legislature, stating the nature of the deficiency and seeking an amendment of such Budget Bill or requesting other action to ensure the satisfaction of the State’s moral obligation;

(c) in the event a Budget Bill for any such Fiscal Year fails to include the Annual Appropriation Amount, promptly provide a written notice to the Trustee, each Rating Agency, each Swap Provider, and each Credit Issuer stating the nature of the deficiency;

(d) in the event a Budget Bill for any such Fiscal Year that fails to include the Annual Appropriation Amount is signed into law by the Governor, promptly send a letter to the Governor and the presiding officer of each house of the Legislature seeking the introduction of a separate bill making the necessary appropriation;

(e) upon an Event of Nonappropriation, promptly provide a written notice thereof to the Trustee, each Rating Agency, each Swap Provider, and each Credit Issuer;

(f) in the event a Swap Termination Payment becomes due and there are insufficient funds available from Appropriated Funds under the 2009 Indenture or from other legal sources provided by the State to pay the Swap Termination Payment, promptly send a letter to the Governor and the presiding officer of each house of the Legislature seeking the introduction of a separate bill authorizing an additional appropriation; and

(g) upon an Event of Nonappropriation arising from the failure of the State to issue Funding Obligations in an amount sufficient to pay the principal of any Notes when it becomes due, promptly send a letter to the Governor and the presiding officer of each house of the Legislature seeking the introduction of a separate bill making an additional appropriation for such payment.

The Secretary of Administration has covenanted that, in the event the secretary exercises his or her authority under Section 16.53(10)(a), Wisconsin Statutes, to establish a priority schedule for payments, he or she will give payments of appropriation obligations of the State (including the Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations) the highest possible priority permitted by law.

Trustee Notices Regarding Budget Process and Appropriations

The Trustee may at any time request that the Secretary certify that he or she has performed his or her obligations under the 2009 Indenture described above under clause (a) of "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations*" and that no event described above in clause (b), (c), or (e) under "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations*" has occurred, and the Secretary shall promptly provide such certification. The Trustee shall promptly provide written notice to the following parties of the occurrence of certain events, as follows:

(a) Upon failure to receive the certification requested by the Trustee with regard to compliance with clause (a) above under *"SUMMARY OF THE 2009 INDENTURE; General Covenants; Budget Process and Appropriations"*, to the Governor and the presiding officer of each house of the Legislature, with a copy to the Secretary, each Rating Agency, each Swap Provider, and each Credit Issuer;

(b) Upon receipt of the notice described in clause (c) above under "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations*" or failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the Legislature, with a copy to the Secretary, each Rating Agency, each Swap Provider, and each Credit Issuer; or

(c) Upon receipt of the notice described in clause (e) above under "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations*" or failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the Legislature, with a copy to the Secretary, each Rating Agency, each Swap Provider, and each Credit Issuer.

Event of Default

The State covenants that, should there be a Default or an Event of Default, the State will fully cooperate with the Trustee, the Registered Owners, the Swap Providers, and the Credit Issuers to the end of fully protecting the rights and security of the Registered Owners, the Swap Providers, and the Credit Issuers.

Appropriated Funds and Funds and Accounts

Establishment of Funds and Certain Accounts

The 2009 Indenture creates and establishes with the Trustee the following funds:

- Appropriations Fund,
- Operating Expense Fund,
- Debt Service Fund,
- Subordinated Payment Obligations Fund,
- Stabilization Fund, and
- Rebate Fund.

The 2009 Indenture also establishes in the Debt Service Fund a Debt Service Account for each Series of Appropriation Obligations and each Swap Agreement, a Proceeds Funding Account for each Series of Notes to be funded or refunded through the issuance of Funding Obligations, and a Proceeds Interest Account. Sinking fund accounts for any Series of Appropriation Obligations having sinking fund installments may be established within the Debt Service Account for such as provided in a Supplemental Indenture. (However, the Stabilization Fund will not be activated unless and until the State adopts a Supplemental Indenture establishing a Stabilization Fund Amount, the Subordinated Payment Obligations Fund will not be activated unless and until the Secretary or his or her designee executes and delivers an Authorizing Certification providing for Swap Payment Obligations – which could give rise to Subordinated Swap Payment Obligations – or Credit Facility Payment Obligations, and no Proceeds Funding Account will be created unless and until a Series of Notes is issued.)

The 2009 Indenture provides that any monies derived from an appropriation of the Legislature may only be applied in a manner consistent with its appropriation.

On the last Business Day of each Fiscal Year, the Trustee shall transfer all monies remaining in the Appropriations Fund, the Operating Expense Fund (except for amounts therein funded from proceeds of Appropriation Obligations or other obligations of the State issued for such purpose), the Debt Service Accounts, and the Subordinated Payment Obligations Fund (1) to the Stabilization Fund, (2) to the State, or (3) upon a determination by the Department that such monies are subject to an appropriation for the next Fiscal Year, to the Appropriations Fund, as directed in writing by an Authorized Department Representative.

No Stabilization Fund Amount was established for the 2009 Indenture.

Deposits into and Use of Monies in the Appropriations Fund

The Trustee shall receive for immediate deposit into the Appropriations Fund the Deposit Amount and any additional Appropriated Funds transferred to the Trustee by the State or by any Swap Provider pursuant to the terms of a Swap Agreement as follows:

- On the first Business Day of each Fiscal Year for which a Budget Bill has been enacted, the State shall pay the Deposit Amount to the Trustee for deposit in the Appropriations Fund, from amounts appropriated pursuant to Section 20.505(1)(bq) of the Wisconsin Statutes, or any successor provision thereto. On the first Business Day of each Fiscal Year, in the event a Budget Bill for that Fiscal Year has not yet been enacted, the State shall pay to the Trustee the full amount up to the Deposit Amount that is available pursuant to the carry-over of existing appropriations from the prior Fiscal Year pursuant to Section 20.002(1) of the Wisconsin Statutes, and on the Business Day following the subsequent enactment of such a Budget Bill creating additional Appropriated Funds, the State shall pay to the Trustee, for deposit in the Appropriations Fund, the amount, if any, by which amounts appropriated thereby exceed amounts previously paid to the Trustee in such Fiscal Year for deposit therein, *provided* that the total paid to the Trustee shall not exceed the Deposit Amount.

- No later than 30 days following the enactment of any separate bill providing for an appropriation available for the payment of Appropriation Obligations, Swap Payment Obligations, and/or Credit Facility Payment Obligations (including any appropriation of funds to pay Notes for the payment of which Funding Obligations are not issued), for payment of issuance or administrative expenses, or for funding a deposit to the Stabilization Fund in that Fiscal Year, the State shall pay to the Trustee for deposit in the Appropriations Fund amounts appropriated thereby.
- No later than 30 days following the enactment of a Budget Bill, the State shall pay to the Trustee the amount of any Swap Termination Payment that is a Parity Swap Payment Obligation and which was included in the calculation of Annual Appropriation Amount for that Fiscal Year, to the extent that Appropriated Funds are available.
- Immediately upon receipt, the State shall transfer to the Trustee, for deposit in the Appropriations Fund, any amounts appropriated pursuant to Section 20.505(1)(it) of the Wisconsin Statutes, or any successor provision, not otherwise deposited into the Indenture Funds under the terms of a Swap Agreement.
- At any time during each Fiscal Year that any Appropriated Funds previously transferred to the Trustee are insufficient for the requirements of the Indenture Funds, the Trustee shall notify the State of such insufficiency and the State shall promptly pay such amount to the Trustee, but solely from Appropriated Funds, for deposit in the Appropriations Fund.
- The State may, at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund for further distribution into any of the Indenture Funds and accounts described below, Appropriated Funds in addition to the Deposit Amount or other amounts required above.
- The State may direct the Trustee to transfer amounts from the Stabilization Fund to the Appropriations Fund as described below under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Stabilization Fund.*"

The Trustee, promptly after receipt of the Deposit Amount in the Appropriations Fund, shall transfer an amount thereof designated in writing by an Authorized Department Representative, consistent with the amount used in the computation of the Deposit Amount, to the Operating Expense Fund and shall transfer the balance into the Debt Service Fund for distribution into the Debt Service Accounts as designated in writing by an Authorized Department Representative. The Trustee, promptly after receipt of any other monies in the Appropriations Fund, and at any time thereafter as needed to fund the following Indenture Funds, shall make payments into the following Indenture Funds, but only to the extent consistent with the appropriation thereof by the legislature, and as to each Indenture Fund only within the limitations in the 2009 Indenture described below with respect thereto:

FIRST: Into the Operating Expense Fund, the amounts designated in writing by an Authorized Department Representative to be deposited in the Operating Expense Fund;

SECOND: Into each Debt Service Account, to the extent, if any, needed to increase the amount in such Debt Service Account so that it equals the interest and principal (whether at maturity or upon mandatory redemption) for the related Series of Bonds due on each Payment Date, the interest for the related Series of Notes due on such Payment Date, or the amount of any Parity Swap Payment Obligations, if any, due on each Payment Date, after taking into account amounts available for that purpose in the Proceeds Interest Account;

THIRD: Into each Debt Service Account for Notes, to the extent, if any, needed to increase the amount in such Debt Service Account so that it equals the principal (whether at maturity or upon mandatory redemption) for the related Series of Notes due on each Payment Date, after taking into account amounts available for that purpose, and amounts expected to be deposited and available for that purpose, in the Proceeds Funding Account;

FOURTH: Into the Subordinated Payment Obligations Fund, the amount of any Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on each Payment Date; and

FIFTH: Into the Stabilization Fund, the amount designated in writing by an Authorized Department Representative to be deposited for such Fiscal Year into the Stabilization Fund.

Any remaining Appropriated Funds shall remain in the Appropriations Fund until June 30th of each Fiscal Year. On May 1st of each year the State shall determine the extent to which there are available monies on deposit in the Appropriations Fund, the Debt Service Accounts, and the Subordinated Payment Obligations Fund that will not be needed for the purposes thereof for the balance of that Fiscal Year (taking into consideration funds available in, and funds expected to be deposited and available in, the Proceeds Interest Account or a Proceeds Funding Account for such purpose), and the State shall direct the Trustee to apply such monies prior to the end of the Fiscal Year in an amount up to the Scheduled Optional Redemption amount set forth in any Supplemental Indenture pursuant to which Appropriation Obligations have been issued, to the optional redemption of such Appropriation Obligations. To the extent that Scheduled Optional Redemption is not achieved in any Fiscal Year, the shortfall shall be added to the remaining amounts of Scheduled Optional Redemptions on a prorated basis, rounded to the nearest authorized denomination of the applicable Series of Appropriation Obligations, and the Scheduled Optional Redemptions shall be modified accordingly.

Deposits into and Use of Monies in the Debt Service Fund

The Trustee shall deposit into the Proceeds Interest Account, from time to time, (1) proceeds of Appropriation Obligations required to be deposited therein and (2) any other amounts that are subject to continuing appropriations and are provided by the State with instructions to deposit such amounts into the Proceeds Interest Account. The Trustee shall deposit into the appropriate Proceeds Funding Account, from time to time, proceeds of Funding Obligations required to be deposited. The Trustee shall deposit into the appropriate Debt Service Accounts in the Debt Service Fund the amounts required to be transferred thereto from the Appropriations Fund, the Subordinated Payment Obligations Fund, and the Stabilization Fund.

The Trustee shall withdraw from the applicable Debt Service Account, the Proceeds Interest Account, and the applicable Proceeds Funding Account on or prior to each Payment Date an amount equal to:

(a) The unpaid interest due on the Appropriation Obligations on each Interest Payment Date and shall cause the same to be applied to the payment of said interest when due.

(b) The amount of each Parity Swap Payment Obligation due on each Payment Date and shall cause the same to be paid to the applicable Swap Provider (*provided* that any Swap Termination Payment that is a Parity Swap Payment Obligation will be paid no later than 30 days after enactment of the Budget Bill or other bill providing an appropriation available for its payment).

(c) The Principal Installment of the Bonds due on each Payment Date and shall cause the same to be applied to the payment of the Principal Installment of such Bonds when due.

(d) The principal due upon optional redemption of the Appropriation Obligations on each Payment Date and shall cause the same to be applied to the payment of such principal when due, *provided* that, prior to distributing notice of any such optional redemption (other than (1) Scheduled Optional Redemptions described in "SUMMARY OF THE 2009 INDENTURE;

Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Appropriations Fund*", (2) an optional redemption of Notes for which sufficient funds are available in the applicable Proceeds Funding Account, or (3) an optional redemption with respect to which the redemption notice states that such redemption is contingent upon the availability of sufficient Appropriated Funds both to pay the Redemption Price and to satisfy the requirements of (A) and (B) below), an Authorized Department Representative has certified that the total of (A) amounts remaining on deposit in the Debt Service Fund (other than amounts on deposit in the Proceeds Interest Account which are expected to be needed in future Fiscal Years and amounts on deposit in any Proceeds Funding Account), and (B) amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(bq) of the Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year (without taking into account any principal payments required to be made with respect to Notes). For all purposes of determining the sufficiency of amounts in or payable into the Debt Service Fund or any account therein, interest on any Variable Rate Appropriation Obligations for any portion of the balance of the Fiscal Year for which the interest rate has not been determined shall be calculated at the Maximum Rate, the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum), interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation), and interest on any Funding Obligations that would be assumed to be issued under clause (e) of the respective definition of "Annual Appropriation Amount" under "GLOSSARY" shall be calculated based on the assumptions set forth in such clause (e).

(e) The principal of any Notes due on each Payment Date and shall cause the same to be applied to the payment of the principal of such Notes when due.

Prior to the Payment Date of a Principal Installment, any amount then on deposit in a Debt Service Account shall, if so directed in writing by an Authorized Department Representative, be applied by the Trustee to the purchase of Bonds of the Series and maturity for which such Principal Installment was established in an amount not exceeding that necessary to complete the payment of the unsatisfied balance of such Principal Installment. Any such purchase of Bonds shall be made at a price not exceeding the applicable sinking fund Redemption Price or principal amount of such Bonds plus accrued interest.

Prior to the Payment Date of principal of any Note, any amount then on deposit in the applicable Proceeds Funding Account shall, if so directed in writing by an Authorized Department Representative, be applied by the Trustee to the purchase of Notes of the Series to which such Proceeds Funding Account relates. Any such purchase of Notes shall be made at a price not exceeding the applicable sinking fund Redemption Price or principal amount of such Notes plus accrued interest (which accrued interest may be paid from the related Debt Service Account or the Proceeds Interest Account).

At any time, any amount then on deposit in a Debt Service Account of the Debt Service Fund shall, if so directed in writing by an Authorized Department Representative, be applied by the Trustee to another Debt Service Account to the extent not needed for purposes of the Debt Service Account in which it was originally deposited. Transfers shall be made from any Debt Service Account for the payment of principal on a Series of Notes only to the extent that the amount in the Debt Service Account from which the transfer is made would be sufficient (determined as described in paragraph (d) above) after giving effect to such transfer. In addition, if for any reason a Debt Service Account of the Debt Service Fund shall contain excess monies after a Payment Date, such excess may be held in such Debt Service Account as a credit against the requirements of such Debt Service Account for the balance of that Fiscal Year, transferred to another Debt Service Account, or returned to the Appropriations Fund, as an Authorized Department Representative shall direct. Any such amount shall be transferred to a Debt Service Account for Notes only to the extent of interest to come due on the Notes of the related Series during the current Fiscal Year (and amounts may be transferred to a Debt Service Account for Notes to provide for payment of principal to come due on the Notes of such Series only as described above).

The Trustee shall, if an Authorized Department Representative so directs, transfer monies in the Proceeds Interest Account to the Operating Expense Fund or to the Stabilization Fund to increase or replenish the Stabilization Fund Amount therein. Any such direction shall be accompanied by a certificate of an Authorized Department Representative to the effect that such monies will not be needed to pay interest on the Appropriation Obligations and that any increase in the Stabilization Fund Amount is reasonable.

In connection with a defeasance of any Appropriation Obligations, the Trustee shall, if an Authorized Department Representative so directs, withdraw from the applicable Debt Service Account, from the Proceeds Interest Account (other than amounts therein expected to be needed in for the payment of other Appropriation Obligations or Swap Payment Obligations), or (in the case of Notes) from the applicable Proceeds Funding Account all or any portion of the amounts accumulated therein with respect to debt service on the Appropriation Obligations being defeased and deposit such amounts in escrow to be held for the payment of the principal amount or Redemption Price and interest on the Appropriation Obligations being defeased. No such withdrawal shall be made unless immediately thereafter the Appropriation Obligations being defeased shall be deemed to have been paid pursuant to the 2009 Indenture as described under "SUMMARY OF THE 2009 INDENTURE; Discharge of 2009 Indenture" below.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the Legislature, and except as described under "SUMMARY OF THE 2009 INDENTURE; Defaults and Remedies; *Application of Funds*" below, payments from the Debt Service Fund shall be made ratably by the Trustee according to amounts due in respect of interest on each Appropriation Obligation, each Principal Installment for Bonds, and each Parity Swap Payment Obligation without preference of one Appropriation Obligation or Parity Swap Payment Obligation over another, and without regard to the deposit of amounts in a particular Debt Service Account (except with respect to payment of principal on Notes, which shall be paid only from the applicable Proceeds Funding Account or other Appropriated Funds appropriated for that purpose).

Deposits into and Use of Monies in the Subordinated Payment Obligations Fund

The Trustee shall deposit into the appropriate Subordinated Payment Obligations Fund the amounts required to be transferred thereto from the Appropriations Fund and the Stabilization Fund as described under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Appropriations Fund*" and "*Deposits into and Use of Monies in the Stabilization Fund.*"

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof, the Trustee shall withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. On (a) June 10th (or if June 10th is not a Business Day, the Business Day next succeeding June 10th) of each Fiscal Year, but only if the amounts on deposit in the Debt Service Fund are sufficient to meet the requirements thereof for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Debt Service Fund*"), or (b) such earlier date on which an Authorized Department Representative, at the State's option, certifies that the total of (1) the monies on deposit in the Debt Service Fund and available for such purpose and (2) the amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(bq) of the Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Debt Service Fund*", but without taking into account any principal payments required to be made with respect to Notes), then the Trustee shall withdraw from the Subordinated Payment Obligations Fund the amount of any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations which are due and owing on such date and shall cause the same to be paid to the applicable Swap Provider or Credit Issuer.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the Legislature, payments from the Subordinated Payment Obligations Fund shall be made ratably by the Trustee according to the amounts due in respect of each Subordinated Swap Payment Obligation and Credit Facility Payment Obligation without priority or preference of one Subordinated Swap Payment Obligation or Credit Facility Payment Obligation over another.

Deposits into and Use of Monies in the Stabilization Fund

The Trustee shall deposit into the Stabilization Fund, from time to time, (1) proceeds of Appropriation Obligations directed to be deposited therein pursuant to a Closing Statement as described above under "SUMMARY OF THE 2009 INDENTURE; The Appropriation Obligations; *Deposit of Proceeds to Funds and Accounts*", (2) other amounts provided by the State with instructions to deposit such amounts into the Stabilization Fund, and (3) the amounts required to be transferred thereto from the Appropriations Fund, the Proceeds Interest Account, or any other Indenture Funds as described under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Appropriations Fund*", "*Deposits into and Use of Monies in the Debt Service Fund*", and "*Establishment of Funds and Certain Accounts.*"

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the payment of principal of, and interest on, Bonds, interest on Notes and Parity Swap Payment Obligations and amounts drawn from the Subordinated Payment Obligations Fund are not sufficient to make up the shortfall, the Trustee shall withdraw from the Stabilization Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall.

Throughout each Fiscal Year until June 10th (or if June 10th is not a Business Day, the Business Day next succeeding June 10th) of the Fiscal Year, the State may, at its option, but is not required to, direct the Trustee to withdraw from the Stabilization Fund and transfer to (1) the Debt Service Account for a Series of Notes the amount needed to make up any shortfall in such Debt Service Account for the payment of principal of such Notes or (2) the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof. On June 10th (or if June 10th is not a Business Day, the Business Day next succeeding June 10th) of each Fiscal Year, the Trustee shall withdraw from the Stabilization Fund and transfer (1) to the Debt Service Account for a Series of Notes the amount needed to make up any shortfall in such Debt Service Account for the payment of principal of such Notes, but only to the extent that amounts in the Stabilization Fund will not be required to be used to fund the remaining Debt Service Accounts to meet the requirements thereof for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Debt Service Fund*"), and (2) to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof, but only to the extent that amounts in the Stabilization Fund will not be required to be used to fund the Debt Service Fund to meet the requirements thereof for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Debt Service Fund*").

On the first Business Day of each Fiscal Year an Authorized Department Representative may direct the Trustee to transfer amounts in the Stabilization Fund in excess of the Stabilization Fund Amount to the Appropriations Fund for further distribution to the Indenture Funds described above. On the last Business Day of any Fiscal Year, an Authorized Department Representative may direct the Trustee to transfer amounts in the Stabilization Fund in excess of the Stabilization Fund Amount to the State.

In connection with a defeasance of any Appropriation Obligations, the Trustee shall, if an Authorized Department Representative so directs, withdraw from the Stabilization Fund, and deposit in escrow to be held for the payment of the principal amount or Redemption Price and interest on the Appropriation

Obligations being defeased, all or any portion of the amount therein in excess of the Stabilization Fund Amount after giving effect to the defeasance of such Appropriation Obligations. No such withdrawal shall be made unless immediately thereafter the Appropriation Obligations being defeased shall be deemed to have been paid pursuant to the 2009 Indenture as described under "SUMMARY OF THE 2009 INDENTURE; Discharge of 2009 Indenture" below.

Amounts in the Stabilization Fund may be used for the final payment at maturity or upon earlier redemption of all remaining Outstanding Appropriation Obligations.

Deposits into and Use of Monies in the Operating Expense Fund

The Trustee shall deposit into the Operating Expense Fund (1) proceeds of Appropriation Obligations directed to be deposited therein pursuant to a Closing Statement as described above under "SUMMARY OF THE 2009 INDENTURE; The Appropriation Obligations; *Deposit of Proceeds to Funds and Accounts*" and (2) the amounts required to be transferred thereto from the Appropriations Fund or the Proceeds Interest Account, or any other Indenture Funds as described under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Appropriations Fund*" and "*Deposits into and Use of Monies in the Debt Service Fund.*"

The Trustee shall withdraw from the Operating Expense Fund the amounts, and pay to the parties, designated in writing by an Authorized Department Representative for the payment of issuance and administrative expenses related to the Appropriation Obligations, Swap Agreements and Swap Payment Obligations, and Credit Facilities and Credit Facility Payment Obligations.

Deposits into and Use of Monies in the Rebate Fund

The Trustee shall deposit into the Rebate Fund (and, if applicable, into the account therein designated by the State), from time to time, any amounts provided by the State with instructions to deposit such amounts into the Rebate Fund. The Trustee shall withdraw from the Rebate Fund (and, if applicable, from the account therein designated by the State) from time to time such amounts as the State may direct for payment of arbitrage rebate obligations with respect to the Appropriation Obligations or for transfer to such other fund or account as the State may determine.

Payments to the State

Any amounts remaining in any Indenture Fund after payment of all Appropriation Obligations, Swap Payment Obligations and Credit Facility Payment Obligations shall be paid to the State.

Funds Held in Trust

All money held in any of the Indenture Funds are held in trust in the custody of the Trustee subject to the provisions of the 2009 Indenture that permit their disbursements for specified purposes. All money and securities held in Indenture Funds are subject to the first lien of the 2009 Indenture and are not subject to any lien, attachment, garnishment, or other claims or proceedings by other creditors of the State or any third party.

Investments

The Trustee agrees to continuously invest and reinvest money on deposit in the Indenture Funds in Qualified Investments as directed in writing by the State, which the State agrees to provide. Money in a Proceeds Funding Account shall be invested only in securities issued by the United States or one of its agencies, securities fully guaranteed by the United States, or other Qualified Investments permitted for such funds under the Act. Investments made with money on deposit in the Indenture Funds will be held by or under the control of the Trustee and may be made by the Trustee through its own bank investment department. Investments will have maturities or be readily marketable prior to maturity in the amounts and not later than the dates as may be necessary to provide funds for the purpose for which the money in any account is to be used. Any interest or profit or any loss attributable to investments will be credited to or charged against the 2009 Indenture Fund (and in the case of the Debt Service Fund or the Rebate Fund, the account therein) in which the invested monies were deposited. The Trustee shall not be responsible for any loss resulting from any such investment, except to the extent caused by its negligence or willful default.

Discharge of 2009 Indenture

The 2009 Indenture shall be discharged if:

(a) the State has performed all its obligations under the 2009 Indenture,

(b) all Trustee's Expenses that have accrued and will accrue through the final payment of the Appropriation Obligations have been paid or arrangements satisfactory to the Trustee for their payment have been made,

(c) provision for the payment of all Outstanding Appropriation Obligations has been made to the satisfaction of the Trustee in one or more of the following ways:

(1) by paying the principal of, and premium, if any, and interest on, all Outstanding Appropriation Obligations,

(2) by irrevocably depositing with the Trustee an amount sufficient to pay or redeem (when redeemable) all Outstanding Appropriation Obligations, including interest on the Appropriation Obligations to the final payment or redemption of the Appropriation Obligations (assuming that any Variable Rate Appropriation Obligations bear interest at the Maximum Rate for any period for which the interest rate is not then known) and any redemption premium,

(3) by delivering to the Trustee, for cancellation, all Outstanding Appropriation Obligations,

(4) by depositing in trust with the Trustee, or an escrow agent that meets the requirement of the 2009 Indenture, Defeasance Obligations that mature in an amount that will, together with investment income but without reinvestment, be sufficient to pay or redeem (when redeemable) all Outstanding Appropriation Obligations at or before their respective maturity dates, including interest on the Appropriation Obligations to the final payment or redemption of the Appropriation Obligations (assuming that any Variable Rate Appropriation Obligations bear interest at the Maximum Rate for any period for which the interest rate is not then known) and any redemption premium, and by complying with any other conditions set forth in the Supplemental Indenture that authorized such Appropriation Obligations, or

(5) with respect to Appropriation Obligations of a particular Series, in such other manner as the Supplemental Indenture authorizing that Series may provide,

(d) a notice of redemption which is not contingent upon satisfaction of any condition has been given as required by the Supplemental Indenture that authorized such Appropriation Obligations if any of the Appropriation Obligations are to be redeemed before their maturity (or, if a notice of redemption cannot then be given as provided in the applicable Supplemental Indenture, then the State has given the Trustee irrevocable instructions to provide such a notice of redemption),

(e) if the payment of the Appropriation Obligations has been provided for as described under (c)(2) or (c)(4) above, the Trustee (1) has been furnished with an Opinion of Bond Counsel to the effect that the actions taken under the 2009 Indenture will not adversely affect the validity of any Appropriation Obligations and (2) has given notice to each Registered Owner of the Appropriation Obligations at the Registered Owner's Address of the actions taken as described under clause (c) above,

(f) if the payment of the Appropriation Obligations has been provided for as described under (c)(4) above, an opinion from an independent certified public accountant to the effect that the funds available or to be available in the escrow for the payment of the Appropriation Obligations will be sufficient to pay the principal of, and premium, if any, and interest on, the Appropriation Obligations,

(g) any Swap Payment Obligations and any Credit Facility Payment Obligations have been paid, or provision satisfactory for their payment has been made (1) as provided in the applicable Swap Agreement or Credit Facility Agreement or (2) otherwise to the satisfaction of the applicable Swap Provider or Credit Issuer, and

(h) any additional requirements set forth in a Supplemental Indenture with respect to the applicable Series of Appropriation Obligations have been satisfied. The First Supplemental Indenture requires that, as condition to any deposit described under clause (c)(4) above being treated as providing for the payment of any 2009 Series A Bond, the Trustee shall have been furnished with an opinion of Bond Counsel to the effect that the payment of the 2009 Series A Bond from such deposit, in accordance with the terms of such deposit, will not adversely affect the exclusion of interest on any 2009 Series A Bond from gross income of the owner thereof.

On the occurrence of the events described in clauses (a) through (h) above, the Trustee is authorized and directed to execute and deliver instruments evidencing and acknowledging the satisfaction of the 2009 Indenture, and assign and deliver to the Department any money and investments in any Indenture Fund (except money or investments held by the Trustee for the payment of the principal of, and premium, if any, and interest on, any Appropriation Obligations or for the payment of arbitrage rebate obligations with respect to Appropriation Obligations).

All money and Defeasance Obligations which are set aside and held in trust pursuant to the provisions of the 2009 Indenture for the payment of the principal of, and premium, if any, and interest on, the Appropriation Obligations will be applied to and used solely for the payment of the principal of, and premium, if any, and interest on, the particular Appropriation Obligations with respect to which it was so set aside in trust. The income derived from Defeasance Obligations held by the Trustee under the 2009 Indenture that is not needed for the payment of the principal of, or premium, if any, or interest on, the Appropriation Obligations is to be disposed of in a manner which, in the Opinion of Bond Counsel, will not adversely affect the validity of any Appropriation Obligations.

Notwithstanding a discharge of the 2009 Indenture as described in (c)(2) or (c)(4) above, resulting in the Registered Owners of Appropriation Obligations having a claim for the payment of their Appropriation Obligations solely from the cash and securities so set aside, the 2009 Indenture will continue to govern the method of making payments of principal and interest on the Appropriation Obligations, the registration, transfer, and exchange of Appropriation Obligations, the circumstances under which the Appropriation Obligations may or must be redeemed or tendered, and similar matters.

Defaults and Remedies

Events of Default

The occurrence and continuance of any of the following events is an Event of Default under the 2009 Indenture:

(a) failure to pay when due the principal of, or premium, if any, or interest on, any Appropriation Obligations or any Parity Swap Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;

(b) failure to pay as required by the terms of the 2009 Indenture any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations, except to the extent that such failure is due to an insufficiency of Appropriated Funds to make such payment;

(c) failure to pay when due the tender price on any Appropriation Obligation upon mandatory or optional tender for purchase as provided in the 2009 Indenture, except to the extent that such failure is due to (1) an insufficiency of appropriated funds to make such payment with respect to any Appropriation Obligations for which there is no liquidity facility or (2) the Credit Issuer under a liquidity facility being relieved of its obligation to pay the Tender Price due to an Event of Nonappropriation or to a failure to pay that is due to an Event of Nonappropriation or to any other insufficiency of Appropriated Funds to make such payment; or

(d) the State defaults in the due and punctual performance of any of the other covenants, conditions, agreements, and provisions on the part of the State to be performed pursuant to the Appropriation Obligations or the 2009 Indenture (including any Supplemental Indenture) and the default continues for 30 days after written notice specifying the default and requiring that it be remedied has been given to the State by the Trustee, which may give the notice in its discretion and must give the notice upon receipt of a written request of the Registered Owners of at least 25% of the aggregate principal amount of any Series of Appropriation Obligations then Outstanding that it do so, or as otherwise provided in a Supplemental Indenture. However, if the default is one which can be remedied but cannot be remedied within that 30-day period, the Trustee may (except as limited by a Supplemental Indenture) grant an extension of the 30-day period if the State institutes corrective action within that 30-day period and diligently pursues that action until the default is remedied.

Remedies

Upon the occurrence of any Event of Default the Trustee may take whatever action at law or in equity it deems necessary or desirable (1) to collect any amounts then due under the 2009 Indenture or the Appropriation Obligations, any Swap Payment Obligations, or any Credit Facility Payment Obligations, (2) to enforce performance of any obligation, agreement, or covenant of the State under the 2009 Indenture or the Appropriation Obligations, of a Credit Issuer under any Credit Facility issued or entered into with respect to any Appropriation Obligations, or of the grantor of any other collateral given to secure the payment of any Appropriation Obligations, or (3) to otherwise enforce any of its rights. However, actions against the State shall be limited to those permitted by the Statutes and the Constitution of the State.

Nothing in the 2009 Indenture is intended as a waiver by the State of its sovereign immunity, any procedural requirements for any remedy, or any defenses available to it.

Right to Direct Proceedings

Except as a Supplemental Indenture may otherwise provide with respect to rights of Credit Issuers to act in the stead of Registered Owners, as described under "SUMMARY OF THE 2009 INDENTURE; Certain Rights of Credit Issuers" below, the Registered Owners of the Appropriation Obligations have the right to direct the exercise of any rights or remedies under the 2009 Indenture, and the method and place of conducting all proceedings to be taken in connection with the enforcement of the 2009 Indenture. The directions of the Registered Owners of Appropriation Obligations are to be contained in a request which is signed by the Registered Owners of at least a majority of the aggregate principal amount of the Appropriation Obligations then Outstanding and delivered to the Trustee, and accompanied with indemnification of the Trustee as is provided in the 2009 Indenture.

Application of Funds

Upon an Event of Default or an Event of Nonappropriation, any Appropriated Funds received or held by the Trustee will be applied as follows:

FIRST: To the payment of (1) the costs and expenses associated with the Trustee's carrying out its obligations with respect to the Event of Nonappropriation or the exercise of any remedy related to an Event of Default, including reasonable compensation to the Trustee and its attorneys and agents, and (2) any Trustee's Expenses.

SECOND: To the payment of interest, principal, and premium, if any, then due on the Appropriation Obligations (other than Appropriation Obligations called for redemption for the payment of which money is held pursuant to the provisions of the

2009 Indenture described above under "SUMMARY OF THE 2009 INDENTURE; Discharge of 2009 Indenture") and Parity Swap Payment Obligations, in the order of the maturity of the payments of interest, principal and premium, if any and Parity Swap Payment Obligations then due ratably, and, if the amount available is not sufficient to pay in full interest, principal, premium, and Parity Swap Payment Obligations due on any particular date, then first to the payment of interest and Parity Swap Payment Obligations ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege and second, to the amount of principal and premium, ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege. However, (1) funds in a Proceeds Funding Account shall be used first for the payment of principal of the related Series of Notes, and (2) principal of Notes shall be payable from any funds other than funds in the related Proceeds Funding Account only after all other obligations described in this clause Second have been paid.

THIRD: Subject to the provisions of the 2009 Indenture described in "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposit Into and Use of Monies in the Subordinated Payment Obligations Fund*", to the payment of Subordinated Swap Payment Obligations and Credit Facility Payment Obligations then due in the order of the maturity of such payments and, if the amount available is not sufficient to pay in full the Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on any particular date, then to their payment ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege.

FOURTH: To the payment of any other sums required to be paid by the State pursuant to any provisions of the 2009 Indenture.

Whenever money is to be applied as described above, the money is to be applied at the times the Trustee determines, having due regard for the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee applies such funds it will fix the date (which will be an Interest Payment Date unless it deems another date more suitable) upon which the application is to be made and on that date interest on the amounts of principal paid ceases to accrue.

Any monies derived from an appropriation may only be applied in a manner consistent with its appropriation.

Remedies Vested in Trustee

Any suit or proceeding instituted by the Trustee is to be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants the Registered Owners. Any resulting recovery or judgment is for the benefit of the Registered Owners of the Outstanding Appropriation Obligations, the Swap Providers, and the Credit Issuers in accordance with the terms of the 2009 Indenture.

Limitation on Rights and Remedies of the Registered Owners

No Registered Owner of Appropriation Obligations, Swap Provider, or Credit Issuer has any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the 2009 Indenture, for the execution of any trust created under the 2009 Indenture, for the appointment of a receiver, or for any other remedy, unless

(a) an Event of Default has occurred of which the Trustee has been notified as provided in the 2009 Indenture or of which the Trustee is deemed to have notice by the terms of the 2009 Indenture,

(b) the Trustee has received a request to do so and has been offered a reasonable opportunity either to proceed to exercise the powers granted in the 2009 Indenture or to institute an action, suit, or proceeding in its own name,

(c) the Trustee has been offered indemnity as provided in the 2009 Indenture, and

(d) the Trustee thereafter fails or refuses to exercise the powers granted in the 2009 Indenture or to institute an action, suit, or proceeding in its own name.

No Registered Owner of Appropriation Obligations, Swap Provider, or Credit Issuer has any right to affect, disturb, or prejudice the security of the 2009 Indenture by its action or to enforce any right under the 2009 Indenture except in the manner provided in the 2009 Indenture and all proceedings at law or in equity are to be conducted in the manner provided in the 2009 Indenture for the equal and ratable benefit of all the Registered Owners, Swap Providers, or Credit Issuers in accordance with the priority provided in the 2009 Indenture. Nothing in the 2009 Indenture, however, affects or impairs the right of Registered Owners, Swap Providers, or Credit Issuers to enforce the payment of the principal of, and premium, if any, and interest on, any Appropriation Obligations, any Swap Payment Obligations, or any Credit Facility Payment Obligations, respectively, at and after their maturity or the obligation of the State to pay the principal of, and premium, if any, and interest on, the Appropriation Obligations issued under the 2009 Indenture, the Swap Payment Obligations, or the Credit Facility Payment Obligations, respectively, to the Registered Owners, the Swap Providers, and the Credit Issuers, respectively, at the times and places, from the sources, and in the manner expressed in the 2009 Indenture and the Appropriation Obligations, the Swap Agreements, and the Credit Facility Agreements.

Waivers of Events of Default

The Trustee may waive any Event of Default under the 2009 Indenture and its consequences and must do so upon receipt of a request to do so from the Registered Owners of a majority in aggregate principal amount of each Series of Appropriation Obligations then Outstanding, except as a Supplemental Indenture may otherwise provide with respect to rights of Credit Issuers to restrict such waivers (see "SUMMARY OF THE 2009 INDENTURE; Certain Rights of Credit Issuers"). However, the Trustee may not waive any Event of Default in the payment of the principal of, or premium, if any, or interest on, any Appropriation Obligations unless prior to the waiver all arrears of principal, premium, if any, and interest on the Appropriation Obligations for which appropriations have been made, and all expenses of the Trustee in connection with the Event of Default, have been paid or provided for.

The Trustee

Acceptance of the Trusts

The Trustee accepts and agrees to perform the duties of the Trustee under the 2009 Indenture upon the terms and conditions set forth therein.

Trustee's Expenses and Indemnification

The Trustee is entitled to payment or reimbursement of its Trustee's Expenses. Upon the occurrence of an Event of Default or an Event of Nonappropriation, the Trustee has a lien upon the Trust Estate for the payment of the Trustee's Expenses, with right to payment prior to payment on account of any Appropriation Obligation, any Swap Payment Obligation, and any Credit Facility Payment Obligations. To the extent permitted by the Statutes and Constitution of the State, the Trustee shall be entitled to payment or reimbursement from the State to indemnify the Trustee for any loss, liability, or expense incurred without negligence, willful misconduct, or bad faith on its part, arising out of or in connection with the acceptance or administration of the 2009 Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the 2009 Indenture.

Notice to Registered Owners if an Event of Default or an Event of Nonappropriation Occurs

If an Event of Default or an Event of Nonappropriation occurs of which the Trustee is required to take notice or of which it has been given notice, the Trustee agrees to give written notice of the Event of Default or Event of Nonappropriation by first-class mail to the Registered Owners of all Appropriation Obligations then Outstanding at the Registered Owner's Addresses.

Intervention by Trustee

The Trustee may, and upon receipt of a request to do so from the Registered Owners of a majority of the principal amount of Appropriation Obligations then Outstanding and upon indemnity being provided as required by the 2009 Indenture the Trustee must, intervene on behalf of the Registered Owners of Appropriation Obligations in any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Registered Owners of Appropriation Obligations. The rights and obligations of the Trustee described in this paragraph are subject to the approval of a court of competent jurisdiction.

Successor Trustee; Resignation or Removal of the Trustee; Successor or Temporary Trustee

Any corporation or association (1) into which the Trustee may be converted or merged, (2) with which the Trustee may be consolidated, (3) to which the Trustee may sell or transfer its trust business and assets as a whole or substantially as a whole, or (4) resulting from a conversion, sale, merger, consolidation, or transfer to which the Trustee is a party shall become successor Trustee under the 2009 Indenture without the execution or filing of any instrument or any further act.

The Trustee may at any time resign by giving 30 days' written notice by registered or certified mail to the State and the Registered Owners. The Trustee may be removed at any time without cause (1) at the direction of the State (so long as no Default or Event of Default under the 2009 Indenture has occurred, whether or not continuing) or (2) by an instrument or concurrent instruments in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Appropriation Obligations then Outstanding and delivered to the Trustee and the State. A resignation or removal takes effect upon the appointment of a successor Trustee by the Registered Owners or a temporary Trustee by the State and the successor or temporary Trustee's acceptance of its appointment.

In case the Trustee resigns, is removed, is dissolved, is in the course of dissolution or liquidation, is taken under the control of a public officer, has a receiver appointed for it by a court, or otherwise becomes incapable of acting under the 2009 Indenture, a successor may be appointed by an instrument in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Appropriation Obligations then Outstanding. In case of a vacancy the State may appoint a temporary Trustee to fill the vacancy until a successor Trustee has been appointed by the Registered Owners of Appropriation Obligations in the manner described above. Any temporary Trustee appointed by the State shall be superseded by the Trustee appointed by the Registered Owners of Appropriation Obligations. Every Trustee so appointed must be a trust company or a bank in good standing that is a member of the Federal Deposit Insurance Corporation, having a reported capital and surplus of not less than $10 million or having assets under administration of not less than $200 million (if there is an institution willing, qualified, and able to accept the trust upon reasonable and customary terms), and having the qualifications required by the Act.

Separate Trustee or Co-Trustee

The 2009 Indenture provides for the appointment of a separate trustee or co-trustee if desirable or necessary in connection with litigation under the 2009 Indenture, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies granted to it under the 2009 Indenture or hold title to the Trust Estate.

Supplemental Indentures

Supplemental Indentures Not Requiring the Consent of Registered Owners

The State and the Trustee may, without the consent of or notice to the Registered Owner of Appropriation Obligations, Swap Providers, or Credit Issuers, enter into Supplemental Indentures which are not inconsistent with the terms and provisions of the 2009 Indenture:

(a) to provide for the issuance of Appropriation Obligations;

(b) to cure any ambiguity or formal defect or omission in the 2009 Indenture;

(c) to grant to or confer upon the Trustee any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Registered Owners, Swap Providers, Credit Issuers, or the Trustee, so long as such amendment does not adversely affect the rights or interests of any Registered Owner, Swap Provider, or Credit Issuer that has not consented to such amendment;

(d) to subject additional revenues, properties, or collateral to the 2009 Indenture;

(e) to surrender or condition the exercise of any right or power granted to the State in the 2009 Indenture; or

(f) to supplement the 2009 Indenture in any other way which, in the judgment of the Trustee, is not to the material prejudice of the Trustee, the Registered Owners of Appropriation Obligations, any Swap Provider, or any Credit Issuer that has not consented to such supplement.

Supplemental Indentures Requiring the Consent of the Registered Owners and Swap Providers

In addition to Supplemental Indentures described above under "SUMMARY OF THE 2009 INDENTURE; Supplemental Indentures; *Supplemental Indentures Not Requiring the Consent of Registered Owners*", the State and the Trustee, with the prior written consent of the Registered Owners of a majority of the aggregate principal amount of each Series of Appropriation Obligations then Outstanding and each Swap Provider, may enter into Supplemental Indentures as the State and the Trustee deem necessary and desirable for the purpose of amending any of the terms or provisions contained in the 2009 Indenture (including any Supplemental Indenture). No Supplemental Indenture, however, may permit (1) an extension of the stated maturity or reduction in the principal amount or Redemption Price of, a reduction in the rate or an extension of the time for paying interest on, or a reduction in the amount or an extension of the time for any payment required by any sinking fund applicable to any Appropriation Obligations without the consent of the Registered Owners of all the Appropriation Obligations that would be affected by the action to be taken, (2) the creation of any lien prior to or (except in connection with the issuance of Appropriation Obligations or the incurrence of Credit Facility Payment Obligations or Swap Payment Obligations) on a parity with the lien of the 2009 Indenture, without the consent of the Registered Owners of all Appropriation Obligations at the time Outstanding, or (3) a reduction in the aggregate principal amount of Appropriation Obligations the Registered Owners of which are required to consent to any Supplemental Indenture, without the consent of the Registered Owners of all Appropriation Obligations at the time Outstanding that would be affected by the action to be taken.

If at any time the State requests the Trustee to enter into such a Supplemental Indenture, the Trustee shall send notice of the proposed execution of the Supplemental Indenture by registered or certified mail to the Registered Owner of each of the Appropriation Obligations at the Registered Owner's Address. The notice will briefly set forth the nature of the proposed Supplemental Indenture and state that copies of it are on file at the Designated Trust Office of the Trustee for inspection by the Registered Owner of any Appropriation Obligation. If, within 60 days or any longer period as is prescribed by the State following the mailing of the notice, consent of the requisite Registered Owners has been obtained, no Registered Owner of any Appropriation Obligation shall have any right to object to any of the terms and provisions of the 2009 Indenture or their operation, in any manner to question the propriety of the execution of the Supplemental Indenture or to enjoin or restrain the Trustee or the State from executing the Supplemental Indenture or from taking any action pursuant to the provisions of the Supplemental Indenture. Upon the execution of any Supplemental Indenture as provided in the 2009 Indenture, the 2009 Indenture shall be modified and amended in accordance with it.

Certain Rights of Credit Issuers

The 2009 Indenture provides that a Credit Issuer with respect to a Series of Appropriation Obligations may have certain rights, including the rights: (1) to be subrogated to the rights of the Owners of Appropriation Obligations of such Series that are paid by its Credit Facility, and to have those Appropriation Obligations continue to be treated as Outstanding under the 2009 Indenture; (2) to be treated as the Registered Owner of the Appropriation Obligations of such Series for such purposes as the Supplemental Indenture may provide; (3) to limit the future issuance of Appropriation Obligations (other than Funding Obligations, which a Credit Issuer may not limit); (4) to prohibit Supplemental Indentures affecting such Series of Appropriation Obligations without its consent; and (5) to limit waivers of Events of Default without its consent.

Miscellaneous

Consent of Registered Owners

Any instrument required by the 2009 Indenture to be signed by Registered Owners may be in any number of concurrent writings of similar tenor. Proof of the execution of any such instrument is sufficient for any of the purposes of the 2009 Indenture if it contains or is accompanied by (1) a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction to the effect that the person signing the writing acknowledged before him the execution thereof or (2) an affidavit of any witness to the execution. The ownership of Appropriation Obligations and the amount, series, numbers, and other identification of them and the date on which they were held are conclusively proved by the Registration Books.

Notices

Unless provided to the contrary in the 2009 Indenture, all notices or other communications under the 2009 Indenture are deemed given when delivered, received by facsimile or e-mail, or mailed by first-class mail, postage prepaid, addressed to the parties at the addresses set forth in the 2009 Indenture.

Obligations Due on Saturdays, Sundays, or Holidays

If any date on which an obligation of the Trustee or the State is to be performed falls on a day that is not a Business Day, then the payment or fulfillment of the obligation may be made on the next succeeding Business Day with the same effect as if made on the date due except that (1) a Supplemental Indenture authorizing a Series of Appropriation Obligations may provide that interest on such Appropriation Obligations continues to accrue to the date of actual payment and (2) in the case of the end of a Fiscal Year, such payment or fulfillment shall be made on the preceding Business Day.

GLOSSARY

The following definitions apply to capitalized terms used in this Part IX of the 2016 Annual Report.

2003 Bonds means the 2003 Series A Bonds and the 2003 Series B Bonds.

2003 Indenture means the Trust Indenture, dated as of December 1, 2003, between the State, acting by and through the Department of Administration, under the authority of the Act, and the Trustee, as trustee, as supplemented and amended from time to time.

2003 Series A Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2003, Series A (Taxable Fixed Rate).

2003 Series B Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2003, Series B (Taxable Auction Rate Certificates), which were refunded in full with proceeds of the 2008 Bonds.

2008 Bonds means the 2008 Series A Bonds, 2008 Series B Bonds, and 2008 Series C Bonds.

2008 Series A Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2008, Series A (Taxable Fixed Rate), which were refunded in full with proceeds of the 2016 Series A Bonds.

2008 Series B Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2008, Series B (Taxable Floating Rate Notes).

2008 Series C Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2008, Series C (Taxable Floating Rate Notes),

2009 Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2009, Series A.

2009 Indenture means the Trust Indenture, dated as of April 1, 2009, between the State, acting by and through the Department of Administration, under the authority of the Act, and the Trustee, as trustee, as supplemented and amended from time to time.

2012 Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2012, Series A (Taxable).

2016 Bonds means the 2016 Series A Bonds and the 2016 Series B Bonds.

2016 Series A Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2016, Series A (Taxable).

2016 Series B Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2016, Series B (Taxable).

Accumulated Unused Sick Leave Liability means the State's unfunded liability under Sections 40.05(4)(b), (bc), and (bw) and subchapter IX of Chapter 40, Wisconsin Statutes, as certified by the Secretary of the Wisconsin Department of Employee Trust Funds.

Act or **Enabling Act** means Section 16.527 of the Wisconsin Statutes, as from time to time amended.

Annual Appropriation Amount means, with respect to the 2003 Indenture, for any Fiscal Year which is the first Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (g) for such Fiscal Year, plus the amount in the following clause (h), and for any Fiscal Year which is the second Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (g) for such Fiscal Year or for the immediately succeeding Fiscal Year, whichever is greater, plus the amount in the following clause (h):

(a) the amount of principal of 2003 Indenture Bonds Outstanding coming due during the Fiscal Year;

(b) the amount of principal of 2003 Indenture Bonds Outstanding to be redeemed (whether pursuant to mandatory or optional redemption provisions) during the Fiscal Year, with the amount to be redeemed pursuant to optional redemption determined based on the schedule or formula, if any, set forth in the Supplemental Indenture pursuant to which the Additional 2003 Indenture Bonds are issued, for the Fiscal Year;

(c) interest to be paid during the Fiscal Year with respect to Fixed Rate 2003 Indenture Bonds Outstanding;

(d) interest that would be payable during the Fiscal Year with respect to Variable Rate 2003 Indenture Bonds Outstanding, determined at the maximum rate specified with respect thereto;

(e) the maximum amount of any Swap Payment Obligations (other than Swap Termination Payments) that would be payable during the Fiscal Year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the Swap Provider; *provided*, that any payment that is determined without limit as to amount shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum;

(f) the maximum amount of Credit Facility Payment Obligations due during the Fiscal Year except to the extent included in (a) through (e) above;

(g) estimated administrative expenses, if they will be payable from the Operating Expense Fund during the Fiscal Year; and

(h) the amount of all Swap Termination Payments which are unpaid and owing as of the September 1 immediately preceding the commencement of the Biennium which includes the Fiscal Year with respect to which the Annual Appropriation Amount is being determined, plus interest to accrue on such Swap Termination Payments to the date on which they are reasonably expected to be made, *provided* that for interest determined based on a variable rate, interest shall be calculated at the maximum rate permitted in the Swap Agreement and if no maximum rate is specified, a rate of 15% per annum;

and means, with respect to the 2009 Indenture, for any Fiscal Year that is the first Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (i) for such Fiscal Year, plus the amount in the following clause (j), and for any Fiscal Year that is the second Fiscal Year of a Biennium (beginning with Fiscal Year 2012-13), an amount equal to the sum of the amounts in the following clauses (a) through (i) for such Fiscal Year or for the immediately succeeding Fiscal Year, whichever is greater, plus the amount in the following clause (j):

(a) the amount of principal of Outstanding 2009 Indenture Bonds maturing during the Fiscal Year;

(b) the amount of principal of Outstanding 2009 Indenture Bonds scheduled to be redeemed pursuant to mandatory or Scheduled Optional Redemptions during the Fiscal Year;

(c) the amount of interest to be paid during the Fiscal Year with respect to Outstanding Fixed Rate Appropriation Obligations;

(d) the amount of interest that would be payable during the Fiscal Year with respect to Outstanding Variable Rate Appropriation Obligations, calculated at the Maximum Rate with respect thereto for any portion of such Fiscal Year for which the interest rate has not been determined;

(e) the amount of interest that would be payable during the Fiscal Year with respect to Funding Obligations, assuming that any Outstanding Notes maturing during or prior to such Fiscal Year are retired on the maturity date thereof through the contemporaneous issuance of Funding Obligations in an aggregate principal amount determined by the Department to be sufficient to provide funds to pay the principal amount of such maturing Notes, which Funding Obligations mature on the last day of such Fiscal Year and bear interest, payable on the last day of such Fiscal Year, at a rate of 15% per annum;

(f) the amount, if any, certified by an Authorized Department Representative to be the expected principal amortization in such Fiscal Year for Funding Obligations described in clause (e) above;

(g) the maximum amount of any Swap Payment Obligations (other than Swap Termination Payments) that would be payable during the Fiscal Year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the Swap Provider, with any payment that is determined without limit as to amount being calculated at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum;

(h) the maximum amount of Credit Facility Payment Obligations due during the Fiscal Year, except to the extent included in clauses (a) through (g) above;

(i) the estimated amount of administrative expenses that will be payable from the Operating Expense Fund during the Fiscal Year; and

(j) the amount of all Swap Termination Payments that are unpaid and owing as of the September 1 immediately preceding the commencement of the Biennium that includes the Fiscal Year with respect to which the Annual Appropriation Amount is being determined, plus interest accrued and to accrue on such Swap Termination Payments to the date on which they are expected to be made (with interest based on a variable rate calculated at the maximum rate permitted in the Swap Agreement, or if no maximum rate is specified, at a rate of 15% per annum).

Appropriated Funds means (a) with respect to the 2003 Indenture, all amounts appropriated by law pursuant to Sections 20.505(1)(br), 20.505(1)(iq), and 20.505(1)(it) of the Wisconsin Statutes, or any successor provisions, from year to year with respect to the Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations; (b) with respect to the 2009 Indenture, all amounts appropriated by law pursuant to Sections 20.505(1)(bq), 20.505(1)(iw), and 20.505(1)(it) of the Wisconsin Statutes, or any successor provisions, from year to year with respect to the Indenture Obligations, any other amounts appropriated by law for payment of the Indenture Obligations, and (c) any other amounts appropriated by law for payment of the Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations.

Appropriations Fund means the fund by that name established pursuant to the respective Indenture.

Appropriation Obligations means, with respect to the 2009 Indenture, bonds or notes of the State issued, authenticated, and delivered pursuant to the 2009 Indenture.

Authorized Department Representative means the person identified in a written certificate which is signed by the Secretary of Administration, which contains a specimen of the Authorized Department Representative’s signature, and which has been delivered to the Trustee. Authorized Department Representative includes any alternate or alternates designated in the certificate in the same manner. An Authorized Department Representative or alternate may be an employee of the Department.

Authorizing Certification means a written certification of the Department of Administration pursuant to section (5)(a) of the Act, as it may be amended in accordance with the terms of the respective Indenture, executed by the Secretary of Administration or his or her designee and delivered to the Governor, authorizing the execution and delivery of the 2003 Indenture or 2009 Indenture and the Bonds, or authorizing the execution and delivery of a Supplemental Indenture and one or more Series of Bonds.

Biennium means the two-Fiscal Year period beginning July 1st of each odd-numbered year.

Bond Counsel means legal counsel whose legal opinions on municipal bond issues are nationally recognized.

Bondowner means the Registered Owner of a Bond.

Bond Insurance Policies means, collectively, all policies of municipal bond insurance issued by the Bond Insurers insuring the Bonds.

Bond Insurers means (a) with respect to the 2003 Series A Bonds, the 2008 Series C Bonds, and certain 2008 Series B Bonds, Financial Security Assurance Inc. (now known as Assured Guaranty Municipal Corp.), and (b) with respect to any Series of Additional Bonds, any Person that issues a Bond Insurance Policy insuring such Series of Bonds, as identified in the applicable Supplemental Indenture.

Bonds means the bonds of the State issued pursuant to the 2003 Indenture, including the 2003 Bonds, the 2008 Bonds, the 2012 Bonds, the 2016 Series A Bonds and any Additional Bonds issued pursuant to the 2003 Indenture, and obligations designated by the Department as “Bonds” in a Supplemental Indenture to the 2009 Indenture.

Book Entry Form or **Book Entry System** means, with respect to the Bonds, a form or system, as applicable, under which (1) the ownership of beneficial interests in the Bonds may be transferred only through a book entry system and (2) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Registered Owner, with the physical bond certificates immobilized in the custody of the Depository.

Budget Bill means, for any Biennium, (1) the executive budget bill or bills described under Section 16.47 of the Wisconsin Statutes, or any successor provision thereto, introduced into either house of the legislature of the State, as introduced, (2) the budget bill as adopted by either house of the legislature of the State, and (3) the budget bill as approved in whole or in part by the Governor and enacted into law.

Business Day means a day which is not (1) a Saturday, Sunday, or legal holiday, (2) a day on which commercial banks are required or authorized by law to be closed in the State or in the city of the Designated Trust Office, or (3) a day on which The New York Stock Exchange is closed for the entire day or federal reserve banks are closed. A Supplemental Indenture authorizing a Series of Additional Bonds may provide for a different definition when used with respect to such Additional Bonds.

Closing Statement means the certificate signed by an Authorized Department Representative in connection with the issuance of Bonds, containing instructions regarding the disposition of proceeds of the Bonds, as required by the respective Indenture.

Credit Facility means any standby or direct pay letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy (including any Bond Insurance Policy), or other insurance commitment or other agreement or ancillary arrangement (other than a Swap Agreement), satisfactory to the State, that is provided by a commercial bank, insurance company, or other entity to pay or further secure payment of debt service on Bonds or the purchase of Bonds upon tender.

Credit Facility Payment Obligations means all payment and reimbursement obligations of the State to a Credit Issuer in connection with any Credit Facility securing all or a portion of any Bonds.

Credit Issuer means the issuer of a Credit Facility, including a Bond Insurer.

DTC means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York.

Debt Service Account means each Debt Service Account of the Debt Service Fund established pursuant to the respective Indenture.

Debt Service Fund means the fund by that name established pursuant to the respective Indenture.

Default means the occurrence of an event which, with the lapse of time or the giving of notice or both, is an Event of Default.

Defeasance Obligations means, with respect to the 2003 Indenture, noncallable U.S. Government Obligations or obligations issued by one of the agencies of the United States of America, not redeemable at the option of the State or anyone acting on its behalf prior to maturity. The 2003 Indenture provides further restrictions on Defeasance Obligations in connection with the defeasance of the 2003 Series A Bonds, the 2008 Series C Bonds, and certain of the 2008 Series B Bonds and provides that a Supplemental Indenture authorizing a Series of Additional Bonds may include further restrictions on Defeasance Obligations in connection with the defeasance of such Series of Additional Bonds.
Defeasance Obligations means, with respect to the 2009 Indenture, the investments identified as such in a Supplemental Indenture authorizing a particular series of Appropriation Obligations, and with respect to the 2009 Bonds and 2016 Series B Bonds, means noncallable U.S. Government Obligations or obligations issued by one of the agencies of the United States of America not redeemable at the option of the State or anyone acting on its behalf prior to maturity.

Department or **Department of Administration** or **DOA** means the Department of Administration of the State.

Deposit Amount means the amount certified by the Secretary of Administration as the net amount reasonably expected to be needed during the applicable Fiscal Year to pay principal of Bonds (whether at maturity or by redemption prior to maturity and including any amount set forth in a schedule or formula, if any, set forth in a Supplemental Indenture pursuant to which Additional Bonds are issued), interest on Bonds or, with respect to the 2009 Indenture, Notes, and any Swap Payment Obligations (other than Swap Termination Payments), and to pay administrative expenses. The amount certified shall take into account amounts held by the Trustee in the Proceeds Account, but shall not take into account amounts held by the Trustee in the Stabilization Fund, that may be applied to such payments. The amount certified shall also take into account the effect of any reasonably expected refunding of Bonds or, with respect to the 2009 Indenture, Notes.

Depository means any securities depository that is a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934, operating and maintaining, with its Participants or otherwise, a Book Entry System to record ownership of beneficial interests in the Bonds and to effect transfers of the beneficial ownership in the Bonds in Book Entry Form.

Designated Trust Office means the corporate trust office designated by the Trustee.

Event of Default has the respective meaning attributed to it under "SUMMARY OF THE 2003 INDENTURE; Defaults and Remedies" and "SUMMARY OF THE 2009 INDENTURE; Defaults and Remedies."

Event of Nonappropriation means the insufficiency of Appropriated Funds in any Fiscal Year to pay when due all principal, redemption premium, and interest on the Bonds and all Parity Swap Payment Obligations.

Fiscal Year means the 12-month fiscal period commencing on July 1st of each year and ending on June 30th of the succeeding year.

Fitch shall mean Fitch Ratings and its successors and assigns.

Fixed Rate Bonds (or **Fixed Rate** when used with respect to Bonds) means any Bonds, the interest rate on which is established (with no right to vary) at a single numerical rate for the remaining term of such Bonds.

Funded Interest means proceeds of the Bonds deposited with the Trustee to pay interest on Bonds or any Parity Swap Payment Obligations.

Funding Obligations means, with respect to the 2009 Indenture, Bonds or Notes issued under the 2009 Indenture for the purpose of funding or refunding Notes at or prior to their maturity (and, to the extent provided in the related Authorizing Certification, to pay any issuance or administrative expenses or Funded Interest with respect thereto as authorized by the Act).

Governor means the governor of the State.

Indenture Funds means the funds created under of the respective Indenture.

Indenture Obligations means with respect to the 2009 Indenture, Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations.

Interest Payment Date means any date specified in the respective Indenture or a Supplemental Indenture for the payment of interest on Bonds.

Issuance Expenses means fees and expenses incurred or to be incurred by or on behalf of the State, the Trustee, or Bond Counsel for the Bonds in connection with the issuance and sale of the Bonds including, but not limited to, underwriting costs (whether in the form of discount in the purchase of the Bonds or otherwise), fees and expenses of legal counsel (including Bond Counsel, counsel to the Trustee, and counsel to the Purchaser), fees and expenses of financial advisors, feasibility consultants, and accountants, rating agency fees, fees of the Trustee, printing costs, recording expenses, fees and expenses related to any Credit Facility or Swap Agreement in connection with the Bonds, fees and costs related to exchange listings, and costs associated with the acquisition of securities for any defeasance escrow and for verifying the sufficiency of any defeasance escrow and any other fees, costs, or expenses in connection with the respective Indenture or the Bonds as determined by an Authorized Department Representative.

Maximum Rate means, with respect to the 2003 Indenture, the lesser of (a) 15% per annum or such higher rate as the State may establish with a Rating Confirmation or (b) the maximum rate of interest permitted by the laws of the State. With respect to the 2008 Series B Bonds and 2008 Series C Bonds, the

State established a maximum rate of 35%. **Maximum Rate** means, with respect to a Series of Variable Rate Appropriation Obligations under the 2009 Indenture, the rate per annum established in or pursuant to the Supplemental Indenture authorizing such Appropriation Obligations as the maximum interest rate that may be borne by such Appropriation Obligations at any time.

Moody's means Moody's Investors Service, Inc. and its successors and assigns.

Notes means, with respect to the 2009 Indenture, Appropriation Obligations designated by the Department as "Notes" in the Supplemental Indenture pursuant to which they are issued.

Operating Expense Fund means the fund by that name established pursuant to the respective Indenture.

Opinion of Bond Counsel means an opinion in writing signed by legal counsel who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers.

Opinion of Counsel means an opinion in writing signed by legal counsel who may be an employee of or counsel to the State and who shall be satisfactory to the Trustee.

Outstanding, when used with reference to 2003 Indenture Bonds, means all 2003 Indenture Bonds which have been authenticated and delivered by the Trustee under the 2003 Indenture except:

- Bonds or portions of Bonds after (1) payment at maturity or redemption prior to maturity (unless the 2003 Indenture or a Supplemental Indenture otherwise provides in the case of Bonds that have been paid with Credit Facility proceeds for which the Credit Issuer has not been reimbursed) or (2) delivery to the Trustee by the State for cancellation pursuant to the 2003 Indenture,
- Bonds for the payment or redemption of which there has been irrevocably deposited with the Secretary of Administration or Trustee, in trust, cash or Defeasance Obligations in accordance with the requirements of the 2003 Indenture and the Act.
- Bonds in lieu of which other Bonds have been authenticated upon transfer, exchange, or replacement as provided in the 2003 Indenture, and
- for purposes of any agreement, acceptance, approval, waiver, consent, request, or other action to be taken under the 2003 Indenture by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the State.

and means, when used with reference to the 2009 Indenture, all 2009 Indenture Bonds or Appropriation Obligations which have been delivered by the Trustee under the 2009 Indenture except:,

- Appropriation Obligations after (1) payment at maturity or redemption prior to maturity (unless a Supplemental Indenture otherwise provides in the case of Appropriation Obligations that have been paid with Credit Facility proceeds for which the Credit Issuer has not been reimbursed) or (2) delivery to the Trustee by the State for cancellation pursuant to the 2009 Indenture,
- Appropriation Obligations for the payment or redemption of which there has been irrevocably deposited with the Trustee, in trust, cash or Defeasance Obligations in accordance with the requirements of the 2009 Indenture and the Act, as described under "SUMMARY OF THE 2009 INDENTURE; Discharge of 2009 Indenture",
- Appropriation Obligations in lieu of which other Appropriation Obligations have been authenticated upon transfer, exchange, or replacement as provided in the 2009 Indenture,
- Appropriation Obligations not presented or tendered on the maturity, redemption, or tender date, and for the payment, redemption, or purchase of which sufficient funds have been deposited with the Trustee,
- Appropriation Obligations not treated as Outstanding pursuant to the Supplemental Indenture that authorized such Appropriation Obligations (and in this regard, the First Supplemental Indenture provides that 2009 Series A Bonds in lieu of which other Appropriation Obligations have been

issued upon surrender of the 2009 Series A Bonds for partial redemption are no longer treated as Outstanding); and

- for purposes of any action to be taken under the 2009 Indenture by the Registered Owners of a specified percentage of principal amount of Appropriation Obligations, Bonds, or Notes, any Appropriation Obligations held by or for the account of the State (unless all Appropriation Obligations, Bonds, or Notes, as the case may be, are so owned).

Owner or **Registered Owner**, when used with reference to a Bond, means the person who is the registered owner of a Bond, except that the respective Indenture or a Supplemental Indenture may provide that, for certain purposes, a Credit Issuer is treated as the Owner of Bonds secured by its Credit Facility, as described under "SUMMARY OF THE 2003 INDENTURE; Certain Rights of Credit Issuers" and "SUMMARY OF THE 2009 INDENTURE; Certain Rights of Credit Issuers."

Parity Swap Payment Obligations means Swap Payment Obligations exclusive of all Swap Termination Payments, except for Swap Termination Payments the amount of which was included in the calculation of Annual Appropriation Amount for a Fiscal Year for which a Budget Bill has been enacted (but not including appropriations continued from the prior Fiscal Year pursuant to Section 20.002(1), Wisconsin Statutes).

Participant means a broker-dealer, bank, or other financial institution for which DTC or a successor Depository holds Bonds from time to time as a securities depository.

Payment means the payment of all, or part of, the Unfunded Prior Service Liability and Accumulated Unused Sick Leave Liability.

Payment Cost means any cost of the Payment and the issuance of the Bonds, including but not limited to paying accrued or Funded Interest, Issuance Expenses, making deposits to reserve funds, paying administrative expenses, paying the costs of credit enhancement, or making payments under any Swap Agreement or Credit Facility.

Payment Date means a date on which payment of a Principal Installment or Redemption Price or interest with respect to any Bonds or payment of any Swap Payment Obligations or Credit Facility Payment Obligations shall be due and payable.

Person means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, or a government or any agency or political subdivision thereof.

Principal Installment means, as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (1) the principal amount of Bonds of such Series due on a certain future date for which no sinking fund installments have been established, or (2) the unsatisfied balance of any sinking fund installments due on a certain future date for Bonds of such Series, or (3) if such future dates coincide as to different Series of Bonds, the sum of such principal amount of Bonds and of such unsatisfied balance of sinking fund installments due on such future date.

Proceeds Account means the Proceeds Account of the Debt Service Fund established pursuant to the 2003 Indenture, and the Proceeds Funding Account and Proceeds Interest Account of the Debt Service Fund established pursuant to the 2009 Indenture.

Purchaser means the initial purchaser of a Series of Bonds, whether one or more.

Qualified Investments means, with respect to the 2003 Indenture, any of the following obligations to the extent the same are at the time legal for investment of funds of the State under the Act or under other applicable law (provided that as long as any 2003 Indenture Bonds are insured by a Credit Issuer, Qualified Investments may be further limited as required by the Credit Issuer):

- direct obligations maturing within ten years or less from the date of settlement, of the United States or its agencies, corporations wholly owned by the United States, the international bank for reconstruction and development, the international finance corporation, the inter-American development bank, the African development bank, the Asian development bank, the federal national mortgage association, or any corporation chartered by an act of Congress,

- securities maturing within ten years or less from the date of settlement, guaranteed by the United States or, where the full faith and credit of the United States is pledged or, where securities are collateralized by government-insured investments or, where the securities are issued by a corporation created by act of Congress and related by such act,
- unsecured notes of financial and industrial issuers maturing within five years or less from the date of settlement and having one of the two highest ratings given by a nationally recognized rating service, but if the corporation issuing such notes has any long-term senior debt issues outstanding which also have been rated, the rating must be one of the three highest ratings so given,
- certificates of deposit issued by banks located in the United States and by savings and loan associations, savings banks, and credit unions located in the State,
- banker's acceptances accepted by banks located in the United States,
- commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the three highest ratings issued by Moody's or S&P, and
- any other obligation or security which constitutes a permitted investment for money of the State under the Act or other applicable law;

and means with respect to the 2009 Indenture, any investments that are at the time legal for investment of funds of the State under the Act or under other applicable law, subject to any limitations that may be set forth in a Supplemental Indenture. The First and Second Supplemental Indenture contain no such limitations.

Rating means one of the rating categories of a Rating Agency maintaining a rating of the Bonds.

Rating Agencies or **Rating Agency** means Moody's, Fitch, S&P, or any other rating agency requested by the State to maintain a Rating on any of the Bonds.

Rating Confirmation means, with respect to the 2003 Indenture, a letter from each of at least two Rating Agencies then providing a Rating for the Bonds confirming that the action proposed to be taken by the State will not, in and of itself, have the effect of reducing the underlying Rating then applicable to the Bonds or of causing any such Rating Agency to suspend or withdraw the underlying Rating then applicable to the Bonds.

Redemption Notice Information means information in a written and dated notice from the Trustee which:

- identifies the Bonds to be redeemed by the name of the issue (including the name of the State and any Series designation), CUSIP number, if any, date of issue, interest rate (for Fixed Rate Bonds), maturity date, and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of some Bonds will be redeemed, the certificate numbers and the principal amount of those Bonds to be redeemed,
- identifies the date on which the notice is published and the date on which the Bonds will be redeemed,
- states the price at which the Bonds will be redeemed,
- states that interest on the Bonds or the portions of them called for redemption will stop accruing from the redemption date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the redemption date,

- states that payment for the Bonds will be made on the redemption date at the Designated Trust Office of the Trustee during normal business hours upon the surrender of the Bonds to be redeemed in whole or in part,
- identifies by name and phone number a representative of the Trustee who may be contacted for more information, and
- in the case of redemption of a Series of Bonds for which such a notice is authorized, states that such call for redemption is contingent upon the availability of Appropriated Funds to pay the Redemption Price thereof in full or upon the satisfaction of other conditions.

For so long as a Series of Bonds is in a Book Entry System, Redemption Notice Information also includes the information and procedures described in the applicable Letter of Representations.

Redemption Price means, with respect to any Bond issued pursuant to the 2003 Indenture, 100% of the principal amount thereof plus the applicable redemption premium, if any, payable upon redemption thereof and, with respect to any Appropriation Obligation issued pursuant to the 2009 Indenture, the amount required to be paid upon the redemption of such Appropriation Obligation pursuant to the Supplemental Indenture authorizing such Appropriation Obligation.

Registered Owner's Address means the address, which a Registered Owner may change upon written request to the Trustee, of the Registered Owner of any Bond as it appears in the Registration Books.

Registration Books means books maintained by the Trustee on behalf of the State at the Designated Trust Office of the Trustee for the purpose of recording the registration, transfer, exchange, or replacement of any of the Bonds.

S&P means S&P Global Ratings, a division of S&P Global, and its successors and assigns.

Secretary or **Secretary of Administration** means the Secretary of the Department.

Series means all Bonds or Notes designated as a Series in an Authorizing Certification, and any Bonds or Notes authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds or Notes thereafter authenticated and delivered in lieu of or in substitution of such Bonds or Notes.

Stabilization Fund means the reserve fund by that name established pursuant to the respective Indenture.

Stabilization Fund Amount means, for the 2003 Indenture, (1) for so long as any 2003 Bonds remain Outstanding, $32,935,000 or such greater amount as may be deemed reasonable and designated in writing by an Authorized Department Representative, and (2) thereafter, such amount as may be deemed reasonable and designated in writing by an Authorized Department Representative; *provided* that the Stabilization Fund Amount shall not be reduced unless a Rating Confirmation and consent from each Swap Provider is obtained with respect to such reduction and, for the 2009 Indenture, the amount, if any, established by a Supplemental Indenture. The First and Second Supplemental Indentures to the 2009 Indenture do not establish a Stabilization Fund Amount.

State means the State of Wisconsin.

Subordinated Payment Obligations Fund means the fund by that name established pursuant to the respective Indenture.

Subordinated Swap Payment Obligations means all Swap Payment Obligations payable by the State except Parity Swap Payment Obligations.

Supplemental Indenture means any trust indenture which has been duly executed and delivered by the State and the Trustee amendatory of the respective Indenture or supplemental to the respective Indenture, but only if and to the extent that such trust indenture is authorized under that Indenture.

Swap Agreement means any agreement or ancillary arrangement between the State and a Swap Provider relating to the Bonds and identified by the Department pursuant to the respective Indenture, including indexing agreements, interest exchange agreements, or any other similar transaction.

Swap Payment Obligations means, for any period of time, all net amounts payable by the State (including Swap Termination Payments payable by the State) under any Swap Agreement.

Swap Provider means the State's counterparty under a Swap Agreement.

Swap Termination Payment means, with respect to any Swap Agreement, any settlement amount payable by the applicable Swap Provider or the State by reason or on account of the early termination of such Swap Agreement, together with any interest thereon. The term Swap Termination Payment shall not include net unpaid amounts up to the Swap Agreement termination date which would have been payable by the Swap Provider or the State, as the case may be, pursuant to the terms of the applicable Swap Agreement irrespective of the early termination of such Swap Agreement.

Trust Estate means the property conveyed to the Trustee pursuant to the Granting Clauses of an Indenture.

Trustee means U.S. Bank National Association, as successor to Deutsche Bank Trust Company Americas, and its successors as trustee under each Indenture.

Trustee's Consent means the prior written consent of the Trustee.

Trustee's Expenses means the reasonable and necessary fees and expenses of the Trustee with respect to the respective Indenture or the Bonds and those for any legal, accounting, financial, or other experts reasonably retained by the Trustee. **Trustee's Expenses** also include the fees, charges, and expenses of any additional paying agent for the Bonds.

Unfunded Prior Service Liability means the State's unfunded prior service liability under Section 40.05(2)(b), Wisconsin Statutes, as certified by the Secretary of the Wisconsin Department of Employee Trust Funds.

U.S. Government Obligations means obligations which are direct, full faith and credit obligations of the United States of America or are obligations with respect to which the United States of America has unconditionally guaranteed the timely payment of all principal or interest or both, but only to the extent of the principal or interest so guaranteed.

Variable Rate Bonds means any Bonds which bear a variable interest rate or rates that are not established at the time of calculation at a single numerical rate for the remaining term of such Bonds.