

# ANNUAL FINANCIAL REPORT 2015



**Published by the Office of Finance  
University of Wisconsin System  
1220 Linden Drive  
Madison, WI 53706**

**Editor: Connie Christianson**

**Cover Photo:** University of Wisconsin–Milwaukee students walk in front of Johnston Hall, which was acquired in the Milwaukee-Downer College campus purchase. It was called “College Hall” until 1904 when it was renamed for John T. Johnston, a member of the Milwaukee College and the Milwaukee-Downer College Board of Trustees. Johnston also served as the Board of Trustees’ president.

Johnston Hall, which is located on the east side of the North Quad, was designated a landmark building in 1973.

UW-Milwaukee (UWM) is an urban research institution that grants undergraduate through doctoral degrees. Its 28,000 students choose from more than 180 programs taught by 1,700 experts in diverse, in-demand fields. Small classes and major research opportunities distinguish UWM’s popular Honors College. The institution’s Student Startup Challenge nurtures student business plans through coursework grounded in entrepreneurship and product design. UWM students jump-start their careers by interning with major players in finance, engineering, the arts, healthcare, and more. Milwaukee is a learning laboratory for future leaders, where students volunteer 40,000 hours each year. The Princeton Review calls UWM a “Best in the Midwest” university.

**Photo:** UW-Milwaukee

**University of Wisconsin System  
2015 Annual Financial Report**

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# UNIVERSITY OF WISCONSIN SYSTEM

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Introduction from the President  
and  
Vice President's Report



## **INTRODUCTION FROM THE PRESIDENT FINANCIAL REPORT 2015**

The University of Wisconsin (UW) System is the best vehicle to help Wisconsin shape, and prepare for, its future. That is our firm belief, and it was one of the themes to emerge from the ideas shared by hundreds of civic, business, economic development, and other leaders who joined us in a series of 13 listening sessions we hosted around Wisconsin in late 2015. The sessions were part of our new strategic planning process – an ongoing process that has made loud and clear the public’s reliance on the UW System as we venture into an uncertain future.

The journey ahead is predicated on the UW System – from its administrative offices to every campus community in the state – being able to maintain an efficient, accountable, and affordable organization and operation.

In the 2014-15 academic year, we continued our trend of near-record high enrollment of approximately 180,000 students. We also conferred

another near-record high number of degrees—36,000 degrees ranging from associate through doctorate.

In the 2014-15 academic year, our ongoing financial reform efforts helped us deepen our commitment to transparent budgeting practices.

Our second comprehensive fund balances annual report remains one of the most detailed financial reports you will find in higher education. It is unprecedented.

We continue to project that program revenue fund balances—now reported in total and by institution throughout the UW System—will have decreased, by the end of the 2015-16 academic year, by more than 37 percent since 2013-14. Thanks to reforms we implemented, we will continue to better forecast balances.

By the end of fiscal year (FY) 2016, it is anticipated fund balances will be down by nearly 63 percent from FY 2013 levels. This is a significant reduction, and we expect that as institutions carefully manage budget reductions in this biennium, the balance will again decrease in the second year of the budget.

We still have work left to do. I am committed to working with chancellors, legislators and other stakeholders to ensure that we have the most transparent financial systems in the State of Wisconsin, if not the nation, and that we serve as a model nationwide.

The 2015-17 biennial budget process was marked by our opening and deepening a new dialogue and partnership between the Legislature and the UW System. I am committed to building on this foundation to ensure a strong UW System for the future that continues our long tradition of serving students, communities and the state.

As noted earlier, in late 2015, the UW System Administration launched a strategic planning initiative, beginning with a series of listening sessions throughout the state that coincided with similar forums and surveys used to gather input from each of our campus communities.

Phase Two of the process is also driven by public input. In December, the UW System shared an open, online survey gauging public opinion on the common ideas identified through the listening sessions held around the state.

The feedback throughout the process makes clear that the UW System's role in statewide economic development, its collaborative relationship with K-12 schools, and its commitment to business and community partnerships are important to the people of Wisconsin. We continue to distill and prioritize those themes into goals and strategies, and we expect to introduce the resulting new strategic plan by fall of 2016.

The strategic plan will further refine existing efforts, such as our Talent Development Initiative, a vision unveiled in 2014, outlining how the UW System can align its resources in three critical areas – the talent path, the talent infrastructure, and the talent-based economy – to better meet the most pressing needs of the state and its employers.

In 2015, we reaffirmed our commitment to this initiative, and we began a conversation that is helping us explore what we might do to more deliberately connect our students with Wisconsin businesses and career opportunities within. In particular, we are examining the potential for every junior and senior in the UW System to have one such "Wisconsin Business Experience" by the time they graduate. It may be a one-day, structured job-shadowing experience. It may involve a longer-term internship. Whatever the experience, it will give our students a revealing introduction to opportunities they may not otherwise have considered – opportunities that would apply their talent in ways beneficial to not only our graduates, but also state businesses and Wisconsin's economy.

I look forward to working with chancellors and business partners as we continue to explore this concept and demonstrate the ways that the talent we prepare and unleash into the state's workforce can be better retained in this state. It will be one more powerful example of the tremendous return on investment the UW System provides.

This would only build on the startling impact we know the UW System has: approximately \$15 billion in Wisconsin each year. Additionally, more than 80 percent of students who start out as Wisconsin residents stay in the state after graduation.

As we report each year, UW System spends a significantly smaller share of our educational and general expenses on overhead compared to peer university systems, saving Wisconsin taxpayers millions of dollars each year. Recent analyses found state funding per student in the UW System \$960 below the average among public universities, ranking

Wisconsin 32nd among the 50 states. Comparing state support for higher education to personal income, Wisconsin ranked 36th in the nation in funding per \$1,000 in personal income. And relative to our total state population, Wisconsin ranked 37th among the 50 states in per capita spending on higher education.

The UW System remains committed to quality, performance, accountability, and transparency in our financial affairs. This financial report demonstrates the UW System's vital role in shaping and contributing to Wisconsin's future economic success. At each of our 26 institutions, and in countless ways, the University of Wisconsin also serves as the *University for Wisconsin*.

**Ray Cross**  
***President***



## **INTERIM VICE PRESIDENT'S REPORT FINANCIAL REPORT 2015**

As demonstrated by the fiscal year (FY) 2015 financial statements and notes within this annual report, the University of Wisconsin (UW) System as a whole continues to be financially sound. The degree of financial health varies by UW institution, depending on their mission, student demographics, enrollment levels, enrollment sensitivity to outside factors, and other program initiatives.

Each UW System institution has had to balance its need to remain competitive with the challenging budgetary environment we have faced for a number of years. Faculty and staff have focused on their core missions and are committed to finding innovative ways to control costs and manage resources more productively. Because of this commitment, the UW System continues to make strategic investments in its facilities, programs, and people.

The FY 2015 financial statements reflect this commitment as well. In FY 2015, the UW System's total net position increased by nearly \$350.0 million, to \$6.7 billion. The largest factor contributing to this increase is the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The GASB 68 implementation required the addition of a \$330.2 million net pension asset. Unlike

many other higher education and government institutions that will report pension liabilities, the UW System has recognized its future costs throughout the years and has continuously funded its pension obligations at a high level.

Revenue diversification has long been an important strategy for the UW System to achieve and strive to maintain financial stability. Over the past several years, there has been a shift in the largest funding source for instruction—from state support to tuition and fees. Other sources of program revenue, such as gift funds, have grown as well. As the need for and use of program revenue has grown, the UW System's oversight of and transparency with these balances had to also grow.

In October 2015, the UW System presented its second annual Report on the Level of Commitment of Program Revenue Balances, which is based on a budgetary fund balance basis of accounting, or the accumulated difference between revenue and expenses at the end of the fiscal year. This differs from full accrual accounting, which is the basis of accounting used for this Annual Financial Report. Both methodologies serve valuable management purposes, allow UW leadership and Regents to focus on different aspects of financial health, and promote good stewardship of the UW System's resources.

The FY 2015 Program Revenue Balances report noted that, in total, the UW System's unrestricted balance related to tuition decreased by \$58.0 million, to approximately \$337.4 million. This balance, which is spread across multiple UW institutions, will be invaluable as we move into the 2015-17 biennium, during which the UW System will address a \$250.0 million reduction in state funding and a tuition freeze in place for a third and fourth years.

By using both the Annual Financial Report and the Program Revenue Balances report, the UW institutions and UW System Administration will continue to monitor financial health and stability, looking for trends and new opportunities. We also continue to critically review both reports and identify where additional details or clarifications can be provided.

I invite you to review the UW System's financial statements and notes. The unmodified audit opinion on pages 7-9 signifies that this information presents fairly the financial position of the UW System. Your comments, questions, and suggestions are always welcome.

**Julie K. Gordon**  
*Interim Vice President for Finance*



STATE OF WISCONSIN

Legislative Audit Bureau

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Joe Chrisman  
State Auditor

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

Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee

Members of the University of Wisconsin Board of Regents, and  
Dr. Raymond Cross, President  
University of Wisconsin System

### Report on the Financial Statements

We have audited the accompanying financial statements and the related notes of the University of Wisconsin (UW) System as of and for the year ended June 30, 2015, and June 30, 2014, as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management of UW System 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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.

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 opinion on these financial statements.

## **Opinion**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of UW System as of June 30, 2015, and June 30, 2014, and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphases of Matter**

As discussed in Note 1 to the financial statements, the financial statements referred to in the first paragraph present only UW System and do not purport to, and do not, present fairly the financial position of the State of Wisconsin as of June 30, 2015, and June 30, 2014, the changes in its financial position, or where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in FY 2013-14, UW System implemented Governmental Accounting Standards Board (GASB) Statement Number 65, *Items Previously Reported as Assets and Liabilities*, which reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources.

As discussed in Note 1 to the financial statements, in FY 2014-15, UW System implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These statements revise accounting and financial reporting for pensions by state and local government employers.

As discussed in Note 13, in FY 2014-15, UW System elected to change its method of reporting the liability related to postemployment benefits other than pensions.

Our opinion is 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 Discussion and Analysis, the schedule of UW System's proportionate share of the net pension liability (asset), the schedule of UW System contributions, and the related notes, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by GASB, which considers it to be essential for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to do so.

*Accompanying Information*—Our audits were conducted for the purpose of forming an opinion on the financial statements of UW System. The supplementary information on pages 4 through 6 and on pages 48 and 49 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we will also issue a report dated December 17, 2015, on our consideration of UW System's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used when considering UW System's internal control over financial reporting and compliance.

LEGISLATIVE AUDIT BUREAU



Joe Chrisman  
State Auditor

December 17, 2015

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**UNIVERSITY OF WISCONSIN SYSTEM**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2015 and 2014**

**Management's Discussion and Analysis**

The following discussion and analysis provides an overview of the financial position and activities of the University of Wisconsin (UW) System for the years ended June 30, 2015 and 2014, with comparative information for the year ended June 30, 2013, where appropriate. This discussion has been prepared by management and should be read in conjunction with the financial statements and footnotes.

The UW System consists of 13 universities, 13 two-year colleges, UW-Extension, and System Administration. In academic year 2014-2015, the UW System enrolled 180,979 students, employed approximately 32,000 faculty and staff, and granted 34,612 bachelor's, master's, and other advanced degrees. UW System institutions were awarded over \$878.1 million in federal grants and contracts in fiscal year (FY) 2015 and an additional \$572.7 million from non-federal sponsors. The UW System has a long tradition of public service, embodied by an ongoing commitment to the Wisconsin Idea, that the boundaries of the University are the boundaries of the State.

<i><b>Degrees Granted</b></i>	
<i>UW-Madison</i>	<i>10,505</i>
<i>UW-Milwaukee</i>	<i>5,158</i>
<i>UW-Eau Claire</i>	<i>2,265</i>
<i>UW-Green Bay</i>	<i>1,335</i>
<i>UW-La Crosse</i>	<i>2,290</i>
<i>UW-Oshkosh</i>	<i>2,328</i>
<i>UW-Parkside</i>	<i>749</i>
<i>UW-Platteville</i>	<i>1,612</i>
<i>UW-River Falls</i>	<i>1,391</i>
<i>UW-Stevens Point</i>	<i>1,976</i>
<i>UW-Stout</i>	<i>1,925</i>
<i>UW-Superior</i>	<i>508</i>
<i>UW-Whitewater</i>	<i>2,568</i>
<i>UW Colleges</i>	<i>2</i>
<i>Total</i>	<i><u>34,612</u></i>

<i><b>2014-15 Headcount Enrollments</b></i>	
<i>UW-Madison</i>	<i>42,865</i>
<i>UW-Milwaukee</i>	<i>28,013</i>
<i>UW-Eau Claire</i>	<i>10,692</i>
<i>UW-Green Bay</i>	<i>6,921</i>
<i>UW-La Crosse</i>	<i>10,664</i>
<i>UW-Oshkosh</i>	<i>14,542</i>
<i>UW-Parkside</i>	<i>4,584</i>
<i>UW-Platteville</i>	<i>8,901</i>
<i>UW-River Falls</i>	<i>6,184</i>
<i>UW-Stevens Point</i>	<i>9,322</i>
<i>UW-Stout</i>	<i>9,371</i>
<i>UW-Superior</i>	<i>2,589</i>
<i>UW-Whitewater</i>	<i>12,159</i>
<i>UW Colleges</i>	<i><u>14,172</u></i>
<i>Total</i>	<i><u>180,979</u></i>

**Using the Financial Statements**

The UW System's annual financial report includes the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and the Notes to the Financial Statements. These items are prepared in accordance with standards established by the Governmental Accounting Standards Board (GASB).

The Statement of Net Position is a financial condition snapshot as of June 30, 2015 and 2014, and includes all assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Current assets are those that are available to satisfy current liabilities inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. Increases or decreases in net position provide an indicator of the improvement or erosion of the UW System's financial health when considered in conjunction with non-financial information, such as conditions of facilities and enrollment levels. Net Position is divided into three major categories: Net Investment in Capital Assets, Restricted, and Unrestricted. Net Investment in Capital Assets consists of capital assets reduced by the outstanding balances of borrowings for the construction, acquisition, or improvement of those assets. Restricted Net Position has constraints put on by external parties, such as sponsors for research and donors, or by State Statute and Board of Regent policy as in the case of student segregated fees. Unrestricted Net Position consists of funds that do not meet either of those definitions.

The Statement of Revenues, Expenses, and Changes in Net Position presents the UW System's operating results as well as non-operating revenues and expenses. Operating revenues are comprised primarily of student tuition and fees, grants and contracts, and auxiliary service activities. GASB Statement No. 35 requires that state appropriations, gifts, and investments be reported as non-operating revenue. Public universities, including the UW System, are typically reliant on these revenue sources to fulfill their missions and, therefore, report operating expenses in excess of

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2015 and 2014**

operating revenues. As a result, non-operating revenues are a significant component in determining the increase or decrease in total net position.

The Statement of Cash Flows summarizes cash inflows and outflows by category as either relating to operating, capital, financing, or investing activities. Cash flow information can be used to evaluate the financial viability of the UW System and its ability to meet financial obligations as they mature. Cash flows from operating activities result from exchange transactions in which one party gives another something in return. Cash flows from investing activities are a result of the purchase or sale of investments, withdrawals from the long-term investment pool, and collecting interest and dividends earned. Cash flows from capital activities include receipts from capital grants, donor receipts specifying use for capital assets, and activity related to debt issued for the explicit purpose of acquisition, construction, or improvement of capital assets. Cash flows from noncapital financing activities include state appropriations and private gifts restricted for noncapital purposes.

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, capital assets, notes and bonds payable, relationships with affiliated organizations, and classification of net position.

In addition to this Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by required supplementary information regarding UW System's pension obligations.

### **Analysis of Financial Position and Results of Operations**

The UW System's financial standing remained relatively strong at the conclusion of FY 2015. As of June 30, 2015, the UW System had total assets of over \$8.9 billion and total liabilities of \$2.4 billion.

<b><u>Statement of Net Position (in millions)</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Current Assets	\$ 1,905.0	\$ 1,846.8	\$ 2,106.7
Capital Assets, Net	6,006.0	5,991.3	5,834.9
Other Noncurrent Assets	<u>941.0</u>	<u>628.9</u>	<u>581.4</u>
Total Assets	8,852.0	8,467.0	8,523.0
Deferred Outflows of Resources	284.4	19.1	13.9
Current Liabilities	590.0	536.6	569.4
Noncurrent Liabilities	<u>1,848.2</u>	<u>1,609.9</u>	<u>1,651.5</u>
Total Liabilities	2,438.2	2,146.5	2,220.9
Deferred Inflows of Resources	9.1	0.5	-
Net Investment in Capital Assets	4,386.4	4,366.0	4,170.9
Restricted Net Position	1,468.9	1,025.7	1,065.2
Unrestricted Net Position	<u>833.8</u>	<u>947.4</u>	<u>1,079.7</u>
Total Net Position	<u>\$ 6,689.1</u>	<u>\$ 6,339.1</u>	<u>\$ 6,315.8</u>

Current assets minus current liabilities represents the net working capital of the UW System. Net working capital increased from \$1,310.2 million at June 30, 2014 to \$1,315.0 million at June 30, 2015. The net working capital at year end represented approximately 103 days of 2015 operating expenses. This indicates that the UW System could support normal operations for 103 days without additional revenues or liquidating noncurrent assets.

As shown in the following table, the change in Current Assets was comprised of an increase in Cash of \$138.1 million and a decrease in Accounts Receivable of \$78.0 million. The Cash increase is primarily related to an increase in amounts set aside for construction projects that are in progress. This amount is a combination of unspent bond proceeds and cash provided by institutions for capital projects.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2015 and 2014**

<i>Current Assets (in millions)</i>	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>Change</b></u>
Cash & Cash Equivalents	\$ 1,536.8	\$ 1,398.7	\$ 138.1
Accounts Receivable, Net	220.7	298.7	(78.0)
Other Current Assets	<u>147.5</u>	<u>149.4</u>	<u>(1.9)</u>
<i>Total Current Assets</i>	<u><b>\$ 1,905.0</b></u>	<u><b>\$ 1,846.8</b></u>	<u><b>\$ 58.2</b></u>

The Board of Regents has authority to invest gifts and bequests received by the UW System. Investments are valued at market and held primarily in two investment pools: the Long Term Fund and the Intermediate Term Fund. The Board of Regents establishes investment policies and guidelines, including target investment allocations. Benefiting UW 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. Distributions from the Intermediate Term Fund, principally quasi-endowments and unspent income distributions, consist of interest earnings distributed quarterly. A comparison of university-controlled endowments over the past several years can be found in Chart 3 on page 49 of this report. Additional information on cash and investments is provided in Note 2 to the Financial Statements.

Non-current assets and liabilities both increased in FY 2015. However, non-current assets and deferred outflows increased more than non-current liabilities and deferred inflows, resulting in an increase in net position. The most significant reasons for this are the implementation of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions*, and a change in accounting principle related to other post-employment benefits. The following accounts were impacted or created as a result of these changes:

<u><b>Account</b></u>	<u><b>Value (in millions)</b></u>
Restricted Net Pension Asset (new account)	\$ 330.2
Deferred Outflows of Resources	252.6
Less:	
Other Post-Employment Benefits Liability (new account)	(248.4)
Deferred Inflows of Resources	<u>(7.8)</u>
Net Effect on Net Position	<u><b>\$ 326.6</b></u>

Further, these reporting changes resulted in a \$285.2 million prior period adjustment on the Statement of Revenues, Expenses, and Changes in Net Position. These changes are more fully described in Notes 1 and 13 to the Financial Statements.

Most of the unrestricted net position has been identified for purposes to fulfill the UW System's fiduciary responsibilities, including academic and research programs and capital projects. Additional information related to net position can be found in Note 12 to the Financial Statements.

### **Capital and Debt Activities**

Of the \$6.7 billion in net position, \$4.4 billion is net investment in capital assets. In an effort to maintain quality in the UW System's academic and research programs and residence halls, the UW System has implemented a long-range plan to fund new construction and modernize existing facilities. Capital additions consist of new construction, replacement and renovation of academic and research facilities, as well as significant investment in technology and equipment. Note 4 to the Financial Statements describes the UW System's capitalization and depreciation policies, and includes summarized changes in the book value of these assets. Note 6 to the Financial Statements describes the UW System's long term debt and includes summarized information on those balances, as well as future debt service requirements.

The UW System has approximately 1,800 buildings totaling 60 million gross square feet of space with replacement costs of nearly \$10.0 billion. This accounts for a majority of the total state-owned facilities in Wisconsin. The Board of Regents holds title to approximately 18,000 acres of land throughout Wisconsin, most of which was donated to the UW System and is deed restricted for research and nature preserves. About 4,600 acres comprise the main campuses of the 13 universities.

**UNIVERSITY OF WISCONSIN SYSTEM**  
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There are three primary sources of funding for UW System capital projects: General Fund Supported Borrowing (GFSB) 20-year state-issued bonds repaid with General Program Revenue (GPR); Program Revenue Supported Borrowing (PRSB) 20- or 30-year state-issued bonds repaid with the UW System program revenue; and cash from gift and grant funds.

**Major Construction Projects**

During FY 2015, several major construction projects were completed. Projects with \$50.0 million or more in actual expenditures are listed below:

UW Institution	Project	Primary Purpose	Actual Expenditures (in millions)	Primary Funding Sources
Milwaukee	Kenwood Interdisciplinary Research Complex	Academic	\$77.3	GFSB/Gifts
Milwaukee	Freshwater Science Institute Research Building	Academic	50.9	GFSB/Gifts

Several construction projects were in progress during FY 2015. Projects with a budget of \$50.0 million or more are listed below:

UW Institution	Project	Primary Purpose	Approx Budget (in millions)	Primary Funding Sources
La Crosse	Science Lab Building	Academic	\$ 82.0	GFSB
La Crosse	Student Union	Student Life	53.0	PRSB
Madison	Memorial Union Renovations	Student Life	116.5	PRSB/Gifts
Madison	Chemistry Building	Academic	107.8	GFSB/Gifts
Madison	New South East Recreational Facility	Student Life	87.5	PRSB/Gifts
Madison	Utilities (Chillers)	Utilities	67.5	GFSB/PRSB
Madison	Music Performance Building	Academic	55.8	Gifts
River Falls	Health and Human Performance/Recreation Building (Falcon Center)	Academic & Athletics	63.5	GFSB/PRSB/Gifts
Stevens Point	Chemistry-Biology Building	Academic	75.0	GFSB

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

Total revenues decreased more than total expenses, resulting in a slightly larger Loss Before Capital and Endowment Additions for FY 2015. However, the net position increased primarily due to a \$63.0 million increase in capital appropriations during the period. A summary of the Statement of Revenues, Expenses, and Changes in Net Position is as follows (in millions):

	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Total Revenues	\$ 4,688.8	\$ 4,712.4	\$ 4,806.9
Total Expenses	<u>4,816.6</u>	<u>4,833.4</u>	<u>4,604.8</u>
Income (Loss) Before Capital and Endowment Additions	(127.8)	(121.0)	202.1
Capital Appropriations, Contributions & Endowment Additions	<u>192.5</u>	<u>144.1</u>	<u>268.2</u>
Increase in Net Position	<u>\$ 64.7</u>	<u>\$ 23.1</u>	<u>\$ 470.3</u>

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The UW System's revenues by operating and non-operating category are provided in the table below. FY 2015 operating revenues have decreased by \$94.4 million since FY 2013. Non-operating revenues have fluctuated, primarily due to changes in state appropriations and investment income, but decreased \$23.7 million between FY 2013 and FY 2015.

Operating Revenues (in millions):	<u>2015</u>	<u>2014</u>	<u>2013</u>
Student Tuition and Fees, Net	\$ 1,169.2	\$ 1,138.3	\$ 1,174.7
Federal Grants and Contracts	759.2	804.2	871.8
State, Local, & Private Grants and Contracts	389.5	358.3	410.9
Sales and Services of Educational Activities	327.8	312.0	294.0
Sales and Services of Auxiliaries, Net	401.8	405.7	389.0
All Other Operating Revenues	<u>396.7</u>	<u>389.1</u>	<u>398.2</u>
Total Operating Revenues	3,444.2	3,407.6	3,538.6
Non-Operating Revenues:			
State Appropriations	896.6	918.7	893.6
Gifts	304.9	292.3	295.8
Net Investment Income	4.7	63.0	41.6
Other Non-Operating Revenues	<u>38.4</u>	<u>30.8</u>	<u>37.3</u>
Total Non-Operating Revenues	<u>1,244.6</u>	<u>1,304.8</u>	<u>1,268.3</u>
Total Revenues	<u>\$ 4,688.8</u>	<u>\$ 4,712.4</u>	<u>\$ 4,806.9</u>

One of the UW System's strengths has been its ability to supplement student tuition, fee revenue, and state appropriations with support from other sources, including individuals, foundations, investment income, and government-sponsored programs (see Charts 1 and 2 in the Supplemental Information on page 48 of this report). The UW System will continue to aggressively seek funding sources consistent with its mission to meet operating activities in a financially prudent manner. In addition, the UW System will continue to make cost containment and revenue diversification a priority.

Operating expenses, classified by function, and non-operating expenses, are as follows (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Expenses:			
Instruction	\$ 1,199.1	\$ 1,171.8	\$ 1,150.5
Research	729.0	759.4	877.7
Public Service	302.3	307.3	316.9
Academic Support	403.2	398.7	355.5
Student Services	442.1	420.7	404.5
Institutional Support	282.8	266.7	219.8
Operation/Maintenance	308.3	312.1	304.7
Financial Aid	298.2	323.1	138.9
Auxiliary Enterprises	337.8	340.6	329.5
Other Functions	76.7	76.4	75.9
Depreciation	<u>290.4</u>	<u>273.5</u>	<u>290.5</u>
Total Operating Expenses	4,669.9	4,650.3	4,464.4
Non-Operating Expenses	<u>146.7</u>	<u>183.1</u>	<u>140.4</u>
Total Expenses	<u>\$ 4,816.6</u>	<u>\$ 4,833.4</u>	<u>\$ 4,604.8</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
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**Factors Affecting Future Periods**

2015 Wisconsin Act 55, the 2015-17 biennial budget, mandated a number of items that impact the UW System's funding. The 2015-17 biennial budget required a freeze of resident undergraduate tuition at the 2014-15 levels, which had already been frozen at the 2012-13 level. The result is a four-year tuition freeze. These freezes included differential tuition, with one exception. The Board of Regents was allowed to implement a differential tuition at UW-Stevens Point if approved by a student referendum after the effective date of the biennial budget act.

The 2015-17 biennial budget includes a reduction in base funding of \$125.0 million in 2015-16. In the following year, 2016-17, the base budget reduction will be \$100.0 million with an additional \$25.0 million lapse. The net impact is a reduction of \$250.0 million over the biennium.

The budget reduction was originally proposed at \$150.0 million annually. In restoring \$25.0 million of base funding to the UW System, the budget act specifies that the Board of Regents must allocate that \$25.0 million to those institutions most impacted by reductions in GPR spending.

In addition, the 2015-17 biennial budget eliminated funding and related positions for the Wisconsin Bioenergy Initiative, solid waste research, and UW-Extension recycling education beginning in 2015-16. These programs represented program revenue and segregated funding of \$4.6 million annually in the 2013-15 biennium. The budget also eliminated GPR all-agency funding for building maintenance costs at the various campuses; by comparison, \$102.0 million was made available for this purpose in the 2013-15 biennium.

## Statement of Net Position

University of Wisconsin System	June 30, 2015	June 30, 2014
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,536,783,613	\$ 1,398,745,004
Accounts Receivable, Net	220,730,330	298,727,468
Student Loans Receivable, Net	29,717,900	30,604,221
Capital Lease Receivable	1,119,049	829,685
Inventories	41,103,276	42,595,089
Prepaid Expenses	75,496,001	75,329,275
Total Current Assets	<u>1,904,950,169</u>	<u>1,846,830,742</u>
Noncurrent Assets		
Endowment Investments	442,477,891	457,517,111
Student Loans Receivable, Net	166,665,720	168,490,674
Capital Lease Receivable	1,693,255	2,880,436
Land	156,065,166	155,754,862
Improvements Other Than Buildings, Net	201,248,836	197,165,829
Construction in Progress	295,693,992	329,025,710
Buildings, Net	3,893,760,969	3,852,525,581
Equipment, Net	313,889,892	317,657,573
Library Holdings	1,145,325,745	1,139,186,343
Restricted Net Pension Asset	330,166,674	-
Total Noncurrent Assets	<u>6,946,988,140</u>	<u>6,620,204,119</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,851,938,309</u>	<u>\$ 8,467,034,861</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 284,450,532</u>	<u>\$ 19,144,676</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 267,062,248	\$ 223,805,533
Notes and Bonds Payable	84,578,011	78,661,795
Capital Lease Obligations	4,565,334	6,425,495
Unearned Revenue	171,605,987	164,461,002
Compensated Absences	60,378,633	61,531,909
Deposits of Student Organizations	1,791,077	1,727,867
Total Current Liabilities	<u>589,981,290</u>	<u>536,613,601</u>
Noncurrent Liabilities		
Notes and Bonds Payable	1,498,218,824	1,504,324,135
Capital Lease Obligations	32,201,469	35,935,451
Compensated Absences	69,348,780	69,653,075
Other Post-Employment Benefits	248,443,125	-
Total Noncurrent Liabilities	<u>1,848,212,198</u>	<u>1,609,912,661</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 2,438,193,488</u>	<u>\$ 2,146,526,262</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 9,130,093</u>	<u>\$ 550,781</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 4,386,420,962	\$ 4,365,969,021
Restricted for		
Pensions	330,166,674	-
Nonexpendable	194,516,535	187,767,529
Expendable	322,963,429	321,956,571
Student Loans	236,630,413	231,902,848
Other	384,562,564	283,960,044
Unrestricted	833,804,683	947,546,479
<b>TOTAL NET POSITION</b>	<u>\$ 6,689,065,260</u>	<u>\$ 6,339,102,492</u>

The accompanying notes to the financial statements are an integral part of these statements.

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

University of Wisconsin System

Year ended June 30, 2015

Year ended June 30, 2014

### OPERATING REVENUES

Student Tuition and Fees (net of Scholarship Allowances of \$217,118,571 and \$204,522,151, respectively)	\$ 1,169,243,775	\$ 1,138,306,317
Federal Grants and Contracts	759,191,723	804,152,200
State, Local, and Private Grants and Contracts	389,486,587	358,282,829
Sales and Services of Educational Activities	327,804,385	312,039,818
Sales and Services of Auxiliary Enterprises (net of Scholarship Allowances of \$38,009,118 and \$35,297,417, respectively)	401,820,535	405,683,546
Sales and Services to UW Hospital Authority	64,378,938	65,236,117
Student Loan Interest Income and Fees	5,048,251	5,095,033
Other Operating Revenue	327,276,623	318,761,856
<b>Total Operating Revenues</b>	<b>3,444,250,817</b>	<b>3,407,557,716</b>

### OPERATING EXPENSES

Salary and Fringe Benefits	3,034,292,313	2,969,431,519
Scholarship and Fellowships	135,765,108	149,646,842
Supplies and Services	1,178,010,643	1,227,504,543
Other Operating Expenses	31,448,855	30,193,993
Depreciation	290,407,130	273,473,935
<b>Total Operating Expenses</b>	<b>4,669,924,049</b>	<b>4,650,250,832</b>

### OPERATING LOSS

(1,225,673,232) (1,242,693,116)

### NON-OPERATING REVENUES AND EXPENSES

State Appropriations	896,594,132	918,679,701
Gifts	304,934,087	292,335,469
Investment Income (net of Investment Expense of \$1,190,609 and \$1,281,511, respectively)	4,740,164	63,038,297
Loss on Disposal of Capital Assets	(17,380,655)	(25,555,046)
Interest on Indebtedness	(55,885,617)	(62,591,133)
Transfer to State Agencies	(73,493,087)	(94,912,421)
Other	38,417,698	30,820,996
Loss Before Capital and Endowment Additions/Deductions	(127,746,510)	(120,877,253)
Capital Appropriations	157,514,928	94,545,947
Capital Contributions	30,966,668	46,528,549
Additions to Permanent Endowment	3,994,276	3,061,474

### INCREASE IN NET POSITION

64,729,362 23,258,717

### NET POSITION

Net Position - beginning of period	6,339,102,492	6,315,843,775
Prior Period Adjustment	285,233,406	-
<b>NET POSITION - end of period</b>	<b>\$ 6,689,065,260</b>	<b>\$ 6,339,102,492</b>

## Statement of Cash Flows

University of Wisconsin System

Year ended June 30, 2015

Year ended June 30, 2014

### Cash Flows from Operating Activities

Student Tuition and Fees	\$ 1,189,658,119	\$ 1,130,910,256
Federal, State, Local, and Private Grants & Contracts	1,155,906,892	1,194,424,320
Sales and Services of Educational Activities	327,235,652	322,060,336
Sales and Services of Auxiliary Enterprises	412,803,261	406,761,098
Sales and Services to UW Hospital Authority	65,105,094	64,398,365
Payments for Salaries and Fringe Benefits	(3,044,970,948)	(2,979,636,208)
Payments to Vendors and Suppliers	(1,172,482,960)	(1,242,817,006)
Payments for Scholarships and Fellowships	(135,765,108)	(149,646,842)
Student Loans Collected	36,849,871	32,562,502
Student Loan Interest and Fees Collected	5,048,251	5,095,033
Student Loans Issued	(36,165,915)	(39,191,250)
Other Revenue	345,415,742	249,892,790
<b>Net Cash Used in Operating Activities</b>	<b>(851,362,049)</b>	<b>(1,005,186,606)</b>

### Cash Flows from Investing Activities

Interest and Dividends on Investments, Net	11,344,557	7,669,067
Proceeds from Sales and Maturities of Investments	114,805,498	100,796,192
Purchase of Investments	(106,433,202)	(89,474,496)
<b>Net Cash Provided by Investing Activities</b>	<b>19,716,853</b>	<b>18,990,763</b>

### Cash Flows from Capital and Related Financing Activities

Proceeds from Issuance of Capital Debt	257,313,601	24,283,239
Payments for Debt Retirements (Refundings)	(193,954,399)	-
Capital Appropriations	157,514,928	94,545,947
Gifts and Other Receipts	37,929,040	37,806,812
Purchase of Capital Assets	(310,179,803)	(435,738,674)
Capital Lease Obligations	(349,562)	-
Principal Payments on Capital Debt and Leases	(189,679,173)	(252,654,411)
Interest Payments on Capital Debt and Leases	(139,536,164)	(141,474,841)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(380,941,532)</b>	<b>(673,231,928)</b>

### Cash Flows from Noncapital Financing Activities

State Appropriations	1,085,923,022	1,150,921,552
Gifts and Other Receipts	334,804,606	316,230,220
Transfer to State Agencies	(73,493,087)	(94,912,421)
Additions to Permanent Endowments	3,994,276	3,061,474
Student Direct Lending Receipts	735,807,220	750,292,991
Student Direct Lending Disbursements	(736,410,700)	(752,748,457)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>1,350,625,337</b>	<b>1,372,845,359</b>

### Net Increase (Decrease) in Cash and Cash Equivalents

Cash and Cash Equivalents - beginning of year	1,398,745,004	1,685,327,416
<b>Cash and Cash Equivalents - end of year</b>	<b>\$ 1,536,783,613</b>	<b>\$ 1,398,745,004</b>

## Statement of Cash Flows (continued)

University of Wisconsin System

Year ended June 30, 2015

Year ended June 30, 2014

### Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating Loss	\$	(1,225,673,232)	\$	(1,242,693,116)
<i>Adjustments to Reconcile Operating Loss to</i>				
<i>Net Cash Used in Operating Activities:</i>				
Depreciation Expense		290,407,130		273,473,935
Changes in Assets and Liabilities and Deferreds:				
Receivables, net		81,306,541		(20,173,992)
Inventories		1,491,813		(1,485,752)
Prepaid Expense (including Deferred Charges)		(3,190,270)		(11,551,568)
Accounts Payable and Accrued Liabilities		39,939,473		(5,222,790)
Unearned Revenue		7,144,985		7,268,253
Compensated Absences		(1,457,571)		(4,801,576)
Net Pension Asset & Related Deferred Outflows		(64,561,189)		-
Net Pension Liability & Related Deferred Inflows		7,793,196		-
Other Post-Employment Benefits		15,437,075		-
<b>Net Cash Used in Operating Activities</b>	<b>\$</b>	<b>(851,362,049)</b>	<b>\$</b>	<b>(1,005,186,606)</b>

### Noncash Investing, Capital and Financing Activities

Capital Leases (Initial Year):				
Fair Market Value	\$	1,069,364	\$	30,265,108
Current Year Cash Payments		153,114		-
Gifts-In-Kind		1,690,616		16,190,709
Net Change in Unrealized Gains (Losses)		(33,375,342)		38,123,189

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 1 – Organization and Summary of Significant Accounting Policies**

*Organization and Basis of Presentation:* The University of Wisconsin System consists of 13 universities, 13 two-year colleges, University of Wisconsin-Extension, and System Administration. The financial statements do not include the accounts of the University of Wisconsin Hospital and Clinics Authority (UWHCA), which became a legally separate public authority on June 29, 1996; the La Crosse Medical Health Science Consortium, Inc., which is a Wisconsin non-stock corporation tax exempt under Internal Revenue Code (IRC) 501(c)(3); or the University of Wisconsin Foundation. In addition, the financial statements do not include the accounts of various legally independent and fully self-governing support organizations, such as booster clubs and alumni groups; funds contributed to the University of Wisconsin System by these organizations are reported at the time they are received. Note 11 includes condensed financial information from the University of Wisconsin Foundation. That note also describes the effect of various affiliation and operating agreements with the University of Wisconsin Medical Foundation; UWHCA; Wisconsin Alumni Research Foundation (WARF), relating to the Wisconsin Institutes for Discovery; La Crosse Medical Health Science Consortium, Inc.; and University of Wisconsin-Platteville Real Estate Foundation. Post-retirement benefit plans for the University of Wisconsin System employees are administered by the State of Wisconsin's Department of Employee Trust Funds.

The University of Wisconsin System is a major enterprise fund of the State of Wisconsin. The financial statements are discretely presented in the proprietary fund financial statements of the State of Wisconsin's Comprehensive Annual Financial Report (CAFR). The University of Wisconsin System's financial information presented in the CAFR has been adjusted to reflect reclassifications and adjustments which are done to conform to reporting requirements relative to the CAFR.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

In fiscal year 2014, the University of Wisconsin System implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reclassifies items previously classified as other noncurrent assets and amortized as a component of interest expense, as deferred inflows and deferred outflows of resources.

In fiscal year 2015, the University of Wisconsin System implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, which reports an actuarially-determined net pension liability (asset), deferred inflows of resources, and deferred outflows of resources for pension-related payments. The effect of this change is detailed in Notes 10 and 13.

The University of Wisconsin System's annual report consists of three basic financial statements prepared in accordance with GASB principles: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows have been prepared using the economic resources measurement focus and the accrual basis of accounting. The University of Wisconsin System reports as a Business Type Activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Revenues, Expenses, and Changes in Net Position classifies the University of Wisconsin System's fiscal year activity as operating and non-operating. Operating revenue results from exchange transactions, such as payment received for providing goods and services, including tuition and fees, certain grants and contracts, sales and services of educational activities, and auxiliary enterprise revenue. Certain

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 1 – Organization and Summary of Significant Accounting Policies (continued)**

significant revenue streams relied upon for operations are reported as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts, and investment income. The majority of the University of Wisconsin System's expenses are exchange transactions, which GASB defines as operating expenses for financial statement presentation. Non-operating expenses include capital financing costs and costs related to investment activity.

The Statement of Cash Flows presents the change in the cash and cash equivalents balance for the fiscal year. Cash and cash equivalents include bank accounts and investments with original maturity dates of 90 days or less at the time of purchase. These investments consist primarily of commercial paper, money market funds, and U.S. Treasury bills. Investments in marketable securities are carried at fair value as established by the major securities markets. Investments in limited partnerships are carried at fair value based on quarterly reports from the limited partnerships' management. Annually, the reports are audited by independent auditors.

*Summary of Significant Accounting Policies:*

Restricted funds received as gifts, grants, and contracts are used according to donor restrictions or the specific purpose of the grantor. In addition, restrictions are statutorily established that limit the use of certain resources for specific purposes. These restrictions apply not only to state support but also to many of the University of Wisconsin System's program revenue sources, including segregated fee auxiliary operations. The funds reported as restricted will be used in accordance with the purposes for which they are restricted and are the first resources used for these purposes. Unrestricted funds would be used only secondarily to support these restricted purposes.

The University of Wisconsin System eliminates intra-fund assets and liabilities to prevent double counting in the Statement of Net Position. Likewise, revenues and expenses related to internal service activities are also eliminated in the Statement of Revenues, Expenses, and Changes in Net Position.

Prepaid expenses represent payments made prior to June 30<sup>th</sup> for goods and services received after the close of the fiscal year, primarily health and life insurance coverage, and costs associated with revenues that have not yet been earned as of June 30<sup>th</sup>, primarily summer session costs incurred prior to the close of the fiscal year. The revenues and expenses of the 2015 summer session are reportable within the fiscal year beginning July 1, 2014 and ending June 30, 2015, based on the prorated portion of the number of summer session days that occurred in fiscal year 2015. The revenues and expenses of the 2014 summer session are reportable within the fiscal year beginning July 1, 2013 and ending June 30, 2014, based on the prorated portion of the number of summer session days that occurred in fiscal year 2014.

Inventories consist of consumable supplies used in operations or items held for resale. Fuels are reported at market value, while 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. In addition to central stores and fuels, the major types of inventories include laboratory supplies, physical plant supplies, food service and student housing supplies, and items held for resale by campus computer outlets. Accounting policies related to capital assets are described in Note 4.

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from the WRS' fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 1 – Organization and Summary of Significant Accounting Policies (continued)**

Unearned revenues consist of payments received but not yet earned as of June 30<sup>th</sup>, primarily summer session tuition payments, tuition and room deposits for the next fall term, advance ticket sales for athletic events, and amounts received from grant and contract sponsors which have not yet been earned under the terms of the agreement.

The compensated absences liability consists of accumulated unpaid annual leave, compensatory time, personal holiday hours, and Saturday/legal holiday hours earned and vested. The University of Wisconsin System leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

Accrual of interest on bonds payable, vendor payments not made as of June 30<sup>th</sup>, and salaries and fringe benefits paid after the close of the fiscal year, for hours worked by the University of Wisconsin System employees prior to June 30<sup>th</sup>, account for the major portion of accounts payable and accrued liabilities.

Student tuition and fees are presented net of scholarships and fellowships applied to student accounts. Stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**NOTE 2 – Cash and Investments**

***Cash and Cash Equivalents***

Cash and cash equivalents consist primarily of shares in the State Investment Fund (SIF), a short-term pool of state and local funds managed by the State of Wisconsin Investment Board (SWIB) with oversight by a Board of Trustees as authorized in Wisconsin Statutes Sections 25.14 and 25.17. SWIB is not registered with the SEC as an investment company. The objectives of this fund are to provide liquidity, safety of principal, and a reasonable rate of return. Investments consist primarily of obligations of the U.S. Government and its agencies and high quality commercial bank and corporate debt obligations.

Of the \$1,536.8 million and \$1,398.7 million in cash and cash equivalents as of June 30, 2015 and 2014, respectively, \$1,310.4 million and \$1,175.5 million, respectively, represent amounts held within the SIF; \$197.5 million and \$194.4 million, respectively, was maintained by individual University of Wisconsin System institutions in local bank accounts to meet operating needs; and \$28.9 million and \$28.8 million, respectively, was held at BNY Mellon to meet the cash needs associated with the investing activities of the Long Term and Intermediate Term Funds. The cash held at BNY Mellon is also categorized as investments, in accordance with governmental standards. Interest distributions are received on a monthly basis for balances associated with trust funds, federally-funded financial aid programs, and funds attributable to the appropriations listed in Wisconsin Statutes Section 20.285(1)(Li). Investment earnings for all other funds do not accrue to the University of Wisconsin System.

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover deposits that are in possession of an outside party. The University of Wisconsin System does not have a deposit policy specifically for custodial risk. Shares in the State Investment Fund are not required to be categorized under GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 2 – Cash and Investments (continued)**

For the remaining deposits, the University of Wisconsin System had balances in excess of Federal Deposit Insurance Corporation limits in the amount of \$190.5 million and \$187.2 million at June 30, 2015 and 2014, respectively. These amounts, deposited in approved financial institutions, are uninsured and uncollateralized.

A state appropriation for losses on public deposits (Wisconsin Statutes Section 34.08) insures up to \$400,000 over the amount of federal insurance.

*Foreign Currency Risk:* 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, 2015 and 2014 are immaterial. The University of Wisconsin System does not have a formal deposit policy for foreign currency risk.

***Investments***

The University of Wisconsin System invests its Trust Funds, principally gifts and bequests, in two of its own investment pools: the Long Term and the Intermediate Term Funds. Investment policies and guidelines for these funds are governed and authorized by the Board of Regents. The current approved asset allocation policy for the Long Term Fund sets a general target of 35% marketable equities, 30% fixed income, and 35% alternatives. The approved asset allocation for the Intermediate Term Fund is 15% marketable equities, 70% fixed income, 10% alternatives, and 5% cash. These target allocations were last affirmed/approved by the Board of Regents in December 2014.

The Long Term Fund consisted of the following investment categories on June 30, 2015 and 2014:

<b>Investment Category</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Common Stock and Convertible Securities	38.5%	39.7%
Bonds and Preferred Stock	11.4%	10.9%
Alternative Assets	21.0%	20.3%
Tactical Allocation Strategies	21.0%	20.9%
Real Assets	1.6%	1.7%
Custodial Pooled Cash and Cash Equivalents	<u>6.5%</u>	<u>6.5%</u>
<b>Total</b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>

The Intermediate Term Fund consisted of the following investment categories on June 30, 2015 and 2014:

<b>Investment Category</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Common Stock and Convertible Securities	14.4%	21.9%
Bonds and Preferred Stock	81.2%	74.9%
Custodial Pooled Cash and Cash Equivalents	<u>4.4%</u>	<u>3.2%</u>
<b>Total</b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>

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 twelve-quarter moving average market value of the Fund. The annual spending rate is currently 4.0%. Distributions from the Intermediate Term Fund, principally quasi-endowments and unspent income distributions, consist of interest earnings distributed quarterly. Spending rate and interest distributions from both of these Funds are transferred to the SIF, pending near-term expenditures. During the fiscal year ended June 30, 2015, the amount of net appreciation available to spend from the Long Term Fund was \$16.0 million, relative to \$15.5 million available during the fiscal year ended June 30, 2014.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 2 – Cash and Investments (continued)**

At June 30, 2015 and 2014, the University of Wisconsin System's investments are as follows:

<b>Investments:</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
U.S. Government Securities	\$ 37,284,343	\$ 27,469,847
U.S Agency Securities	11,477,073	13,120,143
Bonds and Preferred Stock	25,611,025	24,594,615
Common Stock and Convertible Securities	58,432,589	57,002,261
Pooled Equity Funds	102,189,076	120,116,140
Pooled Allocation Fund	81,218,886	83,025,380
Pooled Fixed Income Fund	38,852,862	43,378,785
Custodial Pooled Cash and Cash Equivalents	28,902,659	28,787,079
Limited Partnerships	87,412,036	87,559,940
<b>Total Investments</b>	<b><u>\$ 471,380,549</u></b>	<b><u>\$ 485,054,190</u></b>

The total return on the Long Term Fund, including capital appreciation, was 1.5% compared to 16.7% in fiscal year 2014. The total return on the Intermediate Fund, including capital appreciation, was 1.2% compared to 7.8% in fiscal year 2014. External investment counsel was utilized for funds representing 90.4% of the market value of the Long Term and Intermediate Term Funds, compared to 91.1% in fiscal year 2014. In addition to the limited partnerships market value listed above, the University of Wisconsin System had \$25.0 million in unfunded limited partnership commitments for the fiscal year ended June 30, 2015, compared to \$31.5 million for the fiscal year ended June 30, 2014.

*Credit Risk:* Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University of Wisconsin System currently holds below investment grade securities within commingled vehicles representing 6.5% of total assets of the Long Term Fund and 5.7% of total assets of the Intermediate Term Fund. In addition, actively-managed, investment grade fixed income separate accounts must maintain an average portfolio quality of AA by Standard & Poor's and/or Aa by Moody's, and hold only securities rated BBB- or higher by Standard & Poor's and/or Baa3 or higher by Moody's.

The following schedule displays the credit ratings as provided by Moody's Investor Service for debt securities held as of June 30, 2015 and 2014. Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the Aaa rating below.

<b><u>Ratings</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Aaa	\$ 60,597,464	\$ 55,362,225
Aa1	694,972	-
Aa2	893,636	813,889
Aa3	1,018,150	1,023,098
A1	3,495,695	1,692,567
A2	3,304,373	3,833,813
A3	2,966,110	1,905,086
Baa1	4,671,349	3,524,455
Baa2	2,289,152	3,441,930
Baa3	2,366,755	3,067,242
Ba2	7,508,507	9,947,516
B1	380,513	395,569
B2	16,679,293	17,405,734
B3	162,672	207,826
Caa2	692,864	789,997
Caa3	5,947	-
No Rating	4,321,171	5,152,441
Unrated Pooled Cash	<u>28,902,659</u>	<u>28,787,079</u>
<b>Totals</b>	<b><u>\$ 140,951,282</u></b>	<b><u>\$ 137,350,467</u></b>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 2 – Cash and Investments (continued)**

*Custodial Credit Risk:* Custodial credit risk related to investments is the risk that, in the event of a failure of a counterparty to a transaction, the University of Wisconsin System will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The University of Wisconsin System's investments are registered in the name of the University of Wisconsin System, and the University of Wisconsin System does not participate in any securities lending programs through its custodian bank. Investment securities underlying the University of Wisconsin System's investment in shares of external investment pools or funds are in custody at those funds. The shares owned in these external investment pools are registered in the name of the University of Wisconsin System. The University of Wisconsin System does not have a formal policy for custodial credit risk.

*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. Actively-managed, fixed income separate accounts are limited to holding no more than 7.0% in any one issuer (U.S. Government/Agencies are exempted). During fiscal year 2015, the largest concentration in a non-U.S. Government/Agency was Citigroup, Inc., which represented 0.4% of total Trust Funds assets, compared to a 0.5% exposure to Apple, Inc. in fiscal year 2014.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Actively-managed, fixed income separate accounts are expected to maintain their overall duration to within plus or minus one year of the established benchmark's duration. The University of Wisconsin System uses the option adjusted modified duration method to analyze interest rate risk. The University of Wisconsin System had interest rate risk statistics for fixed income separate accounts as detailed below:

**Fixed Income Sector:**

	<b>2015</b>		<b>2014</b>	
	<u>Market Value</u>	<u>Modified Duration</u>	<u>Market Value</u>	<u>Modified Duration</u>
Treasury Inflation Protected Securities	\$ 19,150,191	7.09	\$ 16,729,283	7.25
Government	16,920,899	4.74	9,349,692	4.21
U.S. Government Mortgages	1,309,806	5.82	1,390,871	6.14
Corporates and Other Credit	17,794,053	3.12	16,486,424	3.41
Collateralized Mortgage Obligations:	11,271,422	2.12	12,709,075	2.02
U.S. Agencies				
Collateralized Mortgage Obligations:	14,270	1.18	24,414	0.06
Corporate				
Commercial Mortgage Backed Securities	2,206,575	6.97	3,078,440	7.22
U.S. Private Placements	5,147,885	2.75	4,472,427	2.69
U.S. Agencies	-	0.00	411,068	0.56
Asset Backed Securities	436,167	0.08	457,940	0.22
Totals	<u>\$ 74,251,268</u>		<u>\$ 65,109,634</u>	

In addition, the University of Wisconsin System had interest rate risk statistics for actively-managed commingled accounts as detailed below:

**Fixed Income Commingled Fund:**

	<b>2015</b>		<b>2014</b>	
	<u>Market Value</u>	<u>Modified Duration</u>	<u>Market Value</u>	<u>Modified Duration</u>
Seix Advisors High Yield Fund	\$ 29,736,660	3.56	\$ 32,244,784	4.20

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 2 – Cash and Investments (continued)**

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2015, the Long Term and Intermediate Term Funds held equity securities denominated in foreign currencies within pooled investment vehicles only, with market values totaling \$107.6 million and \$6.1 million, respectively, compared to prior fiscal year amounts of \$131.0 million and \$9.4 million, respectively. Some of the trades for such foreign positions will not settle in foreign currencies until after the fiscal year end. For the Long Term and Intermediate Term Funds, it is generally expected and desired that foreign currency exposure is not hedged, as this enhances the diversification benefits from non-U.S. investments.

*Donor-restricted endowments:* For University-controlled, donor-restricted endowments, the Uniform Prudent Management of Institutional Funds Act, as adopted in Wisconsin, 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. Net appreciation since the inception of the endowment accounts of \$123.2 million and \$152.4 million at June 30, 2015 and June 30, 2014, respectively, is available to meet spending rate distributions and is recorded in restricted net assets.

**NOTE 3 – Receivables**

Accounts receivable, consisting of amounts due from state agencies and other governments, amounts due from capital lease receivables, and student loans receivable as of June 30, 2015 and 2014, are summarized as follows:

<b>Receivables (Net):</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Student Academic Fees	\$ 12,806,677	\$ 33,361,445
Grants and Contracts	36,232,221	46,336,094
Educational Activities and Other	33,678,660	83,518,791
Auxiliary Enterprises	11,942,993	15,172,323
UW Hospital Authority and La Crosse Medical Health Science Consortium Inc.	7,813,806	9,437,780
Investment	1,469,277	823,312
Student Loans Receivable	196,383,620	199,094,895
State Agencies	29,812,320	30,469,441
Other Governments	89,786,680	83,318,403
<b>Total Receivables (Net)</b>	<b><u>\$ 419,926,254</u></b>	<b><u>\$ 501,532,484</u></b>

Student loans receivable at June 30, 2015 included allowances for uncollectible loans of \$9.4 million relative to \$9.3 million in the prior year. Principal repayment and interest rates of university and federal loans vary. Federal loan programs are funded primarily with federal contributions to the University of Wisconsin System under the Perkins loan program and a variety of health professions loan programs.

The University of Wisconsin System distributed student loans through the United States Department of Education federal direct lending program totaling \$736.4 million during fiscal year 2015 and \$752.7 million in fiscal year 2014. These distributions and the related funding sources are not reflected as expenses and revenues in the financial statements. However, cash inflows and outflows are shown in the Statement of Cash Flows.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 4 – Capital Assets**

Land, buildings, improvements (e.g., parking lots, fences, street lighting, etc.), equipment, and library holdings are capitalized at cost at date of acquisition or fair market value at date of donation in the case of gifts-in-kind. Generally, capital equipment is defined as any single asset with a minimum value of \$5,000 and having a useful life of more than one year. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets: buildings over 40 years, improvements over 20 years, and capital equipment over periods ranging from 3 to 15 years for specified asset classes. The componentized methodology of depreciation is used for major research facilities generally using estimated useful lives ranging from 10 to 50 years. The buildings and land related to the 13 two-year colleges are not owned by the UW System and thus are not reported in these financial statements. Library holdings are not depreciated because these resources are viewed as inexhaustible assets. Disposals of library holdings are removed at either a historically calculated average cost or at an amount that approximates original cost as nearly as is practical to determine. The University of Wisconsin System does not capitalize the \$1,804.8 million in works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any way. Proceeds from the sale, exchange, or other disposal of any item belonging to a collection of works of art or historical treasures must be applied to the acquisition of additional items for the same collection.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for a capital asset that has experienced a significant, unexpected decline in its service utility. No individual asset met these criteria in fiscal year 2015 or 2014. Insurance recoveries received in fiscal year 2015 include \$8.2 million for flood damage at the University of Wisconsin-Superior and \$3.0 million for storm damage at the University of Wisconsin-Platteville. Insurance recoveries received in fiscal year 2014 include \$1.2 million for water damage at the University of Wisconsin-Stout and \$1.4 million for flood damage at the University of Wisconsin-Oshkosh. Insurance recoveries are reported as other non-operating revenues in the financial statements.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting standards for an intangible asset that lacks physical substance, is nonfinancial in nature, has a useful life extending beyond one year, and is not acquired or created primarily for the purpose of directly obtaining income or profit. Intangible assets are capitalized with a minimum value of \$1.0 million and are included in the equipment balance. Depreciation for intangible assets is calculated on a straight-line basis over ten years. At June 30, 2015, the equipment balance includes \$42.2 million for intangible assets net of depreciation, compared to \$48.5 million at June 30, 2014.

Depreciation expense for fiscal years ended June 30, 2015 and 2014 was \$290.4 million and \$273.5 million, respectively.

The change in book value from July 1, 2014 to June 30, 2015 is summarized as follows:

	<b>Book Value July 1, 2014</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deductions</b>	<b>Book Value June 30, 2015</b>
Buildings	\$ 6,250,645,202	\$ 83,972,554	\$ 147,223,066	\$ (3,227,885)	\$ 6,478,612,937
Improvements	439,129,729	5,796,654	14,179,805	-	459,106,188
Land	155,754,862	310,304	-	-	156,065,166
Construction in Progress	329,025,710	128,071,653	(161,403,371)	-	295,693,992
Equipment	1,051,578,796	81,931,091	(4,441,152)	(11,650,482)	1,117,418,253
Library Holdings	<u>1,139,186,343</u>	<u>22,814,357</u>	<u>-</u>	<u>(16,674,955)</u>	<u>1,145,325,745</u>
Subtotal	\$ 9,365,320,642	\$322,896,613	\$ (4,441,652)	\$ (31,553,322)	\$ 9,652,222,281

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 4 – Capital Assets (continued)**

Less Accumulated Depreciation:

	<b>Book Value July 1, 2014</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deductions</b>	<b>Book Value June 30, 2015</b>
Buildings	\$ 2,398,119,622	\$ 189,455,035	\$ -	\$ (2,722,689)	\$ 2,584,851,968
Improvements	241,963,900	15,893,452	-	-	257,857,352
Equipment	<u>733,921,223</u>	<u>85,058,643</u>	<u>(4,001,526)</u>	<u>(11,449,979)</u>	<u>803,528,361</u>
Total Accumulated Depreciation	3,374,004,745	290,407,130	(4,001,526)	(14,172,668)	3,646,237,681
Capital Assets, Net	<u>\$ 5,991,315,897</u>	<u>\$ 32,489,483</u>	<u>\$ (440,126)</u>	<u>\$ (17,380,654)</u>	<u>\$ 6,005,984,600</u>

The change in book value from July 1, 2013 to June 30, 2014 is summarized as follows:

	<b>Book Value July 1, 2013</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deductions</b>	<b>Book Value June 30, 2014</b>
Buildings	\$ 5,634,388,246	\$ 186,651,808	\$ 431,986,127	\$ (2,380,979)	\$ 6,250,645,202
Improvements	403,986,207	14,597,659	20,547,996	(2,133)	439,129,729
Land	153,167,817	2,587,045	-	-	155,754,862
Construction in Progress	650,602,836	134,956,430	(456,533,556)	-	329,025,710
Equipment	1,205,094,773	95,327,899	4,085,169	(252,929,045)	1,051,578,796
Library Holdings	<u>1,123,627,429</u>	<u>25,381,642</u>	<u>-</u>	<u>(9,822,728)</u>	<u>1,139,186,343</u>
Subtotal	\$ 9,170,867,308	\$ 459,502,483	\$ 85,736	\$ (265,134,885)	\$ 9,365,320,642

Less Accumulated Depreciation:

Buildings	\$ 2,223,940,525	\$ 174,594,373	\$ (757)	\$ (414,519)	\$ 2,398,119,622
Improvements	226,748,782	15,217,201	-	(2,083)	241,963,900
Equipment	<u>885,229,709</u>	<u>83,662,361</u>	<u>4,192,389</u>	<u>(239,163,236)</u>	<u>733,921,223</u>
Total Accumulated Depreciation	3,335,919,016	273,473,935	4,191,632	(239,579,838)	3,374,004,745
Capital Assets, Net	<u>\$ 5,834,948,292</u>	<u>\$ 186,028,548</u>	<u>\$ (4,105,896)</u>	<u>\$ (25,555,047)</u>	<u>\$ 5,991,315,897</u>

**NOTE 5 – Liabilities**

Accounts payable and accrued liabilities, consisting of salary and fringe benefits, due to state agencies and other governments, and vendor payables, resulting from University of Wisconsin System activities as of June 30, 2015 and 2014, are summarized as follows:

<b>Fiscal Year 2015</b>	<b>Salary and Fringe Benefits</b>	<b>Due to State Agencies and Other Governments</b>	<b>Vendors</b>	<b>Total Payables</b>
<b>UW System Activities:</b>				
Operating	\$ 22,608,604	\$ 74,392,524	\$ 62,843,472	\$ 159,844,600
Gifts, Grants, and Contracts	3,551,707	16,696,697	6,543,161	26,791,565
Capital Projects	-	5,400,578	55,993,842	61,394,420
Auxiliary Enterprises	3,874,589	665,099	4,395,912	8,935,600
Investment and Other	<u>56,241</u>	<u>388,593</u>	<u>9,651,229</u>	<u>10,096,063</u>
Total Activities	<u>\$ 30,091,141</u>	<u>\$ 97,543,491</u>	<u>\$ 139,427,616</u>	<u>\$ 267,062,248</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 5 – Liabilities (continued)**

<b>Fiscal Year 2014</b>	<b>Salary and Fringe Benefits</b>	<b>Due to State Agencies and Other Governments</b>	<b>Vendors</b>	<b>Total Payables</b>
<b>UW System Activities:</b>				
Operating	\$ 20,216,708	\$ 54,956,671	\$ 35,669,862	\$ 110,843,241
Gifts, Grants, and Contracts	2,939,374	6,256,902	35,359,849	44,556,125
Capital Projects	-	1,147,172	47,833,853	48,981,025
Auxiliary Enterprises	3,502,529	934,553	8,275,300	12,712,382
Investment and Other	27,157	383,167	6,302,436	6,712,760
Total Activities	<u>\$ 26,685,768</u>	<u>\$ 63,678,465</u>	<u>\$ 133,441,300</u>	<u>\$ 223,805,533</u>

Long-term liability activity for the fiscal years ended June 30, 2015 and 2014 is as follows:

<b>Long-term Liabilities 2015</b>	<b>Balance July 1, 2014</b>	<b>Increases (Decreases)</b>	<b>Balance June 30, 2015</b>	<b>Current Portion</b>
Bonds Payable	\$ 1,485,806,595	\$ (22,567,192)	\$ 1,463,239,403	\$ 70,857,560
Notes Payable	97,179,335	22,378,097	119,557,432	13,720,451
Capital Lease Obligations	42,360,946	(5,594,143)	36,766,803	4,565,334
Compensated Absences	131,184,984	(1,457,571)	129,727,413	60,378,633
Other Post-Employment Benefits*	<u>233,006,049</u>	<u>15,437,076</u>	<u>248,443,125</u>	<u>-</u>
Total	<u>\$ 1,989,537,909</u>	<u>\$ 8,196,267</u>	<u>\$ 1,997,734,176</u>	<u>\$ 149,521,978</u>

\*This liability was not included on the face of the financial statements for fiscal year 2014.

<b>Long-term Liabilities 2014</b>	<b>Balance July 1, 2013</b>	<b>Increases (Decreases)</b>	<b>Balance June 30, 2014</b>	<b>Current Portion</b>
Bonds Payable	\$ 1,519,796,628	\$ (33,990,033)	\$ 1,485,806,595	\$ 62,930,942
Notes Payable	125,034,611	(27,855,276)	97,179,335	15,730,853
Capital Lease Obligations	19,198,759	23,162,187	42,360,946	6,425,495
Compensated Absences	<u>135,986,560</u>	<u>(4,801,576)</u>	<u>131,184,984</u>	<u>61,531,909</u>
Total	<u>\$ 1,800,016,558</u>	<u>\$ (43,484,698)</u>	<u>\$ 1,756,531,860</u>	<u>\$ 146,619,199</u>

**NOTE 6 – Long Term Debt**

The State of Wisconsin issues general obligation bonds and notes on behalf of its constituent agencies, including the University of Wisconsin System, the proceeds of which are used to construct or acquire facilities and other capital assets. The University of Wisconsin System holds title to the assets thus acquired. As an enterprise fund of the State of Wisconsin, the University of Wisconsin System reports on its Statement of Net Position that portion of the debt that will be repaid with program revenues generated by the University of Wisconsin System's self-supporting operations. Debt on academic facilities that is repaid by an appropriation from the State of Wisconsin to the University of Wisconsin System for that purpose is reported by the State of Wisconsin and not as an obligation of the University of Wisconsin System. However, cash inflows and outflows are shown in the Statement of Cash Flows.

The following information relates to the status of bonds and notes payable outstanding at June 30, 2015:

	<b>Balance July 1, 2014</b>	<b>New Debt/ Accretion</b>	<b>Principal Paid/ Adjustments</b>	<b>Balance June 30, 2015</b>
Bonds (Gross)	\$ 1,412,487,159	\$ 203,139,479	\$ (244,171,248)	\$ 1,371,455,390
Notes	<u>97,179,335</u>	<u>38,453,213</u>	<u>(16,075,116)</u>	<u>119,557,432</u>
Total	<u>\$ 1,509,666,494</u>	<u>\$ 241,592,692</u>	<u>\$ (260,246,364)</u>	<u>\$ 1,491,012,822</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 6 – Long Term Debt (continued)**

The bonds have maturity dates ranging from November 1, 2015 to May 1, 2042. The notes have maturity dates ranging from May 1, 2016 to May 1, 2035.

As of June 30, 2015, the current and noncurrent bonds payable net of discounts and premiums totaled \$70.9 million and \$1,392.4 million, respectively.

	<b>Balance</b> <b>June 30, 2015</b>	<b>Current</b>	<b>Noncurrent</b>
Bonds (Gross)	\$ 1,371,455,390	\$ 54,895,506	\$ 1,316,559,884
Discount	(234,017)	(15,808)	(218,209)
Premium	<u>92,018,030</u>	<u>15,977,862</u>	<u>76,040,168</u>
Bonds (Net)	1,463,239,403	70,857,560	1,392,381,843
Notes	<u>119,557,432</u>	<u>13,720,451</u>	<u>105,836,981</u>
Total	<u>\$ 1,582,796,835</u>	<u>\$ 84,578,011</u>	<u>\$ 1,498,218,824</u>

The following information relates to the status of bonds and notes payable outstanding at June 30, 2014:

	<b>Balance</b> <b>July 1, 2013</b>	<b>New Debt/ Accretion</b>	<b>Principal Paid/ Adjustments</b>	<b>Balance</b> <b>June 30, 2014</b>
Bonds (Gross)	\$ 1,457,612,612	\$ 197,707,544	\$ (242,832,997)	\$ 1,412,487,159
Notes	<u>125,034,612</u>	<u>6,548,157</u>	<u>(34,403,434)</u>	<u>97,179,335</u>
Total	<u>\$ 1,582,647,224</u>	<u>\$ 204,255,701</u>	<u>\$ (277,236,431)</u>	<u>\$ 1,509,666,494</u>

The bonds have maturity dates ranging from November 1, 2014 to May 1, 2042. The notes have maturity dates ranging from May 1, 2015 to May 1, 2022.

	<b>Balance</b> <b>June 30, 2014</b>	<b>Current</b>	<b>Noncurrent</b>
Bonds (Gross)	\$ 1,412,487,159	\$ 49,896,538	\$ 1,362,590,621
Discount	(260,159)	(26,141)	(234,018)
Premium	<u>73,579,595</u>	<u>13,060,545</u>	<u>60,519,050</u>
Bonds (Net)	1,485,806,595	62,930,942	1,422,875,653
Notes	<u>97,179,335</u>	<u>15,730,853</u>	<u>81,448,482</u>
Total	<u>\$ 1,582,985,930</u>	<u>\$ 78,661,795</u>	<u>\$ 1,504,324,135</u>

Future debt service requirements for bonds and notes outstanding at June 30, 2015 are as follows:

Fiscal Year	<b>Bonds</b>		<b>Notes</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 54,895,506	\$ 64,297,873	\$ 13,720,451	\$ 5,328,478
2017	50,507,661	61,594,601	20,261,084	4,605,280
2018	51,985,512	59,245,597	19,422,966	3,769,739
2019	59,755,875	56,653,639	14,987,735	3,042,411
2020	61,458,845	53,846,549	16,665,323	2,391,044
2021-2025	365,746,353	221,010,025	25,741,580	3,736,076
2026-2030	371,097,810	129,395,790	-	2,189,573
2031-2035	273,987,828	46,856,118	8,758,293	1,559,071
2036-2040	67,080,000	13,747,717	-	-
2041-2042	<u>14,940,000</u>	<u>858,110</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,371,455,390</u>	<u>\$ 707,506,019</u>	<u>\$ 119,557,432</u>	<u>\$ 26,621,672</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
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**NOTE 6 – Long Term Debt (continued)**

As noted above, debt on academic facilities that is repaid by an appropriation from the State of Wisconsin to the University of Wisconsin System for that purpose is reported by the State of Wisconsin and not as an obligation of the University of Wisconsin System. As of June 30, 2015, the principal balance of such bonds and notes was \$1,514.6 million and \$193.3 million, respectively. As of June 30, 2014, the principal balance of such bonds and notes was \$1,484.5 million and \$172.5 million, respectively.

Debt service payments made by the State of Wisconsin for the years ended June 30, 2015 and 2014 were allocated as follows:

<b>2015</b>	<b><u>Bonds</u></b>	<b><u>Notes</u></b>
Principal	\$ 117,355,400	\$ -
Interest	<u>71,973,491</u>	<u>-</u>
Total Paid	<u>\$ 189,328,891</u>	<u>\$ -</u>
<b>2014</b>	<b><u>Bonds</u></b>	<b><u>Notes</u></b>
Principal	\$ 117,997,911	\$ 44,076,387
Interest	<u>69,302,524</u>	<u>865,028</u>
Total Paid	<u>\$ 187,300,435</u>	<u>\$ 44,941,415</u>

**NOTE 7 – Lease Commitments and Installment Purchases**

The University of Wisconsin System had capital lease obligations with a net present value of \$36.8 million as of June 30, 2015 compared to \$42.4 million at June 30, 2014. The payment schedule for capital lease obligations is as follows:

2016	\$ 6,997,921
2017	5,513,599
2018	3,197,684
2019	2,619,698
2020	2,543,061
2021-2025	12,383,526
2026-2030	12,363,920
2031-2035	12,363,920
2036-2040	12,363,920
2041-2045	<u>7,418,352</u>
Total Scheduled Lease Payments	77,765,601
Amount Representing Interest	<u>(40,998,799)</u>
Net Present Value	<u>\$ 36,766,802</u>

Assets Held Under Capital Lease:

<b>2015</b>	<b><u>Original Cost</u></b>	<b><u>Accumulated</u></b>	<b><u>Book Value</u></b>
	<b><u>June 30, 2015</u></b>	<b><u>Depreciation</u></b>	<b><u>June 30, 2015</u></b>
Buildings and Improvements	\$ 98,199,857	\$ 43,492,157	\$ 54,707,700
Equipment	<u>13,484,281</u>	<u>9,644,740</u>	<u>3,839,541</u>
Total Assets	<u>\$ 111,684,138</u>	<u>\$ 53,136,897</u>	<u>\$ 58,547,241</u>
<b>2014</b>	<b><u>Original Cost</u></b>	<b><u>Accumulated</u></b>	<b><u>Book Value</u></b>
	<b><u>June 30, 2014</u></b>	<b><u>Depreciation</u></b>	<b><u>June 30, 2014</u></b>
Buildings and Improvements	\$ 98,199,857	\$ 39,663,622	\$ 58,536,235
Equipment	<u>12,414,095</u>	<u>8,233,928</u>	<u>4,180,167</u>
Total Assets	<u>\$ 110,613,952</u>	<u>\$ 47,897,550</u>	<u>\$ 62,716,402</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
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**NOTE 7 – Lease Commitments and Installment Purchases (continued)**

Facilities and equipment rented through operating leases are not recorded as assets on the balance sheet. Operating lease expenditures, which also represent the minimum rental payments, amounted to \$33.7 million for the fiscal year ended June 30, 2015. Minimum commitments for future operating lease payments are as follows:

2016	\$ 17,376,340
2017	13,857,853
2018	12,572,081
2019	10,745,611
2020	9,617,437
2021-2025	32,023,330
2026-2030	28,493,151
2031-2035	14,647,198
2036-2040	152,167
2041-2045	<u>20,500</u>
Total	<u>\$ 139,505,668</u>

The University of Wisconsin System entered into installment purchase agreements during fiscal year 2015. The following is an analysis of the gross minimum future installment payments, along with the present value of the minimum installment payments, as of June 30, 2015 for installment purchases:

2016	\$ 17,569
2017	17,569
2018	12,590
2019	4,728
2020	<u>4,728</u>
Total Minimum Future Payments	57,184
Amounts Representing Interest	<u>(4,125)</u>
Present Value of Net Minimum Payments	<u>\$ 53,059</u>

**NOTE 8 – Retirement Benefits**

**Wisconsin Retirement System**

**Plan Description.** The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit pension plan. Benefits of the WRS and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the Legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 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.

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.

**UNIVERSITY OF WISCONSIN SYSTEM**  
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**NOTE 8 – Retirement Benefits (continued)**

**Vesting.** 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.

**Benefits provided.** 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.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions, plus interest, and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

**Post-Retirement Adjustments.** The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with Wisconsin Statutes Section 40.27. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2005	2.6%	7.0%
2006	0.8%	3.0%
2007	3.0%	10.0%
2008	6.6%	0.0%
2009	(2.1)%	(42.0)%
2010	(1.3)%	22.0%
2011	(1.2)%	11.0%
2012	(7.0)%	(7.0)%
2013	(9.6)%	9.0%
2014	4.7%	25.0%

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 8 – Retirement Benefits (continued)**

**Contributions.** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees 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.

For calendar year 2014, the UW System made \$133.5 million in contributions recognized by the WRS.

Contribution rates as of June 30, 2015 were:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2015, the University of Wisconsin System reported a net pension asset of \$330.2 million for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The University of Wisconsin System's proportion of the total net pension asset was based on the University of Wisconsin System's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the University of Wisconsin System's proportion was 13.4%, which was an increase of 0.3% from its proportion measured as of December 31, 2013.

For the fiscal year ended June 30, 2015, the University of Wisconsin System recognized pension expense of \$127.8 million.

The amount reported as pension-related deferred outflows resulting from the University of Wisconsin System's contributions subsequent to the measurement date will be recognized as part of the net pension liability (asset) calculation in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension benefits will be recognized in pension expense as follows:

<u>Fiscal Year ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 40,862,923	\$ 1,446,882
2017	40,862,923	1,446,882
2018	40,862,923	1,446,882
2019	40,862,923	1,446,882
2020	40,862,923	1,446,882
Thereafter	\$ 3,431,925	\$ 558,786

Additional detail related to deferred outflows of resources and deferred inflows of resources is presented in Note 10.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 8 – Retirement Benefits (continued)**

**Actuarial assumptions.** The total pension liability (asset) in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset)	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-Retirement Adjustments*	2.1%

*\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009-2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

**Long-term Expected Return on Plan Assets.** The long-term expected rate of return on pension 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 pension 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<b>Core Fund</b>		<b>Variable Fund</b>	
	<b>Long-Term Real Rate of Return</b>	<b>Target Allocation</b>	<b>Long-Term Real Rate of Return</b>	<b>Target Allocation</b>
US Equities	5.3%	21.0%	5.3%	70%
International Equities	5.7%	23.0%	5.7%	30%
Fixed Income	1.7%	36.0%	n/a	--
Inflation Sensitive Assets	2.3%	20.0%	n/a	--
Real Estate	4.2%	7.0%	n/a	--
Private Equity/Debt	6.9%	7.0%	n/a	--
Multi-Asset	3.9%	6.0%	n/a	--
Cash	0.9%	(20.0%)	n/a	--

**Single Discount Rate.** A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of the WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
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**NOTE 8 – Retirement Benefits (continued)**

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.

***Sensitivity of the University of Wisconsin System's proportionate share of the net pension liability (asset) to changes in the discount rate.*** The following presents the University of Wisconsin System's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the University of Wisconsin System's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2%) or 1-percentage-point higher (8.2%) than the current rate:

1% Decrease to Discount Rate	\$ 931,457,039
Current Discount Rate	\$ (330,166,674)
1% Increase To Discount Rate	\$ (1,326,546,070)

***Pension plan fiduciary net position.*** Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

**Other Retirement Benefits**

In addition to the WRS, certain employees associated with federally funded activities are partially covered by the Federal Retirement Program. The University of Wisconsin System's contributions to this program amounted to \$92,384 during the current year, compared with \$108,177 for the previous year.

**NOTE 9 – Postemployment Benefits Other Than Pensions**

In accordance with the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, state and local governmental employers are required to display in financial reports other postemployment benefit expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information. The employees of the University of Wisconsin System are employees of the State.

**Health Insurance**

The State's Health Insurance Program, a cost-sharing multiple-employer defined benefit plan not held in trust, is an employer-sponsored program offering group medical coverage to eligible employees and retirees of the State. The State Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under Wisconsin Statutes Sections 15.165(2) and 40.03(6).

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

As of the January 2013 actuarial valuation, the State's annual required contributions were \$86.2 million and \$84.5 million for fiscal years ended June 30, 2015 and June 30, 2014, respectively. The State's annual OPEB costs were \$70.5 million and \$69.7 million for fiscal years ended June 30, 2015 and June 30, 2014, respectively, and the State's actual contributions were \$41.8 million in fiscal year 2015 and \$41.6 million

**UNIVERSITY OF WISCONSIN SYSTEM**  
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**NOTE 9 – Postemployment Benefits Other Than Pensions (continued)**

in fiscal year 2014, which results in a net OPEB obligation for the State of \$502.6 million as of June 30, 2015, and \$473.9 million as of June 30, 2014. The portion of this obligation allocated to the University of Wisconsin System increased from \$233.0 million in fiscal year 2014 to \$248.4 million in fiscal year 2015.

The State of Wisconsin Comprehensive Annual Financial Report includes financial statements, additional note disclosures, and required supplementary information for this plan. That report is publicly available at [www.doa.state.wi.us](http://www.doa.state.wi.us) or may be obtained by writing to: Department of Administration, 101 East Wilson Street, Madison, Wisconsin 53703.

**Life Insurance and Duty Disability**

The Life Insurance program, a cost-sharing multiple-employer defined benefit plan held in trust, provides post-employment coverage to all eligible employees. The plan is administered under Wisconsin Statutes Section 40.70. Beginning at age 65, retirees and terminating members continue to receive basic coverage for life at the level of insurance in force before retirement. Retirees and terminating members under age 65 must continue to pay the employee premium to maintain coverage.

The Duty Disability program, a cost-sharing multiple-employer defined benefit plan held in trust, offers special disability insurance for employees in protective occupations. This plan is administered under Wisconsin Statutes Section 40.65. Qualified employees receive benefits under this program approximating 80% of salary, less certain offsets, based upon the type and level of disability suffered and the implications of the disability on their ability to work. There are no employee contributions associated with this plan. The University of Wisconsin System contributed \$56,473 to this program during fiscal year 2015 compared to \$62,779 during fiscal year 2014.

The Department of Employee Trust Funds issues publicly available financial reports that include financial statements, additional note disclosures, and required supplementary information for these plans. The reports are available at [www.etf.wi.gov](http://www.etf.wi.gov) or may be obtained upon request from: Department of Employee Trust Funds, 801 West Badger Road, PO Box 7931, Madison, Wisconsin 53707-7931.

**NOTE 10 – Deferred Outflows and Deferred Inflows of Resources**

At June 30, 2015 and June 30, 2014, the University of Wisconsin System reported deferred outflows of resources and deferred inflows of resources from the following sources:

**Deferred Outflows (Inflows) of Resources related to Pensions**

	<b><u>2015</u></b>
Differences between expected and actual experience	\$ 47,863,893
Net differences between projected and actual earnings on pension plan investments	159,882,647
Employer contributions subsequent to the measurement date	44,887,431
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>(7,793,196)</u>
<b>Total</b>	<b><u>\$ 244,840,775</u></b>

**UNIVERSITY OF WISCONSIN SYSTEM**  
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**NOTE 10 – Deferred Outflows and Deferred Inflows of Resources (continued)**

**Deferred Outflows (Inflows) of Resources related to Debt Refundings**

	<u>2015</u>	<u>2014</u>
Unamortized Losses	\$ 31,816,561	\$ 19,144,676
Unamortized Gains	<u>(1,336,897)</u>	<u>(550,781)</u>
<b>Total</b>	<u>\$ 30,479,664</u>	<u>\$ 18,593,895</u>

**NOTE 11 – Other Organizations**

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, provide guidance in determining whether organizations are to be included as part of a reporting entity. The University of Wisconsin System has determined that, in accordance with the provisions of GASB Statements No. 14, 39, and 61, the accounts of the following organizations are not included in the financial statements; however, the following financial information is provided.

**A – University of Wisconsin Foundation**

The University of Wisconsin (UW) Foundation is the official not-for-profit fund raising corporation for the University of Wisconsin-Madison and several other units of the University of Wisconsin System. It receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the University of Wisconsin for advancement of scientific, literary, athletic, and educational purposes. The UW Foundation reports on a fiscal year ended December 31. Copies of the separately issued financial statements may be obtained by writing to: University of Wisconsin Foundation, Attn: Finance, PO Box 8860, Madison, WI 53708-8860.

Significant financial data for the UW Foundation for the years ending December 31, 2014 and 2013 are presented below (in thousands):

<b>Condensed Statement of Net Position</b>	<u>2014</u>	<u>2013</u>
Assets:		
Cash, Investments and Other Assets	\$ 3,266,712	\$ 3,088,780
Capital Assets, Net	<u>17,437</u>	<u>12,643</u>
Total Assets	<u>3,284,149</u>	<u>3,101,423</u>
Liabilities:		
Accounts Payable and Other Current Liabilities	45,256	66,780
Amounts Held for Other Component Units	282,500	276,700
Long-term Liabilities (Current and Noncurrent Portions)	<u>47,335</u>	<u>45,383</u>
Total Liabilities	<u>375,091</u>	<u>388,863</u>
Net Position:		
Net Investment in Capital Assets	17,437	12,643
Restricted	2,674,273	2,521,286
Unrestricted	<u>217,348</u>	<u>178,630</u>
Total Net Position	<u>2,909,058</u>	<u>2,712,559</u>
Total Liabilities and Net Position	<u>\$ 3,284,149</u>	<u>\$ 3,101,422</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
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**NOTE 11 – Other Organizations**

**A – University of Wisconsin Foundation (continued)**

<b>Condensed Statement of Activities</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Program Expenses:		
Depreciation	\$ 1,140	\$ 573
Payments to Primary Government	246,728	236,943
Other	<u>43,697</u>	<u>34,459</u>
Total Program Expenses	<u>291,565</u>	<u>271,975</u>
Program Revenues:		
Investment and Interest Income	96,519	328,078
Operating Grants and Contributions	380,493	266,855
Other	<u>3,472</u>	<u>638</u>
Total Program Revenues	<u>480,484</u>	<u>595,571</u>
Net Program Revenues	188,919	323,596
Change in Net Position	188,919	323,596
Net Position, Beginning of Year	2,712,559	2,388,963
Contribution of Wisconsin Alumni Association Net Assets	<u>7,580</u>	<u>-</u>
Net Position, End of Year	<u>\$ 2,909,058</u>	<u>\$ 2,712,559</u>

**B – University of Wisconsin Medical Foundation**

The University of Wisconsin (UW) Medical Foundation is the not-for-profit clinical practice organization for the faculty physicians of the UW School of Medicine and Public Health within UW-Madison. The UW Medical Foundation provides clinical sites, technical and professional staff, and administrative services for the UW faculty physicians group.

During fiscal year 2007-08, the Wisconsin Department of Health Services (DHS) implemented a Certified Public Expenditure (CPE) program for the services the UW faculty physicians group provides to Medical Assistance (MA) recipients. Because the UW faculty physicians group qualifies as a public provider, it is eligible to receive cost-based reimbursement under federal MA rules.

Under the CPE program, DHS is able to claim additional federal MA funds based upon the difference between the established MA reimbursement rate for the services provided by the UW faculty physicians group and the actual cost of providing those services. To enable the draw of these federal funds by DHS, UW-Madison remitted a total of \$7.3 million to DHS during fiscal year 2015 and \$11.9 million in fiscal year 2014, representing the state's share of this difference. DHS then claimed the federal share of the difference from the federal government and subsequently provided \$17.2 million during fiscal year 2015 and \$27.9 million during fiscal year 2014, representing both the state and federal share of the difference, to the UW Medical Foundation. In addition, transfers by UW-Madison to the MA Trust Fund of \$9.9 million during fiscal year 2015 and \$16.0 million in fiscal year 2014 were also made under this program and are reported as a transfer to state agencies on the financial statements.

During fiscal year 2015, the UW Medical Foundation remitted \$27.9 million to UW-Madison as reimbursement for payments to DHS during fiscal year 2014. The \$27.9 million that UW-Madison received from the UW Medical Foundation is included in the other non-operating revenues account on the financial statements.

In addition, UW-Madison incurred expenditures for which reimbursement was received from the UW Medical Foundation. Of the \$91.5 million expended in fiscal year 2015, \$81.8 million was for salaries and fringe benefits of staff in the UW-Madison School of Medicine.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 11 – Other Organizations (continued)**

**C – University of Wisconsin Hospital and Clinics Authority**

The University of Wisconsin Hospital and Clinics Authority (UWHCA), pursuant to an act of the Wisconsin State Legislature, began operating on June 29, 1996 as a separate public authority. As required by this legislation, the University of Wisconsin System has entered into various affiliation and operating agreements with UWHCA, including a lease agreement. Under the terms of the lease, UWHCA makes payments equal to the debt service on all outstanding bonds issued by the State of Wisconsin to acquire, construct, or improve the leased facilities. At June 30, 2015, the present value of these future lease payments totaled \$0.2 million, compared to \$0.5 million at June 30, 2014, an amount equal to the principal on the related bonds outstanding; the asset is included on the balance sheet as part of the capital lease receivable, and the related debt is included as part of the total UW System bonds outstanding of \$1,371.5 million and \$1,412.5 million at June 30, 2015 and June 30, 2014, respectively. The leased facilities are not included as part of the University of Wisconsin System's investment in buildings since they have been reported by UWHCA in their audited financial statements in accordance with the generally accepted accounting principles that pertain to the reporting of leased assets.

During the fiscal year ended June 30, 2015, the University of Wisconsin System received services from UWHCA totaling \$4.9 million and provided services to UWHCA totaling \$64.4 million, compared to amounts for fiscal year ended June 30, 2014 of \$4.8 million and \$65.2 million. The cost of the services provided and the associated revenue are separately identified in the Statement of Revenues, Expenses, and Changes in Net Position. The amounts spent for services received are included as salaries and fringe benefits and supplies and services expenses on this statement. The services received were funded by an equivalent amount of state appropriations revenue.

**D – The Wisconsin Institutes for Discovery**

The Wisconsin Institutes for Discovery, which opened in December 2010, is a visionary public-private facility that has taken shape as an innovative building housing two world-class biomedical research institutes and a public space known as the Town Center for campus and community members to gather and collaborate. The public institute, the Wisconsin Institutes for Discovery, is part of the University of Wisconsin-Madison organized under its Graduate School. The private portion of the facility is owned by the Wisconsin Alumni Research Foundation (WARF), which is an independent, nonprofit foundation chartered to support research at the University of Wisconsin-Madison and the designated technology transfer organization for the university. The facility was originally undertaken with \$50 million in State of Wisconsin and University funding, \$110 million contributed by WARF, and a \$50 million donation from a private donor. The Morgridge Institute for Research, an independent 501(c)(3) medical research organization, occupies the majority of the WARF-owned portion of the building.

The Wisconsin Institutes for Discovery facility is a 300,000 square foot building located at 330 North Orchard Street in Madison, Wisconsin. Since the University of Wisconsin System initially owned all of this land, the University of Wisconsin System and WARF became parties to a Real Property Exchange Agreement dated January 19, 2007. Under the terms of the Exchange Agreement, the University of Wisconsin System agreed to convey to WARF a portion of this land, and WARF agreed to convey to the University of Wisconsin System properties of equal value as defined in the agreement. In fiscal years 2008-09 and 2010-11, the University of Wisconsin System recorded \$4.3 million and \$7.7 million, respectively, as Land and Capital Contributions for the fair market value of the properties WARF has conveyed to the University of Wisconsin System under this agreement.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 11 – Other Organizations**

**D – The Wisconsin Institutes for Discovery (continued)**

The Wisconsin Institutes for Discovery is operated as a condominium. University of Wisconsin System and WARF are the members of The Wisconsin Institutes for Discovery Condominium Association, Inc. (Association), as set forth in the Condominium Declaration dated September 25, 2009. Ownership of the facility has been determined to be 30% University of Wisconsin System and 70% WARF. Of the total capitalized cost, the University of Wisconsin System capitalized \$60.1 million as Buildings, and the remaining amount was capitalized by WARF. Under the terms of the Condominium Declaration, the Association contracts with WARF for purposes of the management and operation of the property. The parties also entered into an Operating and Services Agreement that sets forth the mutually agreed upon specifics of such management and operation.

**E – La Crosse Medical Health Science Education Research Center**

On June 6, 1997, the Board of Regents of the University of Wisconsin System entered into a Use Agreement with The La Crosse Medical Health Science Consortium, Inc. (The Consortium), a Wisconsin non-stock corporation tax exempt under Internal Revenue Code (IRC) 501(c)(3) with offices at 1725 State Street, La Crosse, Wisconsin 54601. The Use Agreement makes available the exclusive use of the La Crosse Medical Health Science Education Research Center to The Consortium. As required by this Use Agreement, the University of Wisconsin System has entered into various operating agreements with The Consortium, including a lease agreement. Under the terms of the lease, The Consortium makes payments equal to the debt service on all outstanding bonds issued by the State of Wisconsin to acquire, construct, or improve the leased facilities. At June 30, 2015, the present value of these future lease payments totaled \$2.6 million, compared to \$3.2 million at June 30, 2014, an amount equal to the principal on the related bonds outstanding; the asset is included on the balance sheet as part of the capital lease receivable, and the related debt is included as part of the total UW System bonds outstanding of \$1,371.5 million and \$1,412.5 million at June 30, 2015 and June 30, 2014, respectively. The leased facilities are not included as part of the University of Wisconsin System's investment in buildings since they have been reported by The Consortium in their audited financial statements in accordance with the generally accepted accounting principles that pertain to the reporting of leased assets.

During the fiscal year ended June 30, 2015, the University of Wisconsin System provided services and rent to The Consortium totaling \$0.8 million. The cost of the services provided and the associated revenue are included in the Statement of Revenues, Expenses, and Changes in Net Position. The amounts spent for services received are included as salaries and fringe benefits and supplies and services expenses on this statement. The services received were funded by an equivalent amount of state appropriations revenue.

**F – University of Wisconsin-Platteville Real Estate Foundation**

In July 2012, the Board of Regents of the University of Wisconsin System entered into a Lease Agreement with the University of Wisconsin-Platteville Real Estate Foundation, Inc. (The Foundation), a Wisconsin non-profit corporation. The Lease Agreement made available to The Foundation a land parcel owned by the University of Wisconsin System for purposes of constructing a residence hall and dining premises.

The Wisconsin Department of Administration and The Foundation entered into a lease agreement in June 2013 for use of the residence hall and dining premises by the University of Wisconsin-Platteville. The lease commenced August 1, 2013 and includes annual rental payments of \$2.5 million to The Foundation for thirty years. The lease also includes an option to purchase the facility.

**G – Funds Held In Trust by Others**

Funds held in trust by others are endowment funds held by trustees outside of the University of Wisconsin System Trust Funds for the benefit of the University of Wisconsin System. The market value of these funds amounted to \$187.9 million at June 30, 2015, compared with \$189.9 million at June 30, 2014. During fiscal year 2015, \$1.4 million of these funds was made available by the trustees for spending.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 12 – Classification of Net Position**

Net Position is reported in the following categories: Net Investment in Capital Assets, Restricted-Pensions, Restricted-Nonexpendable, Restricted-Expendable, Restricted-Student Loans, Restricted-Other, and Unrestricted.

Net Investment in Capital Assets includes assets, such as buildings, construction in progress, and equipment, that are reported net of related debt. Restricted funds are those that have externally-imposed stipulations. Restricted-Pensions funds are those that must be used to fund future pension obligations. Restricted-Nonexpendable funds are those that must be permanently maintained, such as permanent endowments. The remaining three restricted categories include balances such as those for quasi-endowments; segregated fees; student loans; federal aid; and gifts, grants, and contracts. These funds are expendable subject to actions of the University of Wisconsin System that are pursuant to stipulations or may become expendable by the passage of time. Unrestricted funds are those that are not subject to external stipulations. However, most of the unrestricted funds have been identified for academic and research programs and initiatives, and capital programs.

The amounts within each category at June 30, 2015 and June 30, 2014 are as follows:

	<u><b>2015</b></u>	<u><b>2014</b></u>
Net Investment in Capital Assets	\$ 4,386,420,962	\$ 4,365,969,021
Restricted – Pensions	330,166,674	-
Restricted – Nonexpendable		
Permanent Endowment	194,516,535	187,767,529
Restricted – Expendable		
Quasi-Endowment	235,454,703	232,985,246
Auxiliary Operations – Segregated Fees	<u>87,508,726</u>	<u>88,971,325</u>
Subtotal	322,963,429	321,956,571
Restricted – Student Loans		
Federal Aid – Student Loans	191,887,916	189,823,688
Gifts – Student Loans	30,229,582	28,284,898
Endowment Funds	<u>14,512,915</u>	<u>13,794,262</u>
Subtotal	236,630,413	231,902,848
Restricted – Other		
Federal Aid	22,807,886	19,751,499
Gifts and Nonfederal Grants & Contracts	226,598,149	191,978,442
Endowment Funds	15,313,214	13,262,596
Construction Fund	117,429,175	57,440,254
Segregated Revenue	410,541	353,743
All Other Restricted Program Revenue	<u>2,003,599</u>	<u>1,173,510</u>
Subtotal	384,562,564	283,960,044

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 12 – Classification of Net Position (continued)**

	<u>2015</u>	<u>2014</u>
Unrestricted		
Tuition (Academic & Extension Student Fees)	363,504,921	438,985,737
General Operations	136,168,650	140,087,754
Auxiliary Operations (Non-Segregated Fee)	224,417,917	199,500,495
Indirect Cost Reimbursement	166,571,897	171,390,344
Endowment Funds	66,191,813	88,266,059
All Other Unrestricted Program Revenue	31,474,619	35,424,621
Gifts and Nonfederal Grants & Contracts (Note 1)	(35,945,278)	(28,417,398)
Federal Aid (Note 1)	(14,154,229)	(5,041,852)
All Other Non-Program Revenue (Note 2)	<u>(104,425,627)</u>	<u>(92,649,281)</u>
Subtotal	833,804,683	947,546,479
Total Net Position	<u>\$ 6,689,065,260</u>	<u>\$ 6,339,102,492</u>

Note 1: Funds are typically collected on a reimbursement basis resulting in a negative balance at year end.

Note 2: The negative balance results primarily from an accumulating effect of accrual entries on General Purpose Revenue and Segregated Revenue funds.

The following table shows reclassifications which are done to conform to reporting requirements related to the State of Wisconsin's CAFR. As a reporting entity, the Board of Regents of the University of Wisconsin System cannot exercise total discretion over the use of net position of segregated fee auxiliary operations because of statutory mandates; however, they do have discretion in the use of the net position of quasi-endowments reported as unrestricted.

CAFR reclassifications as of June 30, 2015 (in millions):

	<u>University of Wisconsin System</u>	<u>Auxiliary Operations</u>	<u>Quasi- Endowments</u>	<u>Student Loans</u>	<u>State of Wisconsin CAFR</u>
Net Investment in					
Capital Assets	\$ 4,386.4	\$ 0.0	\$ 0.0	\$ 0.0	\$ 4,386.4
Restricted for					
Pensions	330.2	0.0	0.0	0.0	330.2
Nonexpendable	194.5	0.0	0.0	0.0	194.5
Expendable	323.0	(87.5)	51.9	0.0	287.4
Student Loans	236.6	0.0	0.0	(11.0)	225.6
Other	384.6	0.0	0.0	11.0	395.6
Unrestricted	<u>833.8</u>	<u>87.5</u>	<u>(51.9)</u>	<u>0.0</u>	<u>869.4</u>
Total Net Position	<u>\$ 6,689.1</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 6,689.1</u>

Note: Other Post-Employment Benefits were included in the basic financial statements of the University of Wisconsin System for the period ending June 30, 2015, so no reclassification was needed.

CAFR reclassifications as of June 30, 2014 (in millions):

	<u>University of Wisconsin System</u>	<u>Auxiliary Operations</u>	<u>Quasi- Endowments</u>	<u>Student Loans</u>	<u>Other Postemployment Benefits (Note 9)</u>	<u>State of Wisconsin CAFR</u>
Net Investment in						
Capital Assets	\$4,366.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$4,366.0
Restricted for						
Nonexpendable	187.8	0.0	0.0	0.0	0.0	187.8
Expendable	321.9	(89.0)	79.2	0.0	0.0	312.1
Student Loans	231.9	0.0	0.0	(10.2)	(0.1)	221.6
Other	284.0	0.0	0.0	10.2	(45.4)	248.8
Unrestricted	<u>947.5</u>	<u>89.0</u>	<u>(79.2)</u>	<u>0.0</u>	<u>(187.5)</u>	<u>769.8</u>
Total Net Position	<u>\$6,339.1</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$(233.0)</u>	<u>\$6,106.1</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2015 and 2014**

**NOTE 13 – Prior Period Adjustments and Other Restatements**

The June 30, 2015 Statement of Revenues, Expenses, and Changes in Net Position includes the following two prior period adjustments:

<u>Account Affected</u>	<u>Amount</u>	<u>Explanation</u>
Restricted Net Pension Asset	\$518,239,456	Implementation of GASB Statement No. 68
Net Position	(518,239,456)	
Other Post-Employment Benefits	(233,006,049)	Change in accounting principle for reporting the liability related to post-employment benefits other than pensions. This liability was disclosed in prior years. However, including it in the statements provides a more complete picture of the UW System's future liabilities.
Liability		
Net Position	233,006,049	

The June 30, 2014 Statement of Net Position does not include a prior period adjustment or any other restatements.

**NOTE 14 – Contingent Liabilities**

The University of Wisconsin System is covered by the State of Wisconsin's self-funded program with settlements or judgments paid from the State Risk Management Fund. Loss experience is charged back to the individual University of Wisconsin institutions in subsequent years based on exposure and experience with caps in place for large losses.

The University of Wisconsin System is party in a number of legal actions. While final resolutions have not yet been determined, management is of the opinion that any liabilities resulting from these actions will not have a material adverse effect on the University of Wisconsin System's financial position.

**NOTE 15 – Subsequent Events**

**Long-Term Debt**

In September 2015, the State issued \$387.0 million of 2015 Series C 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 bonds have an interest rate of 4.0% to 5.0% payable semiannually, beginning May 1, 2016 and mature annually beginning May 1, 2017 through May 1, 2036.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Required Supplementary Information and**  
**Notes to Required Supplementary Information**  
**Years Ended June 30, 2015 and 2014**

**Required Supplementary Information**

**University of Wisconsin System's Proportionate Share of the Net Pension Liability (Asset)**  
Wisconsin Retirement System

	<b><u>2015</u></b>
Proportion of the net pension liability (asset)	13.44%
Proportionate share of the net pension liability (asset)	\$ (330,166,674)
Covered-employee payroll	\$1,896,092,723
Proportionate share as a percentage of covered payroll	17.41%
Plan's fiduciary net position as a percentage of the total pension liability	102.74%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

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

**University of Wisconsin System's Pension Contributions**  
Wisconsin Retirement System

	<b><u>2015</u></b>
Contractually required contributions	\$ 133,468,069
Contributions recognized in relation to the contractually required contributions	<u>133,468,069</u>
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 1,896,092,723
Contributions recognized as a percentage of covered-employee payroll	7.04%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

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

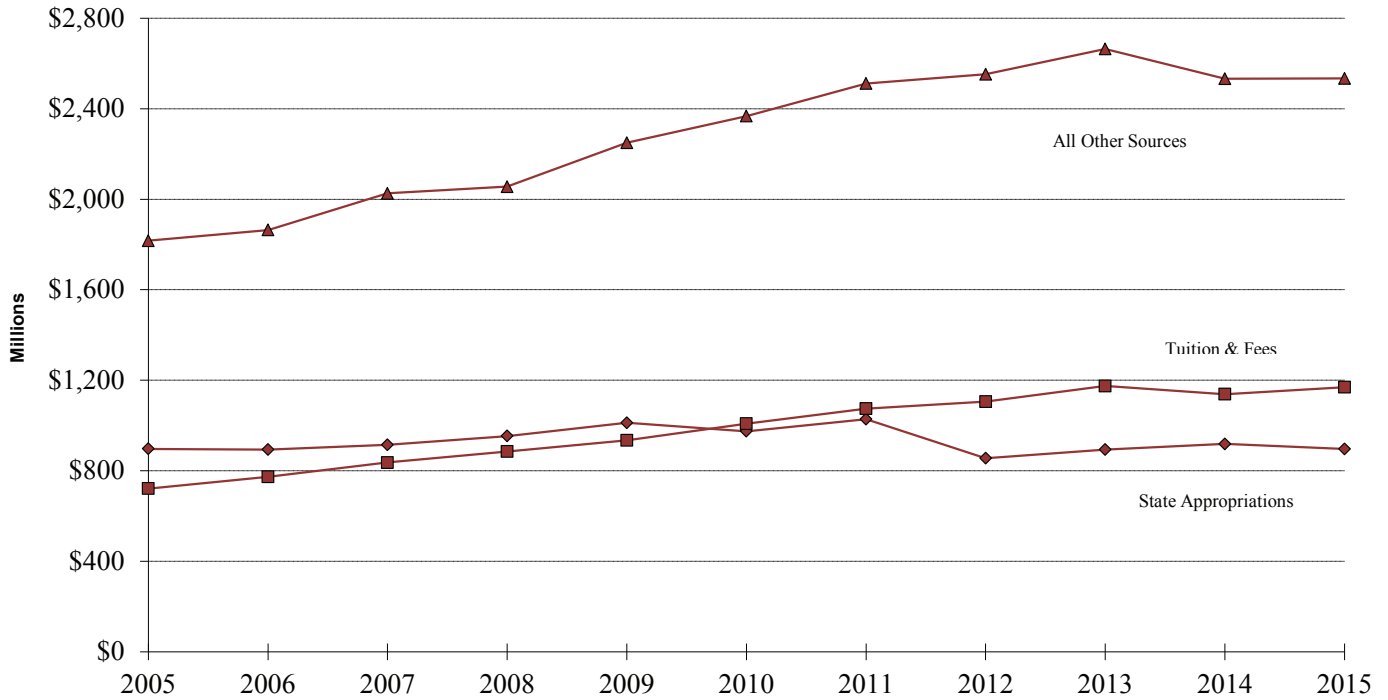
**Notes to Required Supplementary Information**  
**for the Year Ended June 30, 2015**

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in WRS.

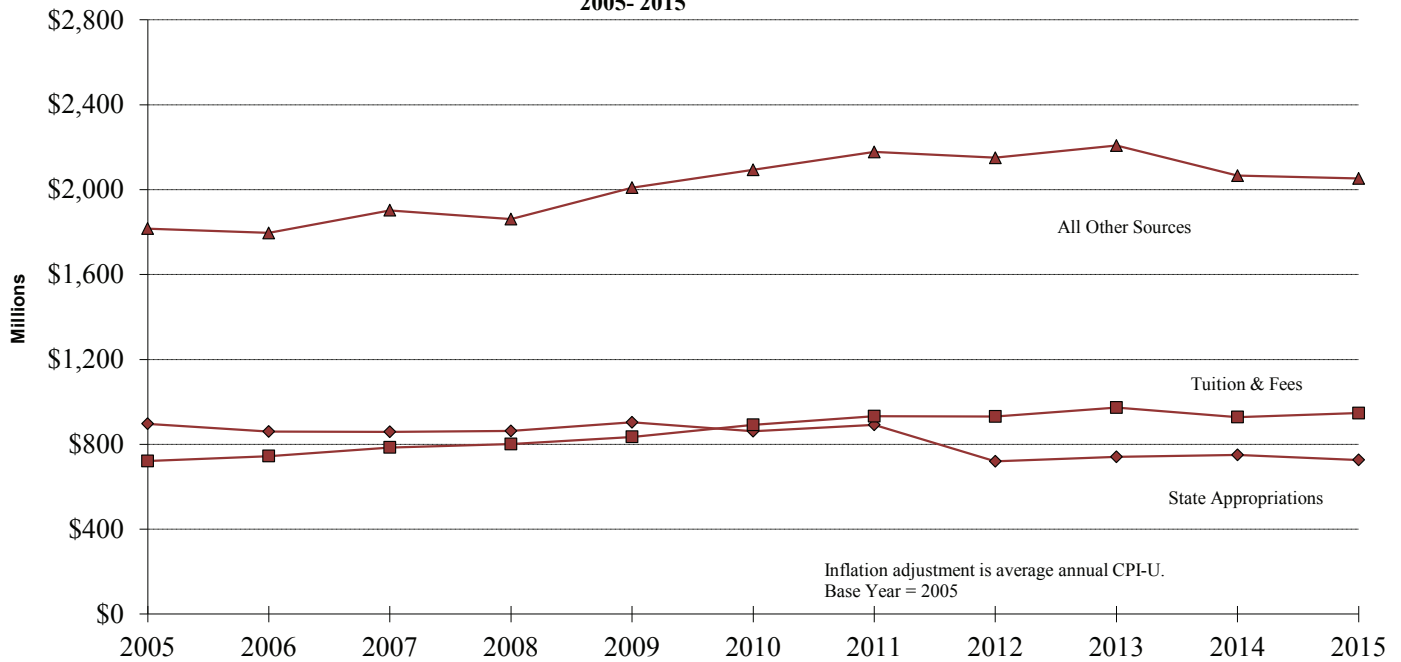
*Changes in assumptions.* There were no changes in the assumptions.

## Supplemental Information

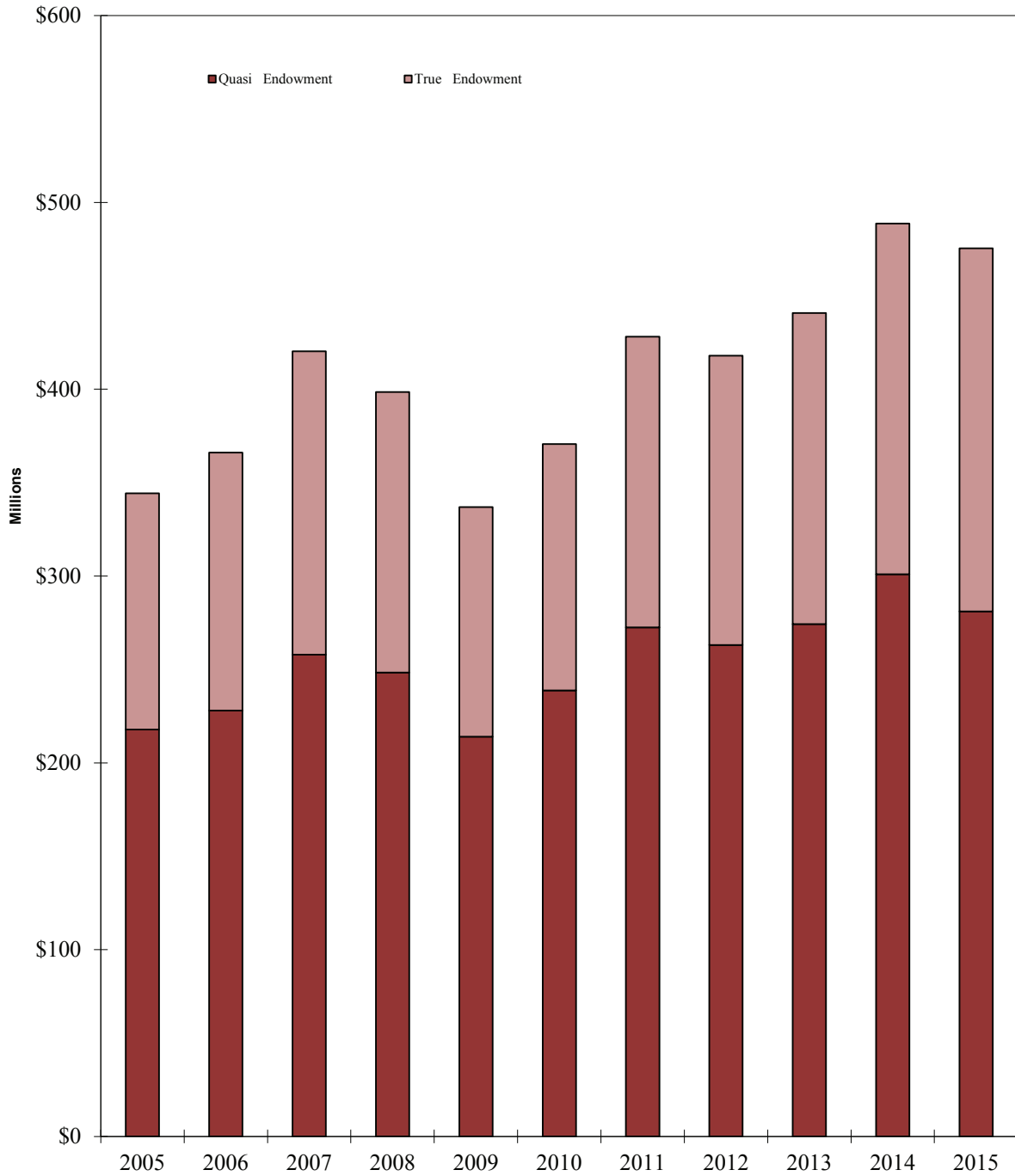
**CHART 1**  
**COMPARISON OF CURRENT FUNDS REVENUES**  
**2005-2015**



**CHART 2**  
**COMPARISON OF CURRENT FUNDS REVENUES**  
**ADJUSTED FOR INFLATION**  
**2005- 2015**



**CHART 3**  
**UNIVERSITY-CONTROLLED ENDOWMENTS**  
**2005-2015**



Charts have been prepared based on generally accepted accounting principles in effect prior to the adoption of GASB Statement No. 35

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