

# Wisconsin



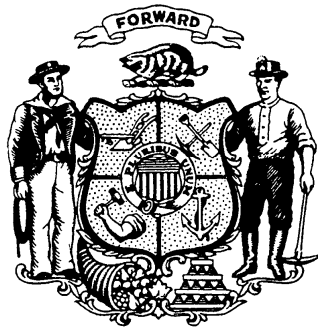
## Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2017

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# STATE OF WISCONSIN

## Comprehensive Annual Financial Report



For the fiscal year ended June 30, 2017

**Scott Walker, Governor**

Department of Administration

Scott A. Neitzel, Secretary

Jeffery C. Anderson, State Controller

Prepared by the State Controller's Office

This document is available electronically on the internet at: <http://www.doa.state.wi.us>

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2017**

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# **INTRODUCTORY SECTION**

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STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Scott Walker, Governor  
Scott A. Neitzel, Secretary  
Waylon Hurlburt, Division Administrator

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February 13, 2018

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the State of Wisconsin for the fiscal year ended June 30, 2017.

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

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

### **Independent Audit**

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

### **Management Discussion and Analysis**

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

Executive Budget and Finance, State Controller's Office, PO Box 7932, Madison, WI 53707-7932  
Phone: (608) 266-1694 | DOA.WI.GOV  
*WISCONSIN IS OPEN FOR BUSINESS*



## **PROFILE OF THE STATE**

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

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

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

### **Component Units**

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

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

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

### **Budgetary Process**

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

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

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

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

The Wisconsin Retirement System (WRS) is a pension plan administered by the Department of Employee Trust Funds (DETF). The WRS provides coverage to all eligible employees of the State of Wisconsin and other participating local units of government. The most current actuarial valuations of this pension plan indicated that the WRS was funded at 99.1 percent of liabilities for the 622,000 participants of the WRS. The State's

contribution to WRS represents approximately 31.5 percent of total contributions required of all participating entities.

The Accumulated Sick Leave Conversion Credits (ASLCC) benefit program, reported in a fiduciary fund and also administered by DETF, allows employees at the time of their retirement to convert the value of their accumulated unused sick leave into an account to be used to pay for post-retirement health insurance. The actuarial value-based funded ratio of this program was 100.0 percent as of December 31, 2016 (the date of the most recent valuation).

## **ECONOMIC CONDITION AND OUTLOOK**

In 2017, Wisconsin continued its steady expansion, setting new records for employment and pushing unemployment to near-record low levels. While some components of our economy are linked to national trends, we have outperformed both the Great Lakes region and the nation on important indicators:

- Wisconsin's unemployment rate remains lower than the national rate and is below the rates of other states in the Great Lakes region.
- Wisconsin is one of 18 states to have an annual average unemployment rate in 2016 lower than 2007 and one of only 12 to be 0.5 percentage points lower or more.
- Wisconsin's labor force participation rate of 68.3 percent was top ten nationally in 2016 and well above the national average of 62.8 percent.
- Wisconsin's growth in gross domestic product since 2007 exceeds the region's growth over the same period.
- Wisconsin's per capita income growth since 2007 has exceeded the nation's growth rate.

Strong economic growth bolstered tax collections, led by strength in individual income taxes. Total general fund tax collections increased 2.8 percent in Fiscal Year 2017 from Fiscal Year 2016. Individual income tax collections rose 3.9 percent, and sales and use taxes rose 3.1 percent, while corporate income taxes declined 4.4 percent. Overall collections were modestly ahead of forecasts, mostly due to stronger-than-expected corporate income tax collections.

Looking ahead, Wisconsin's economic growth is expected to be heavily influenced by national economic trends. According to the most recent economic outlook provided by IHS Markit, real gross domestic product is projected to grow 2.2 percent in 2017, 2.7 percent in 2018 and 2.6 percent in 2019. Personal income growth will trend upward with growth of 3.1 percent in 2017, 4.4 percent in 2018 and 5.2 percent in 2019. Employment growth is expected to hold relatively steady with growth of 1.5 percent in 2017, 1.6 percent in 2018 and 1.5 percent in 2019. Wisconsin's economic performance has historically tracked relatively close to national trends and will likely continue to do so.

The State of Wisconsin continues to maintain its commitment to solid financial responsibility. The State's Budget Stabilization Fund ended Fiscal Year 2017 with a balance of \$283 million, the highest balance ever in this "rainy day" fund. The General Fund ended Fiscal Year 2017 with an overall cash balance of \$1.37 billion. The State's fully-funded pension system and minimal other postemployment benefit (OPEB) liabilities set Wisconsin apart from the vast majority of states. The State's generally accepted accounting principles (GAAP) deficit, measured as a percent of general fund expenditures, declined from 20.3 percent in Fiscal Year 2003 to 11.1 percent in Fiscal Year 2016. The 2015-17 biennial budget (2015 Wisconsin Act 55) and the 2017-19 biennial budget (2017 Wisconsin Act 59) included the lowest back-to-back amounts of new bonding in 20 years.

Prudent fiscal management has resulted in Wisconsin's first bond rating upgrades in years, including the first credit upgrade from Moody's Investors Service, Inc., since 1973. Moody's, Fitch Ratings and Kroll Bond Rating Agency, Inc., all raised Wisconsin's credit rating in the past several months to Aa1, AA+ and AA+, respectively. Since January 1, 2017, Wisconsin is the only state to receive any rating upgrade. The rating reports for these upgrades cited Wisconsin's strong pension funding, conservatively managed budgets and improving economy. Higher credit ratings are expected to lower borrowing costs and continue to improve Wisconsin's fiscal position.

Wisconsin continued to build its economic recovery through economic development and infrastructure investment. Revenue growth from the state's continued economic expansion, combined with sound fiscal management, have allowed critical spending pressures to be addressed without raising taxes. The prime example of this ability is the state's growing general fund expenditures for Medicaid, which increased by \$315.6 million during the 2015-17 biennium over prior spending level without any tax increase. Since Fiscal Year 2011, state funding for the Medicaid program has grown from \$1.45 billion to \$2.64 billion in Fiscal Year 2017. No other state program has received an increase approaching this level of magnitude.

Continued property tax controls and rising support for general school aids, technical college aids and property tax credits have kept property taxes down in Wisconsin for the typical homeowner. As a result, the property taxes on the median value home in Wisconsin were lower in 2017 than they were in 2010. In addition, tuition at the University of Wisconsin for state residents was kept affordable through a tuition freeze that has been maintained since the 2013-14 academic year.

In total, the State of Wisconsin's continued commitment to tax relief, financial responsibility and an enhanced business climate are yielding positive results. Foxconn Technology Group, one of the world's largest technology companies, recently committed to developing in Wisconsin a world-class advanced display manufacturing campus through an investment of up to \$10 billion. Exports by Wisconsin businesses in the first half of 2017 increased by 8.2 percent over the same period in 2016. Wisconsin's combined state and local tax ranking has fallen from the 10th highest in Fiscal Year 2011 to the 21st highest in Fiscal Year 2015 as the state reduced the tax burden on both households and businesses. This is the third best change in state and local tax ranking over this period and has been achieved as Wisconsin maintained its key commitments to the state's residents.

## **MAJOR INITIATIVES**

**Economic Development.** Wisconsin has enacted significant individual income and property tax relief initiatives over the past three biennia. Two acts, 2013 Wisconsin Act 20 and 2013 Wisconsin Act 145, provided significant individual income tax relief that now exceeds \$400 million annually. Over the six years ending with tax year 2018, the median family of four will have saved over \$1,400 and will continue to save \$243 annually due to those income tax reductions. In addition, these biennia have provided significant property tax relief, including \$462.6 million in the 2017-19 Biennial Budget, part of which is the elimination of the state portion of the property tax beginning with the 2017-18 property tax year. Robust property tax relief efforts since 2011 have ensured the property taxes on the typical Wisconsin homeowner will be lower in 2018 than they were in 2010.

In addition to providing tax relief to individuals, Wisconsin has continued its commitment to improve the State's tax climate for manufacturing and agriculture. Since tax year 2013, the state has provided the Manufacturing and Agriculture Credit, created in 2013 Wisconsin Act 20, which provides a credit against income taxes for manufacturing and agricultural businesses equal to a percentage of their qualified production activities income. The credit was phased-in over a period of four tax years and was fully implemented in tax year 2016 with the credit rate set at 7.5 percent, which largely eliminates state corporate and individual income taxes for these two important sectors of the Wisconsin economy.

Beyond manufacturing and agriculture, the 2017-19 Biennial Budget improves Wisconsin's business climate by eliminating the personal property tax on machinery, tools and patterns for nonmanufacturing businesses beginning with the 2018-19 property tax year. This initiative simplifies property tax compliance for such businesses and will provide \$74.4 million annually in property tax relief.

Complementing more general tax relief initiatives, the state has also expanded targeted business incentives in recent years to enhance the state's ability to attract and retain key employers. The 2015-17 Biennial Budget provided an increase in the number of eligible zones under the Enterprise Zones Jobs Credit from 20 to 30 to allow more businesses to become eligible for this powerful incentive. This program was enhanced under 2017 Wisconsin Act 58 by allowing the Wisconsin Economic Development Corporation to recapture zone authority if a previous zone expires or has its certification revoked. The 2015-17 Biennial Budget also consolidated two

business tax credit programs into a single streamlined refundable tax credit called the Business Development Tax Credit. This credit provides a single set of criteria for awards related to job creation and retention, workforce training, capital investment, and headquarters retention and relocation. Up to \$22 million in Business Development Tax Credit awards may be made each year.

In addition, the State offers a variety of programs that target minority and rural business development, dairy manufacturing, and agricultural production. Through the end of Fiscal Year 2017, over 640 businesses had been certified as minority-owned to increase the opportunity for these firms to sell their products and services to the State of Wisconsin. Further, a variety of sales tax exemptions for fuel, electricity, farm machinery, veterinary services, and other personal property and supplies have reduced farming costs in the State by over \$200 million annually.

Wisconsin's Farmland Preservation Credit programs provide credits to about 12,000 farmers, who qualify through farmland preservation zoning or individual farmland preservation agreements. The credit is calculated based on qualifying acres and certain other criteria. Expenditures under the program were \$16.6 million in Fiscal Year 2017.

At the end of 2017, Wisconsin was home to about 8,800 dairy farms with almost 1.28 million cows. Wisconsin's milk production continues to grow as the dairy farms in the state yielded more than 30 billion pounds of milk in 2016. Wisconsin accounts for more than 14 percent of the nation's milk production. Milk production per cow in Wisconsin continues to grow and was at 23,552 pounds per year in 2016. Dairy production and processing accounts for almost half of all the economic activity associated with agriculture: \$43.4 billion in economic activity, accounting for nearly 79,000 jobs.

In 2016, Wisconsin was the nation's top cheese producing state with over 3.2 billion pounds of cheese or almost 27 percent of the nation's cheese production. Wisconsin's specialty cheese production also continues to increase, producing over 774 million pounds in 2016.

Wisconsin exported \$3.4 billion in agricultural products to 150 countries in 2016. Wisconsin currently ranks 12th among U.S. states in agricultural exports. Wisconsin's top five markets for agricultural exports were Canada, Mexico, China, Korea and Japan. Wisconsin ranked first in the export of bovine genetics, raw fur skins, ginseng, sweet corn and prepared/preserved cranberries. Wisconsin ranked second in the export of cheese and whey.

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

The State continued to encourage private investment in entrepreneurial activities with the Angel Investment and Early Stage Seed Investment tax credit programs, which initially became effective for tax years beginning after January 1, 2005. Through the programs, individuals and businesses are eligible for tax credits equal to a portion of the investment made in qualified new business ventures. In Fiscal Year 2017, 41 new companies were certified as qualified new business ventures. There were total of 182 active qualified new business ventures as of June 30, 2017.

During the recession, similar to much of the nation, Wisconsin experienced record claims for unemployment benefits. In June 2010, Wisconsin administered roughly 108,000 weekly continued claims. The number of continued claims had fallen to approximately 75,000 by the last week of June 2012 and continued to decrease as the economy improved and certain benefit extensions expired. As of late June 2017, weekly continued claims were approximately 29,500, a 13 percent decrease from Fiscal Year 2016.

As the economy improved, the Governor addressed the state's need for an increasingly skilled workforce by creating the Wisconsin Fast Forward program in Fiscal Year 2014, administered by a new Office of Skills Development in the Department of Workforce Development. The program provides funding for employer-led customized training for new or current employees. In 2016, Wisconsin Fast Forward awarded over \$18 million in worker training grants across a number of industry segments including information technology, customer service, health care, agriculture, manufacturing, transportation, construction and small business. These grants augmented the skills of over 17,000 Wisconsin workers.

**Transportation.** The State continued to make significant investments in transportation infrastructure through reconstruction of existing highways and bridges and through aid to local governments. In Fiscal Year 2017, 600 miles of State Trunk Highway and local highways were improved and work was initiated or completed to rehabilitate or replace 387 deficient state and local bridges. In Calendar Year 2016, the pavement of 98.1 percent of the state's major backbone highway system was rated fair or better condition. The backbone system consists of multilane highways that connect all major population and economic regions of the state. In addition, 96.9 percent of state bridges were rated fair or better condition. In Fiscal Year 2017, more than \$946 million in construction projects on state and local road systems were contracted through the Department of Transportation.

Significant project milestones in Fiscal Year 2017 include:

- Completion of the I-41 project with the opening of the new I-43/I-41 system-to-system flyover ramps. The project expanded capacity on 14 miles of I-41 in Brown County and 17 miles of I-41 in Winnebago County.
- Completion of the Lakefront Gateway, a collaborative effort among the State of Wisconsin, city of Milwaukee and Milwaukee County to improve connectivity, safety and traffic flow for downtown, the lakefront and the Historic Third Ward.
- Opening of the St. Croix Crossing, a joint Wisconsin and Minnesota Departments of Transportation project, connecting St. Joseph, Wisconsin, to Oak Park Heights, Minnesota, and replacing the old Stillwater Lift Bridge.

The department worked closely with consultants and took advantage of favorable fuel costs to generate nearly \$127.2 million in program savings (across all programs) in Fiscal Year 2017. These savings allowed 33 state highway projects to be advanced from later years into 2017, putting highway improvements ahead of schedule.

The department also continued its focus on effective use of resources, identification of cost-savings opportunities, and performance improvement. Fiscal Year 2017 examples include:

- Enhanced efficiency for winter maintenance services. Using liquid treatments over the 2016-17 winter season to treat bridges and other trouble spots prior to winter storms and incorporating mapping technology to optimize routes for snow plow drivers resulted in savings of \$2.1 million.
- Use of recycled materials in lieu of new materials for pavement saved approximately \$20 million.
- Establishment of a replacement-in-kind policy for local bridge replacement and rehabilitation projects on the local system. This policy limits expenditures to the scope necessary for safe and effective bridges and, consequently, allows more local bridge replacements and road improvements to be completed while avoiding local concerns that more significant projects may generate.
- Expanded features in the Division of Motor Vehicle "eNotify" e-mail notification service to include driver license and identification card renewal notifications, as well as fraud alert and account activity notifications for customers.

The department also continued its emphasis on transportation safety. In Fiscal Year 2017, the Bureau of Transportation Safety, within the Division of State Patrol, organized and funded 26 high visibility, multijurisdictional seat belt task forces, 24 impaired driving task forces, 11 speed enforcement task forces and two pedestrian task forces. Officers from 277 law enforcement agencies participated in these efforts. In a continuing focus on data-driven decision making, the agency automated crash report forms. The new crash database provides more timely, accurate, complete, consistent and easy access to crash data. The department's drug evaluation and classification program, which trains law enforcement officers to detect drug-impaired

drivers, was among the top ten states in the nation for the number of Drug Recognition Experts in Fiscal Year 2017. These enforcement and education efforts contribute to positive trends. The last ten years have seen a decrease of more than 55 percent in the number of alcohol-related traffic fatalities and serious injuries. In Fiscal Year 2017, Wisconsin's safety belt use rate reached an all-time high of 89.4 percent. The department also partnered with the Wisconsin Department of Justice to develop a public information campaign on radio and television that warned of the dangers of prescription opioid abuse and drugged driving.

Wisconsin also distributes state transportation user fee revenues to local governments for transportation infrastructure improvements and transit operating assistance, targeting economic and infrastructure development. In Fiscal Year 2017, \$630.5 million was provided to local governments for these purposes. For example, the Transportation Economic Assistance program provides up to 50 percent State grant funding to governing bodies, private businesses and consortia for road, rail, harbor and airport projects that help attract employers to Wisconsin, or encourage business and industry to remain and expand within the State. In Calendar Year 2017, this program leveraged \$90.98 in capital investments for every \$1 in grants.

**Environment.** Wisconsin's Warren Knowles-Gaylord Nelson Stewardship Program and its successor, the Warren Knowles-Gaylord Nelson Stewardship 2000 Program, are available for land acquisition, easements and nature-based outdoor recreational property development activities. The original Stewardship Program committed \$250 million through the sale of general obligation bonds and the use of federal grant monies for various resource development and land protection activities, including acquisition of State park lands, protection of urban rivers and assistance to local parks. The program was reauthorized in 2007 Wisconsin Act 20 through Fiscal Year 2020 with an annual bonding authority of \$86 million beginning in Fiscal Year 2011. The 2011-13 Biennial Budget subsequently reduced the annual bonding authority to \$60 million beginning in Fiscal Year 2012. Under 2013 Wisconsin Act 20, the annual bonding authorization was reduced further to \$47.5 million in Fiscal Year 2014 and \$54.5 million in Fiscal Year 2015. Finally, under 2015 Wisconsin Act 55, the annual authorization was reduced to \$33.3 million in Fiscal Years 2016 through 2020. During Fiscal Year 2017, the State encumbered \$3,558,234 in Stewardship Program financing to acquire over 2,478.22 acres of public recreational land through acquisition and recreational easement. An additional \$4,647,489 million in Stewardship grants was awarded to local governments and nonprofit conservation organizations for the acquisition of easements and title in fee.

In addition to land acquisition through the Stewardship Program, Wisconsin's efforts to protect and enhance its natural resources include partnerships with individual landowners. In November 2001, the State entered into an agreement with the U.S. Department of Agriculture for the authority to enroll up to 100,000 acres of Wisconsin farmland in the Conservation Reserve Enhancement Program. The federal government will provide up to \$200 million for the program, which will be matched by the State with up to \$28 million from the sale of general obligation bonds. As of October 1, 2017, total State payments to landowners for both newly-enrolled and reenrolled contracts amounted to just over \$15.5 million on approximately 52,500 acres. The state's payments to date will leverage over \$110 million in federal payments to program participants over the course of the program contracts.

Wisconsin's Environmental Improvement Fund program provides financial assistance to municipalities for the planning, design and construction of wastewater collection and treatment, and drinking water treatment and distribution facilities. Most communities applying for assistance receive subsidized loans, although some wastewater projects were eligible for state grants through a hardship component of the program (discontinued in 2017-19 Biennial Budget). Funding is provided from a State-matched federal capitalization grant and through State revenue and general obligation bonds and repayments from loans previously made. In addition, the federal capitalization grant has been leveraged through the issuance of revenue bonds on the clean water side of the fund. In Fiscal Year 2017, the Environmental Improvement Fund awarded \$151 million to municipalities, including \$13.8 million for addressing private lead service lines. This brings the total amount of loans and grants awarded by the program to \$5.14 billion since its inception in 1991. The funding has financed high-priority infrastructure projects to ensure clean water and safe drinking water across the state.

**Human Resources.** In Fiscal Year 2017, Medical Assistance program expenditures were lower than budgeted, and program enrollment slowed in several key enrollment groups. Fiscal Year 2017 expenditures for the Medical Assistance program increased by approximately 4.3 percent over the prior year, compared with the 1.3 percent increase in Fiscal Year 2016 and the 6.2 percent growth in Fiscal Year 2015. Medical Assistance expenditures from all funds totaled \$9,229.0 million in Fiscal Year 2017. Average monthly enrollment in the Medical Assistance programs decreased by 0.4 percent between Fiscal Years 2016 and 2017, compared to an increase of 0.19 percent between Fiscal Years 2015 and 2016 and an increase of 2.6 percent between Fiscal Years 2014 and 2015.

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

Average monthly enrollment of low-income adults and children in the BadgerCare Plus program decreased by 1.05 percent, while the average monthly enrollment of elderly individuals and people with disabilities increased by 0.9 percent, approximately 2,900 individuals.

Expenditures for the SeniorCare pharmacy assistance program totaled \$83.8 million all funds. Of the all funds amounts, the actual Fiscal Year 2017 GPR expenditures totaled \$9.7 million, a \$8.5 million decrease from Fiscal Year 2016. The expenditure reduction from Fiscal Year 2016 to Fiscal Year 2017 is attributable to an allocation of SeniorCare expenditure offsets to Fiscal Year 2017 that occurred on a one-time basis. Average monthly enrollment in SeniorCare increased by 3.3 percent in Fiscal Year 2017 and the program experienced higher drug utilization and benefits paid to individuals.

The Department of Children and Families continued the State's commitment to seek permanent placements for children referred to the State's child welfare system in Fiscal Year 2017. This included finalizing 706 adoptions for children with special needs in Fiscal Year 2017. In other program areas, the department continued to implement the electronic benefit transfer system and the new federal rules for the Wisconsin Shares program, which provides subsidized child care to low-income working families. Even with these new initiatives, the Wisconsin Shares program held expenditures in Fiscal Year 2017 to \$271.4 million, which was approximately \$16.1 million above Fiscal Year 2016 expenditures (an increase of 6.3 percent), but \$9.3 million below the amount originally budgeted for Fiscal Year 2017. Under Wisconsin Shares, a monthly average of 42,161 children received subsidies in Fiscal Year 2017. Benefit payments under the Wisconsin Works (W-2) program for Fiscal Year 2017 totaled \$35.2 million, a decrease of \$16.9 million from the Fiscal Year 2016 amount. An average of 6,399 families received cash benefits each month in Fiscal Year 2017 under the W-2 program. During Federal Fiscal Year 2017, state and county child support partnership efforts provided full case management services to 361,406 cases and provided financial management services to an additional 153,171 cases.

**Education.** School aids and property tax credits, which supported school districts' 2016-17 costs for elementary and secondary education, totaled \$6.46 billion. In Fiscal Year 2017, the Governor increased state funding for schools. Of the increase, \$126.8 million in the per pupil categorical aid program was spent by school districts in the 2015-16 school year.

The Governor continued to focus on constraining increases in property taxes by employing several tools to limit growth in school levies. Equalization aid for school districts increased by \$108.1 million in Fiscal Year 2017 without a corresponding increase in revenue limits, thereby mitigating increases in school district property tax levies. In addition, funding for the school levy tax credit was increased by \$105.6 million in Fiscal Year 2017 to provide additional state relief for taxes levied for 2015-16 and thereafter. The Governor also continued to shrink the school aid reductions that comprise the local share of Milwaukee parental choice program funding. These measures helped keep the average increase in the statewide school property tax levy since the Governor took

office at 0.3 percent compared to an average of 4.0 percent over the five years prior to the Governor taking office.

In Fiscal Year 2017, Wisconsin continued to enhance transparency and accountability in education. At the elementary and secondary education level, public schools have received report cards since the 2011-12 school year. The report cards include an easily understandable star rating. In addition, the portion of Wisconsin Technical College System general aid allocated on the basis of performance on nine criteria increased to 30 percent. These criteria measure individual campuses on metrics related to state workforce and educational needs, such as job placement, technical skill attainment and dual enrollment.

State support for the University of Wisconsin System totaled \$1,030.5 million in Fiscal Year 2017 a \$37.0 million, or 3.7 percent, increase from Fiscal Year 2016. To maintain a reasonable cost of higher education for State residents, the Governor continued a freeze on in-state undergraduate tuition rates and maintained steady support for state financial aid programs. As a measure of affordability, the University of Wisconsin-Madison ranked eleventh among all public colleges and universities in Kiplinger's "Best Value Colleges" in 2017.

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Award**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the State of Wisconsin for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.


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

A Certificate of Achievement is valid for a period of one year only. This is the 21st year the State has received this award. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we plan to submit it to the GFOA.

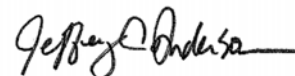
### **Acknowledgements**

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

Sincerely,



Scott Neitzel  
Secretary



Jeffery C. Anderson, CPA  
State Controller





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**State of Wisconsin**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

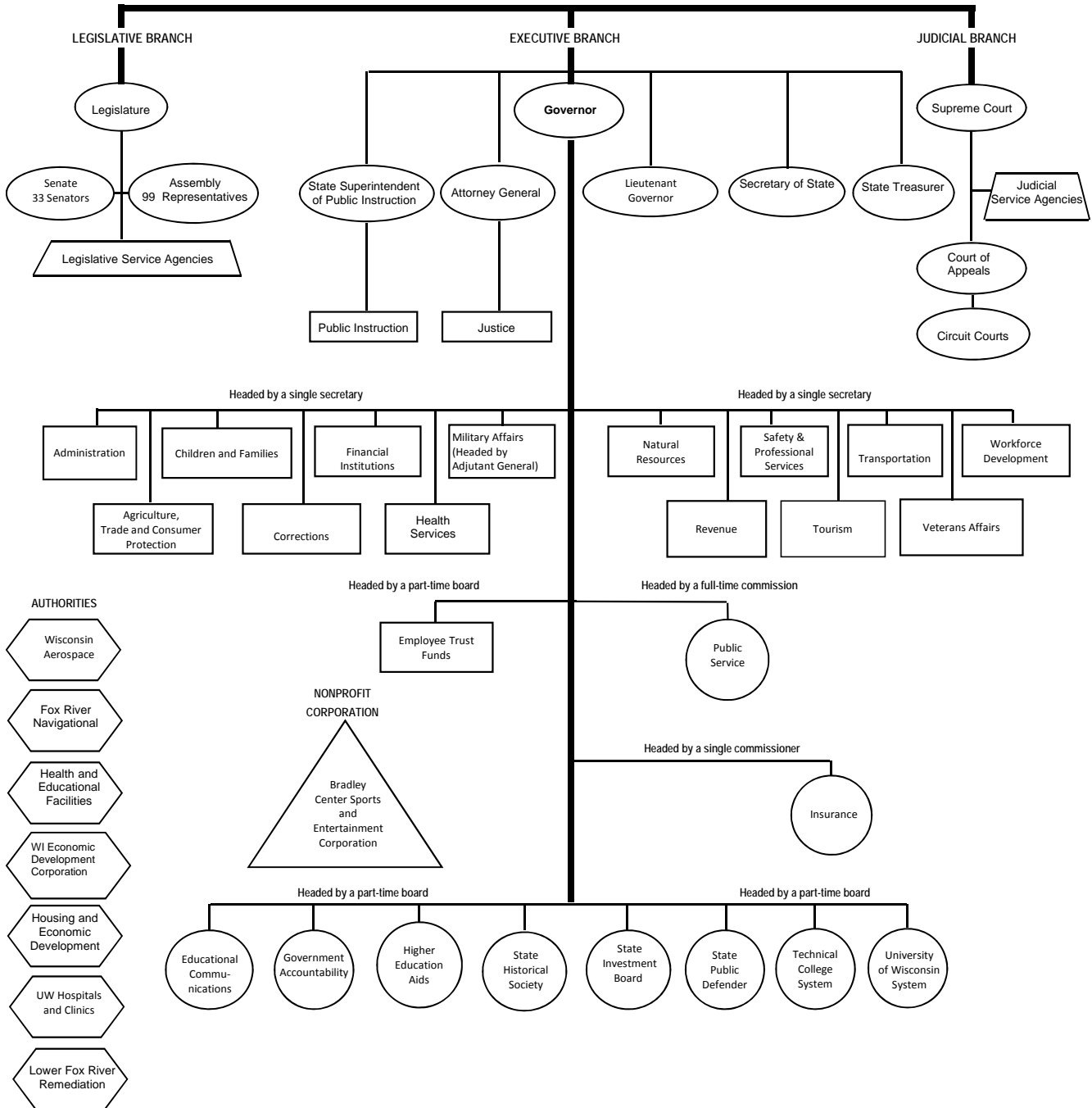
**June 30, 2016**

*Christopher P. Morrill*

Executive Director/CEO

# Organizational Chart

WISCONSIN STATE GOVERNMENT ORGANIZATION  
July 2015



KEY: ○ Constitutional Officer    □ Administrative Department    ○ Independent Agency    ⬡ Authority    ⬠ Service Agency    ▲ Nonprofit Corporation

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

Source: Wisconsin Blue Book 2015 - 2016

# Principal State Officials

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As of June 30, 2017:

## EXECUTIVE

Scott Walker  
*Governor*

Rebecca Kleefisch  
*Lieutenant Governor*

Douglas J. La Follette  
*Secretary of State*

Matt Adamczyk  
*State Treasurer*

Brad Schimel  
*Attorney General*

Tony Evers  
*State Superintendent of Public Instruction*

## LEGISLATIVE

Roger Roth  
*President of the State Senate*

Robin Vos  
*Speaker of the Assembly*

## JUDICIAL

Patience Drake Roggensack  
*Chief Justice of the Supreme Court*



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# **FINANCIAL SECTION**

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## 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 make up the State's basic financial statements, as of and for the year ended June 30, 2017, 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 15 percent of the assets and 9 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, for 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the 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, 2017, and the respective changes in its financial position and, where applicable, cash flows for the 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 77, *Tax Abatement Disclosures*. This statement established new disclosure requirements related to revenue forgone by the State as the result of tax abatements, as discussed in Note 26.

The State also implemented GASB Statement Number 72, *Fair Value Measurements and Application*, for those funds presented with the fiscal year end of December 31, 2016. This statement established standards for determining a fair value measurement for financial reporting and resulted in new note disclosures, as discussed in Note 5B.

Certain account balances cannot be measured precisely but must be estimated, particularly actuarially accrued liabilities and infrastructure assets reported in the financial statements and notes. Notes 14, 16, 17, 18, and 20 include a discussion of estimates used by funds that accrue liabilities based upon actuarial information, including assumptions used in their calculation. Note 1E includes information related to the estimated historical cost of infrastructure assets constructed prior to July 1, 2000. Because estimates are based upon information available when the financial statements are prepared, actual values may differ from the estimated amounts. These differences cannot be quantified.



As discussed in Note 5B, the financial statements include investments that do not have readily ascertainable market prices and are valued based on a variety of third-party pricing methods. However, because of the inherent uncertainty of valuation, those estimated values may differ from the values that would have been used had a ready market for the investments existed.

Our opinions are not modified with respect to these matters.

### **Other Matters**

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

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

February 13, 2018

## 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, 2017. It should be read in conjunction with the transmittal letter located at the front of this CAFR, and the State's financial statements, including the note disclosures which are an integral part of the statements, that follow this part of the CAFR.

### FINANCIAL HIGHLIGHTS -- PRIMARY GOVERNMENT

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

- *Net Position.* The assets plus deferred outflows of resources of the State of Wisconsin exceeded its liabilities plus deferred inflows of resources at the close of Fiscal Year 2017 by \$24.6 billion (reported as "net position"). Of this amount, \$(7.4) 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 \$1.3 billion in Fiscal Year 2017. Net position of governmental activities increased by \$1.0 billion or 8.4 percent, while net position of the business-type activities showed an increase of \$280.9 million or 2.5 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities.* During Fiscal Year 2017, the State's total revenues for governmental activities of \$29.0 billion were \$1.8 billion more than total expenses (excluding transfers and special items) for governmental activities of \$27.2 billion. Of these expenses, \$11.7 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled \$17.3 billion.

#### Fund

- *Governmental Funds -- Fund Balances.* As of the close of Fiscal Year 2017, the State's governmental funds reported combined ending fund balances of \$414.4 million, an increase of \$467.9 million in comparison with the prior year. Of this total amount, \$(2.4) billion represents the unassigned fund balances.
- *General Fund -- Fund Balance.* At the end of the current fiscal year, total fund balance was \$(1,625.9) million, a change of \$96.7 million from a deficit of \$(1,722.6) million reported in the prior year. The unassigned fund deficit for the General Fund was \$(2.2) billion, or 9.1 percent of total General Fund expenditures.

Additional information regarding individual funds begins on Page 29.

#### Long-term Debt

- The State's total long-term debt obligations (bonds and notes payable) decreased by \$108.0 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 \$150.1 million. Revenue bonds outstanding decreased by \$339.6 million. Annual appropriation bonds totaling \$81.5 million were repaid. Additional detail regarding these activities begins on Page 34.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

**Basic Financial Statements**

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

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

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

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

(Table 1, continued)

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

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

### Additional Required Supplementary Information

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

- 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, 2017 were \$45.8 billion and deferred outflows of resources were \$2.2 billion, while total liabilities were \$22.6 billion and deferred inflows of resources were \$754.9 million, resulting in combined net position (government and business-type activities) of \$24.6 billion. The largest component of the State's total net position consists of \$23.8 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 \$8.3 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 \$(7.4) 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 \$(1.6) billion at year-end, as discussed on Page 29, also contributed to the deficit unrestricted net position reported in the statement of net position.

During Fiscal Year 2017, the State issued \$1.3 billion of general obligation bonds, primarily for the acquisition or improvement of land, water, property, highways, buildings, and equipment. At June 30, 2017 general obligation bonds and long term general obligation notes outstanding totaled \$7.8 billion, outstanding annual appropriation bonds were \$3.1 billion, and outstanding revenue bonds, which are not considered general obligation debt of the State, totaled \$2.7 billion.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2017-2016
	2017	2016*	2017	2016*	2017	2016*	
Current and Other Assets	\$ 6,789.6	\$ 6,554.0	\$ 8,804.0	\$ 8,802.9	\$ 15,593.6	\$ 15,356.9	1.5 %
Capital Assets	24,007.8	23,239.7	6,247.2	6,223.3	30,255.0	29,463.1	2.7
Total Assets	30,797.4	29,793.7	15,051.2	15,026.2	45,848.6	44,819.9	2.3
Deferred Outflows of Resources	1,195.2	1,481.3	955.4	1,382.5	2,150.6	2,863.8	(24.9)
Long-term Liabilities	12,354.1	12,168.0	3,471.0	3,993.9	15,825.2	16,161.9	(2.1)
Other Liabilities	6,184.3	6,558.2	629.5	664.5	6,813.8	7,222.7	(5.7)
Total Liabilities	18,538.4	18,726.3	4,100.5	4,658.4	22,639.0	23,384.7	(3.2)
Deferred Inflows of Resources	354.6	459.9	400.4	525.5	754.9	985.4	(23.4)
Net Position:							
Net investment in							
Capital Assets	19,181.1	18,613.5	4,578.7	4,562.9	23,759.8	23,176.4	2.5
Restricted	2,279.9	2,368.9	6,014.9	5,619.6	8,294.7	7,988.5	3.8
Unrestricted (deficit)	(8,361.4)	(8,893.6)	912.1	1,042.4	(7,449.3)	(7,851.2)	5.1
Total Net Position	\$ 13,099.5	\$ 12,088.9	\$ 11,505.7	\$ 11,224.9	\$ 24,605.3	\$ 23,313.7	5.5

\* 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 \$19.2 billion and general revenues of \$17.3 billion for total revenues of \$36.5 billion during Fiscal Year 2017. Expenses for the State during Fiscal Year 2017 were \$35.2 billion. As a result of the excess of revenues over expenses, the total net position of the State increased \$1.3 billion, net of contributions, special items and transfers.

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2017-2016
	2017	2016*	2017	2016*	2017	2016*	
<b>Program Revenues:</b>							
Charges for Services	\$ 2,375.5	\$ 2,338.5	\$ 6,867.7	\$ 7,072.8	\$ 9,243.3	\$ 9,411.3	(18) %
Operating Grants and Contributions	8,737.8	8,724.2	610.1	460.2	9,347.8	9,184.4	18
Capital Grants and Contributions	601.1	808.9	22.6	45.5	623.7	854.4	(27.0)
<b>General Revenues:</b>							
Income Taxes	8,928.2	8,582.4	-	-	8,928.2	8,582.4	4.0
Sales and Excise Taxes	5,931.2	5,781.2	-	-	5,931.2	5,781.2	2.6
Public Utility Taxes	357.8	368.7	-	-	357.8	368.7	(3.0)
Motor Fuel Taxes	1,101.7	1,091.8	-	-	1,101.7	1,091.8	0.9
Other Taxes	516.1	481.9	-	-	516.1	481.9	7.1
Other General Revenues	415.5	410.8	8.8	15.8	424.4	426.6	(0.5)
<b>Total Revenues</b>	<b>28,965.0</b>	<b>28,588.3</b>	<b>7,509.2</b>	<b>7,594.3</b>	<b>36,474.2</b>	<b>36,182.5</b>	<b>0.8</b>
<b>Program Expenses:</b>							
Commerce	248.9	237.5	-	-	248.9	237.5	4.8
Education	7,237.5	7,028.2	-	-	7,237.5	7,028.2	3.0
Transportation	2,135.5	2,121.7	-	-	2,135.5	2,121.7	0.7
Environmental Resources	458.1	469.2	-	-	458.1	469.2	(2.4)
Human Relations and Resources	13,396.6	13,301.6	-	-	13,396.6	13,301.6	0.7
General Executive	675.3	568.3	-	-	675.3	568.3	18.8
Judicial	142.6	131.9	-	-	142.6	131.9	8.2
Legislative	70.3	67.6	-	-	70.3	67.6	4.0
Tax Relief and Other General Expenditures	1,428.6	1,434.8	-	-	1,428.6	1,434.8	(0.4)
Intergovernmental - Shared Revenue	967.0	965.3	-	-	967.0	965.3	0.2
Interest on Long-term Debt	450.1	436.8	-	-	450.1	436.8	3.0
Injured Patients and Families Compensation	-	-	(56.9)	(50.7)	(56.9)	(50.7)	(12.3)
Environmental Improvement	-	-	74.1	44.9	74.1	44.9	65.0
University of Wisconsin System	-	-	5,005.3	4,938.5	5,005.3	4,938.5	1.4
Unemployment Reserve	-	-	471.3	520.8	471.3	520.8	(9.5)
Lottery	-	-	616.6	612.6	616.6	612.6	0.7
Health Insurance	-	-	1,290.5	1,399.7	1,290.5	1,399.7	(7.8)
Care and Treatment Facilities	-	-	395.7	377.6	395.7	377.6	4.8
Other Business-type	-	-	169.5	175.4	169.5	175.4	(3.4)
<b>Total Expenses</b>	<b>27,210.6</b>	<b>26,762.8</b>	<b>7,966.1</b>	<b>8,018.9</b>	<b>35,176.7</b>	<b>34,781.7</b>	<b>1.1</b>
<b>Excess (deficiency) before Contributions, Special Items and Transfers</b>							
	1,754.4	1,825.4	(456.9)	(424.7)	1,297.5	1,400.8	
Contributions to Term and Permanent Endowments	-	-	2.0	4.4	2.0	4.4	
Contributions to Permanent Fund Principal	12.6	11.4	-	-	12.6	11.4	
Special Item - (Surrender)/Cancellation of GO Bonds	148.9	-	(169.4)	-	(20.5)	-	
Transfers	(905.1)	(903.0)	905.1	903.0	-	-	
<b>Increase (decrease) in Net Position</b>	<b>1,010.7</b>	<b>933.9</b>	<b>280.9</b>	<b>482.8</b>	<b>1,291.5</b>	<b>1,416.7</b>	
<b>Net Position - Beginning (Restated)</b>	<b>12,088.9</b>	<b>11,155.0</b>	<b>11,224.9</b>	<b>10,742.1</b>	<b>23,313.7</b>	<b>21,897.1</b>	
<b>Net Position - Ending</b>	<b>\$ 13,099.5</b>	<b>\$ 12,088.9</b>	<b>\$ 11,505.7</b>	<b>\$ 11,224.9</b>	<b>\$ 24,605.3</b>	<b>\$ 23,313.7</b>	<b>5.6</b>

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

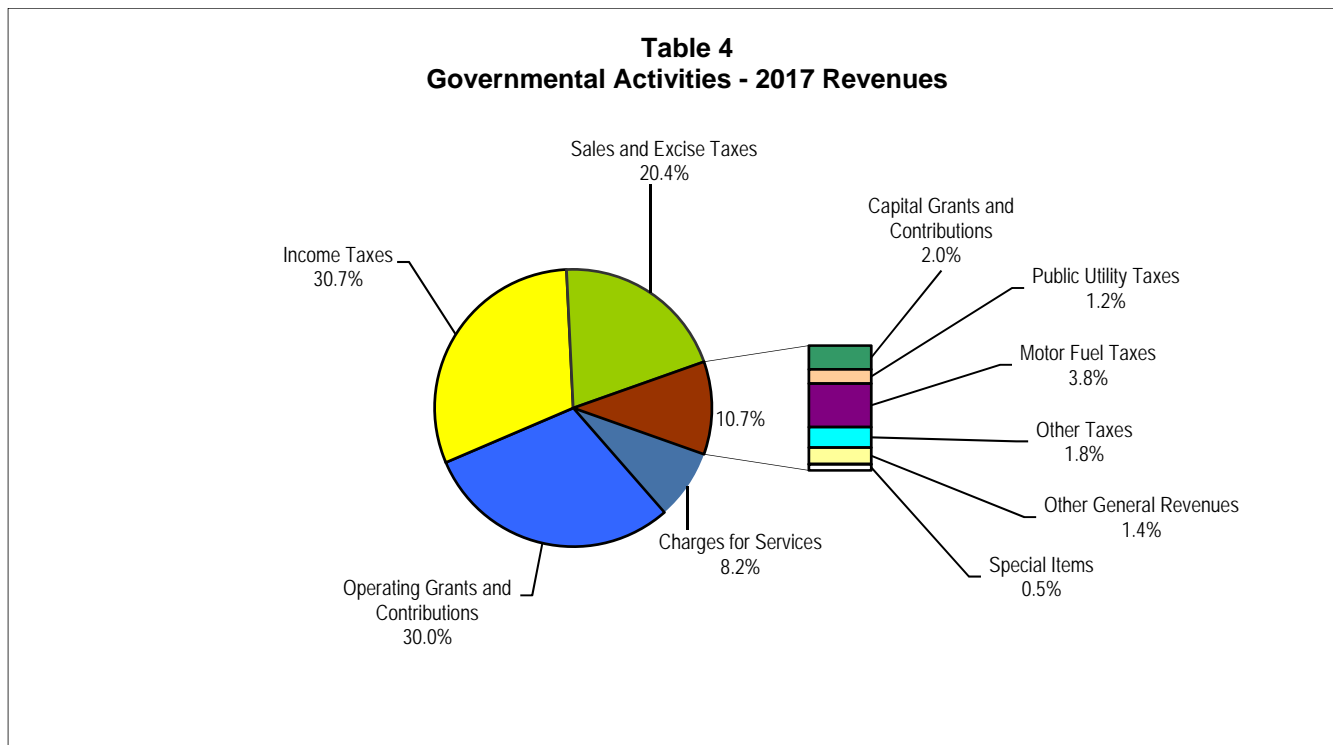
**Governmental Activities**

The net position of governmental activities increased \$1.0 billion in Fiscal Year 2017. Revenues for the governmental activities (including contributions to permanent fund principal and special items) totaled \$29.1 billion, while expenses and net transfers totaled \$28.1 billion in Fiscal Year 2017.

General and program revenues of governmental activities increased \$376.7 million during this fiscal year. Tax revenues increased \$529.1 million primarily due to enhanced income and sales and excise taxes of \$345.8 million and \$150.0 million, respectively. Charges for goods and services increased by \$37.0 million while other taxes also increased by \$34.3 million. In addition, operating grants increased \$13.6 million. Offsetting those increases was a decrease of \$207.8 million in capital grants.

The State’s governmental activities program expenses increased \$447.8 million to \$27.2 billion during Fiscal Year 2017. Human relations and resources expenses increased by \$95.0 million (0.7 percent) to a total of \$13.4 billion. Education expenses increased by \$209.3 million (3.0 percent) to \$7.2 billion as a result of 2015 Wisconsin Act 55 which included an increase in per pupil aid. General executive expenses also increased \$107.0 million. Transportation, commerce, and judicial expenses increased \$13.8 million, \$11.4 million, and \$10.8 million, respectively. Conversely, environmental resources expenses decreased \$11.0 million.

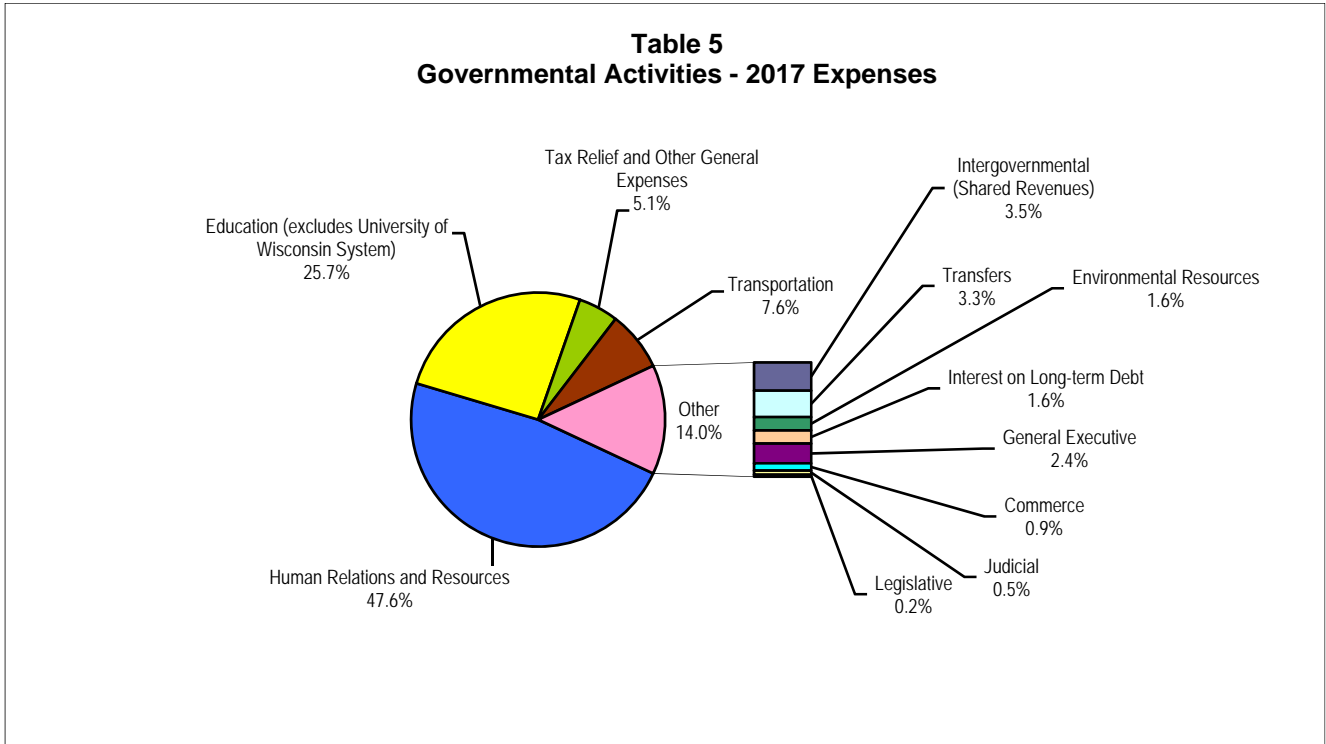
As shown in Table 4, below, approximately 57.9 percent of revenues from all sources earned came from taxes (sales and excise, income, public utility, motor fuel, and other taxes). Operating grants and contributions represent amounts received from other governments/entities – primarily the federal government. Operating grants and contributions for non-capital purposes provided 30.0 percent of total revenues. Capital grants and contributions provided 2.0 percent, charges for services contributed 8.2 percent, while various other revenues provided 1.9 percent of the remaining governmental activity revenue sources.





As shown in Table 5, below, expenses for human relations and resources programs make up the largest portion – 47.6 percent – of total governmental expenses and transfers. Included in this cost function are programs such as Medical Assistance and Temporary Assistance for Needy Families as well as costs for state correctional facilities and services.

Educational expenses, which include various school aids but exclude expenses of the University of Wisconsin System, make up 25.7 percent of total expenses. Tax relief and other general expenses and the municipal and county shared revenue program represent 8.6 percent of the total, while transportation expenses represent 7.6 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 5.6 percent while interest on long-term debt totaled 1.6 percent.



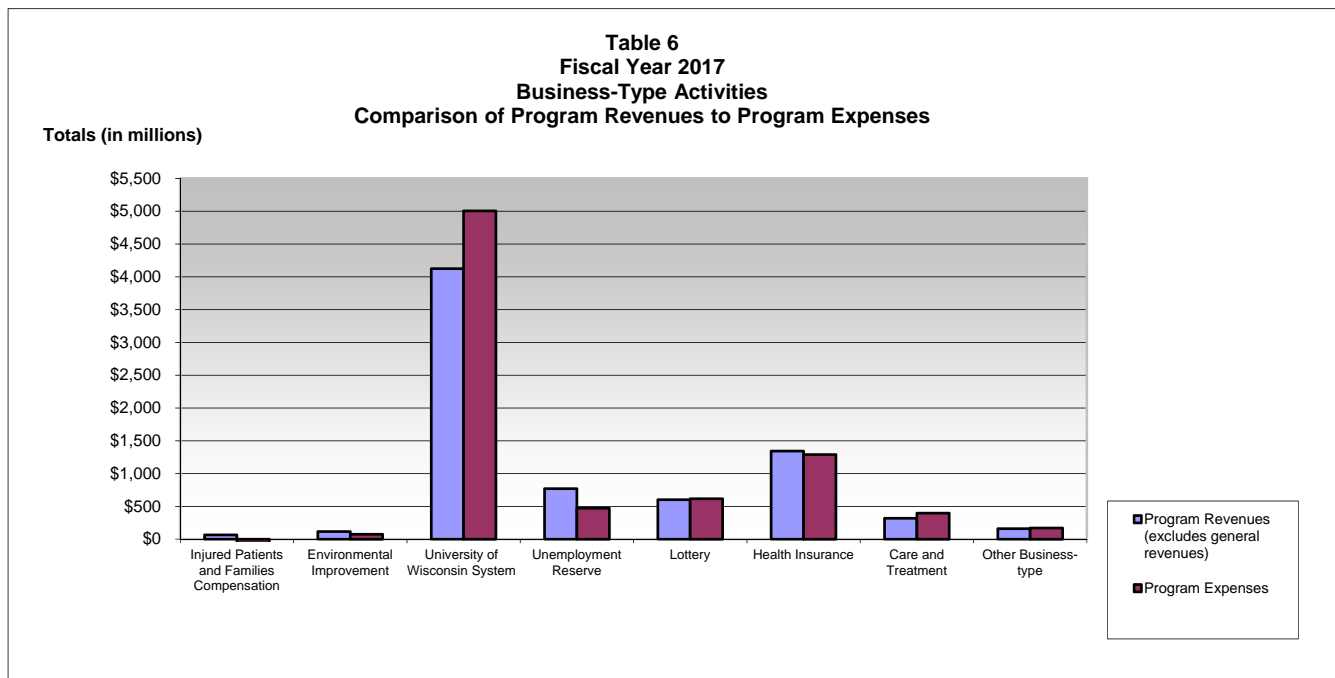
### Business-Type Activities

Net position of the State’s business-type activities increased \$280.9 million in Fiscal Year 2017.

Revenues of business-type activities totaled \$7.5 billion for Fiscal Year 2017, a decrease of \$85.0 million from the prior year. Program revenues consisted of \$6.9 billion of charges for services, \$610.1 million of operating grants and contributions, and \$22.6 million of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal and net transfers totaled \$8.8 million, \$2.0 million, and \$905.1 million, respectively.

The total expenses for business-type activities were \$8.0 billion, a decrease of \$52.8 million from the prior fiscal year. The largest decrease in program expenses, \$109.2 million, related to decreased expenses for Health Insurance. Expenses for Unemployment Reserve, Injured Patients and Family Compensation, and other business type program expenses also decreased \$49.5 million, \$6.2 million and \$5.9 million, respectively. Offsetting those decreases were increases in the University of Wisconsin System, Environmental Improvement, Care and Treatment Facilities, and Lottery funds of \$66.8 million, \$29.2 million, \$18.1 million and \$4.0 million, respectively. There was also a special item for the surrender of investments for \$169.4 million in Fiscal Year 2017.

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. Also excluded from the table is the special item for the surrender of investments.



## FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

### Governmental Funds

At the end of Fiscal Year 2017, the State's governmental funds reported a combined fund balance of \$414.4 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, 2017, the State's General Fund reported a total fund deficit of \$(1.6) billion. The net change in fund balance during Fiscal Year 2017 was \$96.7 million, in contrast to \$18.5 million in Fiscal Year 2016. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

#### Revenues

Revenues of the General Fund totaled \$25.5 billion in Fiscal Year 2017, an increase of \$513.1 million (2.1 percent) from the prior year. Factors contributing to this change included the following:

- Revenues from taxes increased \$482.1 million. The increases relate to income and sales taxes, which increased \$338.5 million and \$144.4 million, respectively, from Fiscal Year 2016. 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.
- Charges for Goods and Services increased \$46.8 million in Fiscal Year 2017. Revenues for human relations and resources and general executive programs increased \$26.1 million and \$24.5 million, respectively.
- Intergovernmental revenues (i.e. federal assistance) decreased \$7.4 million to \$8.4 billion in Fiscal Year 2017. Revenues for human relations and resources, education, and other programs decreased \$58.0 million, \$13.2 million and \$9.3 million, respectively, while the general executive program reported increased revenues of \$73.1 million.

#### Expenditures

2015 Wisconsin Act 55 established spending authority for the State of Wisconsin for Fiscal Year 2017. Expenditures of the General Fund totaled \$23.7 billion in Fiscal Year 2017, an increase of \$384.0 million from Fiscal Year 2016. Factors contributing to the change include the following:

- 2015 Wisconsin Act 55 budgeted for an increase in per pupil aid in Fiscal Year 2017. As a result, education expenditures increased by \$208.2 million to \$7.1 billion. These costs comprise 30.2 percent of General Fund expenditures.
- Human relations and resources expenditures increased by \$105.8 million (0.8 percent) to \$13.1 billion. These costs comprise 55.5 percent of General Fund expenditures.
- General executive expenditures increased by \$84.3 million (17.6 percent) to a total of \$563.8 million primarily because of increased federal assistance in Fiscal Year 2017.

#### Other Financing Sources and Uses

Other financing sources/uses totaled a net \$(1.6) billion in Fiscal Year 2017, a \$51.7 million decrease from Fiscal Year 2016. The components of this included the following:

- Transfers out of the General Fund totaled \$1.7 billion, an increase of \$59.2 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 \$870.7 million, a decrease of \$19.8 million from the prior year. The University of Wisconsin System, which receives the majority of the GPR supplement, received \$808.2 million in Fiscal Year 2017, an increase of \$5.4 million.

- Transfers out for debt service payments to the Bond Security and Redemption Fund totaled \$514.8 million in Fiscal Year 2017 compared to \$522.3 million in Fiscal Year 2016.
- Transfers out to nonmajor enterprise funds, the Capital Improvement Fund and Transportation Fund were \$88.2 million, \$70.7 million and \$39.9 million, respectively.
- Transfers in to the General Fund increased \$22.0 million (from \$77.7 million in Fiscal Year 2016 to \$99.6 million in Fiscal Year 2017). Non-major governmental funds transferred \$27.0 million while non-major enterprise funds transferred \$23.1 million. In addition, the University of Wisconsin System, Environmental Improvement Fund and internal service funds transferred \$20.3 million, \$17.2 million and \$10.1 million, respectively.

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

As of June 30, 2017, the General Fund reported an unassigned fund balance deficit of \$(2.2) billion, a reduction of the deficit of \$232.3 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 \$4.3 billion increase in appropriations. Contributing to the variance is the fact that several of the State’s programs and various transfers (see the items denoted with \*, below) are not included in the original budget. In addition, numerous adjustments to spending estimates were needed as the year progressed because of changing circumstances (spending needs can change dramatically over a one-year period). The largest variances occurred in the following appropriations (in millions):

Program	Variance
Food Stamps, Electronic Benefit Transfer*	\$ 1,200.0
UW System, General Program Operations (part of Statutory General Fund)	367.3
Federal Aid Medical Assistance	316.1
Medical Assistance Refunds and Collections	208.4
UW System, Gifts and Nonfederal Grants and Contracts	79.7

Actual charges to appropriations (expenditures) were \$4.6 billion below the final budgeted estimates. Large positive expenditure variances were reported in the Medical Assistance Federal Aid (\$543.3 million) and the Food Stamps Benefits (\$313.0 million) appropriations.

During the past fiscal year, the budgetary-based fund balance increased \$518.5 million for the statutory General Fund, in part, because of increased general purpose revenues for taxes. Net transfers from other funds totaled \$20.0 million in Fiscal Year 2017 compared to \$17.6 million in the prior fiscal year.

## Transportation Fund

In Fiscal Year 2017, the Transportation Fund's fund balance decreased \$134.9 million (18.8 percent) from \$717.3 million to \$582.4 million. A constitutional amendment restricts use of state resources deposited into the Fund for state transportation purposes. As such, \$560.3 million or 96.2 percent of fund balance is reported as restricted for Fiscal Year 2017. Remaining fund balance is reported as nonspendable and correlates to prepaid and inventory assets.

A decline in federal funding caused revenues of the fund to decrease by \$170.0 million (6.6 percent) to a total of \$2.4 billion. Primary revenue sources of the fund include motor fuel taxes, intergovernmental, and license and permit revenue sources, as well as interfund transfers in.

A reduction in capital outlay expenditures caused expenditures to decrease by \$115.1 million in Fiscal Year 2017, to a total of \$2.4 billion. In addition to the expenditures reported in the Transportation Fund, long term debt-funded transportation expenditures of \$82.8 million and \$80.7 million were reported in the Capital Improvement Fund and Transportation Revenue Bonds Fund, respectively. Transportation-related expenditures increased \$29.0 million in the Capital Improvement Fund and decreased \$92.6 million in the Transportation Revenue Bonds Fund in the current year.

Transfers in to the Transportation Fund increased slightly from \$65.7 million to \$67.1 million in Fiscal Year 2017. 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 \$39.5 million in Fiscal Year 2017. In addition, \$27.3 million was transferred from the Petroleum Inspection special revenue fund.

Transfers out of the fund increased \$13.7 million to \$159.8 million. Transfers out to the Bond Security and Redemption Fund for debt service were \$97.1 million, while transfers out to the Capital Improvement Fund were \$31.7 million in Fiscal Year 2017.

## Capital Improvement Fund

Fund balance of the Capital Improvement Fund increased by \$262.9 million from \$(524.4) million to \$(261.5) million. Assets of the Fund, which are comprised of cash and receivables, increased \$115.5 million to \$196.1 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 \$457.6 million, a decrease of \$147.4 million from the prior year.

Four issues of long-term debt totaling \$617.4 million were made during the year, an increase of \$89.1 million from the prior fiscal year. During the year, debt and premium proceeds funded \$303.9 million of capital outlay expenditures, a decrease of \$25.3 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 \$130.2 million of maintenance and repair expenditures on state owned assets that are reported as functional expenditures. Transportation related functional costs were \$82.8 million, an increase of \$29.0 million, and comprised 63.6 percent of functional expenditures.

Transfers In to the Capital Improvement Fund for debt service payments on outstanding notes payable decreased \$7.2 million to \$104.9 million. Transfers Out of the Capital Improvement Fund, which are also funded from debt proceeds, increased \$33.8 million to \$121.2 million, because more 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 2016 to Fiscal Year 2017 include the following:

### Environmental Improvement

Fund net position of the Environmental Improvement Fund decreased \$144.4 million to \$1.9 billion primarily due to the surrender of \$169.4 million in investments. The investments, consisting of general obligation subsidy bonds issued by the State of Wisconsin, were previously required to be held in the loan credit reserve fund to satisfy requirements of the General Resolution. In June 2017, all but \$45.1 million of clean water revenue bonds were economically defeased releasing the lien of the General Resolution.

Total assets of the Fund decreased by \$519.0 million due to the surrender of the subsidy bond investments for cancellation and the use of cash to pay off debt obligations. Liabilities decreased by \$400.8 million, as result of the defeasance of clean water revenue bonds of \$583.0 million. This is reflected in the \$433.9 million decrease in revenue bonds payable. Loans to local governments increased by \$28.6 million to a total of \$2.0 billion.

Operating income of the Fund decreased by \$22.7 million to a loss of \$9.1 million in Fiscal Year 2017. The defeasance of the clean water revenue bonds resulted in expensed deferred charges of \$25.6 million in June 2017. Non-operating revenue decreased by \$13.7 million due to non-operating investment income decreasing by \$24.9 million to \$4.1 million. This decrease in non-operating investment income was offset by an increase of \$13.7 million in federal grant funds to \$56.7 million.

### **Injured Patients and Families Compensation**

Net position of the Injured Patients and Families Compensation Fund increased by \$121.1 million, from \$878.3 million to \$999.4 million at June 30, 2017. The increase is the result of negative benefit expenses, adequate assessment revenue, and investment income.

The Fund reported benefit expense of negative \$58.2 million for fiscal year 2017. In comparison, benefits expense from the prior year was negative \$51.7 million. A negative benefit expense is the result of an actuarial reduction to prior years' estimated claim liabilities. As a result of this actuarial estimate, the total liability for future benefit and loss liabilities decreased \$67.4 million to \$357.1 million. Benefit payments during the fiscal year totaled \$9.3 million.

Total assets of the Fund increased \$57.9 million to \$1.4 billion. Fund assets consist primarily of investments of \$1.3 billion. Investment and interest income totaled \$48.5 million and consists primarily from realized gains and interest income. Assessment income decreased by \$6.6 million, or 29.6%, to \$15.7 million for fiscal year 2017, because of a 30.0 percent decrease in assessment rates and changes in the number of providers participating in the Fund.

### **Unemployment Reserve**

Net position of the Unemployment Reserve Fund increased by \$299.1 million during Fiscal Year 2017 from \$1.2 billion at June 30, 2016 to \$1.5 billion at June 30, 2017. Benefit expenses decreased from \$513.8 million to \$465.8 million in Fiscal Year 2017, a decrease of \$48.0 million (9.3 percent). The decrease in benefits is the result of the average unemployment rate falling from 4.29 percent during Fiscal Year 2016 to 3.73 percent during Fiscal Year 2017.

Total operating revenues decreased by \$172.9 million from \$917.5 million in Fiscal Year 2016 to \$744.6 million in Fiscal Year 2017. Employer contributions decreased from \$873.3 million in Fiscal Year 2016 to \$706.9 million in Fiscal Year 2017, a decrease of \$166.4 million (19.0 percent). The average tax rate on taxable wages decreased from 2.55% during Calendar Year 2016 to an estimated 2.04% in Calendar Year 2017.

### **University of Wisconsin System**

Fund net position decreased by \$20.4 million to \$6.6 billion. Assets, which consist primarily of capital assets and cash, increased \$79.0 million to \$8.6 billion. Liabilities, which consist mostly of bonds payable, decreased by \$154.3 million to \$2.5 billion.

Operating revenues of the University of Wisconsin System increased \$32.5 million or approximately 1.0 percent to \$3.7 billion. Student tuition, and federal grants and contracts of \$1.3 billion and \$909.5 million, respectively, comprise 59.1 percent of operating revenues. Increases of \$26.5 million, \$18.6 million, \$13.9 million and \$11.4 million were reported for tuition and fees, sales and services of educational activities, federal grants and contracts, and sales and services of auxiliary enterprises, respectively. Conversely, revenues decreased by \$32.3 million (7.3 percent) and \$7.8 million (3.0 percent), for other income and local and private grants and contracts, respectively. Operating expenses increased \$93.9 million or 1.9 percent, primarily from an increase in personal services of \$62.7 million (2.0 percent) and supplies and services of \$28.3 million.

Transfers in to the University of Wisconsin System increased by \$7.2 million to a total of \$935.5 million in Fiscal Year 2017. The general purpose revenue supplement received from the State's General Fund, which comprises the majority of the amount transferred in, was \$808.2 million an increase of \$5.4 million. The Capital Improvement Fund also transferred \$102.2 million of bond and note proceeds to the University of Wisconsin System an increase of \$43.0 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 2017, the State reported \$30.3 billion invested in capital assets, net of accumulated depreciation of \$6.4 billion. This represents an increase of \$801.1 million, or 2.7 percent, from Fiscal Year 2016. Depreciation charges totaled \$163.9 million and \$308.1 million for governmental and business-type activities, respectively, in Fiscal Year 2017. The details of these assets are presented in Table 7, below. Additional information about the State's capital assets is presented in Note 7 to the financial statements.

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land and Land Improvements	\$ 2,893	\$ 2,824	\$ 171	\$ 171	\$ 3,065	\$ 2,995
Buildings and Improvements	1,387	1,364	4,387	4,378	5,774	5,743
Library Holdings	75	74	1,120	1,124	1,195	1,198
Machinery and Equipment	335	343	307	309	642	652
Infrastructure	15,843	15,433	-	-	15,843	15,433
Construction and Software in Progress	3,474	3,192	262	240	3,736	3,432
<b>Totals</b>	<b>\$ 24,008</b>	<b>\$ 23,231</b>	<b>\$ 6,247</b>	<b>\$ 6,223</b>	<b>\$ 30,255</b>	<b>\$ 29,454</b>

The major capital asset additions completed or acquired during Fiscal Year 2017 included the:

- US 41 Winnebago and Brown Counties \$1.4 billion
- Hoan Bridge \$272.2 million
- Falcon Center for Health & Education UW-River Falls \$60.2 million
- Student Center UW-La Crosse \$52.0 million
- Hill Farms Building A&B Replace \$36.2 million
- Memorial Theater Wing Renovation UW-Madison \$17.7 million

In addition to these completed projects, construction and software in progress as of June 30, 2017 for governmental and business-type activities totaled \$3.4 billion and \$261.8 million, respectively. A list of those projects is provided in Note 7. The State's continuing or proposed major capital projects for Fiscal Year 2017 and future years include:

- I-94 North South Freeway Project (Completion in 2033) \$1.7 billion
- Zoo Interchange (Completion in 2022) \$1.5 billion
- Highway 12 to Illinois (Completion in 2021) \$1.2 billion
- St. Croix Bridge Crossing (Completion in 2018) \$304.5 million Wisconsin share of project
- US 10 / Highway 441 (Completion in 2020) \$400.0 million
- Verona Road (Completion in 2019) \$281.7 million
- Highway 12 Lake Delton to Sauk City (Completion in 2018) \$191.3 million
- Highway 67 / US 41 (Completion in 2021) \$150.5 million
- La Crosse Corridor (Completion TBD) \$144.9 million
- Highway 76 – New London (Completion in 2021) \$137.7 million
- I-94 / 43<sup>rd</sup> Avenue (Completion in 2023) \$109.0 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, 2017 was \$7.8 billion, as shown in Table 8. During Fiscal Year 2017, \$1.3 billion of general obligation bonds were issued to provide for the acquisition or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes or to refund outstanding bonds. Of the bonds issued in the current year, \$359.1 million was to be used for University of Wisconsin System academic and self-amortizing facilities; \$484.4 million for transportation projects, \$100.3 million for environmental programs, \$40.6 million for correctional and mental health facilities and \$353.5 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. In Fiscal Year 2017, \$1.6 billion of Annual Appropriation Refunding Bonds were issued to refund portions of the outstanding bonds. As of June 30, 2017, \$3.1 billion of these bonds were outstanding.

Chapter 18 of the Wisconsin Statutes authorizes the State to issue revenue obligations. These obligations, which are not general obligation debt of the State, are secured by a pledge of revenues or property derived from the operations of a program funded by the issuance of the obligations. Revenue bonds of the primary government totaled \$2.7 billion outstanding at June 30, 2017, as shown in Table 8. These bonds included \$2.2 billion of Transportation Revenue Bonds, \$78.9 million of Petroleum Inspection Revenue Bonds, and \$362.0 million of Environmental Improvement Revenue Bonds.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
General obligations:						
Bonds and long-term notes	\$6,190.4	\$6,055.0	\$1,620.5	\$1,605.8	\$7,810.8	\$7,660.8
Annual appropriation bonds	3,113.9	3,032.4	--	--	3,113.9	3,032.4
Revenue bonds	2,314.7	2,256.8	362.0	759.5	2,676.7	3,016.3
<b>Totals</b>	<b>\$11,618.9</b>	<b>\$11,344.2</b>	<b>\$1,982.5</b>	<b>\$2,365.3</b>	<b>\$13,601.4</b>	<b>\$13,709.5</b>

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

At June 30, 2017, 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.

As of August 4<sup>th</sup>, 2017, Moody's Upgraded the State's G.O. Bonds rating to Aa1.

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 \$15.8 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, 2017, 92.6 percent of the roads and 96.9 percent of bridges were in good or fair condition, consistent with State policies. This compares to 91.1 percent of the roads and 96.9 percent of bridges as of June 30, 2016.

For the fiscal year ended June 30, 2017, actual maintenance and preservation costs for the State's road network were \$629.3 million, or \$141.0 million less than the estimated amount. On the same date, actual maintenance and preservation costs for the State's bridge network were \$59.3 million, or \$2.4 million more than the estimated amount. In developing estimated costs at the beginning of the fiscal year, it is difficult to predict the types of projects that will actually incur costs during the year. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimate amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

## ECONOMIC FACTORS

During calendar year 2016, the Wisconsin economy continued its strong expansion.

Wisconsin employment continued to grow throughout 2016. According to the federal Bureau of Labor Statistics, total nonfarm employment in Wisconsin increased 1.5 percent in 2014, 1.4 percent in 2015 and 1.1 percent during 2016. This performance generally followed national employment trends. Nationally, employment grew 1.9 percent in 2014, 2.1 percent in 2015 and 1.7 percent in 2016.

More recently, Wisconsin's growth in employment has slightly accelerated while growth nationwide has moderated. Between October 2016 and October 2017, Wisconsin employment has increased 1.4 percent. Nationally, employment is up 1.4 percent over the same period, representing a modest deceleration from 2016. In addition, Wisconsin's seasonally adjusted unemployment rate in October 2017 was 3.4 percent, well below the 4.1 percent national unemployment rate.

Reflecting the continuing recovery, Wisconsin's state nominal gross domestic product increased 2.8 percent in 2016, matching the national growth rate of 2.8 percent. Wisconsin's 2016 growth followed growth rates of 3.5 percent and 4.5 percent in 2014 and 2015, respectively. These figures compare with the 50-state total gross domestic product increases of 4.4 percent in 2014 and 4.0 percent in 2015. Since 2007, Wisconsin's gross domestic product increased by a similar magnitude to the country as a whole with 28.5 percent cumulative growth versus 28.6 percent nationally.

Steady growth in output has spurred gains in personal income. Wisconsin personal income grew 3.9 percent, 3.9 percent and 1.9 percent in 2014, 2015 and 2016, respectively. Nationally, personal income grew 5.3 percent, 5.0 percent and 2.3 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 3.7 percent, 3.8 percent and 1.7 percent in 2014, 2015 and 2016, respectively. This compares to growth of 4.5 percent, 4.2 percent and 1.6 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 95.3 percent, 94.9 percent and 95.0 percent of the national average in 2014, 2015 and 2016, respectively.

Wisconsin's statewide total property value increased again in 2017 for the fourth 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 2017, total property value increased 4.1 percent, with residential property value growing at 4.3 percent. In addition, commercial real estate values grew 5.1 percent and manufacturing values grew 2.4 percent. Manufacturing values have now increased for six consecutive years.

## **CONTACTING THE STATE'S FINANCIAL MANAGEMENT**

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

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

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

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## **Basic Financial Statements**

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**Statement of Net Position**  
**June 30, 2017**

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,679,874	\$ 3,847,512	\$ 5,527,386	\$ 751,631
Investments	584,415	1,883,680	2,468,095	1,631,584
Cash and Investments with Other Component Units	-	-	-	229,982
Receivables (net of allowance)	3,922,308	3,003,907	6,926,215	1,759,192
Internal Balances	51,113	(51,113)	-	-
Inventories	42,340	49,906	92,246	30,358
Prepaid Items	26,035	30,267	56,301	35,869
Capital Leases Receivable - Component Units	-	176	176	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	248,231	34,040	282,271	105,043
Investments	211,004	-	211,004	3,703,627
Cash and Investments with Other Component Units	-	-	-	19,363
Other Restricted Assets	229	-	229	-
Other Assets	24,035	5,660	29,695	151,088
Capital Assets:				
Depreciable	1,605,663	4,702,877	6,308,540	1,129,166
Nondepreciable:				
Infrastructure	15,842,901	-	15,842,901	-
Other	6,559,235	1,544,318	8,103,553	93,143
Total Assets	30,797,382	15,051,230	45,848,612	9,640,046
<b>Deferred Outflows of Resources</b>	<b>1,195,189</b>	<b>955,373</b>	<b>2,150,562</b>	<b>250,258</b>
<b>Liabilities</b>				
Accounts Payable and Other Accrued Liabilities	1,203,973	317,425	1,521,398	568,234
Due to Other Governments	2,390,447	28,278	2,418,725	82,576
Tax Refunds Payable	1,357,343	-	1,357,343	-
Tax and Other Deposits	109,285	26,616	135,900	81,972
Amounts Held in Trust by Component Unit for Other Component Units	-	-	-	220,095
Amounts Held in Trust by Component Unit for Others	-	-	-	73,607
Unearned Revenue	324,190	198,723	522,912	861
Interest Payable	107,651	3,767	111,418	9,560
Short-term Notes Payable	540,949	54,682	595,631	-
Other Liabilities	150,476	-	150,476	32,880
Long-term Liabilities:				
Current Portion	913,788	412,350	1,326,137	89,478
Noncurrent Portion	11,440,346	3,058,682	14,499,028	2,069,739
Total Liabilities	18,538,448	4,100,521	22,638,968	3,229,002
<b>Deferred Inflows of Resources</b>	<b>354,586</b>	<b>400,359</b>	<b>754,944</b>	<b>107,551</b>
<b>Net Position</b>				
Net Investment in Capital Assets	19,181,100	4,578,725	23,759,825	636,215
Restricted for:				
Human Relations and Resources	53,709	-	53,709	-
Conservation Related	126,442	-	126,442	-
General Executive	127,602	-	127,602	-
Transportation	560,273	-	560,273	-
Debt Service	93,317	-	93,317	-
Capital Projects	80,198	-	80,198	-
Unemployment Compensation	-	1,533,476	1,533,476	-
Environmental Improvement	-	1,898,511	1,898,511	-
Permanent Trusts:				
Expendable	24,757	308,884	333,641	10,474
Nonexpendable	1,097,544	198,295	1,295,839	8,988
Future Benefits	-	1,274,269	1,274,269	38,684
Other Purposes	116,028	801,427	917,455	4,153,520
Unrestricted	(8,361,432)	912,137	(7,449,295)	1,705,870
Total Net Position	\$ 13,099,538	\$ 11,505,724	\$ 24,605,262	\$ 6,553,751

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

**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

(In Thousands)

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Primary Government:</b>				
Governmental Activities:				
Commerce	\$ 248,879	\$ 265,120	\$ 16,628	\$ -
Education	7,237,495	14,406	917,720	-
Transportation	2,135,538	771,320	159,947	593,452
Environmental Resources	458,103	226,066	87,709	1,679
Human Relations and Resources	13,396,577	722,589	7,281,082	5,965
General Executive	675,331	268,493	203,056	41
Judicial	142,649	51,372	768	-
Legislative	70,310	2,141	1	-
Tax Relief and Other General Expenses	1,428,610	15	70,872	-
Intergovernmental - Shared Revenue	966,989	53,995	-	-
Interest on Debt	450,129	-	-	-
<b>Total Governmental Activities</b>	<b>27,210,609</b>	<b>2,375,517</b>	<b>8,737,782</b>	<b>601,136</b>
Business-type Activities:				
Injured Patients and Families Compensation	(56,933)	15,748	48,496	-
Environmental Improvement	74,089	55,268	60,738	-
University of Wisconsin System	5,005,294	3,676,555	426,067	20,945
Unemployment Reserve	471,341	740,165	30,587	-
Lottery	616,585	603,233	(1,253)	-
Health Insurance	1,290,526	1,326,618	17,769	-
Care and Treatment Facilities	395,682	318,177	434	568
Other Business-type	169,515	131,974	27,223	1,086
<b>Total Business-type Activities</b>	<b>7,966,099</b>	<b>6,867,741</b>	<b>610,061</b>	<b>22,599</b>
<b>Total Primary Government</b>	<b>\$ 35,176,708</b>	<b>\$ 9,243,258</b>	<b>\$ 9,347,843</b>	<b>\$ 623,736</b>
<b>Component Units:</b>				
Housing and Economic Development Authority	\$ 269,265	\$ 89,959	\$ 185,406	\$ -
Health Care Liability Insurance Plan	2,015	1,769	2,045	-
University Hospitals and Clinics Authority	2,972,923	2,991,235	-	-
University of Wisconsin Foundation	339,692	331,685	338,450	-
Wisconsin Economic Development Corp	43,719	224	36,951	-
<b>Total Component Units</b>	<b>\$ 3,627,614</b>	<b>\$ 3,414,872</b>	<b>\$ 562,852</b>	<b>\$ -</b>

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  
 Special Item - (Surrender)/Cancellation of GO Bonds  
 Transfers  
  
 Total General Revenues, Contributions, and Transfers  
 Change in Net Position  
 Net Position - Beginning  
 Net Position - Ending

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

**Net (Expense) Revenue and  
Changes in Net Position**

Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ 32,869		\$ 32,869	
(6,305,368)		(6,305,368)	
(610,819)		(610,819)	
(142,649)		(142,649)	
(5,386,941)		(5,386,941)	
(203,742)		(203,742)	
(90,509)		(90,509)	
(68,168)		(68,168)	
(1,357,724)		(1,357,724)	
(912,994)		(912,994)	
(450,129)		(450,129)	
<u>(15,496,173)</u>		<u>(15,496,173)</u>	
	\$ 121,178	121,178	
	41,917	41,917	
	(881,726)	(881,726)	
	299,411	299,411	
	(14,605)	(14,605)	
	53,861	53,861	
	(76,503)	(76,503)	
	(9,231)	(9,231)	
-	(465,698)	(465,698)	
<u>(15,496,173)</u>	<u>(465,698)</u>	<u>(15,961,871)</u>	
			\$ 6,100
			1,799
			18,312
			330,444
			(6,544)
			<u>350,110</u>
8,928,209	-	8,928,209	-
5,931,200	-	5,931,200	-
357,757	-	357,757	-
312,131	-	312,131	-
1,101,736	-	1,101,736	-
204,006	-	204,006	-
12,206	8,637	20,843	97,926
403,324	189	403,513	14,061
-	1,955	1,955	(323)
12,566	-	12,566	-
148,867	(169,364)	(20,497)	-
(905,147)	905,147	-	-
<u>16,506,854</u>	<u>746,564</u>	<u>17,253,418</u>	<u>111,663</u>
1,010,681	280,865	1,291,547	461,773
12,088,857	11,224,859	23,313,716	6,091,978
<u>\$ 13,099,538</u>	<u>\$ 11,505,724</u>	<u>\$ 24,605,262</u>	<u>\$ 6,553,751</u>

**Balance Sheet - Governmental Funds**  
**June 30, 2017**

(In Thousands)

	General	Transportation	Capital Improvement	Nonmajor Governmental	Total Governmental
<b>Assets and Deferred Outflows of Resources</b>					
Assets:					
Cash and Cash Equivalents	\$ 550,662	\$ 447,075	\$ 190,704	\$ 461,651	\$ 1,650,091
Investments	568	-	-	583,847	584,415
Receivables (net of allowance):					
Taxes	1,328,233	105,879	-	22,601	1,456,713
Loans to Local Governments	-	-	-	443,012	443,012
Other Loans Receivable	8,097	15,677	-	-	23,774
Other Receivables	669,233	3,545	34	81,215	754,027
Due from Other Funds	169,686	82,715	5,400	29,523	287,324
Interfund Receivables	78,934	-	-	-	78,934
Due from Other Governments	925,145	225,372	-	22,072	1,172,589
Inventories	15,036	21,195	-	1,571	37,802
Prepaid Items	6,689	909	-	13,638	21,236
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	248,231	248,231
Investments	-	-	-	211,004	211,004
Other Restricted Assets	-	-	-	229	229
Other Assets	24,030	-	-	5	24,035
<b>Total Assets</b>	<b>3,776,313</b>	<b>902,366</b>	<b>196,138</b>	<b>2,118,599</b>	<b>6,993,415</b>
Deferred Outflows of Resources	-	142	-	-	142
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 3,776,313</b>	<b>\$ 902,508</b>	<b>\$ 196,138</b>	<b>\$ 2,118,599</b>	<b>\$ 6,993,557</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
Liabilities:					
Accounts Payable and Other					
Accrued Liabilities	\$ 1,010,780	\$ 139,056	\$ 7,339	\$ 19,243	\$ 1,176,418
Due to Other Funds	107,471	55,493	12,324	49,022	224,309
Due to Component Units	133	-	-	-	133
Interfund Payables	-	-	-	1,990	1,990
Due to Other Governments	2,276,068	111,654	1,010	1,716	2,390,447
Tax Refunds Payable	1,354,020	2,722	-	602	1,357,343
Tax and Other Deposits	91,420	-	-	17,865	109,285
Unearned Revenue	307,456	10,841	-	5,892	324,189
Interest Payable	-	-	-	44,970	44,970
Advances from Other Funds	735	-	-	6,321	7,055
Short-term Notes Payable	-	-	436,943	88,723	525,666
Revenue Bonds and Notes Payable	-	-	-	154,255	154,255
<b>Total Liabilities</b>	<b>5,148,082</b>	<b>319,765</b>	<b>457,616</b>	<b>390,598</b>	<b>6,316,061</b>
Deferred Inflows of Resources	254,151	368	-	8,606	263,125
Fund Balances:					
Nonspendable	21,712	22,103	-	1,110,337	1,154,153
Restricted	230,152	560,273	-	394,318	1,184,743
Committed	282,850	-	-	220,613	503,463
Unassigned	(2,160,635)	-	(261,478)	(5,873)	(2,427,987)
<b>Total Fund Balances</b>	<b>(1,625,920)</b>	<b>582,376</b>	<b>(261,478)</b>	<b>1,719,394</b>	<b>414,372</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,776,313</b>	<b>\$ 902,508</b>	<b>\$ 196,138</b>	<b>\$ 2,118,599</b>	<b>\$ 6,993,557</b>

(Continued)



**Balance Sheet - Governmental Funds**  
**June 30, 2017**

(Continued)

**Total  
Governmental**

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

<b>Total Fund Balances - Governmental Funds</b> (from previous page)	\$	414,372
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Infrastructure	15,842,901	
Other Capital Assets	9,380,523	
Accumulated Depreciation	<u>(1,587,646)</u>	
		23,635,777
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.		
		686,165
Deferred outflows of resources used to accumulate decreases in fair values of hedging derivatives that are not reported in the governmental funds.		
	150,476	
Derivative instruments (interest rate swaps) that also are not reported in the governmental funds.		
	<u>(150,476)</u>	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.		
		263,124
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.		
		12,819
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	(2,160,427)	
Appropriation Bonds Payable	(3,113,887)	
General Obligation Bonds and Notes Payable	(5,988,786)	
Accrued Interest on Bonds	(62,681)	
Capital Leases	(73,038)	
Compensated Absences	(148,577)	
Pollution Remediation	(7,982)	
Claims and Judgments	(556)	
Net Pension Liability	(105,395)	
Other Postemployment Benefits Liability	<u>(251,392)</u>	
		<u>(11,912,720)</u>
<b>Net Position of Governmental Activities as reported on the Statement of Net Position</b> (See page 39)	<b>\$</b>	<b>13,099,538</b>

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, 2017**

(In Thousands)

	General	Transportation	Capital Improvement	Nonmajor Governmental	Total Governmental
<b>Revenues:</b>					
Taxes					
Income	\$ 8,918,612	\$ -	\$ -	\$ -	8,918,612
Sales and Excise	5,923,388	-	-	-	5,923,388
Public Utility	357,757	-	-	-	357,757
Other General Purpose	312,124	-	-	-	312,124
Motor Fuel	-	1,101,666	-	-	1,101,666
Other Dedicated	-	-	-	204,006	204,006
Intergovernmental	8,365,753	750,738	-	70,698	9,187,189
Licenses and Permits	808,055	515,365	-	649,938	1,973,358
Charges for Goods and Services	330,698	16,255	-	18,417	365,370
Investment and Interest Income	3,798	1,653	337	37,392	43,180
Fines and Forfeitures	42,007	1,389	-	17,432	60,827
Gifts and Donations	8,185	3	-	16,010	24,199
Miscellaneous:					
Tobacco Settlement	139,973	-	-	-	139,973
Other	239,684	15,427	2	7,695	262,809
<b>Total Revenues</b>	<b>25,450,035</b>	<b>2,402,495</b>	<b>339</b>	<b>1,021,587</b>	<b>28,874,456</b>
<b>Expenditures:</b>					
Current Operating:					
Commerce	168,658	-	4,745	68,681	242,084
Education	7,147,503	-	617	40,865	7,188,985
Transportation	11,673	1,970,202	82,794	1,450	2,066,119
Environmental Resources	99,362	-	19,297	302,080	420,739
Human Relations and Resources	13,145,121	-	5,275	24,411	13,174,807
General Executive	563,794	-	825	107,168	671,787
Judicial	132,148	-	-	210	132,359
Legislative	66,908	-	-	-	66,908
Tax Relief and Other General	1,414,315	-	16,622	935	1,431,872
Intergovernmental - Shared Revenue	912,991	-	-	53,998	966,989
Capital Outlay	40,758	468,519	303,852	105,889	919,017
Debt Service:					
Principal	-	-	-	621,154	621,154
Interest	-	-	4,339	487,671	492,010
Other Expenditures	-	-	818	19,946	20,764
<b>Total Expenditures</b>	<b>23,703,230</b>	<b>2,438,721</b>	<b>439,184</b>	<b>1,834,457</b>	<b>28,415,592</b>
Excess of Revenues Over (Under) Expenditures	1,746,805	(36,225)	(438,845)	(812,870)	458,864
<b>Other Financing Sources (Uses):</b>					
Long-term Debt Issued	-	-	617,361	158,420	775,781
Long-term Debt Issued - Refunding Bonds	-	-	-	1,965,745	1,965,745
Payments for Refunded Bonds	-	-	-	(420,443)	(420,443)
Payments to Refunding Bond Escrow Agent	-	-	-	(1,645,980)	(1,645,980)
Premium on Bonds	-	-	100,658	137,060	237,718
Transfers In	99,643	67,134	104,875	1,070,265	1,341,916
Transfers Out	(1,748,451)	(159,806)	(121,172)	(209,552)	(2,238,980)
Capital Lease Acquisitions	373	-	-	-	373
<b>Total Other Financing Sources (Uses)</b>	<b>(1,648,436)</b>	<b>(92,672)</b>	<b>701,721</b>	<b>1,055,515</b>	<b>16,129</b>
Net Change in Fund Balances	98,369	(128,897)	262,876	242,645	474,993
Fund Balances, Beginning of Year	(1,722,629)	717,311	(524,354)	1,476,141	(53,531)
Increase (Decrease) in Inventories	(1,661)	(6,038)	-	609	(7,090)
<b>Fund Balances, End of Year</b>	<b>\$ (1,625,920)</b>	<b>\$ 582,376</b>	<b>\$ (261,478)</b>	<b>\$ 1,719,394</b>	<b>\$ 414,372</b>

(Continued)

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Fiscal Year Ended June 30, 2017**

(Continued)

	<b>Total Governmental</b>
<b>Reconciliation to the Statement of Activities:</b>	
<b>Net Change in Fund Balances</b> (from previous page)	\$ 474,993
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.	(7,090)
Governmental funds report the acquisition or construction of capital assets as expenditures, while governmental activities report depreciation expense to allocate the cost of these assets over their estimated useful life. Donated assets are set up at acquisition value with a corresponding amount of revenue recognized. In the current period, these amounts are:	
Capital Outlay/Functional Expenditures	907,390
Depreciation Expense	(127,547)
Grants and Contributions (Donated Assets)	<u>1,720</u>
	781,563
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.	(35,890)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	20,997
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	(2,741,526)
Payments for Refunded Bonds	420,443
Payments to Refunding Bond Escrow Agent	1,645,980
Repayment of Bond Principal	621,154
Special Item - Cancellation of GO Bonds	148,867
Bond Premium	(237,718)
Prepaid Bond Insurance Costs (Amortization)	<u>8,126</u>
	(134,673)
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	71,333
Decrease (increase) in Capital Leases	7,115
Decrease (increase) in Installment Contracts	472
Decrease (increase) in Compensated Absences	2,368
Decrease (increase) in Pollution Remediation Liabilities	(282)
Decrease (increase) in Claims and Judgments	26
Change in net pension assets, net pension liabilities, and pension-related deferred outflows and inflows of resources	(141,435)
Decrease (increase) in Postemployment Benefit Liabilities	<u>(15,958)</u>
	(76,361)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>(12,858)</u>
<b>Changes in Net Position of Governmental Activities as reported on the Statement of Activities</b> (See page 41)	<b>\$ 1,010,681</b>

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

**Statement of Net Position  
Proprietary Funds  
June 30, 2017**

(In Thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Injured Patients and Families Compensation</b>	<b>Environmental Improvement</b>	<b>University of Wisconsin System</b>	<b>Unemployment Reserve</b>
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 31,366	\$ 243,586	\$ 1,666,087	\$ 1,339,883
Investments	7,532	-	-	-
Loans to Local Governments (net of allowance)	-	184,399	-	-
Other Loans Receivable (net of allowance)	-	-	28,618	-
Other Receivables (net of allowance)	17,139	127	147,279	189,670
Due from Other Funds	-	214	23,753	305
Due from Component Units	-	-	-	-
Interfund Receivables	-	-	-	-
Due from Other Governments	-	19,576	71,301	1,995
Inventories	1	-	42,581	-
Prepaid Items	-	17	29,383	-
Capital Leases Receivable - Component Units	-	-	36	-
Other Assets	-	-	-	-
Total Current Assets	<u>56,037</u>	<u>447,919</u>	<u>2,009,038</u>	<u>1,531,853</u>
<b>Noncurrent Assets:</b>				
Investments	1,284,331	-	452,171	-
Loans to Local Governments (net of allowance)	-	1,814,630	-	-
Other Loans Receivable (net of allowance)	-	-	166,584	-
Other Receivables	-	-	149	42,156
Prepaid Items	-	100	-	-
Advances to Other Funds	50	6,271	-	-
Capital Leases Receivable - Component Units	-	-	140	-
<b>Restricted and Limited Use Assets:</b>				
Cash and Cash Equivalents	32,025	-	-	2,015
Other Assets	-	-	-	-
Depreciable Capital Assets (net of accumulated depreciation)	974	-	4,512,799	-
Nondepreciable Capital Assets	-	-	1,508,172	-
Total Noncurrent Assets	<u>1,317,381</u>	<u>1,821,001</u>	<u>6,640,015</u>	<u>44,171</u>
Total Assets	<u>1,373,418</u>	<u>2,268,919</u>	<u>8,649,053</u>	<u>1,576,024</u>
<b>Deferred Outflows of Resources</b>				
	191	4,397	815,034	-
Total Assets and Deferred Outflows of Resources	<u>\$ 1,373,609</u>	<u>\$ 2,273,316</u>	<u>\$ 9,464,088</u>	<u>\$ 1,576,024</u>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 15,107	\$ 124	\$ 123,565	\$ 16,304
Due to Other Funds	53	2,628	75,394	1,930
Due to Component Units	-	-	-	-
Interfund Payables	-	-	-	-
Due to Other Governments	-	1	3,405	24,314
Tax and Other Deposits	-	-	2,112	-
Unearned Revenue	1,671	-	170,603	-
Interest Payable	-	1,093	1,919	-
Short-term Notes Payable	-	-	53,507	-
<b>Current Portion of Long-term Liabilities:</b>				
Future Benefits and Loss Liabilities	58,661	-	-	-
Capital Leases	-	-	2,030	-
Compensated Absences	11	143	67,652	-
General Obligation Bonds and Notes Payable	-	-	84,166	-
Revenue Bonds and Notes Payable	-	90,550	-	-
Total Current Liabilities	<u>75,504</u>	<u>94,539</u>	<u>584,353</u>	<u>42,548</u>
<b>Noncurrent Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	-	-	-	-
Due to Other Governments	-	552	-	-
<b>Noncurrent Portion of Long-term Liabilities:</b>				
Future Benefits and Loss Liabilities	298,452	-	-	-
Capital Leases	-	-	28,928	-
Installment Contracts Payable	-	-	-	-
Compensated Absences	35	427	70,395	-
Net Pension Liability	26	11	112,699	-
Other Postemployment Benefits	64	35	289,642	-
General Obligation Bonds and Notes Payable	-	-	1,459,736	-
Revenue Bonds and Notes Payable	-	271,470	-	-
Total Noncurrent Liabilities	<u>298,577</u>	<u>272,495</u>	<u>1,961,399</u>	<u>-</u>
Total Liabilities	<u>374,081</u>	<u>367,034</u>	<u>2,545,753</u>	<u>42,548</u>
<b>Deferred Inflows of Resources</b>				
	86	45	359,879	-
<b>Net Position:</b>				
Net Investment in Capital Assets	974	-	4,392,605	-
Restricted for Unemployment Compensation	-	-	-	1,533,476
Restricted for Environmental Improvement	-	1,898,511	-	-
Restricted for Expendable Trusts	-	-	308,884	-
Restricted for Nonexpendable Trusts	-	-	198,295	-
Restricted for Future Benefits	998,468	-	-	-
Restricted for Other Purposes	-	-	723,463	-
Unrestricted	-	7,726	935,208	-
Total Net Position	<u>999,442</u>	<u>1,906,238</u>	<u>6,558,456</u>	<u>1,533,476</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,373,609</u>	<u>\$ 2,273,316</u>	<u>\$ 9,464,088</u>	<u>\$ 1,576,024</u>

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

<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>	
	<b>Nonmajor Enterprise</b>	<b>Totals</b>			
\$	566,591	\$	3,847,512	\$	29,783
	5,497		13,029		-
	242		184,641		-
	1,201		29,819		-
	113,989		468,205		2,689
	91,458		115,730		33,071
	-		-		-
	82,013		82,013		-
	9,529		102,401		54
	7,323		49,906		4,538
	767		30,167		4
	-		36		-
	473		473		-
	<u>879,085</u>		<u>4,923,932</u>		<u>70,139</u>
	134,149		1,870,651		-
	1,782		1,816,413		-
	32,519		199,104		-
	189		42,494		-
	-		100		494
	735		7,055		-
	-		140		-
	-		34,040		-
	5,187		5,187		-
	189,104		4,702,877		320,887
	36,146		1,544,318		51,134
	<u>399,811</u>		<u>10,222,379</u>		<u>372,515</u>
	<u>1,278,896</u>		<u>15,146,310</u>		<u>442,654</u>
	<u>135,751</u>		<u>955,373</u>		<u>17,811</u>
\$	1,414,646	\$	16,101,684	\$	460,465
\$	98,996	\$	254,097	\$	8,353
	36,240		116,245		13,973
	-		-		-
	25,422		25,422		51,522
	6		27,725		387
	24,503		26,616		-
	26,448		198,723		-
	754		3,767		1,386
	1,176		54,682		15,283
	96,859		155,520		48,800
	30		2,061		12,601
	5,105		72,910		1,303
	7,143		91,309		17,477
	-		90,550		-
	<u>322,682</u>		<u>1,119,626</u>		<u>171,085</u>
	16,621		16,621		-
	-		552		-
	399,859		698,311		64,120
	72		29,000		12,069
	-		-		-
	8,344		79,201		3,243
	12,652		125,388		2,004
	36,417		326,158		4,113
	69,417		1,529,153		184,110
	-		271,470		-
	<u>543,383</u>		<u>3,075,855</u>		<u>269,658</u>
	<u>866,065</u>		<u>4,195,480</u>		<u>440,743</u>
	<u>40,348</u>		<u>400,359</u>		<u>7,023</u>
	185,146		4,578,725		133,987
	-		1,533,476		-
	-		1,898,511		-
	-		308,884		-
	-		198,295		-
	275,801		1,274,269		-
	77,963		801,427		-
	(30,677)		912,257		(121,288)
	<u>508,233</u>		<u>11,505,845</u>		<u>12,699</u>
\$	1,414,646	\$	16,101,684	\$	460,465
	Total Net Position Reported Above	\$	11,505,845		
	Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds		(121)		
	Net Position of Business-type Activities	\$	11,505,724		

State of Wisconsin

**Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Proprietary Funds  
For the Fiscal Year Ended June 30, 2017**

(In Thousands)

	Business-type Activities - Enterprise Funds			
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
<b>Operating Revenues:</b>				
Charges for Goods and Services	\$ 15,748	\$ -	\$ -	-
Participant and Employer Contributions	-	-	-	706,926
Tuition and Fees	-	-	1,258,248	-
Federal Grants and Contracts	-	-	909,525	-
Local and Private Grants and Contracts	-	-	257,908	-
Sales and Services of Educational Activities	-	-	335,615	-
Sales and Services of Auxiliary Enterprises	-	-	429,498	-
Sales and Services to UW Hospital Authority	-	-	69,204	-
Investment and Interest Income	-	49,798	-	-
Interest Income Used as Security for Revenue Bonds	-	-	-	-
Miscellaneous:				
Federal Aid for Unemployment Insurance Program	-	-	-	4,476
Reimbursing Financing Revenue	-	-	-	31,287
Other	-	22	409,103	1,953
<b>Total Operating Revenues</b>	<b>15,748</b>	<b>49,820</b>	<b>3,669,101</b>	<b>744,642</b>
<b>Operating Expenses:</b>				
Personal Services	660	5,145	3,256,804	-
Supplies and Services	273	3,297	1,206,165	-
Lottery Prize Awards	-	-	-	-
Scholarships and Fellowships	-	-	145,168	-
Depreciation	353	-	292,442	-
Benefit Expense	(58,219)	-	-	465,774
Interest Expense	-	50,480	-	-
Other Expenses	-	-	24,898	5,568
<b>Total Operating Expenses</b>	<b>(56,933)</b>	<b>58,922</b>	<b>4,925,477</b>	<b>471,341</b>
<b>Operating Income (Loss)</b>	<b>72,681</b>	<b>(9,102)</b>	<b>(1,256,376)</b>	<b>273,300</b>
<b>Nonoperating Revenues (Expenses):</b>				
Operating Grants	-	56,723	-	-
Investment and Interest Income	48,496	4,053	56,205	26,111
Gain (Loss) on Disposal of Capital Assets	-	-	(24,841)	-
Interest Expense	-	-	(53,396)	-
Gifts and Donations	-	-	378,124	-
Miscellaneous Revenues	-	5,448	7,454	-
Other Expenses:				
Property Tax Credits	-	-	-	-
Grants Disbursed	-	(15,167)	-	-
Federal Settlement	-	-	-	-
Other	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>48,496</b>	<b>51,058</b>	<b>363,545</b>	<b>26,111</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>121,178</b>	<b>41,956</b>	<b>(892,831)</b>	<b>299,411</b>
Capital Contributions	-	-	20,945	-
Additions to Endowments	-	-	1,955	-
Transfers In	-	8,214	935,474	-
Transfers Out	(17)	(25,213)	(85,945)	(320)
<b>Net Income before Special Item</b>	<b>121,160</b>	<b>24,957</b>	<b>(20,403)</b>	<b>299,091</b>
Special Item:				
Surrender of General Obligation Bonds Held as Investments	-	(169,364)	-	-
<b>Change in Net Position</b>	<b>121,160</b>	<b>(144,407)</b>	<b>(20,403)</b>	<b>299,091</b>
<b>Total Net Position, Beginning of Year</b>	<b>878,282</b>	<b>2,050,645</b>	<b>6,578,859</b>	<b>1,234,384</b>
<b>Total Net Position, End of Year</b>	<b>\$ 999,442</b>	<b>\$ 1,906,238</b>	<b>\$ 6,558,456</b>	<b>\$ 1,533,476</b>

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

<b>Business-type Activities - Enterprise Funds</b>				
<b>Nonmajor Enterprise</b>		<b>Totals</b>	<b>Governmental Activities - Internal Service Funds</b>	
\$	941,768	\$	957,517	\$
	1,418,240		2,125,166	286,022
	-		1,258,248	-
	-		909,525	-
	-		257,908	-
	-		335,615	-
	-		429,498	-
	-		69,204	-
	2,298		52,096	-
	-		-	-
	-		4,476	-
	-		31,287	-
	3,103		414,181	1,184
	<u>2,365,409</u>		<u>6,844,721</u>	<u>287,206</u>
	324,945		3,587,554	49,303
	196,778		1,406,512	157,758
	362,966		362,966	-
	-		145,168	-
	15,273		308,068	36,666
	1,372,363		1,779,918	43,185
	2,146		52,626	-
	16,447		46,912	109
	<u>2,290,917</u>		<u>7,689,725</u>	<u>287,020</u>
	<u>74,493</u>		<u>(845,004)</u>	<u>186</u>
	1,332		58,055	179
	42,571		177,436	224
	41		(24,800)	299
	(1,540)		(54,936)	(6,710)
	576		378,699	-
	14,625		27,527	1,433
	(176,455)		(176,455)	-
	(1,900)		(17,067)	-
	-		-	(489)
	<u>(610)</u>		<u>(610)</u>	<u>(2,758)</u>
	<u>(121,361)</u>		<u>367,850</u>	<u>(7,821)</u>
	(46,868)		(477,154)	(7,635)
	1,654		22,599	-
	-		1,955	-
	109,865		1,053,553	4,419
	<u>(36,910)</u>		<u>(148,406)</u>	<u>(11,959)</u>
	27,741		452,547	(15,175)
	-		(169,364)	-
	<u>27,741</u>		<u>283,182</u>	<u>(15,175)</u>
	480,492		11,222,662	27,874
\$	<u>508,233</u>	\$	<u>11,505,845</u>	<u>12,699</u>
Change in Net Position Reported Above	\$		283,182	
Activities Related to Enterprise Funds			(2,317)	
Change in Net Position of Business-Type Activities	\$		<u>280,865</u>	

**Statement of Cash Flows - Proprietary Funds  
For the Fiscal Year Ended June 30, 2017**

(In Thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Injured Patients and Families Compensation</b>	<b>Environmental Improvement</b>	<b>University of Wisconsin System</b>	<b>Unemployment Reserve</b>
<b>Cash Flows from Operating Activities:</b>				
Cash Receipts from Customers	\$ 15,443	\$ -	\$ -	\$ 755,244
Cash Payments to Suppliers for Goods and Services	(255)	(3,750)	(1,256,749)	-
Cash Payments to Employees for Services	(679)	(6,365)	(3,091,079)	-
Tuition and Fees	-	-	1,263,104	-
Grants and Contracts	-	-	1,164,346	-
Cash Payments for Lottery Prizes	-	-	-	-
Cash Payments for Loans Originated	-	(210,490)	(36,039)	-
Collection of Loans	-	181,880	35,959	-
Interest Income	-	49,849	-	-
Cash Payments for Benefits	(9,300)	-	-	(483,746)
Sales and Services of Educational Activities	-	-	325,953	-
Sales and Services of Auxiliary Enterprises	-	-	427,465	-
Sales and Services to UW Hospital Authority	-	-	67,799	-
Scholarships and Fellowships	-	-	(145,168)	-
Other Operating Revenues	-	22	397,372	63,208
Other Operating Expenses	-	-	-	(5,646)
Other Sources of Cash	-	-	-	-
Other Uses of Cash	-	-	-	-
Net Cash Provided (Used) by Operating Activities	5,209	11,145	(847,037)	329,060
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Grants Receipts	-	47,563	-	-
Grants for Loans to Governments	-	-	-	-
Grants Disbursed	-	(15,167)	-	-
Proceeds from Issuance of Debt	-	318,073	-	-
Repayment of Bonds and Notes	-	(54,105)	-	-
Escrow Deposit	-	(608,841)	-	-
Interest Payments	-	(32,919)	-	-
Property Tax Credit Payments	-	-	-	-
Noncapital Gifts and Grants	-	-	380,079	-
Interfund Loans Received	-	-	-	-
Interfund Loans Repaid	-	-	-	-
Repayment of Interfund Borrowings	-	-	-	-
Transfers In	-	8,214	1,064,168	-
Transfers Out	(17)	(25,213)	(99,260)	(337)
Student Direct Lending Receipts	-	-	678,992	-
Student Direct Lending Disbursements	-	-	(684,749)	-
Other Cash Inflows from Noncapital Financing Activities	-	5,417	11	-
Other Cash Outflows from Noncapital Financing Activities	-	-	(10,134)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(17)	(356,978)	1,329,107	(337)
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from Issuance of Debt	-	-	211,455	-
Capital Contributions	-	-	103,318	-
Repayment of Bonds and Notes	-	-	(350,552)	-
Interest Payments	-	-	(137,808)	-
Transfers In	-	-	-	-
Capital Lease Obligations	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Payments for Purchase of Capital Assets	(313)	-	(338,020)	-
Other Cash Inflows from Capital Financing Activities	-	-	34,250	-
Other Cash Outflows from Capital Financing Activities	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(313)	-	(477,357)	-
<b>Cash Flows from Investing Activities:</b>				
Proceeds from Sale and Maturities of Investment Securities	495,568	12,025	90,984	-
Purchase of Investment Securities	(527,854)	44	(86,813)	-
Cash Payments for Loans Originated	-	-	-	-
Collection of Loans	-	-	-	-
Investment and Interest Receipts	32,337	9,873	14,640	26,111
Net Cash Provided (Used) by Investing Activities	51	21,943	18,811	26,111
Net Increase (Decrease) in Cash and Cash Equivalents	4,930	(323,890)	23,524	354,835
Cash and Cash Equivalents, Beginning of Year	58,461	567,476	1,642,563	987,063
Cash and Cash Equivalents, End of Year	\$ 63,391	\$ 243,586	\$ 1,666,087	\$ 1,341,898



<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>	
	<b>Nonmajor Enterprise</b>	<b>Totals</b>		
\$	2,327,637	\$ 3,098,324	\$	293,279
	(152,439)	(1,413,193)		(160,802)
	(311,589)	(3,409,711)		(46,308)
	-	1,263,104		-
	-	1,164,346		-
	(373,014)	(373,014)		-
	-	(246,529)		-
	11,719	229,558		-
	2,411	52,259		-
	(1,396,408)	(1,889,454)		(29,642)
	-	325,953		-
	-	427,465		-
	-	67,799		-
	-	(145,168)		-
	8,702	469,304		1,075
	(50,877)	(56,524)		-
	56,123	56,123		481
	(62)	(62)		(3,840)
	<u>122,202</u>	<u>(379,420)</u>		<u>54,245</u>
	1,332	48,894		-
	-	-		-
	(2,959)	(18,126)		-
	-	318,073		-
	(12,930)	(67,035)		-
	-	(608,841)		-
	(2,179)	(35,098)		(146)
	(183,352)	(183,352)		-
	-	380,079		-
	1,202	1,202		4,098
	(2,339)	(2,339)		-
	10,469	10,469		-
	109,456	1,181,838		4,480
	(35,954)	(160,782)		(3,140)
	-	678,992		-
	-	(684,749)		-
	1,369	6,797		38
	-	(10,134)		(1,102)
	<u>(115,886)</u>	<u>855,889</u>		<u>4,228</u>
	373	211,828		69,442
	1,654	104,972		-
	(3,852)	(354,404)		(26,956)
	(1,875)	(139,682)		(8,370)
	3,006	3,006		-
	(102)	(102)		(11,141)
	-	-		631
	(16,105)	(354,438)		(75,089)
	19	34,269		8,256
	(5)	(5)		-
	<u>(16,885)</u>	<u>(494,555)</u>		<u>(43,226)</u>
	19,492	618,069		-
	(9,152)	(623,774)		-
	-	-		-
	-	-		-
	44,008	126,969		-
	<u>54,348</u>	<u>121,265</u>		<u>-</u>
	43,779	103,178		15,246
	522,812	3,778,375		14,537
\$	<u>566,591</u>	<u>\$ 3,881,553</u>	\$	<u>29,783</u>

(Continued)

**Statement of Cash Flows - Proprietary Funds  
For the Fiscal Year Ended June 30, 2017**

(Continued)

**Business-type Activities - Enterprise Funds**

	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:</b>				
Operating Income (Loss)	\$ 72,681	\$ (9,102)	\$ (1,256,376)	\$ 273,300
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	353	-	292,442	-
Provision for Uncollectible Accounts	-	-	-	(8,277)
Operating Income (Investment Income) Classified as Investing Activity	-	-	-	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	50,283	-	-
Miscellaneous Nonoperating Income (Expense)	-	-	-	-
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:				
Decrease (Increase) in Receivables	(50)	(28,610)	(8,856)	64,113
Decrease (Increase) in Due from Other Funds	-	(104)	3,030	101
Decrease (Increase) in Due from Component Units	-	-	4,739	-
Decrease (Increase) in Due from Other Governments	-	-	4,906	304
Decrease (Increase) in Inventories	-	-	(701)	-
Decrease (Increase) in Prepaid Items	-	17	305	-
Decrease (Increase) in Net Pension Assets	-	-	-	-
Decrease (Increase) in Other Assets	-	-	-	-
Decrease (Increase) in Deferred Outflows of Resources	96	70	379,089	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	-	(58)	8,010	4,030
Increase (Decrease) in Due to Other Funds	(29)	(1,330)	(71,342)	(1)
Increase (Decrease) in Due to Component Units	-	-	(2,046)	-
Increase (Decrease) in Due to Other Governments	-	(2)	(443)	(4,510)
Increase (Decrease) in Tax and Other Deposits	-	-	-	-
Increase (Decrease) in Unearned Revenue	(425)	-	(7,819)	-
Increase (Decrease) in Interest Payable	-	-	-	-
Increase (Decrease) in Compensated Absences	(5)	14	6,526	-
Increase (Decrease) in Net Pension Liability	(28)	(19)	(107,761)	-
Increase (Decrease) in Postemployment Benefits	12	5	21,776	-
Increase (Decrease) in Future Benefits and Loss Liability	(67,370)	-	-	-
Increase (Decrease) in Deferred Inflows of Resources	(28)	(19)	(112,515)	-
Total Adjustments	(67,472)	20,247	409,339	55,760
Net Cash Provided (Used) by Operating Activities	\$ 5,209	\$ 11,145	\$ (847,037)	\$ 329,060

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

Assets Acquired through Capital Leases	\$ -	\$ -	\$ 1,872	\$ -
Special Item: Surrender of General Obligation Bonds Held as Investments	-	(169,364)	-	-
Net Change in Unrealized Gains and Losses	107,671	-	30,438	-
Other	-	-	3,182	-

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

<b>Business-type Activities - Enterprise Funds</b>			
	<b>Nonmajor Enterprise</b>	<b>Totals</b>	<b>Governmental Activities - Internal Service Funds</b>
\$	74,493	\$ (845,004)	\$ 186
	15,273	308,068	36,666
	101	(8,175)	-
	-	-	-
	2,444	52,727	-
	14,834	14,834	(1,318)
	12,753	39,349	276
	(33,666)	(30,639)	4,313
	-	4,739	-
	(1,634)	3,576	88
	1,440	739	264
	(670)	(347)	-
	-	-	-
	318	318	-
	41,349	420,605	7,519
	(12,079)	(97)	(4,362)
	9,341	(63,361)	722
	-	(2,046)	-
	(2)	(4,957)	(27)
	980	980	-
	(215)	(8,458)	-
	-	-	-
	(182)	6,353	73
	(12,122)	(119,929)	(1,982)
	2,600	24,393	401
	19,208	(48,161)	13,543
	(12,364)	(124,927)	(2,119)
	47,709	465,583	54,058
\$	122,202	\$ (379,420)	\$ 54,245

\$	3	\$ 1,875	\$ 4,046
	-	(169,364)	-
	1,568	139,678	-
	2,351	5,533	-

## Statement of Fiduciary Net Position

### June 30, 2017

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private- Purpose Trust	Agency
<b>Assets</b>				
Cash and Cash Equivalents	\$ 6,334,782	\$ 3,356,401	\$ 68,254	\$ 34,993
Securities Lending Collateral	1,004,940	-	-	-
Prepaid Items	7,520	-	9	-
Receivables (net of allowance):				
Prior Service Contributions Receivable	18,035	-	-	-
Benefits Overpayment Receivable	2,270	-	-	-
Due from Other Funds	68,929	-	9,315	3,877
Due from Component Units	5,915	-	-	-
Due from Other Governments	129,574	-	14,518	1,034
Due from Employers	-	-	-	19,968
Interest and Dividends Receivable	244,205	-	-	-
Investment Sales Receivable	910,708	-	-	-
Other Receivables	3,766	-	21,007	2,256
Total Receivables	1,383,403	-	44,841	27,135
Investments:				
Fixed Income	28,622,140	-	-	-
Stocks	44,963,358	-	-	-
Options	252	-	-	-
Financial Futures Contracts and Swaps	(55,518)	-	-	-
Limited Partnerships	11,285,915	-	-	-
Preferred Securities	166,542	-	-	-
Convertible Securities	639	-	-	-
Real Estate	1,275,526	-	-	-
Investments of Private Purpose Trust Funds	-	-	4,606,041	-
Investments of Agency Funds	-	-	-	59
Multi-asset Investments	4,407,772	-	-	-
Investment Contract	600,547	-	-	-
Foreign Currency Contracts	67,024	-	-	-
Total Investments	91,334,195	-	4,606,041	59
Capital Assets	25,774	-	-	-
Other Assets	-	-	-	325,932
Total Assets	100,090,615	3,356,401	4,719,146	\$ 388,119
<b>Deferred Outflows of Resources</b>	-	-	28	
<b>Liabilities</b>				
Accounts Payable and Other Accrued Liabilities	143,677	-	11,986	\$ 38,484
Reverse Repurchase Agreements	1,831,169	-	-	-
Securities Lending Collateral Liability	1,004,940	-	-	-
Annuities Payable	343,683	-	-	-
Advance Contributions	62	-	-	-
Due to Other Funds	148,453	130	7,814	2,531
Interfund Payables	27	-	81,986	-
Tax and Other Deposits	-	-	-	347,104
Future Benefits and Loss Liabilities	-	-	5,519	-
Short Sales of Securities	314,926	-	-	-
Investment Payable	161,529	-	-	-
Unearned Revenue	-	-	5,169	-
Compensated Absences Payable	2,468,990	-	-	-
Net Pension Liability	-	-	4	-
Other Postemployment Benefits	-	-	11	-
Total Liabilities	6,417,455	130	112,488	\$ 388,119
<b>Deferred Inflows of Resources</b>	-	-	12	
<b>Net Position</b>				
Held in Trust for Pension Benefits, Pool Participants and Other Purposes	\$ 93,673,160	\$ 3,356,271	\$ 4,606,674	

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, 2017**

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private- Purpose Trust
<b>Additions</b>			
Contributions:			
Employer Contributions	\$ 1,022,077	\$ -	\$ -
Employee Contributions	967,350	-	-
Other	-	-	-
Total Contributions	1,989,427	-	-
Deposits	-	10,224,396	485,314
Premiums	-	-	245,080
Federal Subsidy	-	-	20,562
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	5,861,708	-	-
Interest	568,127	-	-
Dividends	1,239,791	-	-
Securities Lending Income	36,529	-	-
Other	242,854	-	-
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	252,620	32,744	450,772
Less:			
Investment Expense	(391,427)	(592)	(7,415)
Securities Lending Rebates and Fees	(2,973)	-	-
Investment Income Distributed to Other Funds	(283,077)	-	-
Net Investment Income	7,524,151	32,152	443,356
Interest on Prior Service Receivable	1,198	-	-
Miscellaneous Income	348	-	1,886
Total Additions	9,515,124	10,256,549	1,196,198
<b>Deductions</b>			
Retirement Benefits and Refunds:			
Retirement, Disability, and Beneficiary Separations	4,951,492	-	-
	39,276	-	-
Total Retirement Benefits and Refunds	4,990,768	-	-
Distributions	34,380	10,149,641	370,406
Other Benefit Expense	368,928	-	246,112
Administrative Expense	25,986	108	12,982
Miscellaneous Expense	-	-	-
Transfers Out	-	-	3
Total Deductions	5,420,061	10,149,749	629,503
Net Increase (Decrease)	4,095,063	106,799	566,695
Net Position - Beginning of Year	89,578,097	3,249,472	4,039,979
Net Position - End of Year	\$ 93,673,160	\$ 3,356,271	\$ 4,606,674

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



Notes To The Financial Statements

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## Notes To The Financial Statements

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Presentation

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

#### B. Financial Reporting Entity

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

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

Based upon the application of the criteria contained in GASB Statement No. 14, as amended by GASB Statement No. 39, the

Wisconsin Public Broadcasting Foundation, Inc. is reported as a blended component unit; and the Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, the University of Wisconsin Hospital and Clinics Authority, the Wisconsin Economic Development Corporation and the University of Wisconsin Foundation, are presented as discrete component units, as discussed below.

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

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

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

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

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

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

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



**Blended Component Unit**

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

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

**Discretely Presented Component Units**

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

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

*Wisconsin Health Care Liability Insurance Plan* – The Wisconsin Health Care Liability Insurance Plan (Plan) was established by rule of the Commissioner of Insurance of the State of Wisconsin to provide health care liability insurance and liability coverage normally incidental to health care liability insurance to eligible health care providers in the State. Eight out of 13 members of the Board of Directors are appointed by the Governor, and the State

has the ability to impose its will upon the Plan. The Plan reports on a fiscal year ended December 31.

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

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

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

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

*University of Wisconsin Foundation* – The University of Wisconsin Foundation (the Foundation) is a legally separate, tax-exempt component unit of the State. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available mostly to the University of Wisconsin-Madison (UW-Madison) as well as several other units of the University of Wisconsin System in support of its programs. These include scientific, literary, athletic and educational program purposes. The University of Wisconsin System is reported as an enterprise

fund of the State. Although the State does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the UW-Madison by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the UW-Madison and several other units of the University of Wisconsin System, the Foundation is considered a component unit of the State. The Foundation reports on a fiscal year ended June 30.

#### Related Organizations

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

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

*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, 2017, 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 \$440.4 million representing one-half of the total appropriated amount is reported at June 30, 2017 as Due to Other Governments.

**State Property Tax Credit Program**

At June 30, 2017, 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, 2017.

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, 2017.

The aggregated State Property Tax Credit Program liability of \$746.6 million is reported in the General Fund as Due to Other Governments. Of that amount, \$635.6 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 2017 property tax bills, the State made this payment in March 2017. 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 2017, while the remaining portion represents advanced payments. The resulting deferred outflow of resources reported within the Lottery Fund totals \$46.7 million at June 30, 2017.

### 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, 2017, the State was liable to various local governments and other taxing jurisdictions for unpaid exempt computer aid payments of \$64.7 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, 2017, primarily for summer session tuition, tuition and room deposits for the next fall term, advance ticket sales for upcoming intercollegiate athletic events, and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement.

#### **13. Self-Insurance**

Consistent with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and*

*Related Insurance Issues*, the State's risk management activities are reported in an internal service fund, and the claims liabilities associated with that fund are reported therein.

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

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

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position 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, 2017, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Balance Sheet – Governmental Funds to the amounts presented in the governmental activities section of the Statement of Net Position (in thousands). The differences result primarily from the long-term economic focus of the Statement of Net Position compared to the current financial focus of the Balance Sheet – Governmental Funds.

	Total Governmental Funds	Long-term Assets and Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations (3)	Total Amount for Statement of Net Position
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 1,650,091	\$ -	\$ 29,783	\$ -	\$ 1,679,874
Investments	584,415	-	-	-	584,415
Receivables (net of allowance):					
Taxes	1,456,713	-	-	(1,456,713)	-
Loans to Local Governments	443,012	-	-	(443,012)	-
Other Loans Receivable	23,774	-	-	(23,774)	-
Other Receivables	754,027	2,667	2,743	3,162,871	3,922,308
Due from Other Funds	287,324	-	33,071	(320,395)	-
Interfund Receivables	78,934	-	-	(78,934)	-
Due from Other Governments	1,172,589	-	-	(1,172,589)	-
Internal Balances	-	-	121	50,992	51,113
Inventories	37,802	1	4,538	-	42,340
Prepaid Items	21,236	4,300	498	-	26,035
Restricted Assets:					
Cash and Cash Equivalents	248,231	-	-	-	248,231
Investments	211,004	-	-	-	211,004
Other Restricted Assets	229	-	-	-	229
Other Assets	24,035	-	-	-	24,035
Depreciable Capital Assets	-	1,284,776	320,887	-	1,605,663
Infrastructure	-	15,842,901	-	-	15,842,901
Other Non-depreciable Capital Assets	-	6,508,101	51,134	-	6,559,235
Total Assets	<u>6,993,415</u>	<u>23,642,745</u>	<u>442,774</u>	<u>(281,553)</u>	<u>30,797,382</u>
<b>Deferred Outflows of Resources</b>	<b>142</b>	<b>1,177,236</b>	<b>17,811</b>	<b>-</b>	<b>1,195,189</b>
Total Assets and Deferred Outflows	<u>\$ 6,993,557</u>	<u>\$ 24,819,981</u>	<u>\$ 460,586</u>	<u>\$ (281,553)</u>	<u>\$ 31,992,571</u>
<b>Liabilities:</b>					
Accounts Payable and Other					
Accrued Liabilities	1,176,418	-	10,126	17,429	1,203,973
Due to Other Funds	224,309	-	65,495	(289,804)	-
Due to Component Units	133	-	-	(133)	-
Interfund Payables	1,990	-	-	(1,990)	-
Due to Other Governments	2,390,447	-	-	-	2,390,447
Tax Refunds Payable	1,357,343	-	-	-	1,357,343
Tax and Other Deposits	109,285	-	-	-	109,285
Unearned Revenue	324,189	1	-	-	324,190
Interest Payable	44,970	62,681	-	-	107,651
Advances from Other Funds	7,055	-	-	(7,055)	-
Short-term Notes Payable	525,666	-	15,283	-	540,949
Other Liabilities	-	150,476	-	-	150,476
Long-term Liabilities:					
Current Portion	154,255	679,351	80,181	-	913,788
Noncurrent Portion	-	11,170,688	269,658	-	11,440,346
Total Liabilities	<u>6,316,061</u>	<u>12,063,196</u>	<u>440,743</u>	<u>(281,553)</u>	<u>18,538,448</u>
<b>Deferred Inflows of Resources</b>	<b>263,125</b>	<b>84,438</b>	<b>7,023</b>	<b>-</b>	<b>354,586</b>
<b>Fund Balances/Net Position</b>	<b>414,372</b>	<b>12,672,347</b>	<b>12,819</b>	<b>-</b>	<b>13,099,538</b>
Total Liabilities, Deferred Inflows, and Fund Balances/Net Position	<u>\$ 6,993,557</u>	<u>\$ 24,819,981</u>	<u>\$ 460,586</u>	<u>\$ (281,553)</u>	<u>\$ 31,992,571</u>

- (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, 2017, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the amounts presented in the governmental section of the Statement of Activities (in thousands). The differences result primarily from the long-term economic focus of the Statement of Activities compared to the current financial focus of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.

	Total Governmental Funds	Long-term Revenues and Expenses (1)	Capital-Related Items (2)
<b>Revenues:</b>			
Taxes			
Income Taxes	\$ 8,918,612	\$ 9,597	-
Sales & Excise Taxes	5,923,388	7,812	-
Public Utility Taxes	357,757	-	-
Other Taxes	312,124	7	-
Motor Fuel (Transportation) Taxes	1,101,666	70	-
Other Dedicated Taxes	204,006	-	-
Intergovernmental	9,187,189	-	-
Operating Grants	-	-	-
Capital Grants	-	-	1,720
Licenses and Permits	1,973,358	-	-
Charges for Goods and Services	365,370	3,511	-
Investment and Interest Income	43,180	-	-
Fines and Forfeitures/Contributions to Permanent Fund	60,827	-	-
Gifts and Donations	24,199	-	-
Miscellaneous:			
Tobacco Settlement	139,973	-	-
Other	262,809	-	-
<b>Total Revenues</b>	<b>28,874,456</b>	<b>20,997</b>	<b>1,720</b>
<b>Expenditures/Expenses:</b>			
Current Operating:			
Commerce	242,084	5,927	539
Education	7,188,985	4,825	5,596
Transportation	2,066,119	20,279	42,922
Environmental Resources	420,739	11,023	18,790
Human Relations and Resources	13,174,807	82,094	82,373
General Executive	671,787	7,798	15,302
Judicial	132,359	8,331	1,964
Legislative	66,908	3,394	-
Tax Relief and Other General Expenditures	1,431,872	-	-
Intergovernmental - Shared Revenue	966,989	-	-
Capital Outlay	919,017	-	(911,439)
Debt Service:			
Principal	621,154	-	-
Interest and Other Charges	512,774	3,393	-
<b>Total Expenditures/Expenses</b>	<b>28,415,592</b>	<b>147,064</b>	<b>(743,953)</b>
Excess of Revenues Over (Under) Expenditures/Expenses	458,864	(126,067)	745,673
<b>Other Financing Sources (Uses):</b>			
Net Transfers	(897,065)	-	-
Long-term Debt Issued	2,741,526	-	-
Premium/Discount on Bonds	237,718	-	-
Payments for Refunded Bonds	(420,443)	-	-
Payments to Refunding Bond Escrow Agent	(1,645,980)	-	-
Capital Lease Acquisitions	373	(373)	-
<b>Total Other Financing Sources (Uses)</b>	<b>16,129</b>	<b>(373)</b>	<b>-</b>
<b>Special Items</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance/Net Position</b>	<b>474,993</b>	<b>(126,441)</b>	<b>745,673</b>
Change in Inventories	(7,090)		
<b>Net Change for the Year</b>	<b>\$ 467,903</b>		

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

Internal Service Funds (3)	Long-term Debt Transactions (4)	Eliminations (5)	Revenue/Expense Reclassifications (6)	Total Amount for Statement of Activities
\$ -	\$ -	\$ -	\$ -	8,928,209
-	-	-	-	5,931,200
-	-	-	-	357,757
-	-	-	-	312,131
-	-	-	-	1,101,736
-	-	-	-	204,006
-	-	-	(9,187,189)	-
-	-	(420,599)	9,158,381	8,737,782
-	-	515,214	84,203	601,136
-	-	-	(1,973,358)	-
(6,347)	-	(8,637)	2,021,620	2,375,517
224	-	-	(31,198)	12,206
-	-	-	(48,261)	12,566
-	-	-	(24,199)	-
-	-	-	403,324	403,324
-	-	-	(139,973)	-
-	-	-	(262,809)	-
(6,123)	-	85,977	543	28,977,570
9	-	-	319	248,879
165	-	37,455	468	7,237,495
180	16	-	6,022	2,135,538
62	282	-	7,207	458,103
(256)	(26)	57,160	424	13,396,577
(7,683)	-	(8,637)	(3,236)	675,331
-	-	-	(4)	142,649
8	-	-	-	70,310
-	(3,182)	-	(79)	1,428,610
-	-	-	-	966,989
-	-	-	(7,578)	(0)
-	(621,154)	-	-	-
6,710	(76,293)	-	3,546	450,129
(805)	(700,357)	85,977	7,090	27,210,609
(5,318)	700,357	-	(6,547)	1,766,961
(7,540)	-	-	(543)	(905,147)
-	(2,741,526)	-	-	-
-	(237,718)	-	-	-
-	420,443	-	-	-
-	1,645,980	-	-	-
(7,540)	(912,820)	-	(543)	(905,147)
-	148,867	-	-	148,867
\$ (12,858)	\$ (63,596)	0	(7,090)	1,010,681
			7,090	-
			\$ (0)	\$ 1,010,681

- (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, 2017 are (in thousands):

Special Revenue:	
Dry Cleaner Environmental Response	5,873
Enterprise:	
Northern Developmental Disabilities Center	11,476
Long Term Disability Insurance	109,388
Internal Service:	
Risk Management	102,398
Pension and Other Employee Benefit Trust	
Accumulated Sick Leave	102,071
Private-Purpose Trust:	
Retiree Health Insurance	67,334

**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, 2017 (in thousands):

Governmental Activities:	
Net Position Restricted by Enabling Legislation	54,315
Business-type Activities:	
Net Position Restricted by Enabling Legislation	240,363

**C. Budget Stabilization Arrangement**

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

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

The balance of the budget stabilization arrangement as of June 30, 2017 was \$282.9 million.



**D. Minimum Fund Balance**

Wisconsin Statutes 20.003(4) establishes a minimum General Fund balance. Under the statutes, no bill directly or indirectly affecting general purpose revenues as defined in Wisconsin Statutes 20.001(2)(a) may be enacted by the legislature if the bill would cause the estimated General Fund balance on June 30 of any fiscal year to be an amount equal to or less than the amount specified for that fiscal year. The minimum required balance for the fiscal year ending June 30, 2017 was \$65.0 million.

**E. Fund Balance for Governmental Funds**

Governmental funds reported the following categories of fund balance as of June 30, 2017 (in thousands):

	General	Transportation	Capital Improvement	Nonmajor Governmental	Total Governmental
<b>Nonspendable for:</b>					
Inventory, Prepaid and Long-term					
Receivables	21,712	22,103	-	15,210	59,025
Legal or Contractual Purposes (Permanent Fund Principal)	-	-	-	1,095,127	1,095,127
<b>Restricted for:</b>					
Commerce	33,114	-	-	32	33,146
Education	10,129	-	-	50,342	60,471
Transportation	-	560,273	-	-	560,273
Environmental Resources	5,177	-	-	126,442	131,619
Human Relations and Resources	53,709	-	-	33,994	87,703
General Executive	127,602	-	-	7,281	134,883
Judicial	12	-	-	-	12
Tax Relief and Other General Expenditures	410	-	-	-	410
Intergovernmental - Shared Revenue	-	-	-	2,712	2,712
Debt Service	-	-	-	93,317	93,317
Capital Projects	-	-	-	80,198	80,198
<b>Committed to:</b>					
Commerce	-	-	-	67,799	67,799
Education	-	-	-	412	412
Environmental Resources	-	-	-	89,247	89,247
Human Relations and Resources	-	-	-	20,574	20,574
General Executive	-	-	-	18,815	18,815
Judicial	-	-	-	15	15
Tax Relief and Other General Expenditures	282,850	-	-	-	282,850
Capital Projects	-	-	-	23,752	23,752
<b>Unassigned</b>	(2,160,635)	-	(261,478)	(5,873)	(2,427,987)
<b>Total Fund Balance</b>	(1,625,920)	582,376	(261,478)	1,719,394	414,372

**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.

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

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

**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, 2017, \$403.7 million of the primary government's bank balance of \$428.5 million was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	\$ 403.7
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Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Deposits in foreign currency at June 30, 2017 are immaterial. The primary government does not have a formal policy specifically related to foreign currency risk.

The State's Unemployment Reserve Fund had \$1.3 billion on deposit with the U.S. Treasury. This amount is presented as Cash and Cash Equivalents and is not included in the carrying amount of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

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

**2. Wisconsin Retirement System (WRS)**

As of December 31, 2016, WRS cash deposits totaled \$1,119.2 million. Of the total deposits, \$526.2 million was collateralized by the securities borrowed. Depository insurance covered another \$41.4 million of the total. 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 \$551.6 million at December 31, 2016. In addition to cash deposits, the WRS also held \$72.2 million in certificates of deposit, all of which were covered by depository insurance.

**3. State Investment Fund**

As of June 30, 2017, the SIF held Certificates of Deposit (CDs) with a value of \$30.0 million invested pursuant to the Wisconsin Certificate of Deposit Program, all of which is insured through FDIC insurance. Investment guidelines provide that to be accepted into this program, banks must accept deposits in Wisconsin and meet credit-screening criteria designed to assure the safety of the deposits.

## 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.

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

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

**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, 2017, in millions.

<b>Primary Government (excluding the Various Funds)</b>				
	Fair Value	Fair Value Measurement Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level:				
U.S. Government & Agency Securities	\$ 235.5	\$ 235.5	\$ -	
State & Municipal Bonds & Notes	551.7		551.7	
Corporate Bonds	0.3		0.3	
Closed-End Funds	4.1	4.1		
Stocks	22.8	22.8		
<b>Total By Fair Value Level</b>	<b>\$ 814.4</b>	<b>\$ 262.4</b>	<b>\$ 552.0</b>	
Investments Valued at Net Asset Value (NAV):				
Mutual Funds	\$ 4,446.7			
Money Market Funds	289.9			
Investments Valued at Cost:				
Guaranteed Investment Contracts	\$ 170.1			
US Savings Bonds	0.2			
<b>Total</b>	<b>\$ 5,721.3</b>			

The following tables present fair value measurements as of June 30, 2017 for the Various Funds, in millions.

Various Funds	Fair Value Measurement Using			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>SLF</b>				
Investments by Fair Value Level:				
U.S. Government and Agency Securities	\$ 48.4		\$ 48.4	
Corporate Bonds	66.7		66.7	
<b>Total SLF</b>	<b>\$ 115.2</b>		<b>\$ 115.2</b>	

**IPFCF**

Investments by Fair Value Level:

U.S. Government and Agency Securities	\$ 575.0	\$ 16.3	\$ 558.7
Corporate Bonds	466.8		466.8
Municipal Bonds	25.5		25.5
Foreign Governments	22.3		22.3
Preferred Securities	1.6		1.6
<b>Total Investments by Fair Value Level</b>	<b>\$ 1,091.3</b>	<b>\$ 16.3</b>	<b>\$ 1,075.0</b>

Investments Valued at Net Asset Value (NAV):

Equity Index Funds	\$ 200.6
Short-Term Investment Fund	\$ 15.1
<b>Total IPFCF</b>	<b>\$ 1,307.0</b>

**Historical Society**

Investments Reported at Net Asset Value (NAV):

U.S. Equity Index Fund	\$ 12.0
U.S. Fixed Income Fund	3.7
<b>Total Historical Society</b>	<b>\$ 15.7</b>

**Tuition Trust**

Debt Securities

U.S. Government and Agency Bonds	\$ 2.2	\$ 2.2
<b>Tuition Trust Total</b>	<b>\$ 2.2</b>	<b>\$ 2.2</b>

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.

The Injured Patients and Families Compensation fund holds Investments in the amount of \$15.1 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 College Savings Fund has a \$170.1 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 \$0.2 million are held at amortized cost.

**University of Wisconsin System (UWS)**

The following schedule presents fair value measurements at June 30, 2017 (fair values in millions):

UWS	Fair Value Measurement Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs
Investments by Fair Value Level:			
U.S. Government Securities	\$ 32.4	\$ 31.2	\$ 1.2
U.S. Agency Securities	13.7	-	13.7
Bonds & Preferred Stock	26.8	-	26.8
Pooled Fixed Income Fund	44.6	44.6	-
Common Stock & Convertible Securities	57.0	57.0	-
Pooled Equity Funds	104.8	53.4	51.4
Pooled Allocation Fund	81.5	81.5	-
<b>Total By Fair Value Level</b>	<b>\$ 360.9</b>	<b>\$ 267.7</b>	<b>\$ 93.2</b>
Investments Valued at Net Asset Value (NAV):			
Custodial Pooled Cash & Cash Equivalents	\$ 36.0		
Limited Partnerships	91.4		
<b>Total</b>	<b>\$ 488.2</b>		

**Wisconsin Retirement System (WRS)**

The following schedules presents fair value measurements at December 31, 2016 (fair values in millions):

WRS	Fair Value	Fair Value Measurement Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level:				
Cash Equivalents:				
Corporates & Private Placements	\$ 2.3	\$ -	\$ 2.3	\$ -
Foreign Government / Agency Securities	341.9	-	-	341.9
U.S. Treasury Securities	156.8	156.8	-	-
Total Cash Equivalents	501.1	156.8	2.3	341.9
Stocks				
Domestic	22,141.7	22,061.7	-	80.0
International	16,768.2	16,768.1	0.1	-
Total Stocks	38,909.9	38,829.8	0.1	80.0
Fixed Income				
Asset Backed Securities	28.3	-	26.7	1.5
Corporates & Private Placements	5,106.0	-	4,963.1	142.9
Foreign Government / Agency Bonds	3,946.4	-	3,921.8	24.6
Municipal Bonds	117.5	-	117.5	-
U.S. Government Agencies	294.3	-	294.3	-
U.S. Treasury Inflation Protected Securities	9,296.5	-	9,296.5	-
U.S. Treasury Securities	4,003.8	-	4,003.8	-
Total Fixed Income	22,792.8	-	22,623.8	169.0
Real Estate	1,275.5	-	-	1,275.5
Preferred Securities				
Domestic	72.2	-	38.5	33.7
International	94.3	94.3	-	-
Total Preferred Securities	166.5	94.3	38.5	33.7
Convertibles	0.6	-	-	0.6
Derivatives				
Foreign Exchange Contracts	67.0	-	67.0	-
Futures	(79.1)	(79.1)	-	-
Options	0.3	0.3	-	-
Swaps	23.6	-	23.6	-
Total Derivatives	11.8	(78.9)	90.6	-
Equity Short Sales	(259.1)	(259.1)	-	-
Fixed Income Short Sales				
Exchange Traded Funds - Short Positions	(0.5)	(0.5)	-	-
U.S. Treasury Securities - Short Positions	(55.4)	(9.0)	(46.4)	-
Total Fixed Income Short Sales	(55.8)	(9.4)	(46.4)	-
<b>Total</b>	<b>\$ 63,343.3</b>	<b>\$ 38,733.6</b>	<b>\$ 22,709.0</b>	<b>\$ 1,900.8</b>

WRS	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (7)
Investments Measured at NAV:				
Fixed Income (1)	\$ 7,055.1	\$ 136.6	Daily, Monthly, N/A (1)	0-15 days, N/A (1)
Private Equity Limited Partnerships (2)	6,564.3	4,951.7	N/A	N/A
Stock (3)	6,053.5	-	Daily, Monthly, Quarterly	2-45 days
Real Estate Limited Partnerships (4)	4,721.6	1,103.5	N/A, Quarterly	N/A, 30-90 days
Hedge Funds (5)	4,407.8	100.0	Various (see Multi Asset)	Various (see Multi Asset)
Total (6)	<u>\$ 28,802.3</u>	<u>\$ 6,291.8</u>		

(1) A portion of this category consists of short term cash funds with the investment objective of safety of principal and liquidity while earning a competitive money market rate of return. Corporate and government bond index funds are a significant portion of this category and have the investment objective of approximating as closely as practicable the return of a given segment of the markets for publicly traded investments. The short-term cash funds and the Corporate and government index funds all have daily liquidity with 0-2 days' notice. An additional portion of this category represents long-only fixed income managers, which can invest across the credit quality spectrum, in varying geographies, and can include derivatives, high yield and structured securities. These long-only managers require a redemption notice period of approximately 2 weeks and have monthly liquidity. The remaining funds in this category include LLCs which invest in private real estate debt. These LLC investments distribute earnings over the life of the investment and have an average remaining life of between 0-5 years.

(2) Private Equity Limited Partnerships include direct, co-investments with existing WRS general partners, direct secondary investments and fund of funds. These investments are illiquid and are generally not resold or redeemed. Distributions from each fund will be received as the underlying investments are liquidated. The table entitled Limited Partnerships - Estimated Remaining Life provides an estimate of the period over which the underlying assets are expected to be liquidated.

(3) This category includes emerging markets equity index funds (56%) with an investment strategy designed to track the return of the given segment of the emerging equity markets. This investment can be redeemed daily with 2 days' notice. An additional 40% of this category represents long-only equity managers with various fundamental, quantitative and other approaches spanning various styles, geographies and market cap weights. These long-only manager investments can be redeemed monthly, with between 10 and 30 days' notice. The remaining 4% of this category includes investments structured as Real Estate Investment Trusts which can be redeemed quarterly, with 45 days' notice.

(4) This category includes funds that invest directly in real estate and real estate related assets. Approximately 67% of these investments are generally not resold or redeemed. Distributions from each fund will be received as the underlying investments are liquidated. The table entitled Limited Partnerships - Estimated Remaining Life provides an estimate of the period over which the underlying assets are expected to be liquidated. The remaining 33% of this category consists of open-ended funds that invest directly in real estate and real estate related assets. Such investments can be redeemed quarterly with between 30 and 90 days' notice.

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

(6) The WRS had additional unfunded commitments of approximately \$22.4 million, relating to assets not valued using NAV.

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

#### Private Equity and Real Estate Limited Partnerships

Limited partnerships are generally structured to provide distributions to participants of the fund as the holdings of the partnership are liquidated over time. In general, the Private Equity Limited Partnerships participated in the following investment strategies at December 31, 2016:

*Buyout* – This strategy acquires shares of a private company to gain a controlling interest.

*Mezzanine* – Provides mezzanine debt to finance leveraged buyouts, recapitalizations, and corporate acquisitions.

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

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

The Real Estate Limited Partnerships generally consisted of the following investment strategies at December 31, 2016:

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

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

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

#### **Hedge Funds**

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

The Retirement Funds participated in the following Hedge Fund strategies at December 31, 2016:

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

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

*Global Macro* – The funds in this category invest their holdings in indexes, commodities, interest rate instruments, and currencies as a result of relative value or directional forecasts from a systematic or discretionary approach.

*Market Neutral/Arbitrage* – This strategy uses a range of fixed income, convertible instruments, and/or statistical arbitrage strategies that seek to hedge market-related risks to earn consistent returns.

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

#### **Credit Risk**

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

**Primary Government** (excluding the 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 require that the bond portfolios shall maintain an average quality rating of A- or better at time of purchase, using the lower of split ratings at the time of purchase.



Investment credit quality ratings as of June 30, 2017, from Standard and Poor's, Moody's Investors Service, and Fitch Ratings are presented below using the Standard and Poor's rating scale (in millions):

<b>Primary Government</b> (excluding the Various Funds, UWS, WRS and SIF)	
<b>Credit Quality Ratings</b>	<b>Fair Value</b>
AAA	\$ 284.6
AA	727.4
A	16.8
Not Rated	1,851.0
<b>Total</b>	<b>\$ 2,879.7</b>

The following schedule displays the credit ratings at June 30, 2017, for the Various Funds (fair values in millions):

	<b>Various Funds</b>			
	<b>SLF</b>	<b>IPFCF</b>	<b>Historical Society</b>	<b>Tuition Trust</b>
AAA	\$ 1.2	\$ 26.8	\$ --	\$ 2.2
AA	53.7	613.4	--	--
A	35.8	130.3	--	--
BBB	22.7	287.1	--	--
BB	1.7	27.4	--	--
B	--	6.2	--	--
Not Rated	--	0.0	--	--
Short-term Investment Fund (Not Rated)	--	15.1	--	--
Bond Fund (Not Rated)	--	--	3.7	--
<b>Totals</b>	<b>\$ 115.2</b>	<b>\$ 1,106.4</b>	<b>\$ 3.7</b>	<b>\$ 2.2</b>

**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, 2017 (in millions). Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the Aaa rating.

<b>UWS</b>	
<b>Ratings</b>	<b>Fair Value</b>
Aaa	\$ 57.9
Aa1	0.7
Aa2	1.3
Aa3	1.4
A1	3.5
A2	3.7
A3	2.2
Baa1	6.2
Baa2	4.3
Baa3	1.7
Ba2	12.6
B2	19.0
Caa2	1.6
No Rating	0.5
Unrated Pooled Cash	36.9
<b>Total</b>	<b>\$ 153.5</b>

**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, 2016 (in millions).

WRS	
Rating	Fair Value
F1/A-1	\$ 10.9
AAA/Aaa	444.0
AA/Aa	14,644.8
A	2,891.0
P-2/A-2	176.8
BBB/Baa	2,635.1
BB/Ba	912.7
B	941.9
CCC/Caa or below	320.3
Commingled Fixed Income Funds	6,846.6
Not Rated	1,180.6
Total	<u>\$ 31,004.6</u>

## Reverse Repurchase Agreements

### Wisconsin Retirement System (WRS)

SWIB held \$1.8 billion in reverse repurchase agreements at December 31, 2016. 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, 2016 was \$48.5 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. 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 0.65 percent and 1.20 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, 2017, 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, 2016, the WRS held 8 repurchase agreements totaling \$455.9 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 \$158.1 million of the reported investments of the primary government were issued by the State of Wisconsin which represents 5.8 percent of total investments. These investments were held by the non-major governmental funds and it represents 18.6 percent of those funds' investments. The non-major governmental funds also hold investments in debt securities issued by the Farm Credit System, and the Federal Home Loan Bank totaling \$112.1 million and \$125.0 million respectively. The dollar figures represent 13.2 percent, and 14.7 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, 2017, 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, 2016.

### 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, 2017, the primary government's investments were (in millions):

Investment Type	Investment Maturities				Fair Value
	Less Than 1 Year	1 to 5 Years	6 to 10 years	More Than 10 Years	
U.S. Government and U.S. agency holdings	\$ 216.6	\$ 14.3	\$ 3.9	\$ 0.9	\$ 235.7
State and municipal bonds and notes	98.0	5.5	53.6	394.5	551.6
Corporate notes and bonds	0.3	--	--	--	0.3
Money market funds	289.9	--	--	--	289.9
Mutual funds – open ended	--	597.3	1059.0	--	1,656.3
Guaranteed Investment Contracts	--	170.1	--	--	170.1
<b>Total</b>	<b>\$ 604.9</b>	<b>\$ 787.3</b>	<b>\$ 1,116.5</b>	<b>\$ 395.4</b>	<b>\$ 2,904.1</b>

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, 2017, the Various Funds had interest rate risk statistics as detailed below (in millions):

Investment Type	Various Funds Duration or WAM (in years) for Fixed Income Securities							
	SLF		IPFCF		Historical Society		Tuition Trust	
	Fair Value	WAM	Fair Value	Duration	Fair Value	Duration	Fair Value	Duration
Govt/Agency	\$ 48.4	10.75	\$ 575.0	5.21	\$ --	--	\$ 2.2	0.83
Corporate	66.7	10.46	516.3	7.56	--	--	--	--
Bond Fund	--	--	--	--	3.7	6.36	--	--
Short-Term Investment Fund	--	--	15.1	0.16	--	--	--	--
<b>Total/Wtd Ave</b>	<b>\$ 115.2</b>	<b>10.58</b>	<b>\$ 1,106.4</b>	<b>6.24</b>	<b>\$ 3.7</b>	<b>6.36</b>	<b>\$ 2.2</b>	<b>0.83</b>

**External Investment Pools**

The Injured Patients and Families Compensation Fund, has investments totaling \$15.1 million at June 30<sup>th</sup>, 2017 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 0.16 years.

Investments for the Retiree Life Fund and Local Retiree Life Fund are held with the insurance carrier. Interest is calculated and credited to the Retiree Life Insurance Funds based on the rate of return for a segment of the insurance carrier's general fund, specifically 10 Year A- Bonds (as a proxy and not tied to any specific investments). The funds invested during the year earn interest based on that year's rate of return for 10 Year A- Bonds.

The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

#### **University of Wisconsin System (UWS)**

The UWS uses the option adjusted modified duration method to analyze interest rate risk. As of June 30, 2017, the UWS had interest rate risk statistics as detailed below (in millions):

<b>UWS</b>		
<b>Fixed Income Sector</b>	<b>Fair Value</b>	<b>Effective Duration</b>
Treasury Inflation Protected Securities	\$ 16.8	5.38
U.S. Government	20.0	5.34
U.S. Government Mortgages	4.7	4.92
Corporates and Other Credit	17.5	2.95
Collateralized Mortgage Obligations: U.S. Agencies	2.5	1.67
Commercial Mortgage Backed Securities	3.1	4.39
U.S. Private Placements	8.3	2.89
Total	<u>\$ 72.9</u>	
<b>Fixed Income Commingled Funds</b>		
<b>Fixed Income Commingled Funds</b>	<b>Fair Value</b>	<b>Modified Duration</b>
Seix Advisors High Yield Fund	\$ 35.4	3.42
Intermediate Fund Multi Asset	9.2	2.62
Total	<u>\$ 44.6</u>	

#### **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, 2016, 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	\$ 28.3	1.8
Corporate Bonds & Private Placements	5,351.7	6.0
Corporate Bonds & Private Placements	3.8	N/A
Foreign Government/Agency Bonds	4,288.3	7.1
Municipal Bonds	117.5	9.6
U.S. Government Agencies	294.3	4.1
U.S. Treasury Inflation Protected Securities	9,296.5	7.5
U.S. Treasury Securities	4,160.6	5.2
U.S. Treasury Securities - Short Positions	(55.4)	0.2
Commingled Funds:		
Domestic Fixed Income	5,240.4	6.7
Emerging Market Fixed Income	582.6	6.3
Exchange Traded Funds – Short Positions	(0.5)	N/A
Subtotal	<u>\$ 29,308.1</u>	
Investment Type	Fair Value	Weighted Average Maturity (days)
Commercial Paper	\$ 216.5	18
Repurchase Agreements	455.9	3
Commingled Funds:		
Short Term Cash Management	1,024.1	67
Subtotal	<u>1,696.5</u>	
Total	<u>\$ 31,004.6</u>	

\*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, 2017, 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, 2017, the Various Funds did not directly own any issues denominated in a foreign currency.

### University of Wisconsin System (UWS)

As of June 30, 2017, the Long Term and Intermediate Term Funds held equity securities denominated in foreign currencies within pooled investment vehicles only, with market values totaling \$115.6 million and \$6.3 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, 2016, the WRS had the following currency exposure (all assets stated in millions of United States Dollars):

<b>Currency Exposures by Investment Type</b>									
Currency	Cash & Cash Equivalents	Stocks	Fixed Income	Limited Partnerships	Preferred Securities	Short Sales	Futures	Total	
Argentina Peso	\$ 1.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.9
Australian Dollar	18.4	1,006.6	58.2	-	-	(3.9)	1.4	1,080.7	
Brazilian Real	0.7	45.5	-	-	21.9	-	-	68.1	
British Pound Sterling	41.6	2,677.4	292.6	97.8	-	-	3.5	3,112.9	
Canadian Dollar	20.7	1,415.7	70.2	-	-	(1.8)	(0.2)	1,504.7	
Chilean Peso	-	0.4	-	-	-	-	-	0.4	
Colombian Peso	-	0.4	-	-	-	-	-	0.4	
Danish Krone	2.8	288.6	22.9	-	-	-	-	314.4	
Euro Currency Unit	63.8	4,722.8	1,512.2	659.5	72.4	(9.3)	3.8	7,025.2	
Hong Kong Dollar	5.1	605.1	-	-	-	-	-	610.2	
Hungarian Forint	0.2	-	-	-	-	-	-	0.2	
Indian Rupee	-	80.9	-	-	-	-	-	80.9	
Indonesian Rupiah	0.6	13.9	2.4	-	-	-	-	16.9	
Israeli New Shekel	0.4	29.4	-	-	-	-	-	29.8	
Japanese Yen	345.8	3,581.8	1,285.7	-	-	(22.8)	2.5	5,192.9	
Malaysian Ringgit	0.6	24.4	14.6	-	-	-	-	39.5	
Mexican New Peso	49.4	11.0	43.5	-	-	-	-	103.8	
New Zealand Dollar	0.3	27.3	4.5	-	-	-	-	32.1	
Norwegian Krone	0.9	82.9	10.1	-	-	(3.2)	-	90.7	
Philippine Peso	0.5	0.6	-	-	-	-	-	1.2	
Polish Zloty	0.3	19.3	21.3	-	-	-	-	40.9	
Russian Ruble	-	-	-	-	-	-	-	-	
Singapore Dollar	2.1	168.6	12.4	-	-	(1.9)	-	181.2	
South African Rand	0.5	33.2	17.3	-	-	-	-	51.0	
South Korean Won	0.1	153.8	-	-	-	-	-	153.8	
Swedish Krona	4.8	360.1	15.2	12.2	-	(0.2)	-	392.1	
Swiss Franc	6.2	1,251.6	-	-	-	(5.8)	-	1,251.9	
Taiwan New Dollar	-	76.4	-	-	-	-	-	76.4	
Thailand Baht	-	51.2	-	-	-	-	-	51.2	
Turkish Lira	0.1	39.4	-	-	-	-	-	39.5	
<b>Total</b>	<b>\$ 567.8</b>	<b>\$ 16,768.2</b>	<b>\$ 3,383.1</b>	<b>\$ 769.5</b>	<b>\$ 94.3</b>	<b>\$ (49.0)</b>	<b>\$ 11.0</b>	<b>\$ 21,545.0</b>	

## 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, 2016, the fair value of the securities on loan was approximately \$12.0 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, 2016, 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 within seven 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, 2016.

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, 2016, SWIB had \$3.1 million posted as collateral for 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, 2016, the Core and Variable Funds posted \$374.3 million in cash and \$237.8 million in securities as collateral with exchange clearing brokers.

The aggregate fair value of receivables relating to OTC derivative contracts at December 31, 2016 was \$5.1 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 \$19.3 million when counterparty collateral and master netting arrangements are taken into account.



The table below summarizes, by credit rating, the retirement fund's exposure to OTC derivative instruments' counterparty credit risk as of December 31, 2016 (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	\$ (0.2)	\$ 0.2	\$ --
A	(4,569.6)	4,638.2	68.5
BBB	(443.7)	464.8	21.1
Total	\$ (5,013.6)	\$ 5,103.2	\$ 89.6

*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, 2016 (in millions):

<b>Foreign Currency Spot and Forward Contracts</b>						
<b>Currency</b>	<b>Foreign Currency Contract Receivables</b>			<b>Foreign Currency Contract Payables</b>		
	Notional	Fair Value	Unrealized	Notional	Fair Value	Unrealized
	(local currency)	\$US	Gain/(Loss) \$US	(local currency)	\$US	Gain/(Loss) \$US
Australian Dollar	308.7	223.4	(0.6)	(77.5)	(56.1)	0.4
Brazilian Real	70.8	21.5	1.2	(11.0)	(3.3)	(0.2)
British Pound Sterling	237.6	293.8	1.3	(123.3)	(152.5)	0.3
Canadian Dollar	257.0	191.7	1.0	(80.5)	(60.0)	(0.3)
Chilean Peso	630.0	0.9	--	(10,650.0)	(15.9)	0.3
Colombian Peso	3,682.1	1.2	--	(11,492.8)	(3.8)	--
Danish Krone	206.2	29.3	0.3	(411.7)	(58.5)	(0.8)
Euro Currency Unit	375.2	396.3	0.3	(365.3)	(385.8)	2.0
Hong Kong Dollar	334.0	43.1	--	(111.5)	(14.4)	--
Hungarian Forint	1,947.1	6.7	(0.2)	(3,304.2)	(11.3)	0.2
Indian Rupee	2,137.0	31.3	0.1	(178.2)	(2.6)	--
Indonesian Rupiah	151,688.8	11.2	(0.1)	--	--	--
Israeli New Shekel	23.3	6.1	--	(86.7)	(22.5)	(0.1)
Japanese Yen	37,070.5	318.4	(4.1)	(84,333.0)	(727.2)	63.0
Malaysian Ringgit	15.8	3.5	(0.1)	(15.5)	(3.5)	0.1
Mexican New Peso	127.8	6.2	(0.4)	(1,252.7)	(60.5)	0.6
New Zealand Dollar	9.4	6.6	0.1	(8.3)	(5.8)	0.2
Norwegian Krone	305.8	35.5	0.4	(21.3)	(2.5)	--
Peruvian Nuevo Sol	20.1	6.0	0.1	--	--	--
Philippine Peso	140.6	2.8	(0.1)	(140.7)	(2.8)	0.1
Polish Zloty	35.5	8.5	(0.5)	(35.5)	(8.5)	--
Russian Ruble	1,575.4	25.6	1.4	(182.6)	(3.0)	--
Singapore Dollar	36.7	25.4	0.1	(33.9)	(23.5)	--
South African Rand	260.9	19.0	0.3	(172.7)	(12.6)	(0.6)
South Korean Won	--	--	--	(9,083.1)	(7.5)	0.2
Swedish Krona	886.4	97.7	1.2	(253.4)	(27.9)	(0.4)
Swiss Franc	123.9	122.1	0.7	(35.2)	(34.7)	(0.4)
Taiwan New Dollar	--	--	--	(390.1)	(12.1)	0.1
Thailand Baht	460.9	12.9	--	(462.4)	(12.9)	0.1
Turkish Lira	--	--	--	(38.9)	(11.0)	0.1
United States Dollar	1,787.0	1,787.0	--	(1,924.1)	(1,924.1)	--
<b>Totals</b>		<b>3,733.8</b>	<b>2.4</b>		<b>(3,666.8)</b>	<b>64.6</b>
<b>Net Foreign Currency Contract Receivable / (Payable)</b>					<b>67.0</b>	<b>67.0</b>

**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, 2016 (in millions).

Futures Contracts			
Futures Contract Description	Expiration	Notional Amount	Fair Value*
Long Positions:			
Commodity	Jan - Mar 17	\$ 1,906.8	\$ (34.8)
Equity	Mar 17	7,297.8	(41.3)
Fixed Income	Mar 17	7,074.9	(5.0)
Short Positions:			
Equity	Mar 17	(6.7)	0.1
Fixed Income	Mar 17	(562.7)	1.9
<b>Total</b>		<b>\$15,710.2</b>	<b>\$ (79.1)</b>

\* 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, 2016 (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	Apr 2017	\$ 548.2	\$ 31.4
Total Return Swap Pay 3-month LIBOR, Receive Equity Index Return	Sept 2017	\$ 797.6	\$ (7.8)
<b>Total</b>		<b>\$ 1,345.8</b>	<b>\$ 23.6</b>

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

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 uncleared 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, 2016 (in millions):

#### Option Contracts

Security Description	Contract Type	Position	Exchange-Traded vs. OTC	Expiration	Notional	Fair Value	Unrealized Gain (Loss)
Equity	Call	Long	Exchange	Jan 17 - Jul 17	\$ 30.1	\$ 0.8	\$ 0.3
	Call	Short	Exchange	Jan 17 - Jul 17	(12.1)	(0.1)	0.1
	Put	Long	Exchange	Mar 17	1.5	--	--
	Put	Short	Exchange	Jan 17 - May 17	(49.5)	(0.5)	--
Total Option Contracts					<u>\$ (30.0)</u>	<u>\$ 0.3</u>	<u>\$ 0.4</u>

#### Short Sell Obligations

##### Wisconsin Retirement System (WRS)

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

Risks arise from short sales due to the possible illiquidity of the securities markets and from potential adverse movements in security values. The cost to acquire the securities sold short may exceed the amount of proceeds initially received, as well as the amount of the liability recorded as "Short Sales of Securities" in

the Statement of Fiduciary Net Position. Short sales expose the short seller to potentially unlimited liability because there is no upward limit on the price a shorted security could attain. Certain portfolio guidelines permit short sales and, to mitigate risks in various ways, such as: limiting the total value of short sales as a percentage of portfolio value, establishing portfolio vs. benchmark tracking error limits, and monitoring other statistical and economic risk measures of the portfolio. Investment performance and risk associated with each portfolio is measured against benchmarks and monitored by management.

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

Except in the case of borrowings within the same trust fund, the WRS is required to post collateral to the lender, at the required rate of 102% for in-currency loans and 105% for cross-currency loans. At December 31, 2016, the WRS posted \$552.4 million in collateral to security lenders. This represented \$26.2 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.

**Unfunded Capital Commitments****University of Wisconsin System (UWS)**

The UWS has unfunded limited partnership commitments of \$24.4 million for the fiscal year ending June 30, 2017.

**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 \$6.3 billion as of December 31, 2016.

**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. 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.

All remaining short-term debt investments (U.S. Government/Agency securities, Banker's Acceptances, Commercial Paper, and negotiable Certificates of Deposit) are carried at fair value. Because quoted market prices for SIF securities are often not available at month end, BNY Mellon, as

SWIB's custodial bank, compiles fair values from third party pricing services which use matrix pricing models to estimate a security's fair value.

For purposes of calculating earnings to each participant, all investments are valued at amortized cost. Specifically, income is distributed to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a 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.

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

**Fair Value Reporting**

The SIF categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments held at cost or amortized cost are not reported within the fair value hierarchy.

The following table presents the recurring fair value measurements as of June 30, 2017 (in millions).

	Fair Value	Fair Value Measurement Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level:				
Government & Agencies	\$ 8,534.2	\$ 599.6	\$ 7,934.6	\$ --
Commercial Paper	100.0	--	100.0	--
Certificates of Deposit (negotiable)	91.6	--	91.6	--
Banker's Acceptances	9.2	--	--	9.2
<b>Total By Fair Value Level</b>	<b>\$ 8,735.0</b>	<b>\$ 599.6</b>	<b>\$ 8,126.2</b>	<b>\$ 9.2</b>
Short- Term Reported at Cost or Amortized Cost:				
Repurchase Agreements	\$ 1,374.0			
Certificates of Deposit	30.0			
<b>Total</b>	<b>\$ 10,138.9</b>			

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. The Majority of debt securities are classified as Level 2 because they are generally traded using a dealer market, with lower trading volumes than Level 1 securities.

Level 3 investments are generally valued using significant outputs that are unobservable to the marketplace. Banker's Acceptances included in Level 3 represent securities that derive their fair value from cost. Typically, due to their short-term nature, cost approximates fair value for these investments. Investments held at cost (Repurchase Agreements and non-negotiable Certificates of Deposit) are not reported within the fair value hierarchy.

### Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty or by the counterparty's trust department or agent but not in the name of the Board. The SIF held four repurchase agreements totaling \$1.37 billion as of June 30, 2017. All the repurchase agreements were tri-party agreements. The underlying securities (collateral) for these repurchase agreements were held by the tri-party's agent, not in SWIB's name.

The 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 discount notes. As of June 30, 2017, the SIF has more than five percent of its investments in FNMA (27.1 percent), FHLB (25.3 percent),

FHLMC (23.9 percent), U.S. Treasury (7.9 percent) and Repurchase Agreement collateral (13.6 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, 2017 (in millions):

Investment Type	Ratings	Fair	
		Value	Percent
Repurchase Agreements (Collateral):			
U.S. Government Debt & Agencies	AA	1,374.0	13.6
U.S. Treasury:			
Short-Term (Bills)	A-1+	799.5	7.9
Government Sponsored Entity			
U.S. Agency:			
Federal Home Loan Bank (FHLB)	A-1+	2,564.2	25.3
Federal Home Loan Mortgage Corporation (FHLMC)	A-1+	2,400.3	23.7
Federal Home Loan Mortgage Corporation (FHLMC)	AA	25.0	0.2
Federal National Mortgage Association (FNMA)	A-1+	2,745.1	27.1
Certificates of Deposit:			
Negotiable	A-1+	65.6	0.6
Negotiable	A-1	26.0	0.3
Non-Negotiable (Wisconsin CD Program)	NR	30.0	0.3
Banker's Acceptances	A-1+	9.2	0.1
Commercial Paper	A-1+	75.0	0.7
Commercial Paper	A-1	25.0	0.2
Total Investments		<u>\$ 10,138.9</u>	<u>100.0</u>

**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, 2017, the following table shows the investments by investment type, amount and the weighted average maturities (in millions):

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Days)</b>
Repurchase Agreements	\$ 1,374.0	3
Government & Agencies	8,534.2	33
Certificates of Deposit	121.6	41
Banker's Acceptances	9.2	10
Commercial Paper	100.0	8
Total Investments	<u>\$ 10,138.9</u>	
Portfolio Weighted Average Maturity (Days)		29

**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.

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

Investments of the State Lottery Fund totaling \$24.5 million are held to finance grand prizes payable over a 20-year, 25-year or 30-year period. The investments in prize annuities are debt obligations of the U.S. government backed by its full faith and credit as to both principal and interest. Liabilities related to the future prize obligations are presented at their present value and included in Accounts Payable and Other Accrued Liabilities.

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

<b>Fiscal Year</b>	<b>Amount</b>
2018	5.6
2019	4.6
2020	4.1
2021	3.7
2022	2.7
Thereafter	<u>5.7</u>
Total future value	26.4
Less: Present value adjustment	<u>(4.4)</u>
Present value of payments	<u>\$ 22.0</u>

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

Receivables at June 30, 2017 were as follows (in thousands):

	Loans to		Other Loans Receivable				Other Receivables	Due From Other Governments	Due From Component Units	Total Receivables
	Taxes	Local Governments	Student Loans	Veterans Loans	Mortgage Loans	Other Loans				
<b>Governmental Activities:</b>										
General	\$ 1,328,233	\$ -	\$ -	\$ -	\$ -	\$ 8,097	\$ 669,233	\$ 925,145	\$ -	\$ 2,930,708
Transportation	105,879	-	-	-	-	15,677	3,545	225,372	-	350,473
Capital Improvement	-	-	-	-	-	-	34	-	-	34
Nonmajor Governmental	22,601	443,012	-	-	-	-	81,215	22,072	-	568,899
Total Governmental:	1,456,713	443,012	-	-	-	23,774	754,027	1,172,589	-	3,850,114
Government-wide Adjustments:										
Internal Service Funds	-	-	-	-	-	-	2,689	54	-	2,743
Accrual Adjustments	-	-	-	-	-	-	2,667	-	-	2,667
Fiduciary Receivables	-	-	-	-	-	-	66,784	-	-	66,784
<b>Total – Governmental Activities</b>	<b>\$ 1,456,713</b>	<b>\$ 443,012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,774</b>	<b>\$ 826,167</b>	<b>\$ 1,172,643</b>	<b>\$ -</b>	<b>\$ 3,922,308</b>
Related revenue not recognized in the funds because it is not available	\$ 210,808	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,038	\$ -	\$ -	\$ 231,847
<b>Business-type Activities:</b>										
Current:										
Injured Patients and Families Compensation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,139	\$ -	\$ -	\$ 17,139
Environmental Improvement	-	184,399	-	-	-	-	127	19,576	-	204,102
University of Wisconsin System Unemployment Reserve	-	-	28,618	-	-	-	147,279	71,301	36	247,235
Nonmajor Enterprise	-	242	-	118	1,083	-	113,989	9,529	-	124,962
Total Current:	-	184,641	28,618	118	1,083	-	468,205	102,401	36	785,103
Noncurrent:										
Environmental Improvement	-	1,814,630	-	-	-	-	-	-	-	1,814,630
University of Wisconsin System Unemployment Reserve	-	-	166,584	-	-	-	149	-	140	166,873
Nonmajor Enterprise	-	1,782	-	649	28,667	3,203	42,156	189	-	42,156
Total Noncurrent	-	1,816,413	166,584	649	28,667	3,203	42,494	-	140	2,058,150
Government-wide Adjustments:										
Fiduciary Receivables	-	-	-	-	-	-	160,830	-	-	160,830
<b>Total – Business-type Activities</b>	<b>\$ -</b>	<b>\$ 2,001,053</b>	<b>\$ 195,202</b>	<b>\$ 768</b>	<b>\$ 29,750</b>	<b>\$ 3,203</b>	<b>\$ 671,530</b>	<b>\$ 102,401</b>	<b>\$ 176</b>	<b>\$ 3,004,083</b>

**B. Net Revenues**

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2017, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	\$ 220,565
Sales and Services of Auxiliary Enterprises	39,021
Total	<u>\$ 259,586</u>

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

Capital asset activity for the fiscal year ended June 30, 2017 was as follows (in thousands):

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 2,772,756	\$ 71,238	\$ (986)	\$ 2,843,008
Buildings and Improvements	166,934	43	-	166,977
Library Holdings	74,310	750	-	75,060
Equipment	125	39	-	164
Construction and Software in Progress	3,189,214	593,710	(308,898)	3,474,025
Infrastructure	15,435,339	432,089	(24,527)	15,842,901
Total capital assets, not being depreciated	21,638,677	1,097,869	(334,411)	22,402,135
Capital assets, being depreciated:				
Land Improvements	176,080	7,182	(199)	183,063
Buildings and Improvements	2,289,990	104,039	(13,202)	2,380,827
Equipment	948,323	74,192	(29,283)	993,232
Totals	3,414,392	185,413	(42,684)	3,557,121
Less accumulated depreciation for:				
Land Improvements	124,185	8,631	(199)	132,617
Buildings and Improvements	1,093,763	74,145	(7,157)	1,160,751
Equipment	594,395	81,144	(17,450)	658,090
Totals	1,812,343	163,920	(24,805)	1,951,458
Total Capital Assets, being depreciated, net	1,602,049	21,492	(17,878)	1,605,663
Governmental activities capital assets, net	\$ 23,240,727	\$ 1,119,361	\$ (352,290)	\$ 24,007,798
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 161,747	\$ 650	\$ -	\$ 162,398
Library Holdings	1,124,134	20,056	(24,038)	1,120,152
Construction and Software in Progress	240,184	160,725	(139,140)	261,769
Total Capital Assets, not being depreciated	1,526,065	181,432	(163,178)	1,544,318
Capital assets, being depreciated:				
Land Improvements	22,471	591	-	23,062
Buildings	7,687,848	241,912	(156)	7,929,604
Equipment	1,202,970	77,476	(54,862)	1,225,584
Totals	8,913,288	319,979	(55,018)	9,178,250
Less accumulated depreciation for:				
Land Improvements	13,168	954	(1)	14,121
Buildings	3,309,368	233,963	(604)	3,542,727
Equipment	893,419	73,152	(48,046)	918,524
Totals	4,215,955	308,068	(48,651)	4,475,372
Total Capital Assets, being depreciated, net	4,697,333	11,911	(6,367)	4,702,877
Business-type activities capital assets, net	\$ 6,223,398	\$ 193,343	\$ (169,545)	\$ 6,247,196

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of \$29.0 million, with accumulated depreciation totaling \$3.2 million.

Depreciation Expense

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

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
Commerce	\$ 499	University of Wisconsin System	\$ 292,442
Education	5,346	Lottery	27
Transportation	12,706	Veterans Mortgage Loan Repayment	10
Environmental Resources	15,838	Injured Patients and Families Compensation	353
Human Relations and Resources	75,731	Environmental Improvement	-
General Executive	15,433	Other Business-Type	15,236
Judicial	1,964	Total depreciation expense -	
Internal Service Funds	36,403	business-type activities	\$ 308,068
Total depreciation expense - governmental activities	<u>\$ 163,920</u>		

Construction and Software in Progress

Construction and software in progress of the primary government reported in the government-wide statement of net position at June 30, 2017 included the following projects (in thousands):

Governmental Activities	Allotments	Expended to June 30, 2017	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	399	271	11,802
Capitol Heating and Power Plant - Facility Renovate & Upgrade	28,268	28,127	45	102
General Land Acquisition	69,471	53,756	290	15,425
General Land Acquisition – 2010	38,300	36,942	-	1,358
Stillwater/St Croix Crossing Bridge	51,322	51,322	-	-
Major Highway and Rehabilitation	39,298	39,298	-	-
Interstate 94 North & South Corridor Reconstruction	48,513	48,513	-	-
Preservation Storage Building	46,724	36,410	5,720	4,598
Wisconsin Resource Center - Female Treatment Center	16,106	15,993	-	112
Zoo Interchange	507,958	507,958	-	-
Other projects with allotments totaling less than \$10 million		77,389		
Subtotal		907,015		
Projects funded through sources other than capital projects funds:				
Transportation-related		2,511,465		
Department of Natural Resources		9,346		
Department of Health Services		11,782		
Department of Children and Families		31,478		
Other agency projects		2,939		
Total construction and software in progress – governmental activities		3,474,025		

**Business-type Activities**

Reported through capital projects funds - University of Wisconsin System:

Science Labs Building – La Crosse	82,000	25,456	45,919	10,624
New Residence Hall and Renovation – Eau Claire	69,221	2,821	597	65,803
Garfield Corridor Improvement – Eau Claire	12,424	4,363	6,230	1,831
Children Center Renovation – Milwaukee	11,981	10,052	18	1,911
Babcock Hall Renovation – Madison	34,420	2,019	55	32,345
Lot 75 Parking Lot – Madison	32,670	26,077	696	5,897
Meat Science & Muscle Biology Lab – Madison	46,377	7,126	32,982	6,268
Multi-Building Energy Conservation – Madison	12,032	10,659	419	955
Music Performance Facility – Madison	55,800	8,151	35,903	11,746
Sellery and Witte Hall Renovation – Madison	52,797	5,342	42,486	4,969
Southeast Recreation Facility Replacement – Madison	96,541	3,663	1,651	91,227
Chemistry Addition and Renovation – Madison	93,800	3,562	3,152	87,086
Fletcher Hall Renovation – Oshkosh	26,412	18,770	2,169	5,474
Rodi Hall Renovation - River Falls	15,100	422	30	14,648
Chemistry Biology Building - Stevens Point	74,756	36,318	19,879	18,559
North Hall Addition and Renovation – Stout	22,435	465	4	21,967
Williams Field House Addition – Platteville	15,272	729	259	14,284
New Residence Hall Design – Whitewater	34,000	1,242	947	31,811
Projects with allotments totaling less than \$10 million:				
University of Wisconsin System		63,808		
Other projects with allotments totaling less than \$10 million		30,726		
Total construction and software in progress – business type activities		\$ 261,769		

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 \$231.0 million and \$30.7 million as of June 30, 2017, 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, 2017, net appreciation of \$126.0 million was available to meet spending rate distributions, of which \$16.4 million was actually authorized for expenditure.

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

University of Wisconsin System investment policies and guidelines 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, 2017 was \$488.1 million including an unrealized gain of \$30.4 million when fair values as of June 30, 2017 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, 2017, 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	\$ 264.6
Realized Gains – Undistributed	193.1
Book Value	457.7
Unrealized Net Gains/Losses - Undistributed	30.4
Fair Value	<u>\$ 488.1</u>

On June 30, 2017, the portfolio at market, for the Long Term Fund, contained 37.3 percent in common stock and convertible securities, 12.1 percent in bonds and preferred stock, 21.2 percent in alternative assets, 20.3 percent in tactical allocation strategies, 7.6 percent in short-term investments, and 1.6 percent in real assets. The total return (loss) on the principal Long Term Fund including capital appreciation was 12.67 percent.

On June 30, 2017, the portfolio at market, for the Intermediate Fund, contained 14.0 percent in common stock and convertible securities, 79.8 percent in bonds and preferred stock, and 6.3 percent in short-term investments. The total return on the principal Intermediate Fund including capital appreciation was 3.37 percent.

External investment counsel was furnished for funds representing 89.8 percent of market value principal.

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

Interfund balances as of or for the year ended June 30, 2017 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, 2017 were as follows (in thousands):

<b>Due to Other Funds:</b>												
	General	Trans- portation	Capital Improvement	Nonmajor Govern- mental	Injured Patients and Families Compensation	Environ- mental Improve- ment	University of Wisconsin System	Unemploy- ment Reserve	Nonmajor Enterprise	Internal Service	Fiduciary	<b>Total</b>
<b>Due from Other Funds:</b>												
General	\$ -	\$ 33,391	\$ 11	\$ 7,840	\$ 49	\$ 1,674	\$ 45,822	\$ 1,928	\$ 2,245	\$ 10,207	\$ 66,520	\$ 169,686
Transportation	39,495	-	12,145	30,577	-	-	313	-	-	184	-	82,715
Capital Improvement	-	-	-	-	-	-	-	-	2,198	3,201	-	5,400
Nonmajor Governmental	11,159	13,224	-	3,453	-	930	93	2	663	-	-	29,523
Environmental Improvement	27	-	168	19	-	-	-	-	-	-	-	214
University of Wisconsin System	20,017	1,660	-	2,023	-	20	-	-	1	13	18	23,753
Unemployment Reserve	305	-	-	-	-	-	-	-	-	-	-	305
Nonmajor Enterprise	2,085	22	-	0	-	-	12	-	10,540	-	77,763	90,422
Internal Service	20,583	5,124	-	3,970	-	-	771	-	2,277	83	264	33,071
Fiduciary	13,801	2,072	-	1,140	4	3	28,384	-	17,490	284	16,103	79,280
<b>Total</b>	<b>\$ 107,471</b>	<b>\$ 55,493</b>	<b>\$ 12,324</b>	<b>\$ 49,022</b>	<b>\$ 53</b>	<b>\$ 2,628</b>	<b>\$ 75,394</b>	<b>\$ 1,930</b>	<b>\$ 35,413</b>	<b>\$ 13,973</b>	<b>\$ 160,668</b>	<b>\$ 514,368</b>

The balances in the Due from Other Funds and Due to Other Funds accounts typically result from the time lag between the dates that  
 (1) interfund goods and services were provided and when the payments occurred, and  
 (2) interfund transfers were accrued and when the liquidations occurred.

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

**B. Interfund Receivables/Payables**

Interfund Receivables/Payables represent short-term loans from one fund to another to cover cash overdrafts. Interfund receivables/payables at June 30, 2017 were as follows (in thousands):

	<u>Interfund Receivable:</u>		
	General	Nonmajor Enterprise	Total
<b>Interfund Payables:</b>			
Nonmajor			
Governmental	\$ 1,990	\$ -	\$ 1,990
Nonmajor			
Enterprise	25,422	-	25,422
Internal Service	51,522	-	51,522
Fiduciary	-	82,013	82,013
<b>Total</b>	<b>\$ 78,934</b>	<b>\$ 82,013</b>	<b>\$ 160,947</b>

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

Advances to/from Other Funds represent long-term loans to one fund from another fund. Advances at June 30, 2017 were as follows (in thousands):

	<u>Advances from Other Funds (liability):</u>		
	General	Nonmajor Governmental	Total
<b>Advances to Other Funds (asset)</b>			
Injured Patients and Families Compensation	-	\$ 50	\$ 50
Environmental Improvement	-	6,271	6,271
Nonmajor Enterprise	\$ 735	-	735
<b>Total</b>	<b>\$ 735</b>	<b>\$ 6,321</b>	<b>\$ 7,056</b>



**D. Interfund Transfers**

Interfund Transfers in and out that occurred during Fiscal Year 2017 were as follows (in thousands):

<b>Transfers In:</b>		General	Transportation	Capital Improvement	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Nonmajor Enterprise	Internal Service	Total
<b>Transfers Out:</b>										
General	\$	-	\$ 39,875	\$ 70,711	\$ 715,456	\$ -	\$ 830,466	\$ 88,195	\$ 3,749	\$ 1,748,451
Transportation		1,605	-	31,749	126,422	-	-	-	29	159,806
Capital Improvement		-	-	-	-	8,214	102,232	10,726	-	121,172
Nonmajor Governmental		26,983	27,259	2,091	148,540	-	2,766	1,897	16	209,552
Injured Patients and Families Compensation		-	-	-	17	-	-	-	-	17
Environmental Improvement		17,202	-	-	8,012	-	-	-	-	25,213
University of Wisconsin System		20,303	-	297	65,345	-	-	-	-	85,945
Unemployment Reserve		320	-	-	-	-	-	-	-	320
Nonmajor Enterprise		23,100	-	3	4,760	-	-	9,047	-	36,910
Internal Service		10,129	-	25	1,170	-	10	-	625	11,959
Fiduciary		-	-	-	543	-	-	-	-	543
<b>Total</b>	<b>\$</b>	<b>99,643</b>	<b>67,134</b>	<b>104,875</b>	<b>1,070,265</b>	<b>8,214</b>	<b>935,474</b>	<b>109,865</b>	<b>4,419</b>	<b>2,399,887</b>

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

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

**Nonroutine and Other Transfers**

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	\$ 39,137
Environmental	11,144
Local Government Property Insurance	11,100

Transfers in to the General Fund:

Funds Reporting the Transfer Out	Amount
University of Wisconsin System	\$ 11,495
Facilities Operations and Maintenance	7,850
Financial Services	1,000

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, 2017, the following changes occurred in long-term liabilities (in thousands):

**Primary Government**

<b>Governmental Activities</b>	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2017</b>	<b>Amounts Due Within One Year</b>
<b>Bonds and Long Term Notes Payable:</b>					
General Obligation Bonds & Notes for:					
Governmental Funds	\$ 5,446,809	\$ 861,886	\$ 822,170	\$ 5,486,525	\$ 533,125
Internal Service Funds	141,106	67,689	24,037	184,758	17,478
Annual Appropriation Bonds	3,036,350	1,532,675	1,472,030	3,096,995	69,060
Revenue Bonds	2,031,205	346,965	302,520	2,075,650	172,839
Less: Issuance Premiums and Discounts	688,717	249,483	163,186	775,014	-
Total Bonds and Long Term Notes Payable	11,344,187	3,058,698	2,783,943	11,618,942	792,502
<b>Other Liabilities:</b>					
Future Benefits and Loss Liability	99,376	55,401	41,858	112,920	48,800
Capital Leases	111,000	5,265	18,557	97,708	20,177
Installment Contracts	472	-	472	-	-
Compensated Absences	155,418	50,166	52,461	153,122	52,007
Net Pension Liability	210,150	-	102,751	107,399	-
Other Postemployment Benefits	239,146	16,359	-	255,505	-
Claims, Judgments and Commitments	581	-	26	556	-
Pollution Remediation Obligations	7,700	670	388	7,982	302
Total Governmental Activities Long-term Liabilities	\$ 12,168,030	\$ 3,186,558	\$ 3,000,454	\$ 12,354,134	\$ 913,788

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 2017. Repayment of the revenue bonds principal and interest is made from the appropriate debt service fund with payments secured by registration and inspection fees collected by the appropriate program. Most of the compensated absences and other postemployment benefits liabilities are attributed to the General, Transportation and Conservation funds. Long-term liabilities for claims, judgments and commitments are generally liquidated with resources of the governmental activities.

<b>Business-type Activities</b>	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2017</b>	<b>Amounts Due Within One Year</b>
Bonds Payable:					
General Obligation Bonds	\$ 1,504,377	\$ 194,705	\$ 196,230	\$ 1,502,852	\$ 91,309
Revenue Bonds	674,950	290,575	637,090	328,435	90,550
Less: Issuance Premiums and Discounts	185,941	69,959	104,705	151,195	-
Total Bonds Payable	<u>2,365,269</u>	<u>555,238</u>	<u>938,025</u>	<u>1,982,482</u>	<u>181,859</u>
Other Liabilities:					
Future Benefits and Loss Liability	901,531	87,196	134,896	853,832	155,520
Capital Leases	34,265	1,949	5,153	31,061	2,061
Compensated Absences	145,757	76,868	70,515	152,111	72,910
Net Pension Liability	245,318	-	119,929	125,388	-
Other Postemployment Benefits	301,765	24,393	-	326,158	-
Total Business-type Activities	<u>3,993,905</u>	<u>745,645</u>	<u>1,268,518</u>	<u>3,471,031</u>	<u>412,350</u>
Long-term Liabilities	<u>\$ 3,993,905</u>	<u>\$ 745,645</u>	<u>\$ 1,268,518</u>	<u>\$ 3,471,031</u>	<u>\$ 412,350</u>

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

The following schedule summarizes outstanding bonds and long-term notes payable at June 30, 2017 (in millions):

**Primary Government****Governmental Activities:**

General Obligation Bonds and Notes	\$	6,190.4
Annual Appropriation Bonds		3,113.9
Revenue Bonds:		
Transportation		2,235.8
Petroleum Inspection		78.9
Total Governmental Activities		<u>11,618.9</u>

**Business-type Activities:**

General Obligation Bonds and Notes:		
University of Wisconsin System		1,543.9
Other Business-type		76.6
Revenue Bonds:		
Environmental Improvement		362.0
Total Business-type Activities		<u>1,982.5</u>
Total Primary Government	\$	<u>13,601.4</u>

**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, 2017, \$3.2 billion of general obligation bonds were authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2017 were as follows (in thousands):

<b>Fiscal Year Issued</b>	<b>Series</b>	<b>Dates</b>	<b>Interest Rates</b>	<b>Maturity Through</b>	<b>Amount Issued</b>	<b>Amount Outstanding</b>
2001	2001 Series A	2/01	7.0	5/31	\$ 15,000	\$ 1,210
2002	2002 Series B, D	3/02; 6/02	6.25	5/33	35,000	3,165
2003	2002 Series E, F, and H; 2003 Series 2	9/02; 9/02; 12/02; 4/03	4.5 to 5.25	5/33	43,740	5,130
2004	2003 Series B, and 3;	7/03; 10/03;	4.35 to 5.0	11/33	97,890	8,965
2005	2004 Series C; 2005 Series C	8/04; 4/05	5.15 to 5.4	5/35	6,000	670
2007	2006 Series B, and C; 2007 Series 1;	7/06; 8/06; 2/07	4.6 to 5.65	5/37	362,690	187,635
2008	2007 Series 2, and C; 2008 Series 1, A, and B	10/07; 12/07; 6/08; 4/08; 5/08	4.13 to 5.0	5/28	358,580	26,165
2009	2008 Series C, and D; 2009 Series A, and B	9/08; 12/08; 6/09; 6/09	4.0 to 6.0	5/30	504,175	85,880
2010	2009 Series C, D; 2010 Series 1, A and B	9/09; 9/09; 3/10; 4/10; 4/10	4.0 to 5.9	5/40	946,885	542,635
2011	2010 Series C, and D; 2011 Series A, and 1	9/10; 9/10; 2/11; 6/11	3.45 to 5.25	5/41	1,160,535	604,130
2012	2011 Series 2, B, and C; 2012 Series 1, 2, and A	10/11; 8/11; 12/11; 3/12; 5/12; 6/12	2.45 to 5.0	5/42	1,347,620	884,990
2013	2012 Series B; 2013 Series A	11/12; 5/13	2.55 to 5.0	5/33	703,320	550,130
2014	2013 Series 1; 2014 Series 1, 2, and A	11/13; 2/14; 4/14; 2/14	1.5 to 5.0	5/34	1,060,455	845,660
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	1,134,970
2016	2015 Series C; 2016 Series 1 and A	9/15; 3/16; 3/16	1.75 to 5.0	5/36	977,435	964,615
2017	2016 Series B, C, D, 2; 2017 Series A	7/16; 7/16, 10/16, 8/16; 3/17	0.8 to 5.0	5/37	1,124,280	1,124,280
Total					10,062,370	6,970,230
Premiums/Discounts					--	636,700
Total General Obligation Bonds					<u>\$ 10,062,370</u>	<u>\$ 7,606,930</u>

As of June 30, 2017, general obligation bond debt service requirements for principal and interest for governmental activities and business -type activities are as follows (in thousands):

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 379,921	\$ 262,627	\$ 60,859	\$ 69,668
2019	413,783	242,844	68,077	66,486
2020	404,830	222,725	69,840	63,197
2021	375,386	201,317	67,654	59,205
2022	389,747	182,090	77,018	55,698
2023-2027	1,734,412	650,876	468,478	219,668
2028-2032	1,234,242	297,753	410,278	115,387
2033-2037	561,687	69,843	196,628	35,017
2038-2042	--	--	57,390	7,173
Total	5,494,009	2,130,075	1,476,221	691,499
Premiums/Discounts	519,090	--	117,610	
Total	\$ 6,013,099	\$ 2,130,075	\$ 1,593,831	\$ 691,499

#### 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, 2016 and ends September 30, 2017. 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.

- 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 \$203.9 million.

As of June 30, 2017, 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 Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
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	\$ 177,274	\$ 11,493	\$ 26,631	\$ 1,845

**C. Annual Appropriation Bonds**

**2003 Annual Appropriation Bonds**

In December 2003, the State issued \$1.8 billion of General Fund Annual Appropriation Bonds consisting of Series A (Taxable Fixed Rate) and Series B (Taxable Auction Rate Certificates). These appropriation obligations were authorized by Wisconsin Statutes to obtain proceeds to pay the State’s anticipated unfunded accrued prior service (pension) liability under Wis. Stat. Section 40.05(2)(b) and its unfunded accrued liability for sick leave conversion credits under Wis. Stat. Section 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40. In April and June 2008, the State issued \$1.0 billion of General Fund Annual Appropriation Refunding Bonds to refund the Series B (Taxable Auction Rate Certificates) that were issued in 2003. The 2008 issuance consisted of Series A (Taxable Fixed Rate) and Series B and C (Taxable Floating Rate Notes). In November 2012, the State issued \$251.6 million bonds to refund a portion of the 2003 Series A bonds. In August 2016, the State issued \$400.1 million of General Fund Annual Appropriation Refunding Bonds (Taxable) to refund the May 2018 maturities of the 2008 Series A Bonds.

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 \$528.1 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 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 \$186.2 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.

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

The General Fund Annual Appropriation Refunding Bonds of 2012, Series A (Taxable Fixed Rate) in the outstanding principal amount of \$150.3 million (“2012 Series A Bonds”), bear interest at rates from 1.644 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.

The General Fund Annual Appropriation Refunding Bonds of 2016, Series A (Taxable) in the outstanding principal amount of \$400.1 million (2016 Series A Bonds), bear interest at rates from 1.44 percent to 2.48 percent computed on the basis of a 30-day

month and a 360-day year and for the number of days actually elapsed, payable semiannually on May 1 and November 1 until their maturity dates.

As of June 30, 2017, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2018	\$ 66.0	\$ 74.4
2019	41.0	72.2
2020	99.0	69.9
2021	107.8	66.2
2022	118.3	62.9
2023 – 2027	745.1	229.8
2028 – 2032	387.6	62.8
Total	1,564.7	638.3
Unamortized Prem./Discount	(0.6)	--
Total, net	<u>\$ 1,564.1</u>	<u>\$ 638.3</u>

### 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, 2017, 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, 2017.

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, 2017, interest rate exchange agreements remain to reduce the interest rate risk in connection with \$478.1 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 \$478.1 million as of June 30, 2017. 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, 2017, the aggregate fair value of the interest exchange agreements was negative \$150.5 million, an increase of \$66.3 million compared to the aggregate fair value of negative \$216.8 million reported as of June 30, 2016. 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, 2017, 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 Rate		Totals
	Principal	Interest	Swaps, Net		
2018	\$ 1.1	\$ 11.6	\$ 19.8	\$ 32.5	
2019	1.1	11.6	19.7	32.4	
2020	1.1	11.6	19.7	32.3	
2021	8.5	11.5	19.6	39.6	
2022	10.1	11.3	19.3	40.7	
2023 – 2027	167.4	51.4	88.9	307.7	
2028 – 2032	288.8	19.4	33.6	341.8	
	<u>\$ 478.1</u>	<u>\$ 128.2</u>	<u>\$ 220.7</u>	<u>\$ 827.0</u>	

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

Credit Risk – As of June 30, 2017, 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, 2017, 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, 2017, 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. In August 2016, January 2017, and May 2017, the State issued an aggregate \$1.1 billion of General Fund Annual Appropriation Refunding Bonds (Taxable and Tax Exempt) to refund a portion of the appropriation obligations issued in 2009.

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.

The 2016 Series B (Taxable) General Fund Annual Appropriation Bonds bear interest rates from 1.44 percent to 3.29 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

The 2017 Series A Taxable General Fund Annual Appropriation Bonds bear interest rates from 1.86 percent to 3.95 percent computed on the basis of a 30-day month and a 360-day year,

payable semiannually on each May 1 and November 1, until their maturity dates.

The 2017 Series B General Fund Annual Appropriation Bonds bear interest rates from 4.00 percent to 5.00 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

The 2017 Series C (Taxable) General Fund Annual Appropriation Bonds bear interest rates from 1.20 percent to 3.15 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

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, 2017, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2018	\$ 3.0	\$ 67.4
2019	2.5	62.2
2020	36.9	62.2
2021	40.3	60.6
2022	250.7	272.8
2023 – 2027	599.8	154.9
2028 – 2032	452.3	94.0
2033 – 2037	146.7	4.8
Total	1,532.3	778.9
Unamortized Premium/Discount	17.5	
Total, net	\$ 1,549.8	\$ 778.9

**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, 2017 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2017 1	5/17	5.0	7/37	\$ 284,520	\$ 284,520
2015 A	12/15	3.0 to 5.0	7/36	225,000	225,000
2015 1	4/15	5.0	7/29	207,240	189,685
2014 2	12/14	5.0	7/27	94,130	94,130
2014 1	4/14	4.5 to 5.0	7/34	339,745	162,280
2013 1	3/13	4.0 to 5.0	7/33	259,680	207,375
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	207,040
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	21,165
2009 B	10/09	4.15 to 5.84	7/30	147,130	134,125
2008 A	8/08	5.0	7/29	185,000	16,140
2007 1	3/07	5.0	7/22	206,900	189,235
2005 A	3/05	5.0	7/21	235,585	28,575
				2,845,055	1,999,595
Unamortized Premium / Discount				--	236,183
Total				\$ 2,845,055	\$ 2,235,778

**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, 2017, PIF Bonds outstanding are \$76.1 million. Debt service payments are secured by petroleum inspection fees.

The PIF revenue bonds issued and outstanding as of June 30, 2017 were as follows (in thousands):

Issue	Issue Date	Interest Rate	Maturity Through	Issued	Outstanding
2016-1	10/16	4.0 to 5.0	7/19	\$ 62,445	\$ 62,445
2009-1	10/09	3.0 to 5.0	7/17	117,460	13,610
				179,905	76,055
Unamortized Premium / Discount				--	2,848
Total				\$ 179,905	\$ 78,903

**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.

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, 2017, there were three issues of Environmental Improvement Fund Revenue Bonds outstanding totaling \$328.4 million.

Bonds issued and outstanding for the Environmental Improvement Fund as of June 30, 2017 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2017-B	6/17	1.3	6/18	\$ 71,870	\$ 71,870
2017-A	6/17	3.0 to 5.0	6/35	218,705	218,705
2015-A	12/15	3.0 to 5.0	6/30	43,380	37,860
				333,955	328,435
Unamortized Premium / Discount				--	33,585
Total				\$ 333,955	\$ 362,020

As of June 30, 2017, revenue bond debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities	
	Transportation Revenue Bonds		Petroleum Inspection Fee Revenue Bonds		Environmental Improvement Fund Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 133,330	\$ 89,535	\$ 20,925	\$ 2,678	\$ 90,550	\$ 13,277
2019	111,500	90,228	27,935	1,647	84,080	11,894
2020	120,735	84,563	27,195	544	9,375	7,690
2021	130,630	78,389	--	--	8,790	7,222
2022	136,050	71,804	--	--	9,230	6,782
2023-2027	592,695	264,282	--	--	49,490	26,774
2028-2032	507,515	126,454	--	--	76,920	16,680
2033-2037	256,135	27,036	--	--	--	--
2038	11,005	550	--	--	--	--
Total	1,999,595	832,841	76,055	4,869	328,435	90,319
Unamortized Premium / Discount	236,183	--	2,848	--	33,585	--
Total	\$ 2,235,778	\$ 832,841	\$ 78,903	\$ 4,869	\$ 362,020	\$ 90,319

### 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, 2016 and ends September 30, 2017. 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.

The interest rates on the 2009 Series B (taxable) Transportation Revenue Bonds in the amount of \$134.1 million range from 4.15 percent to 5.84 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 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 August 2016, the State issued \$370.9 million of general obligation refunding bonds (2016 Series 2), the proceeds of \$463.3 million were deposited in an escrow account to provide for future debt service payments and redemption of \$390.0 million of various general obligation bonds outstanding at the time of the refunding. As a result of the advance refunding, the \$390.0 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 \$35.0 million and an economic gain of \$26.7 million.

In August 2016, the State issued \$200.5 million of general fund annual appropriation refunding bonds (2016 Series B), the proceeds of \$200.5 million were deposited in an escrow account to provide for future debt service payments and redemption of \$358.7 million of various general fund annual appropriation bonds outstanding at the time of the refunding. As a result of the advance refunding, the \$358.7 million of various general fund annual appropriation 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 \$38.8 million and an economic gain of \$34.1 million.

In January 2017, the State issued \$427.7 million of general fund annual appropriation refunding bonds (2017 Series A), the proceeds of \$427.7 million were deposited in an escrow account to provide for future debt service payments and redemption of \$769.6 million of various general fund annual appropriation bonds outstanding at the time of the refunding. As a result of the advance refunding, the \$769.6 million of various general fund annual appropriation 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 \$55.1 million and an economic gain of \$41.5 million.

In January 2017, the State issued \$102.1 million of general fund annual appropriation refunding bonds (2017 Series B), the proceeds of \$119.8 million were deposited in an escrow account to provide for future debt service payments and redemption of \$199 million of various general fund annual appropriation bonds outstanding at the time of the refunding. As a result of the advance refunding, the \$199 million of various general fund annual appropriation 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 \$22.2 million and an economic gain of \$15.1 million.

In January 2017, the State issued \$402.1 million of general fund annual appropriation refunding bonds (2017 Series C), the proceeds of \$402.1 million were deposited in an escrow account to provide for future debt service payments and redemption of \$676.9 million of various general fund annual appropriation bonds outstanding at the time of the refunding. As a result of the advance refunding, the \$676.9 million of various general fund annual appropriation 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 \$153.1 million and an economic gain of \$77.3 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, 2017, \$1,153.1 million of general obligation bond principal has been defeased.

**Current Fiscal Year Refundings/Revenue Bonds**

In May 2017, the State issued \$284.5 million of Transportation refunding and new money bonds (2017 Series 1), the proceeds of \$200.5 million were deposited in an escrow account to provide for future debt service payments and redemption of \$172.3 million of various Transportation bonds outstanding at the time of the refunding. As a result of the advance refunding, the \$172.3 million of various Transportation 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 \$18.1 million and an economic gain of \$12.5 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, 2017, revenue bonds outstanding of \$820.7 million have been defeased.
- Transportation Revenue Bonds – At June 30, 2017, revenue bonds outstanding of \$392.4 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, 2017, the amount of commercial paper notes outstanding was \$218.7 million which had interest rates ranging from 0.84 percent to 0.95 percent and maturities ranging from July 3, 2017 to November 6, 2017.

Short-term debt activity for the year ended June 30, 2017 for general obligation commercial paper notes was as follows (in millions):

Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
\$ 138.3	\$ 136.1	\$ 55.7	\$ 218.7

**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, 2017, the amount of extendible municipal commercial paper outstanding was \$288.2 million which had interest rates ranging from 0.87 percent to 1.02 percent and maturities from July 6, 2017, to August 17, 2017.

Short-term debt activity for the year ended June 30, 2017 for general obligation extendible municipal commercial paper was as follows (in millions):

Balance		Balance	
July 1, 2016	Additions	Reductions	June 30, 2017
\$ 485.7	\$ --	\$ 197.5	\$ 288.2

**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, 2017, the amount of transportation revenue commercial paper notes outstanding was \$88.7 million which carries an interest rate of 0.96 percent and maturities ranging from July 6, 2017 to August 3, 2017.

Short-term debt activity for the year ended June 30, 2017 for the transportation revenue commercial paper notes was as follows (in millions):

Balance		Balance	
July 1, 2016	Additions	Reductions	June 30, 2017
\$ 117.1	\$ --	\$ 28.4	\$ 88.7

**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, 2017 was as follows:

Balance Due	Average Life (Weighted Term)
\$110.4 million	3.32 Years

At June 30, 2017, the following parity Master Lease certificates were outstanding:

- Master Lease Certificates of Participation of 2013, Series A (Revolving Credit Agreement – Taxable) in the amount of \$9.1 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 \$25 thousand. This series of Master Lease certificates has interest rates set at 3.0 percent and matures semi-annually through September 1, 2017.

- Master Lease Certificates of Participation of 2012, Series A, in the amount of \$550 thousand. This series of Master Lease certificates has interest rates set at 3.0 percent and matures semi-annually through September 1, 2017.
- Master Lease Certificates of Participation of 2014, Series A, in the amount of \$20.4 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 \$24.8 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 \$29.7 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.
- Master Lease Certificates of Participation of 2016, Series A in the amount of \$25.9 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, 2017, 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, 2017, 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 \$113.5 million that is subject to the moral obligation. The two other local districts each have authority to issue \$160.0 million of revenue obligations that, subject to the Secretary of Administration's determination that certain conditions have been met, could carry a moral obligation of the State. All 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. One bond issue with an outstanding balance of \$29.1 million has 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, 2017, \$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, 2017, \$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, 2017 for capital leases (in thousands):

Fiscal Year	Governmental Activities	
	Principal	Interest
2018	\$ 20,177	\$ 4,324
2019	12,977	3,525
2020	9,809	2,992
2021	8,900	2,528
2022	6,856	2,144
2023 - 2027	38,989	1,881
2028 - 2032	-	-
2033 - 2037	-	-
2038 - 2042	-	-
2043 - 2047	-	-
Total minimum future payments	97,708	-
Total minimum interest payments	\$ -	17,393

Fiscal Year	Business-type Activities	
	Principal	Interest
2018	\$ 2,061	\$ 2,193
2019	1,080	2,117
2020	904	2,071
2021	680	2,020
2022	528	1,966
2023 - 2027	3,162	9,202
2028 - 2032	4,533	7,831
2033 - 2037	6,499	5,865
2038 - 2042	9,318	3,046
2043 - 2047	2,295	177
Total minimum future payments	31,061	-
Total minimum interest payments	\$ -	36,488

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, 2017 (in thousands):

	Governmental Activities	Business-type Activities
Land and Land Improvements	\$ -	\$ -
Buildings and Improvements	-	98,200
Machinery and Improvements	159,937	2,881
Construction in Progress	-	-
Less: Accumulated Depreciation	(36,966)	(53,043)
Carrying Amount	\$ 122,971	\$ 48,038

**B. Operating Leases**

Operating leases, those leases not recorded as capital leases, are not recorded in the statement of net position. 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 2017 were \$91.1 million. Of this amount, \$91.1 million relates to minimum rental payments stipulated in lease agreements, \$52.8 thousand pertains to contingent rental payments and \$13.1 thousand relates to sub rental payments.

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
2018	\$ 43,735	\$ 25,344
2019	27,381	23,516
2020	18,930	21,741
2021	13,797	20,314
2022	5,676	16,752
2023 - 2027	11,768	76,689
2028 - 2032	1,237	67,383
2033 - 2037	917	28,645
2038 - 2042	675	24,738
2043 - 2047	486	19,760
2048 - 2052	353	-
2053 - 2057	163	-
Thereafter	96	-
Minimum lease payments	<u>\$ 125,213</u>	<u>\$ 324,881</u>

**C. Installment Purchases**

The State has entered into installment purchase agreements. The following is an analysis of the gross minimum installment payments, along with the present value of the minimum installment payments, as of June 30, 2017 for installment purchases (in thousands):

<b>Fiscal Year</b>	<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 414	6
2019	406	6
2020	406	6
2021	401	6
2022	-	-
Total minimum future installment payments	<u>\$ 1,626</u>	<u>-</u>
Total interest payments	<u>\$ -</u>	<u>24</u>

**NOTE 13. POLLUTION REMEDIATION OBLIGATIONS**

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

**Measurement of Obligations**

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

During fiscal year 2017, the State recognized \$0.7 million of additional estimated liabilities for pollution remediation. The State expended \$0.4 million to clean up sites. Therefore, the beginning liability of \$7.7 million increased to \$8.0 million. There were no recoveries received from other responsible parties during fiscal year 2017 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, 2017 (in millions):

<b>Nature and Source of Pollution</b>	<b>Estimated Liability</b>	<b>Estimated Recovery</b>
Contract agreement with EPA to clean up Superfund site for former wood treatment facility	\$0.3	
Voluntary commencement by the State to clean up heavy metal contamination of canal near former industrial site	7.7	--
Total estimated obligations	\$8.0	--

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, 2016, is available at [www.etf.wi.gov](http://www.etf.wi.gov).

**Plan Description**

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

As of December 31, 2016, the number of participating employers was:

State Agencies	58
Cities	152
Counties	71
4 <sup>th</sup> Class Cities	36
Villages	266
Towns	254
School Districts	422
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	208
<b>Total Employers</b>	<b>1,495</b>

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

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

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

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

**Accounting Policies and Plan Asset Matters**

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

recognized when due and payable in accordance with the terms of the plan.

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

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

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

**Contributions Required**

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. In 2016, executives & elected officials' contributions rates were changed to match General. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates as of June 30, 2017 are:

	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

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

At June 30, 2017, the State reported a net pension liability (asset) of \$232.79 million for its proportionate share of the WRS' net pension liability (asset). 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, 2016, and the total pension liability was based on an actuarial valuation as of December 31, 2015. 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, 2016, the State's proportionate share was 28.0 percent, which is a decrease of 0.1 percent from its proportionate share as of December 31, 2015.

For calendar year 2016, State employers made \$264.0 million in contributions recognized by the WRS.

For the year ended June 30, 2017, the State recognized pension expense of \$592.6 million. At June 30, 2017, the State reported deferred outflows and inflows of resources related to pensions of \$1.62 billion and \$741.4 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, 2016 were based upon the following actuarial assumptions:

Actuarial Valuation Date	December 31, 2015
Measurement Date of Net Pension Asset	December 31, 2016
Actuarial Cost Method	Entry Age
Asset Valuation Method	Fair Value
Long-Term Expected Rate of Return	7.20%
Discount Rate	7.20%
Salary Increases	
Inflation	3.20%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.10%

\* 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 2015 using experience from 2012-2014.

*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, 2016, these best estimates of geometric long-term real rates of return were used:

Asset Class	Target Allocation	Rate of Return
Global Equities	45.0%	5.4%
Fixed Income	37.0	1.4
Inflation Sensitive	20.0	1.5
Real Estate	7.0	3.6
Private Equity/Debt	7.0	6.5
Multi-asset	4.0	3.7

For each major asset class that is included in the Variable Retirement Investment Trust fund's target asset allocation as of December 31, 2016, 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 2016 were 8.29% and 10.49%, respectively. The money-weighted rate of return expresses investment performance, net of pension plan expenses, adjusted for the changing amount actually invested.

*Discount Rate*

A single discount rate of 7.2% was used to measure the total pension liability. This rate was based on the expected rate of return of 7.2% and a long-term bond rate of 3.78%. 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%)	\$ 3,035,873,376
Current Rate (7.2%)	\$ 232,791,419
1% Increase (8.2%)	\$ (1,925,708,663)

**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 [www.swib.state.wi.us](http://www.swib.state.wi.us) or may be obtained upon request from:

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

**NOTE 16. 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 [www.etf.wi.gov](http://www.etf.wi.gov) 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 \$652.26 to \$1,400.42 for single coverage and \$1,606.48 to \$3,494.94 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, 2017, the ARC was \$98.4 million while the employer contributions were \$38.4 million, and the ARC adjustment, with interest, was \$38.4 million.

**Annual OPEB Cost**

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

<b>Fiscal Year</b>	<b>Annual OPEB Cost</b>	<b>Employer Contributions</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2017	\$79,393	\$38,380	48.3%	\$583,711
2016	76,803	36,650	47.7%	542,712
2015	70,510	41,802	59.3	502,559

Interest on the net OPEB obligation was \$19.3 million while the net OPEB obligation increased \$41.0 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)	<u>\$ 942,314</u>
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 2016 contribution rates ranged from 0.09 percent to 2.31 percent of covered payroll based on employee 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. Interest is calculated and credited to the Retiree Life Insurance Fund based on the rate of return for a segment of the insurance carrier's general fund, specifically 10 Year A-Bonds (as a proxy and not tied to any specific investments). The funds invested during the year earn interest based on that year's rate of return for 10 Year A-Bonds. The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

**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, 2016 financial report is available at [www.etf.wi.gov](http://www.etf.wi.gov) 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, 2017 financial report will be available later.

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**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 life insurance. The information provided in this note applies to the period ending December 31, 2016.

**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 354 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 219 local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The plan is self-insured.

The Long-term Disability Insurance Fund (LTDI) 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 2016 (in millions):

	Income Continuation Insurance		Long-term Disability Insurance		Health Insurance		Pharmacy Benefits		Dental	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015 **
<b>Unpaid claims and claim adjustment expenses at beginning of the calendar year</b>	\$ 87.1	\$ 82.9	\$ 323.5	\$ 292.5	\$ 1.9	\$ 2.3	\$ (19.5)	\$ (9.9)	\$ 0.0	\$ 0.0
<b>Incurred claims and claim adjustment expenses:</b>										
Provision for insured events of the current calendar year	20.7	22.8	50.0	44.4	15.1	14.7	156.0	176.9	44.1	0.0
Changes in provision for insured events of prior calendar years	6.8	5.2	18.7	44.8	(0.6)	(1.0)	14.4	0.0	0.0	0.0
<b>Total incurred claims and claim adjustment expenses</b>	<b>27.5</b>	<b>27.9</b>	<b>68.7</b>	<b>89.2</b>	<b>14.5</b>	<b>13.7</b>	<b>170.4</b>	<b>176.9</b>	<b>44.1</b>	<b>0.0</b>
<b>Payments:</b>										
Claims and claim adjustment expenses attributable to insured events of the current calendar year	5.6	6.6	2.2	2.1	13.1	12.8	171.0	196.4	42.2	0.0
Claims and claim adjustment expenses attributable to insured events of prior calendar years	15.6	17.1	46.8	56.1	1.3	1.3	(5.1)	(9.9)	0.0	0.0
<b>Total payments</b>	<b>21.2</b>	<b>23.7</b>	<b>49.0</b>	<b>58.2</b>	<b>14.4</b>	<b>14.1</b>	<b>165.9</b>	<b>186.5</b>	<b>42.2</b>	<b>0.0</b>
<b>Total unpaid claims and claim adjustment expenses at end of the calendar year</b>	<b>\$ 93.4</b>	<b>\$ 87.1</b>	<b>\$ 343.1</b>	<b>\$ 323.5</b>	<b>\$ 2.0</b>	<b>\$ 1.9</b>	<b>\$ (15.0) *</b>	<b>\$ (19.5) *</b>	<b>\$ 1.9</b>	<b>\$ 0.0</b>

\* Total unpaid claims at the end of 2016 is the net of \$4.5 million in unpaid claims and \$19.5 million in rebates due from pharmaceutical companies; unpaid claims at the end of 2015 is the net of \$5.1 million in unpaid claims and \$24.6 million in rebates due from pharmaceutical companies.

\*\* Prior to 2016 Dental Benefits were included as part of fully insured HMO Coverage

**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, 2016 is available at [www.etf.wi.gov](http://www.etf.wi.gov) 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, 2017 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 2017, the excess insurance limits were written to \$500 million.

The liabilities for State property damage are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities is based on the reserves on open claims and paid claims. Losses incurred but not reported are expected to be immaterial. Claims incurred but not paid as of June 30, 2017 are estimated to total \$15.7 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 2017 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, 2017 are estimated to total \$28.8 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, 2017 are estimated to total \$77.5 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):

	2017	2016
Beginning of fiscal year liability	\$ 99,377	\$ 107,040
Current year claims and changes in estimates	55,401	29,205
Claim payments	<u>(32,745)</u>	<u>(35,503)</u>
	122,033	100,742
Excess insurance reimbursable	<u>(9,113)</u>	<u>(1,365)</u>
Balance at fiscal year-end	<u>\$ 112,920</u>	<u>\$ 99,377</u>

Settlements have not exceeded coverages for each of the past three fiscal years.

**Annuity Contracts**

The Risk Management Fund purchased annuity contracts in various claimants' names to satisfy claim liabilities. The likelihood that the fund will be required to make future payments on those claims is remote and, therefore, the fund is considered to have satisfied its primary liability to the claimants. Accordingly, the annuity contracts are not reported in, and the related liabilities are removed from, the fund's balance sheet. The aggregate outstanding amount of liabilities removed from the financial statements at June 30, 2017 is \$5.7 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, 2017, the Local Government Property Insurance Fund insured 181 local governmental units. The total amount of insurance in force as of June 30, 2017 was \$2.4 billion.

The dissolution of the fund was included in 2017 Wis. Act 59, the State's biennial budget act, enacted in September 2017. The fund will continue to provide coverage through December 31, 2018.

*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, 2017, the fund had \$756.0 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, 2017, 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 \$2.2 million during the fiscal year. Excess-of-loss and adjusting expense recoveries earned would typically reduce claims paid (benefit expense on the financial statements). During the fiscal year the losses recovered through excess-of-loss insurance was \$0.8 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):

	2017	2016
Unpaid loss liabilities		
at beginning of the year	\$12,037	\$23,733
Less: Excess-of-loss insurance recoverable	5,699	11,366
Net unpaid loss liabilities at beginning of year	6,338	12,367
Incurred losses and loss expenses:		
Provision for insured events of the current year	2,215	5,824
Increase (decrease) in provision for insured events of prior years	1,723	(3,923)
Total incurred losses and loss expenses	3,938	1,901
Payments:		
Losses and loss expenses attributable to insured events of the current year	574	2,159
Losses and loss expenses attributable to insured events prior years	7,050	5,771
Total payments	7,624	7,930
Net unpaid loss liabilities at end of year	2,652	6,338
Plus: Excess-of-loss liabilities recoverable	4,532	5,699
Total unpaid loss liabilities at end of year	\$7,184	\$12,037

**Trend Information**

Historical trend information showing revenue and claims development information is presented in the Office of the Commissioner of Insurance June 30, 2017 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	\$ 6,797	5,456
1967-1976	25,365	15,792
1977-1985	63,869	25,184
1986-1994	45,360	10,069
1995-2012	43,941	7,865
2013+	4,474	341
	<u>\$ 189,806</u>	<u>\$ 64,707</u>

**Bases of Assumptions**

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

\* Age Next Birthday

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

The statutory assets at December 31, 2016 were \$110.8 million and statutory capital and surplus was \$8.5 million. Fund equity at June 30, 2017 was \$25.6 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, 2017, 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	\$ 1,120,611
Less: Net loss paid from inception	(866,075)
Less: Liability for reported losses	(14,697)
Risk Margin	63,634
Liability for incurred but not reported losses	<u>\$ 303,473</u>

The Future Benefits and Loss Liability account also includes an estimate of the loss adjustment expense (LAE). Using the data available through September 30 of the fiscal year, the actuary estimated the liability for LAE as 28 percent of the estimated unpaid losses as of June 30, 2017. The percentage used in the financial statements was different, since the actuary's estimate was adjusted to reflect actual LAE payments. Specifically, the loss adjustment expenses paid from the inception of the Fund through June 30, 2017, are deducted from the projected ultimate LAE to determine the liability for LAE as June 30, 2017 as follows (in thousands):

Projected ultimate LAE liability	\$ 143,151
Less: LAE paid from inception	(99,445)
Risk Margin	10,926
Liability for LAE	<u>\$ 54,632</u>

In accordance with Section Ins. 17.27(3), Wis. Adm. Code, the liability for reported losses, liability for incurred but not reported losses, and liability for loss adjustment expense are maintained on a present value basis with the difference from full value being reported as a contra account to these estimated loss liabilities. These estimated loss liabilities are discounted only to the extent that they are matched by cash and invested assets. Using the actuarially determined discount factor of 0.8693, 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, 2017 (in thousands):

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Estimated liability for incurred but not reported losses	\$ 303,473
Estimated liability for reported losses	14,697
Estimated liability for loss adjustment expense	<u>54,632</u>
Total estimated loss liabilities	372,802
Less: Amount representing interest	<u>(48,715)</u>
Discounted loss liabilities	<u>\$ 324,087</u>

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

The Office of the Commissioner of Insurance contracts for periodic actuarial audits of the Fund. This audit includes a review by another actuary of the reasonableness of the actuarial methodology and assumptions used in developing estimates of the Fund's liabilities. The actuarial audits have concluded that the Fund's loss liability estimates are reasonable, although conservative. The Fund's contracted actuary has considered the recommendations made in the actuarial audits and appropriately incorporated any necessary changes based on those recommendations into the actuarial methodology and assumptions used to calculate the Fiscal Year 2017 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, 2017 (in thousands), is as follows:

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Discounted loss liabilities	\$ 324,088
Future medical expense liability	32,025
Contributions being held liability	<u>1,000</u>
Total estimated loss liabilities	357,113
Current portion	<u>(58,661)</u>
Noncurrent portion	<u>\$ 298,452</u>

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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 2017 (in thousands):

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Liability at the beginning of the year	\$ 424,483
Incurred claims and related expenses for the current year and the change in estimated amounts for claims incurred in prior years	(58,070)
Less: current year payments attributable to claims incurred in current and prior years	<u>(9,300)</u>
Liability at the end of the year	<u>\$ 357,113</u>

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

Deferred outflows and resources and deferred inflows of resources at June 30, 2017 were as follows (in thousands):

	General	Transportation	Capital Improvement	Nonmajor Governmental	Internal Service	Full Accrual Adjustments	Total Governmental Activities
<b>Deferred Outflows of Resources</b>							
Accumulated Decreases in the Fair Value of Hedging Derivatives	\$ -	\$ -	\$ -	\$ -	\$ -	150,476	\$ 150,476
Debt Refunding	-	-	-	-	3,961	277,457	281,418
Advances by the State	-	142	-	-	-	-	142
Differences Between Expected and Actual Pension Experience	-	-	-	-	731	40,213	40,944
Changes of Pension Assumption	-	-	-	-	2,132	109,092	111,224
Net Difference Between Projected and Actual Earnings on Pension Investments	-	-	-	-	9,828	521,656	531,484
Changes in Proportion and Differences Between Actual and Proportionate Share of Contributions	-	-	-	-	193	10,259	10,452
Pension Contributions Subsequent to the Measurement Date	-	-	-	-	966	68,083	69,049
<b>Total Deferred Outflows of Resources</b>	<b>\$ -</b>	<b>\$ 142</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,811</b>	<b>\$ 1,177,236</b>	<b>1,195,189</b>

	General	Transportation	Capital Improvement	Nonmajor Governmental	Internal Service	Full Accrual Adjustments	Total Governmental Activities
<b>Deferred Inflows of Resources</b>							
Debt Refunding	\$ -	\$ -	\$ -	\$ -	468	12,158	\$ 12,627
Unavailable Revenue	254,151	368	-	8,606	-	(263,125)	-
Differences Between Expected and Actual Pension Experience	-	-	-	-	6,414	328,141	334,555
Changes in Proportion and Differences Between Actual and Proportionate Share of Contributions	-	-	-	-	141	7,264	7,405
<b>Total Deferred Inflows of Resources</b>	<b>\$ 254,151</b>	<b>\$ 368</b>	<b>\$ -</b>	<b>\$ 8,606</b>	<b>\$ 7,023</b>	<b>\$ 84,438</b>	<b>\$ 354,586</b>

	Injured Patients and Family Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Total Business-Type Activities
<b>Deferred Outflows of Resources</b>						
Debt Refunding	\$ -	\$ 4,292	\$ 49,774	\$ -	\$ 1,010	\$ 55,077
Advances by the State	-	-	-	-	46,718	46,718
Differences Between Expected and Actual Pension Experience	11	9	42,567	-	4,396	46,982
Changes of Pension Assumption	28	14	116,721	-	13,109	129,873
Net Difference Between Projected and Actual Earnings on Pension Investments	132	71	556,378	-	61,177	617,757
Changes in Proportion and Differences Between Actual and Proportionate Share of Contributions	3	2	-	-	1,150	1,155
Pension Contributions Subsequent to the Measurement Date	18	9	49,594	-	8,191	57,812
<b>Total Deferred Outflows of Resources</b>	<b>\$ 191</b>	<b>\$ 4,397</b>	<b>\$ 815,034</b>	<b>\$ -</b>	<b>\$ 135,751</b>	<b>\$ 955,373</b>

	Injured Patients and Family Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Total Business-Type Activities
<b>Deferred Inflows of Resources</b>						
Debt Refunding	\$ -	\$ -	\$ 825	\$ -	\$ 83	\$ 907
Advances to the State	-	-	62	-	-	62
Differences Between Expected and Actual Pension Experience	84	43	351,090	-	39,431	390,649
Changes in Proportion and Differences Between Actual and Proportionate Share of Contributions	2	1	7,903	-	835	8,741
Other	-	-	0	-	0	0
<b>Total Deferred Inflows of Resources</b>	<b>\$ 86</b>	<b>\$ 45</b>	<b>\$ 359,879</b>	<b>\$ -</b>	<b>\$ 40,348</b>	<b>\$ 400,359</b>

The \$126,865 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expenses as follows (in thousands):

<b>Fiscal Year Ended June 30</b>	<b>Amount</b>
2018	\$ 304,563
2019	304,563
2020	207,749
2021	(68,740)
2022	400
	<u>\$ 748,535</u>

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**NOTE 22. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA****Primary Government**

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

The Environmental Improvement Fund has pledged future loan revenues, net of specified operating expenses, to repay outstanding revenue bonds. Investors in these revenue bonds rely solely on the revenues generated from the loans within the Direct Loan Portfolio. Condensed financial statement information of the Direct Loan Portfolio as of and for the year ended June 30, 2017 is presented below (in thousands):

**Condensed Statement of Net Position**

Assets:	
Current Assets	\$ 295,286
Other Assets	1,537,973
Total Assets	<u>1,833,259</u>
Deferred Outflows of Resources	<u>4,292</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,837,551</u>
Liabilities:	
Due to Other Funds	\$ 2,238
Other Current Liabilities (Including Current Portion of Long-term Debt)	91,643
Noncurrent Liabilities	<u>272,023</u>
Total Liabilities	<u>365,904</u>
Net position:	
Restricted	<u>1,471,647</u>
Total Net Position	<u>1,471,647</u>
Total Liabilities and Net Position	<u>\$ 1,837,551</u>

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

Operating Revenues (Expenses):	
Loan Interest	\$ 28,323
Interest Income used as Security for Revenue Bonds	2,276
Interest Expense	(28,272)
Other Operating Expenses	<u>(2,937)</u>
Operating Income (Loss)	(610)
Nonoperating Revenues (Expenses):	
Investment Income	992
Investment Income used as security for Revenue Bonds	71
Intergovernmental Grants	39,561
Grants Awarded	<u>(7,058)</u>
Income (Loss) before Transfers	32,956
Transfers In (Out)	<u>39,665</u>
Change in Net Position	72,621
Beginning Net Position	<u>1,399,026</u>
Ending Net Position	<u>\$ 1,471,647</u>

**Condensed Statement of Cash Flows**

Net Cash Provided (Used) by:	
Operating Activities	\$ (46,150)
Noncapital Financing Activities	(188,146)
Investing Activities	<u>992</u>
Net Increase (Decrease)	(233,304)
Beginning Cash and Cash Equivalents	<u>362,014</u>
Ending Cash and Cash Equivalents	<u>\$ 128,710</u>

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

Significant financial data for the State's discretely presented component units for the year ended December 31, 2016 or June 30, 2017 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority	Wisconsin Health Care Liability Insurance Plan	University of Wisconsin Hospitals and Clinics Authority	Wisconsin Economic Development Corporation	University of Wisconsin Foundation	Total
<b>Condensed Statement of Net Position</b>						
<b>Assets:</b>						
Cash, Investments and Other Assets	\$ 2,157,545	\$ 51,159	\$ 1,934,374	\$ 110,179	\$ 3,915,135	\$ 8,168,392
Cash and Investments with Other Component Units	-	-	249,345	-	-	249,345
Capital Assets, net	12,184	-	1,188,989	934	20,202	1,222,309
Total Assets	2,169,729	51,159	3,372,708	111,113	3,935,337	9,640,046
<b>Deferred Outflows of Resources</b>	31,408	-	215,619	3,231	-	250,258
Total Assets and Deferred Outflows	\$ 2,201,137	\$ 51,159	\$ 3,588,327	\$ 114,344	\$ 3,935,337	\$ 9,890,304
<b>Liabilities:</b>						
Accounts Payable and Other Current Liabilities	\$ 91,532	\$ 2,964	\$ 464,144	\$ 5,841	\$ 142,564	\$ 707,046
Due to Primary Government	-	-	109,764	-	-	109,764
Amounts Held for Other Component Units	-	-	-	-	220,095	220,095
Other Liabilities	26,688	-	6,192	-	-	32,880
Long-term Liabilities (Current and Noncurrent portions)	1,357,446	9,511	744,067	3,145	45,048	2,159,217
Total Liabilities	1,475,666	12,475	1,324,167	8,986	407,707	3,229,002
<b>Deferred Inflows of Resources</b>	2,387	-	103,257	1,907	-	107,551
<b>Net Position:</b>						
Net Investment in Capital Assets	10,499	-	604,580	934	20,202	636,215
Restricted	706,642	38,684	19,462	41,739	3,405,139	4,211,666
Unrestricted	5,943	-	1,536,861	60,777	102,289	1,705,870
Total Net Position	723,084	38,684	2,160,903	103,450	3,527,629	6,553,751
Total Liabilities, Deferred Inflows and Net Position	\$ 2,201,137	\$ 51,159	\$ 3,588,327	\$ 114,344	\$ 3,935,337	\$ 9,890,304
<b>Condensed Statement of Activities</b>						
<b>Program Expenses:</b>						
Depreciation	\$ 866	\$ -	\$ 114,371	\$ 481	\$ 2,081	\$ 117,799
Payments to Primary Government	-	-	70,841	-	253,169	324,010
Other	268,399	2,015	2,787,711	43,238	84,442	3,185,805
Total Program Expenses:	269,265	2,015	2,972,923	43,719	339,692	3,627,614
<b>Program Revenues:</b>						
Charges for Goods and Services	8,066	1,769	2,885,535	224	-	2,895,593
Investment and Interest Income	65,277	2,045	-	-	324,556	391,878
Operating Grants and Contributions	185,406	-	-	36,951	338,450	560,806
Miscellaneous	16,616	-	105,700	-	7,129	129,445
Total Program Revenues	275,365	3,814	2,991,235	37,174	670,135	3,977,723
Net Program Revenue/(Expense)	6,100	1,799	18,312	(6,544)	330,444	350,110
<b>General Revenues:</b>						
Interest and Investment Earnings	17,094	-	79,009	1,823	-	97,926
Miscellaneous	-	-	13,359	702	-	14,061
Contributions to Endowments	-	-	(323)	-	-	(323)
Change in Net Position	23,194	1,799	110,357	(4,020)	330,444	461,773
Net Position, Beginning of Year	699,890	36,886	2,050,546	107,471	3,197,186	6,091,978
Net Position, End of Year	\$ 723,084	\$ 38,684	\$ 2,160,903	\$ 103,450	\$ 3,527,629	\$ 6,553,751

**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 2016 Comprehensive Annual Financial Report to the beginning-of-year amounts reported for Fiscal Year 2017 (in thousands):

**A. Fund Statements – Proprietary Funds**

	Major Funds					Total Enterprise	Internal Service Funds
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Funds		
Net Positions June 30, 2016 as reported in the 2016 Comprehensive Annual Financial Report	\$ 878,282	\$ 2,050,645	\$ 6,578,859	\$ 1,234,384	\$ 480,479	\$ 11,222,649	\$ 27,612
Adjustments of assets and liabilities as of June 30, 2016	-	-	-	-	13	13	262
Net Positions July 1, 2016 as restated	\$ 878,282	\$ 2,050,645	\$ 6,578,859	\$ 1,234,384	\$ 480,492	\$ 11,222,662	\$ 27,874
Effect of adjustments on the amount of net change in net position of Fiscal Year 2016	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ 13	\$ 262



**B. Government-wide Statements**

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
Net Positions June 30, 2016 as reported in the 2016 Comprehensive Annual Financial Report	\$ 12,079,699	\$ 11,224,845	\$ 23,304,544
Capital asset correction	11,544		11,544
Other adjustments of assets and liabilities as of June 30, 2016	(2,386)	13	(2,373)
Net Positions July 1, 2016 as restated	\$ 12,088,857	\$ 11,224,859	\$ 23,313,716
Effect of adjustments on the amount of net increase (decrease) in net positions of Fiscal Year 2016	\$ 9,158	\$ 13	\$ 9,171

## 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 \$17.2 million on June 30, 2017 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, 2017.

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 \$51.7 million.

The Injured Patients and Families Compensation Fund insures participating physicians and other health care providers in Wisconsin against medical malpractice claims that exceed the primary malpractice insurance thresholds established in statutes. There is no limit to the compensation the Fund will pay on behalf of participating providers for economic damage. However, Wis. Stats. 893.55 limits awards of noneconomic damages in medical malpractice claims to \$750,000 for incidents that have occurred on or after April 6, 2006.

An injured patient and her spouse filed a lawsuit against the Fund regarding an injury sustained in May 2011. The jury awarded noneconomic damages of \$15.0 million to the patient and \$1.5 million to the spouse. Post-verdict, the Fund moved to reduce the jury award to the \$750,000 statutory cap on noneconomic damages. The plaintiffs moved for entry of

judgment on the verdict, arguing that an application of the cap would violate their constitutional rights. The circuit court found the cap on noneconomic damages unconstitutional as it applied to the case. The decision was appealed.

In July 2017, the Wisconsin Court of Appeals affirmed the circuit court decision albeit on different grounds. The appellate court issued an opinion stating the non-economic damages cap is unconstitutional on its face by imposing an unfair and illogical burden only on catastrophically injured patients, thus denying them equal protection of the laws.

In November 2017, the Supreme Court accepted the case for review. Both the Fund and the plaintiffs appealed the circuit court's constitutionality rulings. The Fund argues that the circuit court erred when it found Wis. Stats. 893.55 unconstitutional as it applied to the case. The plaintiffs argue that the circuit court erred when it determined that Wis. Stats. 893.55 was not unconstitutional on its face. The potential loss to the Fund is not determinable at this time.

An additional potential impact exists for all pending litigation that alleges noneconomic damages in excess of \$750,000. The Fund plans to file motions to stay execution for other cases where verdicts are reached prior to the Supreme Court's final resolution. The potential loss to the Fund for these cases is not determinable at this time.

### 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 \$21.5 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 \$14.5 million of receivables as of June 30, 2017 related to these costs. Net position of \$9.9 million was reported as of June 30, 2017.

**B. Commitments**

**Primary Government**

As of June 30, 2017, encumbrances of the General Fund totaled \$551.8 million, encumbrances of the Transportation Fund totaled \$1.3 billion, and encumbrances of other non-major governmental funds totaled \$239.7 million. Obligations at June 30, 2017 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	\$ 271,762
Capital Improvement Fund – WisDOT Harbors, Rails and Highway Programs	43,926
Transportation Revenue Bonds Capital Projects Fund	29,284
General Fund – Housing Programs	24,073

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 \$147.0 million as of June 30, 2017. These loan commitments are expected to be met through proceeds from issuance of revenue obligations and additional federal grants.

The *Injured Patients and Families Compensation Fund* may be required to purchase an annuity as a result of a claim settlement. Under specific annuity arrangements, the Fund may have ultimate responsibility for annuity payments if the annuity company defaults on annuity payments. One of the Fund's annuity providers defaulted on \$118 thousand in annuity payments through June 30, 2017, 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 \$114 thousand through June 30, 2017. 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, 2017 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, 2017, the appropriation available totaled \$60.8 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. Tax Abatements**

Wisconsin statutes authorize tax abatements to encourage economic development and other actions beneficial to the State or its citizens resulting in a reduction in tax revenue the State would otherwise be entitled to collect. GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement agreements entered into by a reporting government, along with agreements entered into by other governments, which reduce the reporting government’s tax revenues. Most tax abatement programs meeting the criteria for disclosure in the State’s CAFR are certified by the Wisconsin Economic Development Corporation (WEDC), a separate legal entity also reported as a component unit in the CAFR. WEDC enters into the abatement agreements and administers the programs. The Wisconsin Department of Revenue (DOR) is responsible for ensuring the certified tax abatements were properly applied when processing income tax returns filed by recipients. The table below describes abatement programs that impact tax revenues for the State of Wisconsin.

State Agency Programs	Authority	Purpose	Tax Abated	Primary Criteria	Mechanism	Abatement Calculation	Recapturing Abatements
Historical Homeowners Tax Credit - Administered by Wisconsin Historical Society	Wis. Stats. 44.02(24)	Preserving or rehabilitating historic property located in Wisconsin	Income Tax	Own and occupy as personal residence property  Costs must relate only to preservation or rehabilitation work done  Costs must be more than \$10,000	Nonrefundable state income tax credit	25% of qualified expenditures for the current year for individuals	DOR may recover all or a portion of the credit if the claimant has not complied with all requirements

WEDC Programs	Authority	Purpose	Tax Abated	Primary Criteria	Mechanism	Abatement Calculation	Recapturing Abatements
Business Development Credit <sup>1</sup>	Wis. Stats. 238.308	Provides incentives for job creation, capital investment, training, and corporate location or retention for new and current businesses in Wisconsin	Income Tax	Person increases net employment in the state from net employment in the state during the year before certification	Refundable state income tax credit or offset against economic development surcharge	Up to 10% of eligible employee wages  Up to 5% of additional eligible employee wages in economically distressed area  Up to 50% of eligible training costs  For investments of \$1.0 million or greater or investments of less than \$1.0 million but at least \$10,000 per eligible employee: Up to 3% of personal property investment and up to 5% of real property investment  Certain percentage of wages paid to eligible headquarters employees	WEDC may require repayment of tax benefits claimed for a year in which the person failed to employ an eligible employee required by the agreement

WEDC Programs, continued	Authority	Purpose	Tax Abated	Primary Criteria	Mechanism	Abatement Calculation	Recapturing Abatements
Development Opportunity Zone Tax Credit	Wis. Stats. 238.395	Incent new and expanding businesses in the cities of Beloit, Janesville, and Kenosha  Incent the creation of jobs for target group members	Income Tax	Business located in or relocating to, Beloit, Janesville, or Kenosha	Nonrefundable state income tax credit	Credits ranging from \$6,000 to \$8,000 per job for an FTE paying at least 150% of federal minimum wage  Up to 3% of all eligible capital investments  Up to 50% of eligible environmental remediation costs	WEDC may revoke tax benefits if false or misleading information is provided, if the business ceases to operate in the zone or moves outside the development zone
Enterprise Zone Tax Credit	Wis. Stats. 238.399	Incent expansion of existing Wisconsin businesses or relocation of major business operations from other states to Wisconsin	Income Tax	Businesses located in, or relocating to, an enterprise zone in Wisconsin  Business that begins or expands operations in an enterprise zone  Business makes a significant capital contribution  Positions created as a result of tax credits must be maintained for at least five years	Refundable state income tax credit	WEDC determines the maximum amount of tax credits a business may claim  Credit of up to 7% of the net increase in zone payroll less certain adjustments  Credit up to 100% of job-related training costs  Up to 10% of significant capital expenditures  Up to 1% of amount paid for property, goods or services purchased from Wisconsin vendors	WEDC may require a business to repay tax benefits for which the business failed to maintain employment levels or a significant capital investment in property  WEDC may revoke tax benefits if false or misleading information is provided, if the business ceases to operate in the zone or moves outside the development zone
Qualified New Business Venture (Consists of Early Stage Seed Investment and Angel Investment Credits)	Wis. Stats. 238.15	Promote development of research and development and early-stage capital availability by providing tax credit incentives for private equity investment in technology-based Wisconsin businesses with significant long-term growth potential	Income Tax	Investor must keep investment in a certified business or with a certified fund manager for no less than 3 years unless the investment becomes worthless or the person has kept the investment for at least 12 months and a bona fide liquidity event occurs during the 3 year period  Certified businesses are those headquartered in the State and engaged in innovation within certain sectors such as manufacturing, biotechnology, agriculture, etc. or that process or assemble items such as medical devices, pharmaceuticals, computer hardware or software, etc.	Nonrefundable state income tax credit	25% of the value of the investment made in the certified company	The certified business must pay a penalty ranging from 60% to 100% of the tax credit provided if it relocates out of state during the 3 years after it received an investment
Historical Preservation Tax Credit (Supplement to Federal Historic Rehabilitation Tax Credit)	Wis. Stats. 238.17	Incentive for businesses to rehabilitate historic structures in Wisconsin used for production of income	Income Tax	Must own the historic property  Building must be depreciable property that is either nonresidential real property, residential rental property, or real property with a class life of more than 12.5 years  Rehabilitation expenditures are more than the greater of \$50,000 or the adjusted basis  Expenditure test must be met within a 24-month (or, for phased rehabilitation projects, a 60-month) period	Nonrefundable state income tax credit	20% of qualified rehabilitation expenditures for the current year	If sale or noncompliance occurs within 5 years then a prorated amount of the credit received will be added back to the individual's tax liability

<sup>1</sup> 2015 Act 55 eliminated the Economic Development and Jobs Tax Credit programs and replaced them with the Business Development Credit program.

The gross dollar amount by which the State's tax revenues were reduced as a result of abatement agreements during the fiscal year ended June 30, 2017:

<b>State Agency Administered Program</b>	<b>Amount</b>
Historical Homeowners Tax Credit	\$ 1.2 million
<b>WEDC Administered Programs</b>	
Business Development Credit <sup>2</sup>	26.6 million
Development Opportunity Zone Tax Credit	0.2 million
Enterprise Zone Tax Credit	8.8 million
Qualified New Business Venture	12.8 million
Historical Preservation Tax Credit	<u>28.6 million</u>
Total State Agency and WEDC:	<u>\$ 78.2 million</u>

<sup>2</sup> Includes Economic Development, Jobs Tax Credit and Business Development Credit abatements

**NOTE 27. SUBSEQUENT EVENTS****Primary Government****Long-term Debt**

*General Obligation Bonds* – In July 2017, the State issued \$345.3 million of 2017 Series 1 general obligation refunding 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 2.0 to 5.0 percent payable semiannually beginning November 1, 2017. The bonds mature annually beginning November 1, 2021 through November 1, 2023 and November 1, 2026 through November 1, 2031.

In November 2017, the State issued \$382.7 million of 2017 Series 2 general obligation refunding bonds to be used for advance refunding (including a crossover refunding) of certain principal of previously issued general obligation bonds. The interest rates associated with these bonds were set at 5.0 percent payable semiannually beginning May 1, 2018. The bonds mature annually beginning November 1, 2020 through November 1, 2028.

In November 2017, the State issued \$272.7 million of 2017 Series B general obligation bonds to be used for the acquisition, construction, development, extension, enlargement or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. The interest rates associated with these bonds were set at 4.0 to 5.0 percent payable semiannually beginning May 1, 2018. The bonds mature annually beginning May 1, 2019 through May 1, 2021 and May 1, 2027 through May 1, 2038.

In December 2017, the State issued \$347.0 million of 2017 Series 3 general obligation refunding 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 4.0 to 5.0 percent payable semiannually beginning May 1, 2018. The bonds mature annually beginning November 1, 2026 through November 1, 2034.

*Revenue Bonds* – In December 2017, the State issued \$368.6 million of 2017 Series 2 transportation revenue refunding bonds to be used for advance refunding of certain principal of previously issued transportation revenue bonds. The interest rates associated with these bonds were set at 5.0 percent payable semiannually beginning July 1, 2018. The bonds mature annually beginning July 1, 2021 through November 1, 2032.

**Credit Agreements**

In November 2017, the State reduced the dollar amount of a credit agreement to provide a line of credit for liquidity support for the transportation revenue commercial paper program. The amount of the line of credit was reduced from \$120.0 million to \$63.0 million.

**Electronics and Information Technology Zone**

2017 Wis. Act 58, signed into law in September 2017, created an electronics and information technology zone in southeast Wisconsin and provided refundable tax credits of up to \$2.85 billion for a business or businesses to be located in the zone. In November 2017 the Governor, on behalf of the State of Wisconsin, acknowledged an agreement signed by the Wisconsin Economic Development Corporation and Foxconn Technology. The agreement requires that the State provide up to \$2.85 billion in state income tax credits to the company to support the development of a manufacturing campus in Racine County. Under the terms of the 15-year contract, Foxconn agrees to invest up to \$10 billion and create up to 13,000 jobs at the campus.

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## **Required Supplementary Information**

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**Required Supplementary Information**

**Postemployment Benefits - State Health Insurance Program**

The funding progress for the State of Wisconsin Health Insurance Plan is provided below (in thousands):

<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation Of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) – Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b – a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b – a) / c)</b>
1/1/2015	\$ 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%

**Required Supplementary Information**

**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:

<b>Fiscal Year*</b>	<b>State's Proportion of the NPL/(NPA) (a)</b>	<b>State's Proportionate Share of the NPL/(NPA) (b)</b>	<b>State's Covered Payroll (c)</b>	<b>State's Share of the NPL/(NPA) as a Percentage of Covered Payroll (b / c)</b>	<b>WRS' Net Position as a Percentage of the Total Pension Liability (d)</b>
2017	28.0%	\$ 232,791,419	\$3,806,871,835	6.1%	99.1%
2016	28.1%	\$ 455,475,378	\$3,790,475,424	12.0%	98.2%
2015	(28.0%)	\$(686,873,469)	\$3,735,598,305	(18.4%)	102.7%

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

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

**Required Supplementary Information**

**State's Pension Contributions**

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

<b>Fiscal Year*</b>	<b>State's Actuarially Determined Contributions (a)</b>	<b>State's Contributions Made (b)</b>	<b>Contribution Excess/ (Deficiency) (b - a)</b>	<b>State's Covered Payroll (c)</b>	<b>State's Contributions Made as a Percentage of Covered Payroll (b / c)</b>
2017	\$263,970,133	\$263,970,133	\$ -	\$3,806,871,835	6.9%
2016	\$270,985,300	\$270,985,300	\$ -	\$3,790,475,424	7.2%
2015	\$275,968,183	\$275,968,183	\$ -	\$3,735,598,305	7.4%

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

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

**Required Supplementary Information**

**Infrastructure Assets Reported Using the Modified Approach**

The State has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the State can demonstrate that these assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The State owns approximately 11,200 centerline miles of road and 5,200 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)
2017	11,200	7.4	15.0	7.6
2016	11,200	8.9	15.0	6.1
2015	11,200	7.3	15.0	7.7
2014	11,200	8.3	15.0	6.7
2013	11,200	6.2	15.0	8.8
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

\* 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)
2017	\$770.3	\$629.3	\$ 141.0
2016	\$617.6	\$564.7	\$ 52.9
2015	\$603.4	\$643.3	\$ (39.9)
2014	\$619.4	\$605.9	\$ 13.5
2013	580.9	561.8	19.1
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)

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 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)
2017	5,200	3.1	15.0	11.9
2016	5,200	3.1	15.0	11.9
2015	5,200	3.2	15.0	11.8
2014	5,100	3.3	15.0	11.7
2013	5,100	3.1	15.0	11.9
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

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)
2017	\$56.9	\$59.3	\$(2.4)
2016	\$78.6	\$128.3	\$(49.7)
2015	57.1	164.4	(107.3)
2014	261.2	131.0	130.2
2013	123.2	115.3	7.9
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

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, 2017**

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			\$ 2,344,661
<b>Revenues and Transfers (Inflows):</b>			
Taxes	\$ 15,679,183	\$ 15,528,168	15,542,153
Departmental:			
Tribal Gaming	24,706	26,771	27,378
Other	17,024,649 (A)	17,040,495 (A)	16,820,624
Transfers from:			
Nonmajor Governmental Funds	(A)	(A)	82,080
Nonmajor Enterprise Funds	(A)	(A)	-
<b>Total Revenues and Transfers (Inflows)</b>	<b>32,728,538</b>	<b>32,595,434</b>	<b>32,472,235</b>
Amounts Available for Appropriation			34,816,896
<b>Appropriations (Outflows):</b>			
Commerce	209,093	243,143	206,913
Education	13,441,673	14,102,225	13,381,580
Environmental Resources	319,675	391,582	319,822
Human Relations and Resources	14,042,852	17,275,613	14,371,190
General Executive	1,542,919	1,872,391	1,066,399
Judicial	137,570	141,192	139,030
Legislative	76,164	78,726	68,575
Tax Relief and Other General	2,431,739	2,430,606	2,367,031
Transfers to:			
Transportation Fund	39,458	39,458	39,458
Nonmajor Governmental Funds	-	-	11,495
Nonmajor Enterprise Funds	-	-	11,100
<b>Total Appropriations (Outflows)</b>	<b>\$ 32,241,143</b>	<b>\$ 36,574,936</b>	<b>31,982,593</b>
Fund Balances, End of Year			2,834,303
Less Encumbrances Outstanding at June 30, 2016			(527,760)
Fund Balances, End of Year Budgetary Basis			<u>\$ 2,306,543</u>
Reconciliation of the End of Year, Budgetary Basis, Fund Balance to the Detail Reported in the Annual Fiscal Report:			
General Purpose:			
Designated			\$ 52,089
Undesignated			579,015
Total General Purpose			<u>631,104</u>
Program Revenue			<u>1,675,439</u>
Fund Balances, End of Year Budgetary Basis			<u>\$ 2,306,543</u>

(A) Interfund transfers to the General Fund were budgeted under departmental revenue during Fiscal Year 2017.



**Budgetary Comparison Schedule  
Transportation Fund  
For the Fiscal Year Ended June 30, 2017**

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			\$ 622,527
<b>Revenues (Inflows):</b>			
Taxes	\$ 1,108,276	\$ 1,108,276	1,108,276
Departmental	1,325,796	1,325,796	1,325,796
Transfers from:			
General Fund	39,458	39,458	39,458
Nonmajor Governmental Funds	21,000	21,000	21,000
Total Revenues (Inflows)	2,494,530	2,494,530	2,494,530
Amounts Available for Appropriation			3,117,057
<b>Appropriations and Transfers (Outflows):</b>			
Environmental Resources	2,663,482	5,616,310	2,602,248
General Executive	1,937	1,937	1,800
Tax Relief and Other General	23,183	25,513	22,220
Total Appropriations and Transfers (Outflows)	\$ 2,688,602	\$ 5,643,760	2,626,268
Fund Balances, End of Year			490,789
Less Encumbrances Outstanding at June 30, 2016			(1,459,269)
Fund Balances, End of Year Budgetary Basis			\$ (968,480)



Notes To Required Supplementary Information

NOTE 1. BUDGETARY INFORMATION

A. Budgetary – GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedule compares the legally adopted budget (more fully described in RSI Note 1-B) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on the budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of basis and perspective differences as of June 30, 2017 is presented below (in thousands):

	General Fund	Transportation Fund
<b>Fund balance June 30, 2017 (budgetary basis – budgetary fund structure):</b>		
General Purpose Revenue – fund balance per budgetary basis <i>Annual Fiscal Report</i>		
Undesignated fund balance	\$ 579,015	
Designated fund balance	52,089	
Total General Purpose Revenue fund balance	631,104	
Program Revenue – fund balance per budgetary basis <i>Annual Fiscal Report</i>	1,675,439	
Fund balance June 30, 2017 (budgetary basis – budgetary fund structure) as reported on the budgetary comparison schedule	2,306,543	\$ (968,480)
Reclassifications:		
To eliminate encumbrances reported as expenditures under budgetary reporting ( <i>basis difference</i> )	527,759	1,459,269
To eliminate noncash revenue adjustments reported under budgetary reporting ( <i>basis difference</i> )	(498,633)	--
To include activities of funds such as the Medical Assistance Trust, Hospital Assessment, Critical Hospital Assessment, Budget Stabilization, and Permanent Endowment Funds (reported as special revenue funds under budgetary reporting) as part of the General Fund ( <i>perspective difference</i> )	319,801	--
To remove activities reported in another GAAP fund type ( <i>perspective differences</i> ):		
Enterprise funds (except for the University of Wisconsin System)	(42,851)	--
University of Wisconsin System	(1,225,006)	--
Internal Service funds	8,255	--
Fiduciary funds	(4,032)	--
Transportation Revenue Bonds capital project fund	--	93
Fund balance June 30, 2017 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	1,391,835	490,882
Adjustments ( <i>basis differences</i> ):		
To accrue receivables and establish payables for individual income taxes (net)	(866,742)	--
To defer revenues for gross receipts public utility taxes	(273,828)	--
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(445,651)	(1,114)
To adjust expenditures for the municipal and county shared revenue program	(505,100)	--
To adjust expenditures for State property tax credit program	(746,575)	--
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(273,568)	--
To adjust revenues and expenditures for certain major Health Services, and Children and Families human services payments to local governments	(187,620)	--
To accrue receivable for Medicaid drug rebates (net of payable to federal government)	189,613	--
To adjust expenditures/revenues for other Health Services, Workforce Development, Children and Families, and Corrections accruals and deferrals	(38,820)	--
To recognize the tobacco settlement revenue receivable	77,981	--
To accrue State educational aids payments deferred until the subsequent year	(75,000)	--
To adjust expenditures and revenues for State Energy Program and other revolving loan programs	8,123	--
To adjust revenues and expenditures for other items (net)	119,431	92,608
<b>Fund balance June 30, 2017 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements</b>	<b>\$(1,625,920)</b>	<b>\$582,376</b>

## B. Budgetary Basis of Accounting

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

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

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

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

The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Other variances arise because the State's biennial budget is developed according to the statutory required fund structure which differs extensively from the fund structure used in the GAAP basis financial statements. This difference is primarily caused by the elimination of the University of Wisconsin System, and various fiduciary, proprietary and other governmental fund activities from the statutory General and Transportation funds. In addition, funds such as the Medical Assistance Trust, Hospital Assessment, Budget Stabilization and Permanent Endowment, special revenue funds under statutory reporting, are included as part of the General Fund under GAAP reporting. As a consequence of these differences, a reconciliation between budgetary basis and GAAP basis is provided in Note 1-A of the notes to the required supplementary information.

The Budgetary Comparison Schedules for the General and the Transportation Fund present both the original and final

appropriated budgets, as well as the actual inflows, outflows, and fund balance on the budgetary basis. The supplementary budget comparison schedule provides this same information (with the exception of the original budget data) for the nonmajor governmental funds with annual budgets. The capital project and debt service funds are excluded from this schedule because no comprehensive budget is approved for these funds. One special revenue fund, the Wisconsin Public Broadcasting Foundation, has been excluded from reporting because it is a blended component unit that is neither budgeted nor included under statutory reporting. Of the permanent funds, only the Historical Society Fund and a portion of the Common School and Normal School funds are budgeted.

The State's biennial budget was enacted on 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.

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## **Supplementary Information**

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# Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

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

- The **Waste Management Fund** accounts for the closure and long-term care of approved landfills from fees imposed on landfill operators.
- The **Environmental Fund** accounts for the development and enforcement of groundwater standards, as well as assistance in the emergency response, investigation and clean up of contamination. This assistance is funded by fees on activities or substances which may contaminate groundwater and fees for solid waste tipping, pesticide licenses and oil inspections.
- The **Dry Cleaner Environmental Response Fund** accounts for the financial assistance for the remediation of environmental contamination caused by the spillage of dry cleaning solvents. Revenues used to fund this program are dry cleaning facility license and solvent fees.

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

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

(Continued)

# Nonmajor Governmental Funds

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

(Continued)



# Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

**Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2017**

(In Thousands)

	Special Revenue Funds				
	Conservation	Police and Fire Protection	Utility Public Benefits	Petroleum Inspection	Wisconsin Public Broadcasting Foundation
<b>Assets and Deferred Outflows of Resources</b>					
Assets:					
Cash and Cash Equivalents	\$ 105,209	\$ -	\$ 13,105	\$ 46,834	\$ 10,680
Investments	-	-	-	-	16,470
Receivables (net of allowance):					
Taxes	22,393	-	-	-	-
Loans to Local Governments	7,531	-	-	-	-
Other Receivables	4,628	4,710	6,501	-	519
Due from Other Funds	1,071	-	-	13,088	-
Due from Other Governments	16,970	-	-	-	-
Inventories	1,121	-	-	-	-
Prepaid Items	15	-	3,985	-	131
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Other Restricted Assets	-	-	-	-	-
Other Assets	-	-	-	-	5
<b>Total Assets</b>	<b>158,938</b>	<b>4,710</b>	<b>23,591</b>	<b>59,922</b>	<b>27,805</b>
Deferred Outflows of Resources	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 158,938</b>	<b>\$ 4,710</b>	<b>\$ 23,591</b>	<b>\$ 59,922</b>	<b>\$ 27,805</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
Liabilities:					
Accounts Payable and Other					
Accrued Liabilities	\$ 12,580	\$ 9	\$ 1,033	\$ 578	\$ 112
Due to Other Funds	12,388	-	4	28,988	723
Interfund Payables	-	1,990	-	-	-
Due to Other Governments	1,124	-	96	32	-
Tax Refunds Payable	-	-	-	-	-
Tax and Other Deposits	2,132	-	-	-	-
Unearned Revenue	4,383	-	1,271	-	235
Interest Payable	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Short-term Notes Payable	-	-	-	-	-
Revenue Bonds and Notes Payable	-	-	-	-	-
<b>Total Liabilities</b>	<b>32,606</b>	<b>1,998</b>	<b>2,403</b>	<b>29,598</b>	<b>1,070</b>
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances:					
Nonspendable	1,136	-	3,985	-	166
Restricted	117,665	2,712	-	-	26,568
Committed	7,531	-	17,203	30,324	-
Unassigned	-	-	-	-	-
<b>Total Fund Balance</b>	<b>126,332</b>	<b>2,712</b>	<b>21,188</b>	<b>30,324</b>	<b>26,735</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 158,938</b>	<b>\$ 4,710</b>	<b>\$ 23,591</b>	<b>\$ 59,922</b>	<b>\$ 27,805</b>

Special Revenue Funds				Debt Service Funds		
Economic Development	Other Environmental Special Revenue	Other Special Revenue	Total Special Revenue Funds	Bond Security and Redemption	Annual Appropriation Bonds	2009 Annual Appropriation Bonds
\$ 25,582	\$ 32,476	\$ 88,440	\$ 322,325	\$ 5,043	\$ -	\$ -
-	-	-	16,470	-	-	-
208	-	-	22,601	-	-	-
-	-	-	7,531	-	-	-
18	32,234	27,922	76,531	100	-	-
-	13,851	12	28,021	162	-	291
-	398	70	17,438	-	-	-
-	-	450	1,571	-	-	-
-	9,501	6	13,638	-	-	-
-	-	-	-	-	34,922	18,526
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	5	-	-	-
25,807	88,460	116,900	506,134	5,304	34,922	18,817
-	-	-	-	-	-	-
\$ 25,807	\$ 88,460	\$ 116,900	\$ 506,134	\$ 5,304	\$ 34,922	\$ 18,817

\$ -	\$ 1,147	\$ 2,924	\$ 18,382	\$ -	\$ -	\$ -
-	1,290	1,574	44,967	228	291	-
-	-	-	1,990	-	-	-
-	256	207	1,716	-	-	-
602	-	-	602	-	-	-
-	15,699	-	17,831	-	-	-
-	-	4	5,892	-	-	-
-	-	-	-	-	-	-
-	6,271	50	6,321	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
602	24,663	4,759	97,700	228	291	-
-	-	8,606	8,606	-	-	-
-	9,501	457	15,245	-	-	-
-	8,777	37,872	193,595	5,076	34,631	18,817
25,205	51,392	65,206	196,861	-	-	-
-	(5,873)	-	(5,873)	-	-	-
25,205	63,797	103,535	399,827	5,076	34,631	18,817
\$ 25,807	\$ 88,460	\$ 116,900	\$ 506,134	\$ 5,304	\$ 34,922	\$ 18,817

(Continued)

**Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2017**

(Continued)

	Debt Service Funds			Capital Projects Funds	
	Petroleum Inspection Revenue Bonds	Transportation Revenue Bonds	Total Debt Service Funds	Building Trust	Transportation Revenue Bonds
<b>Assets and Deferred Outflows of Resources</b>					
Cash and Cash Equivalents	\$ -	\$ -	\$ 5,043	\$ 23,910	\$ -
Investments	-	-	-	-	-
Receivables (net of allowance):					
Taxes	-	-	-	-	-
Loans to Local Governments	-	-	-	-	-
Other Receivables	-	-	100	80	-
Due from Other Funds	-	-	452	501	-
Due from Other Governments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid Items	-	-	-	-	-
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	16,455	117,349	187,252	-	60,978
Investments	9,976	90,238	100,214	-	110,790
Other Restricted Assets	-	-	-	-	229
Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b>26,431</b>	<b>207,587</b>	<b>293,061</b>	<b>24,490</b>	<b>171,997</b>
Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<b>\$ 26,431</b>	<b>\$ 207,587</b>	<b>\$ 293,061</b>	<b>\$ 24,490</b>	<b>\$ 171,997</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
Liabilities:					
Accounts Payable and Other					
Accrued Liabilities	\$ -	\$ -	\$ -	\$ 737	\$ -
Due to Other Funds	-	-	519	1	3,076
Interfund Payables	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-
Tax and Other Deposits	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Interest Payable	1,576	43,395	44,970	-	-
Advances from Other Funds	-	-	-	-	-
Short-term Notes Payable	-	-	-	-	88,723
Revenue Bonds and Notes Payable	20,925	133,330	154,255	-	-
<b>Total Liabilities</b>	<b>22,501</b>	<b>176,725</b>	<b>199,744</b>	<b>738</b>	<b>91,799</b>
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	3,930	30,862	93,317	-	80,198
Committed	-	-	-	23,752	-
Unassigned	-	-	-	-	-
<b>Total Fund Balance</b>	<b>3,930</b>	<b>30,862</b>	<b>93,317</b>	<b>23,752</b>	<b>80,198</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 26,431</b>	<b>\$ 207,587</b>	<b>\$ 293,061</b>	<b>\$ 24,490</b>	<b>\$ 171,997</b>

Permanent Funds					
Total Capital Projects Funds	Common School	Other Permanent	Total Permanent Funds	Total Nonmajor Governmental Funds	
\$ 23,910	\$ 106,183	\$ 4,190	\$ 110,373	\$ 461,651	
-	541,387	25,990	567,377	583,847	
-	-	-	-	22,601	
-	420,094	15,386	435,481	443,012	
80	4,400	104	4,504	81,215	
501	-	549	549	29,523	
-	4,472	161	4,634	22,072	
-	-	-	-	1,571	
-	-	-	-	13,638	
60,978	-	-	-	248,231	
110,790	-	-	-	211,004	
229	-	-	-	229	
-	-	-	-	5	
196,487	1,076,537	46,380	1,122,917	2,118,599	
-	-	-	-	-	
\$ 196,487	\$ 1,076,537	\$ 46,380	\$ 1,122,917	\$ 2,118,599	

\$ 737	\$ -	\$ 124	\$ 124	\$ 19,243	
3,077	458	1	459	49,022	
-	-	-	-	1,990	
-	-	-	-	1,716	
-	-	-	-	602	
-	2	32	34	17,865	
-	-	-	-	5,892	
-	-	-	-	44,970	
-	-	-	-	6,321	
88,723	-	-	-	88,723	
-	-	-	-	154,255	
92,537	459	157	616	390,598	
-	-	-	-	8,606	
-	1,051,321	43,771	1,095,092	1,110,337	
80,198	24,757	2,451	27,208	394,318	
23,752	-	-	-	220,613	
-	-	-	-	(5,873)	
103,950	1,076,078	46,223	1,122,301	1,719,394	
\$ 196,487	\$ 1,076,537	\$ 46,380	\$ 1,122,917	\$ 2,118,599	

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2017**

(In Thousands)

	Special Revenue Funds				
	Conservation	Police and Fire Protection	Utility Public Benefits	Petroleum Inspection	Wisconsin Public Broadcasting Foundation
<b>Revenues:</b>					
Taxes					
Other Dedicated	\$ 84,946	\$ -	\$ -	\$ 57,531	\$ -
Intergovernmental	48,526	-	-	-	-
Licenses and Permits	108,610	53,995	107,597	123	-
Charges for Goods and Services	14,396	-	-	29	-
Investment and Interest Income	185	142	66	217	1,767
Fines and Forfeitures	352	-	-	-	-
Gifts and Donations	1,064	-	-	-	14,801
Miscellaneous:					
Other	3,794	-	1	52	847
<b>Total Revenues</b>	<b>261,872</b>	<b>54,137</b>	<b>107,665</b>	<b>57,952</b>	<b>17,416</b>
<b>Expenditures:</b>					
Current:					
Commerce	-	-	-	-	-
Education	-	-	-	-	4,004
Transportation	-	-	-	-	-
Environmental Resources	226,584	-	-	19,042	-
Human Relations and Resources	-	-	-	-	-
General Executive	-	-	97,685	-	-
Judicial	-	-	-	-	-
Tax Relief and Other General	-	-	-	-	-
Intergovernmental - Shared Revenue	-	53,998	-	-	-
Capital Outlay	19,929	-	-	151	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	164	-
Other Expenditures	-	-	-	-	-
<b>Total Expenditures</b>	<b>246,513</b>	<b>53,998</b>	<b>97,685</b>	<b>19,358</b>	<b>4,004</b>
Excess of Revenues Over (Under) Expenditures	15,359	139	9,980	38,594	13,411
<b>Other Financing Sources (Uses):</b>					
Long-term Debt Issued	-	-	-	-	-
Long-term Debt Issued - Refunding Bonds	-	-	-	-	-
Payments for Refunded Bonds	-	-	-	-	-
Payments to Refunding Bond Escrow Agent	-	-	-	-	-
Premium on Bonds	-	-	-	-	-
Transfers In	24,335	-	-	62,269	-
Transfers Out	(26,571)	-	(9,159)	(29,048)	(8,040)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,236)</b>	<b>-</b>	<b>(9,159)</b>	<b>33,221</b>	<b>(8,040)</b>
<b>Net Change in Fund Balances</b>	<b>13,123</b>	<b>139</b>	<b>821</b>	<b>71,815</b>	<b>5,371</b>
Fund Balances, Beginning of Year	113,039	2,573	20,367	(41,491)	21,364
Increase (Decrease) in Reserve for Inventories	170	-	-	-	-
<b>Fund Balances, End of Year</b>	<b>\$ 126,332</b>	<b>\$ 2,712</b>	<b>\$ 21,188</b>	<b>\$ 30,324</b>	<b>\$ 26,735</b>

Special Revenue Funds				Debt Service Funds		
Economic Development	Other Environmental Special Revenue	Other Special Revenue	Total Special Revenue Funds	Bond Security and Redemption	Annual Appropriation Bonds	2009 Annual Appropriation Bonds
\$ 39,457	\$ -	\$ 1	\$ 181,935	\$ -	\$ -	\$ -
-	779	6,942	56,247	8,391	-	-
-	71,603	80,693	422,622	-	-	-
-	1	3,813	18,239	-	-	-
90	65	445	2,976	249	565	243
-	162	4,352	4,866	-	-	-
-	-	144	16,009	-	-	-
-	1,380	370	6,444	16	-	-
39,546	73,991	96,761	709,339	8,657	565	243
21,967	-	46,705	68,672	-	-	-
-	-	3,980	7,985	-	-	-
-	-	-	-	-	-	-
-	55,853	-	301,479	-	-	-
-	-	19,173	19,173	-	-	-
-	-	8,078	105,763	-	-	-
-	-	210	210	-	-	-
-	-	-	-	-	13	-
-	-	-	53,998	-	-	-
-	15	1,183	21,279	-	-	-
-	-	-	-	416,419	58,285	22,175
-	-	-	164	257,965	73,781	63,243
-	-	-	-	1,306	2,073	10,066
21,967	55,868	79,330	578,722	675,690	134,152	95,484
17,580	18,123	17,432	130,617	(667,033)	(133,588)	(95,241)
-	-	-	-	-	-	-
-	-	-	-	244,525	400,145	1,132,530
-	-	-	-	-	(394,772)	-
-	-	-	-	(303,423)	-	(1,142,025)
-	-	-	-	60,831	-	17,737
-	13,851	-	100,454	665,851	128,830	105,712
(2)	(29,206)	(12,321)	(114,347)	(632)	-	-
(2)	(15,355)	(12,321)	(13,892)	667,153	134,203	113,954
17,578	2,767	5,111	116,725	119	616	18,714
7,627	61,029	97,986	282,494	4,957	34,015	103
-	-	439	609	-	-	-
\$ 25,205	\$ 63,797	\$ 103,535	\$ 399,827	\$ 5,076	\$ 34,631	\$ 18,817

(Continued)

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2017**

(Continued)

	Debt Service Funds			Capital Projects Funds	
	Petroleum Inspection Revenue Bonds	Transportation Revenue Bonds	Total Debt Service Funds	Building Trust	Transportation Revenue Bonds
<b>Revenues:</b>					
Taxes					
Other Dedicated	\$ 22,070	\$ -	\$ 22,070	\$ -	\$ -
Intergovernmental	-	-	8,391	6,057	-
Licenses and Permits	-	226,565	226,565	-	751
Charges for Goods and Services	-	-	-	-	-
Investment and Interest Income	60	579	1,697	509	1,011
Fines and Forfeitures	-	-	-	-	-
Gifts and Donations	-	-	-	-	-
Miscellaneous:					
Other	-	-	16	185	-
<b>Total Revenues</b>	<b>22,130</b>	<b>227,144</b>	<b>258,740</b>	<b>6,751</b>	<b>1,762</b>
<b>Expenditures:</b>					
Current:					
Commerce	-	-	-	9	-
Education	-	-	-	191	-
Transportation	-	-	-	441	1,008
Environmental Resources	-	-	-	601	-
Human Relations and Resources	-	-	-	5,238	-
General Executive	-	-	-	81	-
Judicial	-	-	-	-	-
Tax Relief and Other General	-	-	13	222	699
Intergovernmental - Shared Revenue	-	-	-	-	-
Capital Outlay	-	-	-	4,834	79,669
Debt Service:					
Principal	20,925	103,350	621,154	-	-
Interest	2,423	90,090	487,502	5	-
Other Expenditures	176	5,838	19,460	-	486
<b>Total Expenditures</b>	<b>23,524</b>	<b>199,278</b>	<b>1,128,128</b>	<b>11,622</b>	<b>81,863</b>
Excess of Revenues Over (Under) Expenditures	(1,394)	27,866	(869,389)	(4,871)	(80,101)
<b>Other Financing Sources (Uses):</b>					
Long-term Debt Issued	62,445	-	62,445	-	95,975
Long-term Debt Issued - Refunding Bonds	-	188,545	1,965,745	-	-
Payments for Refunded Bonds	-	(25,672)	(420,443)	-	-
Payments to Refunding Bond Escrow Agent	-	(200,533)	(1,645,980)	-	-
Premium on Bonds	3,960	38,821	121,350	-	15,710
Transfers In	-	-	900,392	6,647	28,690
Transfers Out	(62,269)	(28,690)	(91,591)	(1,694)	(1,578)
<b>Total Other Financing Sources (Uses)</b>	<b>4,136</b>	<b>(27,528)</b>	<b>891,918</b>	<b>4,953</b>	<b>138,797</b>
<b>Net Change in Fund Balances</b>	<b>2,743</b>	<b>338</b>	<b>22,530</b>	<b>82</b>	<b>58,696</b>
Fund Balances, Beginning of Year	1,188	30,524	70,787	23,670	21,502
Increase (Decrease) in Reserve for Inventories	-	-	-	-	-
<b>Fund Balances, End of Year</b>	<b>\$ 3,930</b>	<b>\$ 30,862</b>	<b>\$ 93,317</b>	<b>\$ 23,752</b>	<b>\$ 80,198</b>



Permanent Funds					
Total Capital Projects Funds	Common School	Other Permanent	Total Permanent Funds	Total Nonmajor Governmental Funds	
\$	-	\$	-	\$	204,006
6,057	3	-	3	70,698	
751	-	-	-	649,938	
-	51	127	178	18,417	
1,521	28,901	2,297	31,198	37,392	
-	12,565	-	12,565	17,432	
-	1	-	1	16,010	
185	-	1,050	1,050	7,695	
8,513	41,521	3,474	44,995	1,021,587	
9	-	-	-	68,681	
191	32,100	590	32,690	40,865	
1,450	-	-	-	1,450	
601	-	-	-	302,080	
5,238	-	-	-	24,411	
81	778	546	1,324	107,168	
-	-	-	-	210	
922	-	-	-	935	
-	-	-	-	53,998	
84,503	-	107	107	105,889	
-	-	-	-	621,154	
5	-	-	-	487,671	
486	-	-	-	19,946	
93,485	32,878	1,243	34,121	1,834,457	
(84,972)	8,642	2,231	10,874	(812,870)	
95,975	-	-	-	158,420	
-	-	-	-	1,965,745	
-	-	-	-	(420,443)	
-	-	-	-	(1,645,980)	
15,710	-	-	-	137,060	
35,337	34,081	-	34,081	1,070,265	
(3,272)	(17)	(325)	(342)	(209,552)	
143,750	34,064	(325)	33,739	1,055,515	
58,778	42,706	1,906	44,613	242,645	
45,172	1,033,372	44,316	1,077,688	1,476,141	
-	-	-	-	609	
\$	\$	\$	\$	\$	\$
103,950	1,076,078	46,223	1,122,301	1,719,394	

**Budgetary Comparison Schedule  
Nonmajor Budgeted Governmental Funds  
For the Fiscal Year Ended June 30, 2017**

(In Thousands)

	Special Revenue							
	Conservation		Police and Fire Protection		Medical Assistance Trust		Hospital Assessment	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Unexpended Budgetary Fund Balances, Beginning of Year		\$ 99,524		\$ (5)		\$ 30,317		\$ 33,206
<b>Revenues (Inflows):</b>								
Taxes	\$ 96,017	96,017	\$ -	-	\$ -	-	\$ -	-
Budgeted Transfers from:								
General Fund	-	-	-	-	11,495	11,495	-	-
Nonmajor Governmental Funds	-	-	-	-	52,575	52,575	-	-
Departmental	207,021	207,021	56,557	56,557	271,539	271,539	443,403	443,403
<b>Total Revenues</b>	<b>303,038</b>	<b>303,038</b>	<b>56,557</b>	<b>56,557</b>	<b>335,609</b>	<b>335,609</b>	<b>443,403</b>	<b>443,403</b>
Amounts Available for Appropriation		402,562		56,552		365,926		476,609
<b>Appropriations and Transfers (Outflows):</b>								
Commerce	1,662	1,661	167	5	-	-	-	-
Education	600	599	-	-	-	-	-	-
Environmental Resources	390,752	295,199	-	-	-	-	-	-
Human Relations and Resources	-	-	-	-	384,644	366,552	444,971	416,486
General Executive	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Tax Relief and Other General	35	1	54,392	53,992	-	-	-	-
Budgeted Transfers to:								
General Fund	-	-	-	-	-	-	-	-
Transportation Fund	-	-	-	-	-	-	-	-
Nonmajor Governmental Funds	-	-	-	-	-	-	-	-
<b>Total Appropriations and Transfers</b>	<b>\$ 393,049</b>	<b>297,460</b>	<b>\$ 54,559</b>	<b>53,997</b>	<b>\$ 384,644</b>	<b>366,552</b>	<b>\$ 444,971</b>	<b>416,486</b>
Fund Balances								
End of Year		105,102		2,555		(626)		60,123
Less Encumbrances Outstanding at June 30, 2017		(33,194)		-		-		(23,020)
<b>Fund Balances, End of Year Budgetary Basis</b>	<b>\$ 71,908</b>		<b>\$ 2,555</b>		<b>\$ (626)</b>		<b>\$ 37,103</b>	

Special Revenue									
Utility Public Benefits		Critical Access Hospital Assessment		Economic Development		Read to Lead Development		Petroleum Inspection	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	\$ 19,126		\$ 1,822		\$ 8,725		\$ 129		\$ 19,333
\$ -	-	\$ -	-	38,768	38,768	-	-	45,707	45,707
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
110,181	110,181	7,430	7,430	90	90	1	1	420	420
110,181	110,181	7,430	7,430	38,858	38,858	1	1	46,127	46,127
	<u>129,307</u>		<u>9,252</u>		<u>47,583</u>		<u>130</u>		<u>65,460</u>
417	395	-	-	21,776	21,776	-	-	5,794	5,792
-	-	1,699	1,441	-	-	14	14	-	-
-	-	-	-	-	-	-	-	12,856	11,358
9,140	9,140	7,524	4,008	-	-	113	84	1,609	827
111,950	100,108	-	-	257	192	-	-	1,204	1,144
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	8,263	8,180
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	21,000	21,000
-	-	2,575	2,575	-	-	-	-	-	-
\$ 121,507	109,643	\$ 11,798	8,024	22,033	21,968	127	98	50,726	48,301
	19,664		1,228		25,615		32		17,159
	<u>(1,377)</u>		<u>(957)</u>		<u>-</u>		<u>-</u>		<u>(124)</u>
	<u>\$ 18,287</u>		<u>\$ 271</u>		<u>\$ 25,615</u>		<u>\$ 32</u>		<u>\$ 17,035</u>

(Continued)

**Budgetary Comparison Schedule  
Nonmajor Budgeted Governmental Funds  
For the Fiscal Year Ended June 30, 2017**

(Continued)

	Special Revenue							
	Budget Stabilization		Permanent Endowment		Other Environmental Special Revenue		Other Special Revenue	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Unexpended Budgetary Fund Balances, Beginning of Year		\$ 281,179		\$ -		\$ 43,053		\$ 170,843
<b>Revenues (Inflows):</b>								
Taxes	-	-	\$ -	-	\$ 666	666	\$ 1	1
Budgeted Transfers from:								
General Fund	-	-	-	-	-	-	-	-
Nonmajor Governmental Funds	-	-	-	-	1,000	1,000	-	-
Departmental	1,671	1,671	132,080	132,080	82,178	82,178	87,858	87,858
Total Revenues	1,671	1,671	132,080	132,080	83,844	83,844	87,859	87,859
Amounts Available for Appropriation		282,850		132,080		126,897		258,702
<b>Appropriations and Transfers (Outflows):</b>								
Commerce	-	-	-	-	26,181	16,409	32,441	13,837
Education	-	-	-	-	220	220	26,167	25,215
Environmental Resources	-	-	-	-	86,005	68,821	-	-
Human Relations and Resources	-	-	-	-	333	333	31,795	21,460
General Executive	-	-	-	-	19	15	28,840	20,421
Judicial	-	-	-	-	-	-	764	215
Tax Relief and Other General	-	-	-	-	-	-	11	8
Budgeted Transfers to:								
General Fund	-	-	82,080	82,080	-	-	-	-
Transportation Fund	-	-	-	-	-	-	-	-
Nonmajor Governmental Funds	-	-	50,000	50,000	-	-	1,000	1,000
Total Appropriations and Transfers	-	-	\$ 132,080	132,080	\$ 112,758	85,798	\$ 121,018	82,156
Fund Balances End of Year		282,850		-		41,099		176,546
Less Encumbrances Outstanding at June 30, 2017		-		-		(15,052)		(9,629)
Fund Balances, End of Year Budgetary Basis		\$ 282,850		\$ -		\$ 26,047		\$ 166,917

<b>Permanent</b>			
<b>Common School</b>		<b>Other Permanent</b>	
<b>Budget</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<u>\$ 1,032,622</u>		<u>\$ 44,181</u>
\$ -	-	\$ -	-
-	-	-	-
-	-	-	-
86,976	86,976	3,629	3,629
86,976	86,976	3,629	3,629
	<u>1,119,598</u>		<u>47,810</u>
-	-	-	-
38,000	38,000	1,079	1,022
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 38,000	38,000	\$ 1,079	1,022 \$
	1,081,598		46,788
	<u>-</u>		<u>-</u>
	<u><u>\$ 1,081,598</u></u>		<u><u>\$ 46,788</u></u>



# Nonmajor Enterprise Funds

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

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

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

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

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

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

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

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

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

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

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

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

## Combining Statement of Net Position - Nonmajor Enterprise Funds

June 30, 2017

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 31,150	\$ 82,161	\$ 170,080	\$ 161,454	\$ 3,061
Investments	5,497	-	-	-	-
Receivables (net of allowance):					
Loans to Local Governments	-	-	-	-	-
Loans Receivable	-	-	-	-	139
Other Receivables	29,013	3,275	113	39,415	106
Due from Other Funds	68	11,474	71,271	6,486	22
Interfund Receivables	-	-	-	81,986	-
Due from Other Governments	-	-	-	-	40
Inventories	1,162	-	-	-	40
Prepaid Items	405	-	-	319	1
Advances to Other Funds	-	-	-	-	-
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Other Assets	287	-	-	-	-
Total Current Assets	67,582	96,911	241,464	289,660	3,409
Noncurrent Assets:					
Investments	18,998	-	-	-	-
Receivables (net of allowance):					
Loans to Local Governments	-	-	-	-	-
Loans Receivable	-	-	-	-	925
Other Receivables	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-
Other Assets	5,187	-	-	-	-
Depreciable Capital Assets (net of accumulated depreciation)	164	-	-	-	8,692
Nondepreciable Capital Assets	-	-	-	-	2,162
Total Noncurrent Assets	24,349	-	-	-	11,779
Total Assets	91,931	96,911	241,464	289,660	15,188
<b>Deferred Outflows of Resources</b>	48,483	-	-	-	1,385
Total Assets and Deferred Outflows of Resources	\$ 140,415	\$ 96,911	\$ 241,464	\$ 289,660	\$ 16,573
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable and Other Accrued Liabilities	\$ 45,085	\$ 5,099	\$ 16,005	\$ 10,307	\$ 727
Due to Other Funds	476	436	7,469	17,668	977
Interfund Payables	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Tax and Other Deposits	-	-	-	-	-
Unearned Revenue	686	-	-	15,956	-
Interest Payable	-	-	-	-	1
Short-term Notes Payable	-	-	-	-	-
Current Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	-	22,769	59,447	8,433	-
Capital Leases	-	-	-	-	-
Compensated Absences	167	-	-	-	155
General Obligation Bonds and Notes Payable	-	-	-	-	75
Total Current Liabilities	46,414	28,304	82,921	52,363	1,934
Noncurrent Liabilities:					
Accounts Payable and Other Accrued Liabilities	16,621	-	-	-	-
Noncurrent Portion of Long-term Liabilities					
Future Benefits and Loss Liabilities	-	65,808	267,931	-	-
Capital Leases	-	-	-	-	-
Compensated Absences	485	-	-	-	442
Net Pension Liability	258	-	-	-	156
Other Postemployment Benefits	642	-	-	-	662
General Obligation Bonds and Notes Payable	-	-	-	-	32
Revenue Bonds and Notes Payable	-	-	-	-	-
Other Bonds Payable	-	-	-	-	-
Total Noncurrent Liabilities	18,006	65,808	267,931	-	1,291
Total Liabilities	64,420	94,112	350,852	52,363	3,226
<b>Deferred Inflows of Resources</b>	827	-	-	-	656
<b>Net Position</b>					
Net Investment in Capital Assets	164	-	-	-	10,748
Restricted for Future Benefits	-	2,799	-	237,296	-
Restricted for Other Purposes	75,003	-	-	-	-
Unrestricted	-	-	(109,388)	-	1,944
Total Net Position	75,167	2,799	(109,388)	237,296	12,691
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 140,415	\$ 96,911	\$ 241,464	\$ 289,660	\$ 16,573



Care and Treatment Facilities						Total All Nonmajor Funds
Veterans Mortgage Loan Repayment	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise		
7,312 \$	1,375 \$	35,115 \$	52,155 \$	22,729 \$		566,591
-	-	-	-	-		5,497
-	-	-	-	242		242
1,063	-	-	-	-		1,201
195	2,138	8,995	14,121	16,617		113,989
-	1,943	-	129	65		91,458
-	-	-	-	27		82,013
-	-	-	9,381	108		9,529
-	155	566	2,056	3,345		7,323
-	-	-	5	38		767
-	-	-	-	-		-
186	-	-	-	-		473
8,756	5,611	44,675	77,847	43,171		879,085
-	-	-	-	115,151		134,149
-	-	-	-	1,782		1,782
28,391	-	-	-	3,203		32,519
-	-	-	-	189		189
735	-	-	-	-		735
-	-	-	-	-		5,187
9	17,037	11,297	97,234	54,669		189,104
-	4,258	13,643	8,039	8,043		36,146
29,135	21,295	24,940	105,274	183,038		399,811
37,890	26,906	69,615	183,120	226,209		1,278,896
1,247	18,399	14,604	48,942	2,691		135,751
39,137 \$	45,306 \$	84,219 \$	232,062 \$	228,900 \$		1,414,646
39 \$	3,443 \$	3,347 \$	10,521 \$	4,423 \$		98,996
18	830	638	5,642	2,087		36,240
-	-	-	25,422	-		25,422
-	-	-	-	6		6
-	-	-	19	24,484		24,503
-	15	-	-	9,792		26,448
283	-	-	128	343		754
-	-	-	1,127	48		1,176
-	-	-	-	6,210		96,859
-	30	-	-	-		30
1	1,073	943	2,576	190		5,105
3,024	-	-	1,207	2,836		7,143
3,364	5,391	4,927	46,644	50,419		322,682
-	-	-	-	-		16,621
-	-	-	-	66,121		399,859
-	72	-	-	-		72
5	1,692	1,532	3,884	304		8,344
201	2,622	2,145	6,920	352		12,652
80	5,360	6,106	22,655	911		36,417
31,526	-	-	17,146	20,714		69,417
-	-	-	-	-		-
-	-	-	-	-		-
31,812	9,746	9,782	50,605	88,401		543,383
35,176	15,138	14,709	97,248	138,820		866,065
458	8,371	6,941	21,896	1,200		40,348
9	21,193	24,940	88,128	39,964		185,146
-	-	-	-	35,705		275,801
-	-	-	-	2,960		77,963
3,495	604	37,628	24,790	10,251		(30,677)
3,503	21,797	62,568	112,918	88,881		508,233
39,137 \$	45,306 \$	84,219 \$	232,062 \$	228,900 \$		1,414,646

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2017**

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
<b>Operating Revenues:</b>					
Charges for Goods and Services	\$ 602,773	\$ -	\$ -	\$ -	296
Participant and Employer Contributions	-	20,354	71,271	1,326,615	-
Investment and Interest Income	-	-	-	-	164
Miscellaneous	456	98	4	3	16
<b>Total Operating Revenues</b>	<b>603,229</b>	<b>20,452</b>	<b>71,275</b>	<b>1,326,618</b>	<b>476</b>
<b>Operating Expenses:</b>					
Personal Services	6,902	-	-	-	8,007
Supplies and Services	70,230	2,380	5,571	8,054	4,049
Lottery Prize Awards	362,966	-	-	-	-
Depreciation	27	-	-	-	1,031
Benefit Expense	-	26,369	65,290	1,274,244	-
Interest Expense	-	-	-	-	-
Other Expenses	5	668	881	8,228	762
<b>Total Operating Expenses</b>	<b>440,130</b>	<b>29,417</b>	<b>71,742</b>	<b>1,290,526</b>	<b>13,849</b>
<b>Operating Income (Loss)</b>	<b>163,099</b>	<b>(8,965)</b>	<b>(467)</b>	<b>36,092</b>	<b>(13,373)</b>
<b>Nonoperating Revenues (Expenses):</b>					
Operating Grants	-	-	-	-	1,176
Investment and Interest Income	(1,253)	6,684	19,066	17,769	15
Gain (Loss) on Disposal of Capital Assets	52	-	-	-	67
Interest Expense	-	-	-	-	-
Gifts and Donations	-	-	-	-	219
Miscellaneous Revenues	4	-	-	-	23
Other Expenses:					
Property Tax Credits	(176,455)	-	-	-	-
Grants Disbursed	(1)	-	-	-	(1,717)
Other	(4)	-	-	-	(4)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(177,658)</b>	<b>6,684</b>	<b>19,066</b>	<b>17,769</b>	<b>(219)</b>
<b>Income (Loss) before Transfers</b>	<b>(14,559)</b>	<b>(2,281)</b>	<b>18,599</b>	<b>53,861</b>	<b>(13,592)</b>
Capital Contributions	-	-	-	-	1,086
Transfers In	33	-	-	-	9,000
Transfers Out	(548)	-	-	-	(165)
<b>Change in Net Position</b>	<b>(15,074)</b>	<b>(2,281)</b>	<b>18,599</b>	<b>53,861</b>	<b>(3,671)</b>
<b>Total Net Position, Beginning of Year</b>	<b>90,241</b>	<b>5,080</b>	<b>(127,987)</b>	<b>183,435</b>	<b>16,362</b>
<b>Total Net Position, End of Year</b>	<b>\$ 75,167</b>	<b>\$ 2,799</b>	<b>\$ (109,388)</b>	<b>\$ 237,296</b>	<b>\$ 12,691</b>

Veterans Mortgage Loan Repayment	Care and Treatment Facilities			Other Enterprise	Total All Nonmajor Funds
	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities		
\$ -	\$ 13,906	\$ 42,076	\$ 247,973	\$ 34,743	941,768
-	-	-	-	-	1,418,240
2,103	-	-	-	31	2,298
-	-	-	-	2,526	3,103
2,103	13,906	42,076	247,973	37,301	2,365,409
105	62,641	53,637	180,661	12,992	324,945
173	15,948	12,622	57,366	20,386	196,778
-	-	-	-	-	362,966
10	1,307	1,042	8,765	3,091	15,273
-	-	-	-	6,459	1,372,363
2,146	-	-	-	-	2,146
311	-	-	67	5,524	16,447
2,745	79,895	67,302	246,858	48,452	2,290,917
(642)	(65,989)	(25,226)	1,115	(11,152)	74,493
-	63	55	38	-	1,332
26	-	-	5	259	42,571
-	(53)	15	(95)	55	41
-	(7)	(21)	(584)	(928)	(1,540)
-	-	-	279	77	576
1	566	1,197	12,459	375	14,625
-	-	-	-	-	(176,455)
-	-	-	(182)	-	(1,900)
-	-	-	(7)	(595)	(610)
27	569	1,246	11,911	(756)	(121,361)
(615)	(65,420)	(23,981)	13,027	(11,907)	(46,868)
-	-	-	568	-	1,654
-	55,745	22,349	8,281	14,458	109,865
(4)	(1,552)	(3,156)	(27,955)	(3,531)	(36,910)
(619)	(11,227)	(4,787)	(6,079)	(981)	27,741
4,122	33,024	67,356	118,998	89,861	480,492
\$ 3,503	\$ 21,797	\$ 62,568	\$ 112,918	\$ 88,881	508,233

## Combining Statement of Cash Flows - Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2017

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
<b>Cash Flows from Operating Activities:</b>					
Cash Receipts from Customers	\$ 603,975	\$ 12,017	\$ 43,340	\$ 1,329,496	\$ 228
Cash Payments to Suppliers for Goods and Services	(27,756)	(1,628)	-	(9,581)	(4,674)
Cash Payments to Employees for Services	(6,612)	-	-	-	(7,414)
Cash Payments for Lottery Prizes	(373,014)	-	-	-	-
Collection of Loans	-	-	-	-	764
Interest Income	-	-	-	-	79
Cash Payments for Benefits	-	(20,501)	(48,641)	(1,307,857)	-
Other Operating Revenues	-	98	-	-	-
Other Operating Expenses	(42,127)	-	(2,512)	(21)	-
Other Sources of Cash	-	-	-	39,137	-
Other Uses of Cash	-	-	4	-	-
Net Cash Provided (Used) by Operating Activities	154,467	(10,014)	(7,808)	51,174	(11,017)
<b>Cash Flows from Noncapital Financing Activities:</b>					
Operating Grants Receipts	-	-	-	-	1,176
Grants Disbursed	-	-	-	-	(2,479)
Repayment of Bonds and Notes	-	-	-	-	-
Interest Payments	-	-	-	-	-
Property Tax Credit Payments	(183,352)	-	-	-	-
Interfund Loans Received	-	-	-	-	-
Interfund Loans Repaid	-	-	-	-	-
Repayment of Interfund Borrowings	-	-	-	10,419	-
Transfers In	33	-	-	-	9,000
Transfers Out	(509)	-	-	-	(165)
Other Cash Inflows from Noncapital Financing Activities	-	-	-	-	175
Net Cash Provided (Used) by Noncapital Financing Activities	(183,829)	-	-	10,419	7,708
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from Issuance of Debt	-	-	-	-	-
Capital Contributions	-	-	-	-	1,086
Repayment of Bonds and Notes	-	-	-	-	(84)
Interest Payments	-	-	-	-	(2)
Transfers In	-	-	-	-	-
Capital Lease Obligations	-	-	-	-	-
Payments for Purchase of Capital Assets	(38)	-	-	-	(456)
Other Cash Inflows from Capital Financing Activities	-	-	-	-	-
Other Cash Outflows from Capital Financing Activities	-	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(38)	-	-	-	545
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Sale and Maturities of Investment Securities	6,160	-	-	-	-
Purchase of Investment Securities	-	-	-	-	-
Investment and Interest Receipts	431	6,684	19,066	17,769	15
Net Cash Provided (Used) by Investing Activities	6,591	6,684	19,066	17,769	15
Net Increase (Decrease) in Cash and Cash Equivalents	(22,810)	(3,330)	11,258	79,363	(2,749)
Cash and Cash Equivalents, Beginning of Year	53,960	85,491	158,822	82,092	5,811
Cash and Cash Equivalents, End of Year	\$ 31,150	\$ 82,161	\$ 170,080	\$ 161,454	\$ 3,061

Care and Treatment Facilities						
Veterans Mortgage Loan Repayment	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds	
\$ -	\$ 12,768	\$ 41,983	\$ 242,704	\$ 41,126	2,327,637	
(66)	(18,345)	(14,243)	(55,758)	(20,387)	(152,439)	
(238)	(60,998)	(52,933)	(170,890)	(12,503)	(311,589)	
-	-	-	-	-	(373,014)	
10,620	-	-	-	335	11,719	
2,300	-	-	-	31	2,411	
-	-	-	-	(19,409)	(1,396,408)	
-	-	-	-	8,604	8,702	
(12)	-	-	-	(6,206)	(50,877)	
-	2,330	3,490	10,815	351	56,123	
-	-	-	(67)	-	(62)	
12,603	(64,245)	(21,703)	26,804	(8,057)	122,202	
-	63	55	38	-	1,332	
(298)	-	-	(182)	-	(2,959)	
(12,930)	-	-	-	-	(12,930)	
(2,179)	-	-	-	-	(2,179)	
-	-	-	-	-	(183,352)	
-	-	-	1,202	-	1,202	
-	-	-	(2,339)	-	(2,339)	
-	-	-	-	49	10,469	
-	55,529	23,224	8,309	13,362	109,456	
(4)	(1,544)	(3,147)	(27,063)	(3,523)	(35,954)	
1	-	-	275	917	1,369	
(15,409)	54,048	20,131	(19,760)	10,806	(115,886)	
-	-	-	373	-	373	
-	-	-	568	-	1,654	
-	-	-	(1,013)	(2,755)	(3,852)	
-	(7)	(21)	(898)	(947)	(1,875)	
-	1,910	-	-	1,096	3,006	
-	(36)	-	(66)	-	(102)	
-	(3,266)	(3,652)	(7,188)	(1,504)	(16,105)	
-	-	-	-	19	19	
-	-	-	(5)	-	(5)	
-	(1,399)	(3,673)	(8,230)	(4,090)	(16,885)	
-	-	-	-	13,332	19,492	
-	-	-	-	(9,152)	(9,152)	
26	-	-	-	17	44,008	
26	-	-	-	4,197	54,348	
(2,781)	(11,596)	(5,245)	(1,185)	2,855	43,779	
10,092	12,971	40,360	53,340	19,874	522,812	
\$ 7,312	\$ 1,375	\$ 35,115	\$ 52,155	\$ 22,729	\$ 566,591	

(Continued)

**Combining Statement of Cash Flows - Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2017**

(Continued)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:</b>					
Operating Income (Loss)	\$ 163,099	\$ (8,965)	\$ (467)	\$ 36,092	\$ (13,373)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	27	-	-	-	1,031
Provision for Uncollectible Accounts	-	-	-	-	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	-	-	-	-
Miscellaneous Nonoperating Income (Expense)	-	-	-	-	823
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:					
Decrease (Increase) in Receivables	(1,790)	208	51	4,435	594
Decrease (Increase) in Due from Other Funds	-	(8,368)	(27,975)	6,389	(22)
Decrease (Increase) in Due from Other Governments	-	-	-	-	(40)
Decrease (Increase) in Inventories	667	-	-	-	12
Decrease (Increase) in Prepaid Items	402	32	-	(284)	-
Decrease (Increase) in Other Assets	121	-	-	-	-
Decrease (Increase) in Deferred Outflows of Resource	906	-	-	-	1,009
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(7,304)	1,475	3,326	(7,537)	11
Increase (Decrease) in Due to Other Funds	(250)	436	939	12,588	(647)
Increase (Decrease) in Due to Other Governments	-	-	-	-	(2)
Increase (Decrease) in Tax and Other Deposits	-	-	-	-	-
Increase (Decrease) in Unearned Revenue	(959)	-	-	(1,899)	-
Increase (Decrease) in Compensated Absences	3	-	-	-	(3)
Increase (Decrease) in Net Pension Liabilities	(252)	-	-	-	(292)
Increase (Decrease) in Postemployment Benefits	54	-	-	-	176
Increase (Decrease) in Future Benefits/Loss Liability	-	5,169	16,317	1,391	-
Increase (Decrease) in Deferred Inflows of Resource	(257)	-	-	-	(295)
Total Adjustments	(8,633)	(1,049)	(7,341)	15,082	2,356
Net Cash Provided (Used) by Operating Activities	\$ 154,467	\$ (10,014)	\$ (7,808)	\$ 51,174	\$ (11,017)
<b>Noncash Investing, Capital and Financing Activities:</b>					
Assets Acquired through Capital Leases	\$ 3	\$ -	\$ -	\$ -	\$ -
Net Change in Unrealized Gains and Losses	(1,685)	-	-	-	-
Other	1,529	-	-	-	-

Veterans Mortgage Loan Repayment	Care and Treatment Facilities			Other Enterprise	Total All Nonmajor Funds
	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities		
\$ (642) \$	(65,989) \$	(25,226) \$	1,115 \$	(11,152) \$	74,493
10	1,307	1,042	8,765	3,091	15,273
59	-	-	-	42	101
2,444	-	-	-	-	2,444
-	534	916	11,356	1,205	14,834
10,636	(1,946)	996	529	(960)	12,753
-	(2,468)	(728)	(519)	25	(33,666)
-	-	-	(1,589)	(4)	(1,634)
-	62	(24)	200	522	1,440
-	3	-	(793)	(29)	(670)
197	-	-	-	-	318
147	8,490	7,365	22,220	1,212	41,349
(58)	1,526	763	(2,471)	(1,808)	(12,079)
(18)	(1,137)	(3,320)	331	419	9,341
(5)	-	-	-	6	(2)
-	-	-	5	975	980
-	-	-	-	2,643	(215)
(2)	92	92	(390)	27	(182)
(29)	(2,538)	(2,170)	(6,497)	(344)	(12,122)
(106)	404	798	1,160	114	2,600
-	-	-	-	(3,668)	19,208
(30)	(2,585)	(2,210)	(6,617)	(371)	(12,364)
13,245	1,744	3,523	25,689	3,094	47,709
\$ 12,603 \$	(64,245) \$	(21,703) \$	26,804 \$	(8,057) \$	122,202

\$ - \$	- \$	- \$	- \$	- \$	3
-	-	-	-	3,253	1,568
-	-	-	-	822	2,351





# Internal Service Funds

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

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

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

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

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

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

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

## Combining Statement of Net Position - Internal Service Funds

### June 30, 2017

(In Thousands)

	Technology Services	Fleet Services	Financial Services
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ -	\$ 3,175
Receivables (net of allowance):			
Other Receivables	1,511	235	18
Due from Other Funds	9,391	1,020	3,792
Due from Other Governments	-	-	-
Inventories	1,558	91	-
Prepaid Items	2	-	-
Total Current Assets	<u>12,463</u>	<u>1,347</u>	<u>6,986</u>
Noncurrent Assets:			
Prepaid Items	494	-	-
Depreciable Capital Assets (net of accumulated depreciation)	43,879	28,710	-
Nondepreciable Capital Assets	-	-	-
Total Noncurrent Assets	<u>44,373</u>	<u>28,709</u>	<u>-</u>
Total Assets	<u>56,836</u>	<u>30,056</u>	<u>6,986</u>
<b>Deferred Outflows of Resources</b>	<u>5,427</u>	<u>568</u>	<u>1,120</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 62,263</u>	<u>\$ 30,624</u>	<u>\$ 8,106</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	\$ 3,170	\$ 578	\$ 185
Due to Other Funds	726	72	1,024
Interfund Payables	20,115	25,260	-
Due to Other Governments	-	-	362
Interest Payable	-	-	-
Short-term Notes Payable	-	-	-
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	12,331	-	-
Compensated Absences	631	63	146
General Obligation Bonds and Notes Payable	-	-	-
Total Current Liabilities	<u>36,972</u>	<u>25,973</u>	<u>1,716</u>
Noncurrent Liabilities:			
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	11,328	-	-
Compensated Absences	2,104	138	374
Net Pension Liability	778	82	160
Other Postemployment Benefits	1,610	233	296
General Obligation Bonds and Notes Payable	-	-	-
Total Noncurrent Liabilities	<u>15,819</u>	<u>453</u>	<u>830</u>
Total Liabilities	<u>52,792</u>	<u>26,427</u>	<u>2,546</u>
<b>Deferred Inflows of Resources</b>	<u>2,693</u>	<u>268</u>	<u>516</u>
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	20,220	28,709	-
Unrestricted	(13,442)	(24,780)	5,045
Total Net Position	<u>6,778</u>	<u>3,930</u>	<u>5,045</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 62,263</u>	<u>\$ 30,624</u>	<u>\$ 8,106</u>

	Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
\$	26,608	\$ -	\$ -	29,783
	830	66	28	2,689
	1,050	15,419	2,399	33,071
	-	-	54	54
	118	-	2,771	4,538
	1	-	-	4
	28,608	15,485	5,251	70,139
	-	-	-	494
	244,862	-	3,437	320,887
	51,100	-	34	51,134
	295,963	-	3,470	372,515
	324,570	15,485	8,722	442,654
	9,110	330	1,256	17,811
\$	333,680	\$ 15,814	\$ 9,977	\$ 460,465
\$	3,083	\$ 446	\$ 891	8,353
	11,452	199	500	13,973
	-	4,217	1,930	51,522
	-	-	26	387
	1,380	-	6	1,386
	15,260	-	22	15,283
	-	48,800	-	48,800
	-	-	270	12,601
	338	31	95	1,303
	17,399	-	78	17,477
	48,912	53,692	3,819	171,085
	-	64,120	-	64,120
	-	-	741	12,069
	485	46	96	3,243
	758	44	182	2,004
	1,285	157	531	4,113
	183,802	-	307	184,110
	186,331	64,367	1,858	269,658
	235,243	118,059	5,677	440,743
	2,828	153	565	7,023
	82,989	-	2,068	133,987
	12,621	(102,398)	1,666	(121,288)
	95,610	(102,398)	3,735	12,699
\$	333,680	\$ 15,814	\$ 9,977	\$ 460,465

**Combining Statement of Revenues, Expenses, and Changes in  
Fund Net Position - Internal Service Funds  
For the Fiscal Year Ended June 30, 2017**

(In Thousands)

	Technology Services	Fleet Services	Financial Services
<b>Operating Revenues:</b>			
Charges for Goods and Services	\$ 137,166	\$ 11,829	\$ 8,694
Miscellaneous	9	-	-
Total Operating Revenues	137,175	11,829	8,694
<b>Operating Expenses:</b>			
Personal Services	20,938	2,134	4,507
Supplies and Services	100,619	7,258	2,283
Depreciation	17,750	3,918	-
Benefit Expense	-	-	-
Other Expenses	-	-	-
Total Operating Expenses	139,307	13,309	6,790
Operating Income (Loss)	(2,133)	(1,480)	1,903
<b>Nonoperating Revenues (Expenses):</b>			
Operating Grants	-	-	-
Investment and Interest Income	-	-	-
Gain (Loss) on Disposal of Capital Assets	(29)	328	-
Interest Expense	(1,121)	(3)	(12)
Miscellaneous Revenues	175	850	-
Other Expenses:			
Federal Settlement	-	-	(489)
Other Expenses	(1,786)	(727)	-
Total Nonoperating Revenues (Expenses)	(2,761)	448	(501)
Net Income (Loss)	(4,893)	(1,032)	1,402
Transfers In	-	625	-
Transfers Out	(811)	(42)	(1,102)
Net Change in Net Position	(5,704)	(449)	299
Total Net Position, Beginning	12,482	4,378	4,745
Total Net Position, Ending	\$ 6,778	\$ 3,930	\$ 5,045

	<b>Facilities Operations and Maintenance</b>	<b>Risk Management</b>	<b>Badger State Industries</b>	<b>Totals</b>
\$	68,347 \$	44,254 \$	15,732 \$	286,022
	-	1,176	-	1,184
	68,347	45,430	15,732	287,206
	16,184	1,376	4,164	49,303
	23,327	12,297	11,974	157,758
	14,646	-	352	36,666
	-	43,185	-	43,185
	-	109	-	109
	54,158	56,967	16,489	287,020
	14,189	(11,537)	(757)	186
	179	-	-	179
	224	-	-	224
	-	-	-	299
	(5,543)	-	(31)	(6,710)
	191	179	38	1,433
	-	-	-	(489)
	(244)	-	-	(2,758)
	(5,193)	178	7	(7,821)
	8,996	(11,359)	(749)	(7,635)
	3,706	-	88	4,419
	(9,779)	(78)	(147)	(11,959)
	2,923	(11,437)	(808)	(15,175)
	92,687	(90,961)	4,542	27,874
\$	95,610 \$	(102,398) \$	3,735 \$	12,699

**Combining Statement of Cash Flows - Internal Service Funds  
For the Fiscal Year Ended June 30, 2017**

(In Thousands)

	Technology Services	Fleet Services	Financial Services
<b>Cash Flows from Operating Activities:</b>			
Cash Receipts from Customers	\$ 145,368	\$ 12,656	\$ 8,694
Cash Payments to Suppliers for Goods and Services	(104,949)	(7,310)	(1,380)
Cash Payments to Employees for Services	(19,933)	(1,966)	(4,217)
Cash Payments for Benefits	-	-	-
Other Operating Revenues	9	-	-
Other Sources of Cash	175	123	29
Other Uses of Cash	(3,251)	-	(576)
Net Cash Provided (Used) by Operating Activities	17,418	3,504	2,549
<b>Cash Flows from Noncapital Financing Activities:</b>			
Interest Payments	(143)	(3)	-
Interfund Loans Received	962	537	-
Interfund Loans Repaid	-	-	-
Transfers In	-	625	-
Transfers Out	(811)	(42)	-
Other Cash Inflows from Noncapital Financing Activities	-	-	-
Other Cash Outflows from Noncapital Financing Activities	-	-	(1,102)
Net Cash Provided (Used) by Noncapital Financing Activities	8	1,117	(1,102)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from Issuance of Debt	-	-	-
Repayment of Bonds and Notes	-	-	-
Interest Payments	(1,037)	-	-
Capital Lease Obligations	(10,979)	-	-
Proceeds from Sale of Capital Assets	-	727	-
Payments for Purchase of Capital Assets	(5,411)	(5,348)	-
Other Cash Inflows from Capital Financing Activities	-	-	-
Other Cash Outflows from Capital Financing Activities	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(17,427)	(4,621)	-
<b>Cash Flows from Investing Activities:</b>			
Investment and Interest Receipts	-	-	-
Net Cash Flows from Investing Activities	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	1,447
Cash and Cash Equivalents, Beginning of Year	0	0	1,729
Cash and Cash Equivalents, End of Year	\$ 0	\$ 0	\$ 3,175

	<b>Facilities Operations and Maintenance</b>	<b>Risk Management</b>	<b>Badger State Industries</b>	<b>Totals</b>
\$	71,024 \$	39,883 \$	15,654 \$	293,279
	(23,281)	(11,887)	(11,994)	(160,802)
	(14,958)	(1,190)	(4,043)	(46,308)
	-	(29,642)	-	(29,642)
	-	1,067	-	1,075
	153	-	-	481
	(13)	-	-	(3,840)
	32,925	(1,768)	(383)	54,245
	-	-	-	(146)
	-	1,846	753	4,098
	-	-	-	0
	3,767	-	88	4,480
	(2,063)	(78)	(147)	(3,140)
	-	-	38	38
	-	-	-	(1,102)
	1,704	1,769	733	4,228
	69,441	-	1	69,442
	(26,877)	-	(79)	(26,956)
	(7,319)	-	(14)	(8,370)
	-	-	(162)	(11,141)
	-	-	(96)	631
	(64,331)	-	-	(75,089)
	8,256	-	-	8,256
	-	-	-	0
	(20,829)	-	(350)	(43,226)
	-	-	-	0
	-	-	-	0
	13,800	0	0	15,246
	12,808	0	0	14,537
\$	26,608 \$	0 \$	0 \$	29,783

(Continued)

**Combining Statement of Cash Flows - Internal Service Funds  
For the Fiscal Year Ended June 30, 2017**

(Continued)

	Technology Services	Fleet Services	Financial Services
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (2,133)	\$ (1,480)	\$ 1,903
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	17,750	3,918	-
Miscellaneous Nonoperating Income (Expense)	(1,024)	123	(564)
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:			
Decrease (Increase) in Receivables	101	44	74
Decrease (Increase) in Due from Other Funds	5,511	765	(57)
Decrease (Increase) in Due from Other Governments	-	18	-
Decrease (Increase) in Inventories	85	(28)	-
Decrease (Increase) in Prepaid Items	-	-	-
Decrease (Increase) in Net Pension Assets	-	-	-
Decrease (Increase) in Deferred Outflow of Resources	3,452	313	571
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(4,942)	13	3
Increase (Decrease) in Due to Other Funds	145	(44)	887
Increase (Decrease) in Due to Other Governments	-	-	-
Increase (Decrease) in Compensated Absences	113	21	52
Increase (Decrease) in Postemployment Benefits	270	11	(1)
Increase (Decrease) in Net Pension Liability	(946)	(84)	(159)
Increase (Decrease) in Future Benefits/Loss Liability	-	-	-
Increase (Decrease) in Deferred Inflows of Resources Loss Liabilities	(963)	(86)	(162)
Total Adjustments	19,551	4,983	646
Net Cash Provided (Used) by Operating Activities	\$ 17,418	\$ 3,504	\$ 2,549

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

Assets Acquired through Capital Leases	\$ 4,046	\$ -	\$ -
Other	\$ -	\$ -	\$ -



	Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
\$	14,189 \$	(11,537) \$	(757) \$	186
	14,646	-	352	36,666
	141	-	7	(1,318)
	(156)	98	115	276
	2,761	(4,468)	(198)	4,313
	72	-	(2)	88
	10	-	197	264
	-	-	-	0
	-	-	-	0
	2,455	193	534	7,519
	483	203	(122)	(4,362)
	(275)	178	(170)	722
	(52)	-	26	(27)
	(62)	-	(52)	73
	80	31	9	401
	(678)	44	(160)	(1,982)
	-	13,543	-	13,543
	(690)	(54)	(163)	(2,119)
	18,736	9,769	374	54,058
\$	32,925 \$	(1,768) \$	(383) \$	54,245

\$	- \$	- \$	- \$	4,046
\$	- \$	- \$	- \$	0



# Fiduciary Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Combining Statement of Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds

### June 30, 2017

(In Thousands)

	Wisconsin Retirement System	Accumulated Sick Leave	Duty Disability	Reimbursed Employee Expense	Local Retiree Life Insurance	Retiree Life Insurance	Totals
<b>Assets</b>							
Cash and Cash Equivalents	\$ 3,373,568	\$ 2,359,326	\$ 595,532	\$ 6,356	\$ -	\$ -	6,334,782
Securities Lending Collateral	1,004,940	-	-	-	-	-	1,004,940
Prepaid Items	6,368	-	-	1,152	-	-	7,520
Receivables (net of allowance):							
Prior Service Contributions							
Receivable	18,035	-	-	-	-	-	18,035
Benefits Overpayment Receivable	2,270	-	-	-	-	-	2,270
Due from Other Funds	60,376	8,216	293	43	-	-	68,929
Due from Component Units	5,915	-	-	-	-	-	5,915
Due from Other Governments	129,216	-	358	-	-	-	129,574
Interest and Dividends Receivable	244,205	-	-	-	-	-	244,205
Investment Sales Receivable	910,708	-	-	-	-	-	910,708
Other Receivables	3,438	-	211	-	67	50	3,766
Total Receivables	1,374,164	8,216	862	43	67	50	1,383,403
Investments:							
Fixed Income	28,622,140	-	-	-	-	-	28,622,140
Stocks	44,963,358	-	-	-	-	-	44,963,358
Options	252	-	-	-	-	-	252
Financial Futures Contracts and Swaps	(55,518)	-	-	-	-	-	(55,518)
Limited Partnerships	11,285,915	-	-	-	-	-	11,285,915
Preferred Securities	166,542	-	-	-	-	-	166,542
Convertible Securities	639	-	-	-	-	-	639
Real Estate	1,275,526	-	-	-	-	-	1,275,526
Multi-asset Investments	4,407,772	-	-	-	-	-	4,407,772
Investment Contract	-	-	-	-	243,112	357,435	600,547
Foreign Currency Contracts	67,024	-	-	-	-	-	67,024
Total Investments	90,733,649	-	-	-	243,112	357,435	91,334,195
Capital Assets	25,774	-	-	-	-	-	25,774
<b>Total Assets</b>	<b>96,518,464</b>	<b>2,367,542</b>	<b>596,394</b>	<b>7,551</b>	<b>243,179</b>	<b>357,484</b>	<b>100,090,615</b>
<b>Liabilities</b>							
Accounts Payable and Other							
Accrued Liabilities	135,218	233	2,814	5,413	-	-	143,677
Reverse Repurchase Agreements	1,831,169	-	-	-	-	-	1,831,169
Securities Lending Collateral Liability	1,004,940	-	-	-	-	-	1,004,940
Annuities Payable	343,683	-	-	-	-	-	343,683
Advance Contributions	62	-	-	-	-	-	62
Due to Other Funds	146,835	390	755	382	52	39	148,453
Interfund Payables	-	-	-	-	15	11	27
Short Sales of Securities	314,926	-	-	-	-	-	314,926
Investment Payable	161,529	-	-	-	-	-	161,529
Unearned Revenue	-	-	-	-	-	-	-
Compensated Absences Payable	-	2,468,990	-	-	-	-	2,468,990
<b>Total Liabilities</b>	<b>3,938,361</b>	<b>2,469,613</b>	<b>3,569</b>	<b>5,795</b>	<b>67</b>	<b>50</b>	<b>6,417,455</b>
<b>Net Position</b>							
Held in Trust for Pension							
Benefits and Other Purposes	\$ 92,580,102	\$ (102,071)	\$ 592,825	\$ 1,756	\$ 243,112	\$ 357,435	\$ 93,673,160

**Combining Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds**  
**For the Year Ended June 30, 2017**

(In Thousands)

	Wisconsin Retirement System	Accumulated Sick Leave	Duty Disability	Reimbursed Employee Expense	Local Retiree Life Insurance	Retiree Life Insurance	Totals
<b>Additions</b>							
Contributions:							
Employer Contributions	\$ 963,122	\$ 52,180	\$ 3,788	\$ -	\$ 1,710	\$ 1,277	\$ 1,022,077
Employee Contributions	921,864	-	-	36,130	5,745	3,611	967,350
Total Contributions	1,884,986	52,180	3,788	36,130	7,455	4,887	1,989,427
Investment Income:							
Net Appreciation (Depreciation) in Fair Value of Investments	5,861,708	-	-	-	-	-	5,861,708
Interest	568,127	-	-	-	-	-	568,127
Dividends	1,239,791	-	-	-	-	-	1,239,791
Securities Lending Income	36,529	-	-	-	-	-	36,529
Other	242,854	-	-	-	-	-	242,854
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	-	185,453	46,536	10	8,199	12,422	252,620
Less:							
Investment Expense	(391,427)	-	-	-	-	-	(391,427)
Securities Lending Rebates and Fees	(2,973)	-	-	-	-	-	(2,973)
Investment Income Distributed to Other Funds	(283,077)	-	-	-	-	-	(283,077)
Net Investment Income	7,271,531	185,453	46,536	10	8,199	12,422	7,524,151
Interest on Prior Service Receivable	1,198	-	-	-	-	-	1,198
Miscellaneous Income	183	-	6	16	83	61	348
Total Additions	9,157,897	237,634	50,331	36,156	15,737	17,370	9,515,124
<b>Deductions</b>							
Retirement Benefits and Refunds:							
Retirement, Disability, and Beneficiary Separations	4,951,492	-	-	-	-	-	4,951,492
	39,276	-	-	-	-	-	39,276
Total Retirement Benefits and Refunds	4,990,768	-	-	-	-	-	4,990,768
Distributions	-	-	-	34,380	-	-	34,380
Other Benefit Expense	71,271	227,092	34,390	-	14,657	21,517	368,928
Administrative Expense	20,426	692	1,303	1,212	1,390	962	25,986
Total Deductions	5,082,465	227,785	35,694	35,591	16,047	22,480	5,420,061
Net Increase (Decrease)	4,075,432	9,849	14,637	564	(310)	(5,109)	4,095,063
Net Position - Beginning of Year	88,504,670	(111,920)	578,188	1,192	243,422	362,544	89,578,097
Net Position - End of Year	\$ 92,580,102	\$ (102,071)	\$ 592,825	\$ 1,756	\$ 243,112	\$ 357,435	\$ 93,673,160

**Combining Statement of Fiduciary Net Position - Investment Trust Funds  
June 30, 2017**

(In Thousands)

	<b>Local Government Pooled Investment</b>	<b>Milwaukee Retirement System</b>	<b>Totals</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 3,173,682	\$ 182,719	\$ 3,356,401
Total Assets	3,173,682	182,719	3,356,401
<b>Liabilities</b>			
Due to Other Funds	130	-	130
Total Liabilities	130	-	130
<b>Net Position</b>			
Held in Trust for Pool Participants and Other Purposes	\$ 3,173,552	\$ 182,719	\$ 3,356,271

## Combining Statement of Changes in Fiduciary Net Position - Investment Trust Funds For the Year Ended June 30, 2017

(In Thousands)

	Local Government Pooled Investment	Milwaukee Retirement System	Totals
<b>Additions</b>			
Deposits	\$ 10,217,396	\$ 7,000	\$ 10,224,396
Investment Income	18,393	14,351	32,744
Less: Investment Expense	(592)	-	(592)
Net Investment Income	17,802	14,351	32,152
 Total Additions	 10,235,198	 21,351	 10,256,549
<b>Deductions</b>			
Distributions	10,139,641	10,000	10,149,641
Administrative Expense	108	-	108
 Total Deductions	 10,139,749	 10,000	 10,149,749
 Net Increase (Decrease)	 95,448	 11,351	 106,799
Net Position - Beginning of Year	3,078,104	171,369	3,249,472
Net Position - End of Year	\$ 3,173,552	\$ 182,719	\$ 3,356,271

**Combining Statement of Fiduciary Net Position - Private-Purpose Trust Funds  
June 30, 2017**

(In Thousands)

	Tuition Trust	College Savings Program Trust	Retiree Health Insurance	Totals
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,647	\$ 66,607	\$ -	68,254
Prepaid Items	-	-	9	9
Receivables (net of allowance):				
Due from Other Funds	-	-	9,315	9,315
Other Receivables	-	6,986	14,021	21,007
Due From Other Governments	-	-	14,518	14,518
Total Receivables	-	6,986	37,855	44,841
Investments:				
Investments of Private Purpose Trust Funds	2,174	4,603,867	-	4,606,041
Total Investments	2,174	4,603,867	-	4,606,041
Total Assets	3,821	4,677,461	37,864	4,719,146
<b>Deferred Outflows of Resources</b>	-	28	-	28
<b>Liabilities</b>				
Accounts Payable	18	7,256	4,712	11,986
Due to Other Funds	-	1	7,812	7,814
Interfund Payables	-	-	81,986	81,986
Future Benefit and Loss Liabilities	-	-	5,519	5,519
Unearned Revenue	-	-	5,169	5,169
Net Pension Liability	-	4	-	4
Other Post Employment Benefits	-	11	-	11
Total Liabilities	18	7,272	105,198	112,488
<b>Deferred Inflows of Resources</b>	-	12	-	12
<b>Net Position</b>				
Held in Trust	\$ 3,804	\$ 4,670,205	\$ (67,334)	4,606,674



## Combining Statement of Changes in Fiduciary Net Position - Private-Purpose Trust Funds For the Year Ended June 30, 2017

(In Thousands)

	Tuition Trust	College Savings Program Trust	Retiree Health Insurance	Totals
<b>Additions</b>				
Premiums	\$ -	\$ -	245,080	\$ 245,080
Federal Subsidy	-	-	20,562	20,562
Deposits	-	485,314	-	485,314
Investment Income	5	456,085	(5,319)	450,772
Less:				
Investment Expense	-	(7,415)	-	(7,415)
Net Investment Income	5	448,670	(5,319)	443,356
Miscellaneous Income	-	-	1,886	1,886
Total Additions	5	933,984	262,209	1,196,198
<b>Deductions</b>				
Distributions	712	369,694	-	370,406
Benefit Expense			246,112	246,112
Administrative Expense	12	3,782	9,188	12,982
Transfers Out	-	3	-	3
Total Deductions	724	373,479	255,300	629,503
Net Increase (Decrease)	(719)	560,506	6,908	566,695
Net Position - Beginning of Year	4,522	4,109,699	(74,243)	4,039,979
Net Position - End of Year	\$ 3,804	\$ 4,670,205	\$ (67,334)	\$ 4,606,674

**Combining Statement of Fiduciary Net Position - Agency Funds  
June 30, 2017**

(In Thousands)

	Insurance Company Liquidation Account	Local Retiree Health Insurance	Inmate and Resident	Bank and Insurance Company Deposits	Support Collection Trust	Totals
<b>Assets</b>						
Cash and Cash Equivalents	\$ 4,032	\$ -	\$ 16,489	\$ -	\$ 14,471	\$ 34,993
Receivables (net of allowance):						
Due from Other Funds	-	1,539	2,239	-	100	3,877
Due from Other Governments	-	1,034	-	-	-	1,034
Due from Employers	-	19,968	-	-	-	19,968
Other Receivables	-	1,242	1,013	-	1	2,256
Total Receivables	-	23,783	3,252	-	101	27,135
Investments	-	-	59	-	-	59
Other Assets	-	-	-	325,932	-	325,932
Total Assets	\$ 4,032	\$ 23,783	\$ 19,800	\$ 325,932	\$ 14,572	\$ 388,119
<b>Liabilities</b>						
Accounts Payable	\$ 4,032	\$ 19,949	\$ 6	\$ -	\$ 14,497	\$ 38,484
Due to Other Funds	-	2,456	-	-	75	2,531
Tax and Other Deposits	-	1,379	19,793	325,932	-	347,104
Total Liabilities	\$ 4,032	\$ 23,783	\$ 19,800	\$ 325,932	\$ 14,572	\$ 388,119

**Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2017**

(In Thousands)

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b>Insurance Company Liquidation Account</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 4,537	\$ -	\$ 505	\$ 4,032
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 4,537</u>	<u>\$ -</u>	<u>\$ 505</u>	<u>\$ 4,032</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 4,737	\$ -	\$ 705	\$ 4,032
Total Liabilities	<u>\$ 4,737</u>	<u>\$ -</u>	<u>\$ 705</u>	<u>\$ 4,032</u>
<b>Local Retiree Health Insurance</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ -	\$ 29,954	\$ 29,954	\$ -
Receivables (net of allowance):				
Due from Other Funds	582	2,418	1,461	1,539
Due from Other Governments	1,091	1,509	1,566	1,034
Due from Employers	18,640	22,923	21,596	19,968
Other Receivables	1,329	2,297	2,383	1,242
Total Assets	<u>\$ 21,642</u>	<u>\$ 59,101</u>	<u>\$ 56,959</u>	<u>\$ 23,783</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 20,859	\$ 11,217	\$ 12,127	\$ 19,949
Due to Other Funds	201	2,255	-	2,456
Tax and Other Deposits	582	1,379	582	1,379
Total Liabilities	<u>\$ 21,642</u>	<u>\$ 14,850</u>	<u>\$ 12,709</u>	<u>\$ 23,783</u>
<b>Inmate and Resident</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 16,105	\$ 62,241	\$ 61,858	\$ 16,489
Receivables (net of allowance):				
Due from Other Funds	2,289	5,503	5,553	2,239
Other Receivables	352	2,023	1,362	1,013
Investments	59	-	-	59
Total Assets	<u>\$ 18,804</u>	<u>\$ 69,768</u>	<u>\$ 68,772</u>	<u>\$ 19,800</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 6	\$ 89	\$ 90	\$ 6
Due to Other Funds	-	566	566	-
Tax and Other Deposits	18,798	66,477	65,481	19,793
Total Liabilities	<u>\$ 18,804</u>	<u>\$ 67,132</u>	<u>\$ 66,137</u>	<u>\$ 19,800</u>

(Continued)

**Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2017**

(Continued)

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b>Bank and Insurance Company Deposits</b>				
<b>Assets:</b>				
Other Assets:				
Assets Held in Custody for Others	\$ 316,323	\$ 126,100	\$ 116,490	\$ 325,932
Total Assets	<u>\$ 316,323</u>	<u>\$ 126,100</u>	<u>\$ 116,490</u>	<u>\$ 325,932</u>
<b>Liabilities:</b>				
Tax and Other Deposits	\$ 316,323	\$ 126,100	\$ 116,490	\$ 325,932
Total Liabilities	<u>\$ 316,323</u>	<u>\$ 126,100</u>	<u>\$ 116,490</u>	<u>\$ 325,932</u>
<b>Support Collection Trust</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 18,786	\$ 966,296	\$ 970,610	\$ 14,471
Receivables (net of allowance):				
Due from Other Funds	96	100	96	100
Other Receivables	1	-	-	1
Total Assets	<u>\$ 18,883</u>	<u>\$ 966,396</u>	<u>\$ 970,707</u>	<u>\$ 14,572</u>
<b>Liabilities:</b>				
Accounts Payable and Other				
Accrued Liabilities	\$ 18,808	\$ 966,396	\$ 970,707	\$ 14,497
Due to Other Funds	75	-	-	75
Total Liabilities	<u>\$ 18,883</u>	<u>\$ 966,396</u>	<u>\$ 970,707</u>	<u>\$ 14,572</u>
<b>Total - All Agency Funds</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 39,428	\$ 1,058,491	\$ 1,062,927	\$ 34,993
Receivables (net of allowance):				
Due from Other Funds	2,967	8,020	7,110	3,877
Due from Other Governments	1,091	1,509	1,566	1,034
Due from Employers	18,640	22,923	21,596	19,968
Other Receivables	1,681	4,320	3,745	2,256
Investments	59	-	-	59
Other Assets:				
Assets Held in Custody for Others	316,323	126,100	116,490	325,932
Total Assets	<u>\$ 380,189</u>	<u>\$ 1,221,364</u>	<u>\$ 1,213,434</u>	<u>\$ 388,119</u>
<b>Liabilities:</b>				
Accounts Payable and Other				
Accrued Liabilities	\$ 44,411	\$ 977,702	\$ 983,629	\$ 38,484
Due to Other Funds	276	2,821	566	2,531
Tax and Other Deposits	335,702	193,955	182,553	347,104
Total Liabilities	<u>\$ 380,389</u>	<u>\$ 1,174,478</u>	<u>\$ 1,166,748</u>	<u>\$ 388,119</u>

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# **STATISTICAL SECTION**

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Statistical Section Narrative and Table of Contents

Narrative

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

Page

Financial Trends Information

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

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

For the Last Ten Fiscal Years

	2017	2016	2015	2014
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 19,181,100	\$ 18,613,522	\$ 18,051,739	\$ 17,185,161
Restricted	2,279,870	2,368,890	2,601,972	1,622,695
Unrestricted	(8,361,432)	(8,902,713)	(9,435,962)	(8,846,226)
Total Governmental Activities Net Position	<u>\$ 13,099,538</u>	<u>\$ 12,079,699</u>	<u>\$ 11,217,748</u>	<u>\$ 9,961,629</u>
<b>Business-type Activities:</b>				
Net Investment in Capital Assets	\$ 4,578,725	\$ 4,562,881	\$ 4,566,086	\$ 4,540,378
Restricted	6,014,862	5,619,600	5,312,399	4,120,908
Unrestricted	912,137	1,042,364	863,361	779,860
Total Business-type Activities Net Position	<u>\$ 11,505,724</u>	<u>\$ 11,224,845</u>	<u>\$ 10,741,847</u>	<u>\$ 9,441,146</u>
<b>Primary Government:</b>				
Net Investment in Capital Assets	\$ 23,759,825	\$ 23,176,403	\$ 22,617,825	\$ 21,725,539
Restricted	8,294,732	7,988,490	7,914,371	5,743,603
Unrestricted	(7,449,295)	(7,860,349)	(8,572,601)	(8,066,366)
Total Primary Government Net Position	<u>\$ 24,605,262</u>	<u>\$ 23,304,544</u>	<u>\$ 21,959,595</u>	<u>\$ 19,402,775</u>

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



**Schedule A-1**

(In Thousands)

	2013	2012	2011	2010	2009	2008
\$	16,284,840	\$ 15,249,918	\$ 14,405,385	\$ 13,914,376	\$ 13,492,047	\$ 12,900,350
	1,409,449	1,392,163	1,269,746	1,125,016	1,105,242	1,309,409
	(9,101,649)	(9,402,946)	(9,751,338)	(9,456,213)	(8,939,033)	(8,322,198)
<b>\$</b>	<b>8,592,640</b>	<b>\$ 7,239,135</b>	<b>\$ 5,923,792</b>	<b>\$ 5,583,179</b>	<b>\$ 5,658,256</b>	<b>\$ 5,887,562</b>
\$	4,383,457	\$ 4,270,087	\$ 4,108,668	\$ 3,932,783	\$ 3,649,767	\$ 3,438,954
	3,628,036	3,235,508	3,078,086	2,668,608	2,494,489	3,161,901
	700,149	105,083	(417,321)	(491,209)	28,756	298,301
<b>\$</b>	<b>8,711,641</b>	<b>\$ 7,610,678</b>	<b>\$ 6,769,433</b>	<b>\$ 6,110,183</b>	<b>\$ 6,173,012</b>	<b>\$ 6,899,157</b>
\$	20,668,297	\$ 19,520,005	\$ 18,514,053	\$ 17,847,159	\$ 17,141,814	\$ 16,339,304
	5,037,485	4,627,671	4,347,832	3,793,624	3,599,731	4,471,310
	(8,401,500)	(9,297,863)	(10,168,659)	(9,947,422)	(8,910,277)	(8,023,897)
<b>\$</b>	<b>17,304,281</b>	<b>\$ 14,849,813</b>	<b>\$ 12,693,225</b>	<b>\$ 11,693,362</b>	<b>\$ 11,831,268</b>	<b>\$ 12,786,719</b>

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

For the Last Ten Fiscal Years

	2017	2016	2015	2014
<b>Expenses</b>				
Governmental Activities:				
Commerce	\$ 248,879	\$ 237,466	\$ 265,440	\$ 249,517
Education	7,237,495	7,028,238	7,068,625	6,404,995
Transportation	2,135,538	2,121,715	2,156,820	2,047,341
Environmental Resources	458,103	469,164	468,101	487,948
Human Relations and Resources	13,396,577	13,298,962	13,083,675	12,603,671
General Executive	675,331	580,095	553,662	598,258
Judicial	142,649	131,871	127,336	123,616
Legislative	70,310	67,604	64,429	63,755
Tax Relief and Other General Expenses	1,428,610	1,434,733	1,317,319	1,350,637
Intergovernmental - Shared Revenue	966,989	965,324	964,113	960,926
Interest on Debt	450,129	436,832	455,540	487,477
Total Governmental Activities	27,210,609	26,772,005	26,525,060	25,378,140
Business-type Activities:				
Injured Patients and Families Compensation	(56,933)	(50,687)	(88,594)	(13,388)
Environmental Improvement	74,089	44,895	48,513	50,015
University of Wisconsin System	5,005,294	4,938,522	4,725,625	4,674,496
Unemployment Insurance Reserve	471,341	520,839	628,386	931,114
Other Business-type	2,472,308	2,565,345	2,523,069	2,406,229
Total Business-type Activities	7,966,099	8,018,915	7,837,000	8,048,466
Total Primary Government Expenses	\$ 35,176,708	\$ 34,790,920	\$ 34,362,060	\$ 33,426,606
<b>Revenues</b>				
<b>Program Revenues (All Types Consolidated):</b>				
Charges for Services:				
Commerce	\$ 265,120	\$ 273,093	\$ 261,754	\$ 270,456
Education	14,406	16,992	17,428	18,880
Transportation	771,320	771,525	741,921	733,592
Environmental Resources	226,066	240,006	226,774	218,338
Human Relations and Resources	722,589	697,972	658,599	712,035
General Executive	268,493	236,956	248,223	251,230
Judicial	51,372	46,952	49,346	51,191
Intergovernmental - Shared Revenue	53,995	53,312	53,056	52,548
Other	2,156	1,715	1,694	1,667
Operating Grants and Contributions	8,737,782	8,724,152	8,798,868	8,727,362
Capital Grants and Contributions	601,136	808,920	862,275	730,007
Total Governmental Activities	11,714,435	11,871,595	11,919,938	11,767,306
Business-type Activities:				
Charges for Services:				
University of Wisconsin System	3,676,555	3,648,741	3,440,837	3,402,011
Health Insurance	1,326,618	1,386,532	1,338,486	1,279,339
Unemployment Insurance Reserve	740,165	911,598	1,106,579	1,319,283
Other Activities	1,124,400	1,125,896	1,088,159	1,050,320
Operating Grants and Contributions	610,061	460,223	441,804	711,345
Capital Grants and Contributions	22,599	45,452	37,791	54,415
Total Business-type Activities	7,500,398	7,578,442	7,453,656	7,816,713
Total Primary Government Revenues	\$ 19,214,833	\$ 19,450,037	\$ 19,373,594	\$ 19,584,019
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (15,496,174)	\$ (14,900,410)	\$ (14,605,122)	\$ (13,610,834)
Business-type Activities	(465,701)	(440,473)	(383,344)	(231,753)
Total Primary Government Net Expense	\$ (15,961,871)	\$ (15,340,881)	\$ (14,988,464)	\$ (13,842,587)

**Schedule A-2**

(In Thousands)

2013	2012	2011	2010	2009	2008
\$ 244,141	\$ 274,384	\$ 411,297	\$ 329,954	\$ 298,908	\$ 293,362
6,234,973	6,226,185	6,737,282	6,662,846	6,707,734	6,477,194
2,117,768	1,967,864	2,264,460	2,281,649	2,069,477	1,911,514
488,515	431,983	506,235	487,361	534,850	486,531
12,169,309	12,157,044	11,970,708	11,539,481	10,398,237	9,078,665
596,605	755,504	727,015	650,196	551,358	536,527
126,399	124,784	132,940	129,753	130,916	125,798
63,673	58,737	65,641	65,232	65,626	65,356
1,327,934	1,359,015	1,352,293	1,288,156	1,274,940	1,135,551
957,061	989,906	1,023,532	1,032,162	1,035,050	1,019,275
518,277	523,737	479,142	467,850	665,367	500,270
<b>24,844,656</b>	<b>24,869,142</b>	<b>25,670,547</b>	<b>24,934,640</b>	<b>23,732,463</b>	<b>21,630,043</b>
(14,326)	36,725	(42,589)	58,515	(58,215)	137,747
51,646	59,434	90,037	148,594	48,486	43,436
4,513,243	4,418,333	4,393,866	4,195,430	4,016,459	3,920,563
1,366,991	1,763,830	2,513,060	3,416,939	2,215,332	950,923
2,282,914	2,283,938	2,273,768	2,139,171	2,057,077	1,966,242
<b>8,200,467</b>	<b>8,562,260</b>	<b>9,228,143</b>	<b>9,958,649</b>	<b>8,279,139</b>	<b>7,018,911</b>
<b>\$ 33,045,124</b>	<b>\$ 33,431,402</b>	<b>\$ 34,898,690</b>	<b>\$ 34,893,289</b>	<b>\$ 32,011,602</b>	<b>\$ 28,648,954</b>
\$ 240,663	\$ 248,448	\$ 245,893	\$ 253,713	\$ 173,231	\$ 208,363
21,383	19,107	21,594	21,586	19,859	23,291
707,599	713,537	678,493	684,360	676,871	610,421
249,807	222,587	231,990	214,332	214,277	201,790
718,946	705,026	701,312	634,789	562,382	226,343
244,075	240,439	271,082	275,349	244,988	275,298
56,636	60,593	63,623	66,881	67,096	66,165
53,126	53,490	54,199	46,090	-	-
1,777	2,002	1,831	1,983	1,375	5,800
8,571,743	8,805,070	9,416,373	9,288,956	7,901,598	6,030,638
775,963	861,484	1,019,793	1,109,437	861,984	726,671
<b>11,641,718</b>	<b>11,931,783</b>	<b>12,706,183</b>	<b>12,597,476</b>	<b>10,723,661</b>	<b>8,374,780</b>
3,541,438	3,461,615	3,284,047	3,098,677	2,845,573	2,606,437
1,249,745	1,260,103	1,288,426	1,183,544	1,075,757	977,165
1,324,308	1,328,158	1,205,063	1,037,608	772,779	735,536
1,027,624	989,391	948,977	924,374	906,014	918,147
976,734	1,117,774	1,863,453	2,263,961	743,051	397,889
68,821	103,505	99,521	109,829	126,336	70,949
<b>8,188,670</b>	<b>8,260,546</b>	<b>8,689,487</b>	<b>8,617,993</b>	<b>6,469,510</b>	<b>5,706,123</b>
<b>\$ 19,830,388</b>	<b>\$ 20,192,329</b>	<b>\$ 21,395,670</b>	<b>\$ 21,215,469</b>	<b>\$ 17,193,171</b>	<b>\$ 14,080,903</b>
\$ (13,202,938)	\$ (12,937,359)	\$ (12,964,364)	\$ (12,337,164)	\$ (13,008,802)	\$ (13,255,263)
(11,797)	(301,714)	(538,656)	(1,340,656)	(1,809,629)	(1,312,788)
<b>\$ (13,214,735)</b>	<b>\$ (13,239,074)</b>	<b>\$ (13,503,019)</b>	<b>\$ (13,677,818)</b>	<b>\$ (14,818,431)</b>	<b>\$ (14,568,050)</b>

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

For the Last Ten Fiscal Years

	2017	2016	2015	2014
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities:				
Taxes:				
Income Taxes	\$ 8,928,209	\$ 8,582,394	\$ 8,355,665	\$ 8,369,654
Sales and Excise Taxes	5,931,200	5,781,190	5,590,876	5,322,607
Public Utility Taxes	357,757	368,724	368,867	351,669
Motor Fuel (Transportation-related) Taxes	1,101,736	1,091,758	1,067,773	1,053,485
Other Taxes	516,137	481,864	477,747	471,126
Investment Earnings	12,206	3,940	9,715	2,301
Contributions and Miscellaneous	415,890	418,260	419,586	401,276
Special Items - Sale of Future Tobacco Settlement Revenues	-	-	-	-
Special Items - Purchase of Future Tobacco Settlement Revenues	-	-	-	-
Special Items - (Surrender)/Cancellation of GO Bonds	148,867	-	-	-
Transfers	(905,147)	(902,973)	(1,095,969)	(960,987)
Total Governmental Activities	16,506,854	15,825,157	15,194,262	15,011,132
Business-type Activities:				
Investment Earnings	8,637	15,807	4,354	22,039
Contributions and Miscellaneous	2,144	4,437	4,033	3,069
Special Items - (Surrender)/Cancellation of GO Bonds	(169,364)	-	-	-
Transfers	905,147	902,973	1,095,969	960,987
Total Business-type Activities	746,564	923,217	1,104,356	986,097
Total Primary Government	\$ 17,253,418	\$ 16,748,374	\$ 16,298,618	\$ 15,997,229
<b>Change in Net Position</b>				
Governmental Activities	\$ 1,010,681	\$ 924,748	\$ 589,141	\$ 1,400,298
Business-type Activities	280,865	482,745	721,013	754,344
Total Primary Government	\$ 1,291,547	\$ 1,407,493	\$ 1,310,154	\$ 2,154,642

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

**Schedule A-2**

(In Thousands)

	2013	2012	2011	2010	2009	2008
\$	8,290,429	\$ 8,059,907	\$ 7,478,058	\$ 6,798,690	\$ 6,809,733	\$ 7,503,616
	5,096,132	4,978,948	4,820,894	4,700,287	4,755,163	4,809,262
	335,753	358,822	324,480	309,983	307,552	286,501
	1,016,542	1,026,181	1,029,857	1,008,047	1,001,921	1,037,740
	439,339	451,420	396,040	403,369	425,665	575,251
	1,789	(204)	2,072	4,847	40,112	75,998
	431,680	422,722	402,172	406,971	498,044	366,080
	-	-	-	-	1,518,000	-
	-	-	-	-	(1,518,000)	-
	-	-	-	-	-	-
	(1,110,877)	(1,122,833)	(1,187,273)	(1,263,325)	(1,051,574)	(1,002,000)
	14,500,788	14,174,963	13,266,301	12,368,869	12,786,616	13,652,449
	(67)	20,607	6,286	15,664	8,455	15,460
	4,172	1,550	2,709	1,236	795	1,283
	-	-	-	-	-	-
	1,110,877	1,122,833	1,187,273	1,262,747	1,052,151	1,002,000
	1,114,983	1,144,990	1,196,268	1,279,648	1,061,401	1,018,743
\$	15,615,771	\$ 15,319,952	\$ 14,462,568	\$ 13,648,517	\$ 13,848,017	\$ 14,671,191
\$	1,297,849	\$ 1,237,602	\$ 301,937	\$ 31,706	\$ (222,186)	\$ 397,187
	1,103,186	843,276	657,612	(61,008)	(748,227)	(294,045)
\$	2,401,035	\$ 2,080,878	\$ 959,549	\$ (29,301)	\$ (970,414)	\$ 103,141

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

For the Last Ten Fiscal Years

	2017	2016	2015	2014
General Fund (Per GASB 54) (a)				
Nonspendable	\$ 21,712	\$ 49,858	\$ 92,916	\$ 92,257
Restricted	230,152	339,107	284,480	264,057
Committed	282,850	281,347	280,280	279,693
Unassigned	(2,160,635)	(2,392,941)	(2,437,085)	(2,017,849)
General Fund (Prior to GASB 54) (a)				
Reserved	-	-	-	-
Unreserved	-	-	-	-
Total General Fund	<u>\$ (1,625,921)</u>	<u>\$ (1,722,629)</u>	<u>\$ (1,779,409)</u>	<u>\$ (1,381,842)</u>
All Other Governmental Funds (per GASB 54) (a)				
Nonspendable	\$ 1,132,440	\$ 1,101,187	\$ 1,073,366	\$ 1,046,340
Restricted (c)	954,591	969,227	969,802	350,199
Committed	220,613	170,475	169,206	786,334
Assigned	-	-	-	-
Unassigned	(267,351)	(571,791)	(870,931)	(727,845)
All Other Governmental Funds (prior GASB 54) (a)				
Reserved	-	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total All Other Governmental Funds	<u>\$ 2,040,293</u>	<u>\$ 1,669,098</u>	<u>\$ 1,341,443</u>	<u>\$ 1,455,028</u>

- (a) Prior to 2011 and the implementation of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, fund balances were classified as Reserved or Unreserved. Under GASB Statement 54, fund balances are classified as Nonspendable, Restricted, Committed, or Unassigned.
- (b) In 2008, the Medical Assistance Trust Fund (a special revenue fund with fund balance of \$2.7 million at June 30, 2007) was reclassified to be included in the General Fund. Prior years have not been restated.
- (c) In 2015, a constitutional amendment was passed restricting the use of state resources deposited into the Transportation fund for transportation systems. This resulted in the reclassification of that portion of fund balance from committed to restricted beginning in 2015.

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

**Schedule A-3**

(In Thousands)

	<b>2013</b>		<b>2012</b>		<b>2011</b>		<b>2010</b>		<b>2009</b>		<b>2008</b>
\$	90,971	\$	92,164	\$	158,629						
	239,380		202,222		166,256						
	279,390		125,507		16,586						
	(2,343,530)		(2,630,900)		(3,336,276)						
	-		-		-	\$	510,083	\$	409,756	\$	349,825
	-		-		-		(3,453,386)		(3,121,381)		(2,852,559) (b)
\$	(1,733,789)	\$	(2,211,006)	\$	(2,994,806)	\$	(2,943,303)	\$	(2,711,626)	\$	(2,502,734)
\$	976,434	\$	962,462	\$	904,327						
	233,968		275,264		231,609						
	875,162		771,591		909,973						
	-		-		-						
	(618,459)		(705,021)		(706,066)						
	-		-		-	\$	1,834,786	\$	1,648,775	\$	1,730,277
	-		-		-		(177,799)		(302,048)		(232,826)
	-		-		-		80,780		78,222		82,691
	-		-		-		(904,840)		(867,803)		(888,941)
	-		-		-		247,142		296,675		337,560
\$	1,467,105	\$	1,304,296	\$	1,339,843	\$	1,080,069	\$	853,821	\$	1,028,761

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

For the Last Ten Fiscal Years

	2017	2016	2015	2014
<b>Revenues:</b>				
Taxes	\$ 16,817,553	\$ 16,301,218	\$ 15,859,742	\$ 15,580,509
Intergovernmental	9,187,189	9,374,125	9,515,239	9,295,229
Licenses and Permits	1,973,358	1,974,050	1,909,289	1,924,149
Charges for Goods and Services	365,370	325,987	327,870	362,458
Investment and Interest Income	43,180	56,795	49,321	54,596
Fines and Forfeitures	60,827	61,100	59,889	61,985
Gifts and Donations	24,199	21,466	23,467	21,673
<b>Miscellaneous:</b>				
Intergovernmental Transfer	-	-	-	-
Tobacco Settlement	139,973	133,676	126,185	144,893
Other	262,809	285,202	287,865	243,215
<b>Total Revenues</b>	<b>28,874,456</b>	<b>28,533,619</b>	<b>28,158,866</b>	<b>27,688,707</b>
<b>Expenditures:</b>				
<b>Current Operating:</b>				
Commerce	242,084	235,912	270,500	253,864
Education	7,188,985	6,985,064	7,031,310	6,364,672
Transportation	2,066,119	2,051,770	2,112,307	1,995,816
Environmental Resources	420,739	437,121	454,705	475,212
Human Relations and Resources	13,174,807	13,072,588	12,978,873	12,504,952
General Executive	671,787	583,382	586,166	599,063
Judicial	132,359	128,487	126,064	122,509
Legislative	66,908	65,506	64,291	63,995
<b>Tax Relief and Other General Expenditures:</b>				
Other	1,431,872	1,434,880	1,317,664	1,350,694
Intergovernmental - Shared Revenue	966,989	965,324	964,113	960,926
<b>Debt Service:</b>				
Principal	621,154	651,302	610,503	655,551
Interest and Other Charges	512,774	524,639	522,789	531,688
Capital Outlay	919,017	1,149,679	1,273,428	1,127,863
<b>Total Expenditures</b>	<b>28,415,592</b>	<b>28,285,654</b>	<b>28,312,713</b>	<b>27,006,804</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>458,864</b>	<b>247,965</b>	<b>(153,847)</b>	<b>681,903</b>
<b>Other Financing Sources (Uses):</b>				
Long-term Debt Issued	775,781	840,952	560,458	522,662
Long-term Debt Issued - Refunding Bonds	1,965,745	222,323	1,065,490	662,340
Payments for Refunded Bonds	(420,443)	-	(280,790)	(199,715)
Payment to Refunding Bond Escrow Agent	(1,645,980)	(273,679)	(927,779)	(548,286)
Discount on Bonds	-	-	-	-
Premium on Bonds	237,718	199,940	246,028	151,087
Transfers In	1,341,916	1,274,221	1,232,759	1,422,700
Transfers Out	(2,238,980)	(2,172,472)	(2,322,517)	(2,370,089)
Capital Leases Acquisitions	373	17,488	41,836	21,785
Installment Purchase Acquisitions	-	575	409	1,424
<b>Total Other Financing Sources (Uses)</b>	<b>16,129</b>	<b>109,349</b>	<b>(384,105)</b>	<b>(336,092)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 474,993</b>	<b>\$ 357,314</b>	<b>\$ (537,952)</b>	<b>\$ 345,811</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>4.1%</b>	<b>4.3%</b>	<b>4.2%</b>	<b>4.6%</b>

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

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



Schedule A-4

(In Thousands)

	2013	2012	2011	2010	2009	2008
\$	15,201,494	\$ 14,878,798	\$ 14,046,595	\$ 13,225,609	\$ 13,249,082	\$ 14,229,280
	9,224,190	9,515,862	10,300,640	10,258,850	8,680,730	6,638,741
	1,892,709	1,901,824	1,876,325	1,819,994	1,606,833	1,202,109
	378,822	320,518	350,162	330,513	316,781	378,769
	17,199	52,143	35,969	40,413	70,340	109,850
	59,687	59,606	61,716	66,140	66,782	58,430
	22,681	19,866	16,878	19,295	19,816	17,447
	-	-	-	-	-	-
	129,353	131,298	128,592	136,841	306,179	150,165
	289,133	292,854	271,657	250,139	238,194	191,087
	27,215,268	27,172,768	27,088,534	26,147,794	24,554,736	22,975,877
	249,012	280,640	416,201	333,287	301,885	294,650
	6,197,593	6,185,478	6,702,922	6,624,497	6,673,017	6,445,647
	1,995,910	1,939,758	2,210,158	2,244,078	2,029,347	1,857,435
	475,755	425,009	498,620	476,613	503,411	471,737
	12,083,013	12,080,339	11,851,182	11,417,637	10,298,086	8,969,935
	617,920	755,828	724,037	637,175	559,262	535,493
	124,420	125,010	129,386	125,803	126,851	121,720
	62,987	63,030	64,777	64,071	63,798	63,964
	1,325,954	1,362,116	1,350,793	1,289,265	1,275,882	1,085,775
	957,061	989,906	1,023,532	1,032,162	1,035,050	1,019,275
	539,822	166,080	187,136	117,568	1,812,219	420,188
	543,778	528,484	507,430	487,853	678,052	542,458
	1,028,300	1,117,222	963,772	780,325	775,189	688,598
	26,201,524	26,018,901	26,629,947	25,630,333	26,132,047	22,516,874
	1,013,744	1,153,867	458,587	517,462	(1,577,311)	459,003
	629,965	575,705	825,903	725,132	2,172,974 (a)	284,979
	387,310	849,969	256,481	372,980	-	1,007,120
	-	(305,887)	(224,373)	(349,907)	-	-
	(414,970)	(693,061)	(69,960)	-	-	(944,850)
	-	-	(144)	(932)	(371)	(4,377)
	104,659	222,536	91,246	63,317	28,843	15,515
	1,287,517	737,360	1,280,954	850,773	1,157,010	1,003,771
	(2,397,765)	(1,863,467)	(2,482,937)	(2,095,926)	(2,196,922)	(2,007,375)
	5,711	9,592	16,483	10,044	20,077	8,529
	1,302	113	308	1,428	671	770
	(396,270)	(467,140)	(306,039)	(423,092)	1,182,281	(635,918)
\$	617,474	\$ 686,726	\$ 152,548	\$ 94,370	\$ (395,029)	\$ (176,915)
	4.3%	2.8%	2.7%	2.4%	9.8%	4.4%

## Personal Income by Industry

For the Last Ten Calendar Years

(In Millions)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Personal Income by Source:</b>										
Farm Earnings	\$ 2,228	2,632	\$ 3,788	\$ 3,363	\$ 2,575	\$ 2,983	\$ 1,989	\$ 998	\$ 1,894	2,067
Forestry, Fishing, Related Activities	717	615	651	518	432	476	331	368	360	343
Mining	265	349	366	331	305	209	182	243	272	228
Utilities	1,698	1,759	1,649	1,749	1,626	1,500	1,458	1,339	1,298	1,193
Construction	11,594	11,032	10,097	9,589	8,604	8,475	8,266	8,167	9,698	10,193
Manufacturing	34,065	34,425	34,244	33,750	33,329	31,672	30,283	28,733	32,125	31,234
Wholesale Trade	10,440	10,108	9,792	9,485	9,099	8,675	8,284	8,131	8,645	8,459
Retail Trade	11,697	11,383	11,070	10,514	10,250	10,023	9,742	9,386	9,731	9,947
Transportation and Warehousing	6,825	6,517	6,132	6,099	6,015	5,544	5,268	5,565	5,867	5,838
Information	4,376	4,271	4,142	3,892	3,719	3,431	3,272	3,480	3,585	3,417
Finance and Insurance	11,757	11,603	11,286	11,278	10,985	10,996	10,316	9,602	9,640	9,761
Real Estate and Rental and Leasing	3,065	2,756	1,983	1,741	1,675	1,564	1,415	1,501	1,542	1,524
Professional and Technical Services	11,421	11,016	10,334	10,094	9,658	9,282	8,907	9,042	9,356	8,785
Management of Companies and Enterprises	7,968	7,119	6,532	6,260	5,707	5,235	4,851	4,424	4,392	4,456
Administrative and Waste Services	6,003	5,959	5,883	5,704	5,375	5,158	4,795	4,211	4,734	4,631
Educational Services	2,823	2,683	2,636	2,570	2,499	2,369	2,229	2,106	2,015	1,885
Health Care and Social Assistance	24,324	23,312	22,425	22,489	21,426	20,805	20,111	19,712	19,060	17,905
Arts, Entertainment, and Recreation	1,642	1,655	1,574	1,436	1,387	1,419	1,355	1,289	1,346	1,301
Accommodations and Food Services	5,147	5,001	4,706	4,609	4,468	4,141	4,092	3,748	3,825	3,943
Other Services, except Public Administration	6,823	6,610	6,476	6,246	6,070	5,968	5,694	5,554	5,660	5,626
Federal, Civilian	2,669	2,633	2,530	2,413	2,478	2,746	2,741	2,604	2,522	2,442
Military	557	526	574	606	607	807	856	886	801	708
State and Local	25,096	25,285	25,233	23,383	23,496	20,711	19,783	19,607	19,143	18,265
Other (a)	77,025	75,739	72,595	69,672	69,418	61,853	61,046	60,782	55,867	52,228
<b>Total Personal Income</b>	<b>\$ 270,225</b>	<b>264,988</b>	<b>\$ 256,698</b>	<b>\$ 247,791</b>	<b>\$ 241,203</b>	<b>\$ 226,042</b>	<b>\$ 217,265</b>	<b>\$ 211,478</b>	<b>\$ 213,379</b>	<b>206,380</b>
<b>Per Capita Personal Income</b>										
<b>(in Dollars)</b>	<b>\$ 46,762</b>	<b>45,914</b>	<b>\$ 44,585</b>	<b>\$ 43,149</b>	<b>\$ 42,121</b>	<b>\$ 39,575</b>	<b>\$ 38,177</b>	<b>\$ 37,398</b>	<b>\$ 37,916</b>	<b>36,843</b>

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

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

**Personal Income Tax Rates**

For the Last Ten Calendar Years

Year	Top Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of			Average Tax Rate (a)
		Single or Head of Household	Married Filing Jointly	Married Filing Separately	
2017	7.65 %	\$ 247,350	\$ 329,810	\$ 164,900	(b) %
2016	7.65	244,750	326,330	163,170	(b)
2015	7.65	244,270	325,700	162,850	4.50
2014	7.65	240,190	320,250	160,130	4.33
2013	7.75	236,600	315,460	157,730	4.36
2012	7.75	232,660	310,210	155,110	4.61
2011	7.75	224,210	298,940	149,470	4.54
2010	7.75	221,660	295,550	147,770	4.48
2009	6.75	153,280	204,370	102,190	4.45
2008	6.75	145,460	193,950	96,980	4.43

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

(b) Information is currently not available.

Source: Wisconsin Department of Revenue

## Personal Income Filers and Liability by Income Level Calendar Year 2015<sup>(a)</sup> and Ten Years Prior

<b>2015</b>					
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Net Income Tax Rate (b)
\$1,000,000 and Higher	5,244	0.17%	\$ 791,268,091	11.15%	5.61%
\$500,000 to 999,999	11,462	0.38%	474,034,543	6.68%	6.13%
\$200,000 to 499,999	65,724	2.17%	1,044,767,697	14.72%	5.57%
\$100,000 to 199,999	302,624	9.98%	1,978,296,507	27.88%	4.95%
\$70,000 to 99,999	311,506	10.27%	1,163,441,573	16.39%	4.47%
\$50,000 to 69,999	328,713	10.84%	771,384,776	10.87%	3.96%
\$30,000 to 49,999	538,138	17.74%	656,734,728	9.25%	3.12%
\$10,000 to 29,999	749,342	24.70%	204,024,089	2.88%	1.39%
Less than \$10,000	720,720	23.76%	12,383,279	0.17%	1.00%
<b>Total</b>	<b>3,033,473</b>	<b>100.00 %</b>	<b>\$ 7,096,335,283</b>	<b>100.00 %</b>	<b>4.35 %</b>

<b>2005</b>					
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Net Income Tax Rate (b)
\$1,000,000 and Higher	2,712	0.10%	\$ 450,984,857	8.27%	6.33%
\$500,000 to 999,999	6,151	0.22%	259,118,037	4.75%	6.25%
\$200,000 to 499,999	32,560	1.18%	559,468,263	10.26%	5.94%
\$100,000 to 199,999	168,653	6.09%	1,146,414,817	21.03%	5.29%
\$70,000 to 99,999	280,566	10.14%	1,117,630,607	20.50%	4.81%
\$50,000 to 69,999	337,537	12.19%	875,694,412	16.06%	4.37%
\$30,000 to 49,999	493,710	17.84%	735,571,539	13.49%	3.79%
\$10,000 to 29,999	753,796	27.23%	298,137,077	5.47%	2.03%
Less than \$10,000	692,225	25.01%	9,550,803	0.18%	0.48%
<b>Total</b>	<b>2,767,910</b>	<b>100.00 %</b>	<b>\$ 5,452,570,412</b>	<b>100.00 %</b>	<b>4.48 %</b>

(a) Information from tax year 2015 is the most current data available.

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

Source: Wisconsin Department of Revenue

## Ratio of Outstanding Debt by Type

For the Last Ten Fiscal Years

(In Thousands, except for Per Capita Calculation)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Governmental Activities:</b>										
General Obligation Bonds and Notes	\$ 6,190,373	\$ 6,054,989	\$ 5,850,298	\$ 5,653,151	\$ 5,841,630	\$ 5,708,860	\$ 5,337,914	\$ 4,779,727	\$ 4,244,746	\$ 4,080,880
Annual Appropriation Bonds (a)	3,113,887	3,032,415	3,112,148	3,175,789	3,256,447	3,298,422	3,331,570	3,357,795	3,378,300	1,850,802
Transportation Revenue Bonds	2,235,778	2,215,104	2,167,294	2,194,092	1,963,177	1,914,824	1,796,522	1,671,255	1,591,971	1,485,849
Petroleum Inspection Revenue Bonds	78,903	41,679	69,128	95,966	121,636	124,381	127,133	129,878	89,373	111,142
Badger Tobacco Asset										
Securitization Corporation Bonds	-	-	-	-	-	-	-	-	-	1,388,778
Capital Leases	97,708	111,000	99,271	51,732	24,038	33,831	40,718	31,572	32,263	37,830
Installment Contracts	-	472	898	1,826	984	113	265	729	475	316
<b>Business-type Activities:</b>										
General Obligation Bonds and Notes	1,620,461	1,605,781	1,599,171	1,607,702	1,650,362	1,569,878	1,392,358	1,235,410	1,117,248	1,154,594
Environmental Improvement										
Revenue Bonds	362,020	759,488	758,716	826,422	873,355	873,650	936,960	882,167	829,269	797,979
Capital Leases	31,061	34,265	37,209	43,100	20,292	26,548	31,607	34,839	110,110	116,439
<b>Total Primary Government</b>	<b>\$ 13,730,191</b>	<b>\$ 13,855,193</b>	<b>\$ 13,694,133</b>	<b>\$ 13,649,780</b>	<b>\$ 13,751,921</b>	<b>\$ 13,550,507</b>	<b>\$ 12,995,047</b>	<b>\$ 12,123,372</b>	<b>\$ 11,393,755</b>	<b>\$ 11,024,609</b>
<b>Percentage of</b>										
<b>Personal Income (b)</b>	5.08%	5.23%	5.33%	5.51%	5.70%	5.99%	5.98%	5.79%	5.29%	5.33%
<b>Per Capita</b>	\$2,376	\$2,401	\$2,378	\$2,377	\$2,401	\$2,372	\$2,283	\$2,139	\$2,020	\$1,965

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

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

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

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

For the Last Ten Fiscal Years

	2017	2016	2015	2014
General Obligation Bonds and Notes:				
Payable from Governmental Funds	\$ 5,988,786	\$ 5,905,219	\$ 5,689,648	\$ 5,481,976
Payable from Internal Service Funds	201,587	149,770	160,650	171,175
Payable from Enterprise Funds	1,620,461	1,605,781	1,599,171	1,607,702
Total General Obligation Bonds and Notes	7,810,834	7,660,770	7,449,469	7,260,853
Annual Appropriation Bonds <sup>(a)</sup>	3,113,887	3,032,415	3,112,148	3,175,789
Bonded Debt to be Paid with General Resources	<u>\$ 10,924,721</u>	<u>\$ 10,693,185</u>	<u>\$ 10,561,617</u>	<u>\$ 10,436,642</u>
Personal Income	\$ 270,225,982	\$ 264,987,588	\$ 256,699,203	\$ 247,790,332
Ratio of Bonded Debt to Personal Income <sup>(b)</sup>	4.0%	4.0%	4.1%	4.2%
Population	5,779	5,771	5,758	5,743
Bonded Debt per Capita (in Dollars) <sup>(b)</sup>	\$ 1,890	\$ 1,853	\$ 1,834	\$ 1,817

(a) 2003 Wisconsin Acts 33 and 84 were enacted and authorized the issuance of appropriation obligations to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability under Wis. Stat. Section 40.05(2)(b) and its unfunded accrued liability for sick leave conversion credits under Wis. Stat. Section 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40. 2007 Wisconsin Act 226 authorized the issuance of additional appropriation obligations for the purpose of purchasing tobacco settlement revenues that had been sold by the State under s. 16.63 of Wisconsin statutes. Appropriation bonds are not general obligations of the State, and do not constitute "public debt" of the State as that term is used in the Constitution and in the State Statutes. The payment of the principal of, and premium, if any, and interest on the bonds is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service on the Bonds.

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

## SOURCES OF INFORMATION:

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

**Schedule C-2**

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

	2013	2012	2011	2010	2009	2008
\$	5,664,981	\$ 5,540,586	\$ 5,182,769	\$ 4,628,075	\$ 4,091,223	\$ 3,921,719
	176,649	168,274	155,145	151,652	153,523	159,161
	1,650,362	1,569,878	1,392,358	1,235,410	1,117,248	1,154,594
	7,491,992	7,278,738	6,730,272	6,015,137	5,361,994	5,235,474
	3,256,447	3,298,422	3,331,570	3,357,795	3,378,300	1,850,802
\$	10,748,439	\$ 10,577,160	\$ 10,061,842	\$ 9,372,932	\$ 8,740,294	\$ 7,086,276
\$	241,201,961	\$ 226,042,141	\$ 217,265,390	\$ 209,347,374	\$ 215,207,301	\$ 206,647,824
	4.5%	4.7%	4.6%	4.5%	4.1%	3.4%
	5,726	5,712	5,691	5,669	5,641	5,611
\$	1,877	\$ 1,852	\$ 1,768	\$ 1,653	\$ 1,549	\$ 1,263

**Legal Debt Margin**

For the Last Ten Calendar Years

(In Thousands)

Calendar Year	Annual Debt Limit	Total Net Debt Applicable to Limit (a)	Legal Debt Margin	Legal Debt Margin as a Percentage of Debt Limit
2017 (b)	\$ 3,944,884	\$ 607,975	\$ 3,336,909	84.6 %
2016	3,788,432	625,596	3,162,836	83.5
2015	3,679,519	750,475	2,929,044	79.6
2014	3,596,100	493,095	3,103,005	86.3
2013	3,506,269	583,470	2,922,799	83.4
2012	3,533,194	735,585	2,797,609	79.2
2011	3,651,482	758,000	2,893,482	79.2
2010	3,719,281	809,293	2,909,988	78.2
2009	3,839,340	542,765	3,296,575	85.9
2008	3,857,955	493,635	3,364,320	87.2
2007	3,734,403	483,280	3,251,123	87.1

**Calculation of Annual Public Debt Limit for 2017:**

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

(1) Three-fourths of one percent of the aggregate value of taxable property	\$ 3,944,884
or	
(2) Five percent of aggregate value of taxable property	\$ 26,299,227
Less: Net indebtedness at January 1	8,389,198
	<u>\$ 17,910,029</u>
The lesser of (1) or (2) is:	\$ 3,944,884

(a) Consists of bonds and notes issued less refundings.

(b) Debt issued through October 21, 2017.

SOURCE: Wisconsin Department of Administration



## Department of Transportation Revenue Bond Coverage

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenues	Debt Service		Total Debt Service	Pledged Revenue Coverage
				Principal	Interest		
2017	\$ 699,513	\$ 39	\$ 699,474	\$ 130,800	\$ 97,060	\$ 227,860	3.07
2016	688,107	41	688,066	134,665	97,105	231,770	2.97
2015	667,068	54	667,014	127,950	97,789	225,739	2.95
2014	661,559	26	661,533	94,835	84,950	179,785	3.68
2013	632,894	41	632,853	94,715	85,651	180,366	3.51
2012	634,334	44	634,290	81,200	84,623	165,823	3.83
2011	603,768	39	603,729	77,195	79,500	156,695	3.85
2010	610,471	66	610,405	79,395	73,018	152,413	4.00
2009	603,548	68	603,480	80,395	70,787	151,182	3.99
2008	544,739	89	544,650	75,065	68,173	143,238	3.80
2007	458,077	78	457,999	71,640	68,460	140,100	3.27

The State of Wisconsin, Department of Transportation finances certain state highway projects and related transportation facilities through the issuance of revenue bonds. The revenue bonds, \$1,999.6 million outstanding at June 30, 2017, are secured by a pledge of the registration and registration-related fees collected under Wis. Stat. Sec. 341.25 and investments.

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

(b) Includes administrative operating expenses.

SOURCE: Wisconsin Department of Transportation

**Environmental Improvement Fund Revenue Bond Coverage**

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenues	Debt Service			Pledged Revenue Coverage
				Principal	Interest	Total Debt Service	
2017	\$ 99,954	\$ 1,353	\$ 98,601	\$ 54,105	\$ 50,284	\$ 104,389	0.94
2016	99,059	2,362	96,697	63,180	28,968	92,148	1.05
2015	101,980	1,453	100,527	58,400	31,301	89,701	1.12
2014	100,420	1,181	99,239	58,195	33,782	91,977	1.08
2013	106,343	1,165	105,178	59,170	35,616	94,786	1.11
2012	100,912	1,321	99,591	58,170	39,522	97,692	1.02
2011	117,325	2,163	115,162	70,690	41,783	112,473	1.02
2010	110,429	1,603	108,826	66,865	39,387	106,252	1.02
2009	106,305	2,346	103,959	60,730	39,282	100,012	1.04
2008	99,761	2,515	97,246	53,810	36,439	90,249	1.08

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

(b) Includes allocated administrative and general costs.

SOURCE: Wisconsin Department of Administration

**Petroleum Inspection Fee Revenue Bond Coverage**

For Last Ten Fiscal Years

(In Thousands)

Year	Fees Remitted to the Trustees (a)	Debt Service			Pledged Revenue Coverage
		Principal	Interest	Total Debt Service	
2017	\$ 76,645	\$ 27,800	\$ 1,827	\$ 29,627	2.59
2016	74,639	26,540	2,558	29,098	2.57
2015	80,227	25,345	3,817	29,162	2.75
2014	71,206	24,165	5,007	29,172	2.44
2013	71,900	0	5,749	5,749	12.51
2012	74,328	0	5,770	5,770	12.88
2011	73,809	0	6,985	6,985	10.57
2010	72,540	22,350	2,632	24,982	2.90
2009	73,359	21,280	6,898	28,178	2.60
2008	76,558	20,270	10,086	30,356	2.52

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

## Demographic and Economic Statistics

For the Last Ten Years

Calendar Year	Population (In Thousands)	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate (a)	Public School Enrollment (b)
2016	5,779	\$ 270,225,982	\$ 46,762	4.1 %	808,388
2015	5,771	264,987,588	45,914	4.6	811,893
2014	5,758	256,699,203	44,585	5.5	815,601
2013	5,743	247,790,332	43,149	6.7	817,637
2012	5,726	241,201,961	42,121	6.9	817,436
2011	5,712	226,042,141	39,575	7.5	816,667
2010	5,691	217,265,390	38,177	8.3	822,086
2009	5,669	209,347,374	36,927	8.7	825,382
2008	5,641	215,207,301	38,151	4.9	830,433

(a) Not seasonally adjusted

(b) Data is based on school year for Kindergarten through Grade 12. For example, for the calendar year 2016 the school year is 2016-2017.

Calendar year information is not yet available for 2017.

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

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

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

SOURCE: Wisconsin Department of Workforce Development

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

For the Last Ten Fiscal Years

<b>Functions/Programs</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Commerce	1,269	1,233	1,235	1,247	1,241
Education					
University of Wisconsin System	33,188	32,815	33,777	33,489	33,117
Other Education	827	836	852	836	830
Transportation	3,221	3,257	3,329	3,335	3,122
Environmental Resources	2,182	2,242	2,311	2,428	2,366
Human Relations and Resources	19,772	19,620	20,310	20,555	20,138
General Executive	3,084	3,093	3,015	2,947	2,897
Judicial	827	824	823	826	826
Legislative	741	746	715	695	717
<b>Totals</b>	<b>65,111</b>	<b>64,666</b>	<b>66,367</b>	<b>66,359</b>	<b>65,254</b>
<b>Percentage Change</b>	<b>0.69%</b>	<b>-2.56%</b>	<b>0.01%</b>	<b>1.69%</b>	<b>1.45%</b>

Totals exclude limited term employees.

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

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

**Schedule E-1**

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>Change from 2008 to 2017</b>
1,244	1,375	1,397	1,424	1,467	-13.51%
32,617	32,882	32,205	31,552	30,982	7.12%
807	838	859	859	880	-6.06%
3,156	2,942	3,174	3,238	3,315	-2.84%
2,294	2,275	2,470	2,470	2,581	-15.45%
19,798	19,541	20,163	20,191	19,972	-1.00%
2,874	2,774	2,877	2,935	2,953	4.45%
825	832	808	804	802	3.15%
704	710	726	734	717	3.31%
64,319	64,168	64,679	64,206	63,670	2.26%
0.24%	-0.79%	0.74%	0.84%	0.89%	

## Operating Indicators by Function

For the Last Ten Fiscal Years

	2017	2016	2015	2014
<b>Commerce</b>				
Agriculture				
Farm Inspections (Calendar Year)	(a)	15,202	11,627	11,922
State Fair Park				
State Fair Attendance (Calendar Year)	1,028,049	1,015,815	1,033,053	1,030,881
<b>Education</b>				
Historical Society				
Visitors to Historic Sites and State Museum	252,822	268,442	259,427	259,307
Public Instruction				
Licensed School Staff	(a)	58,925	59,686	59,512
Ratio of Students to Licensed Staff	(a)	13.1	13.0	13.2
State's Share of Spending per Student	(a)	\$5,974	\$5,960	\$5,756
University of Wisconsin System				
Enrollment (Full Time Equivalent)	148,326	150,832	152,773	153,252
Number of Degrees Conferred	(a)	36,487	36,560	36,009
Technical College System				
Enrollment (Degree/Career Programs)	(a)	189,728	169,391	178,969
Number of Degrees Granted	(a)	27,538	28,073	26,896
<b>Transportation</b>				
Motor Vehicle Registrations (Calendar Year)	(a)	5,871,302	5,819,875	5,695,648
Licensed Drivers (Calendar Year)	(a)	4,250,018	4,206,700	4,194,760
<b>Environmental Resources</b>				
Natural Resources				
Park Visitors (Calendar Year) (Excludes Lakeshore Park)	(a)	16,987,963	15,520,904	15,133,691
Annual Park Admission Stickers (Calendar Year)	(a)	310,058 (b)	678,720	665,412
Fishing and Hunting Licenses (License Year)	(a)	4,679,832	4,664,186	4,585,499
State Hatchery Fish Stocked	(a)	9,001,744	27,553,825	7,667,190
<b>Human Relations and Resources</b>				
Corrections (Average Daily Population)				
Adults in Correctional Facilities	23,370	22,842	22,461	22,405
Juveniles in Detention Facilities	175	241	282	251
Health Services				
Medicaid Caseload (Average Monthly)	1,188,075	1,193,050	1,190,762	1,160,807
Clients in Care and Treatment Centers (Daily Average)	1,587	1,605	1,610	1,563
FoodShare Recipients (Average Monthly)	700,974	806,183	820,010	847,905
Children and Families (Calendar Year)				
Wisconsin Works (W-2) Participants	23,376	25,386	32,207	34,034
Workforce Development				
Unemployment Insurance Initial Claims	341,695	396,102	454,652	578,439
Unemployment Insurance Benefits (In Thousands)	\$462,607	\$519,417	\$631,631	\$956,741
Military Affairs				
National Guard Assigned Strength	9,533	9,712	9,756	9,825
Veterans Affairs (Calendar Year)				
Residents of Veterans Homes	906	946	962	964
<b>General Executive</b>				
Administration				
Construction Projects Initiated (Calendar Year)	319	252	417	645
State Patrol Troopers/Inspectors (Authorized)	377/112	377/112	377/112	377/112
State Patrol Citations Issued (Calendar Year)	126,450	115,231	113,669	113,997
Employee Trust Funds (Calendar Year)				
Active Employees in Pension Plan	(a)	73,514	73,036	73,893
Active Employees in Group Health Plan	(a)	68,463	68,964	70,219

(a) Information is currently not available.

(b) Only annual admission stickers are presented beginning in 2016

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies



**Schedule E-2**

2013	2012	2011	2010	2009	2008
12,554	13,115	19,853	20,835	21,446	21,331
1,012,552	920,962	911,231	876,020	833,285	872,458
248,166	262,441	230,001	240,723	248,689	242,121
65,608	65,446	67,077	68,036	68,681	67,939
13.3	13.3	13.0	12.8	12.7	12.9
\$5,615	\$5,553	\$6,050	\$5,742	\$5,533	\$6,018
154,843	155,163	156,039	153,193	149,493	147,955
36,323	35,708	34,608	33,442	33,044	32,475
187,750	194,623	200,271	199,752	185,878	178,447
27,394	28,167	27,837	26,310	24,121	23,617
5,585,489	5,569,097	5,526,798	5,482,518	5,539,105	5,402,565
4,188,194	4,171,428	4,142,823	4,114,622	4,085,833	4,079,562
15,110,701	15,480,894	14,176,871	14,469,998	14,435,928	13,291,541
664,191	596,223	629,439	677,938	579,125	571,844
4,664,186	4,699,572	4,633,559	4,736,620	4,786,631	4,648,467
7,057,107	7,600,000	12,000,000	8,723,781	12,409,996	7,720,740
22,396	22,351	22,491	23,015	23,162	23,341
252	315	349	466	563	587
1,165,699	1,175,346	1,158,284	1,094,058	952,175	873,229
1,561	1,532	1,501	1,571	1,639	1,681
852,810	830,559	785,300	681,826	507,228	408,360
31,647	31,982	32,402	27,835	20,904	19,030
702,828	802,736	949,796	1,209,972	1,206,008	668,665
\$1,400,524	\$1,798,590	\$2,415,151	\$3,131,688	\$2,093,627	\$939,832
9,886	9,825	9,717	10,180	9,944	9,979
915	851	1,032	1,040	891	870
812	874	723	787	846	960
377/112	382/112	382/112	382/112	382/112	382/112
136,410	141,728	136,671	141,490	146,835	142,363
73,091	72,269	70,391	72,740	72,415	72,165
69,772	69,650	70,656	72,313	71,924	71,925

**Capital Asset Statistics by Function**

For the Last Ten Fiscal Years

	2017	2016	2015	2014
<b>Commerce</b>				
State Fair Park				
Number of Buildings	40	41	40	40
Acres of Land	188	188	188	188
<b>Education</b>				
Educational Communications Board				
Communication Tower Sites	15	17	17	17
Historical Society				
Historic Sites Operated by the Historical Society	10	10	10	10
Public Instruction				
Residential Schools	2	2	2	2
University of Wisconsin System				
Number of Campuses	26	26	26	26
Technical College System				
Number of Districts and Campuses	16 and 49	16 and 49	16 and 49	16 and 52
<b>Transportation</b>				
Miles of State Highways	11,746	11,766	11,800	11,800
<b>Environmental Resources</b>				
Natural Resources				
Number of State Parks and Recreational Areas	66	66	66	66
Acres of State Parks and Recreational Areas	102,254	102,254	102,254	102,254
Number of State Forests	10	10	10	14
Acres of State Forests	526,947	526,947	526,947	526,947
Number of State Trails	41	41	41	41
Miles of State Trails	2,009	2,009	2,002	1,998
Number of Fish Hatcheries	17	17	17	14
<b>Human Relations and Resources</b>				
Corrections				
Number of Adult Correctional Institutions	19	19	19	19
Number of Adult Correctional Centers	16	16	16	16
Number of Juvenile Facilities	2	2	2	2
Health and Family Services				
Number of Care and Treatment Centers	7	7	7	7
Military Affairs				
National Guard Armories	72	72	71	69
Flight Centers	2	2	3	3
Veterans Affairs				
Number of Veterans Homes	3	3	3	3
<b>General Executive</b>				
Administration				
Number of DOA Owned Buildings	26	26	26	26
Number of General Fleet Vehicles (All Agencies)	6,128	6,493	6,279	6,069
Number of Aircraft	20	20	20	20
Public Lands				
Acres of Land	76,157	75,902	76,263	76,663

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies

**Schedule E-3**

2013	2012	2011	2010	2009	2008
40	39	39	39	42	41
190	191	191	191	191	188
17	17	16	16	19	19
9	9	9	9	9	9
2	2	2	2	2	2
26	26	26	26	26	26
16 and 49	16 and 49	16 and 49	16 and 48	16 and 47	16 and 47
11,800	11,800	11,774	11,774	11,774	11,783
66	55	55	54	54	54
102,043	93,925	85,424	85,045	85,001	85,001
14	14	12	12	12	12
526,947	519,620	518,650	508,734	506,727	506,727
41	41	41	42	42	42
1,998	1,980	1,980	1,908	1,898	1,762
14	14	14	14	14	13
19	19	19	19	19	19
16	16	16	16	16	16
2	2	3	4	4	4
7	7	7	7	7	7
69	69	67	69	69	77
3	3	3	3	3	3
3	2	2	2	2	2
26	26	26	26	26	26
5,702	5,706	5,777	5,762	6,087	6,202
20	20	20	19	19	19
75,322	74,907	76,508	76,292	78,000	75,700

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

Fiscal and Policy Year Ended June 30

(In Thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Premium and investment revenues:										
Earned	\$ 23,929	\$ 22,644	\$ 21,919	\$ 21,179	\$ 21,370	\$ 23,898	\$ 26,238	\$ 26,966	\$ 12,698	\$ 1,464
Ceded	4,739	4,689	5,207	5,532	6,394	7,091	8,191	9,716	7,790	2,234
Net Earned	19,190	17,955	16,712	15,647	14,976	16,807	18,047	17,250	4,908	(770)
2. Loss expenses	182	247	408	440	554	536	2,123	736	389	181
3. Estimated incurred claims and allocated expense, end of policy year										
Direct incurred	22,037	11,372	12,113	42,174	20,301	14,356	65,223	35,244	5,824	2,215
Ceded	621	0	0	17,115	974	0	35,555	13,321	0	0
Net Incurred	21,416	11,372	12,113	25,059	19,327	14,356	29,668	21,923	5,824	2,215
4. Paid (cumulative) as of:										
End of policy year	9,917	6,896	6,228	11,426	8,959	7,508	17,757	10,485	2,159	574
One year later	19,416	11,137	13,033	21,646	17,836	13,378	27,662	15,178	6,001	
Two years later	21,353	11,500	13,872	23,309	19,602	14,494	28,410	18,289		
Three years later	21,392	11,514	13,885	24,454	20,085	14,828	27,854			
Four years later	21,403	11,514	13,885	23,795	20,085	15,481				
Five years later	22,123	11,514	13,885	23,795	20,085					
Six years later	22,123	11,514	13,885	23,795						
Seven years later	22,123	11,514	13,885							
Eight years later	22,123	11,514								
Nine years later	22,123									

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

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

SOURCE: Wisconsin Office of Commissioner of Insurance

(Continued)

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

Fiscal and Policy Year Ended June 30

(Continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
5. Reestimated ceded losses and expenses	\$ 0	\$ 0	\$ 0	18,539	\$ 2,004	\$ 4,200	\$ 39,845	\$ 13,181	\$ 0	0
6. Reestimated incurred claims and expense:										
End of policy year	21,416	11,372	12,113	23,963	19,327	14,356	29,668	21,923	5,824	2,215
One year later	21,561	11,489	13,871	23,258	19,543	14,653	28,294	17,528	6,901	
Two years later	21,392	11,500	13,872	23,719	19,860	14,791	28,688	18,382		
Three years later	21,392	11,514	13,885	24,454	20,085	14,828	27,854			
Four years later	22,428	11,514	13,885	23,795	20,085	15,500				
Five years later	22,123	11,514	13,885	23,795	20,085					
Six years later	22,123	11,514	13,885	23,795						
Seven years later	22,123	11,514	13,885							
Eight years later	22,123	11,514								
Nine years later	22,123									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	707	142	1,772	(168)	758	1,144	(1,814)	(3,541)	1,077	N/A

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

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

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

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

Calendar and Policy Year Ended December 31

(In Millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Net earned required contributions and investment revenues	\$ 20.5	\$ (9.1)	\$ 28.8	\$ 25.0	\$ 16.6	\$ 25.0	\$ 25.7	\$ 20.5	\$ 16.3	\$ 27.1
2. Unallocated expenses	2.4	2.4	1.8	2.0	2.3	1.9	2.0	5.7	1.8	3.0
3. Estimated incurred claims as of the end of the policy year	27.4	22.4	33.4	34.3	42.4	33.4	36.0	20.5	22.8	20.7
4. Paid (cumulative) as of:										
End of policy year	2.5	5.1	5.5	6.0	6.7	5.9	6.4	5.9	6.6	5.6
One year later	6.8	9.2	9.7	11.0	11.9	11.0	11.8	11.9	12.5	
Two years later	7.8	10.0	10.8	12.2	12.8	12.3	13.8	13.6		
Three years later	8.6	10.6	11.7	13.3	13.6	13.8	15.1			
Four years later	9.3	11.1	12.6	14.2	14.3	14.5				
Five years later	10.0	11.6	13.3	15.3	14.9					
Six years later	10.6	12.1	14.2	16.2						
Seven years later	11.3	12.6	14.9							
Eight years later	12.0	13.0								
Nine years later	12.5									
5. Reestimated incurred claims:										
End of policy year	27.4	22.4	33.4	34.3	42.4	33.4	36.0	20.5	22.8	20.7
One year later	22.5	15.8	17.5	23.0	22.3	23.1	22.6	20.4	23.9	
Two years later	13.4	15.3	17.5	20.1	20.0	20.9	24.0	22.5		
Three years later	13.9	14.7	17.7	20.2	19.5	20.9	24.3			
Four years later	13.9	14.5	18.5	21.2	19.5	20.5				
Five years later	14.3	14.7	18.8	22.5	19.5					
Six years later	15.1	15.3	19.1	23.0						
Seven years later	15.7	15.3	19.6							
Eight years later	16.2	15.7								
Nine years later	16.3									
6. Increase (decrease) in estimated incurred claims from end of policy year	(11.1)	(6.7)	(13.8)	(11.3)	(22.9)	(12.9)	(11.7)	2.0	1.1	0.0

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

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

SOURCE: Wisconsin Department of Employee Trust Funds

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

Calendar and Policy Year Ended December 31

(In Millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Net earned required contributions and investment revenues	\$ 27.8	\$ (88.3)	\$ 49.3	\$ 29.8	\$ 3.0	\$ 29.9	\$ 28.2	\$ 54.2	\$ 41.7	\$ 90.3
2. Unallocated expenses	1.4	1.3	2.2	2.0	2.1	2.4	2.3	13.8	3.6	6.5
3. Estimated incurred claims as of the end of the policy year	48.3	31.1	50.2	54.2	43.5	52.0	50.6	47.0	44.4	50.0
4. Paid (cumulative) as of:										
End of policy year	1.4	1.1	1.7	1.9	1.9	2.5	2.2	2.1	2.1	2.2
One year later	5.8	5.7	7.0	7.6	8.6	10.3	10.1	11.2	8.2	
Two years later	9.4	9.4	11.3	12.5	14.2	17.3	18.8	17.2		
Three years later	12.6	12.7	15.2	16.9	19.4	25.5	25.2			
Four years later	15.5	15.7	18.7	21.0	25.5	31.5				
Five years later	18.2	18.5	22.0	25.9	30.0					
Six years later	20.8	21.2	26.0	29.5						
Seven years later	23.2	24.4	29.0							
Eight years later	26.2	26.7								
Nine years later	28.4									
5. Reestimated incurred claims:										
End of policy year	48.3	31.1	50.2	54.2	43.5	52.0	50.6	47.0	44.4	50.0
One year later	25.6	26.9	32.3	35.8	41.4	48.3	52.7	51.4	43.2	
Two years later	29.9	29.5	35.0	39.6	44.5	57.5	62.6	55.0		
Three years later	31.0	31.8	36.6	41.3	50.4	64.4	65.5			
Four years later	33.7	32.7	38.0	46.3	55.3	66.7				
Five years later	34.9	33.4	41.9	49.9	57.3					
Six years later	36.3	36.7	44.9	51.2						
Seven years later	39.0	39.4	45.9							
Eight years later	41.8	40.0								
Nine years later	42.9									
6. Increase (decrease) in estimated incurred claims from end of policy year	(5.4)	8.9	(4.3)	(3.0)	13.8	14.7	14.9	8.0	(1.2)	0.0

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

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

SOURCE: Wisconsin Department of Employee Trust Funds

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

Calendar and Policy Year Ended December 31

(In Millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Net earned required contributions and investment revenues	\$ 42.1	\$ 22.5	\$ 41.5	\$ 36.6	\$ 27.9	\$ 33.1	\$ 29.9	\$ 26.0	\$ 22.5	\$ 28.5
2. Unallocated expenses	3.4	5.3	5.0	5.4	6.2	5.5	5.2	7.0	5.2	8.8
3. Estimated incurred claims as of the end of the policy year	23.7	30.5	25.9	24.0	21.4	17.7	16.9	17.7	14.7	15.1
4. Paid (cumulative) as of:										
End of policy year	20.3	25.7	21.6	20.5	18.7	15.1	14.6	15.4	12.8	13.1
One year later	23.5	28.3	23.4	22.6	20.7	17.2	16.0	16.7	14.3	
Two years later	23.5	28.2	23.5	22.6	20.7	17.1	16.0	16.7		
Three years later	23.5	28.2	23.5	22.6	20.7	17.1	16.0			
Four years later	23.5	28.2	23.5	22.6	20.7	17.1				
Five years later	23.5	28.2	23.5	22.6	20.7					
Six years later	23.5	28.2	23.5	22.6						
Seven years later	23.5	28.2	23.5							
Eight years later	23.5	28.2								
Nine years later	23.5									
5. Reestimated incurred claims:										
End of policy year	23.7	30.5	25.9	24.0	21.4	17.7	16.9	17.7	14.7	15.1
One year later	23.6	28.3	23.5	22.6	20.7	17.2	16.0	16.7	14.3	
Two years later	23.5	28.2	23.5	22.6	20.7	17.1	16.0	16.7		
Three years later	23.5	28.2	23.5	22.6	20.7	17.1	16.0			
Four years later	23.5	28.2	23.5	22.6	20.7	17.1				
Five years later	23.5	28.2	23.5	22.6	20.7					
Six years later	23.5	28.2	23.5	22.6						
Seven years later	23.5	28.2	23.5							
Eight years later	23.5	28.2								
Nine years later	23.5									
6. Increase (decrease) in estimated incurred claims from end of policy year	(0.2)	(2.3)	(2.4)	(1.4)	(0.7)	(0.6)	(0.9)	(1.0)	(0.4)	0.0

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

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

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

SOURCE: Wisconsin Department of Employee Trust Funds



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

Calendar and Policy Year Ended December 31

(In Millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Net earned required contributions and investment revenues	\$ 170.0	\$ 138.8	\$ 155.5	\$ 178.9	\$ 169.9	\$ 153.7	\$ 159.6	\$ 157.7	\$ 166.5	214.3
2. Unallocated expenses	8.4	8.8	6.4	8.7	6.4	8.0	4.4	6.0	6.0	5.9
3. Estimated incurred claims as of the end of the policy year	116.9	124.0	134.8	148.4	144.6	141.3	149.0	163.5	176.9	156.0
4. Paid (cumulative) as of:										
End of policy year	118.0	126.3	139.1	155.8	150.7	148.3	156.6	173.4	196.4	171.0
One year later	119.4	123.9	134.1	147.3	145.1	141.2	148.3	163.5	177.0	
Two years later	119.4	123.9	134.1	147.3	145.1	141.2	148.3	163.5		
Three years later	119.4	123.9	134.1	147.3	145.1	141.2	148.3			
Four years later	119.4	123.9	134.1	147.3	145.1	141.2				
Five years later	119.4	123.9	134.1	147.3	145.1					
Six years later	119.4	123.9	134.1	147.3						
Seven years later	119.4	123.9	134.1							
Eight years later	119.4	123.9								
Nine years later	119.4									
5. Reestimated incurred claims:										
End of policy year	116.9	124.0	134.8	148.4	144.6	141.3	149.0	163.5	176.9	156.0
One year later	119.4	123.9	134.1	147.3	145.1	141.2	148.3	163.5	177.0	
Two years later	119.4	123.9	134.1	147.3	145.1	141.2	148.3	163.5		
Three years later	119.4	123.9	134.1	147.3	145.1	141.2	148.3			
Four years later	119.4	123.9	134.1	147.3	145.1	141.2				
Five years later	119.4	123.9	134.1	147.3	145.1					
Six years later	119.4	123.9	134.1	147.3						
Seven years later	119.4	123.9	134.1							
Eight years later	119.4	123.9								
Nine years later	119.4									
6. Increase (decrease) in estimated incurred claims from end of policy year	2.5	(0.1)	(0.7)	(1.1)	0.5	(0.1)	(0.7)	0.0	0.1	0.0

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

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

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy.

SOURCE: Wisconsin Department of Employee Trust Funds

**Health Insurance Risk Pool (Dental Benefit)  
Ten-Year Claims Development Information**

Calendar and Policy Year Ended December 31

(In Millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Net earned required contributions and investment revenues	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	41.9
2. Unallocated expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9
3. Estimated incurred claims as of the end of the policy year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	44.1
4. Paid (cumulative) as of:										
End of policy year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	42.2
One year later	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Two years later	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Three years later	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Four years later	0.0	0.0	0.0	0.0	0.0	0.0				
Five years later	0.0	0.0	0.0	0.0	0.0					
Six years later	0.0	0.0	0.0	0.0						
Seven years later	0.0	0.0	0.0							
Eight years later	0.0	0.0								
Nine years later	0.0									
5. Reestimated incurred claims:										
End of policy year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	44.1
One year later	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Two years later	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Three years later	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Four years later	0.0	0.0	0.0	0.0	0.0	0.0				
Five years later	0.0	0.0	0.0	0.0	0.0					
Six years later	0.0	0.0	0.0	0.0						
Seven years later	0.0	0.0	0.0							
Eight years later	0.0	0.0								
Nine years later	0.0									
6. Increase (decrease) in estimated incurred claims from end of policy year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The table above illustrates how the Dental Insurance Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of the calendar year. Prior to 2016, Dental Benefits were included as part of fully insured HMO Coverage. The rows of the table are defined as follows:

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

SOURCE: Wisconsin Department of Employee Trust Funds



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