STATE OF
WISCONSIN

General Purpose External Financial Statements

For the fiscal year ended June 30, 2020

Tony Evers, Governor

Department of Administration
Joel Brennan, Secretary
Carol Herwig, State Controller

Prepared by the State Controller's Office

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STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
Tony Evers, Governor
Joel Brennan, Secretary
Brian Pahnke, Administrator

December 21, 2020

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

We are pleased to submit the General Purpose External Financial Statements of the State of Wisconsin for the fiscal year ended June 30, 2020. They are part of the audited Comprehensive Annual Financial Report and present financial information in conformity with generally accepted accounting principles.

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

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

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

Sincerely,

Joel Brennan
Secretary

Carol Herwig, CPA
State Controller

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

Joe Chrisman
State Auditor

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

Honorable Members of the Legislature　　The Honorable Tony Evers, 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, 2020, 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 Environmental Improvement Fund, which is a major fund and represents 14.4 percent of the assets and 6.5 percent of the liabilities of the business-type activities; and the Deferred Compensation Fund, which represents 3.7 percent of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these funds, are based solely on the report 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 (UW) Hospitals and Clinics Authority, and the UW 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 Environmental Improvement Fund and the Wisconsin Housing and Economic Development Authority were audited by other auditors in accordance with these standards. The financial statements of the Deferred Compensation Fund, UW Hospitals and Clinics Authority, and the UW Foundation were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

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, 2020, 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

As discussed in Note 1D, the State implemented Governmental Accounting Standards Board (GASB) Statement Number 84, *Fiduciary Activities*. This statement changed the classification and reporting for certain fiduciary activities for the State as discussed in Note 23. The basic portion of the Accumulated Sick Leave Conversion Credit program was reclassified as an internal service fund. This change required the remeasurement of certain fund liabilities.

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

As discussed in Note 5B to the financial statements, as of June 30, 2020, the State Investment Fund held $2.0 billion in a repurchase agreement with the Wisconsin Retirement System. The State Investment Fund and the Wisconsin Retirement System are both administered by the State of Wisconsin Investment Board.

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

As discussed in Note 24, the State was not able to develop an estimate of payments related to the remaining backlog of weekly unemployment claims that related to FY 2019-20, as of November 30, 2020, and therefore a liability for these claims has not been reported in the Unemployment Reserve Fund.

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, Postemployment Benefits–State Life Insurance Program, Postemployment Benefits–Supplemental Health Insurance Conversion Credit Program, State's Proportionate Share of Net Pension Liability or Net Pension (Asset), State's Pension Contributions, Infrastructure Assets Reported Using the Modified Approach, Budgetary Comparison Schedule–General Fund, Budgetary Comparison Schedule–Transportation Fund, and Notes to Required Supplementary Information–Budgetary Information—be presented to supplement the basic financial statements. Such information, 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 express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, which was dated December 21, 2020, and published as report 20-30, on our consideration of the State of Wisconsin's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

Government Auditing Standards and should be used when considering the State's internal control over financial reporting and compliance.

LEGISLATIVE AUDIT BUREAU

Joe Chrisman
State Auditor

December 21, 2020

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, 2020. It should be read in conjunction with the transmittal letter located at the front of this CAFR, and the State's financial statements, including the note disclosures which are an integral part of the statements, that follow this part of the CAFR.

FINANCIAL HIGHLIGHTS -- PRIMARY GOVERNMENT

Government-wide (Tables 2 and 3 on Pages 10 and 11)

- *Net Position*. The assets plus deferred outflows of resources of the State of Wisconsin exceeded its liabilities plus deferred inflows of resources at the close of Fiscal Year 2020 by $27.9 billion (reported as "net position"). Of this amount, $(7.7) 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 $2.0 billion in Fiscal Year 2020. Net position of governmental activities increased by $2.0 billion or 13.8 percent, while net position of the business-type activities showed a decrease of $43.7 million or 0.4 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities*. During Fiscal Year 2020, the State's total revenues for governmental activities of $33.8 billion were $3.3 billion more than total expenses (excluding transfers) for governmental activities of $30.6 billion. Of these expenses, $14.2 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled $19.6 billion.

Fund

- *Governmental Funds -- Fund Balances*. As of the close of Fiscal Year 2020, the State's governmental funds reported combined ending fund balances of $2.7 billion, an increase of $644.0 million in comparison with the prior year. Of this total amount, $(1.3) billion represents the unassigned fund balances.
- *General Fund -- Fund Balance*. At the end of the current fiscal year, total fund balance was $1.5 million, a change of $764.6 million from a deficit of $(763.1) million reported in the prior year. The unassigned fund deficit for the General Fund was $(1.1) billion, or 4.2 percent of total General Fund expenditures.

Additional information regarding individual funds begins on page 15.

Long-term Debt

- The State's total long-term debt obligations (bonds and notes payable) decreased by $262.5 million during the current fiscal year which represents the net difference between new issuances, payments and refundings of outstanding debt. Decreases in debt resulted primarily from repayments of existing bonds in excess of new debt issued. During the year repayments of general obligation debt exceeded new issuances by $82.8 million. Revenue bonds outstanding decreased by $207.6 million. Annual appropriation bonds outstanding increased by $27.8 million.

Additional detail regarding these activities begins on page 20.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

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

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

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

Table 1

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

<table>
<tr><th></th><th rowspan="2">GOVERNMENT-WIDE STATEMENTS</th><th colspan="3">FUND STATEMENTS</th></tr>
<tr><th></th><th>Governmental Funds</th><th>Proprietary Funds</th><th>Fiduciary Funds</th></tr>
<tr><td>Scope</td><td>Entire State government (except fiduciary funds) and the State's component units, reported as follows:
• Governmental Activities – Most services generally associated with State government fall into this category, including commerce, education, transportation, environmental resources, human relations and resources, general executive, judicial and legislative.
• Business-Type Activities – Those operations for which a fee is charged to external users for goods and services are reported in this category.
• Discretely Presented Component Units – These are operations for which the State has financial accountability but that have certain independent qualities. The State's discretely presented component units are discussed in Note 1-B to the financial statements.</td><td>These funds report activities of the State that are not proprietary or fiduciary in nature. Most of the basic services provided by the State, which are primarily financed through taxes, intergovernmental revenues, and other nonexchange revenues, are reported as governmental funds.
Examples of the State's governmental funds (including the State's two major governmental funds), as reported within their respective fund types, follow:
• General Fund (major fund)
• Special Revenue:
– Transportation (major fund)
• Debt Service:
– Bond Security and Redemption
• Capital Projects:
– Capital Improvement
• Permanent:
– Common School</td><td>The activities the State operates similar to private business. These funds are used to show activities that operate more like those of commercial enterprises. Fees are charged for services provided, both to outside customers and to other units of the State.
Examples of the State's proprietary funds, including the State's three major enterprise funds, follow:
• Enterprise:
– Environmental Improvement (major fund)
– University of Wisconsin System (major fund)
– Unemployment Reserve (major fund)
– Lottery
• Internal services:
– Technology Services
– Facilities Operations and Maintenance</td><td>These funds are used to show assets held by the State as trustee or agent for others and cannot be used to support the State's own programs.
Examples of the State's fiduciary funds, as reported within their respective fund types, follow:
• Pension and Other Employee Benefit Trust Funds:
– Wisconsin Retirement System
• Investment Trust:
– Local Government Pooled Investment
• Private Purpose Trust:
– Tuition Trust
• Custodial:
– Support Collection Trust</td></tr>
<tr><td>Required financial statements</td><td>• Statement of net position – Presents all of the government's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as "net position". Over time, increases or decreases in the state's net position is an indicator of whether its financial health is improving or weakening, respectively.
• Statement of activities – Presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for different identifiable business-type activities of the State.</td><td>• Balance sheet
• Statement of revenues, expenditures, and changes in fund balances</td><td>• Statement of net position
• Statement of revenues, expenses and changes in fund net position
• Statement of cash flows</td><td>• Statement of fiduciary net position
• Statement of changes in fiduciary net position
Because the State cannot use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed in the left column.</td></tr>
</table>

(Table 1, continued)

Table 1 (Continued)

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

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

Additional Required Supplementary Information

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

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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

Net Position

As presented in Table 2, total assets of the State on June 30, 2020 were $56.8 billion and deferred outflows of resources were $2.8 billion, while total liabilities were $28.5 billion and deferred inflows of resources were $3.2 billion, resulting in combined net position (governmental and business-type activities) of $27.9 billion. The largest component of the State's total net position consists of $24.9 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 $10.7 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 $(7.7) billion. Therefore, based on this measurement, no funds were available for discretionary purposes. A contributing factor to the negative balance is that governments recognize a liability on the government-wide statement of net position as soon as an obligation is incurred. While financing focuses on when a liability will be paid, accounting is primarily concerned with when a liability is incurred. Accordingly, the State recognizes long-term liabilities (such as general obligation debt, compensated absences, other postemployment benefits and future benefits and loss liabilities – listed in Note 10 to the financial statements) on the statement of net position. In addition to the effect of reporting long-term liabilities when incurred, the General Fund's deficit unassigned fund balance of $1.1 billion at year-end, also contributed to the deficit unrestricted net position reported in the statement of net position.

During Fiscal Year 2020, the State issued $1.5 billion of general obligation bonds, primarily for the acquisition or improvement of land, water, property, highways, buildings, and equipment. At June 30, 2020 general obligation bonds and long term general obligation notes outstanding totaled $7.6 billion, outstanding annual appropriation bonds were $3.0 billion, and outstanding revenue bonds, which are not considered general obligation debt of the State, totaled $2.5 billion.

Table 2
Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2019*	2020	2019*	2020	2019*	2020-2019
Current and Other Assets	$ 14,056.1	$ 10,293.3	$ 11,489.5	$ 10,102.2	$ 25,545.6	$ 20,395.6	25.3 %
Capital Assets	25,587.5	24,838.3	5,646.7	5,501.0	31,234.2	30,339.3	2.9
Total Assets	39,643.6	35,131.7	17,136.2	15,603.2	56,779.8	50,734.8	11.9
Deferred Outflows of Resources	1,454.1	1,610.8	1,382.6	1,546.7	2,836.7	3,157.5	(10.2)
Long-term Liabilities	14,263.8	14,809.1	3,897.9	4,059.2	18,161.6	18,868.3	(3.7)
Other Liabilities	8,733.6	6,503.3	1,653.5	842.6	10,387.1	7,345.8	41.4
Total Liabilities	22,997.3	21,312.3	5,551.4	4,901.8	28,548.7	26,214.1	8.9
Deferred Inflows of Resources	1,458.5	804.1	1,696.2	933.3	3,154.8	1,737.4	81.6
Net Position:							
Net investment In							
Capital Assets	21,096.9	20,305.7	3,823.2	3,820.7	24,920.2	24,126.4	3.3
Restricted	3,195.2	1,913.1	7,480.1	6,940.4	10,675.3	8,853.4	20.6
Unrestricted (deficit)	(7,650.3)	(7,592.7)	(32.1)	553.8	(7,682.4)	(7,039.0)	9.1
Total Net Position	$ 16,641.9	$ 14,626.0	$ 11,271.2	$ 11,314.9	$ 27,913.1	$ 25,940.8	7.6

* 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 $24.7 billion and general revenues of $19.6 billion for total revenues of $44.3 billion during Fiscal Year 2020. Expenses for the State during Fiscal Year 2020 were $42.3 billion. As a result of the excess of revenues over expenses, the total net position of the State increased $2.0 billion, net of contributions and transfers.

Table 3
Changes in Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2020	2019*	2020	2019*	2020	2019*	2020-2019
Program Revenues:							
Charges for Services	$ 2,500.7	$ 2,401.6	$ 6,930.1	$ 6,748.8	$ 9,430.9	$ 9,150.4	3.1 %
Operating Grants and Contributions	10,663.0	9,395.6	3,455.6	829.4	14,118.6	10,225.1	38.1
Capital Grants and Contributions	1,082.1	988.0	18.5	110.9	1,100.6	1,098.9	0.2
General Revenues:							
Income Taxes	10,320.6	10,161.1	—	—	10,320.6	10,161.1	1.6
Sales and Excise Taxes	6,614.3	6,365.4	—	—	6,614.3	6,365.4	3.9
Public Utility Taxes	363.5	371.8	—	—	363.5	371.8	(2.2)
Motor Fuel Taxes	1,080.6	1,129.8	—	—	1,080.6	1,129.8	(4.4)
Other Taxes	430.6	425.1	—	—	430.6	425.1	1.3
Other General Revenues	777.3	566.7	44.1	20.4	821.4	587.1	39.9
Total Revenues	33,832.8	31,805.2	10,448.3	7,709.6	44,281.1	39,514.8	12.1
Program Expenses:							
Commerce	451.6	325.3	—	—	451.6	325.3	38.8
Education	7,943.1	7,750.0	—	—	7,943.1	7,750.0	2.5
Transportation	2,413.7	2,365.7	—	—	2,413.7	2,365.7	2.0
Environmental Resources	518.3	543.7	—	—	518.3	543.7	(4.7)
Human Relations and Resources	15,309.5	14,424.7	—	—	15,309.5	14,424.7	6.1
General Executive	678.1	634.3	—	—	678.1	634.3	6.9
Judicial	147.2	148.7	—	—	147.2	148.7	(1.0)
Legislative	75.9	76.1	—	—	75.9	76.1	(0.3)
Tax Relief and Other General Expenditures	1,597.5	1,571.5	—	—	1,597.5	1,571.5	1.7
Intergovernmental - Shared Revenue	1,050.9	1,033.8	—	—	1,050.9	1,033.8	1.7
Interest on Long-term Debt	392.3	443.4	—	—	392.3	443.4	(11.5)
Injured Patients and Families Compensation	—	—	70.6	(67.3)	70.6	(67.3)	(204.9)
Environmental Improvement	—	—	45.7	42.9	45.7	42.9	6.5
University of Wisconsin System	—	—	5,319.5	5,408.5	5,319.5	5,408.5	(1.6)
Unemployment Reserve	—	—	3,371.8	390.2	3,371.8	390.2	764.1
Lottery	—	—	805.2	739.4	805.2	739.4	8.9
Health Insurance	—	—	1,577.9	1,300.8	1,577.9	1,300.8	21.3
Care and Treatment Facilities	—	—	417.9	427.4	417.9	427.4	(2.2)
Other Business-type	—	0.4	134.1	116.8	134.1	117.2	14.5
Total Expenses	30,578.2	29,317.5	11,742.6	8,358.6	42,320.8	37,676.2	12.3
Excess (deficiency) before Contributions, Special Items and Transfers	3,254.6	2,487.7	(1,294.3)	(649.1)	1,960.3	1,838.6	
Contributions to Term and Permanent Endowments	—	—	1.3	5.9	1.3	5.9	
Contributions to Permanent Fund Principal	10.6	11.9	—	—	10.6	11.9	
Transfers	(1,249.3)	(1,008.6)	1,249.3	1,008.6	—	—	
Increase (decrease) in Net Position	2,015.9	1,491.0	(43.7)	365.4	1,972.2	1,856.3	
Net Position - Beginning (Restated)	14,626.0	13,135.0	11,314.9	10,949.5	25,940.8	24,084.5	
Net Position - Ending	$ 16,641.9	$ 14,626.0	$ 11,271.2	$ 11,314.9	$ 27,913.1	$ 25,940.8	7.6 %

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

Governmental Activities

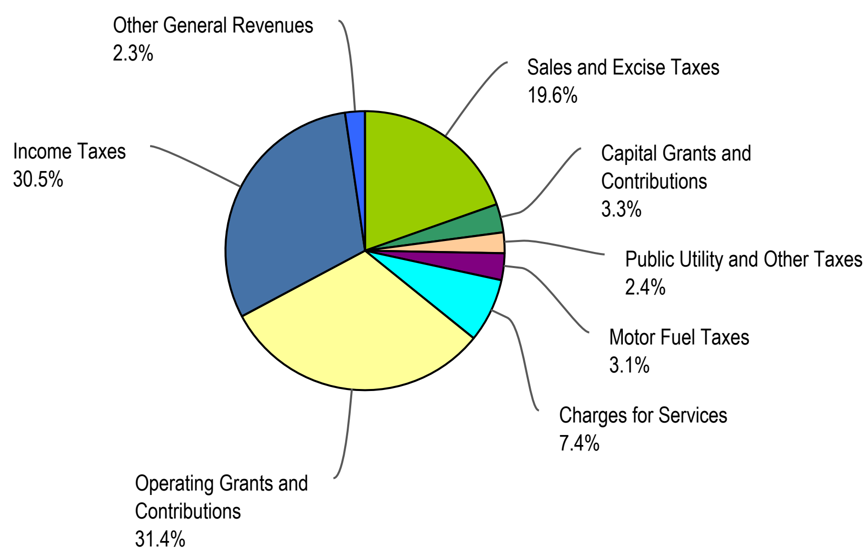
The net position of governmental activities increased $2.0 billion in Fiscal Year 2020. Revenues for the governmental activities (including contributions to permanent fund principal) totaled $33.8 billion, while expenses and net transfers totaled $31.8 billion in Fiscal Year 2020.

General and program revenues of governmental activities increased $2.0 billion during this fiscal year. Tax revenues increased $356.3 million primarily due to enhanced income and sales and excise taxes of $159.4 million and $248.9 million, respectively. While other taxes increased $5.5 million, Public Utility and Motor Fuel Taxes decreased $8.3 million and $49.2 million, respectively from the prior year. Operating grants increased by $1.3 billion, while capital grants also increased by $94.1 million. In addition, other general revenues and charges for goods and services increased $210.6 million and $99.1 million, respectively.

The State's governmental activities program expenses increased $1.3 billion to $30.6 billion during Fiscal Year 2020. Human relations and resources expenses increased by $884.9 million (6.1 percent) to a total of $15.3 billion. Education expenses increased by $193.1 million (2.5 percent) to $7.9 billion, due to increases in parental choice program for eligible school districts, per pupil aid and aids for special education and schools age parents programs. Commerce, transportation and general executive, tax relief and other general expenses and intergovernmental increased $126.3 million, $48.0 million, $43.8 million, $26.1 million and $17.1 million, respectively. Conversely, environmental resource expenses decreased $25.4 million. Interest on long-term debt also decreased $51.0 million.

As shown in Table 4, below, approximately 55.6 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 31.4 percent of total revenues. Capital grants and contributions provided 3.3 percent, charges for services contributed 7.4 percent, while various other revenues provided 2.3 percent of the remaining governmental activity revenue sources.

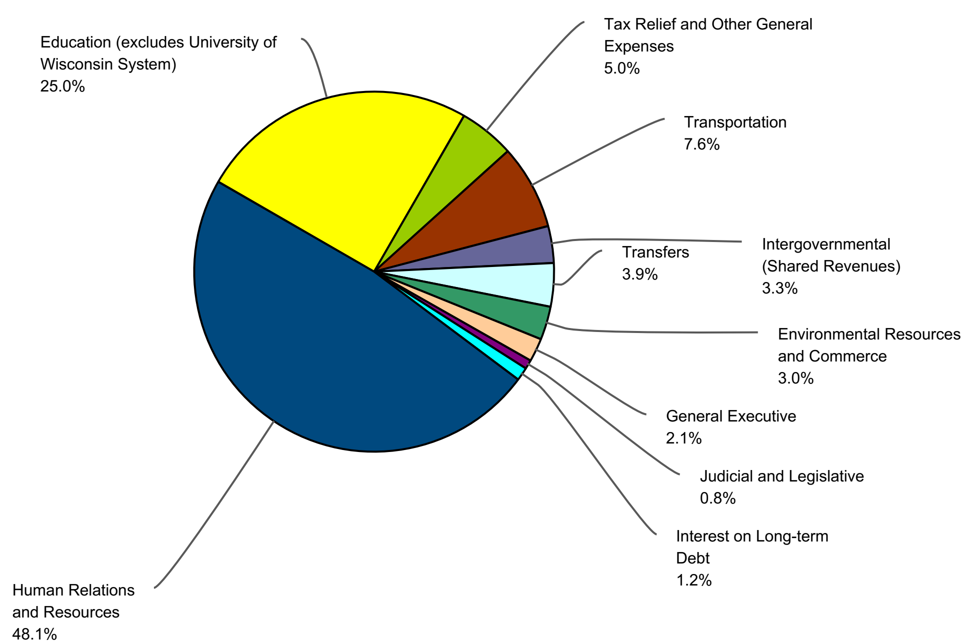
Table 4
Governmental Activities - 2020 Revenues



As shown in Table 5, below, expenses for human relations and resources programs make up the largest portion – 48.1 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 25.0 percent of total expenses. Tax relief and other general expenses and the intergovernmental-shared revenue program represent 8.3 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 3.9 percent of the total expenses and transfers. Remaining functional expenses totaled 5.9 percent while interest on long-term debt totaled 1.2 percent.

Table 5
Governmental Activities - 2020 Expenses



Business-Type Activities

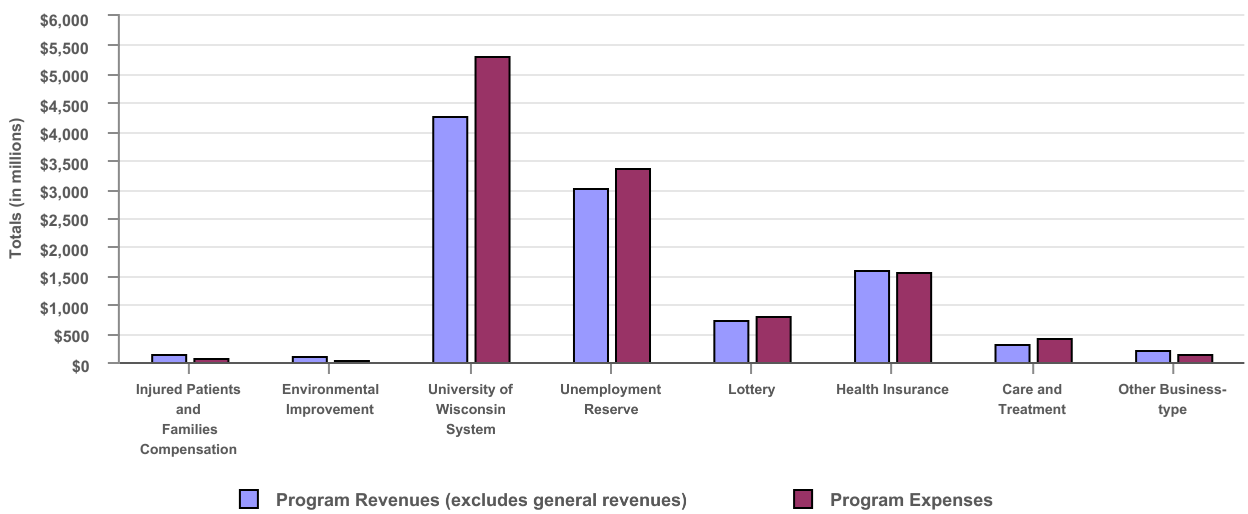
Net position of the State's business-type activities decreased $43.7 million in Fiscal Year 2020.

Revenues of business-type activities totaled $10.4 billion for Fiscal Year 2020, an increase of $2.7 billion from the prior year. The large increase from the prior year was the result of the Unemployment Insurance Reserve program revenues increasing $2.4 billion in Fiscal Year 2020. Program revenues consisted of $6.9 billion of charges for services, $3.5 billion of operating grants and contributions, and $18.5 million of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal and net transfers totaled $44.1 million, $1.3 million, and $1.2 billion, respectively.

The total expenses for business-type activities were $11.7 billion, an increase of $3.4 billion from the prior fiscal year. The largest increase in program expenses, $3.0 billion, related to increased expenses for the Unemployment Insurance Reserve. Expenses for Health Insurance, Injured Patients and Family Compensation, Lottery and other business type programs also increased $277.1 million, $137.9 million, $65.8 million and $17.4 million, respectively. Offsetting those increases were decreases in University of Wisconsin System and Care and Treatment Facilities expenses of $89.0 million and $9.5 million, respectively.

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

Table 6
Fiscal Year 2020
Business-Type Activities
Comparison of Program Revenues to Program Expenses



FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds

At the end of Fiscal Year 2020, the State's governmental funds reported a combined fund balance of $2.7 billion. Funds with significant changes in fund balance are discussed below:

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2020, the State's General Fund reported a positive total fund balance of $1.5 million. The State's General Fund hasn't ended a fiscal year with a positive fund balance since the State began issuing a CAFR in Fiscal Year 1990. The net change in fund balance during Fiscal Year 2020 was $764.7 million, in contrast to $480.1 million in Fiscal Year 2019. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

Revenues

Revenues of the General Fund totaled $29.4 billion in Fiscal Year 2020, an increase of $1.6 billion (5.6 percent) from the prior year. Factors contributing to this change included the following:

- Revenues from taxes increased $378.3 million. The increase relate to sales and income taxes, which increased $254.9 million and $135.9 million, respectively, from Fiscal Year 2019. While there was some slowing of spending in spring, consumption did not drop as precipitously as employment during the early days of the pandemic. Wisconsin sales tax revenues received a boost starting in January, when the state began collecting on Marketplace sales, a category of on-line sales reporting strong growth. Income tax revenues increased as the result of higher corporate income taxes collected..

- Intergovernmental revenues (i.e., federal assistance) increased $1.2 billion to $10.3 billion in Fiscal Year 2020. Human relations and resources programs (e.g., Medicaid) reported increased revenues of $967.1 million. Because costs are split between federal and State sources, revenues associated with Medicaid related programs increase as costs increase. The State also received $2.0 billion of Coronavirus Relief Funds in Fiscal Year 2020, but at the end of the fiscal year had only spent $144.8 million of the funds. The State also passed through $75.0 million of the funds to the Wisconsin Economic Development Corporation (a component unit), which is shown as unearned revenue on their statements. The remaining unspent amount was recorded as unearned revenue by the State and will be recorded as intergovernmental revenue in Fiscal Year 2021 as the funds are spent.

Expenditures

2019 Wisconsin Act 9 established spending authority for the State of Wisconsin for Fiscal Year 2020. Expenditures of the General Fund totaled $26.8 billion in Fiscal Year 2020, an increase of $1.3 billion from Fiscal Year 2019. Factors contributing to the change include the following:

- Human relations and resources expenditures increased by $903.4 million to $15.0 billion, primarily the result of increased grants and aids to individuals and organizations, in part for coronavirus relief and other medical assistance costs. These costs comprise 56.2 percent of General Fund expenditures.

- Education expenditures increased $150.0 million to $7.8 billion, due in part to increases in parental choice program for eligible school districts, per pupil aid and aids for special education and schools age parents programs in Fiscal Year 2020. These costs comprise 29.2 percent of General Fund expenditures.

- Commerce expenditures increased by $122.1 million to a total of $354.8 million primarily the result of expenditures related to the Wisconsin Healthcare Stability Plan created in 2017 Wisconsin Act 138.

Other Financing Sources and Uses

Other financing sources/(uses) totaled a net $(1.9) billion in Fiscal Year 2020, a $5.5 million decrease from Fiscal Year 2019. The components of this included the following:

- Transfers out of the General Fund totaled $2.0 billion, a decrease of $9.3 million from the prior year.

  - The GPR supplement comprises a large portion of the transfers out and is provided to various enterprise funds. The supplement totaled $984.2 million, an increase of $7.0 million from the prior year. The University of Wisconsin System, which receives the majority of the GPR supplement, had $885.3 million in GPR expenses in Fiscal Year 2020, an increase of $1.1 million.

  - Transfers out for debt service payments to the Bond Security and Redemption Fund totaled $488.5 million in Fiscal Year 2020 compared to $534.6 million in Fiscal Year 2019.

  - Transfers out to nonmajor enterprise funds and Transportation Fund were $186.2 million and $44.4 million, respectively.

- Transfers in to the General Fund decreased $1.9 million (from $61.1 million in Fiscal Year 2019 to $59.2 million in Fiscal Year 2020). The University of Wisconsin System transferred $23.9 million, while non-major governmental funds and non-major enterprise funds transferred $20.2 million and $12.0 million, respectively.

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

As of June 30, 2020, the General Fund reported an unassigned fund balance deficit of $(1.1) billion, a reduction of the deficit of $601.8 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 $5.8 billion increase in appropriations. Contributing to the variance is the fact that several of the State's programs and various transfers (see the items denoted with *, below) are not included in the original budget. In addition, numerous adjustments to spending estimates were needed as the year progressed because of changing circumstances (spending needs can change dramatically over a one-year period). The largest variances occurred in the following appropriations (in millions):

Program	Variance
Food Stamps, Electronic Benefit Transfer*	$ 1,200.0
Federal Aid Medical Assistance	1,156.1
UW System, General Program Operations (part of Statutory General Fund)	897.3
Federal Aid	500.8
UW System, Gifts and Nonfederal Grants and Contracts	191.3
Budget Stabilization Transfer (statutorily separate fund)*	105.8

Actual charges to appropriations (expenditures) were $5.4 billion below the final budgeted estimates. Large positive expenditure variances were reported in the Medical Assistance Federal Aid ($794.4 million) and the Food Stamps Benefits ($229.0 million) appropriations.

During the past fiscal year, the budgetary-based fund balance increased $2.2 billion for the statutory General Fund, mainly the result of unspent Coronavirus Relief Funds and also in part, because of increased general purpose revenues for taxes. Net transfers from other funds totaled $(125.1) million in Fiscal Year 2020 compared to $(309.4) million in the prior fiscal year.

Transportation Fund

In Fiscal Year 2020, the Transportation Fund's fund balance increased $140.8 million (20.3 percent) from $694.5 million to $835.2 million. The state constitutionally restricts use of state resources deposited into the Fund for transportation purposes. As such, $798.6 million or 95.6 percent of fund balance is reported as restricted for Fiscal Year 2020. Remaining fund balance is reported as nonspendable and correlates to prepaid and inventory assets.

Primary revenue sources of the fund include motor fuel taxes, intergovernmental, and license and permit revenue sources, as well as interfund transfers in. In Fiscal Year 2020 revenues of the fund increased $183.3 million (6.5 percent) to a total of $3.0 billion. Intergovernmental revenues increased $164.7 million; use of external sources of funding for projects, rather than state resources regularly contributes to revenue fluctuations in this category between years. License and permit revenues increased $124.6 million in fiscal year 2020 due to a fee increase effective October 1, 2019. Alternatively, motor fuel tax revenues decreased $49.2 million likely due to circumstances related to the pandemic.

Transportation operating expenditures of $2.8 billion increased 4.8 percent or $129.0 million, including a 12.3 percent or $57.3 million increase in capital outlay expenditures. The change in the types of expenditures reported in the fund was the result of a higher proportion of capitalizable projects versus maintenance and preservation projects. In addition to the expenditures reported in the Transportation Fund, long term debt-funded transportation expenditures of $244.4 million and $75.3 million were reported in the Capital Improvement Fund and Transportation Revenue Bonds Fund, respectively. In the current year, transportation-related expenditures increased $136.2 million in the Capital Improvement Fund, while decreasing $31.7 million in the Transportation Revenue Bonds Fund.

Transfers in increased from $75.5 million to $112.3 million in Fiscal Year 2020. An on-going transfer equal to 0.25 percent of general fund taxes as published in the general fund condition statement is made annually with that amount being $44.1 million in Fiscal Year 2020. In addition, $67.6 million was transferred from the Petroleum Inspection special revenue fund, compared to $30.3 million transferred in Fiscal Year 2019. Transfers out decreased $2.1 million to $183.6 million. Transfers out to the Bond Security and Redemption Fund for debt service were $154.4 million, while transfers out to the Conservation Fund were $20.7 million in Fiscal Year 2020.

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 2019 to Fiscal Year 2020 include the following:

Environmental Improvement

Fund net position of the Environmental Improvement Fund increased $61.7 million to $2.1 billion. Total assets of the Fund increased by $136.6 million, while total liabilities increased by $74.5 million. Assets increased to $2.5 billion as the result of a cash increase of $143.0 million, while loans to local governments were reduced $9.0 million. Conversely, liabilities increased to $358.3 million due to a $76.8 million increase in revenue bonds payable.

Operating income of the Fund decreased by $0.9 million to $28.4 million in Fiscal Year 2020. Operating revenue of $45.3 million, which consists primarily of investment and interest income, remained steady in Fiscal Year 2020. Operating expenses decreased $0.6 million in Fiscal Year 2020, the result of a $1.4 million reduction in interest expense and a $0.6 million increase in salaries and benefits.

Unemployment Reserve

Net position of the Unemployment Reserve Fund decreased by $345.4 million during Fiscal Year 2020 from $2.0 billion at June 30, 2019 to $1.7 billion at June 30, 2020. Benefit expenses increased from $387.0 million in Fiscal Year 2019 to $3.4 billion in Fiscal Year 2020, an increase of $3.0 billion (770.6 percent). The increase in benefits is the result of the average unemployment rate increasing from 3.1 percent during Fiscal Year 2019 to 5.4 percent during Fiscal Year 2020. In addition, benefit periods were extended during the current fiscal year from a possible 26 weeks to a possible 39 weeks. Also, starting for the week ending February 8, 2020, 39 weeks of benefits were made available to those otherwise ineligible for unemployment who were unable to work due to COVID-19. Finally, an extra $600 was paid each week starting for the week ending April 4, 2020.

Total operating revenues increased by $2.4 billion from $588.7 million in Fiscal Year 2019 to $3.0 billion in Fiscal Year 2020. Employer contributions decreased from $561.5 million in Fiscal Year 2019 to $514.3 million in Fiscal Year 2020, a decrease of $47.2 million (8.4 percent). The average tax rate on taxable wages decreased from 1.75% during Calendar Year 2019 to an estimated 1.58% in Calendar Year 2020. Federal aids revenue for the unemployment program increased from $1.6 million in FY 2019 to $2.4 billion in Fiscal Year 2020, an increase of $2.4 billion (150,490.6 percent). The increase in federal aids is the result of six new federal unemployment programs enacted during the current fiscal year. These programs temporarily fund an extra 13 weeks of eligibility, an extra $600 per week, 39 weeks of benefits for those otherwise ineligible, the first week of regular benefits that otherwise would be a waiting week, benefits paid under a short-time compensation or workshare program, and 50 percent of benefits paid on behalf of non-contributory employers.

University of Wisconsin System

Fund net position increased $39.9 million to $5.4 billion. Assets, which consist primarily of capital assets and cash, increased $635.6 million to $8.9 billion. Liabilities, which consists primarily of bonds payable, decreased by $247.4 million to $3.1 billion. The Fund reported a restricted net pension asset of $430.5 million in Fiscal Year 2020 compared to a net pension liability of $(474.4) million in the prior year. The fund also reported a restricted net OPEB asset of $67.9 million in Fiscal Year 2020. Deferred outflows of resources decreased $157.0 million to $1.2 billion, while deferred inflows of resources increased $686.1 million to $1.5 billion. The changes in deferred outflows and inflows were primarily related to changes in pension related amounts.

Operating revenues decreased $51.9 million or 1.4 percent to $3.6 billion. Student tuition, and federal grants and contracts of $1.4 billion and $810.0 million, respectively, comprise 61.3 percent of operating revenues. Increases of $24.4 million, $38.0 million and $5.6 million were reported for local and private grants and contracts, federal grants and contracts and tuition and fees, respectively. Conversely, revenues decreased by $79.3 million (18.3 percent), $33.2 million (8.9 percent) and $4.4 million (7.7 percent), for sales and services of auxiliary enterprises, sales and services of educational activities and sales and services to UW Hospital Authority, respectively. Other income revenues also declined by $3.0 million (0.7 percent). Operating expenses decreased $83.8 million or 1.6 percent. Supplies and services and personal services decreased by $108.9 million and $2.0 million, respectively. These were offset by increases for scholarship and fellowships and other expenses $22.9 million and $2.5 million, respectively. Offsetting those changes were increases in operating grants and disposal of capital assets of $61.9 million and $18.5 million, respectively. With decreases in nonoperating investment, loss on disposal of capital assets, gifts and donations and other revenues of $42.3 million, $18.5 million, $13.4 million and $7.2 million, respectively.

Transfers in to the University of Wisconsin System totaled $1.1 billion in Fiscal Year 2020. The general purpose revenue supplement received from the State's General Fund was $885.3 million an increase of $1.1 million. The Capital Improvement Fund also transferred $193.8 million of bond and note proceeds to the University of Wisconsin System, an increase of $163.8 million from the prior year. Bond proceeds transferred in are a function of on-going capital projects funded with those bonds. Capital contributions also decreased $93.0 million from the prior year.

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the close of Fiscal Year 2020, the State reported $31.2 billion invested in capital assets, net of accumulated depreciation of $8.6 billion. This represents an increase of $884.0 million, or 2.9 percent, from Fiscal Year 2019. Depreciation charges totaled $159.4 million and $346.3 million for governmental and business-type activities, respectively, in Fiscal Year 2020. The details of these assets are presented in Table 7, below. Additional information about the State's capital assets is presented in Note 7 to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	**2019***	**2020**	**2019***	**2020**	**2019***
Land and Land Improvements	$ 2,987	$ 2,941	$ 180	$ 173	$ 3,167	$ 3,114
Buildings and Improvements	1,466	1,528	4,208	4,072	5,673	5,600
Library Holdings	59	59	150	152	210	211
Machinery and Equipment	318	331	326	319	645	650
Infrastructure	18,429	17,586	—	—	18,429	17,586
Construction and Software in Progress	2,328	2,404	782	784	3,110	3,188
Totals	$ 25,587	$ 24,849	$ 5,646	$ 5,500	$ 31,234	$ 30,349

*Amounts for the prior fiscal year have been restated

The major capital asset additions completed or acquired during Fiscal Year 2020 included the:

- I-94 North South Freeway Project $1.6 billion
- St. Croix Bridge Crossing $305.0 million
- USH 18/151: Verona Road $264.9 million
- UW Sellery & Witte Renovation $52.8 million
- UW Music Performance Facility $50.7 million
- UW Eau Claire New Residence Hall $32.5 million
- UW Stout North Hall Addition and Renovation $21.7 million
- UW Lathrop and Bascom Utility Improvement $19.4 million
- Willow River State Park Lower Dams Renovation $16.9 million
- UW South Campus Utilities $16.9 million

In addition to these completed projects, construction and software in progress as of June 30, 2020 for governmental and business-type activities totaled $2.3 billion and $782.5 million, respectively. A list of those projects is provided in Note 7. The State's continuing or proposed major capital projects for Fiscal Year 2020 and future years include:

- Zoo Interchange (Completion in 2023) $1.5 billion
- I39/90: USH 12 to Illinois (Completion 2021) $1.2 billion
- I43 Silver Spring to STH60 (Completion 2025) $556.2 million
- STH 23 / State Highway 67 / US 41 (Completion in 2022) $168.7 million
- USH 53 La Crosse Corridor (Completion TBD) $148.2 million
- STH 15 / STH 76 New London (Completion in 2024) $137.7 million
- STH 50 / I94 43rd Avenue (Completion 2023) $119.1 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, 2020 was $7.6 billion, as shown in Table 8. During Fiscal Year 2020, $1.5 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, $ 630.6 million were to be used for University of Wisconsin System academic and self-amortizing facilities, $322.0 million for transportation projects, $158.8 million for environmental programs, and $58.4 million for correctional and mental health facilities. The remaining proceeds from new bonds issued were used 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 of June 30, 2020, $3.0 billion of these bonds were outstanding.

Chapter 18 of the Wisconsin Statutes authorizes the State to issue revenue obligations. These obligations, which are not general obligation debt of the State, are secured by a pledge of revenues or property derived from the operations of a program funded by the issuance of the obligations. Revenue bonds of the primary government totaled $2.5 billion outstanding at June 30, 2020, as shown in Table 8. These bonds included $2.1 billion of Transportation Revenue Bonds, and $354.6 million of Environmental Improvement Revenue Bonds.

Table 8
Outstanding Debt as of June 30
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
General obligations:						
Bonds and long-term notes	$5,924.0	$6,025.8	$1,706.5	$1,687.5	$7,630.5	$7,713.3
Annual appropriation bonds	3,030.2	3,002.4	—	—	3,030.2	3,002.4
Revenue bonds	2,131.3	2,415.7	354.6	277.8	2,485.9	2,693.4
Totals	$11,085.5	$11,443.9	$2,061.0	$1,965.2	$13,146.6	$13,409.1

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

At June 30, 2020, State of Wisconsin general obligation fixed rate bonds had a rating of AA+ from Fitch Ratings, AA+ from Kroll Bond Rating Agency, Aa1 from Moody's Investors Services, and AA from Standard and Poor's Rating Services. General obligation variable rate notes are outstanding in different forms, with ratings from two or more rating agencies.

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

INFRASTRUCTURE -- MODIFIED APPROACH

The State reports infrastructure (i.e., roads, bridges, and buildings considered an ancillary part of roads) as capital assets. Infrastructure assets exclude right-of-way costs. The State has elected to report its infrastructure assets (11,200 centerline miles of roads and 5,200 bridges with a combined value of $18.4 billion) using the modified approach. Under this method, infrastructure assets are not required to be depreciated if the State manages its eligible infrastructure assets using an asset management system designed to maintain and preserve these assets at a condition level established and disclosed by the State.

All infrastructure assets constructed prior to July 1, 2000 have been recorded at estimated historical cost. Historical cost was determined by calculating current costs of a similar asset and deflating that cost, using the Federal Highway Administration's composite index for federal-aid highway construction, to the estimated average construction date. All infrastructure assets constructed on or after July 1, 2000 have been recorded at historical cost.

In order to adequately serve the traveling public and support the State economy, it is the State's policy to ensure at least 85 percent of the state-owned roads and bridges are in good or fair condition. As of June 30, 2020, 92.4 percent of the roads and 97.7 percent of bridges were in good or fair condition, consistent with State policies. This compares to 92.4 percent of the roads and 97.4 percent of bridges as of June 30, 2019.

For the fiscal year ended June 30, 2020, actual maintenance and preservation costs for the State's road network were $671.0 million, or $157.6 million less than the estimated amount. On the same date, actual maintenance and preservation costs for the State's bridge network were $67.5 million, or $39.8 million less than the estimated amount. In developing estimated costs at the beginning of the fiscal year, it is difficult to predict the types of projects that will actually incur costs during the year. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimate amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

ECONOMIC FACTORS

During calendar year 2019, the Wisconsin economy continued its expansion.

Wisconsin employment continued to grow throughout 2019 at a moderate pace. According to the federal Bureau of Labor Statistics, total nonfarm employment in Wisconsin increased 0.7 percent in 2017, 0.9 percent in 2018 and 0.2 percent during 2019. Nationally, employment grew 1.5 percent in 2017, 1.6 percent in 2018 and 1.4 percent in 2019. Wisconsin employment growth is somewhat constrained due to a lower unemployment rate and a slower overall population growth than the nation as a whole.

More recently, due to the economic effects of the COVID-19 global pandemic, Wisconsin employment and national employment both have contracted sharply compared to the prior year. Between September 2019 and September 2020, Wisconsin employment decreased 6.5 percent. Nationally, employment is down 6.4 percent over the same period. Wisconsin's seasonally adjusted unemployment rate in September 2020 was 5.4 percent, below the 7.9 percent national unemployment rate for the same month. Both Wisconsin and national employment have rebounded significantly from the lows reached in April 2020 due to the effects of virus mitigation efforts.

Reflecting the expansion prior to the pandemic, Wisconsin's state nominal gross domestic product increased 3.5 percent in 2019, tracking national growth of 4.0 percent. Wisconsin's 2019 growth followed growth rates of 2.3 percent and 5.3 percent in 2017 and 2018, respectively. These figures compare with the 50-state total gross domestic product increases of 4.3 percent in 2017 and 5.5 percent in 2018.

Steady growth in output has spurred gains in personal income. Wisconsin personal income grew 3.8 percent, 5.1 percent and 3.4 percent in 2017, 2018 and 2019, respectively. Nationally, personal income grew 4.9 percent, 5.3 percent and 3.9 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 3.5 percent, 4.8 percent and 3.1 percent in 2017, 2018 and 2019, respectively. This compares to growth of 4.2 percent, 4.8 percent and 3.5 percent in the same years nationally. Relative to the national average, Wisconsin per capita income has remained in approximately the same range for the past three years at 94.5 percent, 94.5 percent and 94.2 percent of the national average in 2017, 2018 and 2019, respectively.

Wisconsin's statewide total property value increased again in 2020 for the seventh straight year following five years of declines from 2009 through 2013. The increase in values has been broad-based, reflecting improvements in all major sectors. In 2020, total property values increased 5.5 percent, with residential property value growing at 5.3 percent. In addition, commercial real estate values grew 7.5 percent and manufacturing values grew 5.0 percent.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide Wisconsin's citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to: State of Wisconsin, State Controller's Office, 101 E. Wilson Street, 5th Floor, Madison, WI 53703 or by email to: DOAWebMaster@wi.gov.

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

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

* * * *

Basic Financial Statements

Statement of Net Position
June 30, 2020

(In Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Assets				
Cash and Cash Equivalents	$ 6,700,361	$ 5,202,680	$ 11,903,041	$ 1,535,010
Investments	638,582	2,132,986	2,771,568	2,687,593
Securities Lending Collateral	-	109,363	109,363	-
Cash and Investments with Other Component Units	-	-	-	212,800
Receivables (net of allowance)	5,626,091	3,487,234	9,113,325	1,915,764
Internal Balances	153,926	(153,926)	-	-
Inventories	62,246	35,704	97,950	54,236
Prepaid Items	32,524	36,668	69,193	48,153
Capital Leases Receivable - Component Units	-	62	62	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	232,491	32,707	265,198	55,488
Investments	120,682	45,357	166,039	4,168,998
Net Pension & OPEB Asset	472,638	553,793	1,026,431	127,358
Cash and Investments with Other Component Units	-	-	-	-
Other Restricted Assets	6,003	-	6,003	-
Other Assets	10,552	6,872	17,424	195,637
Capital Assets:				
Depreciable	1,688,908	4,695,206	6,384,115	1,052,981
Nondepreciable:				
Infrastructure	18,428,533	-	18,428,533	-
Other	5,470,054	951,528	6,421,583	215,368
Total Assets	39,643,591	17,136,235	56,779,826	12,269,386
Deferred Outflows of Resources				
Accumulated Decrease in the Fair Value of Hedging Derivatives	-	-	-	41,753
Debt Refunding	354,436	44,986	399,423	7,015
Advances by the State	22,395	69,101	91,496	-
Deferred Pension Outflows	905,228	1,046,635	1,951,864	272,861
Deferred Other Post Employment Benefits Outflows	172,072	211,584	383,656	52,511
Asset Retirement Obligation	-	10,251	10,251	-
Other Deferred Outflows				2,555
Total Deferred Outflows of Resources	1,454,132	1,382,558	2,836,689	376,695

Statement of Net Position
June 30, 2020

(Continued)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Liabilities				
Accounts Payable and Other Accrued Liabilities	$ 1,761,160	$ 1,118,854	$ 2,880,014	$ 508,097
Securities Lending Collateral Liabilities	-	109,363	109,363	-
Due to Other Governments	2,699,535	147,998	2,847,533	157,439
Tax Refunds Payable	1,715,349	-	1,715,349	-
Tax and Other Deposits	71,623	33,195	104,818	107,361
Amounts Held in Trust by Component Unit for Other Component Units	-	-	-	200,942
Amounts Held in Trust by Component Unit for Others	-	-	-	89,425
Unearned Revenue	2,096,396	197,841	2,294,237	76,019
Interest Payable	102,718	12,463	115,181	15,397
Short-term Notes Payable	286,772	33,798	320,570	-
Other Liabilities	-	-	-	47,602
Long-term Liabilities:				
Current Portion	1,088,048	344,122	1,432,170	119,532
Noncurrent Portion	13,175,710	3,553,747	16,729,456	3,139,949
Total Liabilities	22,997,311	5,551,380	28,548,691	4,461,762
Deferred Inflows of Resources				
Debt Refunding	6,199	140	6,339	-
Deferred Pension Inflows	1,247,339	1,436,198	2,683,537	384,202
Deferred Other Post Employment Benefits Inflows	205,002	259,798	464,801	39,943
Other Deferred Inflows	-	79	79	-
Total Deferred Inflows of Resources	1,458,540	1,696,215	3,154,756	424,146
Net Position				
Net Investment in Capital Assets	21,096,916	3,823,246	24,920,163	615,370
Restricted for:				
Human Relations and Resources	142,344	-	142,344	-
Conservation Related	174,045	-	174,045	-
General Executive	148,740	-	148,740	-
Transportation	798,633	-	798,633	-
Debt Service	8,522	-	8,522	-
Capital Projects	53,069		53,069	
Unemployment Compensation	-	1,677,914	1,677,914	-
Environmental Improvement	-	2,094,896	2,094,896	-
Permanent Trusts:				
Expendable	24,935	373,701	398,636	16,647
Nonexpendable	1,225,584	205,407	1,430,991	11,597
Future Benefits	-	1,815,061	1,815,061	43,063
Pensions & OPEB	472,638	553,718	1,026,356	15,392
Other Purposes	146,697	759,358	906,055	4,802,964
Unrestricted	(7,650,252)	(32,104)	(7,682,356)	2,255,139
Total Net Position	$ 16,641,871	$ 11,271,198	$ 27,913,069	$ 7,760,172

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

Statement of Activities
For the Fiscal Year Ended June 30, 2020

(In Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants, Contributions and Restricted Interest**	**Capital Grants, Contributions and Restricted Interest**
Primary Government:				
Governmental Activities:				
Commerce	$ 451,580	$ 268,967	$ 155,452	$ -
Education	7,943,093	13,748	939,899	-
Transportation	2,413,702	915,778	137,037	1,071,095
Environmental Resources	518,341	241,218	96,704	1,575
Human Relations and Resources	15,309,543	682,018	9,089,963	9,469
General Executive	678,065	276,509	171,800	-
Judicial	147,204	46,946	1,250	-
Legislative	75,853	2,004	3	-
Tax Relief and Other General Expenses	1,597,518	2	70,938	-
Intergovernmental - Shared Revenue	1,050,917	53,555	-	-
Interest on Debt	392,340	-	-	-
Total Governmental Activities	30,578,156	2,500,746	10,663,046	1,082,138
Business-type Activities:				
Injured Patients and Families Compensation	70,571	11,386	135,769	-
Environmental Improvement	45,651	45,271	66,045	-
University of Wisconsin System	5,319,535	3,640,875	623,640	15,301
Unemployment Reserve	3,371,760	582,612	2,444,177	-
Lottery	805,202	725,664	1,563	-
Health Insurance	1,577,872	1,543,753	42,049	-
Care and Treatment Facilities	417,879	297,363	3,604	792
Other Business-type	134,142	83,202	138,730	2,396
Total Business-type Activities	11,742,612	6,930,125	3,455,576	18,488
Total Primary Government	$ 42,320,767	$ 9,430,871	$ 14,118,622	$ 1,100,627
Component Units:				
Housing and Economic Development Authority	$ 292,296	$ 89,557	$ 198,807	$ -
Health Care Liability Insurance Plan	5,093	3,910	-	-
University Hospitals and Clinics Authority	3,348,440	3,386,907	-	-
University of Wisconsin Foundation	292,050	69,428	304,160	-
Wisconsin Economic Development Corp	57,096	126	41,083	-
Total Component Units	$ 3,994,976	$ 3,549,928	$ 544,051	$ -

General Revenues:
Dedicated for General Purposes:
Income Taxes
Sales and Excise Taxes
Public Utility Taxes
Other Taxes
Motor Fuel/Other Taxes Dedicated for Transportation
Other Dedicated Taxes
Interest and Investment Earnings
Miscellaneous
Contributions to Term and Permanent Endowments
Contributions to Permanent Fund Principal
Transfers

Total General Revenues, Contributions, and Transfers

Change in Net Position
Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	**Business-Type Activities**	**Total**	**Component Units**
$ (27,162)		$ (27,162)	
(6,989,445)		(6,989,445)	
(289,792)		(289,792)	
(178,843)		(178,843)	
(5,528,094)		(5,528,094)	
(229,756)		(229,756)	
(99,008)		(99,008)	
(73,846)		(73,846)	
(1,526,578)		(1,526,578)	
(997,361)		(997,361)	
(392,340)		(392,340)	
(16,332,226)		(16,332,226)	
	$ 76,584	76,584	
	65,664	65,664	
	(1,039,719)	(1,039,719)	
	(344,972)	(344,972)	
	(77,975)	(77,975)	
	7,929	7,929	
	(116,120)	(116,120)	
	90,186	90,186	
-	(1,338,422)	(1,338,422)	
(16,332,226)	(1,338,422)	(17,670,648)	
			$ (3,932)
			(1,183)
			38,467
			81,538
			(15,887)
			99,003
10,320,574	-	10,320,574	-
6,614,283	-	6,614,283	-
363,462	-	363,462	-
314,821	-	314,821	-
1,080,586	-	1,080,586	-
115,811	-	115,811	-
342,486	44,107	386,593	136,878
434,845	-	434,845	128,410
-	1,337	1,337	(92)
10,585	-	10,585	-
(1,249,326)	1,249,326	-	-
18,348,125	1,294,770	19,642,895	265,196
2,015,899	(43,652)	1,972,247	364,199
14,625,973	11,314,850	25,940,822	7,395,973
$ 16,641,871	$ 11,271,198	$ 27,913,069	$ 7,760,172

Balance Sheet - Governmental Funds
June 30, 2020

(In Thousands)

	General	Transportation	Nonmajor Governmental	Total Governmental
Assets and Deferred Outflows of Resources				
Assets:				
Cash and Cash Equivalents	$ 3,402,977	$ 649,062	$ 925,444	$ 4,977,483
Investments	623	—	637,959	638,582
Receivables (net of allowance):				
Taxes	2,453,658	98,111	—	2,551,769
Loans to Local Governments	—	—	397,484	397,484
Other Loans Receivable	2,294	18,437	—	20,731
Other Receivables	736,590	7,236	73,675	817,501
Due from Other Funds	225,210	121,397	44,634	391,241
Due from Component Units	142	—	—	142
Interfund Receivables	86,865	—	—	86,865
Due from Other Governments	1,517,650	213,240	12,894	1,743,784
Inventories	15,874	35,579	3,426	54,879
Prepaid Items	3,937	1,026	17,427	22,389
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	—	—	232,491	232,491
Investments	—	—	120,682	120,682
Other Restricted Assets	—	—	6,003	6,003
Other Assets	9,978	—	573	10,552
Total Assets	8,455,798	1,144,088	2,472,692	12,072,578
Deferred Outflows of Resources:				
Advances by the State	22,235	160	—	22,395
Total Assets and Deferred Outflows of Resources	$ 8,478,033	$ 1,144,248	$ 2,472,692	$ 12,094,973
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 1,522,952	$ 171,799	$ 31,815	$ 1,726,567
Due to Other Funds	135,470	29,890	93,205	258,565
Due to Component Units	145	—	—	145
Interfund Payables	—	—	1,401	1,401
Due to Other Governments	2,595,683	100,348	3,504	2,699,535
Tax Refunds Payable	1,714,325	989	35	1,715,349
Tax and Other Deposits	55,152	283	16,189	71,623
Unearned Revenue	2,083,135	5,478	7,594	2,096,207
Interest Payable	—	—	46,942	46,942
Advances from Other Funds	—	—	6,728	6,728
Short-term Notes Payable	—	—	277,296	277,296
Revenue Bonds and Notes Payable	—	—	130,275	130,275
Total Liabilities	8,106,862	308,788	614,983	9,030,633
Deferred Inflows of Resources:				
Unavailable Revenue	369,624	222	9,372	379,218
Fund Balances:				
Nonspendable	19,811	36,604	1,246,118	1,302,533
Restricted	337,571	798,633	485,025	1,621,230
Committed	761,776	—	275,351	1,037,127
Unassigned	(1,117,611)	—	(158,157)	(1,275,767)
Total Fund Balances	1,547	835,238	1,848,337	2,685,122
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 8,478,033	$ 1,144,248	$ 2,472,692	$ 12,094,973

(Continued)

Balance Sheet - Governmental Funds
June 30, 2020

(Continued)

			Total Governmental
Reconciliation to the Statement of Net Position:			
Total Fund Balances - Governmental Funds (from previous page)		$	2,685,122
Capital assets used in governmental activities are not financia resources and, therefore, are not reported in the funds			
Infrastructure	18,428,533		
Other Capital Assets	8,564,297		
Accumulated Depreciation	(1,892,865)		
			25,099,965
Other long-term assets and deferred outflows and inflows of resources that are not available to pay for current perioc expenditures and, therefore, are not recognized in the funds			388,965
Some of the State's revenues will be collected after year-enc but are not available soon enough to pay for the current period's expenditures and, therefore, are not recognized in the funds			379,029
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.			(538,951)
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	(2,001,041)		
Appropriation Bonds Payable	(3,030,189)		
General Obligation Bonds and Notes Payable	(5,580,820)		
Accrued Interest on Bonds	(55,776)		
Capital Leases	(54,936)		
Compensated Absences	(170,583)		
Pollution Remediation	(8,360)		
Claims and Judgments	(679)		
Other Postemployment Benefits Liability	(469,874)		
			(11,372,257)
Net Position of Governmental Activities as reported on the Statement of Net Position (See page 25)		$	16,641,871

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, 2020

(In Thousands)

	General	Transportation	Nonmajor Governmental	Total Governmental
Revenues:				
Taxes:				
Income	$ 10,284,373	$ —	$ —	$ 10,284,373
Sales and Excise	6,614,286	—	—	6,614,286
Public Utility	363,462	—	—	363,462
Other General Purpose	314,722	—	—	314,722
Motor Fuel	—	1,080,630	—	1,080,630
Other Dedicated	—	—	115,811	115,811
Intergovernmental	10,262,173	1,204,995	96,083	11,563,250
Licenses and Permits	782,867	671,093	650,998	2,104,958
Charges for Goods and Services	314,789	16,215	26,235	357,239
Investment and Interest Income	27,141	6,447	68,855	102,443
Fines and Forfeitures	48,490	528	14,435	63,453
Gifts and Donations	3,927	35	19,369	23,331
Miscellaneous:				
Tobacco Settlement	116,255	—	—	116,255
Other	290,479	14,501	12,436	317,416
Total Revenues	29,422,964	2,994,444	1,004,221	33,421,629
Expenditures:				
Current Operating:				
Commerce	354,759	—	92,788	447,548
Education	7,807,411	—	58,188	7,865,599
Transportation	15,310	2,273,942	54,556	2,343,808
Environmental Resources	105,133	—	371,462	476,595
Human Relations and Resources	15,044,611	—	43,715	15,088,326
General Executive	566,568	—	106,972	673,539
Judicial	142,745	—	171	142,916
Legislative	74,205	—	—	74,205
Tax Relief and Other General	1,591,118	—	7,290	1,598,408
Intergovernmental - Shared Revenue	996,817	—	54,100	1,050,917
Capital Outlay	57,406	522,595	371,670	951,671
Debt Service:				
Principal	—	—	697,676	697,676
Interest	—	—	469,823	469,823
Other Expenditures	—	—	5,057	5,057
Total Expenditures	26,756,083	2,796,537	2,333,466	31,886,086
Excess of Revenues Over (Under) Expenditures	2,666,881	197,907	(1,329,245)	1,535,542
Other Financing Sources (Uses):				
Long-term Debt Issued	—	—	540,745	540,745
Long-term Debt Issued - Refunding Bonds	—	—	1,016,761	1,016,761
Payments for Refunded Bonds	—	—	(847,612)	(847,612)
Payments to Refunded Bonds Escrow Agent	—	—	(337,962)	(337,962)
Swap Termination	—	—	(149,728)	(149,728)
Premium on Bonds	—	—	122,247	122,247
Transfers In	59,162	112,341	1,119,766	1,291,269
Transfers Out	(1,963,481)	(183,570)	(397,062)	(2,544,113)
Capital Lease Acquisitions	239	—	—	239
Total Other Financing Sources (Uses)	(1,904,080)	(71,229)	1,067,155	(908,153)
Net Change in Fund Balances	762,801	126,678	(262,090)	627,389
Fund Balances, Beginning of Year	(763,143)	694,481	2,109,757	2,041,095
Increase (Decrease) in Inventories	1,889	14,079	669	16,638
Fund Balances, End of Year	$ 1,547	$ 835,238	$ 1,848,337	$ 2,685,122

(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2020

(Continued)

			Total Governmental
Reconciliation to the Statement of Activities:			
Net Change in Fund Balances (from previous page)		$	627,389
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.			16,638
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	942,694		
Depreciation Expense	(121,653)		
Grants and Contributions (Donated Assets)	9,100		
			830,141
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.			(48,675)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			36,697
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			
Bonds Issued	(1,557,507)		
Payments for Refunded Bonds	847,612		
Payments to Refunding Bond Escrow Agent	487,691		
Repayment of Bond Principal	697,676		
Bond Premium	(122,247)		
Prepaid Bond Insurance Costs (Amortization)	(16)		
			353,209
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	101,894		
Decrease (increase) in Capital Leases	7,133		
Decrease (increase) in Compensated Absences	(19,204)		
Decrease (increase) in Pollution Remediation Liabilities	(3,683)		
Change in net pension assets, net pension liabilities, and pension-related deferred outflows and inflows of resource:	(13,644)		
Decrease (increase) in Postemployment Benefit Liabilities	(1,588)		
			70,908
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.			129,593
Changes in Net Position of Governmental Activities as reported on the Statement of Activities (See page 27)		$	2,015,899

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

Statement of Net Position
Proprietary Funds
June 30, 2020

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 534,835	$ 1,949,070	$ 1,545,058
Investments	—	—	—
Securities Lending Collateral	—	109,363	—
Loans to Local Governments (net of allowance)	195,474	—	—
Other Loans Receivable (net of allowance)	—	24,328	—
Other Receivables (net of allowance)	28	157,897	122,494
Due from Other Funds	3,028	25,766	26,886
Due from Component Units	—	10,958	—
Due from Other Governments	8,992	91,173	812,805
Inventories	—	28,900	—
Prepaid Items	17	35,043	—
Capital Leases Receivable - Component Units	—	29	—
Restricted and Limited Use Assets:			
Cash and Cash Equivalents	—	—	18,915
Other Assets	—	—	—
Total Current Assets	742,373	2,432,527	2,526,157
Noncurrent Assets:			
Investments	—	470,422	—
Loans to Local Governments (net of allowance)	1,724,444	—	—
Other Loans Receivable (net of allowance)	—	123,401	—
Other Receivables	—	—	29,996
Prepaid Items	49	—	—
Advances to Other Funds	6,582	—	—
Capital Leases Receivable - Component Units	—	33	—
Restricted and Limited Use Assets:			
Cash and Cash Equivalents	—	—	1,892
Investments	—	—	—
Net Pension & OPEB Asset	75	498,404	—
Other Assets	—	—	—
Depreciable Capital Assets (net of accum. depreciation)	—	4,513,622	—
Nondepreciable Capital Assets	—	831,803	—
Total Noncurrent Assets	1,731,150	6,437,685	31,888
Total Assets	2,473,523	8,870,213	2,558,045
Deferred Outflows of Resources			
Debt Refunding	1,162	43,303	—
Advances by the State	—	—	—
Deferred Pension Outflows	156	940,847	—
Deferred Other Post Employment Benefits Outflows	18	189,012	—
Asset Retirement Obligation	—	10,251	—
Total Deferred Outflows of Resources	1,335	1,183,413	—
Total Assets and Deferred Outflows of Resources	$ 2,474,858	$ 10,053,625	$ 2,558,045

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise	Totals	Internal Service Funds
$ 1,173,718	$ 5,202,680	$ 1,722,877
16,060	16,060	—
—	109,363	—
251	195,725	—
29	24,357	—
148,036	428,454	1,746
56,469	112,148	40,245
—	10,958	513
22,089	935,059	648
6,804	35,704	7,178
1,559	36,619	8,828
—	29	—
—	18,915	
441	441	—
1,425,455	7,126,513	1,782,036
1,646,503	2,116,925	—
2,556	1,727,000	—
2,882	126,284	—
—	29,996	—
—	49	494
146	6,728	—
—	33	—
11,900	13,792	—
45,357	45,357	—
55,314	553,793	13,837
6,431	6,431	—
181,585	4,695,206	461,231
119,726	951,528	26,300
2,072,400	10,273,124	501,862
3,497,856	17,399,637	2,283,898
521	44,986	2,831
69,101	69,101	—
105,632	1,046,635	27,153
22,554	211,584	5,776
—	10,251	—
197,809	1,382,558	35,761
$ 3,695,665	$ 18,782,194	$ 2,319,659

(Continued)

Statement of Net Position
Proprietary Funds
June 30, 2020

(Continued)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	**University of Wisconsin System**	**Unemployment Reserve**
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	$ 80	$ 86,027	$ 783,203
Securities Lending Collateral Liabilities	—	109,363	—
Due to Other Funds	1,168	111,554	68,982
Due to Component Units	—	6,953	—
Interfund Payables	—	—	—
Due to Other Governments	532	3,472	19,233
Tax and Other Deposits	—	5,628	—
Unearned Revenue	—	163,246	—
Interest Payable	1,316	10,744	—
Short-term Notes Payable	—	33,112	—
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	—	—	—
Capital Leases	—	1,480	—
Compensated Absences	164	89,467	—
General Obligation Bonds and Notes Payable	—	99,757	—
Revenue Bonds and Notes Payable	22,560	—	—
Total Current Liabilities	25,819	720,804	871,418
Noncurrent Liabilities:			
Accounts Payable and Other Accrued Liabilities	—	43,602	—
Due to Other Governments	—	116,047	8,713
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	—	—	—
Capital Leases	—	27,958	—
Compensated Absences	412	61,004	—
Other Postemployment Benefits	47	590,329	—
Asset Retirement Obligation	—	12,200	—
General Obligation Bonds and Notes Payable	—	1,559,451	—
Revenue Bonds and Notes Payable	332,007	—	—
Total Noncurrent Liabilities	332,466	2,410,592	8,713
Total Liabilities	358,285	3,131,396	880,132
Deferred Inflows of Resources			
Debt Refunding	—	126	—
Deferred Pension Inflows	205	1,289,323	—
Deferred Other Post Employment Benefits Inflows	30	233,171	—
Other Deferred Inflows	—	79	—
Total Deferred Inflows of Resources	235	1,522,699	—
Net Position:			
Net Investment in Capital Assets	—	3,574,416	—
Restricted for Unemployment Compensation	—	—	1,677,914
Restricted for Environmental Improvement	2,094,896	—	—
Restricted for Expendable Trusts	—	373,701	—
Restricted for Nonexpendable Trusts	—	205,407	—
Restricted for Future Benefits	—	—	—
Restricted for Pension and Other Post Employment Benefits	—	498,404	—
Restricted for Other Purposes	—	660,253	—
Unrestricted	21,442	87,351	—
Total Net Position	2,116,338	5,399,531	1,677,914
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 2,474,858	$ 10,053,625	$ 2,558,045

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

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise	Totals	Internal Service Funds
$ 134,667	$ 1,003,976	$ 12,201
—	109,363	—
78,676	260,380	3,939
—	6,953	—
44,253	44,253	41,212
—	23,237	—
27,567	33,195	—
34,595	197,841	—
403	12,463	2,342
686	33,798	9,476
118,530	118,530	46,498
579	2,059	6,809
6,693	96,324	113,223
4,892	104,649	20,685
—	22,560	—
451,539	2,069,581	256,384
7,014	50,616	—
—	124,761	—
843,832	843,832	81,744
4,345	32,304	8,759
8,322	69,739	2,144,027
71,457	661,833	17,743
—	12,200	—
42,381	1,601,833	322,511
—	332,007	—
977,352	3,729,123	2,574,783
1,428,891	5,798,703	2,831,167
14	140	72
146,670	1,436,198	37,168
26,597	259,798	6,281
—	79	—
173,281	1,696,215	43,521
248,831	3,823,246	122,048
—	1,677,914	—
—	2,094,896	—
—	373,701	—
—	205,407	—
1,815,061	1,815,061	—
55,314	553,718	13,837
99,105	759,358	—
(124,818)	(16,026)	(690,914)
2,093,493	11,287,276	(555,029)
$ 3,695,665	$ 18,782,194	$ 2,319,659

11,287,276	Total Net Position Reported Above
	Adjustment to Reflect the Consolidation of Internal
(16,078)	Service Activities Related to Enterprise Funds
$ 11,271,198	Net Position of Business-type Activities

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
For the Fiscal Year Ended June 30, 2020

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Operating Revenues:			
Charges for Goods and Services	$ —	$ —	$ —
Participant and Employer Contributions	—	—	514,301
Tuition and Fees	—	1,407,920	—
Federal Grants and Contracts	—	810,021	—
Local and Private Grants and Contracts	—	243,705	—
Sales and Services of Educational Activities	—	338,592	—
Sales and Services of Auxiliary Enterprises	—	354,280	—
Sales and Services to UW Hospital Authority	—	52,589	—
Investment and Interest Income	44,948	—	—
Miscellaneous:			
Federal Aid for Unemployment Insurance Program	—	—	2,397,885
Reimbursing Financing Revenue	—	—	48,417
Other	322	409,002	978
Total Operating Revenues	45,271	3,616,109	2,961,582
Operating Expenses:			
Personal Services	5,677	3,544,701	—
Supplies and Services	3,495	1,188,763	—
Lottery Prize Awards	—	—	—
Scholarships and Fellowships	—	165,112	—
Depreciation	—	329,098	—
Benefit Expense	—	—	3,369,091
Interest Expense	7,653	—	—
Other Expenses	—	23,675	2,670
Total Operating Expenses	16,825	5,251,349	3,371,760
Operating Income (Loss)	28,445	(1,635,240)	(410,178)
Nonoperating Revenues (Expenses):			
Operating Grants	60,429	221,910	—
Investment and Interest Income	5,639	44,035	46,292
Gain (Loss) on Disposal of Capital Assets	—	(856)	—
Interest Expense	—	(55,299)	—
Gifts and Donations	—	382,265	—
Miscellaneous Revenues	—	24,766	18,915
Other Expenses:			
Property Tax Credits	—	—	—
Grants Disbursed	(28,826)	—	—
Federal Settlement	—	—	—
Other	—	—	—
Total Nonoperating Revenues (Expenses)	37,242	616,821	65,206
Income (Loss) Before Contributions, Transfers and Special Item	65,688	(1,018,419)	(344,972)
Capital Contributions	—	15,301	—
Additions to Endowments	—	1,337	—
Transfers In	4,056	1,134,557	—
Transfers Out	(8,010)	(92,923)	(380)
Income (Loss) Before Special Item	61,733	39,852	(345,352)
Special Item:			
Transfer Beginning Pension and Other Post Employment Benefits Balances	—	—	—
Change in Net Position	61,733	39,852	(345,352)
Total Net Position, Beginning of Year	2,054,605	5,359,678	2,023,266
Total Net Position, End of Year	$ 2,116,338	$ 5,399,531	$ 1,677,914

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

Business-type Activities - Enterprise Funds				
Nonmajor Enterprise	Totals		Governmental Activities - Internal Service Funds	
$ 1,067,936	$ 1,067,936		$ 372,120	
1,555,918	2,070,219		—	
—	1,407,920		—	
—	810,021		—	
—	243,705		—	
—	338,592		—	
—	354,280		—	
—	52,589		—	
133	45,081		—	
—	2,397,885		—	
—	48,417		—	
32,533	442,835		2,081	
2,656,520	9,279,482		374,201	
320,797	3,871,175		85,495	
236,950	1,429,208		153,709	
453,523	453,523		—	
—	165,112		—	
17,245	346,343		37,795	
1,685,997	5,055,088		248,426	
—	7,653		—	
20,313	46,657		682	
2,734,825	11,374,760		526,106	
(78,305)	(2,095,278)		(151,905)	
4,673	287,012		160	
335,890	431,856		279,647	
(56)	(912)		(2,751)	
(1,551)	(56,850)		(11,847)	
617	382,882		—	
4,793	48,474		1,627	
(261,641)	(261,641)		—	
(1,756)	(30,582)		—	
—	—		—	
(114)	(114)		(401)	
80,855	800,125		266,435	
2,550	(1,295,153)		114,530	
3,188	18,488		—	
—	1,337		—	
231,566	1,370,179		7,979	
(19,539)	(120,853)		(3,943)	
217,765	(26,001)		118,567	
—	—		(6,625)	
217,765	(26,001)		111,942	
1,875,729	11,313,277		(666,971)	
$ 2,093,493	$ 11,287,276		$ (555,029)	

(26,001)	Change in Net Position Reported Above
(17,651)	Activities Related to Enterprise Funds
$ (43,652)	Change in Net Position of Business-Type Activities

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2020

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Cash Flows From Operating Activities:			
Cash Receipts from Customers	$ —	$ —	$ 537,774
Cash Payments to Suppliers for Goods and Services	(3,596)	(1,189,717)	—
Cash Payments to Employers for Services	(7,068)	(3,421,979)	—
Tuition and Fees	—	1,412,197	—
Grants and Contracts	—	1,050,506	—
Cash Payments for Lottery Prizes	—	—	—
Cash Payments for Loans Originated	(185,186)	(5,865)	—
Collection of Loans	194,088	31,292	—
Interest Income	45,129	—	—
Cash Payments for Benefits	—	—	(2,579,454)
Sales and Services of Educational Activities	—	337,887	—
Sales and Services of Auxiliary Enterprises	—	329,969	—
Sales and Services to UW Hospital Authority	—	49,138	—
Scholarships and Fellowships	—	(165,112)	—
Other Operating Revenues	322	363,960	1,668,386
Other Operating Expenses	—	—	(2,721)
Other Sources of Cash	—	—	—
Other Uses of Cash	—	—	—
Net Cash Provided (Used) by Operating Activities	43,690	(1,207,724)	(376,016)
Cash Flows From Financing Activities:			
Operating Grants Receipts	59,444	202,425	—
Grants Disbursed	(28,826)	—	—
Proceeds from Issuance of Debt	103,495	—	—
Repayment of Bonds and Notes	(21,309)	—	—
Interest Payments	(12,294)	—	—
Property Tax Credit Payments	—	—	—
Non Capital Gifts and Grants	—	383,406	—
Interfund Loans Received	—	—	—
Interfund Loans Repaid	—	—	—
Interfund Borrowing to Other Funds	—	—	—
Transfers In	1,036	1,128,160	—
Transfers Out	(8,010)	(91,431)	—
Student Direct Lending Receipts	—	604,491	—
Student Direct Lending Disbursements	—	(608,435)	—
Other Cash Inflows from Non capital Financing Activities	—	33,735	18,915
Other Cash Outflows from Non capital Financing Activities	(88)	(14,124)	—
Net Cash Provided (Used) by Non Capital Financing Activities	93,448	1,638,227	18,915
Cash Flows From Capital and Related Financing Activities:			
Proceeds from Issuance of Debt	—	414,013	—
Capital Contributions	—	192,188	—
Repayment of Bonds and Notes	—	(444,712)	—
Interest Payments	—	(143,145)	—
Transfers In	—	—	—
Capital Lease Obligations	—	—	—
Proceeds from Sale of Capital Assets	—	—	—
Payments for Purchase of Capital Assets	—	(425,733)	—
Other Cash Inflows from Capital Financing Activities	—	20,832	—
Other Cash Outflows from Capital Financing Activities	—	—	—
Net Cash Provided (Used) by Capital and Related Financing Activities	—	(386,556)	—
Cash Flows From Investing Activities:			
Proceeds from Sale and Maturities of Investment Securities	—	45,649	—
Purchase of Investment Securities	—	(32,429)	—
Investment and Interest Receipts	5,877	28,238	46,292
Net Cash Provided (Used) by Investing Activities	5,877	41,458	46,292
Net Increase (Decrease) in Cash and Cash Equivalents	143,015	85,405	(310,809)
Cash and Cash Equivalents, Beginning of Year	391,820	1,863,665	1,876,674
Cash and Cash Equivalents, End of Year	$ 534,835	$ 1,949,070	$ 1,565,865

Business-type Activities - Enterprise Funds: Nonmajor Enterprise	Business-type Activities - Enterprise Funds: Totals	Governmental Activities - Internal Service Funds
$ 2,591,494	$ 3,129,268	$ 364,427
(209,226)	(1,402,539)	(155,828)
(316,668)	(3,745,715)	(78,736)
—	1,412,197	
—	1,050,506	—
(438,575)	(438,575)	—
(799)	(191,850)	
297	225,677	—
62	45,191	—
(1,700,578)	(4,280,032)	(144,325)
—	337,887	
—	329,969	
—	49,138	
—	(165,112)	
2,063	2,034,731	—
(49,628)	(52,350)	—
86,732	86,732	3,690
(267)	(267)	(3)
(35,092)	(1,575,142)	(10,774)
4,619	266,489	—
(2,875)	(31,701)	—
—	103,495	—
—	(21,309)	—
—	(12,294)	(3)
(270,397)	(270,397)	—
—	383,406	—
12,440	12,440	3,336
1,366	1,366	(4,254)
(146)	(146)	(1,475)
193,649	1,322,846	7,889
(18,435)	(117,877)	(3,740)
—	604,491	—
—	(608,435)	—
942	53,592	10
43	(14,170)	(6,625)
(78,794)	1,671,796	(4,862)
16,447	430,461	32,526
3,194	195,382	—
(4,302)	(449,014)	(40,811)
(1,493)	(144,638)	(15,960)
33,030	33,030	—
(182)	(182)	(7,271)
—	—	661
(67,877)	(493,611)	(19,034)
12,073	32,905	160
(2,699)	(2,699)	(309)
(11,809)	(398,365)	(50,037)
470,581	516,229	—
(495,322)	(527,751)	—
225,794	306,201	279,527
201,053	294,680	279,527
75,359	(7,031)	213,853
1,110,259	5,242,417	1,509,024
$ 1,185,618	$ 5,235,387	$ 1,722,877

(continued)

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2020

(Continued)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	**University of Wisconsin System**	**Unemployment Reserve**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:			
Operating Income (Loss)	$ 28,445	$ (1,635,240)	$ (410,178)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	—	329,098	—
Provision for Uncollectible Accounts	—	—	(2,298)
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	7,398	—	—
Miscellaneous Nonoperating Income (Expense)	—	—	—
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Decrease (Increase) in Receivables	9,221	43,210	30,072
Decrease (Increase) in Due from Other Funds	(1,612)	(8,109)	(26,650)
Decrease (Increase) in Due from Component Units	—	(3,452)	
Decrease (Increase) in Due from Other Governments	—	(24,193)	(811,096)
Decrease (Increase) in Inventories	—	(397)	—
Decrease (Increase) in Prepaid Items	17	(15,457)	—
Decrease (Increase) in Net Pension Assets	(75)	(498,404)	—
Decrease (Increase) in Other Assets	—	—	—
Decrease (Increase) in Deferred Outflows of Resources	61	(761,692)	—
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(80)	91,830	767,528
Increase (Decrease) in Due to Other Funds	65	10,587	66,614
Increase (Decrease) in Due to Other Component Unit	—	(6,953)	—
Increase (Decrease) in Due to Other Governments	188	(22,689)	9,991
Increase (Decrease) in Tax and Other Deposits	—	—	—
Increase (Decrease) in Unearned Revenue	—	(13,087)	—
Increase (Decrease) in Interest Payable	—	—	—
Increase (Decrease) in Compensated Absences	59	6,297	—
Increase (Decrease) in Net Pension Liability	(102)	(474,419)	—
Increase (Decrease) in Postemployment Benefits	—	172,634	—
Increase (Decrease) in Future Benefits and Loss Liability	—	—	—
Increase (Decrease) in Deferred Inflows of Resources	105	1,602,711	—
Total Adjustments	15,244	427,516	34,162
Net Cash Provided Used by Operating Activities	$ 43,690	$ (1,207,724)	$ (376,016)
Noncash Investing, Capital and Financing Activities:			
Assets Acquired through Capital Leases	$ —	$ 985	$ —
Contributions/Transfers in (Out) of Noncash Assets and Liabilities from/to Other Funds	—	—	—
Lottery Prize Annuity Investment Liability	—	—	—
Net Change in Unrealized Gains and Losses	—	10,210	—
Other	—	2,181	—

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

Business-type Activities - Enterprise Funds		
Nonmajor Enterprise	Totals	Governmental Activities - Internal Service Funds
$ (78,305)	$ (2,095,278)	$ (151,905)
17,245	346,343	37,795
42	(2,256)	—
		—
1,876	9,273	1,632
4,855	4,855	—
(32,803)	49,701	1,687
(9,287)	(45,658)	(11,039)
143	(3,308)	160
(4)	(835,292)	229
305	(92)	(2,257)
(449)	(15,888)	167
(28,255)	(526,734)	(13,837)
(26,764)	(26,764)	—
15,548	(746,083)	(9,006)
(7,033)	852,244	(441)
4,101	81,368	68
—	(6,953)	—
(272)	(12,782)	—
430	430	—
(5,847)	(18,934)	—
(135)	(135)	—
1,354	7,710	848
(53,995)	(528,517)	(8,382)
20,243	192,877	9,838
65,190	65,190	105,087
76,724	1,679,541	28,583
43,213	520,136	141,130
$ (35,092)	$ (1,575,142)	$ (10,774)
$ 83	$ 1,069	$ 205
3	3	—
712	712	—
83,499	93,709	—
—	2,181	—

Statement of Fiduciary Net Position
June 30, 2020

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Custodial
Assets				
Cash and Cash Equivalents	$ 1,893,065	$ 4,928,257	$ 1,007	$ 130,664
Securities Lending Collateral	471,467	—	—	—
Prepaid Items	37,709	—	—	36
Receivables (net of allowance):				
Prior Service Contributions Receivable	10,850	—	—	—
Benefits Overpayment Receivable	2,242	—	—	—
Due from Other Funds	44,151	—	—	6,408
Due from Component Units	7,036	—	—	—
Due from Other Governments	103,637	—	—	1,235
Interest and Dividends Receivable	386,662	—	—	—
Investment Sales Receivable	6,490,811	—	—	—
Other Receivables	4,351	—	—	2,291
Total Receivables	7,049,740	—	—	9,934
Investments:				
Fixed Income	36,427,253	—	—	—
Stocks	66,011,290	—	—	—
Options	(6,029)	—	—	—
Financial Futures Contracts and Swaps	(5,875)	—	—	—
Limited Partnerships	14,770,360	—	—	—
Preferred Securities	481,730	—	—	—
Convertible Securities	4,067	—	—	—
Real Estate	1,374,070	—	—	—
Multi-asset Investments	5,353,262	—	—	—
Investment Contract	606,205	—	—	—
Foreign Currency Contracts	8,316	—	—	—
To Be Announced Securities	913,743	—	—	—
Deferred Compensation Plan Investments:				
Collective Investment Trust Funds	2,970,211	—	—	—
Mutual Funds	1,899,136	—	—	—
Stable Value Fund	689,464	—	—	—
Investments of Custodial Funds	—	—	—	45
Total Investments	131,497,204	—	—	45
Capital Assets	3,532	—	—	—
Other Assets	—	—	—	336,687
Total Assets	$ 140,952,716	$ 4,928,257	$ 1,007	$ 477,365

(continued)

(continued)

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Custodial
Liabilities				
Accounts Payable and Other Accrued Liabilities	$ 169,542	$ 285	$ 9	$ 24,429
Reverse Repurchase Agreements	9,844,991	—	—	—
Securities Lending Collateral Liability	471,467	—	—	—
Annuities Payable	399,617	—	—	—
Due to Other Funds	92,138	154	—	5,585
Tax and Other Deposits	—	—	—	1,340
Due to Other Governments	—	—	—	81,686
Future Benefits and Loss Liabilities	—	—	—	—
Short Sales of Securities	4,464,308	—	—	—
Investment Payable	6,034,661	—	—	—
Unearned Revenue	1,890	—	—	—
Compensated Absences Payable	—	—	—	—
Net Pension Liability	—	—	—	—
Other Postemployment Benefits	—	—	—	—
Total Liabilities	21,478,614	439	9	113,039
Net Position				
Restricted for Pension, OPEB and Other Purposes	$ 119,474,102	$ 4,927,818	$ 999	$ 364,326

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, 2020

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust	Custodial
Additions				
Contributions:				
Employer Contributions	$ 1,064,268	$ —	$ —	$ —
Employee Contributions	1,201,502	—	—	—
Transfer-in From Other Plans	69,102	—	—	—
Total Contributions	2,334,872	—	—	—
Deposits	—	11,288,849	—	1,244,405
Premiums	—	—	—	20,141
Federal Subsidy	—	—	—	1,759
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	19,068,433	—	—	—
Interest and Dividends	2,231,750	—	—	—
Securities Lending Income	41,981	—	—	—
Other	250,489	—	—	—
Investment Income of Investment Trusts, Private Purpose Trusts, Other Employee Benefit Trusts and Custodial Funds	17,854	96,398	31	(244)
Less:				
Investment Expense	(853,150)	(995)	—	—
Securities Lending Rebates and Fees	(8,902)	—	—	—
Investment Income Distributed to Other Funds	(493,214)	—	—	—
Net Investment Income	20,255,242	95,403	31	(244)
Interest on Prior Service Receivable	526	—	—	—
Tax Collections for Other Governments	—	—	—	528,486
Miscellaneous Income	418	—	—	2
Total Additions	22,591,058	11,384,252	31	1,794,548
Deductions				
Retirement Benefits and Refunds:				
Retirement, Disability, and Beneficiary	5,646,196	—	—	—
Separations	44,106	—	—	—
Total Retirement Benefits and Refunds	5,690,302	—	—	—
Distributions	276,013	10,611,396	1,746	1,250,338
Benefits and Other Expenses	126,025	—	—	21,027
Administrative Expense	44,006	155	—	901
Payments of Tax to Other Governments	—	—	—	528,186
Total Deductions	6,136,346	10,611,550	1,746	1,800,452
Net Increase (Decrease)	16,454,711	772,701	(1,715)	(5,904)
Net Position - Beginning of Year	103,019,391	4,155,116	2,714	370,229
Net Position - End of Year	$ 119,474,102	$ 4,927,818	$ 999	$ 364,326

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

Notes To The Financial Statements

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

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

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

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

Wisconsin Housing and Economic Development Authority
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.

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 Conversion Credit, Supplemental Health Insurance Conversion Credit, Wisconsin Deferred Compensation, Duty Disability, Reimbursed Employee Expense, Local Retiree Life Insurance, Retiree Life Insurance, Milwaukee Retirement System, Retiree Health Insurance, Local Retiree Health Insurance, Income Continuation Insurance, and Health Insurance.

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

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

Insurance Commissioner's Accounting Practices and Procedures Manual. Statutory accounting practices vary somewhat from United States GAAP but are expected to be immaterial.

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

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

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

The State reports the following major funds:

Major Governmental Funds

- *General Fund* – the primary operating fund of the State, accounts for all financial transactions except those required to be accounted for in another fund.

- *Transportation Fund* – a special revenue fund, accounts for the proceeds from motor fuel taxes, vehicle registrations, licensing fees, and federal and local governments which are used to supply and support safe, efficient and effective transportation in Wisconsin.

Major Enterprise Funds

- *Environmental Improvement Fund* – accounts for financial resources generated and used for clean water projects. Federal capitalization grants, interest earnings, revenue bond proceeds, and general obligation bond proceeds are its primary funding sources.

- *University of Wisconsin System Fund* – accounts for the 13 four-year universities, 13 additional campuses affiliated with seven of the four-year institutions, and System Administration.

- *Unemployment Reserve Fund* – accounts for unemployment contributions made by employers, federal program receipts, benefit payment recoveries and unemployment benefits paid to laid off workers in the State.

In addition, the State reports the following fund types:

Governmental Funds

- *Special Revenue Funds* – account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Examples include the Conservation Fund and the Petroleum Inspection Fund.

- *Debt Service Funds* – account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Financial resources that are being accumulated for future principal and interest are also reported in debt service funds.

- *Capital Projects Funds* – account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds or that will be held in trust for individuals, private organizations, or other governments).

- *Permanent Funds* – account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs – that is, for the benefit of the State or its citizenry.

Proprietary Funds

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

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

Fiduciary Funds

- *Pension and Other Employee Benefit Trust Fund*s – used to account for resources that are required to be held in trust for members and beneficiaries for public employee retirement or other benefit plans e.g. Wisconsin Retirement System.

- *Investment Trust Funds* – account for assets invested on a commingled basis by the State on behalf of other governmental entities e.g. local government pooled investments.

- *Private-purpose Trust Funds* – account for all other trust arrangements which benefit individuals, private organizations, or other governments e.g. the state-sponsored college savings program.

- *Custodial Funds* – account for those assets for which the State acts solely in a custodial capacity e.g. the collection and disbursement of court-ordered child support payments.

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

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

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

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

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

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

GASB Standards Implemented During the Fiscal Year

Effective for Fiscal Year 2020, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities.* This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

The State also implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* This statement provided temporary relief in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or were scheduled to become effective for periods beginning after June 15, 2018 and later. Earlier application is still permitted under this standard.

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

1. Cash and Cash Equivalents

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

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

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

2. Investments

The State may invest in direct obligations of the United States and Canada, securities guaranteed by the United States, certificates of deposit issued by banks in the United States and solvent financial institutions in the State, commercial paper and nonsecured corporate notes and bonds, 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

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

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

5. Interfund Assets/Liabilities

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

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

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

6. Inventories and Prepaid Items

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

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

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

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

7. Capital Assets

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

Purchased or constructed capital assets are valued at cost or estimated historical cost if actual historical cost is not practicably determinable. Donated capital assets are recorded at their acquisition value at the time received.

The State has elected to report infrastructure assets (roads, bridges and buildings considered an ancillary part of roads) using the modified approach. Under this method infrastructure assets are not required to be depreciated if the State manages its eligible infrastructure assets using an asset management system designed to maintain and preserve its infrastructure assets at a condition level established and disclosed by the State. All infrastructure assets constructed prior to July 1, 2000 have been recorded at estimated historical cost which was determined by calculating the current cost of a similar asset and deflating that cost using Federal Highway Administration's composite index for federal aid highway construction to the estimated average construction date. All infrastructure assets constructed after July 1, 2000 have been recorded at historical cost. The costs of maintenance and preservation that do not add to the asset's capacity or efficiency are not capitalized. Interest incurred during construction is not capitalized.

Exhaustible capital assets of the primary government generally are depreciated on the straight-line method over the asset's useful life. Select buildings of the University of Wisconsin System are depreciated using the componentized method over the estimated useful life of the related assets. Depreciation expense is recorded in the government-wide financial statements, as well as in the proprietary fund statements. There is no depreciation recorded for land, construction in process, and infrastructure. In addition, depreciation is not recorded for certain other capital assets including the State Capitol, Executive Residence and associated furnishings, and the Historical Society library collection. Generally, estimated useful lives are as follows:

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

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

8. Restricted and Limited Use Assets

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

9. Local Assistance Aids

Municipal and County Shared Revenue Program

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

The State was liable to various local governments for unpaid shared revenue aid. To measure the amount of the program allocable to the State's fiscal year, the amount is prorated over portions of recipient local governments' calendar fiscal years that are within the State's fiscal year. The result is that a liability of $445.1 million representing one-half of the total appropriated amount is reported at June 30, 2020 as Due to Other Governments.

State Property Tax Credit Program

The State was liable to various taxing jurisdictions for the school levy, the first dollar, and the lottery property tax credits paid through the State Property Tax Credit Program.

The school levy tax credit provides property tax relief in the form of State credits on individual property tax bills.

The first dollar tax credit was first established for property taxes levied in 2008, and payable in 2009. This credit is allowed on every taxable real estate parcel containing an improvement in the state.

Under the lottery property tax credit, owners of property used as a primary residence receive a tax credit equal to the school property tax on a portion of the dwelling's value.

State statutes require that payment to local taxing jurisdictions for the school levy and first dollar tax credits be made during July. Although the state property tax credit is calculated on the property tax levy for school purposes, the State's July payment is paid to an administering municipality who treats the payment the same as other tax collections and distributes the collections to the various tax levying jurisdictions (e.g., cities, towns, and school districts).

The portion of the liability payable to school districts for the school levy and first dollar tax credits represents the amount of the July payment earned over the school districts' previous fiscal year ended June 30. Since the entire school districts' portion of the July payment occurs within the State's fiscal year, 100 percent of the July payment relating to the school taxing jurisdictions' levy is reported as a liability at June 30, 2020.

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, 2020.

The aggregated State Property Tax Credit Program liability of $811.0 million is reported in the General Fund as Due to Other Governments. Of that amount, $699.8 million relates to the school levy tax credit and $111.2 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 2020 property tax bills, the State made this payment in March 2020. 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 2020, while the remaining portion represents advanced payments. The resulting deferred outflow of resources reported within the Lottery Fund totals $69.1 million at June 30, 2020.

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, 2020, the State was liable to various local governments and other taxing jurisdictions for unpaid exempt computer aid payments of $67.3 million.

State Aid for Exempt Personal Property

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

Upon certification by DOR, payments will be made to local taxing jurisdictions on or before the first Monday in May. Under the Act, aid payments totaling $74.7 million was made in May 2020.

10. Long-term Debt Obligations

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

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

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

11. Compensated Absences

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

Annual Leave

Full-time employees' annual leave days are credited on January 1 of each calendar year in general at a minimum of 15 or 13 days per year, depending on Fair Labor Standards Act (FLSA) status. There is no requirement to use annual leave. However, unused leave is lost unless approval to carry over the unused portion is obtained from the employing agency. In general, each full-time employee is eligible for four and one-half personal holidays each calendar year, provided the employee is in pay status for at least one day in the year. If a holiday occurs on a Saturday, employees receive leave time proportional to their working status to use at their discretion.

The State's compensated absence liability at June 30 consists of accumulated unpaid annual leave, personal holiday hours, and Saturday/legal hours earned and vested during January through June. The liability is reported in the government-wide, proprietary fund types and fiduciary funds.

Sick Leave

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

12. Unearned Revenue

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

Unearned revenue of the University of Wisconsin System consists of payments received but not earned at June 30, 2020, 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 experience with regard to economic and demographic factors in the measurement of the pension and OPEB liabilities for the State's proportionate share are reported as deferred inflows or deferred outflows of resources. They are amortized using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all active and inactive employees provided with pensions or OPEBs through the applicable plans.

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

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

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

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

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

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

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

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

15. Fund Balance Classification and Restricted Net Position

Fund Balance Classification

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

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

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

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

Restricted Net Position

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

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

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

During the year ended June 30, 2020, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Balance Sheet – Governmental Funds to the amounts presented in the governmental activities section of the Statement of Net Position (in thousands). The differences result primarily from the long-term economic focus of the Statement of Net Position compared to the current financial focus of the Balance Sheet – Governmental Funds.

	Total Governmental Funds	Long-term Assets and Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations (3)	Total Amount for Statement of Net Position
Assets:					
Cash and Cash Equivalents	$ 4,977,483	$ —	$ 1,722,877	$ —	$ 6,700,361
Investments	638,582	—	—	—	638,582
Receivables (net of allowance):					
Taxes	2,551,769	—	—	(2,551,769)	—
Loans to Local Governments	397,484	—	—	(397,484)	—
Other Loans Receivable	20,731	—	—	(20,731)	—
Other Receivables	817,501	3,209	2,907	4,802,473	5,626,091
Due from Other Funds	391,241	—	40,245	(431,485)	—
Due from Component Units	142	—	—	(142)	—
Interfund Receivables	86,865	—	—	(86,865)	—
Due from Other Governments	1,743,784	—	—	(1,743,784)	—
Internal Balances	—	—	16,078	137,848	153,926
Inventories	54,879	189	7,178	—	62,246
Prepaid Items	22,389	812	9,323	—	32,524
Restricted Assets:					
Cash and Cash Equivalents	232,491	—	—	—	232,491
Investments	120,682	—	—	—	120,682
Net Pension & OPEB Asset	—	458,800	13,837	—	472,638
Other Restricted Assets	6,003	—	—	—	6,003
Other Assets	10,552	—	—	—	10,552
Depreciable Capital Assets	—	1,227,677	461,231	—	1,688,908
Infrastructure	—	18,428,533	—	—	18,428,533
Other Non-depreciable Capital Assets	—	5,443,754	26,300	—	5,470,054
Total Assets	12,072,578	25,562,976	2,299,976	(291,939)	39,643,591
Deferred Outflows of Resources	22,395	1,395,976	35,761	—	1,454,132
Total Assets and Deferred Outflows	$ 12,094,973	$ 26,958,951	$ 2,335,737	$ (291,939)	$ 41,097,723
Liabilities:					
Accounts Payable and Other Accrued Liabilities	1,726,567	—	14,543	20,051	1,761,160
Due to Other Funds	258,565	—	45,151	(303,716)	—
Due to Component Units	145	—	—	(145)	—
Interfund Payables	1,401	—	—	(1,401)	—
Due to Other Governments	2,699,535	—	—	—	2,699,535
Tax Refunds Payable	1,715,349	—	—	—	1,715,349
Tax and Other Deposits	71,623	—	—	—	71,623
Unearned Revenue	2,096,207	189	—	—	2,096,396
Interest Payable	46,942	55,776	—	—	102,718
Advances from Other Funds	6,728	—	—	(6,728)	—
Short-term Notes Payable	277,296	—	9,476	—	286,772
Long-term Liabilities:					
Current Portion	130,275	770,558	187,215	—	1,088,048
Noncurrent Portion	—	10,600,926	2,574,783	—	13,175,710
Total Liabilities	9,030,633	11,427,450	2,831,167	(291,939)	22,997,311
Deferred Inflows of Resources	379,218	1,035,801	43,521	—	1,458,540
Fund Balances/Net Position	2,685,122	14,495,701	(538,951)	—	16,641,871
Total Liabilities, Deferred Inflows, and Fund Balances/Net Position	$ 12,094,973	$ 26,958,951	$ 2,335,737	$ (291,939)	$ 41,097,723

(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, 2020, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the amounts presented in the governmental section of the Statement of Activities (in thousands). The differences result primarily from the long-term economic focus of the Statement of Activities compared to the current financial focus of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.

	Total Governmental Funds	Long-term Revenues and Expenses (1)	Capital-Related Items (2)
Revenues:			
Taxes			
Income Taxes	$ 10,284,373	$ 36,200	$ —
Sales & Excise Taxes	6,614,286	(3)	—
Public Utility Taxes	363,462	—	—
Other Taxes	314,722	99	—
Motor Fuel (Transportation) Taxes	1,080,630	(44)	—
Other Dedicated Taxes	115,811	—	—
Intergovernmental	11,563,250	—	—
Operating Grants	—	7,525	—
Capital Grants	—	—	1,575
Licenses and Permits	2,104,958	—	—
Charges for Goods and Services	357,239	444	—
Investment and Interest Income	102,443	—	—
Fines and Forfeitures/Contributions to Permanent Fund	63,453	—	—
Gifts and Donations	23,331	—	—
Miscellaneous:		—	655
Tobacco Settlement	116,255	—	—
Other	317,416	—	—
Total Revenues	33,421,629	44,222	2,230
Expenditures/Expenses:			
Current Operating:			
Commerce	447,548	1,688	1,267
Education	7,865,599	1,302	3,610
Transportation	2,343,808	5,117	54,951
Environmental Resources	476,595	2,823	21,311
Human Relations and Resources	15,088,326	21,782	77,361
General Executive	673,539	(4,851)	13,196
Judicial	142,916	2,351	1,938
Legislative	74,205	606	—
Tax Relief and Other General Expenditures	1,598,408	—	—
Intergovernmental - Shared Revenue	1,050,917	—	—
Capital Outlay	951,671	—	(945,345)
Debt Service:			
Principal	697,676	—	—
Interest and Other Charges	474,880	2,871	—
Total Expenditures/Expenses	31,886,086	33,689	(771,711)
Excess of Revenues Over (Under) Expenditures/Expenses	1,535,542	10,533	773,941
Other Financing Sources (Uses):			
Net Transfers	(1,252,844)	—	—
Long-term Debt Issued	1,557,507	—	—
Premium/Discount on Bonds	122,247	—	—
Payments for Refunded Bonds	(847,612)	—	—
Payments to Refunding Bond Escrow Agent	(487,691)	—	—
Capital Lease Acquisitions	239	(239)	—
Total Other Financing Sources (Uses)	(908,153)	(239)	—
Net Change in Fund Balance/Net Position	627,389	$ 10,294	$ 773,941
Change in Inventories	16,638		
Net Change for the Year	$ 644,027		

(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
$ —	$ —	$ —	$ —	$ 10,320,574
—	—	—	—	6,614,283
—	—	—	—	363,462
—	—	—	—	314,821
—	—	—	—	1,080,586
—	—	—	—	115,811
—	—	—	(11,563,250)	—
—	—	(961,196)	11,616,716	10,663,046
—	—	1,071,095	9,469	1,082,138
—	—	—	(2,104,958)	—
(7,430)	—	(7,333)	2,157,827	2,500,746
279,647	—	—	(39,604)	342,486
—	—	—	(52,869)	10,585
—	—	—	(23,331)	—
—	—	—	434,190	434,845
—	—	—	(116,255)	—
—	—	—	(317,416)	—
272,217	—	102,565	519	33,843,381
1,211	—	—	(133)	451,580
22,009	—	50,424	149	7,943,093
23,971	16	—	(14,161)	2,413,702
8,338	3,683	—	5,591	518,341
64,694	—	59,474	(2,094)	15,309,543
6,923	—	(7,333)	(3,410)	678,065
—	—	—	—	147,204
1,042	—	—	—	75,853
—	—	—	(890)	1,597,518
—	—	—	—	1,050,917
—	—	—	(6,326)	—
—	(697,676)	—	—	—
11,847	(101,894)	—	4,636	392,340
140,035	(795,871)	102,565	(16,638)	30,578,156
132,181	795,871	—	17,157	3,265,225
4,036	—	—	(519)	(1,249,326)
—	(1,557,507)	—	—	—
—	(122,247)	—	—	—
—	847,612	—	—	—
—	487,691	—	—	—
—	—	—	—	—
4,036	(344,451)	—	(519)	(1,249,326)
$ 136,217	$ 451,420	$ —	16,638	2,015,899
			(16,638)	—
			$ —	$ 2,015,899

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

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

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

NOTE 3. BUDGETARY CONTROL

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

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

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

A. Deficit Fund Balance/Fund Net Position

Funds reporting a deficit fund balance or net position at June 30, 2020 are (in thousands):

Special Revenue:		
Dry Cleaner Environmental Response	$	6,221
Capital Projects:		
Capital Improvement		151,936
Enterprise:		
Northern Developmental Disabilities Center		13,498
Central Developmental Disabilities Center		13,156
Internal Service:		
Accumulated Sick Leave Basic Plan		574,844
Human Resource Services		8,028
Risk Management		115,484

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, 2020 (in thousands):

Governmental Activities:		
Net Position Restricted by Enabling Legislation	$	539,881
Business-type Activities:		
Net Position Restricted by Enabling Legislation		1,062,082

C. Budget Stabilization Arrangement

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

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

The balance of the budget stabilization arrangement as of June 30, 2020 was $761.8 million.

D. Minimum Fund Balance

Wisconsin Statutes 20.003(4) establishes a minimum General Fund balance. Under the statutes, no bill directly or indirectly affecting general purpose revenues as defined in Wisconsin Statues 20.001(2)(a) may be enacted by the legislature if the bill would cause the estimated General Fund balance on June 30 of any fiscal year to be an amount equal to or less than the amount specified for that fiscal year. The minimum required balance for the fiscal year ending June 30, 2020 was $80.0 million.

E. Fund Balance for Governmental Funds

Governmental funds reported the following categories of fund balance as of June 30, 2020 (in thousands):

	General	Transportation	Nonmajor Governmental	Total Governmental
Nonspendable for:				
Inventory, Prepaid and Long-term Receivables	$ 19,811	$ 36,604	$ 20,853	$ 77,268
Legal or Contractual Purposes (Permanent Fund Principal)	—	—	1,225,265	1,225,265
Restricted for:				
Commerce	31,010	—	—	31,010
Education	9,473	—	59,266	68,739
Transportation	—	798,633	—	798,633
Environmental Resources	5,493	—	174,045	179,538
Human Relations and Resources	142,344	—	42,519	184,863
General Executive	148,740	—	20,590	169,330
Judicial	101	—	—	101
Tax Relief and Other General Expenditures	409	—	—	409
Intergovernmental - Shared Revenue	—	—	3,089	3,089
Debt Service	—	—	132,447	132,447
Capital Projects	—	—	53,069	53,069
Committed to:				
Commerce	—	—	86,508	86,508
Education	—	—	1,213	1,213
Environmental Resources	—	—	93,087	93,087
Human Relations and Resources	—	—	30,864	30,864
General Executive	—	—	24,395	24,395
Judicial	—	—	112	112
Tax Relief and Other General Expenditures	761,776	—	—	761,776
Capital Projects	—	—	39,171	39,171
Unassigned	(1,117,611)	—	(158,157)	(1,275,767)
Total Fund Balance	$ 1,547	$ 835,238	$ 1,848,337	$ 2,685,122

NOTE 5. DEPOSITS AND INVESTMENTS

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

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

State of Wisconsin Investment Board

P.O. Box 7842

Madison, WI 53707-7842

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

Department of Employee Trust Funds

P.O. Box 7931

Madison, WI 53707-7931

A. Deposits

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

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The State's policy regarding custodial credit risk is detailed in Chapter 34 of the 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, 2020, $515.2 million of the primary government's bank balance of $528.8 million was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	$	515.2

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, 2020 are immaterial. The primary government does not have a formal policy specifically related to foreign currency risk.

The State's Unemployment Reserve Fund had $1.6 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, 2019, WRS cash deposits totaled $367.0 million. Of the total deposits, $61.2 million was collateralized by the securities borrowed. Depository insurance covered another $47.4 million of the total. The remaining deposits, totaling $258.4 million, were uninsured and uncollateralized. These uninsured deposits represented balances held in foreign currencies in the WRS custodian's nominee name, cash posted as collateral for derivatives transactions, and cash collateral posted in excess of the market value of securities borrowed by the WRS for short sales. In addition to cash deposits, the WRS also held $66.3 million in certificates of deposit, all of which were covered by depository insurance as of December 31, 2019.

3. Deferred Compensation

Cash and cash equivalents for the Deferred Compensation Fund represent the balance of the FDIC Bank Option. The FDIC Bank option provides safety of principal and a stable credited rate of interest and is insured up to $250,000 per participant. As of December 31, 2019, 68 individual participant accounts held more than $250,000.

4. State Investment Fund

As of June 30, 2020, the SIF held Certificates of Deposit (CDs) with a value of $18.4 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. In addition, the SIF held time deposits with financial institutions with a fair value of $63 million, all of which were uncollateralized and uninsured.

B. Investments

1. Primary Government

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

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

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

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

For the primary government, except for the Separately Managed Funds discussed later, permitted investments include: direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) for which the payment of the principal and interest are unconditionally guaranteed by the full faith and credit of the United States; bonds or other obligations of any state or the United States of America or of any agency, instrumentality or local governmental unit of any such state including the State of Wisconsin; bonds, debentures, participation certificates, notes or similar evidences of indebtedness of any of the Federal Financing Bank, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; public housing bonds issued by public agencies or municipalities; commercial paper; interest-bearing time deposits, certificates of deposit or other similar banking arrangements; shares of a diversified open-end management investment company; repurchase agreements; common and preferred stock; 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 State Life Insurance Fund (SLF), the Injured Patients and Families Compensation Fund (IPFCF), and the Historical Society Trust Fund, which are collectively known as the “Separately Managed Funds”.

Permitted classes of investments of the 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.

University of Wisconsin System (UWS)

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

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

Effective April 1, 2019, a new investment fund was established for a limited and select number of participating Trust Funds accounts. This fund was established by the Board of Regents to continue to provide an educational investment management opportunity for the UW-Madison School of Business's Applied Security Analysis Program. The "RegentFund" is an intermediate-term fixed income portfolio, governed by and subject to a Board-approved Memorandum of Understanding, which includes detailed investment guidelines.

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

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

Deferred Compensation

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

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

Wisconsin Retirement System (WRS)

All assets of the WRS are invested by the State of Wisconsin Investment Board (the Board). The WRS consists of shares in the Core Retirement Investment Trust and the Variable Retirement Investment Trust.

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

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

Valuation

Investments of the State are reported at Fair Value as defined by GASB Statement Number 72 – Fair Value Measurement and Application and are categorized based on the investment valuation hierarchy established by GASB. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

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

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

The following tables present fair value measurements as of June 30, 2020, in millions.

Primary Government (excluding the Separately Managed Funds)

		Fair Value Measurement Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level:				
U.S. Government & Agency Securities	$ 27.9	$ 17.8	$ 10.1	$ —
State or Municipal Bonds & Notes	194.3	—	194.3	—
Corporate and Other Bonds and Notes	16.2	—	16.2	—
Closed-End Funds	3.2	3.2	—	—
Exchange Traded Funds	271.3	271.3	—	—
Equity Securities	12.3	12.3	—	—
Limited Partnership	12.1	—	—	12.1
Total By Fair Value Level	$ 537.3	$ 304.6	$ —	$ 12.1
Investments Valued at Net Asset Value (NAV):				
Money Market Funds	$ 614.6			
Real Estate Investment Trusts	45.5			
Mutual Funds	44.3			
Investments Valued at Cost:				
Private Placement	$ 13.5			
U.S. Government & Agency Securities	120.9			
Total	**$ 1,376.0**			

The following tables present fair value measurements as of June 30, 2020 for the Separately Managed Funds, in millions.

Separately Managed Funds	Total	Fair Value Measurement Using Level 1	Level 2
IPFCF			
Investments by Fair Value Level:			
U.S. Government and Agency Securities	$ 654.3	$ 5.6	$ 648.7
Corporate Bonds	577.8	—	577.8
Municipal Bonds	26.5	—	26.5
Foreign Bonds	50.4	—	50.4
Total by Fair Value Level	$ 1,308.9	$ 5.6	$ 1,303.3
Investments Valued at Net Asset Value (NAV):			
Equity Index Funds	$ 258.9		
Short-Term Investment Fund	21.8		
Total IPFCF	**$ 1,589.6**		
Historical Society			
Investments Reported at Net Asset Value (NAV):			
Equity Index Fund	$ 14.5		
Fixed Income Fund	4.0		
Total Historical Society	**$ 18.5**		
SLF			
Investments by Fair Value Level:			
U.S. Government and Agency Securities	$ 57.0	$ —	$ 57.0
Corporate Bonds	70.8		70.8
Total by Fair Value Level	$ 127.8	$ —	$ 127.8
Investments Reported at Net Asset Value (NAV):			
U.S. Fixed Income Fund	$ 0.4		
Total SLF	**$ 128.2**		

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

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

Securities categorized as Level 3 include certain Limited Partnership interests in the amount of $12.1 million held by the Common School fund. These limited partnerships invest in small non-public companies. The Common School fund has committed to invest up to $59.0 million in limited partnerships as of June 30, 2020.

The Real Estate Investment trusts category consists of closed-end investments with a NAV published monthly (as opposed to daily) and with monthly liquidity. Shares may typically be redeemed through the investment manager, though the ability to redeem these at NAV may be curtailed during an acute financial crisis.

The Injured Patients and Families Compensation fund holds Investments in the amount of $21.8 million in the Short-Term Investment Fund, a short-term investment pool. Investments of the Short-Term Investment Fund are reported at net asset value (NAV).

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

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

Of the $120.9 million of U.S. Government and Agency Securities reported at amortized cost, $120.7 million of this amount are State & Local Government Series Certificates (SLGs). SLGs are special purpose securities issued to government entities to assist in compliance with certain Internal Revenue Service regulations. These were purchased as a component of a crossover bond refunding transaction which occurred in fiscal year 2018. There is no secondary market for SLGs. These investments are held in escrow and their maturity dates correspond to certain cash flow dates for the crossover refunding transaction. Additional information about the crossover refunding transactions is presented in Note 11. The remaining $0.2 million represents US Government Savings Bonds.

Deferred Compensation

The following schedule presents fair value measurements at June 30, 2020 (in millions):

Deferred Compensation	Fair Value	Fair Value Measurement Using Level 1 Inputs	Level 2 Inputs
Investments by Fair Value Level:			
Stable Value Fund	$ 689.5	$ —	$ 689.5
Mutual Funds and Collective Investment Trusts (CIT)	4,869.3	3,924.1	945.2
Total Investments by Fair Value Level	$ 5,558.8	$ 3,924.1	$ 1,634.7

Stable Value investments are valued as reported by Galliard Capital Management at fair value, which represents contributions received plus interest income earned to date less applicable charges and amounts withdrawn.

Mutual Funds and Collective Investment Trusts are valued using a readily available fair value based on the fair value of the underlying securities in which the account is invested. The readily determinable fair value is used if the fair value per share is determined and published and is the basis for current transactions.

There are currently no redemption restrictions or unfunded commitments on these transactions. All purchases and sales are recorded on a trade-date basis

An agreement was reached between the Deferred Compensation Board and Great-West Life on April 27, 1994, whereby the Plan purchased a single premium group annuity policy on May 1, 1994 for $12.9 million (the balance in the annuity payout reserve at the time of purchase). Under the terms of the policy, Great-West Life assumed the contractual liability for the remaining annuity terms and amounts and assumed all risk related to market fluctuation. The actuarial value of the group annuity contracts, as determined by Great-West Life was $1.0 million at December 31

University of Wisconsin System (UWS)

The following schedule presents fair value measurements at June 30, 2020 (in millions):

UWS			**Fair Value Measurement Using**
	Fair Value	Level 1 Inputs	Level 2 Inputs
Investments by Fair Value Level:			
Investments Reported as Cash & Cash Equivalents	$ 0.3	$ 0.3	$ —
Fixed Income Securities	7.4	1.3	6.1
Total Investments by Fair Value Level	$ 7.7	$ 1.6	$ 6.1

Investments Valued at Net Asset Value (NAV):	
Equity Index Funds	$ 232.1
Fixed Income Index Funds	149.6
Real Estate Index Fund	11.3
Investments Reported as Cash & Cash Equivalents	0.1
Private Equity Limited Partnerships	69.6
Total Investments	**$ 470.4**

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

The equity index funds include a global equity index fund (84%) with an investment strategy designed to track the return of equity securities traded both inside and outside of the United States. An additional 5% of this category includes an emerging markets index fund with an investment strategy designed to track the return of equity securities in emerging markets. The remaining 11% is included in an international currency hedged equity index fund with an investment strategy designed to track the return of the markets in certain countries for equity securities outside of the United States while mitigating exposure to fluctuations between the value of the currencies in the fund and the U.S. dollar. The international and emerging markets index funds have daily liquidity with 2 days' notice. The international hedged index fund has monthly liquidity with 2 days' notice.

The fixed income index funds category includes a corporate and government bond index fund (50%) with an investment strategy of approximating as closely as practicable the return of an industry standard US Government/Credit Bond Index. The remaining 50% includes a U.S. TIPS index fund with an investment strategy of closely approximating the return of all outstanding U.S. TIPS with a maturity of one year or greater. These fixed income index funds have daily liquidity with 2 days' notice.

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

Private Equity Limited Partnership Funds - Private Equity Limited Partnership Funds - As part of the investment management transfer to SWIB, Terrace Investment Holdings II SMF, LLC was created to centrally hold and manage the University's investments in private markets Limited Partnership Funds. This investment is illiquid and is generally not resold or redeemed. Distributions from the fund will be received over the life of the investment as the underlying investments are liquidated. The investment strategy of the limited partnership focuses globally on corporate finance, venture capital, and forestry/agricultural investments. The fund-of-funds limited partnership is estimated to have an average remaining life of approximately 4.8 years at June 30, 2020. The estimated remaining life of the underlying investments are between 0-9 years.

The UWS has an unfunded commitment in the amount of $13.0 million to private markets Limited Partnership Funds. No further new commitments to these or other private markets funds are anticipated. The existing positions in the private markets Limited Partnership Funds will eventually self-liquidate, as underlying private investments are sold off and distributions are made to investors.

Wisconsin Retirement System (WRS)

The following schedules presents fair value measurements at December 31, 2019 (in millions):

WRS	Fair Value	Fair Value Measurement Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level:				
Cash Equivalents				
Certificates of Deposit	$ 63.3	$ —	$ 47.3	$ 16.0
Commercial Paper	251.3	—	—	251.3
Corporate Bonds & Private Placements	0.8	—	—	0.8
Total Cash Equivalents	315.4	—	47.3	268.1
Equities				
Domestic	38,657.0	38,596.3	21.3	39.4
International	19,629.5	19,583.9	—	45.6
Total Equities	58,286.5	58,180.2	21.3	85.0
Fixed Income				
Asset Backed Securities	387.4	—	380.7	6.7
Corporates & Private Placements	10,202.1	—	10,140.1	62.0
Exchange Traded Funds	77.9	77.9	—	—
Foreign Government / Agency Bonds	1,889.7	—	1,889.7	—
Municipal Bonds	194.7	—	194.7	—
U.S. Government Agencies	286.8	—	286.8	—
U.S. Treasury Inflation Protected Securities	16,848.7	—	16,848.7	—
U.S. Treasury Securities	5,343.0	68.1	5,274.9	—
Total Fixed Income	35,230.3	145.9	35,015.6	68.7
Real Estate	1,374.1	—	—	1,374.1
Preferred Securities				
Domestic	178.3	—	129.3	49.0
International	303.5	303.5	—	—
Total Preferred Securities	481.7	303.5	129.3	49.0
Convertibles	4.1	—	3.5	0.5
Derivatives				
Foreign Exchange Contracts	8.3	—	8.3	—
Futures	(29.9)	(29.9)	—	—
Options	(6.0)	(6.0)	—	—
Swaps	24.0	—	24.0	—
To Be Announced Securities	913.7	—	913.7	—
Total Derivatives	910.2	(35.9)	946.1	—
Equity Short Sales	(4,464.3)	(4,464.3)	—	—
Total	**$ 92,137.9**	**$ 54,129.4**	**$ 36,163.2**	**$ 1,845.4**

WRS		Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period (8)
Investments Measured at NAV:						
Cash (1)	$	879.5	$	—	Daily	Same Day
Fixed Income (2)		1,477.2		323.3	Daily, N/A	5 days, N/A
Private Equity Limited Partnerships (3)		9,175.5		6,219.0	N/A	N/A
Equities (4)		7,724.8		—	Daily, Monthly	2-30 days
Real Estate Limited Partnerships (5)		5,594.8		1,809.0	Quarterly, Annually, N/A	30-90 days, Other, N/A
Hedge Funds (6)		5,353.3		680.7	Various (see Hedge Funds)	Various (see Hedge Funds)
Total (7)	$	30,205.0	$	9,031.9		

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

(2) This category includes a long-only fixed income manager (68%), which can invest across the credit quality spectrum, in varying geographies, and can include derivative instruments, high yield and structured securities. The long-only manager requires a redemption notice period of 5 days and has daily liquidity. The remaining 32% of this category includes LLCs which invest in private real estate debt. These LLC investments distribute earnings over the life of the investment. The majority of these LLC investments have an average, estimated life of less than 5 years. One LLC investment has an estimated remaining life of 5-10 years.

(3) 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.

(4) This category includes long-only equity managers (68%) with various fundamental, quantitative and other approaches spanning various styles, geographies and market cap weights. The majority of these long-only manager investments can be redeemed monthly, with between 10- and 15- business days' notice. One long-only manager investment can be redeemed daily with 30 days' notice. The remaining 32% of this category represents emerging markets equity index funds with an investment strategy designed to track the return of the given segment of the emerging equity markets. These investments can be redeemed daily with 2 business days' notice.

(5) This category includes funds that invest directly in real estate and real estate related assets. Approximately 72% of these investments are generally not resold or redeemed. Distributions from each fund will be received as the underlying investments are liquidated. The remaining 28% of this category consists of open-ended funds that invest directly in real estate and real estate related assets. The majority of these investments can be redeemed quarterly with between 30- and 90-days' notice. One fund can be redeemed annually with notice provided in the first quarter of the calendar year.

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

(7) The WRS had additional unfunded commitments of approximately $1.5 billion, relating to assets not valued using NAV.

(8) The WRS had additional unfunded commitments of approximately $190 thousand, relating to assets measured at fair value.

(9) 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, 2019:

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, 2019:

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

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

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

Hedge Funds

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

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

The WRS participated in the following Hedge Fund strategies at December 31, 2019:

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.

Tactical Trading – 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.

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

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

Credit Risk

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

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

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

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

Investment credit quality ratings as of June 30, 2020, from Standard and Poor’s, Moody’s Investors Service, and Fitch Ratings are presented below using the Standard and Poor’s rating scale (in millions):

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

Credit Quality Ratings		Fair Value
AAA	$	631.6
AA		170.9
A		24.8
Not Rated		58.0
Total	$	885.3

The following schedule displays the credit ratings at June 30, 2020, for the Separately Managed Funds (fair values in millions):

	Separately Managed Funds		
	IPFCF	Historical Society	SLF
AAA	$ 572.6	$ —	$ 58.4
AA	146.6	—	4.3
A	190.3	—	38.5
BBB	334.6	—	25.1
BB	61.7	—	1.1
B	3.1	—	0.4
Short-term Investment Fund (Not Rated)	21.8	—	—
Bond Fund (Not Rated)	—	4.0	0.4
Totals	$ 1,330.7	$ 4.0	$ 128.2

Deferred Compensation

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

University of Wisconsin System (UWS)

As of June 30, 2020, the University was exposed to credit risk directly through its singular separately managed fixed income portfolio, the RegentFund, and indirectly through the ownership of shares of commingled or mutual funds.

The following schedule displays the credit ratings as provided by Moody's Investor Service for debt securities held as of June 30, 2020 (in millions). Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the Aaa rating.

	UWS
Ratings	Fair Value
Aaa	$ 1.4
A1	0.4
A2	0.4
A3	1.2
Baa1	0.9
Baa2	1.3
Baa3	1.0
Ba1	0.2
Ba2	0.1
Ba3	0.1
B1	0.1
Bond Fund	149.6
Unrated Short Term Investments	0.4
Total	$ 157.4

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, 2019 (in millions).

	WRS
Rating	Fair Value
AAA/Aaa	$ 501.4
A-1/P-1	5.7
AA/Aa	23,279.2
A-2/P-2	238.5
A	2,599.3
BBB/Baa	4,857.3
BB/Ba	1,893.7
B	1,290.8
CCC/Caa or below	259.1
Not Rated	1,477.8
Commingled Fixed Income Funds	1,956.0
Total	$ 38,358.8

Reverse Repurchase Agreements

Wisconsin Retirement System (WRS)

The WRS held $9.8 billion in reverse repurchase agreements at December 31, 2019. Investment guidelines permit certain portfolios to enter into reverse repurchase agreements, which are a sale of securities with a simultaneous agreement to repurchase the securities in the future at the same price plus a stated rate of interest. The market value of the securities underlying reverse repurchase agreements exceeds the cash received, providing the counterparty a margin against a decline in market value of the securities. If the counterparty defaults on their obligations to sell these securities back to the WRS or provide cash of equal value, the WRS could suffer an economic loss equal to the difference between the market value of the underlying securities plus accrued interest and the agreement obligation, including accrued interest. This credit exposure at December 31, 2019 was $96.6 million.

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

The cash proceeds from reverse repurchase agreements are reinvested by the 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 0.98 percent and 2.13 percent. Portfolio guidelines require agreements to mature between one and 90 days.

Custodial Credit Risk

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

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

The primary government, including the Separately Managed Funds, does not have an investment policy specifically for custodial credit risk. As of June 30, 2020, the primary government did not have any direct investment securities exposed to custodial credit risk.

Deferred Compensation

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

Wisconsin Retirement System (WRS)

The WRS held five repurchase agreements totaling $411.5 million as of December 31, 2019. These repurchase agreements were tri-party agreements held in a short-term cash management portfolio managed by the WRS's custodian. The underlying securities for these agreements were held by the tri-party agent, not in the WRS's name.

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

Concentration of Credit Risk

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

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

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

Debt securities issued by the State of Wisconsin represent the largest concentration of investments in a single issuer. In total, approximately $97.5 million of the reported investments of the permanent funds (a category within non-major governmental funds) were issued by the State of Wisconsin, which represents approximately 16.0 percent of their total investments.

The Separately Managed Funds' investment guidelines limit concentrations of credit risk by establishing maximum issuer and/or sector exposure limits. Generally, the guidelines require that no single issuer may exceed 5 percent of the fund investments, with the exception of U.S. Government and its Agencies, whose exposure is unlimited.

Excluding investments issued or explicitly guaranteed by the U.S. government and pooled investments, as of June 30, 2020, none of the Separately Managed Funds had more than 5 percent of their total investments in a single issuer.

University of Wisconsin System (UWS)

UWS separately managed, debt/fixed income accounts are limited to holding no more than 5.0 percent in any one issuer (U.S. Government/Agencies 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, 2019.

Interest Rate Risk

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

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

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

The following table provides information about the interest rate risks associated with the primary government's investments, except those of the Separately Managed Funds. The investments include certain short-term cash equivalents, and various long-term items. At June 30, 2020, the primary government's investments were (in millions):

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

	Investment Maturities				
Investment Type	**Less Than 1 Year**	**1 to 5 Years**	**6 to 10 years**	**More Than 10 Years**	**Fair Value**
U.S. Government and U.S. agency holdings	$ 124.5	$ 6.8	$ 1.1	$ 10.5	$ 142.9
State and municipal bonds and notes	5.7	7.6	55.4	131.5	200.1
Other Bonds and Notes	—	—	—	16.2	16.2
Money market funds	614.6	—	—	—	614.6
Mutual funds – open ended	—	0.1	0.1	—	0.1
Private Placement	0.3	1.3	2.1	9.9	13.5
Total	$ 745.1	$ 15.7	$ 58.6	$ 168.1	$ 987.5

As of June 30, 2020, the Separately Managed Funds had interest rate risk statistics as detailed below (in millions):

Separately Managed Funds Duration or WAM (in years) for Fixed Income Securities									
Investment Type	IPFCF			Historical Society			SLF		
	Fair Value		Duration	Fair Value		Duration	Fair Value		WAM
Govt/Agency	$	654.3	5.95	$	—		$	57.0	15.26
Corporate Bonds		577.8	8.36		—			70.8	15.31
Municipal Bonds		26.5	11.87		—			—	
Foreign Bonds (Govt/Agency)		50.4	5.57		—			—	
Bond Fund		—			4.0	7.30		0.4	14.22
Short-Term Investment Fund		21.8	0.06		—			—	
Total	$	1,330.7		$	4.0		$	128.2	

The Separately Managed Funds, which are managed by the Board, use the duration method to identify and manage interest rate risk. Two of the Separately Managed Funds have investment guidelines relating to interest rate risk. The 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 and that the average duration should be less than ten years.

External Investment Pools

The Injured Patients and Families Compensation Fund has investments totaling $21.8 million at June 30, 2020 in the Short-Term Investment Fund, a pooled short-term investment fund. This balance is reported as "Cash and Cash Equivalents" on the Statement of Net Position.

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

Deferred Compensation

Deferred Compensation uses weighted average effective duration to analyze interest rate risk. As of June 30, 2020, Deferred Compensation had interest rate risk statistics as detailed below (in millions):

Deferred Compensation			
	Fair Value		Effective Duration (years)
Stable Value Investments:			
Stable Value Fund	$	689.5	3.56
Mutual and Collective Investment Funds:			
Vanguard Target Retirement:			
2015		119.8	7.43
2025		281.5	8.78
2035		199.9	8.78
2045		119.0	8.77
2055		38.0	8.77
Income Trust		58.6	7.30
Vanguard Wellington Admiral		500.2	10.20
BlackRock U.S. Debt Index M		223.1	7.91
Dodge and Cox Income Fund		40.5	7.90
Federated U.S. Government Securities Fund - 2-5 year		27.2	3.80
Vanguard Long-Term Investment Grade Fund		154.3	21.9
Total	$	2,451.5	

University of Wisconsin System (UWS)

The UWS uses the option adjusted modified duration method to analyze interest rate risk. As of June 30, 2020, the UWS had interest rate risk statistics as detailed below (in millions):

UWS			
		Fair Value	**Effective Duration**
Fixed Income Sector:			
Government Debt	$	1.7	4.71
Corporate Debt		6.1	5.51
Total	$	7.8	
Fixed Income Commingled Funds:			
Blackrock U.S. TIPS Fund	$	74.4	7.68
Blackrock Government/ Credit Bond Fund		75.2	7.3
Total	$	149.6	

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 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.

The WRS'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, 2019, 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	$	387.4	1.9
Corporate Bonds & Private Placements		10,789.5	6.4
Foreign Government / Agency Bonds		1,889.7	6.9
Municipal Bonds		194.7	11.4
U.S. Government Agencies		286.9	3.2
U.S. Treasury Inflation Protected Securities		16,848.7	7.4
U.S. Treasury Securities		5,343.0	8.4
Commingled Funds:			
Exchange Traded		77.9	5.8
Emerging Market Fixed Income		998.7	5.9
Subtotal	$	36,816.5	
Investment Type		**Fair Value**	**Weighted Average Maturity (days)**
Commercial Paper	$	251.3	22
Repurchase Agreements		411.5	2
Commingled Funds:			
Short Term Cash Management		879.5	27
Subtotal		1,542.3	
Total	$	38,358.8	

*Excludes derivatives which are separately disclosed

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment.

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

The primary government, except for the Separately Managed Funds discussed later, does not have a formal policy to limit foreign currency risk, however, certain funds such as the Environmental Improvement Fund are not permitted to invest in foreign currency based on provisions contained in its bond indenture general resolution. However, foreign currency risk of the Retiree Life Insurance Fund is minimized by utilizing short-duration spot forward contracts to minimize the adverse impact of foreign currency exchange rate risks inherent in the elapsed time between trade processing and trade settlement. At June 30, 2020, the primary government, excluding the Separately Managed Funds, did not own any issues denominated in a foreign currency.

The Separately Managed Funds' investment guidelines do not specifically address foreign currency risk with the exception that the SLF only allows investments in U.S. dollar denominated instruments. As of June 30, 2020, the Separately Managed Funds did not directly own any issues denominated in a foreign currency.

Deferred Compensation

Deferred Compensation allows the option of investments in Mutual Funds and CIT Funds that make investments in foreign securities. The fair value of these investments was $385.3 million as of December 31, 2019.

University of Wisconsin System (UWS)

The UWS held positions only in passively-managed, indexed commingled funds which may invest in securities denominated in foreign currencies. However, the fund used for exposure to developed market equities generally seeks to hedge against the variations in returns deriving solely from the value of the foreign currencies in the fund relative to the U.S. dollar. The fund used for exposure to emerging market equities generally does not engage in similar foreign currency hedging efforts, due largely to the high cost and more limited efficacy of such hedging. Deposits in foreign currency for the RegentFund at June 30, 2020 are immaterial.

Wisconsin Retirement System (WRS)

The WRS held foreign currency denominated cash and securities directly in designated actively managed portfolios and indirectly through its investment in certain commingled invest funds. As of December 31, 2019, the WRS had the following currency exposure (all assets stated in millions of United States Dollars):

Currency Exposures by Investment Type

Currency	Cash & Cash Equivalents	Equities	Fixed Income	Limited Partnerships	Preferred Securities	Short Sales	Futures Contracts	Total
Australia Dollar	$ 8.9	$ 930.7	$ 23.0	$ —	$ —	$ (148.6)	$ (0.4)	$ 813.6
Brazil Real	0.1	102.5	2.1	—	14.9	—	—	119.6
Canada Dollar	12.2	1,596.5	18.1	—	—	(219.3)	0.6	1,408.1
Chile Peso	—	11.9	—	—	—	—	—	11.9
Czech Republic Koruna	0.1	0.6	—	—	—	—	—	0.7
Denmark Krone	0.3	350.9	—	—	—	(38.0)	—	313.2
Euro Currency Unit	30.4	5,567.1	237.6	988.4	288.1	(593.0)	0.8	6,519.4
Hong Kong Dollar	1.1	996.6	—	—	—	(24.1)	—	973.7
Hungary Forint	—	11.2	—	—	—	—	—	11.2
India Rupee	0.1	46.7	—	—	—	—	—	46.8
Indonesia Rupiah	0.1	22.8	—	—	—	—	—	22.9
Israel Shekel	0.3	30.0	—	—	—	(4.0)	—	26.2
Japan Yen	16.2	4,063.2	—	—	—	(477.4)	0.1	3,602.2
Korea (South) Won	0.1	243.4	—	—	0.4	—	—	243.8
Malaysia Ringgit	0.5	9.1	8.9	—	—	—	—	18.5
Mexico Peso	0.8	14.4	24.1	—	—	—	—	39.3
New Zealand Dollar	0.8	46.1	15.0	—	—	(11.8)	—	50.1
Norway Krone	0.5	117.3	—	—	—	(34.3)	—	83.4
Philippines Peso	0.3	10.3	—	—	—	—	—	10.6
Poland Zloty	0.3	29.0	4.8	—	—	—	—	34.1
Singapore Dollar	3.9	265.4	—	—	—	(23.9)	—	245.5
South African Rand	0.9	51.1	21.5	—	—	—	—	73.5
Sweden Krona	0.1	490.8	3.7	2.7	—	(75.6)	—	421.7
Switzerland Franc	0.5	1,446.9	—	—	—	(128.8)	—	1,318.5
Taiwan New Dollar	—	176.2	—	—	—	—	—	176.2
Thailand Baht	—	43.8	—	—	—	—	—	43.8
Turkey Lira	—	73.9	—	—	—	—	—	73.9
United Kingdom Pound	21.4	2,881.3	18.8	270.6	—	(199.8)	0.6	2,993.1
Total	$ 99.7	$ 19,629.5	$ 377.7	$ 1,261.8	$ 303.5	$ (1,978.5)	$ 1.7	$ 19,695.3

Securities Lending Transactions

University of Wisconsin System (UWS)

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

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

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

At June 30, 2020, the fair value of securities loaned, was $106.8 million. Collateral received consisted of $109.4 million in cash and $0.3 million in non-cash collateral. In accordance with accounting standards the value of the collateral held and a corresponding liability to return the collateral have been reported on the accompanying Statement of Net Position.

Wisconsin Retirement System (WRS)

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

On December 31, 2019, the fair value of the securities on loan to counterparties 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. Cash from the U.S. dollar pool may be posted as collateral relating to short sale transactions and earns the Overnight Bank Funding rate plus 10 basis points.

At December 31, 2019, the WRS had minimal credit risk exposure to borrowers because loans are collateralized in excess of 100%. In addition to the cash collateral reinvestment indemnification, the contract with the lending agent requires it to indemnify the WRS if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent. The WRS is also indemnified against losses resulting from violations of investment guidelines.

The majority of security loans are open-ended and can be terminated on demand by the WRS or the borrower. Maturities of investments made with cash collateral are not necessarily matched to the maturities of the securities loaned because most loans do not have a fixed maturity date. The risk that the WRS would be unable to return collateral to securities borrowers upon termination of the loan is mitigated by the highly liquid nature of investments held in the collateral reinvestment pools. The average maturities of the loans and the average maturities of the assets held in the collateral reinvestment pools were similar at December 31, 2019.

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

Derivative Instruments

Wisconsin Retirement System (WRS)

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.

The WRS seeks to mitigate counterparty credit risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. Additionally, policies have been established which seek to implement master netting arrangements with counterparties that permit the closeout and netting of transactions with the same counterparty. Agreements may also require daily collateral postings to further mitigate credit risk.

As of December 31, 2019, there were 16 counterparties making up the WRS's exposure to counterparty credit risk for uncleared OTC derivative contracts. The exposure of the WRS to counterparty credit risk relating to these was as follows (in millions of United States Dollars):

OTC Derivatives Subject to Counterparty Credit Risk

	Counterparty Credit Rating	
FX Receivables:	AA	$ 814.9
	A	3,588.5
	B	0.6
To Be Announced Securities	A	3.6
Swap Receivables	A	570.8
Warrants	Not Rated	9.1
Total		4,987.5
Less Collateral and MNA Offsets		4,987.5
Total OTC Counterparty Credit Risk		$ —

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

Currency exposure management is permitted through the use of currency derivative instruments. Direct hedging of currency exposure back to the 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.

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

During the year, currency exposure management involved the use of foreign currency spot and forward contracts. The following table presents the fair value of foreign currency spot and forward contract assets and liabilities held as of December 31, 2019 (in millions):

Foreign Currency Spot and Forward Contracts

	Foreign Currency Contract Receivables			Foreign Currency Contract Payables		
Currency	Notional (local currency)	Fair Value US Dollars	Unrealized Gain/(Loss) US Dollars	Notional (local currency)	Fair Value US Dollars	Unrealized Gain/(Loss) US Dollars
Australia Dollar	169.3	$ 119.0	$ 2.8	(173.6)	$ (122.1)	$ (2.4)
Brazil Real	202.1	25.3	0.7	(41.9)	(10.4)	(0.5)
Canada Dollar	160.7	123.9	2.3	(206.8)	(159.5)	(2.7)
Chile Peso	29,174.8	38.8	1.3	(11,288.9)	(15.0)	(0.6)
China Yuan Renminbi	224.1	32.1	0.2	(95.2)	(13.6)	—
Colombia Peso	11,005.0	3.3	0.2	(29,410.1)	(8.9)	(0.4)
Czech Republic Koruna	685.8	30.3	0.4	(193.0)	(8.5)	(0.2)
Denmark Krone	131.5	19.8	0.1	(387.4)	(58.2)	(0.5)
Egypt Pound	83.6	5.2	0.3	—	—	—
Euro Currency Unit	217.7	244.5	1.6	(1,258.1)	(1,414.7)	(15.8)
Hong Kong Dollar	294.1	37.7	0.1	(239.1)	(30.7)	(0.1)
Hungary Forint	1,396.9	4.7	—	(3,148.8)	(10.7)	(0.1)
India Rupee	3,239.1	45.3	0.1	(609.8)	(8.5)	(0.1)
Indonesia Rupiah	488,170.1	34.9	0.6	(166,546.4)	(12.0)	(0.3)
Israel Shekel	44.2	12.8	0.1	(16.6)	(4.8)	—
Japan Yen	23,251.9	214.1	(0.2)	(27,795.1)	(255.8)	(0.2)
Korea (South) Won	13,623.4	11.8	0.2	(6,128.4)	(5.3)	(0.2)
Mexico Peso	453.3	23.8	0.5	(259.4)	(13.7)	(0.3)
New Zealand Dollar	38.3	25.8	0.8	(97.9)	(66.1)	(1.9)
Norway Krone	3,472.1	395.2	15.5	(193.7)	(22.0)	(0.8)
Peru Sol	24.2	7.3	0.1	(21.7)	(6.5)	(0.1)
Philippines Peso	243.8	4.8	—	(197.8)	(3.9)	—
Poland Zloty	129.1	34.1	0.7	(11.4)	(3.0)	(0.1)
Russia Ruble	2,148.3	34.4	1.1	—	—	—
Singapore Dollar	70.7	52.6	0.6	(43.9)	(32.6)	(0.3)
South Africa Rand	—	—	—	(210.7)	(15.0)	(0.7)
Sweden Krona	3,365.8	360.4	7.9	(816.9)	(87.3)	(1.2)
Switzerland Franc	196.3	202.8	2.9	(117.3)	(121.2)	(1.3)
Taiwan New Dollar	421.4	14.2	0.2	(455.5)	(15.3)	(0.1)
Thailand Baht	144.0	4.8	—	(123.7)	(4.1)	(0.1)
Turkey Lira	35.8	5.9	(0.1)	(16.6)	(2.7)	—
United Kingdom Pound	110.7	146.7	1.4	(190.8)	(252.8)	(3.6)
United States Dollar	2,087.5	2,087.5	—	(1,610.5)	(1,610.5)	—
Totals		$ 4,404.0	$ 42.6		$ (4,395.7)	$ (34.5)
Net Foreign Currency Contract Receivable / (Payable)					$ 8.3	$ 8.0

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, 2019 (in millions).

Futures Contracts

Futures Contract Description	Expiration	Notional Amount	Fair Value*
Long Positions:			
Commodity	Jan - Apr 20	$ 88.4	$ 2.7
Currency	Mar 20	87.9	1.3
Equity	Jan - Mar 20	2,117.0	12.0
Fixed Income	Mar 20	9,782.7	(65.4)
Short Positions:			
Commodity	Jan - Mar 20	$ (33.1)	$ (0.1)
Currency	Mar 20	(38.8)	(0.2)
Equity	Jan - Apr 20	(284.7)	(5.6)
Fixed Income	Mar 20	(3,096.2)	25.5
Total		$ 8,623.3	$ (29.9)

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

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

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

Swap Contracts - Swaps are negotiated contractual agreements between two counterparties which can be cleared or uncleared OTC investments. As is specified in the WRS’s investment guidelines, swaps, may be used as an alternative to physical securities when it is deemed advantageous for portfolio construction. In addition, swaps may be used to adjust asset class exposures for the WRS. Guideline limits and soft risk parameters for each portfolio are applied to the aggregate exposures which includes both physical and synthetic securities. A synthetic security is created by combining securities to mirror the properties of another reference security.

Throughout the year, the WRS held positions in Total Return Swaps and Credit Default Swaps (CDS). The following table presents the investments in open Swap Positions as of December 31, 2019 (in millions).

Open Swap Positions

Type / Maturity Date(s) / Description or Reference Rates	Notional Amount	Fair Value	Unrealized Gain/ (Loss)
Credit Default			
Dec ‘ 24	$ 215.0	$ 5.6	$ 0.1
Dec ‘ 24	39.6	3.8	—
Dec ‘ 24	30.0	(1.0)	—
Sold credit protection in exchange for periodic payments			
Credit Default			
Dec ‘24	(155.0)	(4.0)	0.1
Bought credit protection in exchange for periodic payments			
Total Return			
Jan ‘20	(110.4)	—	—
Pay Equity Index Return, Receive 3-month LIBOR plus Spread			
Total Return			
Jan ‘20	54.4	4.7	4.7
Apr ‘20	54.8	5.1	5.1
Jun ‘20	63.9	0.8	0.8
Jul ‘20	54.8	5.1	5.1
Sep ‘20	56.1	1.6	1.6
Dec ‘20	98.6	(0.3)	(0.3)
Feb ‘20	58.0	2.8	2.8
Pay 3-month LIBOR plus Spread, Receive Equity Index Return			
Total	$ 459.8	$ 24.0	$ 19.8

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

The open TRS contracts represent uncleared OTC positions where the WRS receives (pays) the return of the underlying equity index, in exchange, agrees to pay (receive) the stipulated rate benchmark. The rate benchmark is based on the 3-month London Interbank Offering Rate (LIBOR) and is sensitive to interest rate changes. The fair value for TRS is determined based on the change in quoted market price of the underlying equity index and represents the unrealized gain/(loss) on the contracts since trade inception.

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

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

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

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

The table below presents the fair value of option contracts as of December 31, 2019 (in millions):

Option Contracts

Security Description	Contract Type	Position	Exchange-Traded vs. OTC	Expiration	Notional	Fair Value	Unrealized Gain (Loss)
Equity	Call	Short	Exchange	Jan 20 - Apr 20	$ (18.6)	$ (0.6)	$ (0.2)
Equity	Put	Short	Exchange	Jan 20 - May 20	(56.1)	(0.5)	0.8
Equity	Put	Long	Exchange	Jan 20 - Feb 20	8.9	0.3	—
Equity Index	Call	Short	Exchange	Jan 20 - Mar 20	(226.2)	(4.3)	(2.6)
Equity Index	Put	Short	Exchange	Jan 20 - Mar 20	(226.2)	(0.9)	1.9
Equity Index	Put	Long	Exchange	Jan 20 - Mar 20	26.7	—	(0.1)
Fixed Income Index	Put	Long	Exchange	Feb 20	2.0	—	—
Total					$ (489.4)	$ (6.0)	$ (0.3)

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

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

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

The table below presents the fair value of TBA securities as of December 31, 2019 (in millions). Duration statistics are weighted by the fair value of each position to compute an average duration for the contracts held.

TBA Contracts

Position / Maturity	Fair Value	Unrealized Gain / (Loss)	Weighted Avg. Duration (years)
Long Jan 20	$ 2,976.9	$ 3.3	3.0
Short Jan 20	(2,063.2)	(2.6)	3.2
Total	$ 913.7	$ 0.7	

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

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

As of December 31, 2019, the WRS held warrant contracts giving the WRS the right to purchase 169,582 shares of preferred stock at a price of 1 Euro per share. The WRS was issued these warrants in 2017 in conjunction with an investment in a privately held company. The $9.3 million fair value of these warrants is based upon third-party valuations and is included in the "Stocks" section on the Statement of Fiduciary Net Position. The associated unrealized gain of $9.1 million is included in the "Net Appreciation (Depreciation) in the Fair Value of Investments" on the Statement of Changes in Fiduciary Net Position.

Short Sell Obligations

Wisconsin Retirement System (WRS)

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

Risks arise from short sales due to the possible illiquidity of the securities markets and from potential adverse movements in security values. The cost to acquire the securities sold short may exceed the amount of proceeds initially received, as well as the amount of the liability recorded as "Short Sales of Securities" in the Statement of Fiduciary Net Position. Short sales expose the short seller to potentially unlimited liability because there is no upward limit on the price a shorted security could attain. Certain portfolio guidelines permit short sales and, to mitigate risks in various ways, such as: limiting the total value of short sales as a percentage of portfolio value, establishing portfolio vs. benchmark tracking error limits, and monitoring other statistical and economic risk measures of the portfolio. Investment performance and risk associated with each portfolio is measured against benchmarks and monitored by management.

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

Except in the case of borrowings within the same trust fund, the WRS is required to post collateral to the lender, at the required rate of 102% for in-currency loans and 105% for cross-currency loans. At December 31, 2019, the WRS posted $63.7 million in cash and $2,948.5 million in securities as collateral to security lenders. This represented $88.5 million in excess of the fair market value of the securities borrowed. If the security lender recalled the security and the WRS was not able to supply the lender with the security, the lender would be permitted to use the WRS's collateral to fund the purchase of the security.

2. State Investment Fund

The State Investment Fund (SIF) 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 nonnegotiable 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 constant yield basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains and losses generated by the pool's investments.

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

Fair Value Reporting

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

The following table presents the recurring fair value measurements as of June 30, 2020 (in millions).

		Fair Value Measurement Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level:				
Government & Agencies	$11,094.1	$6,454.7	$4,639.5	$ —
Commercial Paper	622.1	—	622.1	—
Negotiable CDs	180.0	—	180.0	—
Banker's Acceptances	20.0	—	—	20.0
Corporate Notes	102.9	—	102.9	—
Total By Fair Value Level	$12,019.2	$6,454.7	$5,544.6	$ 20.0
Short-Term Reported at Cost or Amortized Cost:				
Repurchase Agreements	$ 4,105.4			
Non-negotiable CDs	18.4			
Time Deposits (non- negotiable)	63.0			
Total	**$16,206.1**			

Debt securities categorized as Level 2 are valued using observable inputs by third party pricing services using a matrix - pricing technique. Matrix pricing is used to value securities based on their relationship to quoted market prices for securities with similar interest rates, maturities, and credit ratings. 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 inputs that are unobservable to the marketplace. Banker's Acceptances included in Level 3 represent securities that derive their fair value from cost. Typically, due to their short-term nature, cost approximates fair value for these investments.

Investments held at cost (Repurchase Agreements, non-negotiable Certificates of Deposit, and Time Deposits) 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 seven repurchase agreements totaling $4.1 billion as of June 30, 2020. Two of the repurchase agreements are bilateral agreements totaling $650 million and the underlying securities (collateral) for these were held at SWIB's custodian. Four of the repurchase agreements totaling $1.4 billion, were tri-party agreements. The underlying securities (collateral) for these repurchase agreements were held by the tri-party's agent, not in SWIB's name. The remaining repurchase agreement, totaling $2.0 billion, was a related-party, bilateral agreement with the WRS. The underlying securities for this repurchase agreement were held by SWIB's custodian, in SWIB's name.

The related party repurchase transaction with the WRS was an overnight agreement collateralized with U.S. Treasury securities. The WRS is also a participant in the SIF, with investments totaling $4.2 billion (Core Fund) and $206 million (Variable Fund) at June 30, 2020.

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, 2020, the SIF has more than five percent of its investments in FHLB (24.6 percent), U.S. Treasury (42.4 percent) and Repurchase Agreement collateral (25.3 percent) consisting of various securities issued by the U.S. Government and its agencies. Since the Repurchase Agreements generally mature each day, new collateral, consisting of a different blend of U.S. Government and agency securities, is assigned each day.

Credit Quality Risk

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

The following table presents these credit ratings and aggregate exposures by investment type as of June 30, 2020 (in millions):

Investment Type	Ratings	Fair Value
Repurchase Agreements (Collateral):		
U.S. Government Debt & Agencies	AA	$ 4,105.4
U.S. Treasury:		
Short-Term (Bills)	A-1+	6,624.7
Long Term (Notes)	AA	245.5
Government Sponsored Entity		
U.S. Agency:		
Federal Home Loan Bank (FHLB)	A-1+	3,533.4
Federal Home Loan Bank (FHLB)	AA	461.5
Federal Home Loan Mortgage Corporation (FHLMC)	A-1+	103.2
Federal National Mortgage Association (FNMA)	A-1+	0.4
Federal Farm Credit Bank (FFCB)	A-1+	115.5
Federal Farm Credit Bank (FFCB)	AA	10.0
Commercial Paper	A-1+	467.7
Commercial Paper	A-1	154.4
Certificates of Deposit:		
Negotiable	A-1	25.0
Negotiable	A-1+	155.0
Non-Negotiable (Wisc. CD program)	NR	18.4
Time Deposits	A-1+	63.0
Banker's Acceptances	A-1+	20.0
Corporate Notes	AAA	4.2
Corporate Notes	AA	98.8
Total Investments		$ 16,206.1

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, 2020, the following table shows the investments by investment type, amount and the weighted average maturities (in millions):

Investment Type	Fair Value	Weighted Average Maturity (Days)
Repurchase Agreements	$ 4,105.4	1
Government & Agencies	11,094.1	40
Commercial Paper	622.1	45
Certificates of Deposit	198.5	27
Time Deposits	63.0	34
Banker's Acceptances	20.0	55
Corporate Notes	102.9	109
Total Investments	$ 16,206.1	
Portfolio Weighted Average Maturity (Days)		31

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. At June 30, 2020, the SIF was not exposed to foreign currency risk.

3. Lottery Investments and Related Future Prize Obligations

Investments of the State Lottery Fund totaling $11.9 million are held to finance grand prizes payable over a 20-year, 25-year or 30-year period. The investments in prize annuities are debt obligations of the U.S. government backed by its full faith and credit as to both principal and interest. Liabilities related to the future prize obligations are presented at their present value and included in "Accounts Payable and Other Accrued Liabilities".

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

Fiscal Year	Amount
2021	$ 3.8
2022	2.7
2023	2.4
2024	1.1
2025	0.3
Thereafter	1.9
Total future value	12.2
Less: Present value adjustment	(1.5)
Present value of payments	$ 10.7

NOTE 6. RECEIVABLES AND NET REVENUES

A. Receivables

Receivables at June 30, 2020 were as follows (in thousands):

	Taxes	Loans to Local Governments	Other Loans Receivable: Student Loans	Other Loans Receivable: Veterans Loans	Other Loans Receivable: Other Loans	Other Receivables	Due From Other Governments	Due From Component Units	Total Receivables
Governmental Activities:									
General	$ 2,453,658	$ —	$ —	$ —	$ 2,294	$ 736,590	$ 1,517,650	$ 142	$ 4,710,333
Transportation	98,111	—	—	—	18,437	7,236	213,240	—	337,024
Nonmajor Governmental	—	397,484	—	—	—	73,675	12,894	—	484,053
Total Governmental:	2,551,769	397,484	—	—	20,731	817,501	1,743,784	142	5,531,411
Government-wide Adjustments:									
Internal Service Funds	—	—	—	—	—	1,746	648	513	2,907
Accrual Adjustments	—	—	—	—	—	3,209	—	—	3,209
Fiduciary Receivables	—	—	—	—	—	88,563	—	—	88,563
Total – Governmental Activities	$ 2,551,769	$ 397,484	$ —	$ —	$ 20,731	$ 911,019	$ 1,744,432	$ 655	$ 5,626,091
Related revenue not recognized in the funds because it is not available	$ 277,976	$ —	$ —	$ —	$ —	$ 64,644	$ —	$ —	$ 342,620
Business-type Activities:									
Current:									
Environmental Improvement	$ —	$ 195,474	$ —	$ —	$ —	$ 28	$ 8,992	$ —	$ 204,494
University of Wisconsin System	—	—	24,328	—	—	157,897	91,173	10,987	284,385
Unemployment Reserve	—	—	—	—	—	122,494	812,805	—	935,299
Nonmajor Enterprise	—	251	—	29	—	148,036	22,089	—	170,404
Total Current:	—	195,725	24,328	29	—	428,454	935,059	10,987	1,594,582
Noncurrent:									
Environmental Improvement	—	1,724,444	—	—	—	—	—	—	1,724,444
University of Wisconsin System	—	—	123,401	—	—	—	—	33	123,434
Unemployment Reserve	—	—	—	—	—	29,996	—	—	29,996
Nonmajor Enterprise	—	2,556	—	7	2,875	—	—	—	5,438
Total Noncurrent	—	1,727,000	123,401	7	2,875	29,996	—	33	1,883,313
Government-wide Adjustments:									
Fiduciary Receivables	—	—	—	—	—	9,401	—	—	9,401
Total – Business-type Activities	$ —	$ 1,922,724	$ 147,729	$ 36	$ 2,875	$ 467,852	$ 935,059	$ 11,020	$ 3,487,296

B. Net Revenues

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2020, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	$ 319,916
Sales and Services of Auxiliary Enterprises	39,695
Total	$ 359,611

NOTE 7. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2020 was as follows (in thousands):

Primary Government	Beginning Balance *	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 2,881,762	$ 32,924	$ (106)	$ 2,914,580
Buildings and Improvements	167,713	175	—	167,888
Library Holdings	59,082	178	—	59,260
Equipment	227	—	—	227
Construction and Software in Progress	2,403,793	847,530	(923,223)	2,328,100
Infrastructure	17,585,818	893,858	(51,143)	18,428,533
Total capital assets, not being depreciated	23,098,394	1,774,664	(974,471)	23,898,587
Capital assets, being depreciated:				
Land Improvements	211,744	23,471	(88)	235,127
Buildings and Improvements	2,636,327	12,630	(1,838)	2,647,119
Equipment	1,109,455	64,565	(38,472)	1,135,547
Totals	3,957,525	100,666	(40,398)	4,017,793
Less accumulated depreciation for:				
Land Improvements	152,295	10,185	(88)	162,391
Buildings and Improvements	1,275,774	74,917	(1,501)	1,349,191
Equipment	778,616	74,346	(35,659)	817,303
Totals	2,206,684	159,448	(37,247)	2,328,885
Total Capital Assets, being depreciated, net	1,750,841	(58,782)	(3,151)	1,688,908
Governmental activities capital assets, net	$ 24,849,235	$ 1,715,883	$ (977,622)	$ 25,587,496
Business-type activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 163,638	$ 5,406	$ —	$ 169,044
Construction and Software in Progress	784,450	285,219	(287,184)	782,484
Total Capital Assets, not being depreciated	948,087	290,625	(287,184)	951,528
Capital assets, being depreciated:				
Land Improvements	25,445	2,651	(10)	28,086
Library Holdings	1,127,070	20,366	(19,384)	1,128,052
Buildings	8,094,109	382,022	(867)	8,475,265
Equipment	1,234,887	84,562	(28,804)	1,290,645
Totals	10,481,511	489,601	(49,064)	10,922,048
Less accumulated depreciation for:				
Land Improvements	16,136	1,179	(10)	17,305
Library Holdings	974,833	22,112	(19,384)	977,561
Buildings	4,021,896	246,518	(738)	4,267,677
Equipment	915,776	76,534	(28,011)	964,299
Totals	5,928,642	346,343	(48,143)	6,226,842
Total Capital Assets, being depreciated, net	4,552,869	143,258	(921)	4,695,206
Business-type activities capital assets, net	$ 5,500,957	$ 433,883	$ (288,106)	$ 5,646,735

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

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of $12.3 million, with accumulated depreciation totaling $8.8 million.

Depreciation Expense

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

Governmental Activities			Business-type Activities		
Commerce	$	908	University of Wisconsin System	$	329,098
Education		3,115	Lottery		28
Transportation		6,515	Care and Treatment Facilities		7,673
Environmental Resources		19,349	Other Business-Type		9,544
Human Relations and Resources		76,861	Total depreciation expense - business-type activities	$	346,343
General Executive		12,968			
Judicial		1,938			
Internal Service Funds		37,795			
Total depreciation expense - governmental activities	$	159,448			

Construction and Software in Progress

Construction and software in progress of the primary government reported in the government-wide statement of net position at fiscal year-end included the following projects (in thousands):

Governmental Activities:	**Allotments**	**Expended through June 30, 2020**	**Adjusted Encumbrances Outstanding**	**Unencumbered Allotment Balance**
Reported through capital projects funds:				
I94 N-S Corridor Reconstruction	$ 74,068	$ 74,068	$ —	$ —
Stillwater/St Croix Crossing Bridge	60,674	60,674	—	—
Zoo Interchange	530,477	530,477	—	—
GBCI North and South Cell Hall Improvement	22,232	2,109	13,125	6,998
Major Highway and Rehabilitation	100,028	100,028	—	—
Major Highway and Rehabilitation	28,622	28,622	—	—
Kettle Moraine Springs Hatchery Renovation	26,600	24,625	856	1,118
DNR South East Region HQ and Service Center Renovation	16,231	4,655	6,797	4,779
Interstate 94 North South Freeway Project	176,433	176,433	—	—
Other Projects with allotments totaling less than $10 million		60,134	—	—
Subtotal		$ 1,061,825		
Projects funded with sources other than capital projects funds:				
Transportation-related		1,203,191		
Department of Health Services		48,610		
Department of Natural Resources		5,061		
Other agency projects		9,413		
Total construction and software in progress - governmental		$ 2,328,100		
Business Activities:				
PLT Boebel Hall Addition and Renovation	23,772	6,392	12,118	5,262
MSN Babcock Hall Renovation	72,609	23,956	36,381	12,272
OSH Fletcher Hall Renovation	26,413	26,054	5	353
STP Chemistry Biology Building	69,930	69,793	23	113
MSN Chemistry Addition & Renovation	133,100	61,259	47,245	24,596
MSN Meat Sci & Muscle Bio Lab	57,077	52,149	1,915	3,013
EAU Towers Hall Renovation	42,624	37,387	258	4,979
LAC Wittich Hall Renovation	26,746	23,006	2,854	887
PLT Williams Field House Addition	15,272	13,518	3	1,751
MSN SERF Facility Replacement	96,541	79,067	987	16,487
LAC-New FH and Soccer Sup Facility	49,035	1,530	509	46,996
WTW Design-New Residence Hall	34,000	32,881	77	1,042
MIL Sandburg Hall Renovation	33,500	10,550	15,712	7,237
MIL NWQ Student Health Service Renovation	59,780	10,347	1,359	48,074
PKS Wyllie Hall Renovation	35,371	2,025	863	32,483
WTW Chiller Plant Upgrade	33,600	27,855	712	5,033
UW Platteville Sesquicentennial Hall	55,189	3,045	1,204	50,940
EAU Governors HL Addition and Renovation	19,307	1,125	294	17,888
MSN Gymnasium-Natatorium Replacement	126,391	3,120	3,692	119,579
MSN Camp Randall Stadium Renovation	77,646	2,062	3,139	72,445
MSN-Sellery Hall Addition Renovation	78,811	2,531	1,526	74,753
Mendota Lorenz HL Secure Treatment Units	24,706	17,280	4,242	3,184
MMHI Juvenile Center Utility Relations	10,300	4,520	2,334	3,446
Veterans Homes Moses Skilled Nursing Facility-King	$ 81,230	43,899	$ 24,598	$ 12,733
Projects with allotments totaling less than $10 million:				
University of Wisconsin System		143,239		
Other Projects with allotments totaling less than $10 million		83,894		
Total construction and software in progress - business type		$ 782,484		

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 $671.5 million and $111.0 million, respectively.

NOTE 8. ENDOWMENTS

Primary Government

University of Wisconsin System

The University of Wisconsin System invested its trust funds, principally gifts and bequests designated as endowments or quasi-endowments, in two of its own investment pools: the Long Term Fund and the Applied Security Analysis Program “RegentFund.” In Fiscal Year 2018, the Board of Regents transferred its investment management responsibilities of the Long Term Fund to the State of Wisconsin Investment Board (SWIB) as permitted through Section 36.11 (11m) of the Wisconsin statutes. The RegentFund was established on April 1, 2019, as an investment fund for a limited number of participating Trust Funds accounts. The RegentFund is an intermediate-term fixed income portfolio, governed by and subject to a Board- approved Memorandum of Understanding, which includes detailed investment guidelines.

Benefiting University of Wisconsin System entities receive quarterly distributions from the Long Term Fund, principally endowed assets, based on an annual spending rate applied to a 12-quarter moving average market value of the fund. The annual spending rate is currently 4.0 percent. Distributions from the RegentFund, principally quasi-endowments and unspent income distributions, consist of interest earnings distributed quarterly. Spending rate and interest distributions from both of these funds are transferred to the State Investment Fund, pending near-term expenditures. At June 30, 2020, net appreciation of the endowment accounts was $153.7 million which was available to meet spending rate distributions, of which $17.5 million was actually authorized for expenditure.

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

University of Wisconsin System investment policies and guidelines are governed and authorized by the Board of Regents. The approved asset allocation for the new SWIB-managed Long Term Fund has a target to public markets of the following: 57.0 percent public equities, 20.0 percent fixed income, and 23.0 percent inflation sensitive securities. Private markets are not included in the target asset allocation. The legacy private markets investments will self-liquidate as distributions are made from existing funds with no new commitments intended.

The fair value of Endowments as of June 30, 2020 was $470.4 million including an unrealized gain of $10.2 million when fair values as of June 30, 2020 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, 2020, 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	$	312.9
Realized Gains – Undistributed		147.3
Book Value		460.2
Unrealized Net Gains/Losses – Undistributed		10.2
Fair Value	$	470.4

On June 30, 2020, the portfolio at market, for the Long Term Fund, contained 42.7 percent in global equities, 16.1 percent in Treasury Inflation Protection Securities (TIPS), 16.3 percent in investment grade government/credit, 4.8 percent in hedged non-U.S. equities, 2.5 percent in real estate investment trusts, 2.7 percent in emerging markets equities, and 14.9 percent in private markets. The total return (loss) on the principal Long Term Fund including capital appreciation was 3.8 percent for the year.

On June 30, 2020, the portfolio at market, for the RegentFund, contained 94.9 percent in fixed income securities and 5.1 percent in cash and cash equivalents. The total return on the principal RegentFund including capital appreciation was 6.8 percent for the year.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances as of or for the year ended June 30, 2020 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, 2020 were as follows (in thousands):

	Due to Other Funds:									
	General	Transportation	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Internal Service	Fiduciary	**Total**
Due from Other Funds:										
General	$ —	$ 13,246	$ 3,341	$ 591	$ 61,022	$ 68,976	$ 2,094	$ 1,057	$ 74,884	$ 225,210
Transportation	43,301	—	78,049	—	—	—	—	47	—	121,397
Nonmajor Governmental	8,141	11,285	2,170	509	—	6	21,026	1,497	—	44,634
Environmental Improvement	3	—	3,025	—	—	—	—	—	—	3,028
University of Wisconsin System	20,829	763	3,909	64	—	—	152	49	—	25,766
Unemployment Reserve	26,886	—	—	—	—	—	—	—	—	26,886
Nonmajor Enterprise	1,387	32	—	—	—	—	47,535	68	7,362	56,384
Internal Service	19,489	2,593	1,432	—	1,015	—	82	—	13,680	38,290
Fiduciary	15,434	1,972	1,279	3	49,518	—	8,120	1,221	4,321	81,868
Total	$ 135,470	$ 29,890	$ 93,205	$ 1,168	$ 111,554	$ 68,982	$ 79,008	$ 3,939	$ 100,246	$ 623,463

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, 2020 were as follows (in thousands):

	Interfund Receivable:	
	General	Total
Interfund Payables:		
Nonmajor Governmental	$ 1,401	$ 1,401
Nonmajor Enterprise	44,253	44,253
Internal Service	41,212	41,212
Total	$ 86,865	$ 86,865

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, 2020 were as follows (in thousands):

	Advances from Other Funds	
	Nonmajor Governmental	Total
Advances to Other Funds (asset)		
Environmental Improvement	$ 6,582	$ 6,582
Nonmajor Enterprise	146	146
Total	$ 6,728	$ 6,728

D. Interfund Transfers

Interfund Transfers in and out that occurred during Fiscal Year 2020 were as follows (in thousands):

	Transfers In:							
	General	Transportation	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Nonmajor Enterprise	Internal Service	Total
Transfers Out:								
General	$ —	$ 44,374	$ 787,781	$ —	$ 938,177	$ 186,157	$ 6,991	$ 1,963,481
Transportation	1,304	—	182,194	—	—	—	72	183,570
Nonmajor Governmental	20,224	67,967	63,705	4,056	196,374	44,620	116	397,062
Environmental Improvement	—	—	8,010	—	—	—	—	8,010
University of Wisconsin System	23,919	—	69,004	—	—	—	—	92,923
Unemployment Reserve	380	—	—	—	—	—	—	380
Nonmajor Enterprise	11,993	—	6,758	—	—	788	—	19,539
Internal Service	1,338	—	1,799	—	7	—	800	3,943
Fiduciary	4	—	515	—	—	—	—	519
Total	$ 59,162	$ 112,341	$ 1,119,766	$ 4,056	$ 1,134,557	$ 231,566	$ 7,979	$ 2,669,428

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

Most of the State's funds are presented on a fiscal year ended June 30. However, some funds are presented on a fiscal year ended December 31. As a result, inconsistencies may occur in amounts reported as interfund transfers between funds with different fiscal year ends. In addition, the transfer of capital assets between governmental and enterprise funds will result in an inconsistency.

Nonroutine and Other Transfers

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

Transfer out from the General Fund:

Funds Reporting the Transfer In	Amount
Lottery	$ 70,801
Transportation	49,560
Universal Service Fund	22,000
Building Trust	10,000
Environmental	7,991

Transfers in to the General Fund:

Funds Reporting the Transfer Out	Amount
University of Wisconsin System	$ 15,475
Local Government Property Insurance	1,737

Transfers out from the Petroleum Inspection Fund:

Fund Reporting the Transfer In	Amount
Transportation	$ 61,306

Starting in Fiscal Year 2020, the General Fund provided a sum sufficient $11.9 million transfer to the Veterans Trust Fund. In prior years this transfer was made by the Homes For Veterans Fund.

NOTE 10. CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2020, the following changes occurred in long term liabilities (in thousands):

Primary Government

Governmental Activities	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Bonds and Long Term Notes Payable:					
General Obligation Bonds & Notes* for:					
Governmental Funds	$ 5,206,524	$ 934,187	$ 1,027,018	$ 5,113,693	$ 521,984
Internal Service Funds	324,793	27,602	39,875	312,520	20,685
Annual Appropriation Bonds	2,944,650	623,320	590,395	2,977,575	143,670
Revenue Bonds	2,145,320	—	254,345	1,890,975	152,444
Issuance Premiums and (Discounts)	822,578	123,939	155,759	790,758	—
Total Bonds and Long Term Notes Payable	11,443,865	1,709,047	2,067,391	11,085,521	838,782
Other Liabilities:					
Future Benefits and Loss Liability	121,155	47,277	40,190	128,241	46,498
Capital Leases	84,766	444	14,707	70,503	14,083
Compensated Absences	2,309,782	284,388	166,337	2,427,833	183,452
Net Pension Liability	456,970	—	456,970	—	—
Other Postemployment Benefits	387,281	155,339	—	542,620	—
Claims, Judgments and Commitments	592	87	—	679	—
Pollution Remediation Obligations	4,677	6,169	2,486	8,360	5,233
Total Governmental Activities Long-term Liabilities	$ 14,809,088	$ 2,202,750	$ 2,748,080	$ 14,263,758	$ 1,088,048

* General Obligation Bonds & Notes included direct borrowings in the form of General Obligation Long-Term Notes in the amount of $70.4 million at July 1, 2019. During the fiscal year repayments in the amount of $45.4 million reduced that balance to $25.0 million at June 30, 2020. All of these remaining notes are due within one year.

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 2020.

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

Business-type Activities	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Bonds Payable:					
General Obligation Bonds & Notes *	$ 1,567,068	$ 394,122	$ 386,443	$ 1,574,747	$ 104,649
Revenue Bonds	245,885	82,818	20,943	307,760	22,560
Issuance Premiums and (Discounts)	152,291	64,900	38,650	178,541	—
Total Bonds Payable	1,965,244	541,839	446,035	2,061,048	127,209
Other Liabilities:					
Future Benefits and Loss Liability	891,444	188,204	117,286	962,361	118,530
Capital Leases	34,685	128	451	34,363	2,059
Compensated Absences	158,353	84,253	76,543	166,063	96,324
Net Pension Liability	528,532	—	528,532	—	—
Other Postemployment Benefits	468,941	192,892	—	661,833	—
Asset Retirement Obligations	12,009	191	—	12,200	—
Total Business-type Activities Long-term Liabilities	$ 4,059,209	$ 1,007,507	$ 1,168,848	$ 3,897,868	$ 344,122

* General Obligation Bonds & Notes included direct borrowings in the form of General Obligation Long-Term Notes in the amount of $11.3 million at July 1, 2019. During the fiscal year repayments in the amount of $6.1 million reduced that balance to $5.3 million at June 30, 2020. All of these remaining notes are due within one year.

NOTE 11. BONDS, NOTES AND OTHER DEBT OBLIGATIONS

The following schedule summarizes outstanding bonds and long-term notes payable at June 30, 2020 (in millions):

Primary Government		
Governmental Activities:		
General Obligation Bonds and Notes	$	5,924.0
Annual Appropriation Bonds		3,030.2
Revenue Bonds:		
Transportation		2,131.3
Total Governmental Activities		11,085.5
Business-type Activities:		
General Obligation Bonds and Notes:		
University of Wisconsin System		1,659.2
Other Business-type		47.3
Revenue Bonds:		
Environmental Improvement		354.6
Total Business-type Activities		2,061.0
Total Primary Government	$	13,146.6

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, 2020, $4.7 billion of general obligation bonds were legislatively authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2020 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
2011	2010 Series D;	9/10;	3.45 to 5.1	5/41	$ 1,013,855	$ 397,275
	2011 Series A, and 1	2/11, 6/11				
2012	2011 Series 2, and B;	10/11, 8/11;	3.0 to 5.0	5/42	987,900	293,770
	2012 Series 2, and A	5/12, 6/12				
2013	2012 Series B;	11/12;	2.55 to 5.0	5/33	703,320	270,875
	2013 Series A	5/13				
2014	2013 Series 1;	11/13;	3.0 to 5.0	5/34	878,860	347,695
	2014 Series 2, and A	4/14, 2/14				
2015	2014 Series 3, 4 and B;	9/14, 1/15, 7/14;	2.0 to 5.0	5/29	1,318,765	613,035
	2015 Series 1, A, and B	4/15, 2/15, 6/15				
2016	2015 Series C;	9/15;	1.75 to 5.0	5/36	977,435	840,025
	2016 Series 1 and A	3/16, 3/16				
2017	2016 Series B, C, D, 2;	7/16, 7/16, 10/16, 8/16;	1.15 to 5.0	5/37	1,124,280	1,043,745
	2017 Series A	3/17				
2018	2017 Series B, 1, 2, 3;	11/17, 7/17, 11/17, 12/17;	2.0 to 5.0	5/38	1,635,975	1,515,825
	2018 Series A	3/18				
2019	2018 Series B	10/18	5.0	5/39	258,965	238,760
2020	2019 Series A, B, 1;	8/19, 12/19, 10/19	1.63 to 5.0	5/40	1,355,910	1,355,910
	2020 Series A, 1, 2	6/20, 2/20, 2/20				
					10,255,265	6,916,915
Premiums/Discounts						629,538
Total General Obligation Bonds					$ 10,255,265	$ 7,546,453

As of June 30, 2020, general obligation bond debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2021	$ 424,093	$ 243,886	$ 76,487	$ 67,078
2022	406,786	222,651	78,214	63,386
2023	429,053	202,305	85,222	59,511
2024	393,220	183,052	96,515	55,391
2025	384,251	166,109	112,464	51,450
2026 - 2030	1,711,133	580,965	486,047	187,216
2031 - 2035	1,157,215	257,908	403,945	88,729
2036 - 2040	467,349	54,483	189,981	28,542
2041 - 2042	—	—	14,940	858
	5,373,100	1,911,359	1,543,815	602,163
Premiums/Discounts	497,803		131,734	
Total	$ 5,870,903	$ 1,911,359	$ 1,675,549	$ 602,163

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, 2019 and ends September 30, 2020. The impact of these cuts for the current federal fiscal year is a 5.9% reduction in the direct payment amount that the State expected to receive. One series of such general obligation bonds remain outstanding.

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.

In November 2017, the State issued General Obligation Refunding Bonds (2017 Series 2), which included a crossover refunding of certain outstanding general obligation bonds that are “qualified Build America Bonds”. A portion of the proceeds of the bonds were deposited in escrow to provide for future interest payments on the 2017 Series 2 bonds until the crossover dates (May 1, 2019 and May 1, 2020), at which time escrow resources retired $46.5 million of 2009 Series B bonds, $128.2 million of 2009 Series D Bonds, and $119.1 million of 2010 Series B Bonds. Until the respective crossover dates, the refunded bonds were not considered defeased, and both the 2017 Series 2 Bonds and refunded bonds were reported as liabilities of the State.

In February 2020, the State issued General Obligation Refunding Bonds (2020 Series 1), which included a current refunding of certain outstanding general obligation bonds that are “qualified Build America Bonds”. A portion of the proceeds of the bonds were deposited in the bond security and redemption fund and used to retire $97.6 million of 2009 Series D Bonds on May 1, 2020.

B. General Obligation Notes

1. Demand Notes

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

As of June 30, 2020, the State had $53.8 million in variable-rate general obligation demand notes outstanding that are demand notes marketed weekly pursuant an electronic bidding system referred to as the Clarity BidRate Alternative Trading System. The holders of the notes have the option to tender their notes weekly, and upon a tender if the remarketing of the tendered note is unsuccessful, the note will be purchased by the State pursuant to a self-liquidity agreement and become a contracted note. There were no contracted notes during Fiscal Year 2020.

The face value of the demand notes are reported as part of General Obligation Bonds and Notes in the Statements of Net Position and bear interest at rates determined and reset every seven days and computed on the basis of a 365/366 day year for the actual number of days elapsed and payable monthly on the first business day of the month. Principal outstanding at year end totaled $53.8 million.

As of June 30, 2020, general obligation demand note debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2021	$ —	$ 1,125	$ —	$ 1,027
2022	—	1,125	—	1,027
2023	—	1,125	—	1,027
2024	—	1,125	—	1,027
2025	—	1,125	—	1,027
2026 - 2030	—	5,626	—	5,134
2031 - 2035	—	5,626	—	5,134
2036 - 2038	28,130	2,827	25,670	2,889
Total	$ 28,130	$ 19,705	$ 25,670	$ 18,291

Though the actual interest rate paid by the state for these notes will fluctuate as described above, the stated future interest payments in the preceding schedule above are based on an assumed 4.00% fixed annual rate, and not the 0.15% rate that was the actual reset rate in effect at June 30, 2020.

2. Long-term Notes

Direct Borrowing - In April 2015, the State issued $279.8 million of General Obligation Long-term Notes Payable for the purpose of refunding General Obligation Bonds. These notes were issued pursuant to a Term Loan Agreement with JPMorgan Chase Bank, NA. Pursuant to provisions of the Term Loan Agreement, interest rates on the outstanding maturities were increased effective January 1, 2018 as a result of the enactment on December 22, 2017 of the Federal Tax Cuts and Jobs Act (which decreased the federal corporate tax rate).

The face value of the notes is reported as part of General Obligation Bonds and Notes in the Statements of Net Position and bear interest at 4.17 percent, payable semi-annually on each May 1 and November 1 until their maturity date. Principal outstanding at year end totaled $30.2 million.

As of June 30, 2020, long-term general obligation note debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2021	$ 24,983	$ 1,056	$ 5,262	$ 222
Total	$ 24,983	$ 1,056	$ 5,262	$ 222

C. Annual Appropriation Bonds

2003 Annual Appropriation Bonds

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

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

In November 2012, the State issued $251.6 million bonds to refund a portion of the 2003 Series A bonds. In August 2016, the State issued $400.1 million of General Fund Annual Appropriation Refunding Bonds (Taxable) to refund the May 2018 maturities of the 2008 Series A Bonds.

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

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

The General Fund Annual Appropriation Bonds of 2003, Series A (Taxable Fixed Rate) in the outstanding principal amount of $409.6 million ("2003 Series A Bonds"), bear interest at a rate of 5.70 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Refunding Bonds of 2012, Series A (Taxable Fixed Rate) in the outstanding principal amount of $113.6 million ("2012 Series A Bonds"), bear interest at rates from 3.669 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 $352.9 million (2016 Series A Bonds), bear interest at rates from 1.62 percent to 2.48 percent computed on the basis of a 30-day month and a 360-day year and for the number of days actually elapsed, payable semiannually on May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Refunding Bonds of 2020, Series A (Taxable) in the outstanding principal amount of $623.3 million (2020 Series A Bonds), bear interest at rates from 1.67 percent to 2.50 percent computed on the basis of a 30-day month and a 360-day year and for the number of days actually elapsed, payable semiannually on May 1 and November 1 until their maturity dates.

As of June 30, 2020, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2021	$ 124.7	$ 48.6
2022	135.0	45.4
2023	146.7	41.7
2024	161.7	37.0
2025	176.8	30.5
2026 - 2030	614.5	64.6
2031 - 2032	140.0	4.8
	1,499.5	272.5
Unamortized Prem./Discount	(0.4)	
Total, net	$ 1,499.1	$ 272.5

Derivatives

The State had previously 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. These interest rate exchange agreements were terminated in February 2020 as a result of the issuance of the General Fund Annual Appropriation Refunding Bonds of 2020, Series A (Taxable). No interest rate agreements are outstanding as of June 30, 2020, and all risks associated with the interest rate agreements have been eliminated.

2009 Annual Appropriation Bonds

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

The 2016 Series B (Taxable) General Fund Annual Appropriation Bonds in the outstanding principal amount of $197.9 million bear interest rates from 1.62 percent to 3.29 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

The 2017 Series A (Taxable) General Fund Annual Appropriation Bonds in the outstanding principal amount of $424.2 million bear interest rates from 2.18 percent to 3.95 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

The 2017 Series B General Fund Annual Appropriation Bonds in the outstanding principal amount of $102.0 million bear interest rates from 4.00 percent to 5.00 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

The 2017 Series C (Taxable) General Fund Annual Appropriation Bonds in the outstanding principal amount of $394.0 million bear interest rates from 2.07 percent to 3.15 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

The 2019 Series A (Forward Delivery) General Fund Annual Appropriation Bonds in the outstanding principal amount of $360.0 million bear interest rates at 5.00 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

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

As of June 30, 2020, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2021	$ 19.0	$ 58.0
2022	42.4	57.3
2023	46.1	55.5
2024	58.0	53.4
2025	53.7	50.7
2026 - 2030	642.7	177.2
2031 - 2035	323.9	107.2
2036 - 2037	292.3	15.5
	1,478.1	574.9
Unamortized Premium/Discount	53.0	
Total	$ 1,531.1	$ 574.9

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 $4.2 billion of revenue bonds. Presently, there are fourteen issues of Transportation Revenue Bonds outstanding totaling $1.9 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, 2020 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2019 A	4/19	5.0	7/39	$ 155,950	$ 155,950
2017 2	12/17	5.0	7/32	368,595	368,595
2017 1	5/17	5.0	7/37	284,520	284,520
2015 A	12/15	3.0 - 5.0	7/36	225,000	217,255
2015 1	4/15	5.0	7/29	207,240	140,935
2014 2	12/14	5.0	7/27	94,130	86,090
2014 1	4/14	4.5	7/34	339,745	77,235
2013 1	3/13	4.0 - 5.0	7/33	259,680	147,550
2012 2	6/12	5.0	7/24	116,400	81,455
2012 1	4/12	3.5 - 5.0	7/24	343,725	136,415
2010 B	12/10	4.7 - 6.0	7/31	123,925	123,925
2010 A	12/10	5.0	7/20	76,075	8,935
2007 1	3/07	5.0	7/20	206,900	33,540
2005 A	3/05	5.0	7/20	235,585	28,575
				3,037,470	1,890,975
Unamortized Premium / Discount					240,341
Total				$3,037,470	$ 2,131,316

Petroleum Inspection Fee Revenue Bonds

Petroleum Inspection Fee (PIF) Revenue Bonds were 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 reimbursed owners for 75 percent to 99 percent of cleanup costs associated with soil and groundwater contamination. As of June 30, 2020, there are no PIF Revenue Bonds outstanding.

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, 2020, there were four issues of Environmental Improvement Fund Revenue Bonds outstanding totaling $307.8 million.

Bonds issued and outstanding for the Environmental Improvement Fund as of June 30, 2020 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2020-A	5/20	5.00	6/39	$ 80,000	$ 80,000
2018-A	9/18	5.00	6/26	92,080	83,330
2017-A	6/17	3.0 to 5.0	6/35	218,705	114,110
2015-A	12/15	3.0 to 5.0	6/30	43,380	30,320
				434,165	307,760
Unamortized Premium / Discount					46,807
Total				$ 434,165	$ 354,567

As of June 30, 2020, 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: Transportation Revenue Bonds Principal	Governmental Activities: Transportation Revenue Bonds Interest	Business-Type Activities: Environmental Improvement Fund Revenue Bonds Principal	Business-Type Activities: Environmental Improvement Fund Revenue Bonds Interest
2021	$ 130,275	$ 87,917	$ 22,560	$ 15,588
2022	265,570	83,945	23,830	14,260
2023	141,570	76,652	25,025	13,069
2024	128,605	69,448	26,270	11,817
2025	126,970	62,563	26,190	10,504
2026 - 2030	556,645	218,757	80,940	36,640
2031 - 2035	422,485	76,872	71,030	19,859
2036-2040	118,855	10,757	31,915	3,177
	1,890,975	686,911	307,760	124,914
Unamortized Premium / Discount	240,341		46,807	
Total	$ 2,131,316	$ 686,911	$ 354,567	$ 124,914

Qualified Build America Bonds

The State has previously 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), and currently one series of such revenue bonds remain outstanding. 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, 2019 and ends September 30, 2020. The impact of these cuts for the current federal fiscal year is a 5.9% reduction in the direct payment amount that the State expected to receive.

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.

In December 2017, the State issued Transportation Revenue Refunding Bonds (2017 Series 2), which included a crossover refunding of certain outstanding transportation revenue bonds that are “qualified Build America Bonds”. A portion of the proceeds of the bonds were deposited in an escrow to provide for future interest payments on the 2017 Series 2 bonds until the crossover dates (July 1, 2019 and July 1, 2020), at which time escrow resources retired $112.6 million of 2009 Series B bonds and will retire $123.9 million of 2010 Series B bonds. Until the respective crossover dates, the refunded bonds are not considered to be defeased, and both the 2017 Series 2 bonds and refunded bonds are reported as liabilities of the State.

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 October 2019, the State issued $329.7 million of general obligation refunding bonds (2019 Series 1), the proceeds of $327.9 million were deposited in an escrow account to provide for future debt service payments and redemption of $307.4 million of various general obligation bonds for which future debt service payments and redemption are paid from the escrow account are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by $34.7 million and an economic gain of $33.6 million.

In February 2020, the State issued $108.7 million of general obligation refunding bonds (2020 Series 1), the proceeds of $142.5 million were deposited in the bond security and redemption fund for the redemption of $138.6 million of various general obligation bonds for which redemption was paid from the bond security and redemption fund are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by $26.8 million and an economic gain of $22.8 million.

In February 2020, the State issued $218.3 million of general obligation refunding bonds (2020 Series 2), the proceeds of $217.2 million were deposited in an escrow account to provide for future debt service payments and redemption of $201.1 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 $12.9 million and an economic gain of $15.3 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, 2020, $1,917.7 million of general obligation bond principal has been defeased.

Current Year Refundings/Annual Appropriation Bonds

In February 2020, the State issued $623.3 million of General Fund Annual Appropriation Refunding Bonds (Taxable) to refund the 2008 Series B bonds and 2008 Series C bonds, and make termination payments on the interest rate exchange agreements, or swap agreements relating to the 2008 Series B bonds and 2008 Series C bonds. The refunding resulted in a decrease in total debt service payments by $6.8 million and an economic gain of $7.9 million.

Current Fiscal Year Refundings/Revenue Bonds

No refunding revenue issues occurred in Fiscal Year 2020.

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, 2020, revenue bonds outstanding of $357.0 million have been defeased.
- Transportation Revenue Bonds – At June 30, 2020, revenue bonds outstanding of $307.9 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, 2020, the amount of commercial paper notes outstanding was $149.5 million which had interest rates ranging from 0.15 percent to 1.20 percent and maturities ranging from July 2, 2020 to August 6, 2020.

Short-term debt activity for the year ended June 30, 2020 for general obligation commercial paper notes was as follows (in millions):

Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
$ 149.5	$ —	$ —	$ 149.5

General Obligation Extendible Municipal Commercial Paper

The State has authorized General Obligation extendible municipal commercial paper for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. Periodically, additional extendible municipal commercial papers are issued to pay for maturing extendible municipal commercial paper. The State intends to make annual May 1 payments on the outstanding commercial paper notes that reflect principal amortization of the paper. The State also intends to make regular payments to the issuing and paying agent that will be used to pay the interest due on the maturing notes. At June 30, 2020, the amount of extendible municipal commercial paper outstanding was $171.1 million which had interest rates ranging from 0.22 percent to 1.11 percent and maturities from July 1, 2020, to September 2, 2020.

Short-term debt activity for the year ended June 30, 2020 for general obligation extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
$ 171.1	$ —	$ —	$ 171.1

G. Certificates of Participation

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by state agencies. This facility is the Third Amended and Restated Master Lease between the State acting by and through the Department of Administration and U.S. Bank National Association. Lease purchase obligations under the Master Lease are not general obligations of the State but are payable from appropriations of State agencies participating in the Master Lease Program, subject to annual appropriation. The interest component of each lease/purchase payment is subject to a separate determination.

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

The outstanding balance as of June 30, 2020 was as follows:

Balance Due	**Average Life (Weighted Term)**
$83.3 million	2.03 Years

At June 30, 2020, 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 $11.5 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, 2020. 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 2014, Series A, in the amount of $13.5 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 $13.8 million. This series of Master Lease certificates has interest rates ranging from 2.10 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 $19.9 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.

- Master Lease Certificates of Participation of 2016, Series A in the amount of $7.0 million. This series of Master Lease certificates has interest rates ranging from 3.0 to 5.0 percent and matures semi-annually through March 1, 2023.

- Master Lease Certificates of Participation of 2018, Series A in the amount of $17.5 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, 2020, 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, 2020, 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 for up to $300.0 million in bonds for this purpose, plus refunding bonds, and has two outstanding refunding series with an outstanding balance of $111.8 million that is subject to the moral obligation. In addition, in April 2020 the Wisconsin Center District authorized up to an additional $300.0 million of bonds for this purpose that may, subject to State determination that certain conditions are met, be subject to the moral obligation.

In December 2020, The Wisconsin Center District issued $300 million in Junior Dedicated Tax Revenue Bonds Series 2020 D; and, the Secretary of Administration designated the State's moral obligation pledge to appropriate moneys to make up deficiencies in the debt service reserve fund for $300.0 million of Wisconsin Center District Junior Dedicated Tax Revenue Bonds. This pledge does not exceed the amount provided for in law for such purpose.

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.

Through legislation enacted in 2017, subject to the Secretary of Administration's designation and determination of certain conditions being met, the State may provide a moral obligation pledge for up to 40% of a local governmental unit's aggregate municipal obligations issued to finance costs related to development occurring in, or for the benefit of, the electronics and information technology manufacturing zone. To date, one series of the Village of Mount Pleasant Tax Increment Revenue Bonds were issued in 2018 with an outstanding balance of $120.0 million that is subject to the moral obligation.

J. Credit Agreements

In March 2019, the State entered into a credit agreement that provides the State a line of credit for liquidity support for up to $185.0 million of general obligation commercial paper notes. In January 2020, the line of credit was reduced to $155.0 million. As of June 30, 2020, $155.0 million was unused and available. The line of credit expires in March 2021, but is subject to termination and renewal as provided for in the credit agreement. The cost of this line of credit is 0.180 percent per year.

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 fund 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, 2020 for capital leases (in thousands):

	Governmental Activities	
Fiscal Year	**Principal**	**Interest**
2021	$ 14,083	$ 3,144
2022	12,131	2,499
2023	42,048	2,057
2024	857	96
2025	575	60
2026- 2030	809	57
Total minimum future lease payments	$ 70,503	
Total minimum interest payments		$ 7,913

	Business- type Activities	
Fiscal Year	**Principal**	**Interest**
2021	$ 2,064	$ 2,367
2022	1,837	2,264
2023	1,697	2,164
2024	1,454	2,062
2025	1,382	1,971
2026- 2030	5,805	8,581
2031 - 2035	5,627	6,737
2036 - 2040	8,067	4,296
2041 - 2045	6,429	989
Total minimum future lease payments	$ 34,363	
Total minimum interest payments		$ 31,432

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, 2020 (in thousands):

	Governmental Activities	Business- type Activities
Buildings and Improvements	$ —	$ 29,287
Machinery and Improvements	165,416	7,466
Construction in Progress	2,137	—
Less: Accumulated Depreciation	(80,107)	(5,634)
Carrying Amount	$ 87,447	$ 31,118

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 2020 were $86.3 million. Of this amount, $86.2 million relates to minimum rental payments stipulated in lease agreements, and $49.1 thousand pertains to contingent rental payments.

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

Fiscal Year	Governmental Activities	Business- type Activities
2021	$ 38,931	$ 28,767
2022	25,699	26,100
2023	18,881	18,917
2024	11,287	16,949
2025	7,076	15,455
2026-2030	15,866	63,751
2031-2035	412	54,420
2036-2040	374	30,612
2041-2045	474	24,707
2046-2050	451	9,880
2051-2055	109	—
2056-2060	2	—
Thereafter	8	—
Minimum lease payments	$ 119,571	$ 289,557

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, 2020 for installment purchases (in thousands):

	Business- type Activities	
Fiscal Year	Principal	Interest
2021	401	5
Total minimum future installment payments	401	—
Total interest payments	$ —	$ 5

NOTE 13. POLLUTION REMEDIATION AND ASSET RETIREMENT OBLIGATIONS

Pollution Remediation Obligations

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

Measurement of Obligations

GASB Statement No. 49 requires the State to calculate pollution remediation obligations using the expected cash flow technique. These estimates are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors. Recoveries from other responsible parties may reduce the State's obligation. In accordance with the standard, if the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability. Under specific circumstances capital assets may be created when pollution remediation is performed. 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 the fiscal year, the State expended $0.3 million to clean up sites. Estimates of existing pollution remediation liabilities were also increased by $4.0 million. In total, the beginning liability of $4.7 million increased to $8.4 million. There were no recoveries received from other responsible parties during the fiscal year and none are expected for the identified obligations.

Identified Remediation Obligations

Pollution remediation liabilities are updated annually and are based on engineering studies and the judgment of agency officials. The following table shows liabilities included in the Statement of Net Position as of June 30, 2020 (in millions):

Nature and Source of Pollution	Estimated Liability	Estimated Recovery
Contract agreement with EPA to clean up Superfund site for former wood treatment facility	$ 0.5	$ —
Voluntary commencement by the State to clean up heavy metal contamination of canal near former industrial site	7.9	—
Total estimated obligations	$ 8.4	$ —

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.

Asset Retirement Obligations

GASB Statement No. 83, Certain Asset Retirement Obligations (GASB 83), establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. In accordance with the statement, the University of Wisconsin System has recognized asset retirement obligations of $12.2 million as of June 30, 2020, related to decommissioning costs for a nuclear research reactor. This obligation was recognized based on the best estimate of the current value of outlays expected to be incurred. The corresponding deferred outflow of resources is amortized over the estimated remaining useful life of the associated tangible capital asset coinciding with a licensure period through the year 2031. The University of Wisconsin System has issued a statement to the U.S. Nuclear Regulatory Commission of intent to obtain funds necessary for decommissioning, when necessary. No restricted assets are set aside for payment of the asset retirement obligations.

NOTE 14. RETIREMENT PLAN

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

The WRS is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes audited financial statements and required supplementary information for the year ending December 31, 2019, is available at www.etf.wi.gov.

Plan Description

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

As of December 31, 2019, the number of participating employers was:

State Agencies	56
Cities	188
Counties	71
Villages	274
Towns	272
School Districts	421
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	206
Total Employers	1,516

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

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

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

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

Accounting Policies and Plan Asset Matters

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

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

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

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

Contributions Required

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. In 2016, executives & elected officials' contributions rates were changed to match General. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates as of June 30, 2020 are:

	Employee	Employer
General (including teachers)	6.75%	6.75%
Executives & Elected Officials	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

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, 2020 the State reported a net pension asset of $895.3 million for its proportionate share of the WRS' net pension asset. It is presented as a net pension asset on the Statement of Net Position for proprietary funds and on the government-wide Statement of Net Position.

The net pension asset was measured as of December 31, 2019, and the total pension liability was based on an actuarial valuation as of December 31, 2018. Update procedures were used to roll forward the total pension liability to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

The State's proportionate share of the net pension asset was determined based the State's share of contributions to the WRS relative to the contributions of all participating employers. At December 31, 2019, the State's proportionate share was 27.8 percent, which is an increase of 0.06 percent from its proportionate share as of December 31, 2018.

For calendar year 2019, State employers made $292.1 million in contributions recognized by the WRS.

For the year ended June 30, 2020, the State recognized pension expense of $337.4 million. At June 30, 2020, the State reported deferred outflows and inflows of resources related to pensions of $1.96 billion and $2.68 billion, respectively. Deferred outflows and inflows related to pensions, including the types and the amounts applicable to each type, can be found in table below (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Pension Experience	$ 1,699,463	$ (850,467)
Changes of Pension Assumptions	69,767	
Net Difference Between Projected and Actual Earnings on Pension Investments		(1,830,288)
Changes in Proportionate Share	5,711	(2,866)
Pension Contributions Subsequent to the Measurement Date	176,976	
Total	$ 1,951,917	$ (2,683,621)

The $176,976 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 or an increase to the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

Fiscal Year Ended June 30	Amount
2021	$ (269,786)
2022	(200,818)
2023	32,444
2024	(470,521)
2025	—
	$ (908,681)

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, 2019 were based upon the following actuarial assumptions:

Actuarial Valuation Date	December 31, 2018
Measurement Date of Net Pension Liability (Asset)	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Long-Term Expected Rate of Return	7.0%
Discount Rate	7.0%
Salary Increases	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

* No post-retirement adjustments are guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. The assumed annual adjustment is 1.9%, based on the investment return assumption and the post-retirement discount rate. This includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.

Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015-2017. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on WRS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return, net of WRS investment expense and inflation, are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return is reviewed every three years in conjunction with the WRS experience study. For each major asset class that is included in the Core Retirement Investment Trust fund's target asset allocation as of December 31, 2019, these best estimates of geometric long- term real rates of return were used:

Asset Class	Target Allocation	Rate of Return
Global Equities	49.0%	5.1%
Fixed Income	24.5	2.1
Inflation Sensitive	15.5	1.2
Real Estate	9.0	3.5
Private Equity/Debt	8.0	7.6
Multi-asset	4.0	4.0

For each major asset class that is included in the Variable Retirement Investment Trust fund's target asset allocation as of December 31, 2019, these best estimates of geometric long-term real rates of return were used:

Asset Class	Target Allocation	Rate of Return
Domestic Equity	70.0%	4.6%
International Equity	30.0	5.3

The money-weighted rates of return on pension plan investment for the Core and Variable funds for the calendar year ended 2019 were 19.49% and 28.80%, 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 7.0% was used to measure the total pension liability, which is the same as the prior year. This rate was based on the expected rate of return of 7.0% and a long-term bond rate of 2.75%. Because of the unique structure of the WRS, the 7.0% expected rate of return implies that a dividend of approximately 1.9% 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 7.0%, as well as what the State's net pension liability (asset) would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

		State's share of the net pension liability (asset)
1% Decrease (6.0%)	$	2,305,528,244
Current Rate (7.0%)	$	(895,288,646)
1% Increase (8.0%)	$	(3,288,267,364)

NOTE 15. MILWAUKEE RETIREMENT SYSTEM

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

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

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

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

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

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

NOTE 16. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PROGRAMS

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

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

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

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

Basis of Accounting

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

Retiree Health Insurance Funds

The Retiree Health Insurance plans offer group health insurance to retired State of Wisconsin and local government employees. Retirees pay the full premium amount. The State Retiree Health Insurance Fund includes the State, the University of Wisconsin, and other component units of the State. The Local Government Retiree Health Insurance Fund includes 363 local government employers. The plans are not administered through a trust. The Retiree Health Insurance Funds contain certain non-OPEB components relating to post-Medicare pharmacy and health insurance benefits. ETF and the GIB have statutory authority for program administration and oversight under Wisconsin Statutes Chapters 15.165 (2) and 40.03 (6).

State of Wisconsin and local government employees participating in the State Health Insurance Plan or the Wisconsin Public Employers Insurance Plan (local government plans) are eligible to continue their health insurance coverage after leaving covered employment. Membership as of December 31, 2019, included 27,350 former state employees or their beneficiaries and 1,862 former local government employees and beneficiaries.

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

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

Retiree Life Insurance Funds

The State Retiree Life Insurance Fund includes the State, the University of Wisconsin, and other component units of the State, and is considered a single-employer defined benefit OPEB plan. The Local Government Retiree Life Insurance Fund included 721 local government employers as of December 31, 2019 and is considered a cost-sharing multiple-employer defined benefit OPEB plan. The plans are administered through a trust.

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

Generally, members may enroll during a 30-day enrollment period after their date of hire. Members may also enroll after the initial 30-day enrollment period with evidence of insurability. Members under evidence of insurability enrollment must enroll in group life insurance coverage before age 55 to be eligible for Basic or Supplemental coverage.

Contributions

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

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

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

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per $1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2019 are as listed below:

Attained Age	State Basic	State Supple-mental	Local Basic	Local Supple-mental
Under 30	$ 0.04	$ 0.04	$ 0.05	$ 0.05
30-34	0.04	0.04	0.06	0.06
35-39	0.04	0.04	0.07	0.07
40-44	0.06	0.06	0.08	0.08
45-49	0.11	0.11	0.12	0.12
50-54	0.17	0.17	0.22	0.22
55-59	0.23	0.23	0.39	0.39
60-64	0.32	0.32	0.49	0.49
65-69	0.41	0.41	0.57	0.57

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

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

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

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

Benefits and Membership

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

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

After retirement, supplemental and additional coverage may be continued until age 65 at 100 percent of the amount of the insurance in force before retirement at the employee's expense, and spouse and dependent coverage is terminated.

Membership as of December 31, 2019, included:

	State	Local	Total
Active*	51,674	76,305	127,979
Inactive Pre-Age 65 Annuitants	6,600	9,918	16,518
Inactive Post-Age 64 Annuitants	27,092	37,034	64,126
Totals	85,366	123,257	208,623

* Active membership includes disabled

Supplemental Health Insurance Conversion Credit (SHICC) Program

The SHICC program includes the State, the University of Wisconsin, and other component units of the State and is considered a single-employer defined benefit OPEB plan. The SHICC program is reported as an Other Post-Employment Benefit Trust Fund. The SHICC program was established by Wisconsin Statute 40.95 and is defined in the state compensation plan (Wis. Stat. 230.12(9)).

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

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

Eligibility and Membership

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

Membership as of December 31, 2019, included:

Employment Status	Count
Retirees and Beneficiaries	24,625
Inactive, Non-retired Members	328
Active Members	73,317
Totals	98,270

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

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

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

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

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

Contributions and Benefits

The ETF Board approves contribution rates annually, based on recommendations from the actuary. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions, in accordance with Wis. Stat. § 40.05 (4) (by). Employer contributions made during a member's working lifetime funds a post-retirement benefit. Employers made contributions totaling $14.4 million based upon a percentage of active member earnings for the year ending December 31, 2019.

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

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

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

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

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

All Plans Total OPEB Expense

For the year ended June 30, 2020, OPEB expense for all plans combined was $49.9 million by participating employers:

Primary Government	
State of Wisconsin	$ 23,206,328
University of WI System	19,746,196
Component Units	
UW Hospital and Clinics Authority	6,524,712
WI Housing & Economic Development Authority	265,356
WI Economic Development Corp	162,280
Total	$ 49,904,872

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

NOTE 17. OTHER POSTEMPLOYMENT BENEFIT PLANS

A. State Retiree Health Insurance OPEB

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

Retiree Health Insurance Plan Description

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

Retirees pay the full premium until age 65 directly to the plan either through "out-of-pocket" or from unused accumulated sick leave conversion credits or supplemental health insurance conversion credits. The value of the sick leave benefit is defined as compensated absences and reported under the provisions of GASB Statement No. 16, *Accounting for Compensated Absences.*

Contribution requirements are established and may be amended by the GIB. Premiums for non-Medicare retirees are based on an effective rate structure for the health care service provider selected. Monthly rates range from $537 to $1,311 for single coverage and $1,536 to $3,810 for family coverage.

As of January 1, 2019 (most recent actuarial valuation date), membership consisted of:

Member Type	Number
Retired members or beneficiaries receiving OPEB benefits	7,934
Vested terminated members not yet receiving OPEB benefits	1,442
Active members	62,047
Total	71,423

Inclusion of OPEB Information for Component Units

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

Total Retiree Health OPEB Liability

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

To determine the total OPEB liability for the program, the actuary performed an actuarial valuation as of January 1, 2019 and adjusted for changes such as interest earned, contributions paid, and benefits paid through June 30, 2019. Based on this, the actuary determined the OPEB liability totaled $682.5 million.

The total OPEB liability was allocated to participating employers based on their proportionate share of health insurance premiums contributed for active employees. Amounts by participating employers as of a June 30, 2020 reporting date, are indicated in the table below (in millions):

Participating Employer	OPEB Liability
Primary Government	
State of Wisconsin	$ 303.9
University of Wisconsin System	302.8
Component Units	
UW Hospital and Clinics Authority	73.4
WI Housing & Economic Development Authority	1.4
WI Economic Development Corp.	1.0
Total OPEB Liability	$ 682.5

Changes in the Total OPEB Liability

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

Total OPEB Liability June 30, 2018	$ 539.7
Changes for the Year	
Service cost	40.3
Interest	21.7
Difference between expected & actual experience	65.1
Changes of assumptions	56.6
Benefit payments*	(40.9)
Net Change in Total OPEB Liability	142.8
Total OPEB Liability June 30, 2019	$ 682.5

* Employer benefit payments of $40.9 million were actuarially determined and pertain to the implicit rate subsidy.

Actuarial Methods and Assumptions

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

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Actuarial Valuation Date	January 1, 2019
Measurement Date of Total OPEB Liability:	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset Valuation Method	N/A
Inflation	3.0%
Salary increases	Separate merit and longevity increase rates by employer and service, plus 3%
Discount Rate	Discount rate was changed to 3.50% for the June 30, 2019 measurement from 3.87% for the June 30, 2018 measurement
Healthcare Cost Trend Rates:	
Medical	4.00% for first year then 5.5% grading down 0.25% per year to 4.50%
Prescription drug	2.10% for first year then 7.5% grading down 0.25% per year to 4.50%
Dental	0.00% for first year then 3.00% thereafter
Administrative Costs	7.30% for first year then 3.00% thereafter
Mortality Rates	Wisconsin 2017 Mortality Table
Benefit Changes	None
Participation Rate	Active: 80% are assumed to elect coverage at retirement, 20% that defer are assumed to be covered over the next 8 years (2.5% per year), so 100% assumed to be covered after 8 years Deferred: 12.5% per year over 8 years
Assumed Claims	Per capita claims costs were based on premium equivalent rates for plan year 2019 and actuarial factors applied to weighted average premium rates to estimate costs
Termination Rates	Rates for General, Executive and Elected employees matched the 2015-2017 experience study for the pension valuation
Disability Rates	Rates for General, Executive and Elected employees matched the 2015-2017 experience study for the pension valuation
Normal Retirement Rates	Rates for General, Executive and Elected employees matched the 2015-2017 experience study for the pension valuation
Withdrawal Rate	Rates matched the 2015-2017 experience study for the pension valuation
Lapse Rate	10% per year after the later of assumed commencement or the valuation date
Excise Tax	Excise tax was repealed effective December 2019 and has been removed from the valuation In the prior year, the excise tax on high cost health plans began in 2022 Gross Average Claims were trended using the Plan Blended Medical and Prescription Drug Trend Rate, offset by the 2018 threshold trended at 2.6% for 2018 and the assumed rate of inflation for subsequent periods The tax was assumed to be 40% of this difference, beginning in 2022
Benefit End Date	Benefits end when participants turn 65 years old

Actuarial assumptions are based on the Wisconsin Retirement System experience study conducted in 2018 using experience from 2015 to 2017. An actuarial experience loss of $65.1 million increased the liability, due to demographic changes and benefit payments that were different form expected and actuals contributions being less than expected. A valuation assumption change of $56.7 million also increased the liability due to a decrease in the discount rate, a net increase due to projecting the valuation-year per capita health costs and future trend on such costs and a decrease due to the repeal of the excise tax on high cost health plans in December 2019.

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

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

	1% Decrease in Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase in Discount Rate (4.50%)
Primary Government	$ 647.4	$ 606.7	$ 568.0
Component Units	80.9	75.8	70.9
Total OPEB Liability	$ 728.3	$ 682.5	$ 639.0

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

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

	1% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Primary Government	$ 542.1	$ 606.7	$ 683.2
Component Units	67.7	75.8	85.3
Total OPEB Liability	$ 609.8	$ 682.5	$ 768.6

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

For the year ended June 30, 2020, OPEB expense/(revenue) of $(16.5) million was recognized by participating employers:

Primary Government	
State of Wisconsin	$ (7,815,266)
University of WI System	(7,612,620)
Component Units	
UW Hospital and Clinics Authority	(1,030,018)
WI Housing & Economic Development Authority	(24,283)
WI Economic Development Corp	(18,747)
Total	$ (16,500,934)

At June 30, 2020, deferred outflows of resources and deferred inflows of resources for both the state and component units were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 59,827,229	$ (2,950,336)
Changes of Assumptions	51,523,191	(259,301,024)
Changes in Proportion	10,601,306	(10,601,306)
Amounts Paid Subsequent to the Measurement Date	56,801,784	—
Total	$ 178,753,510	$ (272,852,666)

Deferred outflows of resources and deferred inflows of resources for the state (primary government) as of a June 30, 2020 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 53,185,527	$ (2,622,805)
Changes of Assumptions	45,803,360	(230,514,767)
Changes in Proportion	4,030,184	(9,428,098)
Amounts Paid Subsequent to the Measurement Date	50,495,944	—
Total	$ 153,515,015	$ (242,565,670)

Deferred outflows of resources and deferred inflows of resources for component units as of a June 30, 2020 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 6,641,702	$ (327,531)
Changes of Assumptions	5,719,831	(28,786,257)
Changes in Proportion	6,571,122	(1,173,208)
Amounts Paid Subsequent to the Measurement Date	6,305,840	—
Total	$ 25,238,495	$ (30,286,996)

The $56,801,784 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2021 for the state and component units. Other amounts reported as deferred outflows of resources and deferred inflows of resources for the state and component units will be recognized in future OPEB expense/(revenue) as follows:

FY 2021	$	(21,629,468)
FY 2022		(21,629,468)
FY 2023		(21,629,468)
FY 2024		(21,629,468)
FY 2025		(21,629,468)
Thereafter		(42,753,602)

The $50,495,944 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2021 for the state (primary government). Other amounts reported as deferred outflows of resources and deferred inflows of resources for the state will be recognized in future OPEB expense/(revenue) as follows:

FY 2021	$	(19,929,628)
FY 2022		(19,929,628)
FY 2023		(19,929,628)
FY 2024		(19,929,628)
FY 2025		(19,929,628)
Thereafter		(39,898,460)

The $6,305,840 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2021 for component units. Other amounts reported as deferred outflows of resources and deferred inflows of resources for component units will be recognized in future OPEB expense/(revenue) as follows:

FY 2021	$	(1,699,840)
FY 2022		(1,699,840)
FY 2023		(1,699,840)
FY 2024		(1,699,840)
FY 2025		(1,699,840)
Thereafter		(2,855,142)

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

B. State Retiree Life Insurance OPEB

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

Inclusion of OPEB Information for Component Units

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

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

At June 30, 2020, the State, including the University of Wisconsin System, reported a liability of $603.6 million for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as January 1, 2019 rolled forward to December 31, 2019. The State's proportion of the net OPEB liability was based on the State's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the State's proportion was 88.4 percent which was an increase of 0.1 percent from its proportion of 88.3 percent measured as of December 31, 2018.

Net OPEB liability amounts, by participating employers as of a June 30, 2020 reporting date, are indicated in the table below (in millions):

Participating Employer	Net OPEB Liability
Primary Government	
State of Wisconsin	$ 316.0
University of Wisconsin System	287.5
Component Units	
UW Hospital and Clinics Authority	76.0
WI Housing & Economic Development Authority	2.4
Wisconsin Economic Development Corporation	1.2
Total Net OPEB Liability	$ 683.1

For the year ended June 30, 2020, OPEB expense of $68.3 million was recognized by participating employers:

Primary Government	
State of Wisconsin	$ 31,817,911
University of WI System	28,196,075
Component Units	
UW Hospital and Clinics Authority	7,785,094
WI Housing & Economic Development Authority	294,046
WI Economic Development Corp	181,027
Total	$ 68,274,153

For the year ended June 30, 2020, contributions of $1.1 million were recognized by the plan from participating employers:

Primary Government	
State of Wisconsin	$ 531,755
University of WI System	483,771
Component Units	
UW Hospital and Clinics Authority	127,804
WI Housing & Economic Development Authority	3,956
WI Economic Development Corp	2,074
Total	$ 1,149,360

Changes in the Net OPEB Liability

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

Total OPEB Liability December 31, 2018	$	775.5
Changes for the Year:		
Service cost		25.4
Interest		33.2
Difference between expected & actual experience		(6.1)
Changes of assumptions		223.0
Benefit payments		(19.9)
Net Change in Total OPEB Liability		255.6
Total OPEB Liability December 31, 2019	$	1,031.1
Plan Fiduciary Net Position December 31, 2018	$	344.0
Changes for the Year:		
Contributions from employers		1.2
Transfer from active life insurance program		13.1
Net investment income		10.4
Administrative expense		(0.8)
Benefit payments		(19.9)
Net change in Plan Fiduciary Net Position		4.0
Plan Fiduciary Net Position December 31, 2019	$	348.0
Collective Net OPEB Liability December 31, 2018	$	431.5
Net change in Collective Net OPEB Liability		251.6
Collective Net OPEB Liability December 31, 2019	$	683.1

At June 30, 2020, deferred outflows of resources and deferred inflows of resources for the state and component units were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ —	$ (20,608,441)
Changes of Assumptions	218,035,396	(66,953,695)
Changes in Proportion	7,167,439	(7,167,438)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	11,155,329	—
Total	$ 236,358,164	$ (94,729,574)

Deferred outflows of resources and deferred inflows of resources for the state (primary government) as of a June 30, 2020 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ —	$ (18,208,760)
Changes of Assumptions	192,646,994	(59,157,495)
Changes in Proportion	5,656,459	(6,995,526)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	9,856,384	—
Total	$ 208,159,837	$ (84,361,781)

Deferred outflows of resources and deferred inflows of resources for component units as of a June 30, 2020 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ —	$ (2,399,681)
Changes of Assumptions	25,388,402	(7,796,200)
Changes in Proportion	1,510,980	(171,912)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,298,945	—
Total	$ 28,198,327	$ (10,367,793)

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

FY 2021	$	25,528,193
FY 2022		25,528,193
FY 2023		24,343,686
FY 2024		23,096,542
FY 2025		19,034,085
Thereafter		24,097,893

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

FY 2021	$	22,245,436
FY 2022		22,245,436
FY 2023		21,198,855
FY 2024		20,096,931
FY 2025		16,714,377
Thereafter		21,297,023

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

FY 2021	$	3,282,757
FY 2022		3,282,757
FY 2023		3,144,831
FY 2024		2,999,611
FY 2025		2,319,708
Thereafter		2,800,870

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

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

	1% Decrease in Discount Rate (1.84%)	Current Discount Rate (2.84%)	1% Increase in Discount Rate (3.84%)
Primary Government	$ 805.9	$ 603.6	$ 447.8
Component Units	106.2	79.5	59.0
Net OPEB Liability	$ 912.1	$ 683.1	$ 506.8

Single Discount Rate

A single discount rate of 2.84% was used to measure the total OPEB liability for the current year as opposed to 4.20% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31,2018 to 2.74% as of December 31, 2019. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long- term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments to the extent that the plan's fiduciary net position is projected to be insufficient. The source of the municipal bond rate used is the Bond Buyers GO Index. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2033. Therefore, the long-term expected rate of return on plan investments was applied through 2033 and the municipal bond index rate was applied for all remaining periods of projected benefit payments to determine the Total OPEB Liability.

Long-term expected Return on Plan Assets

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

Asset allocation targets and expected returns as of December 31, 2019 were:

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Credit Bonds	Barclays Credit	45 %	2.12 %
US Long Credit Bonds	Barclays Long Credit	5 %	2.90 %
US Mortgages	Barclays MBS	50 %	1.53 %
Inflation			2.20 %
Long-Term Expected Rate of Return			4.25 %

Actuarial assumptions

Actuarial assumptions are based on the Wisconsin Retirement System experience study conducted in 2018 using experience from 2015 to 2017. The projections of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contributions schedule and that contributions are made by plan members retiring prior to age 65. The total OPEB liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2019
Measurement Date of Net OPEB Liability:	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	2.74
Long-Term Expected Rated of Return:	4.25
Discount Rate:	2.84
Salary Increases Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	WI 2018 Mortality Table

C. Supplemental Health Insurance Conversion Credit OPEB

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

Inclusion of OPEB Information for Component Units

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

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

At June 30, 2020, the State, including the University of Wisconsin System, reported an asset of $131.7 million for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of December 31, 2019 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The State's proportion of the net OPEB asset was based on the State's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the State's proportion was 86.8 percent which was a decrease of 0.4 percent from its proportion of 87.2 percent measured as of December 31, 2018.

Net OPEB liability/(asset) amounts, by participating employers as of a June 30, 2020 reporting date, are indicated in the table below (in millions):

Participating Employer	Net OPEB Liability/ (Asset)
Primary Government	
State of Wisconsin	$ (63.8)
University of Wisconsin System	(67.9)
Component Units	
UW Hospital and Clinics Authority	(19.7)
WI Housing & Economic Development Authority	(0.4)
Total Net OPEB Liability	$ (151.8)

For the year ended June 30, 2020, OPEB expense/(revenue) of $(1.9) million was recognized by participating employers:

Primary Government		
State of Wisconsin	$	(796,317)
University of WI System		(837,259)
Component Units		
UW Hospital and Clinics Authority		(230,364)
WI Housing & Economic Development Authority		(4,407)
Total	$	(1,868,347)

For the year ended June 30, 2020, contributions of $14.4 million were recognized by the plan from participating employers:

Primary Government		
State of Wisconsin	$	6,040,811
University of WI System		6,425,910
Component Units		
UW Hospital and Clinics Authority		1,866,718
WI Housing & Economic Development Authority		35,459
Total	$	14,368,898

Changes in the Net OPEB Liability/(Asset)

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

Total OPEB Liability December 31, 2018	$	949.8
Changes for the Year:		
Service cost		25.5
Interest		65.5
Difference between expected & actual experience		(55.3)
Changes of assumptions		—
Benefit payments		(52.9)
Net Change in Total OPEB Liability		(17.2)
Total OPEB Liability December 31, 2019	$	932.6
Plan Fiduciary Net Position December 31, 2018	$	943.1
Changes for the Year:		
Contributions from employers		14.3
Transfer from active life insurance program		—
Net investment income		180.2
Administrative expense		(0.3)
Benefit payments		(52.9)
Net change in Plan Fiduciary Net Position		141.3
Plan Fiduciary Net Position December 31, 2019	$	1,084.4
Collective Net OPEB Liability December 31, 2018	$	6.7
Net change in Collective Net OPEB Liability/(Asset)		(158.5)
Collective Net OPEB Liability/(Asset) December 31, 2019	$	(151.8)

At June 30, 2020, deferred outflows of resources and deferred inflows of resources for the state and component units were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ —	$ (102,598,510)
Changes of Assumptions	19,679,078	—
Changes in Proportion	119,383	(119,383)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	—	(58,374,170)
OPEB Contributions Subsequent to the Measurement Date	6,758,985	—
Total	$ 26,557,446	$ (161,092,063)

Deferred outflows of resources and deferred inflows of resources for the state (primary government) as of a June 30, 2020 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ —	$ (89,016,360)
Changes of Assumptions	17,073,931	—
Changes in Proportion	24,548	(104,624)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	—	(50,646,506)
OPEB Contributions Subsequent to the Measurement Date	6,758,985	—
Total	$ 23,857,464	$ (139,767,490)

Deferred outflows of resources and deferred inflows of resources for component units as of a June 30, 2020 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ —	$ (13,582,150)
Changes of Assumptions	2,605,147	—
Changes in Proportion	94,833	(14,759)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	—	(7,727,664)
OPEB Contributions Subsequent to the Measurement Date*	—	—
Total	$ 2,699,980	$ (21,324,573)

*Component Units didn't report the SHICC OPEB in FY 2020 as they deemed the amounts immaterial. Therefore, they didn't have any subsequent contributions.

The $6,758,985 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2021 for the state. Other amounts reported as deferred outflows of resources and deferred inflows of resources for the state and component units will be recognized in future OPEB expense/(revenue) as follows:

FY 2021	$	(28,563,708)
FY 2022		(28,563,708)
FY 2023		(13,096,036)
FY 2024		(34,781,867)
FY 2025		(11,657,788)
Thereafter		(24,630,493)

The $6,758,985 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2021 for the state (primary government). Other amounts reported as deferred outflows of resources and deferred inflows of resources for the state will be recognized in future OPEB expense/(revenue) as follows:

FY 2021	$	(24,794,965)
FY 2022		(24,794,965)
FY 2023		(11,374,927)
FY 2024		(30,189,954)
FY 2025		(10,127,076)
Thereafter		(21,387,124)

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

FY 2021	$	(3,768,743)
FY 2022		(3,768,743)
FY 2023		(1,721,109)
FY 2024		(4,591,913)
FY 2025		(1,530,712)
Thereafter		(3,243,369)

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

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

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Primary Government	$ (52.1)	$ (131.7)	$ (200.5)
Component Units	(8.0)	(20.1)	(30.6)
Net OPEB Liability	$ (60.1)	$ (151.8)	$ (231.1)

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

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

	1% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Primary Government	$ (187.0)	$ (131.7)	$ (79.2)
Component Units	(28.5)	(20.1)	(12.1)
Total OPEB Liability	$ (215.5)	$ (151.8)	$ (91.3)

Single Discount Rate

A single discount rate of 7.0% was used to measure the Total OPEB Liability for the current year and prior year. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.0%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability and projections were excluded from this report.

Long-term expected Return on Plan Assets

The assets of the SHICC are commingled with assets from other benefit programs and invested in the Core Retirement Investment Trust (Core Fund). Earnings are allocated between the benefit programs based on the average balance invested for each program. The State of Wisconsin Investment Board (SWIB) manages the Core Fund with oversight by the SWIB Board of Trustees, as authorized in Wis. Stat. § 25.17. The long-term expected rate of return is reviewed every three years in conjunction with the Wisconsin Retirement System experience study. Best estimates of geometric real rates of return of each major asset class included in the OPEB plan's target allocation as of December 31, 2019, are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Geometric Real Rate of Return**
Global Equities	49.0 %	5.1 %
Fixed Income	24.5 %	2.1 %
Inflation Sensitive Assets	15.5 %	1.2 %
Real Estate	9.0 %	3.5 %
Private Equity/Debt	8.0 %	7.6 %
Multi-Asset	4.0 %	4.0 %
Cash	(10.0)%	0.9 %
Total Fund	100.0 %	4.6 %
Inflation		2.5 %
Long-Term Expected Rate of Return		7.0 %

The long-term expected rate of return is 7.0% which is consistent with the prior year. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Actuarial assumptions

Actuarial assumptions are based on the Wisconsin Retirement System experience study conducted in 2018 using experience from 2015 to 2017. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2019
Measurement Date of Net OPEB Liability/(Asset):	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
Long-Term Expected Rated of Return:	7.00%
Discount Rate:	7.00%
Salary Increases Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	WI 2018 Mortality Table
Health Care Trend Rate:	3.2% per year

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

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

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

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

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

The information provided in this note applies to the period ending December 31, 2019.

A. Description of Funds

The Health Insurance Fund offers group health insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. The State and 363 local employers currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The fund includes both a self-insured, fee-for-service plan as well as various prepaid plans, primarily Health Maintenance Organizations (HMO's) and a self-insured plan that provides for pharmacy benefits of covered members.

The Income Continuation Insurance Fund offers both long-term and short-term disability benefits (up to 75% of the average monthly earnings) for current employees of the State and of participating local public employers. All public employers in the State are eligible to participate. The State and 250 local employers currently participate in the plan and it is self-insured. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. Since March 2012, premiums have been suspended for the local employers as a result of the funded status of the local employer program.

The Duty Disability Fund offers special disability insurance for State of Wisconsin and local WRS participants in protective occupations. Participation in the program is mandatory for all WRS employers with protective occupation employees. The State of Wisconsin and 501 local employers currently participate. The plan is self-insured, and the risk is shared between the State of Wisconsin and local government employers in the plan. Contributions are actuarially determined and are employer paid. Contributions are based on a graduated, experience-rated formula. During 2019, contribution rates ranged from 0.17% to 4.42% of covered payroll based on employer experience.

B. Accounting Policies for Risk Pools

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

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

Unpaid Claims Liabilities - Claims liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The estimate includes the effects of inflation and other societal and economic factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Unpaid claims liability is presented at face value and is not discounted for health insurance. It is discounted using an interest rate of 7.0 percent for income continuation and duty disability insurance, as face value of the liability for these programs is not available. The liabilities for income continuation, duty disability, and health insurance were determined by actuarial methods.

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

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

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

Premium Setting - Premiums are established by the GIB (Health Insurance and ICI) and ETF Board for Duty Disability in consultation with actuaries.

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

C. Unpaid Claims Liabilities

As discussed in Section B of this Note, each fund establishes a liability for both reported and unreported insured events, which is an estimate of future payments of losses. The following represents changes in those aggregate liabilities for the nonreinsured portion of each fund during Calendar Year 2019 (in millions):

	Income Continuation Insurance*		Duty Disability Insurance*		Pharmacy Benefits		Dental	
	2019	2018	2019	2018	2019	2018	2019	2018
Unpaid claims and claim adjustment expenses at beginning of the calendar year	$ 96.5	$ 92.7	$ 454.6	$ 464.8	$ (21.9)	$ (18.8)	$ 0.9	$ 1.0
Incurred claims and claim adjustment expenses:								
Provision for insured events of the current calendar year	22.6	19.2	33.6	20.4	155.0	156.1	45.9	43.8
Changes in provision for insured events of prior calendar years	(3.6)	4.5	14.5	4.7	(4.3)	(4.9)	0.0	(0.1)
Total incurred claims and claim adjustment expenses	19.0	23.7	48.1	25.1	150.7	151.2	45.9	43.7
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	4.1	4.2	0.0	0.0	182.7	177.8	44.1	42.9
Claims and claim adjustment expenses attributable to insured events of prior calendar years	15.3	15.6	36.4	35.3	(26.0)	(23.5)	0.9	0.9
Total payments	19.4	19.8	36.4	35.3	156.7	154.3	45.0	43.8
Total unpaid claims and claim adjustment expenses at end of the calendar year	$ 96.1	$ 96.5	$ 466.3	$ 454.6	$(27.9)**	$(21.9)**	$ 1.8	$ 0.9

* The actuarial accrued liability related to Loss Adjustment Expense (LAE) was previously recorded to Carrier Administrative Expenses. Beginning with 2019, LAE is recorded to Benefit Expense, and as a result is included in the *Provision for insured events of the current calendar year.*
**Total unpaid claims at the end of 2019 is $27.9 million in rebates due from pharmaceutical companies. Total unpaid claims at the end of 2018 is the net of $4.5 million in unpaid claims and $26.4 million in rebates due from pharmaceutical companies.

NOTE 19. SELF-INSURANCE

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

State Property Damage

Property damages to State-owned properties are covered by the State's self-funded property program up to $4.0 million per occurrence and $6.0 million annual aggregate. When claims, which exceed $100,000 per occurrence, total $6.0 million, the State's private insurance becomes available. Losses to property occurring after the annual aggregate are first subject to a $100,000 deductible. The amount of loss in excess of $100,000 is covered by the State's private insurance company. During Fiscal Year 2020, 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, 2020 are estimated to total $8.2 million.

Property Damages and Bodily Injuries to Third Parties

The State is self-funded for third party liability to a level of $5.0 million per occurrence and purchases insurance in excess of this self-funded retention. The policy limit during Fiscal Year 2020 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, 2020 are estimated to total $40.7 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, 2020 are estimated to total $79.6 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):

	2020	2019
Beginning of fiscal year liability	$ 121,155	$ 110,336
Current year claims and changes in estimates	47,278	48,293
Claim payments	(39,931)	(33,687)
	128,502	124,942
Excess insurance reimbursable	(260)	(3,787)
Balance at fiscal year-end	$ 128,242	$ 121,155

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, 2020 is $5.0 million

NOTE 20. INSURANCE FUNDS

A. Local Government Property Insurance Fund

The purpose of the Local Government Property Insurance Fund was 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.

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

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 had 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. Excess of Loss coverage terminated on December 18, 2018.

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):

	2020	2019
Unpaid loss liabilities at beginning of the year	$ 78	$ 5,498
Less: Excess-of-loss insurance recoverable	—	4,828
Net unpaid loss liabilities at beginning of year	78	670
Incurred losses and loss expenses:		
Provision for insured events of the current year	—	—
Increase (decrease) in provision for insured events of prior years	15	(708)
Total incurred losses and loss expenses	15	(708)
Payments:		
Losses and loss expenses attributable to insured events of the current year	—	—
Losses and loss expenses attributable to insured events prior years	78	(116)
Total payments	78	(116)
Net unpaid loss liabilities at end of year	15	78
Plus: Excess-of-loss liabilities recoverable	—	—
Total unpaid loss liabilities at end of year	$ 15	$ 78

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	$ 5,360	$ 4,432
1967-1976	23,259	15,246
1977-1985	58,876	25,507
1986-1994	42,589	10,427
1995-2012	41,535	8,313
2013-2018	5,731	534
2019+	1,016	53
	$ 178,366	$ 64,512

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
2013-2018	3.5	2001 CSO, ALB, Aggregate
2019+	3.5	2017 CSO, ALB, Aggregate

* Age Next Birthday

All of the State Life Insurance Fund's life insurance in force is participating. This Fund is required by statute to maintain surplus at a level between 7 percent and 10 percent of 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, 2019 were $111.9 million and statutory capital and surplus was $9.0 million. Fund equity at June 30, 2020 was $39.1 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, 2020, 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	$ 1,167,793
Less: Net loss paid from inception	(928,223)
Less: Liability for reported losses	(37,162)
Risk Margin	59,892
Liability for incurred but not reported losses	$ 262,300

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 22 percent of the estimated unpaid losses as of June 30, 2020. 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, 2020, are deducted from the projected ultimate LAE to determine the liability for LAE as June 30, 2020 as follows (in thousands):

Projected ultimate LAE liability	$	154,716
Less: LAE paid from inception		(108,585)
Risk Margin		11,533
Liability for LAE	$	57,664

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 0.7551, which is based on an investment yield assumption of 2.0 percent approved by the Board of Governors, the discounted loss liability would be as follows as of June 30, 2020 (in thousands):

Estimated liability for incurred but not reported losses	$	262,300
Estimated liability for reported losses		37,162
Estimated liability for loss adjustment expense		57,664
Total estimated loss liabilities		357,126
Less: Amount representing interest		(87,464)
Discounted loss liabilities	$	269,662

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 2020 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, 2020 (in thousands), is as follows:

Discounted loss liabilities	$	269,662
Future medical expense liability		57,257
Total estimated loss liabilities		326,919
Current portion		(55,463)
Noncurrent portion	$	271,456

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 2020 (in thousands):

Liability at the beginning of the year	$	279,752
Incurred claims and related expenses for the current year and the change in estimated amounts for claims incurred in prior years		69,467
Less: current year payments attributable to claims incurred in current and prior year		(22,300)
Liability at the end of the year	$	326,919

NOTE 21. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA

Primary Government

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

The Environmental Improvement Fund has pledged future loan revenues, net of specified operating expenses, to repay outstanding revenue bonds. Investors in these revenue bonds rely solely on the revenues generated from the loans within the Direct Loan Portfolio. Condensed financial statement information of the Direct Loan Portfolio as of and for the year ended June 30, 2020 is presented below (in thousands):

Condensed Statement of Net Position

Assets:		
Current Assets	$	539,596
Other Assets		1,410,288
Total Assets		1,949,885
Deferred Outflows of Resources		1,162
Total Assets and Deferred Outflows of Resources	$	1,951,047
Liabilities:		
Due to Other Funds		7,279
Other Current Liabilities (Including Current Portion of Long-term Debt)		22,916
Noncurrent Liabilities		284,371
Total Liabilities		314,566
Net position:		
Restricted		1,636,481
Total Net Position		1,636,481
Total Liabilities and Net Position	$	1,951,047

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating Revenues (Expenses):		
Loan Interest	$	22,203
Interest Income used as Security for Revenue Bonds		16,199
Miscellaneous Other		302
Interest Expense		(7,334)
Other Operating Expenses		(3,682)
Operating Income (Loss)		27,688
Nonoperating Revenues (Expenses):		
Investment Income		3,760
Intergovernmental Grants		42,409
Grants Awarded		(13,394)
Income (Loss) before Transfers		60,462
Transfers In (Out)		(8,000)
Change in Net Position		52,462
Beginning Net Position		1,584,019
Ending Net Position	$	1,636,481

Condensed Statement of Cash Flows

Net Cash Provided (Used) by:		
Operating Activities	$	61,565
Noncapital Financing Activities		42,434
Investing Activities		3,760
Net Increase (Decrease)		107,759
Beginning Cash and Cash Equivalents		260,005
Ending Cash and Cash Equivalents	$	367,764

NOTE 22. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION

Significant financial data for the State's discretely presented component units for the year ended December 31, 2019 or June 30, 2020 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority	Wisconsin Health Care Liability Insurance Plan	University of Wisconsin Hospitals and Clinics Authority	Wisconsin Economic Development Corporation	University of Wisconsin Foundation	Total
Condensed Statement of Net Position						
Assets:						
Cash, Investments and Other Assets	$ 3,165,277	$ 57,138	$ 2,952,898	$ 166,155	$ 4,416,818	$ 10,758,285
Due from Primary Governments	—	—	29,952	—	—	29,952
Cash and Investments with other Component Units	—	—	212,800	—	—	212,800
Capital Assets, net	797	—	1,251,901	575	15,076	1,268,348
Total Assets	3,166,074	57,138	4,447,551	166,729	4,431,894	12,269,386
Deferred Outflows of Resources	47,722	—	325,087	3,886	—	376,695
Total Assets and Deferred Outflows	$ 3,213,796	$ 57,138	$ 4,772,638	$ 170,615	$ 4,431,894	$ 12,646,080
Liabilities:						
Accounts Payable and Other Current Liabilities	$ 122,758	$ 1,548	$ 516,069	$ 84,981	$ 166,690	$ 892,046
Due to Primary Government	—	—	61,692	—	—	61,692
Amounts Held for Other Component Units	—	—	—	—	200,942	200,942
Other Liabilities	41,462	—	6,140	—	—	47,602
Long-term Liabilities (Current and Noncurrent portions)	2,106,698	12,527	1,094,746	3,911	41,598	3,259,480
Total Liabilities	2,270,918	14,075	1,678,647	88,893	409,229	4,461,762
Deferred Inflows of Resources	7,537	—	411,229	5,380	—	424,146
Net Position:						
Net Investment in Capital Assets	797	—	598,923	575	15,076	615,370
Restricted	918,909	43,063	43,636	41,037	3,843,018	4,889,663
Unrestricted	15,635	—	2,040,203	34,730	164,571	2,255,139
Total Net Position	935,341	43,063	2,682,762	76,342	4,022,664	7,760,172
Total Liabilities, Deferred Inflows and Net Position	$ 3,213,796	$ 57,138	$ 4,772,638	$ 170,615	$ 4,431,894	$ 12,646,080
Condensed Statement of Activities						
Program Expenses:						
Depreciation	$ 315	$ —	$ 119,247	$ 342	$ 2,281	$ 122,186
Payments to Primary Government	—	—	73,985	—	243,943	317,928
Other	291,981	5,093	3,155,208	56,754	45,826	3,554,862
Total Program Expenses:	292,296	5,093	3,348,440	57,096	292,050	3,994,976
Program Revenues:						
Charges for Goods and Services	8,462	2,052	3,297,586	126	—	3,308,227
Investment and Interest Income	62,822	1,834	—	—	63,924	128,580
Operating Grants and Contributions	198,807	—	—	41,083	304,160	544,051
Miscellaneous	18,273	23	89,321	—	5,504	113,121
Total Program Revenues	288,364	3,910	3,386,907	41,210	373,588	4,093,978
Net Program Revenue/(Expense)	(3,932)	(1,183)	38,467	(15,887)	81,538	99,003
General Revenues:						
Interest and Investment Earnings	95,023	—	38,640	3,215	—	136,878
Miscellaneous	—	—	128,133	277	—	128,410
Contributions to Endowments	—	—	(92)	—	—	(92)
Change in Net Position	91,091	(1,183)	205,148	(12,395)	81,538	364,199
Net Position, Beginning of Year	844,250	44,246	2,477,614	88,737	3,941,126	7,395,973
Net Position, End of Year	$ 935,341	$ 43,063	$ 2,682,762	$ 76,342	$ 4,022,664	$ 7,760,172

NOTE 23. RESTATEMENTS OF BEGINNING FUND BALANCES/NET POSITIONS AND OTHER CHANGES

The following reconciliations summarize restatements of the end-of-year fund balance and net position amounts as reported in the 2019 Comprehensive Annual Financial Report to the beginning-of-year amounts reported for Fiscal Year 2020 (in thousands):

A. Fund Statements – Governmental Funds

	Major Funds			
	General	Transportation	Nonmajor Funds	Total Governmental
Fund Balances June 30, 2019 as reported in the 2019 Comprehensive Annual Financial Report	$ (773,455)	$ 694,481	$ 2,123,316	$ 2,044,342
Correction of Overstated Expenditures:				
Department of Children and Families	10,312	—	—	$ 10,312
Transportation Revenue Bonds	—	—	(10,647)	$ (10,647)
Other Adjustments	—	—	(2,913)	$ (2,913)
Fund Balances July 1, 2019 as restated	$ (763,143)	$ 694,481	$ 2,109,756	$ 2,041,095
Effect of adjustments on the amount of excess revenues and other sources over expenditures and other uses of Fiscal Year 2019	$ 10,312	$ —	$ (13,559)	$ (3,247)

B. Fund Statements – Proprietary Funds

	Major Funds					
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Funds	Total Enterprise	Internal Service Funds
Net Positions June 30, 2019 as reported in the 2019 Comprehensive Annual Financial Report	$ 2,054,605	$ 5,359,678	$ 2,023,266	$ 1,880,005	$ 11,317,554	$ 18,138
Capital asset corrections	—	—	—	(4,277)	(4,277)	79
Implementation of GASB 84:						
ASLCC reclassified as an Internal Service fund, formerly reported as a fiduciary activity ***	—	—	—	—	—	(684,762)
ASLCC Remeasurement of certain liabilities ***	—	—	—	—	—	(426)
Net Positions July 1, 2019 as restated	$ 2,054,605	$ 5,359,678	$ 2,023,266	$ 1,875,728	$ 11,313,277	$ (666,971)
Effect of adjustments on the amount of net change in net position of Fiscal Year 2019	$ —	$ —	$ —	$ (4,277)	$ (4,277)	$ (347)

C. Fund Statements - Fiduciary Funds

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Custodial	Total Fiduciary
Net Positions June 30, 2019 as reported in the 2019 Comprehensive Annual Financial Report	$ 97,188,277	$ 4,155,116	$ 5,536,723	$ —	$ 106,880,116
Implementation of GASB 84:					
ASLCC transferred out of the Fiduciary Fund type and into a Proprietary (Internal Service) Fund ***	1,085,056	—	—	—	$ 1,085,056
Remeasurement of certain liabilities of the SHICC Credits program ***	(2,378)	—	—	—	$ (2,378)
Deferred Compensation fund newly included within State of Wisconsin reporting entity *	4,748,437	—	—	—	$ 4,748,437
Exclusion of College Savings Fund from reporting entity**	—	—	(5,534,009)	—	$ (5,534,009)
Remeasurement of custodial fund liabilities of activities formerly classified as agency type funds ****	—	—	—	370,229	$ 370,229
Net Positions July 1, 2019 as restated	$ 103,019,391	$ 4,155,116	$ 2,714	$ 370,229	$ 107,547,450
Effect of prior period adjustments on the amount of net increase (decrease) in net positions of Fiscal Year 2019	$ (2,378)	$ —	$ —	$ —	(2,378)

D. Government-wide Statements

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
Net Positions June 30, 2019 as reported in the 2019 Comprehensive Annual Financial Report	$ 15,391,264	$ 11,319,127	$ 26,710,391
Capital asset corrections	(67,531)	(4,277)	(71,808)
Implementation of GASB 84:			
ASLCC reclassified as an Internal Service fund, formerly reported as a fiduciary activity ***	(684,762)	—	(684,762)
ASLCC Remeasurement of certain liabilities ***	(426)	—	(426)
Other adjustments of assets and liabilities as of June 30, 2019	(12,572)	—	(12,572)
Net Positions July 1, 2019 as restated	$ 14,625,973	$ 11,314,850	$ 25,940,822
Effect of adjustments on the amount of net increase(decrease) in net positions of Fiscal Year 2019	$ (80,529)	$ (4,277)	$ (84,806)

Accounting Changes - GASB Statement No. 84

Governmental Accounting Standards Board Statement No. 84 establishes criteria for identifying and classifying fiduciary activities of state and local governments. It describes four fiduciary funds that should be reported, if applicable: 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds, which generally should report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. Several fund and program classification changes reflected above were necessary to present the funds within the state's reporting entity according to the requirements of GASB 84.

Deferred Compensation *

The Deferred Compensation Fund was previously not included with the state of Wisconsin reporting entity. Implementation of GASB 84 requires Deferred Compensation to be reported as a fund within the category "Pension and Other Employee Benefit Trust".

The restated beginning net position for Pension and Other Employee Benefit Trusts increased by $4.7 billion as a result of the addition of Deferred Compensation into the reporting entity.

Implementation of GASB 84 also required Deferred Compensation to separately identify investment expenses in the Statements of Changes in Fiduciary Net Position. The changes to reporting of investment expenses had no impact to net position.

College Savings Program Trust **

The College Savings Program Trust previously was included with the State of Wisconsin reporting entity as a Private-Purpose Trust. GASB 84 clarified that this program does not meet the requirements to include within the State of Wisconsin reporting entity and so it is henceforth excluded from presentation as a fund in the CAFR. The College Savings Program Board continues to carry on the college savings program. Financial reports for the College Savings program can be obtained by contacting the State of Wisconsin Department of Financial Institutions or via http://529.wi.gov.

The restated beginning net position for Private Purpose type funds decreased by $5.5 billion as a result of the exclusion of the College Savings Program Trust from the reporting entity.

Accumulated Sick Leave ***

The entirety of the Accumulated Sick Leave program (ASL) was previously included within the State of Wisconsin reporting entity as a single fund within 'Pension and Other Employee Benefit Trust Funds'. Implementation of GASB 84 clarified that components within the ASL program should be divided into two separate funds. An internal service fund, Accumulated Sick Leave Conversion Credit (ASLCC) is used to account for the base portion of the credits; An employee benefit trust fund is used to account for the Supplemental Health Insurance Conversion Credit (SHICC) portion of the program.

In total, the ASL program reported a deficit net position of $139.6 million in the 2019 State of Wisconsin CAFR. The combined, restated net position (deficit) of $257.9 million is composed of a positive net position in the amount of $943.1 million for the SHICC fund, and a negative (deficit) net position in the amount of ($685.2 million) for the internal service component. The restatements, in effect, transferred a net deficit of ($685.2 million) out of the fiduciary funds and into the internal service type funds (and the governmental component of the government-wide statements).

State Retiree Health Fund

The State Retiree Health Fund was previously presented as an agency (fiduciary) fund but is now accounted for as a proprietary fund. The fund's beginning net position (zero) did not change and so the change in reporting did not impact the beginning net position of either fund type category.

Custodial Funds (various) ****

In general, most funds formerly classified as agency type funds are now reported under the new custodial fund classification. As agency type funds, amounts now classified as 'Net Position Held in Custody" had been reported as payables, deposits, or other liabilities. To implement GASB 84, $370 million in liabilities were reclassified, increasing net position by the same amount. The majority of the increase ($343 million) is attributable to the Bank and Insurance Company Deposits fund. For this fund, amounts previously reported as "Deposits" (a liability) are now reported as "Net Position Held in Custody."

The remaining restated custodial fund beginning Net Position balance in the amount of $27 million is attributable to the Inmate & Resident fund ($25 million) and the Insurance Company Liquidation Account ($2 million).

Implementation of GASB 84 also necessitated the presentation of Local Government Tax Collections under the custodial classification. This fund is used to present collections of certain taxes made by the state on behalf of other governmental units, and the subsequent remittance of those amounts to the taxing authorities. Activities reported under this fund had previously been reported under the General Fund.

Because amounts collected by the Local Government Tax Collections fund are immediately payable to the taxing authorities, this fund would not be expected to ordinarily report a net position held in custody. Therefore, incorporating this fund along with the custodial funds had no impact on their beginning net position.

NOTE 24. LITIGATION, CONTINGENCIES AND COMMITMENTS

A. Litigation and Contingencies

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

The State accrues liabilities related to legal proceedings, if a loss is probable and reasonably estimable. Such losses, totaling $30.7 million on June 30, 2020 reported in the governmental activities, are discussed below:

The Work Injury Supplemental Benefit Fund, administered by the Department of Workforce Development, provides compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. The liability for annuities to be paid totaled $0.7 million at June 30, 2020.

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. In October 2017 the 11th Circuit Court of Appeals upheld the 2015 opinion with respect to the principal shareholders of SCC; concluding its litigation. Because SWIB has separate and distinct arguments from the principal shareholders of SCC, the Tax Court granted SWIB the opportunity to pursue its case with the Court. In 2018, SWIB's tax counsel and the IRS filed briefs with the Tax Court. In January 2020, SWIB was informed that the Tax Court had ruled in favor of the IRS. While SWIB has the option to appeal, as well as the ability to negotiate the final payment with the IRS, the adverse ruling from the Tax Court makes it more likely that SWIB's liability exposure will be higher than previously estimated.

Although SWIB's case is still ongoing, SWIB determined it was prudent to accrue a potential loss from the SCC transaction based on the Tax Court's adverse opinions against the principal shareholders and SWIB. SWIB's potential liability, as a putative transferee of SCC assets, is reasonably estimated to be between $30.0 million and $59.6 million as of December 31, 2019. Although results may differ, this estimated range of loss is based on a possible settlement strategy with the IRS and the maximum potential to the IRS for the taxes, interest and potential penalties of SCC based on the Tax Court's decision against the principal shareholders and SWIB. Accordingly, since calendar year 2015, SWIB has accrued a loss of $30.0 million, of which $10.0 million was accrued in calendar year 2019 to account for the Tax Court's most recent adverse ruling. The total $30.0 million accrued loss represents the estimated minimum amount of possible loss to which SWIB believes it may be exposed.

Other Claims, Judgments, and Contingencies

The State is also named as a party in other legal proceedings where the ultimate disposition and consequence are not presently determinable. The potential loss amount relating to an unfavorable outcome for certain of these proceedings could not be reasonably determined at this time. However, the ultimate dispositions and consequences of any single legal proceeding or all legal proceedings collectively should not have a material adverse effect on the State's financial position.

In August 2018, the Department of Health Services (DHS) received notification from the U.S. Department of Health and Human Services (DHHS) recommending a $27.6 million disallowance related to the Medicaid program. DHHS concluded DHS did not refund the full federal share of Medicaid-related settlements and judgements from October 2008 through September 2016. DHS partially disagreed with the report. The Centers for Medicare and Medicaid Services (CMS) reviewed the report and determined that DHHS underreported the settlement and requested that DHS refund $31.0 million to the federal government. In November 2020, DHS communicated its disagreement to CMS and DHS will provide a formal objection letter to CMS in January 2021.

Mercy Health Systems filed a just compensation appeal against the Department of Transportation under Wis. Stat. section 32.05(11). The issue is the amount of compensation to Mercy Health Systems for DOT's partial acquisition of Mercy's property in Janesville. Depending upon the verdict, DOT may be liable statutorily for the payment of Mercy's attorney's fees and other litigation costs. It is believed that the maximum total liability would not exceed $10.0 million. It is DOT's position that it is not liable for the payment of any new compensation or fees and costs of Mercy. The State is vigorously defending this case, with adjourned trial set for April 2021.

In April 2020, the State requested assistance from the Federal Emergency Management Agency (FEMA) to design/build/upgrade Pandemic Response and Recovery Critical Public Facilities Disaster Alternative Care Facility (ACF) for acute patience care. As directed by the State and FEMA and in coordination with DHHS, the US Army Corp of Engineers provided facility assessments, planning, engineering, design, contracting, and construction support to address medical facility shortages arising for the COVID-19 situation in Wisconsin.

FEMA originally estimated the cost to complete the ACF at $25 million, with the State being responsible for 25% of the costs. Although this work was completed in FY 2020, FEMA has not provided the State with a detailed listing of the overall costs and has not billed the State for our portion of the costs. Therefore, the State is unable to determine a liability related to these costs at this time but does not believe the amount would have a material effect on the statements.

At the end of FY 2020, the Unemployment Reserve Fund, administered by the Department of Workforce Development (DWD), had a backlog related to weekly claims filed. DWD accrued a liability in the Unemployment Reserve Fund for benefits paid through November 30, 2020 that were related to weeks prior to June 30, 2020. However, an estimate of payments related to the remaining backlog, totaling 52,694 weekly claims as of December 7, 2020, cannot be estimated and therefore a liability for these claims has not been reported.

During FY 2020, Intersystems Corporation filed a claim against the Department of Revenue (DOR) asserting that DOR owed Intersystems Corporation a refund of $73.9 million plus interest for 2010-2017. The issue is whether or not fees from sublicensing software sold to Epic, who is domiciled in Wisconsin, may be treated as Wisconsin sales in the sales factor. The case is currently being appealed to the Wisconsin Tax Appeals Commission, but DOR believes that its position is meritorious and will defend the matter vigorously.

B. Commitments

Primary Government

As of June 30, 2020, encumbrances of the General Fund totaled $513.6 million, encumbrances of the Transportation Fund totaled $1.6 billion, and encumbrances of other non-major governmental funds totaled $225.1 million. Obligations at June 30, 2020 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	$ 355,503
Capital Improvement Fund – WisDOT Harbors, Rails and Highway Programs	27,855
Transportation Revenue Bonds Capital Projects Fund	23,453
General Fund – Housing Programs	32,391

The Environmental Improvement Fund (the Fund) was established to administer the Clean Water Fund Loan Program. Loans and grants are made to local units of government for wastewater treatment projects for terms of up to 20 years. Loans are made at a number of prescribed interest rates based on environmental priority. The loans contractually are revenue obligations or general obligations of the local governmental units. Additionally, various statutory provisions exist which provide further security for payment. The Fund has made financial assistance commitments of $299.9 million as of June 30, 2020. These loan and grant commitments are expected to be met through proceeds from issuance of revenue obligations and additional federal grants.

The Injured Patients and Families Compensation Fund may be required to purchase an annuity as a result of a claim settlement. Under specific annuity arrangements, the Fund may have ultimate responsibility for annuity payments if the annuity company defaults on annuity payments. The total estimated replacement value of the Fund's annuities as of June 30, 2020 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, 2020, the appropriation available totaled $68.4 million. Losses become fixed as of the date of the loss. A public depositor experiencing a loss must assign its interest in the deposit, to the extent of the amount paid, to the Department of Financial Institutions. Any recovery made by the Department of Financial Institutions under the assignment is to be repaid to the appropriation. The possibility of a material loss resulting from payments to and recovery from public depositors is remote.

NOTE 25. Tax Abatements

Wisconsin statutes authorize tax abatements to encourage economic development and other actions beneficial to the State or its citizens resulting in a reduction in tax revenue the State would otherwise be entitled to collect. GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement agreements entered into by a reporting government, along with agreements entered into by other governments, which reduce the reporting government's tax revenues. Most tax abatement programs meeting the criteria for disclosure in the State's 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
WHEDA Programs	**Authority**	**Purpose**	**Tax Abated**	**Primary Criteria**	Mechanism	**Abatement Calculation**	**Recapturing Abatements**
Low Income Housing Tax Credit Administered by Wisconsin Housing and Economic Development Authority	Wis. Stats. 234.45	Low-income housing tax credits	Income Tax	Person has an ownership interest in the qualified development The tax credit is necessary for financial feasibility of the qualified development Maintenance and operation as a qualified development for the compliance period and in compliance with Title VIII of the federal Civil Rights Act of 1968, as amended The allocation certificate is issued in accordance with the qualified allocation plan	Nonrefundable state income tax credit	A claimant may claim as a credit against the taxes imposed, up to the amount of the tax, the amount allocated by the authority	DOR may recover the credit based on the amount determined under section 42(j) of the Internal Revenue Code

WEDC Programs	Authority	Purpose	Tax Abated	Primary Criteria	Mechanism	Abatement Calculation	Recapturing Abatements
Business Development Credit (also includes the Economic Development and Jobs Tax Credit programs)	Wis. Stats. 238.308	Provides incentives for job creation, capital investment, training, and corporate location or retention for new and current businesses in Wisconsin	Income Tax	Person increases net employment in the state from net employment in the state during the year before certification	Refundable state income tax credit or offset against economic development surcharge	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
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
Electronics and Information Technology Manufacturing Zone Tax Credit	Wis. Stats. 238.396	Incent a project (Foxconn) involving the attraction of major business operations to Wisconsin to support the creation of jobs	Income Tax	Business that begins operations in the zone Services must be performed in the state Business maintains job creation threshold and requirements as designated by WEDC Business makes a significant capital expenditure in the zone	Refundable state income tax credit	Job creation credit equal to no more than 17% of payroll within the state for the benefit of the operations within the zone Investment credit where the business may claim up to 15% of its significant capital expenditures	WEDC may require the business to repay any tax benefits the business claims for a year in which the business failed to maintain employment levels or a significant capital investment in property

WEDC Programs, continued	Authority	Purpose	Tax Abated	Primary Criteria	Mechanism	Abatement Calculation	Recapturing Abatements
Qualified New Business Venture (Consists of Early Stage Seed Investment and Angel Investment Credits)	Wis. Stats. 238.15	Promote development of research and development and early-stage capital availability by providing tax credit incentives for private equity investment in technology- based Wisconsin businesses with significant long- term growth potential	Income Tax	Investor must keep investment in a certified business or with a certified fund manager for no less than 3 years unless the investment becomes worthless or the person has kept the investment for at least 12 months and a bona fide liquidity event occurs during the 3 year period Certified businesses are those headquartered in the State and engaged in innovation within certain sectors such as manufacturing, biotechnology, agriculture, etc. or that process or assemble items such as medical devices, pharmaceuticals, computer hardware or software, etc.	Nonrefundable state income tax credit	25% of the value of the investment made in the certified company	The certified business must pay a penalty ranging from 60% to 100% of the tax credit provided if it relocates out of state during the 3 years after it received an investment
Historical Preservation Tax Credit (Supplement to Federal Historic Rehabilitation Tax Credit)	Wis. Stats. 238.17	Incentive for businesses to rehabilitate historic structures in Wisconsin used for production of income	Income Tax	Must own the historic property Building must be depreciable property that is either nonresidential real property, residential rental property, or real property with a class life of more than 12.5 years Rehabilitation expenditures are more than the greater of $50,000 or the adjusted basis Expenditure test must be met within a 24-month (or, for phased rehabilitation projects, a 60-month) period	Nonrefundable state income tax credit	20% of qualified rehabilitation expenditures for the current year The state credit must be claimed ratably over a five-year period beginning in the taxable year the building is placed in service effective for amounts paid or incurred after December 31, 2017[1]	If sale or noncompliance occurs within 5 years then a prorated amount of the credit received will be added back to the individual's tax liability

[1] State law automatically adopted the provision in the federal Tax Cuts and Jobs Act signed into law on December 22, 2017. The federal law effectively modified the timing for claiming the state credit from one year to over five years with a transition rule in place that applies to projects contracted and completed prior to tax year 2021.

The gross dollar amount by which the State's tax revenues were reduced as a result of abatement agreements during the fiscal year ended June 30, 2020 (in millions):

State Agency Administered Program		Amount
Historical Homeowners Tax Credit	$	1.1
WEDC Administered Programs		
Business Development Credit[2]		34.7
Development Opportunity Zone Tax Credit		0.4
Enterprise Zone Tax Credit		74.3
Qualified New Business Venture		9.1
Historical Preservation Tax Credit		22.3
Total State Agency and WEDC:	$	141.9

[2] Includes Economic Development, Jobs Tax Credit and Business Development Credit abatements

Tax Abatement-related Commitments

2017 Wis. Act 58 created an electronics and information technology manufacturing zone in southeast Wisconsin (the Foxconn project). Subject to the Act, the state may contract public debt in an amount not to exceed $252.4 million in general fund-supported general obligation bonds to be used for road expansion and improvements to the I-94 North-South corridor. The Act also recognized a moral obligation in which the legislature expresses its expectation and aspiration, if ever called upon to do so, to make an appropriation to pay no more than 40 percent of the principal and interest of a local governmental unit's municipal obligations used to finance costs related to the zone

NOTE 26. SUBSEQUENT EVENTS

Primary Government

Long-term Debt

General Obligation Bonds – In July 2020, the State issued $164.0 million of 2020 Series 3 general obligation refunding bonds (taxable) to be used for the advanced refunding of certain principal of previously issued general obligation bonds. The interest rates associated with these bonds were set at 0.2 percent to 2.3 percent payable semiannually beginning November 1, 2020. The bonds mature annually beginning May 1, 2022 through May 1, 2035 along with term bonds maturing May 1, 2038 and May 1, 2042.

In June 2020, the State entered into a forward delivery bond purchase agreement for the issuance of general obligation refunding bonds and a preliminary closing for those bonds occurred in July 2020. Subject to the forward delivery agreement, the State expects to issue $133.8 million of 2021 Series 1 general obligation refunding bonds in February 2021 to be used for the current refunding of certain principal of previously issued general obligation bonds. When issued, the interest rates are expected to be 5.0 percent payable semiannually beginning November 1, 2021. The bonds mature annually beginning May 1, 2026 through May 1, 2031.

In October 2020, the State entered into a forward delivery bond purchase agreement for the issuance of general obligation refunding bonds and a preliminary closing for those bonds occurred in November 2020. Subject to the forward delivery agreement, the State expects to issue $236.6 million of 2021 Series 2 general obligation refunding bonds in February 2021 to be used for the current refunding of certain principal of previously issued general obligation bonds. When issued, the interest rates are expected to be 5.0 percent payable semiannually beginning November 1, 2021. The bonds mature annually beginning May 1, 2022 through May 1, 2041.

In November 2020, the State issued $224.5 million of 2020 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, 2021. The bonds mature annually beginning May 1, 2022 through May 1, 2041.

Transportation Revenue Bonds – In July 2020, the State issued $315.8 million of 2020 Series 1 transportation revenue refunding bonds (taxable) to be used for the 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 0.3 percent to 1.9 percent payable semiannually beginning January 1, 2021. The bonds mature annually beginning July 1, 2022 through July 1, 2034.

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Required Supplementary Information

Postemployment Benefits - State Health Insurance Program

Schedule of Changes to the Total OPEB Liability and Related Ratios (in millions)
As of the Measurement Date June 30

	2017	2018	2019
Total OPEB Liability			
Service cost	$ 72.1	$ 58.0	$ 40.3
Interest	23.6	27.1	21.7
Difference between expected & actual experience	(4.1)	0.8	65.1
Changes of assumptions	(109.3)	(224.8)	56.7
Benefit payments	(38.4)	(40.8)	(40.9)
Net Change in Total OPEB Liability	**(56.1)**	**(179.7)**	**142.9**
Total OPEB Liability – Beginning	**$ 775.4**	**$ 719.3**	**$ 539.6**
Total OPEB Liability – Ending	**$ 719.3**	**$ 539.6**	**$ 682.5**
Covered-employee payroll	$ 3,690.7	$ 3,729.7	$ 3,905.8
Total OPEB liability as a percentage of covered-employee payroll	19.49 %	14.47 %	17.47 %

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 (June 30, 2017 measurement date) was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027 (June 30, 2026 measurement date).

Notes to RSI

The State Health Insurance OPEB plan does not have assets in trust or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, and participation rate assumptions. Employer benefit payments were actuarially determined and pertain to the implicit rate subsidy.

Postemployment Benefits - State Life Insurance Program

Schedule of Changes in the Total OPEB Liability and Related Ratios (in millions)
As of the Measurement Date December 31

		2017		2018		2019
Total OPEB Liability:						
Service cost	$	26.2	$	30.7	$	25.4
Interest		30.7		31.2		33.2
Difference between expected & actual experience		(5.3)		(17.5)		(6.1)
Changes of assumptions		49.0		(94.9)		223.0
Benefit payments		(17.7)		(19.5)		(19.9)
Net Change in Total OPEB Liability		82.9		(70.1)		255.6
Total OPEB Liability - Beginning	$	762.6	$	845.5	$	775.5
Total OPEB Liability - Ending	**$**	**845.5**	**$**	**775.5**	**$**	**1,031.1**
Plan Fiduciary Net Position:						
Contributions from employers	$	1.4	$	1.4	$	1.2
Transfer from active life insurance program		—		—		13.1
Net investment income		11.6		10.9		10.4
Administrative expense		(0.7)		(0.7)		(0.8)
Benefit payments		(17.7)		(19.5)		(19.9)
Net change in Plan Fiduciary Net Position		(5.4)		(8.0)		4.0
Plan Fiduciary Net Position – Beginning	$	357.4	$	352.0	$	344.0
Plan Fiduciary Net Position – Ending	**$**	**352.0**	**$**	**344.0**	**$**	**348.0**
Collective Net OPEB Liability – Beginning	**$**	**405.1**	**$**	**493.5**	**$**	**431.5**
Net change in Collective Net OPEB Liability		**88.4**		**(62.0)**		**251.6**
Collective Net OPEB Liability – Ending	**$**	**493.5**	**$**	**431.5**	**$**	**683.1**
Plan Fiduciary Net Position as a percentage of the total OPEB liability		41.63 %		44.36 %		33.75 %
Covered-employee payroll	$	3,184.0	$	3,182.5	$	3,299.5
Net OPEB liability as a percentage of covered-employee payroll		15.50 %		13.56 %		20.70 %

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 (12/31/17 measurement date) was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027 (12/31/26 measurement date).

Schedule of Contributions to State Life Insurance OPEB Plan (in millions)
As of the Measurement Date December 31

	2017	2018	2019
Contractually required contribution	$1.4	$1.4	$1.1
Contributions in relation to the contractually required contribution	$1.4	$1.4	$1.1
Contribution deficiency	$0	$0	$0
Covered-employee payroll	$3,184.0	$3,182.5	$3,299.5
Contributions as a percentage of covered-employee payroll	0.042%	0.044%	0.033%

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 (12/31/17 measurement date) was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027 (12/31/26 measurement date).

Postemployment Benefits - Supplemental Health Insurance Conversion Credit Program

Schedule of Changes in the Total OPEB Liability and Related Ratios (in millions)
As of the Measurement Date December 31

	2017	2018	2019
Total OPEB Liability:			
Service cost	23.1	23.4	25.5
Interest	65.8	66.0	65.5
Difference between expected & actual experience	(31.6)	(41.6)	(55.3)
Changes of assumptions	—	25.2	—
Benefit payments	(56.4)	(55.4)	(52.9)
Net Change in Total OPEB Liability	0.9	17.6	(17.2)
Total OPEB Liability - Beginning	$ 931.3	$ 932.2	$ 949.8
Total OPEB Liability - Ending	**$ 932.2**	**$ 949.8**	**$ 932.6**
Plan Fiduciary Net Position:			
Contributions from employers	17.9	18.2	14.3
Net investment income	141.7	(36.5)	180.2
Administrative expense	(0.3)	(0.2)	(0.3)
Benefit payments	(56.4)	(55.4)	(52.9)
Net change in Plan Fiduciary Net Position	102.9	(73.9)	141.3
Plan Fiduciary Net Position – Beginning	$ 914.1	$ 1,017.0	$ 943.1
Plan Fiduciary Net Position – Ending	**$ 1,017.0**	**$ 943.1**	**$ 1,084.4**
Collective Net OPEB Liability – Beginning	**$ 17.2**	**$ (84.8)**	**$ 6.7**
Net change in Collective Net OPEB Liability	**(102.0)**	**91.5**	**(158.5)**
Collective Net OPEB Liability – Ending	**$ (84.8)**	**$ 6.7**	**$ (151.8)**
Plan Fiduciary Net Position as a percentage of the total OPEB liability	109.10 %	99.29 %	116.28 %
Covered-employee payroll	$ 4,454.5	$ 4,562.6	$ 4,796.1
Net OPEB liability as a percentage of covered-employee payroll	(1.90)%	0.15 %	(3.17)%

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 (12/31/17 measurement date) was the first year for reporting* this information, a full 10-year schedule will not be available until fiscal year 2027 (12/31/26 measurement date).

Schedule of Contributions to Supplemental Health Insurance Conversion Credit OPEB Plan (in millions)
As of the Measurement Date December 31

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

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 (12/31/17 measurement date) was the first year for reporting* this information, a full 10-year schedule will not be available until fiscal year 2027 (12/31/26 measurement date).

*In FY 2020 it was determined that the SHICC Program is an OPEB to the State and should've been reported with the implementation of GASB 75. Therefore, FY 2020 is the first year it is reported in the statements.

State's Proportionate Share of the Net Pension Liability or Net Pension (Asset)

The State's proportionate share of the net pension liability (NPL) or net pension (asset) (NPA) of the Wisconsin Retirement System is provided below:

Fiscal Year*	State's Proportion of the NPL/(NPA) (a)	State's Proportionate Share of the NPL/(NPA) (b)	State's Covered Payroll (c)	State's Share of the NPL/(NPA) as a Percentage of Covered Payroll (b / c)	WRS' Net Position as a Percentage of the Total Pension Liability (d)
2020	27.7%	$(895,288,646)	$4,159,693,791	(21.5)%	103.0%
2019	27.7%	$ 985,537,744	$3,972,324,722	24.8%	96.5%
2018	(27.8)%	$ (826,113,891)	$3,867,555,186	(21.4)%	102.9%
2017	28.0%	$ 232,791,419	$3,806,871,835	6.1%	99.1%
2016	28.1%	$ 455,475,378	$3,790,475,424	12.0%	98.2%
2015	(28.0)%	$(686,873,469)	$3,735,598,305	(18.4)%	102.7%

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

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

State's Pension Contributions

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

Fiscal Year*	State's Actuarially Determined Contributions (a)	State's Contributions Made (b)	Contribution Excess/ (Deficiency) (b - a)	State's Covered Payroll (c)	State's Contributions Made as a Percentage of Covered Payroll (b / c)
2020	$292,078,527	$292,078,527	$—	$4,159,693,791	7.0%
2019	$284,968,840	$284,968,840	$—	$3,972,324,722	7.2%
2018	$280,500,929	$280,500,929	$—	$3,867,555,186	7.3%
2017	$263,970,133	$263,970,133	$—	$3,806,871,835	6.9%
2016	$270,985,300	$270,985,300	$—	$3,790,475,424	7.2%
2015	$275,968,183	$275,968,183	$—	$3,735,598,305	7.4%

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

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

Infrastructure Assets Reported Using the Modified Approach

The State has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the State can demonstrate that these assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The State owns approximately 11,200 centerline miles of road and 5,200 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)
2020	11,200	7.6	15.0	7.4
2019	11,200	7.6	15.0	7.4
2018	11,200	7.4	15.0	7.6
2017	11,200	7.4	15.0	7.6
2016	11,200	8.9	15.0	6.1
2015	11,200	7.3	15.0	7.7
2014	11,200	8.3	15.0	6.7
2013	11,200	6.2	15.0	8.8
2012	11,200	7.0*	15.0	8.0
2011	11,200	12.0**	15.0	3.0

* 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 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. 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)
2020	$ 828.6	$ 671.0	$ 157.6
2019	847.9	612.0	235.9
2018	748.0	616.7	131.3
2017	770.3	629.3	141.0
2016	617.6	564.7	52.9
2015	603.4	643.3	(39.9)
2014	619.4	605.9	13.5
2013	580.9	561.8	19.1
2012	611.0	585.3	25.7
2011	606.7	705.7	(99.0)

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

Bridge Network

Condition assessments are completed on a two-year cycle, with more frequent inspections completed if warranted. The most current assessment results are reported for each State bridge, making the overall assessment a blend of measures completed in the current fiscal year and those completed in the prior year.

The structural condition rating is a broad measure of the condition of a bridge. Each bridge is rated using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings. The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. The NBI uses a 10-point scale for condition codes and appraisal ratings. A bridge is considered "structurally deficient" if any condition code is 4 or less, or if either appraisal code is 2 or less.

"Structurally deficient" bridges cause negative impacts for the public by increasing the likelihood that heavy loads will need to be rerouted to less efficient routes, thus increasing logistic costs for State businesses. It is the State's policy to ensure no more than 15 percent of its bridges are "structurally deficient".

Recent condition assessment results are as follows:

Year Ended June 30	Number of Bridges	Percent Structurally Deficient	Established Percent	Variance Favorable/ (Unfavorable)
2020	5,200	2.3	15.0	12.7
2019	5,200	2.6	15.0	12.4
2018	5,200	3.0	15.0	12.0
2017	5,200	3.1	15.0	11.9
2016	5,200	3.1	15.0	11.9
2015	5,200	3.2	15.0	11.8
2014	5,100	3.3	15.0	11.7
2013	5,100	3.1	15.0	11.9
2012	5,100	3.3	15.0	11.7
2011	5,100	3.6	15.0	11.4

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)
2020	$107.3	$67.5	$39.8
2019	63.1	65.8	(2.7)
2018	92.1	89.9	2.2
2017	56.9	59.3	(2.4)
2016	78.6	128.3	(49.7)
2015	57.1	164.4	(107.3)
2014	261.2	131.0	130.2
2013	123.2	115.3	7.9
2012	101.9	61.1	40.8
2011	42.4	64.2	(21.8)

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.

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Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2020

(In Thousands)

	Original Budget		Final Budget		Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year					$ 3,098,890
Revenues and Transfers (Inflows):					
Taxes	$ 17,346,843		$ 17,671,229		17,558,529
Departmental:					
Tribal Gaming	23,838		25,156		5,314
Other	20,629,693	(A)	20,622,959	(A)	20,421,048
Transfers from:					
Nonmajor Governmental Funds	(A)		(A)		69,741
Nonmajor Enterprise Funds	(A)		(A)		1,737
Total Revenues and Transfers (Inflows)	$ 38,000,374		$ 38,319,344		$ 38,056,369
Amounts Available for Appropriation					$ 41,155,259
Appropriations (Outflows):					
Commerce	226,938		262,523		219,589
Education	14,645,859		15,957,461		14,239,481
Environmental Resources	392,315		467,449		304,454
Human Relations and Resources	15,675,283		19,168,528		16,508,125
General Executive	1,303,870		2,025,695		1,322,878
Judicial	147,164		156,898		147,484
Legislative	79,423		80,003		75,452
Tax Relief and Other General	2,776,265		2,898,284		2,817,532
Transfers to:					
Transportation Fund	43,301		43,301		43,301
Nonmajor Governmental Funds	—		—		47,475
Nonmajor Enterprise Funds	—		—		—
Total Appropriations (Outflows)	$ 35,290,418		$ 41,060,142		$ 35,725,771
Fund Balances, End of Year					5,429,488
Less Encumbrances Outstanding at June 30, 2020					(718,939)
Fund Balances, End of Year - Budgetary Basis					4,710,549

Reconciliation of the End of Year,	
Budgetary Basis, Fund Balance to the Detail Reported in the Annual Fiscal Report:	
General Purpose:	
Designated	$ 600,886
Undesignated	1,172,354
Total General Purpose	1,773,240
Program Revenue	2,937,309
Fund Balances, End of Year Budgetary Basis	$ 4,710,549

(A) Interfund transfers to the General Fund were budgeted under departmental revenue during Fiscal Year 2020.

Budgetary Comparison Schedule
Transportation Fund
For the Fiscal Year Ended June 30, 2020

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 538,573
Revenues (Inflows):			
Taxes	$ 1,082,120	$ 1,082,120	1,082,120
Departmental	2,076,320	2,076,320	2,076,320
Transfers from:			
General Fund	43,301	43,301	43,301
Nonmajor Governmental Funds	61,306	$ 61,306	61,306
Total Revenues (Inflows)	3,263,047	3,263,047	3,263,047
Amounts Available for Appropriation			3,801,620
Appropriations and Transfers (Outflows):			
Environmental Resources	3,128,059	6,079,748	3,108,585
General Executive	2,015	2,015	1,822
Tax Relief and Other General	23,072	23,120	22,451
Total Appropriations and Transfers (Outflows)	$ 3,153,146	$ 6,104,883	3,132,858
Fund Balances, End of Year			668,762
Less Encumbrances Outstanding at June 30, 2020			(1,665,689)
Fund Balances, End of Year			
Budgetary Basis			$ (996,927)

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, 2020 is presented below (in thousands):

	General Fund	Transportation Fund
Fund balance June 30, 2020 (budgetary basis – budgetary fund structure):		
General Purpose Revenue – fund balance per budgetary basis *Annual Fiscal Report*		
Undesignated fund balance	$ 1,172,354	
Designated fund balance	600,886	
Total General Purpose Revenue fund balance	1,773,240	
Program Revenue – fund balance per budgetary basis *Annual Fiscal Report*	2,937,309	
Fund balance June 30, 2020 (budgetary basis – budgetary fund structure) as reported on the budgetary comparison schedule	4,710,549	$ (996,927)
Reclassifications:		
To eliminate encumbrances reported as expenditures under budgetary reporting *(basis difference)*	718,939	1,665,689
To include activities of funds such as the Medical Assistance Trust, Hospital Assessment, Critical Hospital Assessment, Budget Stabilization, and Permanent Endowment Funds (reported as special revenue funds under budgetary reporting) as part of the General Fund *(perspective difference)*	825,013	—
To remove activities reported in another GAAP fund type *(perspective differences)*:		
Enterprise funds (except for the University of Wisconsin System)	6,497	—
University of Wisconsin System	(1,207,415)	—
Internal Service funds	(36,767)	—
Transportation Revenue Bonds capital project fund	—	4,646
Fund balance June 30, 2020 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	5,016,816	673,408
Adjustments *(basis differences)*:		
To accrue receivables and establish payables for individual income taxes (net)	(1,147,787)	—
To defer revenues for gross receipts public utility taxes	(264,304)	—
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(426,760)	(6)
To adjust expenditures for the intergovernmental shared revenue program	(490,160)	—
To adjust expenditures for State property tax credit/relief program	(811,037)	—
To record unspent CARES Act Coronavirus Relief Funds as unearned as of 6/30/2020	(1,778,420)	—
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(237,357)	—
To adjust revenues and expenditures for certain major Health Services, and Children and Families human services payments to local governments	(166,217)	—
To accrue receivable for Medicaid drug rebates (net of payable to federal government)	196,221	—
To accrue WHSP payments and claims	105,709	—
To adjust expenditures/revenues for other Health Services, Workforce Development, Children and Families, and Corrections accruals and deferrals	(65,155)	—
To recognize the tobacco settlement revenue receivable	68,929	—
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	1,964	—
To adjust revenues and expenditures for other items (net)	74,105	161,836
Fund balance June 30, 2020 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements	$ 1,547	$ 835,238

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.

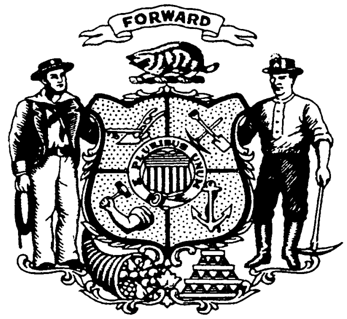
The State's biennial budget was enacted on July 3, 2019 and published on July 4, 2019. This legislation is recognized by State officials as the original budget and is treated as such on the Budgetary Comparison Schedules.

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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