

2/1/2018

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.6. Joint Meeting of the Business and Finance and Audit Committees

Thursday, February 8, 2018
8:15 a.m. – 9:00 a.m.
Union South 2nd Floor, Varsity Hall I
1308 W. Dayton Street
Madison, Wisconsin

Convene in open session and move into closed session to discuss information security audit findings and responses as required by s. 19.85(1)(d), Wis. Stats.

I.2. Business and Finance Committee

Thursday, February 8, 2018
9:00 a.m. – 10:30 a.m.
Union South 2nd Floor, Varsity Hall I
1308 W. Dayton Street
Madison, Wisconsin

- a. Approval of the Minutes of the December 7, 2017 Meeting of the Business and Finance Committee
- b. UW-Madison Presentation – Financial Performance and Benchmarking at UW-Madison
- c. UW System Annual Financial Report
- d. Quarterly Report of Gifts, Grants, and Contracts (2nd quarter FY 2018)
- e. Financial Management Report (2nd Quarter FY 2018)
- f. Review and Approval of Proposed Non-resident Tuition Proposals
[Resolution I.2.f.]
- g. UW System Information Technology Reports
 1. UW System Strategic Plans for Major Information Technology Projects
 2. Semi-Annual Status Report for Large/Vital Information Technology Projects
[Resolution I.2.g.]

2/1/2018

- h. UW System Contractual Agreements for On-Call Architectural, Engineering, and Planning (AEP) and On-Call Site and Civil Engineering Professional Services
[Resolution I.2.h.]
- i. Report of the Vice President(s)

**UW SYSTEM
2017 ANNUAL FINANCIAL REPORT
AND AUDITOR'S OPINION**

EXECUTIVE SUMMARY

BACKGROUND

The UW System publishes an Annual Financial Report that includes financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board. The statements are audited by the Legislative Audit Bureau, and appear, in a somewhat modified format, in the State of Wisconsin's Comprehensive Annual Financial Report (CAFR).

REQUESTED ACTION

This report is submitted for information only.

DISCUSSION AND RECOMMENDATIONS

Overview of Accrual-Based Financial Reporting

The UW System's Annual Financial Report is prepared using full accrual-based accounting, which is an accounting method that measures the financial performance and position of an entity by recognizing economic events when the transactions occur, regardless of when cash is paid or received. This contrasts with cash-based accounting, which reports transactions only when cash is exchanged. Accrual-based accounting is required by GAAP.

In accordance with GAAP, the Annual Financial Report for the year ending June 30, 2017, includes a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. It also includes an unmodified or "clean" audit opinion from the Legislative Audit Bureau. The accompanying Notes to the Financial Statements are an integral part of the statements, including both disclosures required by GAAP and explanations intended to aid the reader in understanding the statements. In addition, the Annual Financial Report includes a "Management's Discussion and Analysis" (MD&A) that is intended to provide an objective and easily readable analysis of the UW System's financial activities. Of interest within the MD&A is a section entitled Factors Affecting Future Periods. The UW System's Annual Financial Report may be found at <http://www.uwsa.edu/fadmin/finrep/afr.htm>.

Analysis of the UW System's financial statements and notes may provide management with a better understanding of operations and assist in making business decisions. The statements may also be

used by Regents and other key stakeholders, including legislators and the Higher Learning Commission, in evaluating financial performance. Finally, because the UW System’s financial statements are included in the State’s CAFR, financial institutions, such as lending and bond rating agencies, use the statements when extending debt securities to finance capital projects.

Analysis of Financial Statements

Statement of Net Position – There were several significant changes within the UW System’s net position between fiscal year (FY) 2017 and FY 2016, as reflected in the table below.

Net Position (*in millions*):

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Net Investment in Capital Assets	\$ 4,392.6	\$ 4,383.3	\$ 9.3	0.21%
Restricted Net Position	1,245.2	1,211.5	33.6	2.77%
Unrestricted Net Position	<u>920.7</u>	<u>984.1</u>	<u>(63.4)</u>	(6.44%)
Total Net Position	<u>\$ 6,558.5</u>	<u>\$ 6,578.9</u>	<u>\$ (20.4)</u>	(0.31%)

The UW System’s Total Net Position decreased by \$20.4 million in FY 2017. This is the second consecutive year and the second time since 2002 that the Total Net Position declined.

The Statement of Net Position, provided on page 18 of the 2017 Annual Financial Report, shows that all the UW System’s Restricted Net Position categories—the “equity” with external limitations—have increased between years by a total of \$43.0 million, or (0.77%). However, the Statement of Net Position reports a \$63.4 million decrease in Unrestricted Net Position, from \$984.1 million in FY 2016 to \$920.7 million in FY 2017. Unrestricted Net Position represents the difference between assets, liabilities, and deferred outflows and inflows of resources, or the UW System’s equity that does not have external restrictions regarding its use or function.

Another significant change between years relates to a new accounting standard—Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which the UW System implemented in FY 2015. GASB Statement No. 68 requires governmental entities to report the difference between the value of the pension plan’s assets and the present value of projected benefit payments. In FY 2017, the Department of Employee Trust Funds, which manages the Wisconsin Retirement System, reported the UW System’s pension plan’s net position increased with changes in actuarial mortality assumptions and investment earnings being significantly more than projected, resulting in a reduction in the net pension liability. UW System reported a \$112.7 million pension liability for FY 2017, a \$107.8 million decrease or (49%) from the FY 2016 net pension liability of \$220.5 million.

Statement of Revenues, Expenses and Changes in Net Position – Operating revenues and expenses, which are reported on page 19 of the 2017 Annual Financial Report, are relatively consistent between FY 2017 and FY 2016. An increase of \$73.6 million (2.00%) was reported in operating revenues, while operating expenses also increased \$99.2 million (2.00%). While UW resident undergraduate tuition remained frozen in 2016-2017, there was an increase of \$26.5 million in nonresident tuition and fees revenue. Within operating expenses, salary and fringe benefit expenses increased \$62.7 million, which is attributed to the change in pension expense of \$36.2 million.

Overall salary and fringe benefit expense increased \$26.5 million if the pension accrual related to GASB Statement No. 68 is eliminated.

In total, an operating loss of over \$1.2 billion was reported in both years. The UW System's operating loss will likely continue to be significant since GASB standards require the state appropriations received to be reported as non-operating revenue.

Within non-operating revenues, gifts received increased by \$75.0 million, from \$303.1 million in FY 2016 to \$378.1 million in FY 2017. Investment income also increased significantly by \$59.6 million due to strong performance in the investment market. Capital appropriations from the state increased by \$14.2 million in FY 2017; however, there was a \$23.1 million decrease in capital contributions from private sources, from \$43.9 million in FY 2016 to \$20.8 million in FY 2017.

RELATED REGENT POLICIES

None

ANNUAL FINANCIAL REPORT

2017



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University of Wisconsin System
1220 Linden Drive
Madison, WI 53706**

Editor: Lana Becker

Cover Photo: University of Wisconsin–Stevens Point students gather near the new, state-of-the-art Chemistry Biology Building set to open in fall 2018. Designed as a “science-on-display” facility, it will house the entire Department of Chemistry, and the molecular biology, human biology and botany sections of the Department of Biology. The building will allow visitors to view hands-on interactive displays for exploration of the sciences. The campus has some of the highest enrollment science programs in the UW System, including more than 2,500 students majoring or minoring in biology and natural resources disciplines.

Established in 1894 as a teacher’s college, UW-Stevens Point enrolls about 8,600 students. The campus has more than 400 faculty and teaching academic staff, and the highest percentage (75%) of undergraduate courses taught by regular faculty in the UW System. UW-Stevens Point classrooms offer a low student-to-faculty ratio and professors who inspire and challenge, at an affordable price. With more than 200 student organizations, Pointers athletics, a popular intermural program, and a 280-acre nature preserve right on campus, students have many choices for recreation, as well as opportunities for service learning, research, sustainable living, internships, and study abroad. Expanding programs in technology, health care, natural resources, and the arts prepare students as tomorrow’s global professionals.

Photo: UW-Stevens Point

University of Wisconsin System 2017 Annual Financial Report

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2017 Annual Financial Report

OFFICERS

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President

Sean Nelson,
Vice President for Finance

Robert G. Cramer,
Vice President for Administration

Jessica Tormey,
Vice President for University Relations

James P. Henderson,
Vice President for Academic and Student Affairs

Quinn Williams,
General Counsel

FINANCE STAFF

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Senior Associate Vice President for Finance

Ginger Hintz,
Assistant Vice President for Financial
Administration and Controller

Lana Becker,
Director of Financial Reporting

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Assistant Vice President of Budget
Development and Planning

Ruth M. Anderson,
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Alexandria Roe,
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Douglas J. Hoerr,
Director for Trust Funds/Assistant Trust Officer

Diann Sypula,
Director for UW Service Center

Michael M. Kraus,
Special Assistant

CHANCELLORS

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James Schmidt, UW-Eau Claire

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Rebecca Blank, UW-Madison

Mark Mone, UW-Milwaukee

Andrew J. Leavitt, UW-Oshkosh

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Dennis Shields, UW-Platteville

Dean Van Galen, UW-River Falls

Bernie Patterson, UW-Stevens Point

Bob Meyer, UW-Stout

Renée Wachter, UW-Superior

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Michael Grebe, Waukesha

Eve Hall, Milwaukee

Tim Higgins, Appleton

Mike Jones, Milwaukee

Tracey Klein, Milwaukee

Regina Millner, Madison

Janice Mueller, Madison

Drew Petersen, Madison (Regent Vice President)

Ryan Ring, UW-Eau Claire

Bryan Steil, Beloit

S. Mark Tyler, Woodville

Gerald Whitburn, Wausau



Years Ended June 30, 2017 and 2016

INTRODUCTION FROM THE PRESIDENT



INTRODUCTION FROM THE PRESIDENT

FINANCIAL REPORT 2017

In fiscal year 2016-17, the University of Wisconsin (UW) System remained a vibrant institution and continued to recognize its ever-growing role in the State of Wisconsin and its economy. The UW System had a strong year in delivering a quality, accessible and affordable education for our students.

In FY 2016-17:

- The UW System enrolled nearly 176,000 students across 13 four-year and 13 two-year campuses;
- Approximately 32% of Wisconsin high school students enrolled in a UW institution immediately upon graduation;
- Students of color comprised nearly 16% of UW students;

- More than 36,600 associate, bachelor's, master's and other advanced degrees were awarded across all UW campuses – with nearly 25% of those degrees in STEM and health-related fields; and
- UW institutions reported expenditures of over \$1.0 billion in 2016-17 towards research that helps our state and nation.

We must remain diligent going forward to sustain these qualities and achievements for future generations. The financial report shows that, with strong faculty, staff, and administrators, we continue to be good stewards of our resources. Furthermore, the report received an unmodified (clean) audit opinion from the Legislative Audit Bureau, indicating no issues were found with the report.

FY 2016-2017 Annual Financial Report Highlights

- The UW System's equity (called Total Net Position) decreased by \$20.4 million, or 0.3%, for the fiscal year ending June 30, 2017.
- The Unrestricted Net Position (which describes resources not restricted by the federal government, donors, building projects, etc.) declined \$63.4 million, or nearly 6.5%. This decline in unrestricted resources is primarily attributed to three factors:
 1. Accrual adjustments for Wisconsin Retirement System (WRS) activity negatively impacted the UW System's Unrestricted Net Position by \$114.0 million. These adjustments primarily related to changes in actuarial assumptions that people have a longer life expectancy and differences between projected and actual earnings on

pension plan investments. The WRS is the ninth (9th) largest public pension fund in the United States, and is managed by Employee Trust Funds and the State of Wisconsin Investment Board. This fund has a significant impact on the UW System when we must accrue our portion of WRS activity.

2. The unrestricted revenues and expenses incurred by the UW System resulted in a net loss of approximately \$31.0 million (this excludes restricted financial activity, such as gifts).
 3. After further analysis of endowment and grant activity, the UW System reclassified \$74.5 million in restricted funds to unrestricted based upon donor and grant intent. However, this shift does not create additional equity in total, but rather increases the Unrestricted Net Position.
- To manage a changing fiscal environment, the UW System continues to rely heavily on outside revenue. In an increasingly competitive market for grants and contracts, the UW System has been able to keep its revenue from these sources stable over the past fiscal year. In addition, the UW System experienced an increase of \$75.0 million (or nearly 25%) in gifts, along with an increase of \$59.6 million in investment income in FY 2016-17. While appreciated and needed, increases in gift and investment revenue are likely not sustainable long-term due to fluctuations in giving and the potentially volatile nature of the financial market. In addition, gift funds are often restricted for specific purposes according to the donor's intent.
 - An increase of \$23.5 million in the UW System's cash balance is due to the increase in gift revenue as described above.

- UW resident undergraduate tuition was frozen for the fourth consecutive year in 2016-17. An increase of \$26.5 million in tuition and fee revenue is attributable to increases in nonresident and graduate enrollments and tuition rates.

In summer 2016, the UW System Board of Regents adopted *2020FWD*, a comprehensive strategic framework that reflects the needs and expectations of our students, citizens, communities and businesses. *2020FWD* clearly reflects the opportunity that UW campuses represent for Wisconsin in ensuring access to a quality education, as well as serving as a catalyst in supporting the economic vitality, health and well-being of all residents.

The UW System's financial base must be strong enough to secure a brighter future for all of Wisconsin and support the initiatives laid out in *2020FWD*.

Ray Cross
President



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 years ended June 30, 2017, and June 30, 2016, as listed in the table of contents. These financial statements include UW System's discretely presented component unit, UW Foundation, and its Consolidated Statements of Financial Position as of June 30, 2017 and 2016, and its related Consolidated Statements of Activities and Consolidated Statements of Cash Flows for the year ended June 30, 2017.

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 opinions on these financial statements based on our audits. We did not audit the financial statements of the UW Foundation. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the UW Foundation, is based solely on the report of the other auditors.

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. The financial statements of the UW Foundation were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of UW System and the discretely presented component unit as of June 30, 2017, and June 30, 2016, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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's financial statements and the discretely presented component unit, and do not purport to, and do not, present fairly the financial position of the State of Wisconsin as of June 30, 2017, and June 30, 2016, the changes in financial position, or where applicable, cash flows for the years 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 fiscal year 2015-16, UW System implemented the Governmental Accounting Standards Board (GASB) Statement Number 72, *Fair Value Measurement and Application*. This statement revises the accounting and financial reporting related to fair value measurements.

As discussed in Note 1 to the financial statements, in 2016, the date of the financial year end for the UW Foundation was changed from December 31 to June 30. Accordingly, the current Consolidated Statements of Activities and Consolidated Statements of Cash Flows do not show comparative figures for the year ended June 30, 2016.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information—Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedule of UW System's Proportionate Share of the Net Pension Liability (Asset), the schedule of UW System's Pension 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 Systems. The supplementary information on pages 4 and 5 and on pages 66 and 67 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 have also issued a report dated January 31, 2018, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used when considering the UW System's internal control over financial reporting and compliance.

LEGISLATIVE AUDIT BUREAU



Joe Chrisman
State Auditor

January 31, 2018



Years Ended June 30, 2017 and 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of the University of Wisconsin System (University) for the years ended June 30, 2017 and 2016, with comparative information for the year ended June 30, 2015, where appropriate. This discussion has been prepared by management and should be read in conjunction with the financial statements and footnotes.

The University consists of 13 universities, 13 two-year colleges, University of Wisconsin (UW)-Extension, and System Administration. In academic year 2016-2017, the University enrolled 175,825 students, employed approximately 31,800 faculty and staff, and granted 36,622 associate, bachelor's, master's, and other advanced degrees. University institutions were awarded over \$863.9 million in federal grants and contracts in fiscal year 2017 and an additional \$575.1 million from non-federal sponsors. The University 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.

Degrees Granted		2016-17 Headcount Enrollments	
<i>UW-Madison</i>	10,581	<i>UW-Madison</i>	42,994
<i>UW-Milwaukee</i>	5,415	<i>UW-Milwaukee</i>	26,011
<i>UW-Eau Claire</i>	2,149	<i>UW-Eau Claire</i>	10,705
<i>UW-Green Bay</i>	1,374	<i>UW-Green Bay</i>	7,030
<i>UW-La Crosse</i>	2,311	<i>UW-La Crosse</i>	10,624
<i>UW-Oshkosh</i>	2,384	<i>UW-Oshkosh</i>	13,955
<i>UW-Parkside</i>	801	<i>UW-Parkside</i>	4,399
<i>UW-Platteville</i>	1,606	<i>UW-Platteville</i>	8,782
<i>UW-River Falls</i>	1,398	<i>UW-River Falls</i>	5,931
<i>UW-Stevens Point</i>	1,905	<i>UW-Stevens Point</i>	8,627
<i>UW-Stout</i>	1,905	<i>UW-Stout</i>	9,619
<i>UW-Superior</i>	556	<i>UW-Superior</i>	2,487
<i>UW-Whitewater</i>	2,733	<i>UW-Whitewater</i>	12,628
<i>UW Colleges</i>	<u>1,504</u>	<i>UW Colleges</i>	<u>12,033</u>
<i>Total</i>	<u>36,622</u>	<i>Total</i>	<u>175,825</u>

Using the Financial Statements

The University'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, 2017 and 2016, 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 University's financial health when considered in conjunction with non-financial information, such as conditions of facilities and enrollment levels. Net

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016

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 University'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 University, are typically reliant on these revenue sources to fulfill their missions and, therefore, report operating expenses in excess of 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 relating to operating, capital, financing, or investing activities. Cash flow information can be used to evaluate the financial viability of the University 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 the University's pension obligations.

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016

Analysis of Financial Position and Results of Operations

The University's total net position remained relatively stable after fiscal year 2017. As of June 30, 2017, the University had total assets of \$8.6 billion and total liabilities of \$2.5 billion.

<u>Statement of Net Position (in millions)</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current Assets	\$ 2,009.0	\$ 1,988.3	\$ 1,905.0
Capital Assets, Net	6,021.0	5,998.2	6,006.0
Other Noncurrent Assets	<u>619.1</u>	<u>583.5</u>	<u>941.0</u>
Total Assets	8,649.1	8,570.0	8,852.0
Deferred Outflow of Resources	815.1	1,181.5	284.4
Current Liabilities	540.9	623.8	590.0
Noncurrent Liabilities	<u>2,004.9</u>	<u>2,076.2</u>	<u>1,848.2</u>
Total Liabilities	2,545.8	2,700.0	2,438.2
Deferred Inflows of Resources	359.9	472.6	9.1
Net Investment in Capital Assets	4,392.6	4,383.3	4,386.4
Restricted Net Position	1,245.2	1,211.5	1,468.9
Unrestricted Net Position	<u>920.7</u>	<u>984.1</u>	<u>833.8</u>
Total Net Position	<u>\$ 6,558.5</u>	<u>\$ 6,578.9</u>	<u>\$ 6,689.1</u>

Current assets minus current liabilities represents the net working capital of the University. Net working capital increased from \$1,364.5 million at June 30, 2016 to \$1,468.2 million at June 30, 2017. The net working capital at year end represented approximately 107 days of 2017 operating expenses. This indicates that the University could support normal operations for 107 days without additional revenues or liquidating noncurrent assets.

As shown in the following table, the change in Current Assets, which consists primarily of operating cash and cash equivalents, accounts receivable, student loans receivable, supply inventories, and prepaid expenses, increased by \$20.7 million during fiscal year 2017. The largest change within the fiscal year relates to a \$23.5 million increase in cash and cash equivalents that is the result of increased gifts and grants.

Current Assets (in millions)	<u>2017</u>	<u>2016</u>	<u>Change</u>
Cash & Cash Equivalents	\$ 1,666.1	\$ 1,642.6	\$ 23.5
Accounts Receivable, Net	241.6	244.0	(2.4)
Other Current Assets	<u>101.3</u>	<u>101.7</u>	<u>(0.4)</u>
Total Current Assets	<u>\$ 2,009.0</u>	<u>\$ 1,988.3</u>	<u>\$ 20.7</u>

The Board of Regents has authority to invest gifts and bequests received by the University. 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

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016

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 67 of this report. Additional information on cash and investments is provided in Note 2 to the Financial Statements.

Non-current assets are comprised mainly of endowment investments, capital assets (net of accumulated depreciation), and student loans receivable. Endowment investments, valued at \$452.2 million at June 30, 2017, increased by \$36.7 million during fiscal year 2017. The increase was driven by market-based improvements in investment performance.

Non-current liabilities decreased by \$71.3 million in fiscal year 2017. The most significant reason for this is the adjustment to the net pension liability. The total pension liability is based on a roll-forward of the December 31, 2015 valuation liabilities to December 31, 2016. In 2015, the Wisconsin Retirement System completed an experience study from 2012-2014, which resulted in a change in the mortality assumptions used when calculating the actuarial valuation required by Governmental Accounting Standards Board Statement (GASB) No. 68. This change reduced plan net position and that resulted in recording a \$220.5 million net pension liability at June 30, 2016. In 2017, the plan fiduciary net position increased, which was driven by the increase in investment income. This increase in fiduciary net position reduced the net pension liability to \$112.7 million.

Further, these reporting changes resulted in \$158.8 million of additional pension expense being included on the Statement of Revenues, Expenses, and Changes in Net Position. These changes are more fully described in Notes 1 and 8 to the Financial Statements.

Most of the unrestricted net position has been identified for purposes to fulfill the University'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 \$6.6 billion in net position, \$4.4 billion is net investment in capital assets. In an effort to maintain quality in the University's academic and research programs and residence halls, the University 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 University's capitalization and depreciation policies, and includes summarized changes in the book value of these assets. Note 6 to the Financial Statements describes the University's long term debt and includes summarized information on those balances, as well as future debt service requirements.

There are three primary sources of funding for University 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 University program revenue; and cash from gift and grant funds.

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016

Major Construction Projects

During fiscal year 2017, several major construction projects were in progress including these projects with a budget of \$50.0 million or more:

<u>UW Institution</u>	<u>Project</u>	<u>Primary Purpose</u>	<u>Approx. Budget (in millions)</u>	<u>Primary Funding Sources</u>
La Crosse	Science Lab Building	Academic	\$ 82.0	GFSB
Madison	Music Performance Building	Academic	55.8	Gifts
Madison	Witte Residence Hall Renovation	Student Life	52.8	PRSB/Cash
Madison	New South East Recreational Facility (SERF)	Student Life	96.5	PRSB/Gifts
Madison	Chemistry Building	Academic	93.8	GFSB/Gifts/Cash
Stevens Point	Chemistry-Biology Building	Academic	75.1	GFSB/Cash

Several construction projects were completed in FY 2017 including these projects with \$50.0 million or more in actual expenditures:

<u>UW Institution</u>	<u>Project</u>	<u>Primary Purpose</u>	<u>Approx. Budget (in millions)</u>	<u>Primary Funding Sources</u>
La Crosse	Student Union Center	Student Life	\$53.3	PRSB/Cash
River Falls	Health and Human Performance/ Recreation Building (Falcon Center)	Academics & Athletics	\$65.2	GFSB/PRSB/Gifts

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenue, Expenses, and Changes in Net Position present the University's operating results as well as non-operating revenues and expenses. A summary of the Statement of Revenues, Expenses, and Changes in Net Position is as follows (in millions):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Revenues	\$ 4,956.5	\$ 4,746.7	\$ 4,688.8
Total Expenses	<u>5,102.9</u>	<u>5,034.9</u>	<u>4,816.6</u>
Loss Before Capital and Endowment Additions	(146.4)	(288.2)	(127.8)
Capital Appropriations, Contributions & Endowment Additions	<u>126.0</u>	<u>137.4</u>	<u>192.5</u>
Increase (Decrease) in Net Position	<u>\$ (20.4)</u>	<u>\$ (150.8)</u>	<u>\$ 64.7</u>

The University's operating and non-operating revenues are provided in the table below. Operating revenues increased \$258.5 million since fiscal year 2015, primarily due to an increase in non-resident tuition and state, local, & private grants and contracts. Non-operating revenues increased \$9.2 million between fiscal year 2015 and fiscal year 2017 primarily due to changes in state appropriations, gifts, and investment income (loss).

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016

Operating Revenues (in millions):	<u>2017</u>	<u>2016</u>	<u>2015</u>
Student Tuition and Fees, Net	\$ 1,258.2	\$ 1,231.8	\$ 1,169.2
Federal Grants and Contracts	761.3	779.9	759.2
State, Local, & Private Grants and Contracts	439.8	414.6	389.5
Sales and Services of Educational Activities	335.6	317.1	327.8
Sales and Services of Auxiliaries, Net	429.5	418.1	401.8
All Other Operating Revenues	<u>478.3</u>	<u>467.7</u>	<u>396.7</u>
Total Operating Revenues	3,702.7	3,629.2	3,444.2
Non-Operating Revenues:			
State Appropriations	808.2	802.7	896.6
Gifts	378.1	303.1	304.9
Net Investment Income (Loss)	56.2	(3.4)	4.7
Other Non-Operating Revenues	<u>11.3</u>	<u>15.1</u>	<u>38.4</u>
Total Non-Operating Revenues	<u>1,253.8</u>	<u>1,117.5</u>	<u>1,244.6</u>
Total Revenues	<u>\$ 4,956.5</u>	<u>\$ 4,746.7</u>	<u>\$ 4,688.8</u>

One of the University's strengths has been its ability to supplement student tuition and 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 66 of this report). The University continues to aggressively seek funding sources consistent with its mission to meet operating activities in a financially prudent manner. In addition, the University 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):

Operating Expenses:	<u>2017</u>	<u>2016</u>	<u>2015</u>
Instruction	\$1,369.5	\$ 1,321.4	\$ 1,199.1
Research	960.5	932.4	729.0
Public Service	306.2	309.2	302.3
Academic Support	395.4	393.1	403.2
Student Services	440.2	449.1	442.1
Institutional Support	298.5	278.8	282.8
Operation/Maintenance	295.9	293.8	308.3
Financial Aid	144.6	153.7	298.2
Auxiliary Enterprises	363.3	335.9	337.8
Other Functions	81.3	77.4	76.7
Depreciation	<u>292.5</u>	<u>303.9</u>	<u>290.4</u>
Total Operating Expenses	4,947.9	4,848.7	4,669.9
Non-Operating Expenses	<u>155.0</u>	<u>186.2</u>	<u>146.7</u>
Total Expenses	<u>\$ 5,102.9</u>	<u>\$ 5,034.9</u>	<u>\$ 4,816.6</u>

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016

Salary and fringe benefits expenses adjusted for GASB Statement No. 68 are as follows (in millions):

	2017	2016	2015
Prior to GASB 68 Adjustment			
Salaries	\$2,323.3	\$2,297.4	\$2,311.8
Fringe Benefits	<u>774.7</u>	<u>774.1</u>	<u>779.3</u>
Subtotal	3,098.0	3,071.5	3,091.1
GASB 68 Adjustment			
Salaries	-	-	-
Fringe Benefits	<u>158.8</u>	<u>122.6</u>	<u>(56.8)</u>
Subtotal	158.8	122.6	(56.8)
After GASB 68 Adjustment			
Salaries	2,323.3	2,297.4	2,311.8
Fringe Benefits	<u>933.5</u>	<u>896.7</u>	<u>722.5</u>
Total	<u>\$3,256.8</u>	<u>\$3,194.1</u>	<u>\$3,034.3</u>

Factors Affecting Future Periods

In Fall 2017, the UW System Board of Regents approved the proposed restructure on UW Colleges and UW-Extension campuses to improve student access and success, increase efficiencies, and better align with Wisconsin's future workforce needs. The current 13 two-year UW Colleges campuses located statewide will integrate into UW four-year institutions, effective July 1, 2018.

The 2017-19 State budget requires continuing the freeze of resident undergraduate tuition at fiscal year 2012-13 levels for the upcoming 2017-18 fiscal year, as well as for the 2018-19 fiscal year equating to a 6-year tuition freeze.

The 2017-19 budget reflects an increase of 3.7 percent in state support, including the return of \$25.0 million in GPR funding that was lapsed back in 2016-17, nearly \$7.7 million in additional funding to support new initiatives, and \$5.2 million in debt service.



Years Ended June 30, 2017 and 2016

**FINANCIAL STATEMENTS OF
THE UNIVERSITY OF WISCONSIN SYSTEM**

University of Wisconsin System

Statement of Net Position

	June 30, 2017	June 30, 2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,666,087,168	\$ 1,642,563,338
Accounts Receivable, Net	241,562,798	243,985,000
Student Loans Receivable, Net	28,618,075	29,478,288
Capital Lease Receivable	806,186	598,576
Inventories	42,581,433	41,880,370
Prepaid Expenses	29,382,705	29,789,708
Total Current Assets	<u>2,009,038,365</u>	<u>1,988,295,280</u>
Noncurrent Assets		
Endowment Investments	452,170,586	415,469,781
Student Loans Receivable, Net	166,584,383	166,958,146
Capital Lease Receivable	288,493	1,094,679
Land	156,977,401	156,327,199
Improvements Other Than Buildings, Net	204,138,269	193,700,015
Construction in Progress	231,043,044	221,893,302
Buildings, Net	4,014,585,443	4,006,069,175
Equipment, Net	294,075,459	296,071,798
Library Holdings	1,120,151,973	1,124,133,587
Total Noncurrent Assets	<u>6,640,015,051</u>	<u>6,581,717,682</u>
TOTAL ASSETS	<u>\$ 8,649,053,416</u>	<u>\$ 8,570,012,962</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 815,034,378</u>	<u>\$ 1,181,485,510</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 204,283,467	\$ 284,771,463
Notes and Bonds Payable	94,191,384	89,332,234
Capital Lease Obligations	2,030,473	4,029,556
Unearned Revenue	170,602,882	178,391,222
Compensated Absences	67,651,794	65,213,517
Deposits of Student Organizations	2,112,060	2,100,749
Total Current Liabilities	<u>540,872,060</u>	<u>623,838,741</u>
Noncurrent Liabilities		
Notes and Bonds Payable	1,503,216,934	1,491,476,355
Capital Lease Obligations	28,928,030	30,109,183
Compensated Absences	70,394,687	66,307,440
Other Post-Employment Benefits	289,642,369	267,866,527
Net Pension Liability	112,698,659	220,459,696
Total Noncurrent Liabilities	<u>2,004,880,679</u>	<u>2,076,219,201</u>
TOTAL LIABILITIES	<u>\$ 2,545,752,739</u>	<u>\$ 2,700,057,942</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 359,879,237</u>	<u>\$ 472,581,880</u>
NET POSITION		
Net Investment in Capital Assets	\$ 4,392,604,768	\$ 4,383,247,748
Restricted for		
Nonexpendable	198,295,429	181,685,224
Expendable	323,389,032	340,691,976
Student Loans	235,251,787	235,752,483
Other	488,211,701	453,399,934
Unrestricted	920,703,101	984,081,285
TOTAL NET POSITION	<u>\$ 6,558,455,818</u>	<u>\$ 6,578,858,650</u>

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

University of Wisconsin System

Statement of Revenues, Expenses, and Changes in Net Position Year ended June 30, 2017 Year ended June 30, 2016

OPERATING REVENUES

Student Tuition and Fees (net of Scholarship Allowances of \$220,565,252 and \$209,182,883, respectively)	\$ 1,258,247,921	\$ 1,231,769,606
Federal Grants and Contracts	761,298,596	779,878,762
State, Local, and Private Grants and Contracts	439,810,579	414,611,523
Sales and Services of Educational Activities	335,614,882	317,062,423
Sales and Services of Auxiliary Enterprises (net of Scholarship Allowances of \$39,021,034 and \$36,664,303, respectively)	429,498,449	418,106,282
Sales and Services to UW Hospital Authority	69,204,214	66,904,179
Student Loan Interest Income and Fees	4,219,759	6,117,607
Other Operating Revenue	404,883,372	394,715,321
Total Operating Revenues	3,702,777,772	3,629,165,703

OPERATING EXPENSES

Salary and Fringe Benefits	3,256,804,423	3,194,138,043
Scholarship and Fellowships	145,168,431	149,708,841
Supplies and Services	1,228,565,407	1,194,940,208
Other Operating Expenses	24,897,718	5,980,105
Depreciation	292,441,734	303,909,224
Total Operating Expenses	4,947,877,713	4,848,676,421

OPERATING LOSS

(1,245,099,941)	(1,219,510,718)
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NON-OPERATING REVENUES AND EXPENSES

State Appropriations	808,158,994	802,720,319
Gifts	378,123,774	303,128,514
Investment Income (net of Investment Expense of \$1,925,346 and \$1,855,890, respectively)	56,204,617	(3,379,926)
Loss on Disposal of Capital Assets	(24,841,424)	(46,667,732)
Interest on Indebtedness	(53,396,335)	(60,945,948)
Transfer to State Agencies	(76,859,460)	(78,616,495)
Other	11,276,915	15,070,271

Loss Before Capital and Endowment Additions	(146,432,860)	(288,201,715)
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Capital Appropriations	103,318,235	89,089,071
Capital Contributions	20,756,875	43,888,230
Additions to Permanent Endowment	1,954,918	4,437,142

INCREASE (DECREASE) IN NET POSITION	(20,402,832)	(150,787,272)
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NET POSITION

Net Position - beginning of period	6,578,858,650	6,689,065,260
Prior Period Adjustment	-	40,580,662
NET POSITION - end of period	\$ 6,558,455,818	\$ 6,578,858,650

University of Wisconsin System

Statement of Cash Flows

Year ended June 30, 2017

Year ended June 30, 2016

Cash Flows from Operating Activities

Student Tuition and Fees	\$ 1,263,103,745	\$ 1,212,440,434
Federal, State, Local, and Private Grants & Contracts	1,198,022,800	1,199,638,158
Sales and Services of Educational Activities	325,953,004	312,457,963
Sales and Services of Auxiliary Enterprises	427,465,110	421,219,101
Sales and Services to UW Hospital Authority	67,799,320	67,166,806
Payments for Salaries and Fringe Benefits	(3,091,078,622)	(3,007,519,376)
Payments to Vendors and Suppliers	(1,279,149,826)	(1,158,497,227)
Payments for Scholarships and Fellowships	(145,168,431)	(149,708,841)
Student Loans Collected	35,958,740	35,662,700
Student Loan Interest and Fees Collected	4,219,758	6,117,605
Student Loans Issued	(36,039,084)	(37,187,680)
Other Revenue	393,152,186	383,601,599
Net Cash Used in Operating Activities	(835,761,300)	(714,608,758)

Cash Flows from Investing Activities

Interest and Dividends on Investments, Net	14,640,000	13,611,081
Proceeds from Sales and Maturities of Investments	90,983,630	90,863,273
Purchase of Investments	(86,812,606)	(82,336,993)
Net Cash Provided by Investing Activities	18,811,024	22,137,361

Cash Flows from Capital and Related Financing Activities

Proceeds from Issuance of Capital Debt	211,454,882	140,868,892
Payments for Debt Retirements (Refundings)	(121,337,989)	(67,869,138)
Capital Appropriations	103,318,235	89,053,439
Gifts and Other Receipts	34,249,805	43,521,287
Purchase of Capital Assets	(338,020,308)	(350,079,759)
Principal Payments on Capital Debt and Leases	(229,213,907)	(194,752,243)
Interest Payments on Capital Debt and Leases	(137,807,978)	(144,387,371)
Net Cash Used in Capital and Related Financing Activities	(477,357,260)	(483,644,893)

Cash Flows from Noncapital Financing Activities

State Appropriations	1,030,490,983	993,552,714
Gifts and Other Receipts	368,001,225	316,512,455
Transfer to State Agencies	(76,859,460)	(78,616,495)
Additions to Permanent Endowments	1,954,918	4,437,142
Student Direct Lending Receipts	678,992,387	711,023,609
Student Direct Lending Disbursements	(684,748,687)	(705,594,072)
Net Cash Provided by Noncapital Financing Activities	1,317,831,366	1,241,315,353

Net Increase (Decrease) in Cash and Cash Equivalents

Cash and Cash Equivalents - beginning of year	1,642,563,338	1,536,783,613
Prior Period Adjustment	-	40,580,662
Cash and Cash Equivalents - end of year	\$ 1,666,087,168	\$ 1,642,563,338

University of Wisconsin System

Statement of Cash Flows (continued)

Year ended June 30, 2017

Year ended June 30, 2016

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating Loss	\$ (1,245,099,941)	\$ (1,219,510,718)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</i>		
Depreciation Expense	292,441,734	303,909,224
Changes in Assets and Liabilities and Deferreds:		
Receivables, net	3,818,201	(23,421,445)
Inventories	(701,063)	(777,094)
Prepaid Expense (including Deferred Charges)	305,344	45,089,241
Accounts Payable and Accrued Liabilities	(65,839,310)	29,473,341
Unearned Revenue	(7,800,174)	6,785,234
Compensated Absences	6,525,525	1,793,544
Net Pension Deferred Outflows	379,089,051	(891,715,209)
Net Pension Liability & Related Deferred Inflows	(220,276,509)	1,014,341,720
Other Post-Employment Benefits	21,775,842	19,423,402
Net Cash Used in Operating Activities	\$ (835,761,300)	\$ (714,608,758)

Noncash Investing, Capital and Financing Activities

Capital Leases (Initial Year):		
Fair Market Value	\$ 1,871,975	\$ 1,742,499
Current Year Cash Payments	39,496	19,694
Gifts-In-Kind	3,181,697	3,437,933
Net Change in Unrealized Gains (Losses)	30,438,389	(27,057,955)

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Years Ended June 30, 2017 and 2016

FINANCIAL STATEMENTS OF THE UNIVERSITY OF WISCONSIN FOUNDATION

The University of Wisconsin Foundation is a private, independent not-for-profit organization formed to generate private support for the University of Wisconsin-Madison.

University of Wisconsin Foundation (UW-Madison)

Consolidated Statements of Financial Position

June 30, 2017

June 30, 2016

ASSETS

Cash and Cash Equivalents	\$ 105,043,144	\$ 112,953,979
Income and Redemption Receivable	15,304,453	20,860,964
Prepaid Expenses	2,209,309	1,522,672
Pledges Receivable, Net	131,720,292	179,734,301
Investments	3,653,235,317	3,177,038,023
Property and Equipment, Net	20,201,517	21,076,955
Real Estate	2,889,362	2,606,109
Notes Receivable	1,026,113	1,289,038
Other Assets	3,707,056	3,945,717
TOTAL ASSETS	\$ 3,935,336,563	\$ 3,521,027,758

LIABILITIES and NET ASSETS

LIABILITIES

Accounts Payable	2,918,308	4,098,923
Pending Investment Purchases Payable	55,001,392	27,506,426
Accrued Expenses and Other Payables	6,952,922	5,872,504
Deferred Revenue	1,609,194	380,938
Deferred Compensation	2,475,638	2,280,625
Note Payable	-	2,742,708
Liability under Split-Interest Agreements	45,048,021	43,700,837
Funds Due to Other Organizations	293,701,763	237,259,071
Total Liabilities	<u>407,707,238</u>	<u>323,842,032</u>

NET ASSETS

Unrestricted	122,490,421	85,081,476
Temporarily Restricted	1,745,855,111	1,524,329,521
Permanently Restricted	1,659,283,793	1,587,774,729
Total Net Assets	<u>3,527,629,325</u>	<u>3,197,185,726</u>

TOTAL LIABILITIES AND NET ASSETS	\$ 3,935,336,563	\$ 3,521,027,758
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University of Wisconsin Foundation (UW-Madison)

Consolidated Statements of Activities

Year ended June 30, 2017

REVENUES, GAINS AND OTHER SUPPORT

Contributions	\$	338,449,963
Interest and Dividend Income		33,582,155
Net Investment Gains (Losses)		290,973,860
Other Income		7,129,328
Total Revenues, Gains and Other Support	\$	670,135,306

EXPENSES

Payments to or for University of Wisconsin		253,168,819
Management and General Expenses		25,279,558
Fundraising Expenses		61,243,330
Total Expenses		339,691,707

INCREASE IN NET ASSETS

		330,443,599
Net assets - beginning of year		3,197,185,726
Net assets - end of year	\$	3,527,629,325

University of Wisconsin Foundation (UW-Madison)

Consolidated Statements of Cash Flows

Year ended June 30, 2017

Cash Flows from Operating Activities

Increase in net assets	\$	330,443,599
Adjustments to Reconcile Increase in Net Assets to Net Cash used in operating activities		
Depreciation of property and equipment		2,080,659
Net investment gains		(291,015,718)
Realized losses on sales of real estate		51,099
Realized losses on sales of property and equipment		10,020
Contributions to endowment funds		(50,206,470)
Contributions of real estate		(947,278)
Changes in operating assets and liabilities:		
Income and redemption receivables		3,349,298
Prepaid expenses		(686,637)
Pledges receivable		39,385,430
Other assets		238,661
Accounts payable		(1,180,615)
Accrued expenses and other payables		1,080,418
Deferred revenue		1,228,256
Deferred compensation		195,013
Liability under split-interest agreements		1,347,184
Funds due to other organizations		22,275,052
Net Cash Provided by Operating Activities		<u>57,647,971</u>

Cash Flows from Investing Activities

Proceeds from sales and maturities of investments		2,317,401,256
Purchases of investments		(2,438,713,013)
Proceeds from sales of real estate		620,926
Payments received on notes receivable		262,925
Purchases of property and equipment		(1,223,241)
Net Cash Used in Investing Activities		<u>(121,651,147)</u>

Cash flows from Financing Activities

Payments on notes payable		(2,742,708)
Proceeds from contributions to endowment funds		58,835,049
Net Cash Provided by Financing Activities		<u>56,092,341</u>

Net Decrease in Cash and Cash Equivalents (7,910,835)

Cash and Cash Equivalents - beginning of year 112,953,979

Cash and Cash Equivalents - end of year \$ 105,043,144

Non-cash Operating and Investing Activities

Gifts of investments \$ 77,476,459



Years Ended June 30, 2017 and 2016

NOTES TO THE FINANCIAL STATEMENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 1 – Organization and Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The University of Wisconsin System (University) 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'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 accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). In fiscal year 2016, the University implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement was issued to address accounting and financial reporting issues related to fair value measurements. The effect of this change is detailed in Note 2.

The University'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'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 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'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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

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

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, these reports are audited by independent auditors.

Financial Reporting Entity

The University consists of 13 universities, 13 two-year colleges, University of Wisconsin-Extension, and System Administration. The University has also considered all potential component units for which it is financially accountable and other affiliated organizations where the nature and significance of their relationships, including their ongoing financial support, with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the University's reporting entity is based on the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity; Omnibus, an amendment of GASB Statements No. 14 and No. 34*. Based upon the application of these criteria, the University of Wisconsin Foundation (Foundation) is presented as a discrete component unit.

The Foundation is a private, independent tax-exempt organization that is a component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University of Wisconsin-Madison (UW-Madison) in support of its various scientific, literary, athletic and educational program purposes. While the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, is restricted by donors to specified activities of UW-Madison. A majority of foundation funds are also endowed such that funding may be limited to a modest annual spendable allocation, per Foundation policy. A modest number of accounts are held and managed on behalf of donors to other University institutions. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, University institutions, the Foundation is considered a component unit of the University. In 2016, the financial year end of the Foundation was changed from December 31 to June 30. Accordingly, the current Statements of Activities and Cash Flows do not show comparative figures for the year ended June 30, 2016. The financial statements are prepared using accounting standards promulgated by the Financial Accounting Standards Board as they apply to not-for-profit corporations. Complete financial statements for the Foundation can be obtained from their administrative office: University of Wisconsin Foundation, 1848 University Avenue, Madison, Wisconsin 53726-4090.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

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

Other Organizations

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 University of Wisconsin Medical Foundation (UWMF), which is a blended component unit of UWHCA as of June 25, 2015, or 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). 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 by these organizations are reported at the time they are received. Note 11 describes the effect affiliation and operating agreements with the UWMF; 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 had on the University's financial statements.

Summary of Significant Accounting Policies

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.

The University 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.

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.

Prepaid expenses represent payments made prior to June 30th 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 30th, primarily summer session costs incurred prior to the close of the fiscal year. The revenues and expenses of the 2017 summer session are reportable within the fiscal year beginning July 1, 2016 and ending June 30, 2017, based on the prorated portion of the number of summer session days that occurred in fiscal year 2017. The revenues and expenses of the 2016 summer session are reportable within the fiscal year beginning July 1, 2015 and ending June 30, 2016, based on the prorated portion of the number of summer session days that occurred in fiscal year 2016.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

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

Accounting policies related to capital assets are described in Note 4.

For purposes of measuring the net pension liability, 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.

Unearned revenues consist of payments received but not yet earned as of June 30th, 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 leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

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'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.

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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

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 25.17(3)(b), (ba), (bd), and (dg). SWIB is not registered with the SEC as an investment company. The fair value of the investment in the SIF is based on net asset value (NAV) per share (or its equivalent) as of June 30, 2017. This is a comingled fund with the investment objective of safety of principal and liquidity while earning a competitive money market rate of return. The valuation of the underlying investments of the SIF depends on asset class and maturity date. Repurchase agreements and non-negotiable certificates of deposit are valued at cost. All other short-term debt investments with remaining maturities of up to ninety days are valued at fair value. Finally, all other short-term investments with remaining maturities of over ninety days are valued at fair value by third-party pricing services using a matrix-pricing technique. There are no unfunded commitments relating to the SIF, and shares of the SIF can be fully redeemed at any time with no notice or other restrictions. Investments consist primarily of obligations of the U.S. Government and its agencies and high quality commercial bank and corporate debt obligations.

Of the \$1,666.1 million and \$1,642.6 million in cash and cash equivalents as of June 30, 2017 and 2016, respectively, \$1,437.8 million and \$1,468.7 million, respectively, represent amounts held within the SIF; \$192.3 million and \$145.0 million, respectively, was maintained by individual University institutions in local bank accounts to meet operating needs; and \$36.0 million and \$28.9 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 accounting standards. Interest distributions are received monthly for balances associated with trust funds, federal 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.

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

For the remaining deposits, the University had balances in excess of Federal Deposit Insurance Corporation limits totaling \$185.2 million and \$137.5 million at June 30, 2017 and 2016, 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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

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 a deposit. Deposits in foreign currency at June 30, 2017 and 2016 are immaterial. The University does not have a formal policy for foreign currency risk.

Investments

The University invests its Trust Funds, primarily 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 2015.

The Long Term Fund consisted of the following investment categories on June 30, 2017 and 2016:

Investment Category	<u>2017</u>	<u>2016</u>
Common Stock and Convertible Securities	37.3%	35.5%
Bonds and Preferred Stock	12.1%	12.1%
Alternative Assets	21.1%	22.4%
Tactical Allocation Strategies	20.3%	21.8%
Real Assets	1.6%	1.8%
Custodial Pooled Cash and Cash Equivalents	<u>7.6%</u>	<u>6.4%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The Intermediate Term Fund consisted of the following investment categories on June 30, 2017 and 2016:

Investment Category	<u>2017</u>	<u>2016</u>
Common Stock and Convertible Securities	14.0%	14.1%
Bonds and Preferred Stock	79.8%	79.2%
Custodial Pooled Cash and Cash Equivalents	<u>6.2%</u>	<u>6.7%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Benefiting University entities receive quarterly distributions from the Long Term Fund, which is primarily comprised of 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, which is primarily comprised of expendable gifts, consist of quarterly interest earnings distributions. 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, 2017, the amount made available to spend from the Long Term Fund was \$16.4 million, relative to \$16.5 million available during the fiscal year ended June 30, 2016.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 2 – Cash and Investments (continued)

At June 30, 2017 and 2016, the University's investments were as follows:

Investments:	<u>2017</u>	<u>2016</u>
U.S. Government Securities	\$ 32,354,823	\$ 33,279,438
U.S Agency Securities	13,735,429	15,826,848
Bonds and Preferred Stock	26,832,773	22,209,877
Common Stock and Convertible Securities	57,029,057	47,524,597
Pooled Equity Funds	104,789,375	92,825,134
Pooled Allocation Fund	81,515,914	78,965,111
Pooled Fixed Income Fund	44,561,219	37,750,769
Custodial Pooled Cash and Cash Equivalents	35,992,987	28,887,081
Limited Partnerships	<u>91,351,997</u>	<u>87,568,699</u>
Total Investments	<u>\$ 488,163,574</u>	<u>\$ 444,837,554</u>

The total return on the Long Term Fund, including capital appreciation, was 14.4% compared to -2.6% in fiscal year 2016. The total return on the Intermediate Fund, including capital appreciation, was 3.4% compared to 2.7% in fiscal year 2016. External investment counsel was utilized for funds representing 89.8% of the market value of the Funds, compared to 89.6% in fiscal year 2016. In addition to the limited partnerships market value listed above, the University had \$24.4 million in unfunded limited partnership commitments for the fiscal year ended June 30, 2017, compared to \$24.3 million for the fiscal year ended June 30, 2016.

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit ratings issued by the major rating agencies are one indication of the perceived credit quality of the issuer. For the Intermediate Term Fund, the Reams actively, and separately managed, high quality fixed income account must maintain an average portfolio quality of A1 or higher, and a minimum of 85% investment grade (Baa or higher), and the Applied Security account must maintain an average portfolio quality of Aa2, and hold only securities rated Baa3 or higher. For both the Long and Intermediate Term Funds, positions in the Seix High Yield mutual fund are governed by any investment restrictions, including credit quality, provided in the fund prospectus and other related documents.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 2 – Cash and Investments (continued)

The following schedule displays the credit ratings as provided by Moody's Investor Service for debt securities held as of June 30, 2017 and 2016. Obligations of the United States and obligations explicitly guaranteed by the U.S. government are included in the Aaa rating below.

<u>Ratings</u>	<u>2017</u>	<u>2016</u>
Aaa	\$ 57,880,582	\$ 61,182,230
Aa1	656,223	-
Aa2	1,327,674	1,841,117
Aa3	1,432,982	834,258
A1	3,457,407	1,980,324
A2	3,731,260	2,343,265
A3	2,213,940	1,893,742
Baa1	6,233,197	4,370,290
Baa2	4,290,309	4,030,109
Baa3	1,728,246	836,398
Ba1	-	606,396
Ba2	12,603,486	11,033,419
Ba3	-	370,475
B1	-	280,906
B2	18,976,035	13,210,156
B3	-	109,631
Caa2	1,589,597	2,230,656
Caa3	-	76,919
No Rating	495,808	395,315
Unrated Pooled Cash	<u>36,860,485</u>	<u>30,328,407</u>
Totals	<u>\$ 153,477,231</u>	<u>\$ 137,954,013</u>

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 will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The University's separately-held investment securities are registered in the name of the University, and the University does not participate in any securities lending programs through its custodial bank. Investment securities underlying the University's investment in shares of external investment pools or funds are in custody at those entities. The shares owned in these external investment pools are registered in the name of the University. The University 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 that the University holds are limited to holding no more than 7.0% in any one issuer (U.S. Government/Agencies are exempted).

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 2 – Cash and Investments (continued)

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

Fixed Income Sector:

	2017		2016	
	<u>Market Value</u>	Effective <u>Duration</u>	<u>Market Value</u>	Effective <u>Duration</u>
Treasury Inflation Protected Securities	\$16,832,412	5.38	\$ 18,589,117	5.09
U.S. Government	19,982,444	5.34	18,346,600	4.11
U.S. Government Mortgages	4,667,512	4.92	6,309,840	4.35
Corporates and Other Credit	17,486,302	2.95	15,713,538	2.97
Collateralized Mortgage Obligations:				
U.S. Agencies	2,537,106	1.67	4,213,815	1.00
Corporate	165	0.00	7,514	0.42
Commercial Mortgage Backed Securities	3,127,148	4.39	3,282,340	0.92
U.S. Private Placements	8,289,936	2.89	4,695,541	2.67
U.S. Agencies	-	0.00	-	0.00
Asset Backed Securities	-	0.00	157,858	0.03
Totals	<u>\$ 72,923,025</u>		<u>\$ 71,316,163</u>	

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

Fixed Income Commingled Fund:

	2017		2016	
	<u>Market Value</u>	Modified <u>Duration</u>	<u>Market Value</u>	Modified <u>Duration</u>
Seix Advisors High Yield Fund	\$35,403,050	3.42	\$ 28,488,582	3.23
Intermediate Term Fund Multi Asset	<u>9,158,169</u>	2.62	<u>9,262,186</u>	2.51
Totals	<u>\$ 44,561,219</u>		<u>\$ 37,750,768</u>	

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, 2017, the Long Term and Intermediate Term Funds held equity securities denominated in foreign currencies within pooled investment vehicles only, with market values totaling \$115.6 million and \$6.3 million, respectively, compared to prior fiscal year amounts of \$98.0 million and \$5.4 million, respectively. Some of the trades for such foreign positions will not settle in foreign currencies until after the fiscal year end. For the 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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 2 – Cash and Investments (continued)

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 to appropriate, for current spending, an amount of realized and unrealized endowment appreciation as it determines 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 \$126.0 million and \$106.2 million at June 30, 2017 and June 30, 2016, respectively, is available to meet spending rate distributions and is recorded as restricted net assets.

Fair Value Measurements: The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are described as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted market prices included that are observable for the asset or liability. Matrix pricing, which is a mathematical technique used principally to value debt securities, is consistent with the market approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Level 3 - Unobservable inputs for the asset and liability used to measure fair value that rely on the reporting entity's own assumptions.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The following table sets forth by level, within the fair value hierarchy, the University's investments at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2017</u>
Investments:				
U.S. Government Securities	\$31,154,065	\$1,200,758	-	\$32,354,823
U.S. Agency Securities	-	13,735,429	-	13,735,429
Bonds and Preferred Stock	-	26,832,773	-	26,832,773
Pooled Fixed Income Fund	44,561,219	-	-	44,561,219
Common Stock and Convertible Securities	57,029,057	-	-	57,029,057
Pooled Equity Funds	53,401,109	51,388,266	-	104,789,375
Pooled Allocation Fund	81,515,914	-	-	81,515,914
Custodial Pooled Cash and Cash Equivalents	N/A	N/A	N/A	35,992,987
Limited Partnerships (measured at net asset value)	N/A	N/A	N/A	91,351,997
Total investments at fair value	<u>\$ 267,661,364</u>	<u>\$ 93,157,226</u>	<u>\$ -</u>	<u>\$ 488,163,574</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 2 – Cash and Investments (continued)

The following table sets forth by level, within the fair value hierarchy, the University's investments at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2016</u>
Investments:				
U.S. Government Securities	\$31,851,446	\$1,427,992	-	\$33,279,438
U.S. Agency Securities	-	15,826,848	-	15,826,848
Bonds and Preferred Stock	-	22,209,877	-	22,209,877
Pooled Fixed Income Fund	37,750,769	-	-	37,750,769
Common Stock and Convertible Securities	47,524,597	-	-	47,524,597
Pooled Equity Funds	50,745,922	42,079,212	-	92,825,134
Pooled Allocation Fund	78,965,111	-	-	78,965,111
Custodial Pooled Cash and Cash Equivalents*	N/A	N/A	N/A	28,887,081
Limited Partnerships *	N/A	N/A	N/A	87,568,699
Total investments at fair value	<u>\$ 246,837,845</u>	<u>\$ 81,543,929</u>	<u>\$ -</u>	<u>\$ 444,837,554</u>

*Measured at net asset value

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

The following table presents the fair value of the University's investments that were determined based on the NAV as of June 30:

Investment Type	2017		2016	
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Limited partnership funds	\$ 91,351,997	\$ 24,354,984	\$ 87,568,699	\$ 24,349,875
Custodial Pooled Cash and Cash Equivalents	\$ 35,992,987	-	\$ 28,887,081	-

The University's investments in private equity and real asset Limited Partnership Funds cannot be redeemed. The investment strategies are expected to focus globally on corporate finance, venture capital, and forestry/agricultural investments. None of these limited partnership funds are expected to be sold and would require prior written consent of the Fund. The University's investments in a hedge fund-of-funds Limited Partnership are redeemable monthly, with some limitations. The investment strategy is expected to focus on market-neutral strategies, including long and short positions on various marketable securities.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 3 – Receivables

Accounts receivable and student loans receivable as of June 30, 2017 and June 30, 2016, are summarized as follows:

Receivables (Net):	<u>2017</u>	<u>2016</u>
Student Academic Fees	\$ 27,073,948	\$ 30,560,332
Grants and Contracts	47,083,535	43,647,286
Educational Activities and Other	51,321,923	40,075,308
Auxiliary Enterprises	13,504,929	11,993,875
UW Hospital Authority and La Crosse Medical Health Science Consortium Inc.	1,094,679	6,432,130
Investment	1,637,397	481,759
Student Loans Receivable	195,202,458	196,436,434
State Agencies	29,640,084	36,280,762
Other Governments	<u>71,300,982</u>	<u>76,206,803</u>
Total Receivables (Net)	<u>\$ 437,859,935</u>	<u>\$ 442,114,689</u>

Student loans receivable at June 30, 2017 included allowances for uncollectible loans of \$9.0 million relative to \$9.2 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 under the Perkins loan program and a variety of health professions loan programs.

The University distributed student loans through the United States Department of Education federal direct lending program totaling \$684.7 million during fiscal year 2017 and \$705.6 million in fiscal year 2016. 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, 2017 and 2016

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 University 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 does not capitalize 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 2017 or 2016. Insurance recoveries received in fiscal year 2017 include \$2.2 million for a building fire at the University of Wisconsin-Milwaukee. Insurance recoveries received in fiscal year 2016 include \$2.4 million for storm damage at the University of Wisconsin-Platteville. 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, 2017, the equipment balance includes \$35.5 million for intangible assets net of depreciation, compared to \$37.5 million at June 30, 2016.

Depreciation expense for fiscal years ended June 30, 2017 and 2016 was \$292.4 million and \$303.9 million, respectively.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 4 – Capital Assets (continued)

The change in book value from July 1, 2016 to June 30, 2017 is summarized as follows:

	Book Value July 1, 2016	Additions	Transfers	Deductions	Book Value June 30, 2017
Buildings	\$ 6,790,499,423	\$ 88,657,765	\$ 125,777,862	\$ (-)	\$ 7,004,935,050
Improvements	467,817,500	16,566,037	10,091,520	(-)	494,475,057
Land	156,327,199	650,202			156,977,401
Construction in Progress	221,893,302	147,347,776	(138,198,034)	(-)	231,043,044
Equipment	1,152,205,260	74,593,952		(53,717,621)	1,173,081,591
Library Holdings	<u>1,124,133,587</u>	<u>20,056,319</u>	<u>-</u>	<u>(24,037,933)</u>	<u>1,120,151,973</u>
Subtotal	\$ 9,912,876,271	\$ 347,872,051	\$ (2,328,652)	\$ (77,755,554)	\$ 10,180,664,116

Less Accumulated Depreciation:

	Book Value July 1, 2016	Additions	Transfers	Deductions	Book Value June 30, 2017
Buildings	\$ 2,784,430,248	\$ 206,241,119	\$ (321,760)	\$ (-)	\$ 2,990,349,607
Improvements	274,117,485	16,219,303	-	(-)	290,336,788
Equipment	<u>856,133,462</u>	<u>69,981,312</u>	<u>-</u>	<u>(47,108,642)</u>	<u>879,006,132</u>
Total Accumulated Depreciation	3,914,681,195	292,441,734	(321,760)	(47,108,642)	4,159,692,527
Capital Assets, Net	<u>\$ 5,998,195,076</u>	<u>\$ 55,430,317</u>	<u>\$ (2,006,892)</u>	<u>\$ (30,646,912)</u>	<u>\$ 6,020,971,589</u>

The change in book value from July 1, 2015 to June 30, 2016 is summarized as follows:

	Book Value July 1, 2015	Additions	Transfers	Deductions	Book Value June 30, 2016
Buildings	\$ 6,478,612,937	\$ 122,153,480	\$ 196,361,120	\$ (6,628,114)	\$ 6,790,499,423
Improvements	459,106,188	5,864,421	2,938,082	(91,191)	467,817,500
Land	156,065,166	262,033	-	-	156,327,199
Construction in Progress	295,693,992	125,015,958	(198,816,648)	-	221,893,302
Equipment	1,117,418,253	74,984,049	(78,609)	(40,118,433)	1,152,205,260
Library Holdings	<u>1,145,325,745</u>	<u>20,431,864</u>	<u>-</u>	<u>(41,624,022)</u>	<u>1,124,133,587</u>
Subtotal	\$ 9,652,222,281	\$ 348,711,805	\$ 403,945	\$ (88,461,760)	\$ 9,912,876,271

Less Accumulated Depreciation:

	Book Value July 1, 2015	Additions	Transfers	Deductions	Book Value June 30, 2016
Buildings	\$ 2,584,851,968	\$ 201,270,269	\$ -	\$ (1,691,989)	\$ 2,784,430,248
Improvements	257,857,352	16,351,324	-	(91,191)	274,117,485
Equipment	<u>803,528,361</u>	<u>86,287,631</u>	<u>1,018,576</u>	<u>(34,701,106)</u>	<u>856,133,462</u>
Total Accumulated Depreciation	3,646,237,681	303,909,224	1,018,576	(36,484,286)	3,914,681,195
Capital Assets, Net	<u>\$ 6,005,984,600</u>	<u>\$ 44,802,581</u>	<u>\$ (614,631)</u>	<u>\$ (51,977,474)</u>	<u>\$ 5,998,195,076</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

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's activities as of June 30, 2017 and 2016, are summarized as follows:

Fiscal Year 2017	Due to State Agencies and Other Governments			Total Payables
	Salary and Fringe Benefits	Other Governments	Vendors	
UW System Activities:				
Operating	\$ 10,078,846	\$ 71,490,247	\$ 46,234,561	\$ 127,803,654
Gifts, Grants, and Contracts	1,474,605	19,777,197	10,210,238	31,462,040
Capital Projects	-	510,926	37,169,660	37,680,586
Auxiliary Enterprises	1,590,732	710,280	3,586,177	5,887,189
Investment and Other	<u>17,880</u>	<u>352,364</u>	<u>1,079,754</u>	<u>1,449,998</u>
Total Activities	<u>\$ 13,162,063</u>	<u>\$ 92,841,014</u>	<u>\$ 98,280,390</u>	<u>\$ 204,283,467</u>

Fiscal Year 2016	Due to State Agencies and Other Governments			Total Payables
	Salary and Fringe Benefits	Other Governments	Vendors	
UW System Activities:				
Operating	\$ 26,751,611	\$ 73,433,069	\$ 77,024,564	\$ 177,209,244
Gifts, Grants, and Contracts	4,133,363	11,566,092	8,638,104	24,337,559
Capital Projects	-	28,480	60,650,119	60,678,599
Auxiliary Enterprises	4,588,671	1,049,358	7,265,899	12,903,928
Investment and Other	<u>82,380</u>	<u>339,527</u>	<u>9,220,226</u>	<u>9,642,133</u>
Total Activities	<u>\$ 35,556,025</u>	<u>\$ 86,416,526</u>	<u>\$ 162,798,912</u>	<u>\$ 284,771,463</u>

Long-term liability activity for the fiscal years ended June 30, 2017 and 2016 is as follows:

Long-term Liabilities 2017	Balance July 1, 2016	Increases (Decreases)	Balance June 30, 2017	Current Portion
Bonds Payable	\$ 1,483,207,141	\$ 36,852,265	\$ 1,520,059,406	\$ 74,777,773
Notes Payable	97,601,448	(20,252,536)	77,348,912	19,413,611
Capital Lease Obligations	34,138,739	(3,180,236)	30,958,503	2,030,473
Compensated Absences	131,520,957	6,525,524	138,046,481	67,651,794
Net Pension Liability	220,459,696	(107,761,037)	112,698,659	-
Other Post-Employment Benefits	<u>267,866,527</u>	<u>21,775,842</u>	<u>289,642,369</u>	-
Total	<u>\$ 2,234,794,508</u>	<u>\$ (66,040,178)</u>	<u>\$ 2,168,754,330</u>	<u>\$ 163,873,651</u>

Long-term Liabilities 2016	Balance July 1, 2015	Increases (Decreases)	Balance June 30, 2016	Current Portion
Bonds Payable	\$ 1,463,239,403	\$ 19,967,738	\$ 1,483,207,141	\$ 69,080,059
Notes Payable	119,557,432	(21,955,984)	97,601,448	20,252,175
Capital Lease Obligations	36,766,803	(2,628,064)	34,138,739	4,029,556
Compensated Absences	129,727,413	1,793,544	131,520,957	65,213,517
Net Pension Liability	-	220,459,696	220,459,696	-
Other Post-Employment Benefits	<u>248,443,125</u>	<u>19,423,402</u>	<u>267,866,527</u>	-
Total	<u>\$ 1,997,734,176</u>	<u>\$ 237,060,332</u>	<u>\$ 2,234,794,508</u>	<u>\$ 158,575,307</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 6 – Long Term Debt

The State of Wisconsin issues general obligation bonds and notes on behalf of its constituent agencies, including the University, the proceeds of which are used to construct or acquire facilities and other capital assets. The University holds title to the assets thus acquired. As an enterprise fund of the State of Wisconsin, the University reports on its Statement of Net Position the portion of the debt that will be repaid with program revenues generated by the University's self-supporting operations. Debt on academic facilities that is repaid by an appropriation from the State of Wisconsin to the University for that purpose is reported by the State of Wisconsin and not as an obligation of the University. 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, 2017:

	Balance <u>July 1, 2016</u>	New Debt/ <u>Accretion</u>	Principal Paid/ <u>Adjustments</u>	Balance <u>June 30, 2017</u>
Bonds (Gross)	\$ 1,384,088,358	\$ 193,416,024	\$ (173,071,231)	\$ 1,404,433,151
Notes	<u>97,601,448</u>	<u>16,097,612</u>	<u>(36,350,148)</u>	<u>77,348,912</u>
Total	<u>\$ 1,481,689,806</u>	<u>\$ 209,513,636</u>	<u>\$ (209,421,379)</u>	<u>\$ 1,481,782,063</u>

The bonds have maturity dates ranging from November 1, 2017 to May 1, 2042. The notes have maturity dates ranging from August 1, 2017 to May 1, 2022.

As of June 30, 2017, the current and noncurrent bonds and notes payable net of discounts and premiums totaled \$94.2 million and \$1,503.2 million, respectively.

	Balance <u>June 30, 2017</u>	Current	Noncurrent
Bonds (Gross)	\$ 1,404,433,151	\$ 54,999,805	\$ 1,349,433,346
Discount	(202,399)	(15,809)	(186,590)
Premium	<u>115,828,654</u>	<u>19,793,777</u>	<u>96,034,877</u>
Bonds (Net)	1,520,059,406	74,777,773	1,445,281,633
Notes	<u>77,348,912</u>	<u>19,413,611</u>	<u>57,935,301</u>
Total	<u>\$ 1,597,408,318</u>	<u>\$ 94,191,384</u>	<u>\$ 1,503,216,934</u>

The following information relates to the status of bonds and notes payable outstanding at June 30, 2016:

	Balance <u>July 1, 2015</u>	New Debt/ <u>Accretion</u>	Principal Paid/ <u>Adjustments</u>	Balance <u>June 30, 2016</u>
Bonds (Gross)	\$ 1,371,455,390	\$ 135,397,612	\$ (122,764,644)	\$ 1,384,088,358
Notes	<u>119,557,432</u>	<u>344,263</u>	<u>(22,300,247)</u>	<u>97,601,448</u>
Total	<u>\$ 1,491,012,822</u>	<u>\$ 135,741,875</u>	<u>\$ (145,064,891)</u>	<u>\$ 1,481,689,806</u>

The bonds have maturity dates ranging from November 1, 2016 to May 1, 2042. The notes have maturity dates ranging from May 1, 2017 to May 1, 2035.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 6 – Long Term Debt (continued)

As of June 30, 2016, the current and noncurrent bonds and notes payable net of discounts and premiums totaled \$89.3 million and \$1,491.5 million, respectively.

	Balance		
	June 30, 2016	Current	Noncurrent
Bonds (Gross)	\$ 1,384,088,358	\$ 51,733,242	\$ 1,332,355,116
Discount	(218,209)	(15,809)	(202,400)
Premium	<u>99,336,992</u>	<u>17,362,626</u>	<u>81,974,366</u>
Bonds (Net)	1,483,207,141	69,080,059	1,414,127,082
Notes	<u>97,601,448</u>	<u>20,252,175</u>	<u>77,349,273</u>
Total	<u>\$ 1,580,808,589</u>	<u>\$ 89,332,234</u>	<u>\$ 1,491,476,355</u>

Future debt service requirements for bonds and notes outstanding at June 30, 2017 are as follows:

Fiscal Year(s)	Bonds		Notes	
	Principal	Interest	Principal	Interest
2018	\$ 54,999,805	\$ 66,207,984	\$ 19,413,611	\$ 3,358,388
2019	62,819,862	63,304,966	14,977,934	2,631,528
2020	64,751,697	60,280,586	16,666,685	1,980,650
2021	62,737,695	56,572,182	19,300,848	1,244,347
2022	71,750,385	53,306,773	6,989,834	349,491
2023-2027	442,076,186	211,302,285	-	-
2028-2032	393,957,796	112,521,297	-	-
2033-2037	194,004,725	34,764,430	-	-
2038-2042	<u>57,335,000</u>	<u>7,170,730</u>	-	-
Total	<u>\$ 1,404,433,151</u>	<u>\$ 665,431,233</u>	<u>\$ 77,348,912</u>	<u>\$ 9,564,404</u>

As noted above, debt on academic facilities that is repaid by an appropriation from the State of Wisconsin to the University for that purpose is reported by the State of Wisconsin and not as an obligation of the University. As of June 30, 2017, the principal balances of such bonds and notes were \$1,449.5 million and \$144.2 million, respectively. As of June 30, 2016, the principal balances of such bonds and notes were \$1,475.4 million and \$177.6 million, respectively. Debt service payments made by the State of Wisconsin for the years ended June 30, 2017 and 2016 were allocated as follows:

2017	Bonds	Notes
Principal	\$ 118,310,777	\$ 35,112,946
Interest	<u>67,506,174</u>	<u>1,402,092</u>
Total Paid	<u>\$ 185,816,951</u>	<u>\$ 36,515,038</u>
2016	Bonds	Notes
Principal	\$ 122,176,211	\$ -
Interest	<u>68,148,936</u>	<u>507,248</u>
Total Paid	<u>\$ 190,325,147</u>	<u>\$ 507,248</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 7 – Lease Commitments and Installment Purchases

The University had capital lease obligations with a net present value of \$31.0 million as of June 30, 2017 compared to \$34.1 million at June 30, 2016. The payment schedule for capital lease obligations is as follows:

2018	\$ 4,219,275
2019	3,163,455
2020	2,953,970
2021	2,683,795
2022	2,489,736
2023-2027	12,363,920
2028-2032	12,363,920
2033-2037	12,363,920
2038-2042	12,363,920
2043-2047	<u>2,472,784</u>
Total Scheduled Lease Payments	67,438,695
Amount Representing Interest	<u>(36,480,192)</u>
Net Present Value	<u>\$ 30,958,503</u>

Assets Held Under Capital Lease:

June 30, 2017	<u>Original Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Buildings and Improvements	\$ 98,199,857	\$ 51,044,929	\$ 47,154,928
Equipment	<u>2,680,831</u>	<u>1,927,909</u>	<u>752,922</u>
Total Assets	<u>\$ 100,880,688</u>	<u>\$ 52,972,838</u>	<u>\$ 47,907,850</u>
June 30, 2016	<u>Original Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Buildings and Improvements	\$ 98,199,857	\$ 47,279,973	\$ 50,919,884
Equipment	<u>13,428,899</u>	<u>9,322,669</u>	<u>4,106,230</u>
Total Assets	<u>\$ 111,628,756</u>	<u>\$ 56,602,642</u>	<u>\$ 55,026,114</u>

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 \$37.9 million for the fiscal year ended June 30, 2017.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 7 – Lease Commitments and Installment Purchases (continued)

Minimum commitments for future operating lease payments are as follows:

2018	\$ 24,042,672
2019	22,343,438
2020	20,568,675
2021	19,672,877
2022	16,698,348
2023-2027	76,688,902
2028-2032	67,382,689
2033-2037	28,644,809
2038-2042	24,738,000
2043-2047	<u>19,760,000</u>
Total	<u>\$ 320,540,410</u>

The University entered into installment purchase agreements during fiscal year 2017. Gross minimum future installment payments, along with the present value of the minimum installment payments, as of June 30, 2017 for installment purchases are as follows:

2018	\$ 413,634
2019	405,773
2020	405,773
2021	<u>401,047</u>
Total Minimum Future Payments	1,626,227
Amount Representing Interest	<u>(23,578)</u>
Present Value of Net Minimum Payments	<u>\$ 1,602,649</u>

NOTE 8 – Retirement Benefits

Wisconsin Retirement System

Plan Description. The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit public employee retirement system established by the State of Wisconsin to provide pension benefits for state and local government employees. The WRS is administered by the Wisconsin Department of Employee Trust Funds (ETF) in accordance with Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the Legislature. All employees initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 8 – Retirement Benefits (continued)

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 and Variable 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.

Vesting. For employees that began participation on or after January 1, 1990 and were 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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 8 – Retirement Benefits (continued)

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>
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%
2015	2.9%	2.0%
2016	0.5%	(5.0)%

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. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. 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.

During the reporting period, the University's contributions recognized by the WRS amounted to \$127.8 million and \$131.5 million, respectively. Contribution rates as of June 30, 2017 and 2016 were:

<u>Employee Category</u>	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%	6.6%	6.6%
Executives & Elected Officials	6.8%	6.8%	6.6%	6.6%
Protective with Social Security	6.8%	10.6%	6.6%	9.4%
Protective without Social Security	6.8%	14.9%	6.6%	13.2%

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 8 – Retirement Benefits (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the University reported a net pension liability of \$112.7 million for its proportionate share of the net pension liability, compared to \$220.5 million at June 30, 2016. The net pension liability was based on an actuarial valuation performed as of December 31, 2015, with roll forward to December 31, 2016, and a measurement date of December 31, 2016. The University's proportion of the total net pension liability was determined based on the average of the University's contributions to the WRS over the three most recent calendar years relative to the average contributions of all participating employers for the same period. At December 31, 2016, the University's proportion was 13.54%, which was a decrease of 0.06% from its proportion measured as of December 31, 2015.

For the fiscal year ended June 30, 2017 and June 30, 2016, the University recognized pension expense of \$284.3 million and \$264.2 million, respectively.

The amount reported as pension-related deferred outflows resulting from the University's contributions subsequent to the measurement date is recognized as part of the net pension liability calculation in the year ended June 30, 2018. 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:

Fiscal Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 287,648,132	\$ 142,545,034
2019	287,648,132	142,545,034
2020	240,605,170	141,454,463
2021	8,960,318	42,518,540
2022	194,030	1,604

Additional information 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, 2017 and 2016

NOTE 8 – Retirement Benefits (continued)

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-Retirement Adjustments*	2.1%

* 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 2015 using experience from 2012-2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

Long-term Expected Real Rate of Return. 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>	Core Fund		Variable Fund	
	Long-Term Real Rate of Return	Target Allocation	Long-Term Real Rate of Return	Target Allocation
US Equities	0.0%	0%	4.7%	70%
Global Equities	5.4%	45%	n/a	--
International Equities	0.0%	0%	5.6%	30%
Fixed Income	1.4%	37%	n/a	--
Inflation Sensitive Assets	1.5%	20%	n/a	--
Real Estate	3.6%	7%	n/a	--
Private Equity/Debt	6.5%	7%	n/a	--
Multi-Asset	3.7%	4%	n/a	--
Cash	n/a	--	n/a	--

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 8 – Retirement Benefits (continued)

Single Discount Rate. A single discount rate of 7.2% 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 7.2% and a long term bond rate of 3.78%. Because of the unique structure of the WRS, the 7.2% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University’s proportionate share of the net pension liability to changes in the discount rate. The following presents the University’s proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what the University’s proportionate share of the net pension liability 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 for fiscal years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
1% Decrease to Discount Rate	\$ 1,468,661,552	\$ 1,548,658,807
Current Discount Rate	\$ 112,698,659	\$ 220,459,696
1% Increase to Discount Rate	\$ (933,332,672)	\$ (816,290,702)

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://www.etf.wi.gov/publications/cafr.htm>.

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’s contributions to this program totaled \$74,331 during fiscal year 2017, compared with \$81,056 during fiscal year 2016.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

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. University employees 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. ETF 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 another postemployment benefit (OPEB).

As of the January 2015 actuarial valuation, the State's annual required contributions were \$98.4 million and \$94.5 million for fiscal years ended June 30, 2017 and June 30, 2016, respectively. The State's annual OPEB costs were \$79.4 million and \$76.8 million for fiscal years ended June 30, 2017 and June 30, 2016, respectively, and the State's actual contributions were \$38.4 million in fiscal year 2017 and \$36.7 million in fiscal year 2016, which results in a net OPEB obligation for the State of \$583.7 million as of June 30, 2017, and \$542.7 million as of June 30, 2016. The portion of this obligation allocated to the University increased from \$267.9 million in fiscal year 2016 to \$289.6 million in fiscal year 2017.

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 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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

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 contributed \$38,882 to this program during fiscal year 2017 compared to \$37,127 during fiscal year 2016.

ETF 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 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, 2017 and June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources from the following sources:

Deferred Outflows (Inflows) of Resources related to Pensions

<u>Fiscal Year 2017</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 42,567,356	\$ (351,089,965)
Net differences between projected and actual earnings on pension plan investments	556,377,930	-
Employer contributions subsequent to the measurement date	49,593,620	-
Changes in Actuarial Assumptions	116,721,223	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(7,903,108)
Total	<u>\$ 765,260,129</u>	<u>\$ (358,993,073)</u>
<u>Fiscal Year 2016</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 36,951,510	\$ (464,658,848)
Net differences between projected and actual earnings on pension plan investments	902,669,272	-
Employer contributions subsequent to the measurement date	50,250,757	-
Changes in Actuarial Assumptions	154,477,640	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(6,849,697)
Total	<u>\$ 1,144,349,180</u>	<u>\$ (471,508,545)</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 10 – Deferred Outflows and Deferred Inflows of Resources (continued)

Deferred Outflows (Inflows) of Resources related to Debt Refundings

	<u>2017</u>	<u>2016</u>
Unamortized Losses	\$ 49,774,249	\$ 37,136,330
Unamortized Gains	<u>(824,641)</u>	<u>(1,073,335)</u>
Total	<u>\$ 48,949,608</u>	<u>\$ 36,062,995</u>

Deferred Outflows (Inflows) of Resources related to Gifts

	<u>2017</u>	<u>2016</u>
	<u>\$(61,523)</u>	<u>\$ -</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 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 Medical Foundation

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 11 - Other Organizations

A - University of Wisconsin Medical Foundation (continued)

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-Madison 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 \$8.5 million to DHS during fiscal year 2017 and \$9.7 million in fiscal year 2016, representing the state's share of this difference. DHS then claimed the federal share of the difference from the federal government and subsequently provided \$26.1 million during fiscal year 2017 and \$22.7 million during fiscal year 2016, representing both the state and federal share of the difference, to the UWMF. In addition, transfers by UW-Madison to the MA Trust Fund of \$11.5 million during fiscal year 2017 and \$13.0 million in fiscal year 2016 were also made under this program and are reported as a transfer to state agencies on the financial statements.

In addition, UW-Madison incurred expenditures for which reimbursement was received from the UWMF. Of the \$103.7 million expended in fiscal year 2017, \$91.9 million was for salaries and fringe benefits of staff in the UW-Madison School of Medicine.

B - 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 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, 2017, the present value of these future lease payments totaled \$0.18 million, compared to \$0.2 million at June 30, 2016, 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 University bonds outstanding of \$1,404.4 million and \$1,384.1 million at June 30, 2017 and June 30, 2016, respectively. The leased facilities are not included as part of the University'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, 2017, the University received services from UWHCA totaling \$4.9 million and provided services to UWHCA totaling \$69.2 million, compared to amounts for fiscal year ended June 30, 2016 of \$4.8 million and \$66.9 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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 11 - Other Organizations (continued)
C - 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 organized under the UW-Madison 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 UW-Madison and the designated technology transfer organization for the university. The facility was originally undertaken with \$50.0 million in State of Wisconsin and University funding, \$110.0 million contributed by WARF, and a \$50.0 million donation from a private donor. The Morgridge Institute for Research, an independent IRC 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 initially owned all of this land, the University and WARF became parties to a Real Property Exchange Agreement dated January 19, 2007. Under the terms of the Exchange Agreement, the University agreed to convey to WARF a portion of this land, and WARF agreed to convey to the University properties of equal value as defined in the agreement. In fiscal years 2008-09 and 2010-11, the University 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. The remainder of the property was transferred to the Board of Regents of the University in November 2016.

The Wisconsin Institutes for Discovery is operated as a condominium. University 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 and 70% WARF. Of the total capitalized cost, the University 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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 11 - Other Organizations (continued)

D - La Crosse Medical Health Science Education Research Center

On June 6, 1997, the Board of Regents entered into a Use Agreement with The La Crosse Medical Health Science Consortium, Inc. (The Consortium), a Wisconsin non-stock corporation tax exempt under IRC 501(c)(3) with offices at 1725 State Street, La Crosse, Wisconsin. 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 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, 2017, the present value of these future lease payments totaled \$0.99 million, compared to \$1.5 million at June 30, 2016, 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 University bonds outstanding of \$1,404.4 million and \$1,384.1 million at June 30, 2017 and June 30, 2016, respectively. The leased facilities are not included as part of the University'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, 2017, the University provided services and rent to The Consortium totaling \$0.71 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 revenue from state appropriations.

E - University of Wisconsin-Platteville Real Estate Foundation

In July 2012, the Board of Regents of the University 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 30 years. The lease also includes an option to purchase the facility.

In November 2013, The Foundation assigned the lease agreement to REF Bridgeway Commons, LLC (REF).

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 11 – Other Organizations (continued)
F – Funds Held In Trust by Others

Funds held in trust by others are endowment funds held by trustees outside of the University Trust Funds for the benefit of the University. The market value of these funds amounted to \$187.5 million at June 30, 2017, compared with \$177.2 million at June 30, 2016. During fiscal year 2017, \$1.4 million of these funds was made available by the trustees for spending.

NOTE 12 – Classification of Net Position

Net Position is reported in the following categories: Net Investment in Capital Assets, 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–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 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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 12 – Classification of Net Position (continued)

The amounts within each category at June 30, 2017 and June 30, 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Net Investment in Capital Assets	\$ 4,392,604,768	\$ 4,383,247,748
Restricted – Nonexpendable		
Permanent Endowment	198,295,429	181,685,224
Restricted – Expendable		
Quasi-Endowment	248,966,488	247,116,988
Auxiliary Operations – Segregated Fees	<u>74,422,544</u>	<u>93,574,988</u>
Subtotal	323,389,032	340,691,976
Restricted – Student Loans		
Federal Aid – Student Loans	190,268,566	191,342,336
Gifts – Student Loans	31,618,941	31,045,867
Endowment Funds	<u>13,364,280</u>	<u>13,364,280</u>
Subtotal	235,251,787	235,752,483
Restricted – Other		
Federal Aid	42,289,201	34,321,130
Gifts and Nonfederal Grants & Contracts	262,361,431	279,704,890
Endowment Funds	11,183,544	11,183,544
Construction Fund	168,658,548	124,826,819
Segregated Revenue	476,830	537,231
All Other Restricted Program Revenue	<u>3,242,147</u>	<u>2,826,320</u>
Subtotal	488,211,701	453,399,934
Unrestricted		
Tuition (Academic & Extension Student Fees)	290,915,885	376,901,931
General Operations	153,061,091	156,194,334
Auxiliary Operations (Non-Segregated Fee)	287,213,712	271,955,630
Indirect Cost Reimbursement	148,983,490	159,901,195
Endowment Funds	78,158,492	51,704,640
All Other Unrestricted Program Revenue	26,944,529	31,356,062
Gifts and Nonfederal Grants & Contracts [^]	34,609,487	(30,992,666)
Federal Aid [^]	(17,064,460)	(4,142,058)
All Other Non-Program Revenue [*]	<u>(82,119,125)</u>	<u>(28,797,783)</u>
Subtotal	920,703,101	984,081,285
Total Net Position	<u>\$ 6,558,455,818</u>	<u>\$ 6,578,858,650</u>

[^] Funds are typically collected on a reimbursement basis resulting in a negative balance at year end.

^{*} The negative balance results primarily from an accumulating effect of accrual entries on General Purpose Revenue and Segregated Revenue funds.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 12 – Classification of Net Position (continued)

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 University 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, 2017 (in millions):

	University of Wisconsin System	Auxiliary Operations	Quasi- Endowments	Student Loans	State of Wisconsin CAFR
Net Investment in Capital Assets	\$ 4,392.6	\$ -	\$ -	\$ -	\$ 4,392.6
Restricted for					
Nonexpendable	198.3	-	-	-	198.3
Expendable	323.4	(74.4)	59.9	-	308.9
Student Loans	235.3	-	-	(9.8)	225.5
Other	488.2	-	-	9.8	498.0
Unrestricted	<u>920.7</u>	<u>74.4</u>	<u>(59.9)</u>	<u>-</u>	<u>935.2</u>
Total Net Position	<u>\$ 6,558.5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,558.5</u>

CAFR reclassifications as of June 30, 2016 (in millions):

	University of Wisconsin System	Auxiliary Operations	Quasi- Endowments	Student Loans	State of Wisconsin CAFR
Net Investment in Capital Assets	\$ 4,383.2	\$ -	\$ -	\$ -	\$ 4,383.2
Restricted for					
Nonexpendable	181.7	-	-	-	181.7
Expendable	340.7	(93.6)	36.5	-	283.6
Student Loans	235.8	-	-	(9.8)	226.0
Other	453.4	-	-	9.8	463.2
Unrestricted	<u>984.1</u>	<u>93.6</u>	<u>(36.5)</u>	<u>-</u>	<u>1,041.2</u>
Total Net Position	<u>\$ 6,578.9</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,578.9</u>

NOTE 13 – Prior Period Adjustments and Other Restatements

The June 30, 2017 Statement of Net Position does not include a prior period adjustment or any other restatements.

The June 30, 2016 Statement of Revenues, Expenses, and Changes in Net Position includes the following prior period adjustment:

<u>Account Affected</u>	<u>Amount</u>	<u>Explanation</u>
Other Operating Revenue	\$40,580,662	Correction of an error in 2015.
Unrestricted Net Position	(40,580,662)	

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2017 and 2016

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

In July 2017, the State issued \$345.3 million of 2017 Series 1 general obligation refunding bonds to be used for advance refunding of certain principal of previously issued general obligation bonds. The interest rates associated with these bonds were set at 2.0 to 5.0 percent payable semiannually beginning November 1, 2017. The bonds mature annually beginning November 1, 2021 through November 1, 2023 and November 1, 2026 through November 1, 2031.

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

In November 2017, the State issued \$272.7 million of 2017 Series B general obligation bonds to be used for the acquisition, construction, development, extension, enlargement or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. The interest rates associated with these bonds were set at 4.0 to 5.0 percent payable semiannually beginning May 1, 2018. The bonds mature annually beginning May 1, 2019 through May 1, 2021 and May 1, 2027 through May 1, 2038. The total par amount of these bonds issued for University of Wisconsin purposes is \$64.8 million; additional purchase premium proceeds from this issue were also applied for UW purposes.

In December 2017, the State issued \$347.0 million of 2017 Series 3 general obligation refunding bonds to be used for advance refunding of certain previously issued general obligation bonds. The interest rates associated with these bonds were set at 4.0 to 5.0 percent payable semiannually beginning May 1, 2018. The bonds mature annually beginning November 1, 2026 through November 1, 2034.

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UNIVERSITY OF WISCONSIN SYSTEM
Required Supplementary Information
and Notes to Required Supplementary
Information
Years Ended June 30, 2017 and 2016

Required Supplementary Information

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

The University's proportionate share of the net pension liability (NPL) or net pension (asset) (NPA) of the Wisconsin Retirement System is provided below:

Fiscal Year*	Proportion of the NPL (NPA)	Proportionate Share of the NPL (NPA)	Covered Payroll	Proportionate Share as a Percentage of Covered Payroll	WRS' Net Position as a Percentage of the Total Pension Liability
2017	13.54%	\$ 112,698,659	\$ 1,929,105,545	5.79%	99.1%
2016	13.59%	\$ 220,459,696	\$ 1,924,520,818	11.47%	98.2%
2015	13.44%	\$ (330,166,674)	\$ 1,896,092,723	17.41%	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 was 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

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

Fiscal Year	Contractually Required Contributions	Contributions Made	Contribution Deficiency (Excess)	Covered Payroll	Contributions Made as a Percentage of Covered Payroll
2017	\$ 127,760,738	\$ 127,760,738	\$ -	\$ 1,929,105,545	6.62%
2016	\$ 131,542,672	\$ 131,542,672	\$ -	\$ 1,924,520,818	6.84%
2015	\$ 133,468,069	\$ 133,468,069	\$ -	\$ 1,896,092,723	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 was 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, 2017

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.

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Years Ended June 30, 2017 and 2016

SUPPLEMENTAL INFORMATION

CHART 1
COMPARISON OF CURRENT FUNDS REVENUES
2007-2017

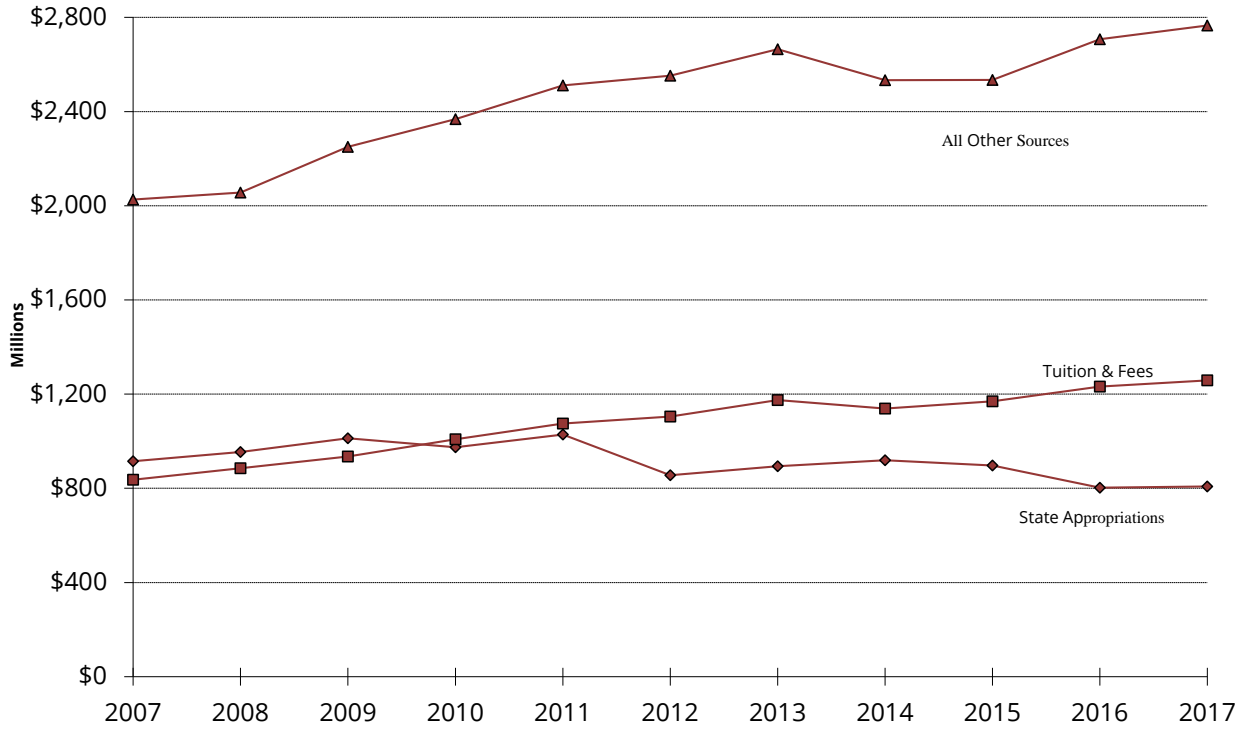


CHART 2
COMPARISON OF CURRENT FUNDS REVENUES
ADJUSTED FOR INFLATION
2007- 2017

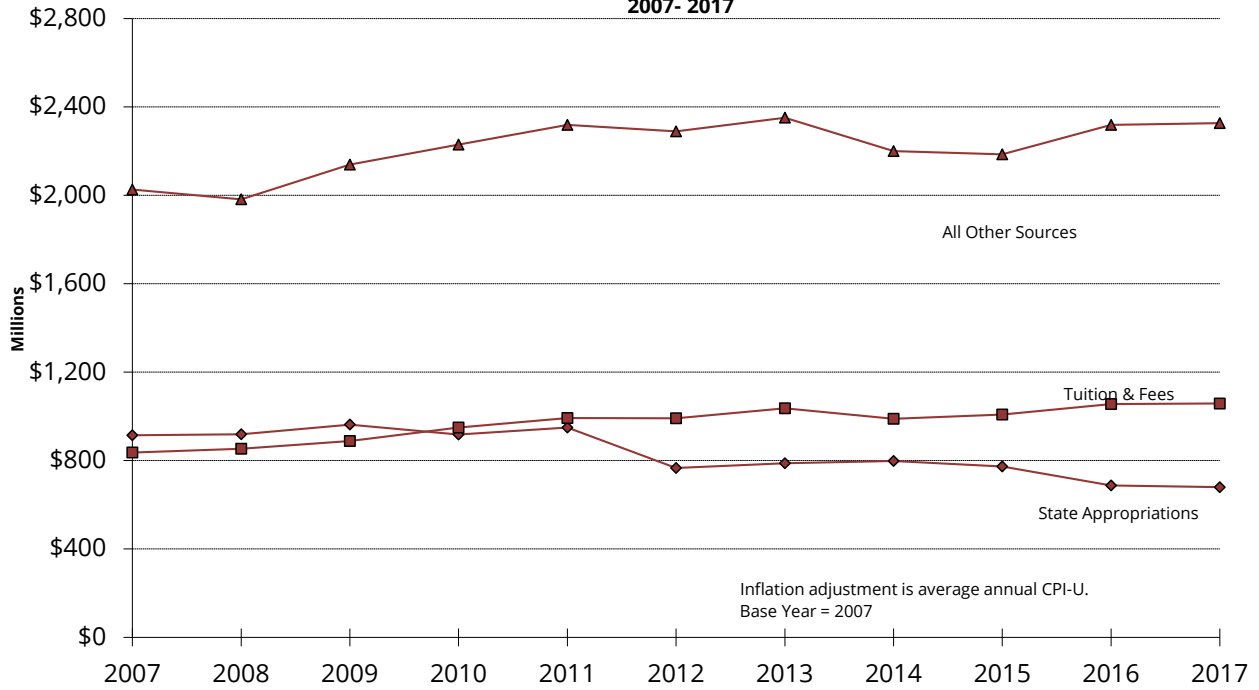
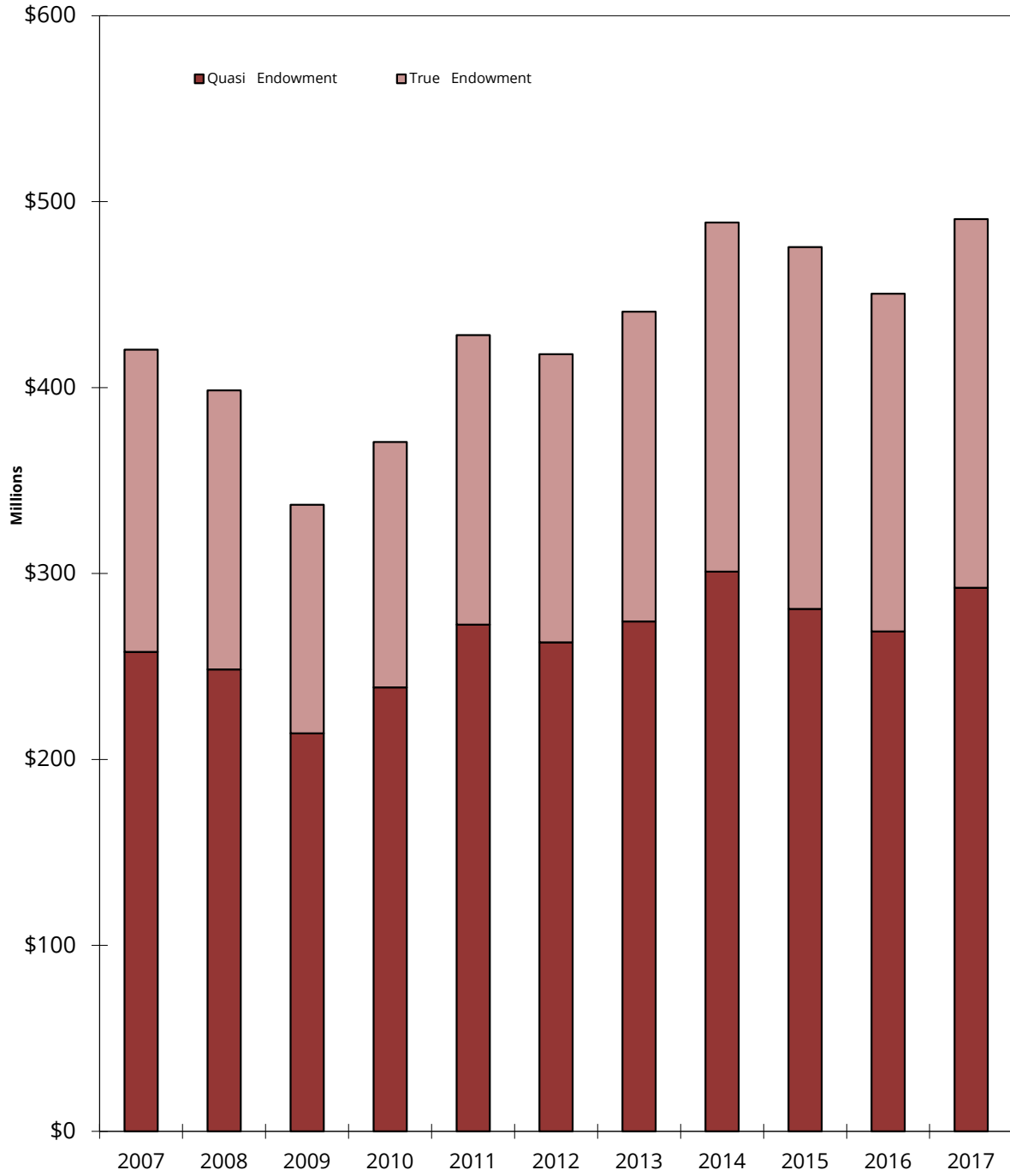


CHART 3
UNIVERSITY-CONTROLLED ENDOWMENTS
2007-2017



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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QUARTERLY REPORT ON GIFTS, GRANTS, AND CONTRACTS JULY 1, 2017 THROUGH DECEMBER 31, 2017

BACKGROUND

Regent Policy Document 13-1: “General Contract Approval, Signature Authority, and Reporting”, requires that a summary of extramural gifts, grants, and contracts be reported quarterly to the Vice President for Finance for presentation to the Business and Finance Committee of the Board of Regents. The attached report is intended to meet that requirement.

The policy further directs that grants from and contracts with private, profit-making organizations with a value of more than \$1,000,000, as well as athletics employment contracts where the total annual compensation is greater than \$500,000, require formal approval by the Board of Regents prior to execution. In addition, any contract with a value of less than \$1,000,000 that, in the judgment of the President of the UW System, warrants direct Board approval shall also be approved by the Board prior to execution. Grants and contracts covered by these requirements are included in the quarterly reports and are also presented individually to the Business and Finance Committee of the Board of Regents.

The policy also requires that grants from and contracts with private, profit-making organizations with a value between \$500,000 and \$1,000,000 be reviewed by an institution’s legal affairs office or the UW System Office of General Counsel prior to execution.

REQUESTED ACTION

No action is required; this item is for information only.

DISCUSSION

Attached is a quarterly update of gifts, grants, and contracts awarded to University of Wisconsin System institutions during the current fiscal year. This report covers the six-month period July 1, 2017, through December 31, 2017. Year to date, total gifts, grants, and contracts for the period were approximately \$813.1 million; this is an increase of \$44.8 million from the same period in the prior year. Federal awards increased \$31.6 million, while non-federal awards increased by \$13.2 million.

RELATED REGENT POLICIES

Regent Policy Document 13-1: General Contract Approval, Signature Authority, and Reporting

**UNIVERSITY OF WISCONSIN SYSTEM
GIFTS, GRANTS AND CONTRACTS AWARDED
FISCAL YEAR 2017-2018 (Second Quarter)**

TOTAL AWARDS - ALL CATEGORIES									
Institution	Total			Federal			Non Federal		
	2017-18 Year to Date	2016-17 Year to Date	Increase (Decrease)	2017-18 Year to Date	2016-17 Year to Date	Increase (Decrease)	2017-18 Year to Date	2016-17 Year to Date	Increase (Decrease)
Total	813,141,881	768,328,090	44,813,791	486,452,906	454,854,709	31,598,197	326,688,975	313,473,381	13,215,594
Madison	654,010,004	610,753,563	43,256,441	364,795,061	331,703,266	33,091,795	289,214,943	279,050,297	10,164,646
Milwaukee	51,193,805	43,430,599	7,763,205	41,791,062	36,671,646	5,119,416	9,402,743	6,758,954	2,643,789
Eau Claire	8,289,825	9,369,269	(1,079,444)	8,218,777	8,778,311	(559,534)	71,048	590,958	(519,910)
Green Bay	6,749,237	7,909,357	(1,160,120)	5,208,947	6,946,883	(1,737,936)	1,540,290	962,474	577,815
La Crosse	7,968,234	6,321,768	1,646,466	5,841,014	5,767,343	73,671	2,127,220	554,425	1,572,795
Oshkosh	10,157,644	17,368,020	(7,210,375)	9,319,429	15,532,185	(6,212,756)	838,215	1,835,835	(997,620)
Parkside	4,721,221	4,231,982	489,239	4,144,683	3,766,659	378,024	576,538	465,323	111,215
Platteville	8,174,478	1,091,830	7,082,648	7,565,966	1,069,034	6,496,932	608,512	22,796	585,716
River Falls	6,065,278	6,380,727	(315,449)	5,155,047	5,481,321	(326,274)	910,231	899,406	10,825
Stevens Point	7,535,260	11,928,611	(4,393,351)	4,264,778	9,308,676	(5,043,898)	3,270,482	2,619,935	650,547
Stout	8,876,596	9,711,815	(835,219)	7,664,548	8,072,803	(408,255)	1,212,048	1,639,012	(426,964)
Superior	2,137,955	2,829,881	(691,926)	1,008,690	2,437,836	(1,429,146)	1,129,265	392,045	737,220
Whitewater	9,834,914	9,633,193	201,721	7,446,165	6,842,685	603,480	2,388,749	2,790,507	(401,758)
Colleges	7,464,563	1,352,529	6,112,034	7,104,046	855,883	6,248,163	360,517	496,646	(136,129)
Extension	19,862,867	26,014,946	(6,152,078)	6,924,693	11,620,177	(4,695,484)	12,938,174	14,394,768	(1,456,594)
System Administration	100,000	0	100,000	0	0	0	100,000	0	100,000

STUDENT AID									
Institution	Total			Federal			Non Federal		
	2017-18 Year to Date	2016-17 Year to Date	Increase (Decrease)	2017-18 Year to Date	2016-17 Year to Date	Increase (Decrease)	2017-18 Year to Date	2016-17 Year to Date	Increase (Decrease)
Total	99,608,380	81,756,129	17,852,251	88,570,704	72,813,671	15,757,033	11,037,676	8,942,458	2,095,218
Madison	18,386,367	9,105,989	9,280,378	12,341,960	3,792,849	8,549,111	6,044,407	5,313,140	731,267
Milwaukee	18,170,645	17,197,205	973,440	18,169,195	17,196,980	972,215	1,450	225	1,225
Eau Claire	6,647,017	6,328,116	318,901	6,647,017	6,328,111	318,906	0	5	(5)
Green Bay	4,851,406	4,744,813	106,593	4,577,775	4,448,260	129,515	273,631	296,553	(22,922)
La Crosse	4,961,152	4,117,338	843,815	4,019,760	4,117,338	(97,578)	941,393	0	941,393
Oshkosh	8,217,437	7,308,853	908,585	8,034,717	7,308,853	725,865	182,720	0	182,720
Parkside	3,877,758	3,936,896	(59,138)	3,835,224	3,766,659	68,565	42,535	170,237	(127,703)
Platteville	6,683,068	0	6,683,068	6,520,000	0	6,520,000	163,068	0	163,068
River Falls	4,769,291	4,634,861	134,430	4,238,841	4,035,061	203,780	530,450	599,800	(69,350)
Stevens Point	2,825,872	8,036,196	(5,210,324)	1,738,877	7,485,932	(5,747,055)	1,086,995	550,264	536,731
Stout	5,346,417	5,353,160	(6,743)	4,909,174	4,916,851	(7,677)	437,243	436,309	934
Superior	911,901	2,381,203	(1,469,302)	434,385	2,145,320	(1,710,935)	477,516	235,883	241,633
Whitewater	7,279,312	7,416,778	(137,466)	6,615,663	6,415,575	200,088	663,649	1,001,203	(337,554)
Colleges	6,680,736	1,194,723	5,486,013	6,488,117	855,883	5,632,233	192,620	338,840	(146,220)
Extension	0	0	0	0	0	0	0	0	0
System Administration	0	0	0	0	0	0	0	0	0

ALL OTHERS									
Institution	Total			Federal			Non Federal		
	2017-18 Year to Date	2016-17 Year to Date	Increase (Decrease)	2017-18 Year to Date	2016-17 Year to Date	Increase (Decrease)	2017-18 Year to Date	2016-17 Year to Date	Increase (Decrease)
Total	51,027,776	48,044,293	2,983,483	7,332,305	7,083,138	249,168	43,695,471	40,961,155	2,734,315
Madison	39,346,423	37,026,245	2,320,178	1,739,853	1,583,011	156,842	37,606,569	35,443,233	2,163,336
Milwaukee	1,846,471	3,614,895	(1,768,424)	1,512,683	1,910,875	(398,192)	333,788	1,704,020	(1,370,232)
Eau Claire	232,265	0	232,265	232,265	0	232,265	0	0	0
Green Bay	249,067	277,005	(27,938)	10,055	210	9,845	239,012	276,795	(37,783)
La Crosse	1,800,629	1,027,574	773,055	1,097,099	1,017,454	79,645	703,530	10,120	693,410
Oshkosh	189,786	0	189,786	35,000	0	35,000	154,786	0	154,786
Parkside	408,890	31,273	377,617	0	0	0	408,890	31,273	377,617
Platteville	993,190	603,688	389,502	618,780	603,688	15,092	374,410	0	374,410
River Falls	1,142,336	1,111,509	30,827	869,111	847,973	21,138	273,225	263,536	9,689
Stevens Point	257,579	287,022	(29,443)	9,715	12,728	(3,013)	247,864	274,294	(26,430)
Stout	1,398,959	1,355,367	43,592	942,956	825,312	117,644	456,003	530,055	(74,052)
Superior	80,084	62,827	17,256	0	0	0	80,084	62,827	17,256
Whitewater	904,190	875,734	28,456	264,788	281,886	(17,098)	639,402	593,847	45,555
Colleges	157,597	149,306	8,291	0	0	0	157,597	149,306	8,291
Extension	2,020,310	1,621,848	398,462	0	0	0	2,020,310	1,621,848	398,462
System Administration	0	0	0	0	0	0	0	0	0

*Includes Libraries, Physical Plant and Miscellaneous categories

**FINANCIAL MANAGEMENT REPORT
PERFORMANCE REPORT
FY2017-18 (Q2)**

BACKGROUND

The Business and Finance Committee receives periodic Financial Management Reports regarding the status of the UW System budget. These reports are prepared and presented based on financial information at the close of December, March, and June, reflecting budget status at the end of the second, third and fourth fiscal quarters respectively.

The reports provide budget-to-actual revenue and expense information along with variances of that activity from approved budgets. They are intended to provide a high-level summary of activity in significant fund groupings and areas of activity and provide the information necessary for the Committee to meet its fiduciary responsibilities with respect to UW System budget management and oversight. These cash-basis reports are prepared as internal management reports offering management and the Board a dashboard-type tool for use in monitoring the status of the University's budget. Such interim financial reports are not meant to replace the UW System's Annual Financial Report and related accrual-based, audited Financial Statements. The UW System Annual Financial Report presents a comprehensive look at the University's financial activities for a given fiscal year.

The high-level budget-to-actual reports presented here include a comparison of actual revenues and expenses to the Regent-approved budgets, along with variances from budget for the following major revenue and expenditure categories:

- Tuition & Fees, General Purpose Revenue (GPR) and certain other revenues
- Auxiliary Operations
- General Operations
- Gifts, Grants, and Contracts
- Other Funding not included in the above categories

The quarterly financial management reports include year-to-date actuals for both the current year and the prior year.

REQUESTED ACTION

This report is for information only.

DISCUSSION

The attached Financial Management Report is based on preliminary financial data and presents the status of the UW System budget by major areas of activity for the period July 1, 2017

through December 31, 2017. While there are significant variances within individual fund groupings, this mid-year report for FY2018 shows total UW System expenses at approximately 46.7% of the Regent-approved budget, while revenues were at 50.9% of the budgeted level.

RELATED REGENT POLICIES

None

University of Wisconsin System
Fiscal Year 2018 Budget to Actual Summary
as of December 31, 2017 (Q2)

v2

Tuition & Fees and GPR

	<u>Budgeted Amount</u>	<u>Actual</u>	<u>Variance</u>	<u>YTD %</u>	<u>PYTD %</u>
Revenue	\$2,517,249,918	\$1,273,923,596	(\$1,243,326,322)	50.6%	48.3%
Expenses	\$2,573,591,463	\$1,083,721,058	(\$1,489,870,405)	42.1%	41.5%
Revenue less Expense	(\$56,341,545)	\$190,202,537	\$246,544,082		

Auxiliary Operations

	<u>Budgeted Amount</u>	<u>Actual</u>	<u>Variance</u>	<u>YTD %</u>	<u>PYTD %</u>
Revenue	\$728,798,100	\$501,996,794	(\$226,801,306)	68.9%	67.4%
Expenses	\$777,179,963	\$364,367,587	(\$412,812,376)	46.9%	46.6%
Revenue less Expense	(\$48,381,863)	\$137,629,208	\$186,011,071		

General Operations

	<u>Budgeted Amount</u>	<u>Actual</u>	<u>Variance</u>	<u>YTD %</u>	<u>PYTD %</u>
Revenue	\$285,753,288	\$168,606,011	(\$117,147,277)	59.0%	43.3%
Expenses	\$293,369,814	\$190,915,619	(\$102,454,195)	65.1%	58.6%
Revenue less Expense	(\$7,616,526)	(\$22,309,608)	(\$14,693,082)		

Gifts, Grants, and Contracts

	<u>Budgeted Amount</u>	<u>Actual</u>	<u>Variance</u>	<u>YTD %</u>	<u>PYTD %</u>
Revenue	\$1,212,675,026	\$651,181,425	(\$561,493,601)	53.7%	54.6%
Expenses	\$1,212,675,026	\$626,513,697	(\$586,161,329)	51.7%	48.7%
Revenue less Expense	\$0	\$24,667,728	\$24,667,728		

Other Funding

	<u>Budgeted Amount</u>	<u>Actual</u>	<u>Variance</u>	<u>YTD %</u>	<u>PYTD %</u>
Revenue	\$1,366,980,088	\$515,120,569	(\$851,859,519)	37.7%	36.9%
Expenses	\$1,366,980,088	\$639,813,014	(\$727,167,074)	46.8%	44.5%
Revenue less Expense	\$0	(\$124,692,445)	(\$124,692,445)		

SUMMARY TOTAL OF ALL FUNDS

	<u>Budgeted Amount</u>	<u>Actual</u>	<u>Variance</u>	<u>YTD %</u>	<u>PYTD %</u>
Revenue	\$6,111,456,420	\$3,110,828,395	(\$3,000,628,025)	50.9%	49.0%
Expenses	\$6,223,796,354	\$2,905,330,975	(\$3,318,465,379)	46.7%	45.0%
Revenue less Expense	(\$112,339,934)	\$205,497,420	\$317,837,354		

Review and Approval of
Proposed Nonresident
Tuition Increases

BUSINESS AND FINANCE COMMITTEE

Resolution I.2.f.

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellors of the University of Wisconsin-Eau Claire, the University of Wisconsin-Milwaukee, and the University of Wisconsin-Stout, the Board of Regents approves the proposed nonresident tuition increases for these three UW institutions, as detailed in the attached executive summary.

REVIEW AND APPROVAL OF PROPOSED NONRESIDENT TUITION INCREASES

EXECUTIVE SUMMARY

BACKGROUND

The 2015-17 Biennial Budget (Act 55) restricted the Board of Regents' authority to increase the tuition on resident undergraduate students during the biennium. The Board of Regents then passed Resolution 10767 on October 7, 2016 to extend the tuition freeze into the 2017-18 fiscal year, making it the fifth year in which resident undergraduate tuition will be frozen.

However, neither Act 55 nor the Board limited tuition authority for nonresident, graduate, and professional school students. Acknowledging this, Vice President for Finance Sean Nelson invited institutions to submit, for Board consideration, tuition proposals that reflect their unique missions, market sensitivities, and costs incurred in providing a quality education.

The UW System has continued to accelerate the timeline for consideration of nonresident, graduate and professional school tuition. While this was previously addressed in the summer as part of the annual budget process, it was accelerated to April when these tuition rates were set for the 2015-16 and 2016-17 academic years and is now being addressed earlier for the 2018-19 academic year. This allows students and families additional time to plan.

REQUESTED ACTION

Approval of Resolution I.2.f., approving the proposed nonresident tuition increases.

DISCUSSION

Summarized below are the recommended tuition increases for nonresident students attending three UW institutions. If approved, the new tuition rates would be effective for the 2018-19 academic year. The proposed rates are shown in Table 1.

Institutions have considered the impacts of the proposed tuition increases on student demand and enrollment. It should be noted that resident undergraduate tuition at UW institutions has not increased in five years, while tuition at peer institutions has generally continued to increase.

In many instances, the current nonresident tuition rates at the requesting UW institutions are at or near the bottom among their peer institutions.

The Board has previously delegated some tuition-setting authority to institutions for online and nontraditional programming. Institutions would be able to exercise this authority during the 2018-19 academic year. Consistent with board action taken in October 2016, tuition increases will not impact resident undergraduate students.

Table 1. Proposed One-Year Tuition Increases				
	2017-18	2018-19		
	Tuition	Increase	Tuition	Increase %
UW-Eau Claire				
Undergraduate:				
Nonresident	\$ 15,281	\$ 355	\$ 15,636	2.32%
Nonresident Materials Science and Engineering	\$ 16,716	\$ 391	\$ 17,107	2.34%
Graduate:				
Nonresident	\$ 17,191	\$ 430	\$ 17,621	2.50%
UW-Milwaukee				
Lubar School of Business - Business Masters:				
Nonresident	\$ 26,951	\$ 539	\$ 27,490	2.00%
UW-Stout				
Graduate:				
Nonresident	\$ 14,792	\$ 296	\$ 15,088	2.00%
MN Reciprocity	\$ 7,867	\$ 157	\$ 8,024	2.00%
MSEP	\$ 10,305	\$ 166	\$ 10,471	1.61%

UW-EAU CLAIRE

UW-Eau Claire is proposing a 2.5% increase for nonresident undergraduate tuition (the 2.5% increase is calculated on the institutional tuition excluding the \$1,063 differential) to support strategic initiatives. The University will continue to implement and operationalize strategic initiatives outlined in “Claiming Our Value”: UW-Eau Claire’s Academic Master Plan; an Equity, Diversity and Inclusivity Plan; and the “Creating Our Future: UW-Eau Claire’s Strategic Plan 2016-2020”. Many of the goals outlined in the plan are designed to advance UW System’s 2020FWD strategic framework.

Undergraduate:	2017-18	2018-19	Change
Nonresident	\$ 15,281	\$ 15,636	\$ 355
Nonresident Materials Science and Engineering	\$ 16,716	\$ 17,107	\$ 391
Graduate:			
Nonresident	\$ 17,191	\$ 17,621	\$ 430
Anticipated Additional Revenue :	\$ 149,035		

UW-MILWAUKEE

UW-Milwaukee proposes to increase the nonresident tuition rate for all Masters programs (MBA and MS) in the Lubar School of Business by 2.0% (\$539 for fiscal year 2019). The request represents the second year of the two-year plan approved by the Board in December of 2016 to support additional programming for international education at UWM. Seventy percent of students paying the nonresident undergraduate rate are international students. Revenue generated from the increase will be used to support the competitive market for AACSB research faculty and programmatic needs.

Lubar School of Business - Business Masters	2017-18	2018-19	Change
Nonresident	\$ 26,951	\$ 27,490	\$ 539
Anticipated Additional Revenue:	\$ 34,500		

UWM Tuition Rates Compared to 2017-18 In-State AACSB Programs	
	Nonresident
UW-Madison Business Masters	\$ 35,316
UWM Business Masters	\$ 26,951
Marquette Business Masters	\$ 19,800
UW-La Crosse Business Masters	\$ 19,216
UW-Whitewater Business Masters	\$ 18,052
UW-Consortium Business Masters	\$ 17,352
UW-River Falls Business Masters	\$ 12,447

UW-STOUT

UW-Stout is proposing an increase of 2% to nonresident graduate programs. This proposal increases Minnesota Reciprocity tuition and Midwest Student Exchange Program (MSEP) tuition by 2%. The MSEP program caps the MSEP rate at 150% of the resident rate. The proposed increase to the MSEP rate will be below the 150% threshold as required by the program. The Minnesota reciprocity rate is the higher of the UW-Stout rate or an average of comparable Minnesota universities.

Graduate	2017-18	2018-19	Change
Nonresident	\$ 14,792	\$ 15,088	\$ 296
Minnesota Reciprocity	\$ 7,867	\$ 8,024	\$ 157
MSEP	\$ 10,305	\$ 10,471	\$ 166
Anticipated Additional Revenue:	\$ 2,740		

Review and Approval of
UW System Information
Technology Reports

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves: (1) the Report on UW System Strategic Plans for Major Information Technology Projects; (2) the UW System Information Technology Status Report on Large/Vital Information Technology Projects dated February 9, 2018, which describes the implementation status of information technology projects at UW-Madison, UW-Stevens Point, UW Colleges and UW-Extension, and the UW System; and (3) UW System Administration's submittal of the report on the Board's behalf to the legislative Joint Committee on Information Policy and Technology, as required by s. 36.59(7), Wis. Stats.

**UW SYSTEM INFORMATION TECHNOLOGY REPORT
UW STRATEGIC PLANS
FOR MAJOR INFORMATION TECHNOLOGY PROJECTS**

BACKGROUND

Section 36.59, Wis. Stats., requires all UW institutions and UW Colleges campuses to adopt and submit to the Board of Regents annual strategic plans for the utilization of information technology no later than March 1st of each year.

Regent Policy Document 25-4 implements the requirements of s. 36.59, Wis. Stats., which coordinates information technology strategic planning across the UW System, and specifies management and reporting requirements related to large or high-risk information technology projects.

REQUESTED ACTION

Approval of Resolution I.2.g., approving the reports and the submission of the reports to the legislative Joint Committee on Information Policy and Technology.

DISCUSSION

For 2018-19, the University of Wisconsin System has adopted a reporting structure that aligns with Wisconsin Statutes and Regent Policy and parallels the practice of the State of Wisconsin Division of Enterprise Technology.

All institutions have identified their top three IT goals for utilizing information technology in 2018-19. In addition, the UW System comprehensive institutions and UW System Administration have reported on their projects and anticipated expenditures over \$100,000 related to augmenting IT infrastructure. The reporting threshold for UW-Madison and UW-Milwaukee is \$500,000.

Any IT project that exceeds or is projected to exceed \$1,000,000, or is projected to be vital to the functions of the System, institution or College campus, is reported separately in the Semi-Annual Status Report on Large/Vital Information Technology Projects. That report is presented today as agenda item I.2.g.

In 2018-19, improving information security will continue to be the top priority for the UW System and its institutions. Developing a risk-based security strategy that keeps pace with threats and challenges is also the top overall priority in 2018 for the 2,000+ institutions that are members of the EDUCAUSE professional society for IT.

Operational excellence and improving efficiencies are also important IT goals for the UW System institutions, which reflect the 2020FWD strategic framework and the CORE initiative. There are several related infrastructure projects reported by both the institutions and UW System Administration, as well as High Cost projects reported in agenda item I.2.g.

The migration from the Desire2Learn learning management system (LMS) to the new Digital Learning Environment, which is based upon the Canvas (LMS), is a high priority for the institutions as well as a High Cost project for both UW-Madison and UW System Administration. Improvements in the learning environment are supported by Constituent Relationship Management (CRM) system implementations at two institutions as well as upgrades in WiFi services and the implementation of the PeopleSoft advising module at UW-Parkside.

The institutions continue to be engaged with UW System Administration in the implementation of the new Oracle business intelligence suite for analyzing and reporting data related to human resources, student success and finances.

The institutional IT plans are attached.

RELATED REGENT POLICIES

Regent Policy Document 25-4: Strategic Planning and Large or High-Risk Projects

Information Technology Projects at the UW System Institutions

UW Colleges | Extension

IT Goals

The impact of the restructuring of the UW System upon the IT environment of UW Colleges | Extension is currently undergoing study and planning.

UW-Colleges | Extension has no IT infrastructure projects that are projected to cost over \$100,000 in fiscal year 2018-19. The UW Colleges | Extension Voice over Internet Protocol (VoIP) Project was initiated in December 2016 and is reported separately as a High Cost project.

UW-Eau Claire

IT Goals

1. Implement and convert class content from the legacy D2L system to the new Canvas Digital Learning Environment.
2. Implement and complete conversions of campus queries from the legacy Interactive Reporting to the new Oracle BI reporting tool.
3. Implement two-factor authentication campuswide to help protect sensitive university data and the online identities of employees and students.

UW-Eau Claire has no IT infrastructure projects that are projected to cost over \$100,000 in fiscal year 2018-19.

UW-Green Bay

IT Goals

1. Advance the academic mission of the University through innovation and effective technologies, resources, and services.
2. Advance business processes and operational efficiencies through effective implementation of technology.
3. Leverage our reliable, secure, and efficient information technology infrastructure and maximize staff potential to foster innovation and excellence.

UW-Green Bay has no IT infrastructure projects that are projected to cost over \$100,000 in fiscal year 2018-19.

UW-La Crosse

IT Goals

1. Bring additional technology capabilities, modalities, and strategies to the learning experience of students by providing learning tools to faculty, staff, and students.
2. Improve student learning experiences with more flexible classroom designs that accommodate a variety of learning and teaching styles in addition to expanding student interaction opportunities without borders.
3. Integrate the various University technology service points to facilitate a stable, robust, efficient, and customer-focused support environment, including convenient Web-based assistance and performance metrics for all information technology services and systems.

UW-La Crosse has no IT infrastructure projects that are projected to cost over \$100,000 in fiscal year 2018-19.

UW-Madison

IT Goals

1. Information technology resources are widely distributed across the institution. During fiscal year 2017-18, the institution put together an initial "Services Inventory" which compiled/categorized existing services. The number one goal in fiscal year 2018-19 is to rationalize (reduce redundancy/improve service delivery) of these services and to increase the percentage of such services that are devoted to the core missions of teaching/learning and research, while continuing to provide effective support for administration.
2. Ensure that all new requests for IT services are reviewed and prioritized (under the direction of the IT Center of Excellence) using the process that was developed by IT governance groups during fiscal year 2017-18.
3. Complete the institution-wide roll out of VoIP and replace all existing Centrex based services. Please see the separate report on the VoIP project.

UW-Madison has no IT infrastructure projects that are projected to cost over \$500,000 in fiscal year 2018-19 other than the following High Cost projects that are over \$1M and reported separately.

- UW-Madison Voice over Internet Protocol (VoIP) Transition
- UW-Madison Canvas Transition

UW-Milwaukee

IT Goals

1. Implementation of a shared services environment for human resource, finance, procurement, and IT.
2. Development and implementation of a unified communications platform.
3. Continued adherence and investment for compliance with UW System Information Security Policies.

Project Name: Unified Communications

Description and Justification

The University of Wisconsin – Milwaukee is in need of modernizing its communications systems to meet current and future student, faculty, administration, and staff needs and expectations. The University's current, voice-only service, AT&T's Centrex, has not changed much in the past few decades, is approaching end of life, and the cost of the service was increased for the 2018 fiscal year. As a voice-only product, the Centrex service does not provide any opportunity to integrate with modern communication technologies (such as e-mail, texting, or video, for example) or other educational or operational critical services.

There are approximately 5,000 Centrex landlines currently on campus. The majority of these lines serve faculty and staff telephony needs. However, the lines are also used for other purposes, which include:

- Call centers, such as the UITS Help Desk and Information Security Hotline,
- Classrooms and conference rooms,
- Safety and emergency, such as the Blue Light SAFE system, elevators and lifts, alarms for physical plan operations,
- Convenience, such as loading docks and lobby courtesy phones,
- Payment processing point-of-sale, such as at retail locations (GrIND, RESTOR, Panther Shop, Tech Store), parking payment stations, electric car charging stations, and the School of Continuing Education, and
- FAX, for both the multifunction devices located across campus and standalone fax machines.

This proposed project will address the replacement of these AT&T Centrex landlines and the provisioning of modern communications modes associated with Unified Communications, including an enterprise wide voice solution utilizing Voice over IP (VoIP). For organizations to realize the full benefits of Unified Communications, there must be a high rate of adoption. Users are less likely to take advantage of a Unified Communications solution that is not user friendly. Microsoft provides a truly "unified communications experience" and allows organizations to reach their full potential with Unified Communications.

In addition to the more intuitive user experience provided in Skype for Business Server, the integration with Microsoft Office applications cannot be overlooked.

Microsoft Office is the primary business application for many end users at the University. Having communication capabilities integrated into your business applications is a major factor for driving usage and enhancing productivity. Microsoft Skype for Business Server integrates Unified Communications capabilities into Office applications, reducing the amount of effort required for end users to collaborate with their peers. Examples of this include:

- SharePoint skill search—The capability to search SharePoint and view results based on skills and other user information, without leaving the Skype for Business client.
- Exchange distribution list expansion—The capability to add Exchange Server distribution lists directly to the Skype for Business client contact list as contact groups. These lists will query information directly from Exchange Server, so users do not have to worry about adding new contacts manually.
- Exchange integration—The Skype for Business client has the capability to display out-of-office messages that are configured by the user in the Outlook client and stored in Exchange Server.
- Conversation history search in Outlook—The Skype for Business client has the capability to store conversation history in the user's Exchange mailbox. Users can also search this conversation history in the Skype for Business client as well as in Outlook or the Outlook Web App with their mail.

These examples show certain areas where competitors do not provide integration. Office, SharePoint, and Exchange are deployed at the University, and that is why these features are important.

In addition to integrating with other Microsoft applications, Skype for Business Server also allows for easy integration with other line-of-business applications. One major benefit to Skype for Business Server is the development platform it is built on. The software APIs for the client and server are available to developers and can be utilized for custom solutions. The simplest form of this development is integrating functionality, such as Presence and click to call, into line-of-business applications. Many organizations have also taken advantage of the Skype for Business Server APIs to build custom solutions that enhance business processes.

In summary, a Unified Communications deployment relies heavily on the software experience that is provided to users. The value of Unified Communications is seen through the software application providing anywhere access and collaboration. Microsoft Skype for Business Server is a superior choice for Unified Communications because it is a software-based Unified Communications platform.

Business Need

The business driver for this project is to replace an aging telephone system that is reaching end of life and no longer meets the needs of students, faculty, administration, and staff. This new telephone system should meet user needs, be cost effective, and provide choice in the phone services utilized. The telephone

service must allow for calls placed intra-campus, and off campus (locally, intra-state, interstate and internationally) through the Public Switched Telephone Network (PSTN). The telephone service must be deployable for use by individuals (faculty and staff, including student employees) and non-individual “special” applications that include conference room phones and automatic call distribution applications. The telephone functionality must also operate within a broader Unified Communication platform where the user must be able to use one application to perform all of the following Unified Communications functions that are available to them:

- Instant Messaging and Presence - Instant messaging (IM) is the capability to communicate instantaneously between two or more people with text-based messages. Presence conveys the ability and willingness of a user to communicate. These two capabilities combine to be the most commonly used Unified Communications components. (Both instant messaging and presence are currently available on campus as part of Office 365.)
- Web, audio, and video conferencing - Conferencing modes allow multi-attendee virtual meetings anytime, anywhere and on any device (including mobile). Conferencing functionality provides users with document collaboration and application sharing, along with whiteboard, remote control, session recording, and other useful collaboration tools.
- Unified Messaging – Unified Messaging (UM) is used to describe the integration of different messaging systems. This can include email, fax, and voicemail. This integration typically means that you can access all of these messages from the same interface and on different devices. The most common use of unified messaging is to combine voicemail and fax into an organization’s email system.
- Desktop and Application Sharing – Desktop and application sharing enables two or more users to access a shared application or document from their respective computers simultaneously in real time. Generally, the shared application or document will be running on a host computer, and remote access to the shared content will be provided to other users by the host user.
- Remote Access – Remote Access allows access to the complete suite of Unified Communications features from locations not normally connected to the organization’s network.

Moving to a Unified Communication platform, and its Voice over IP (VoIP) component, will provide the University a single, stable and modern communications platform, allow for future implementation of new Unified Communication technology, and improve the ability to be responsive to the needs of the University community.

Priority (High, Medium, Low)

High

Project Impact

- Determine service configuration parameters and deploy Microsoft Skype for Business Server as a University sponsored service in the University datacenter.
- Determine and implement connectivity to the Public Switched Telephone Network.
- Assess network readiness and, if necessary, remediate any issues affecting service performance.
- Assess service security, including reliability and availability, and, if necessary, remediate any issues affecting service security.
- Provide endpoint device recommendations and provide a mechanism for procurement of the devices.
- Determine and implement compliance requirements.
- Determine and implement 911 and safety requirements.
- Create and execute a plan for deploying the service campus wide.
- Deploy a governance and support structure capable of managing and supporting the service:
 - Service definition
 - Knowledge Base articles
 - User Guides
 - Learning Techniques courses
 - Help Desk procedures
 - Guidelines for Enterprise Voice Call Management configuration

Resources Needed (Existing or Additional)

Project implementation costs are being assessed. Initial projections point to investment in hardware where costs will be recouped in services provided to the campus. Unified Communications offers a list of potential benefits, but the business value of the service will be specific to different constituencies within the University. For example, one area of the University may be focused on creating a shorter process cycle, another on crafting a better customer experience, and yet another on driving communications costs down. Knowing these process objectives will help to design and tailor a solution that brings real value. It is important to know what the measure of success is, even if it changes over time.

UW-Oshkosh

IT Goals

1. Improve Information Security posture
2. Encourage students in the recruitment pipeline
3. Reduce spending

Project Name: Upgrade PeopleSoft Student Information System to Version 9.2

Description and Justification

Upgrade PeopleSoft Student Information System to version 9.2 including the necessary infrastructure.

Business Need

The aged HPUX infrastructure requires modernization to host the new 9.2 version of the PeopleSoft Student Information System. PeopleSoft must be upgraded to version 9.2 as prior versions will be sunsetted by the vendor.

Priority (High, Medium, Low)

High

Project Impact

All student systems will be impacted within two years if we do not complete the project.

Resources Needed (Existing or Additional)

Additional resources will be needed.

UW-Parkside

IT Goals

1. Advance Student Success
2. Achieve Operational Excellence
3. Invest in Our People

Project Name: Campus Wireless Expansion

Description and Justification

The demand for wireless coverage is increasing and has become especially critical in classrooms and other areas such as the library and sports gymnasium. The expansion will improve class offerings on campus and also connectivity and collaboration for students, faculty, staff and public. This project supports the "Advance Student Success" strategic IT goal. It also supports the "Achieve Operational Excellence" goal by improving our campus infrastructure.

Business Need

This project is essential to improve and advance student success through students' academics and everyday life online activities. The Campus Wireless Expansion will not only improve students' lives, but it will also aid faculty and staff in their academic and administrative duties. UW-Parkside has wireless dead spots across campus that disrupt teaching and learning.

Priority (High, Medium, Low)

High

Project Impact

This project will have a positive impact on teaching and learning at UW-Parkside. It will address current issues with students, faculty and staff not being able to timely access wireless on classrooms, the library and the Sports Activities Center.

Resources Needed (Existing or Additional)

The estimated total cost of the project is \$150,000. UW-Parkside will complete the project with existing resources from the Campus Technology Services budget and through one-time annual request budget program. Additionally, UW-Parkside will procure vendor assistance as needed.

Project Name: PeopleSoft Upgrade 9.2**Description and Justification**

- PeopleSoft Enterprise CS Installation.
- Application Solution Center Technical Upgrade with Batch Jumpstart Tier I Services
- Additional Test Move to Production Support Days

Business Need

UW-Parkside has planned the management and execution of the upgrade of our PeopleSoft Student Administration version 9.0 System to version 9.2.

UW-Parkside will need technical platform and process knowledge and expertise in planning, managing and completing the upgrade process. Our primary objective in the effort is to minimize risk, cost, time and disruption to our campus during the upgrade. Additionally, we plan to maximize system and process improvement opportunities, learning and understanding of the package and new release functionality, and to enhance the quality and stability of the upgraded system through this process.

This project supports "Advance Student Success" by providing faculty, staff and students with a functional Student Information System. It also aids "Achieve Operational Excellence" by allowing UW-Parkside to use new functionality and

explore potential functionalities that will improve the administration of the student academic cycle.

Priority (High, Medium, Low)

High

Project Impact

This project will help to minimize customizations to our instance of PeopleSoft Student Information System, which will aid our migration to the cloud in the future.

It will also help address prerequisite work needed to implement the PeopleSoft Advising Module.

Resources Needed (Existing or Additional)

Estimated Total Cost: \$150,000. UW-Parkside will complete the project with existing resources from the Campus Technology Services budget and through one-time annual request budget program. Additionally, UW-Parkside will procure vendor assistance as needed.

Project Name: PeopleSoft Advising Module Implementation

Description and Justification

Implement the PeopleSoft Advising Module to improve campus advising.

Business Need

This project will aid other student success projects that will be supported by the Advising Module.

Priority (High, Medium, Low)

High

Project Impact

This project will improve advising on campus, business processes in functional areas, and data integrity issues.

Resources Needed (Existing or Additional)

Estimated total Cost: \$250,000. UW-Parkside will complete the project with existing resources from the Campus Technology Services budget and through one-time annual request budget program. Additionally, UW-Parkside will procure vendor assistance as needed.

UW-Platteville

IT Goals

1. Improve Security Posture - Enhance security of information assets. Insure compliance with system policies, preparation for system audit, protect critical data, and educate users to increasing cybersecurity threats.
2. Business Intelligence - In addition to basic reporting, begin implementing detailed analytics and predictive tools to move from simple reporting of past behavior to predicting future trends and behaviors.
3. Develop Academic Technology Strategy - Work with stakeholders to develop a vision for the direction of academic technology including the tools and technologies needed to enhance delivery of courses and student engagement with the ultimate goal of improving outcomes, graduation rates, and retention.

UW-Platteville has no IT infrastructure projects that are projected to cost over \$100,000 in fiscal year 2018-19.

UW-River Falls

IT Goals

1. Strengthening Information Security posture and promote a culture of data security.
2. Evaluate network based services for potential cloud or vendor based hosting to increasing the value to the university while removing ongoing maintenance and hardware costs.
3. Develop a three-year Teaching and Learning Technologies systems identification, prioritization, implementation and professional development roadmap in collaboration with shared governance representatives from faculty and instructional academic staff and students to support the University of Wisconsin-River Falls' goals of distinctive academic excellence, particularly by creating a learner-centered environment through teaching and learning technologies, and global education and engagement, particularly by supporting UWRF students' learning technology needs while participating in global learning opportunities.

Project Name: Software Defined Networking (SDN)

Description and Justification

An extra layer of security will be added to internal resources through automation of processes.

Business Need

- Additional Layer of Security.
- Efficiencies thru automation following current industry best practices.

- Resource demands created by current systems that do not have automation.

Priority (High, Medium, Low)

Low

Project Impact

Project impact is currently being estimated by the Internal Networking Team.

Resources Needed (Existing or Additional)

Vendor will augment existing staff resources

Project Name: Digital Learning Environment Transformation Project

Description and Justification

Migration of online courses from the D2L Learning Management System to the Canvas Digital Learning Environment in alignment with the UW System project timeline with the goal of creating a consistent digital learning environment for faculty, instructional academic staff, and students.

Business Need

The UW System contract for the current D2L Learning Management System ends in June 2020 and a subsequent contract was awarded to Instructure for the Canvas Digital Learning Environment (DLE). The DLE implementation project will migrate online courses from D2L to Canvas to address the end of the contract with D2L, and to create a consistent digital learning environment for faculty, instructional academic staff, and students. As a cloud-based Digital Learning Environment, Canvas meets these needs.

Priority (High, Medium, Low)

High

Project Impact

This project will impact the integration process between the PeopleSoft Student Information System and the new DLE system, the administration of the DLE, and the integration of the DLE key learning technologies (e.g., Turnitin.com, Lockdown Browser, Kaltura MediaSpace, Class Climate). Technical support for the new DLE will require collaboration with the vendor Instructure, which will be providing 24/7 Tier 1 Support. Additional project impacts include training faculty and instructional academic staff on how to create online courses in Canvas and how to teach using Canvas, as well as training students on how to learn using Canvas.

Resources Needed (Existing or Additional)

Additional resources will be needed. Most likely UW-River Falls will hire temporary staff to assist with the technical course migration to free up full-time staff to assist faculty and students with their pedagogical needs.

UW-Stevens Point

IT Goals

1. Implement electronic documents to convert paper forms/processes to electronic workflow. This will reduce manual processes, ensure standardization, and improve efficiency.
2. Align and prioritize IT efforts according to critical institutional needs.
3. Implement further refinements on business processes that use PeopleSoft Campus Solutions including better integrations and easier processing without customizations.

Project Name: Customer Relationship Management

Description and Justification

We are unhappy with our current Customer Relationship Management (CRM) solution. Recruiter from Ellucian is not cost-effective for the services desired. Since the institution has switched from Banner Financials to PeopleSoft Campus Solutions, it makes sense to look at a replacement CRM since Recruiter is closely tied to Banner.

Business Need

The institution needs a more cost-effective solution to managing contacts from prospective students to potential alumni donors. The current system (Recruiter) is slow to update and is heavily tied to Banner Financials. The institution needs stronger integrations with existing tools to provide better data reporting. With the downturn in enrollment of traditional students, gathering data points to build specific academic programs for UWSP is crucial to future growth.

Priority (High, Medium, Low)

High

Project Impact

This project will improve recruiting efforts for new students, and will aid in defining new academic programs. This will impact Admissions, Financial Aid, the Registrar, Student Financials, and many academic colleges. The central IT staff will be impacted as they deliver, maintain, and support the new CRM system for the foreseeable future.

Resources Needed (Existing or Additional)

Existing resources will be used for this project.

In addition, UW-Stevens Point has the following High Cost project that is over \$1 million and reported separately.

- UW-Stevens Point Implementation of Oracle PeopleSoft Campus Solutions

UW-Stout

IT Goals

1. Improve campus Information Security awareness and maintain compliance with UW System policies including state and federal compliance.
2. Develop Data Governance structure and increase effective use of data on campus including rollout of new campuswide data governance, Customer Relationship Management System and security measures.
3. Prepare for transition to new Learning Management System. Evaluate structure for developing and supporting courses in the learning management environment for online, on premise and hybrid environments.

Project Name: Customer Relations Management/Salesforce Implementation

Description and Justification

Purchase and implementation of Salesforce to replace Hobsons Recruitment software.

Business Need

Replace existing Hobsons product that is no longer supported by vendor. Recruiting is key to campuswide success. Vendor actions are driving the need to change products.

Priority (High, Medium, Low)

High

Project Impact

New software can provide better tracking and follow through of prospective students. The product can also be used by faculty and others helping with recruitment and retention cycle of students.

Resources Needed (Existing or Additional)

Additional resources including one new hire and consulting help.

UW-Superior

IT Goals

1. Maintain a reliable, secure and flexible IT infrastructure.
2. Focus IT resources on the end user experience rather than just the technology; empower users through training and use-case scenarios to promote an efficient use of IT resources.
3. Adopt a Cloud First strategy - evaluating safe, secure, cloud computing options before making any infrastructure investments.

Project Name: Outsource PeopleSoft Campus Solutions infrastructure and administration to Oracle and remove credential management functionality from PeopleSoft

Description and Justification

Contract with Oracle to assist with the conversion from SQL database to Oracle, move the Campus Solutions infrastructure to Oracle’s cloud and engage Oracle to administer the software in the future. Seek consulting resources to determine and establish a new methodology for managing credentials.

The intent is to reduce the number of IT FTEs and gain 24x7 system management resources at an overall reduction in costs. This change will also provide for better overall security of data, better change management controls and establishment of new credential management processing that meets the new UW-System Authentication Policy as it applies to high-risk data.

Business Need

The institution has one person who both manages the database and serves as the administrator responsible for applying system upgrades and patches to the PeopleSoft system. Outsourcing these functions will provide the appropriate level of expertise and the staffing depth needed to manage the most mission critical application on the campus while providing an additional layer of security for the high-risk data.

The institution is the only campus in the system that is using a SQL database, which hinders the ability to collaborate with other UW System institutions.

The institution is using a completely custom-built credential management solution based upon PeopleSoft Campus Solutions.

Priority (High, Medium, Low)

High

Project Impact

- There will be a large time requirement from certain staff members which will delay other projects.
- A significant amount of consulting resources will be needed to migrate.
- Having a more secure and flexible Student Information System environment that will position the institution to move more easily to other cloud providers should that prove to be a more cost effective solution in the future
- Risk will be reduced and internal IT staff will be able to focus more on training the campus to use the technology effectively.

Resources Needed (Existing or Additional)

Additional consulting resources.

Project Name: Implement BP Logix Workflow Solution

Description and Justification

Implement a forms-based workflow driven business process management solution. Currently the institution doesn't have a unified solution despite numerous enterprise wide needs.

The development of work flows that will create enterprise wide efficiencies that will benefit all aspects of institutional operations, both academic and administrative.

Business Need

The majority of the institutional workflows are manual. Most are initiated through forms that have been developed as Qualtrics surveys, PDF documents, or custom data sheets in the Common Spot web authoring system. In most cases, there are limited notification options, no true automation of the workflow once the form is submitted, and no consistent review that data standards are enforced.

The BP Logix software will allow the institution to construct workflows that include consistent and automated notification/escalation rules and in some cases will provide the ability to trigger transaction processing through integration with other systems including the Student Information System. The new system will allow the institution to standardize the processes for how data is captured including reviews that ensure that data are given proper security.

Priority (High, Medium, Low)

Medium

Project Impact

Existing IT resources will be used to configure and manage the implementation to minimize the cost of the application.

New processes and development standards will be implemented for workflow requests and a migration strategy will be established to move existing web site and other form development to the BP Logix platform.

Resources Needed (Existing or Additional)

Existing

Project Name: D2L to Canvas Conversion Project

Description and Justification

Need to convert from the existing D2L Learning Management System to Canvas. The UW System purchased Canvas to replace D2L. The project requires that all courses at all institutions be converted to the new software by Fall semester 2019.

Business Need

The UW System purchased the Canvas LMS to replace D2L. The project requires that all courses at all institutions be converted to the new software by Fall semester 2019. The institution will be working on migration and training through 2018.

Priority (High, Medium, Low)

High

Project Impact

The project will support student success by creating consistency between UW-Superior and the other UW System institutions along with flexibility to meet UW-Superior's specific needs. The project supports "pedagogy first" design that is fully accessible, thereby supporting increased student retention and improved time to graduation rates.

Resources Needed (Existing or Additional)

Additional resources will likely be needed to assist with migration.

Project Name: Upgrade Wireless Network

Description and Justification

Existing wireless controllers will be replaced and licensing will change to the Cisco One model.

Business Need

The institution recently invested in the latest wireless access points and the next phase involves replacing the end-of-life wireless controllers and moving to the Cisco One licensing Model.

Priority (High, Medium, Low)

Medium

Project Impact

The institution's wireless network is critical to the success of students. Various surveys have shown that students typically bring five to seven wireless devices with them when they come to campus. The Cisco ONE Software licenses give UW-Superior the flexibility to adjust to changing student needs because the licenses are not tied to specific pieces of wireless infrastructure.

Resources Needed (Existing or Additional)

\$150,000 initial investment with a seven year replacement cycle from existing resources.

UW System Administration

IT Goals

1. Lead improvements in the security posture of the UW System through policy development, assessment and restructuring.
2. Replace the UW System's legacy Learning Management System with a new Digital Learning Environment.
3. Implement Business Intelligence reporting tools for the institutions and UW System Administration.

UW System Administration has no IT infrastructure projects that are projected to cost over \$100,000 in fiscal year 2018-19 other than the following High Cost projects that are over \$1 million and reported separately.

- Budgeting, Planning and Forecasting System
- Replacement of Interactive Reporting Tool
- Oracle Shared Financial System Application Upgrade
- UW System Digital Learning Environment

UW-Whitewater

IT Goals

1. Teaching & Learning
2. Student Success & Engagement
3. Organizational Effectiveness through Reliable Technology & Customer-Focused Service.

UW-Whitewater has no IT infrastructure projects that are projected to cost over \$100,000 in fiscal year 2018-19.

UW SYSTEM INFORMATION TECHNOLOGY REPORT STATUS REPORT ON LARGE/VITAL INFORMATION TECHNOLOGY PROJECTS

EXECUTIVE SUMMARY

BACKGROUND

Section 36.59, Wis. Stats., requires that by no later than March 1 and September 1 of each year, the Board of Regents submit to the Joint Committee on Information Policy and Technology a report that documents each information technology project within the system with an actual or projected cost greater than \$1,000,000 or that the board has identified as a large, high-risk information technology project.

Regent Policy Document 25-4 implements the requirements of s. 36.59, Wis. Stats., which coordinates information technology strategic planning across the UW System, and specifies management and reporting requirements related to large or high-risk information technology projects.

REQUESTED ACTION

Approval of Resolution I.2.g., approving submission of the required reports to the legislative Joint Committee on Information Policy and Technology.

DISCUSSION

Attached are the progress reports on the UW System's major information technology projects. There are nine major projects:

- UW System Budgeting, Planning and Forecasting System
- UW-Stevens Point Implementation of Oracle PeopleSoft Campus Solutions
- UW System Replacement of Interactive Reporting Tool
- UW Colleges | Extension Voice over Internet Protocol (VoIP) Project
- UW-Madison Voice over Internet Protocol (VoIP) Transition
- UW System Oracle Shared Financial System Application Upgrade
- UW System Human Resource System (HRS) Upgrade
- UW-Madison Canvas Transition
- UW System Digital Learning Environment

The attached dashboards indicate that all nine projects are on time and on budget except for the following concerns.

As reported in July 2018, the replacement of the legacy Interactive Reporting tool with Oracle Business Intelligence Enterprise Edition (OBIEE) requires major restructuring of the data supplied by the Human Resources System (HRS) and Shared Financial System (SFS). In addition, the institutions need to expend considerable effort restructuring the data coming from their Student Information Systems (SIS). Therefore, implementation activities that are facilitated by Huron Consulting have resulted in the decision to extend the decommissioning of the legacy Interactive Reporting tool until April 2018. After the project was initiated in FY 2016, additional resources were allocated to the project to aid the work at the institutions in fiscal years 2017 and 2018. Turnover of staff at the institutions could result in a loss of continuity and the need for retraining, presenting a resource risk.

UW-Stevens Point's implementation of the PeopleSoft Campus Solutions system met delays early on, and the effort is projected to run six months beyond the original, optimistic timeframe. The actual two-year timeframe will be on par with that experienced by the other UW System institutions. The project is also expected to cost \$1 million more than the original budget due primarily to increased costs for consulting resources to augment the UW-Stevens Point staff. UW-Stevens Point is meeting the goal of implementing Campus Solutions with only 22 customizations as compared to the hundreds of customizations that were necessary years ago at the other UW System institutions. UW-Stevens Point is also one of the first institutions in the country to implement version 9.2 of the system from scratch without the benefit of upgrading from a previous version.

The ultimate success of UW-Madison's project to replace its legacy Centrex telephone system with Voice over IP (VoIP) is dependent upon the vendor's ability to port existing telephone numbers in a timely fashion and the availability of central and departmental IT staff at the campus.

The individual project dashboards attached provide additional information and details on the status of each of these major projects.

RELATED REGENT POLICIES

Regent Policy Document 25-4: Strategic Planning and Large or High-Risk Project

Project: **Budgeting, Planning and Forecasting System (BPFS)**

Description:

Annual budget preparation is an essential activity for University of Wisconsin institutions and the System office. The operating budget reports planned expenditures based upon institutional strategic goals for all funding sources. The current budget reporting is housed on a mainframe system. Excel-based tools are used to accumulate data and enter that data into the mainframe system, which requires significant manual effort at the institutional level. The current system does not contain detailed level non-salary expenditures nor does it contain analytical tools that facilitate short-term or long-term strategic decisions based upon expenditures, revenues, and fund balances that could assist with long-term rate setting, reporting, and strategic planning.

The UW System procured Oracle’s Planning and Budgeting Cloud Solution (PBCS) in late May of 2017. Once implemented, the system will facilitate informed decision-making and more efficient reporting throughout the UW System. Benefits of the new system include, but are not limited to:

- Centralized access/visibility to data from multiple sources,
- More efficient and effective annual budget and reporting processes,
- The capability to project, estimate actual revenues and expenditures, and monitor/manage fund balances to be incorporated into the budgeting process and for reporting purposes,
- Providing data in a meaningful and timely manner utilizing automated reports and templates allowing staff to focus their activities on analysis and identifying areas of interest in a proactive way rather than taking weeks to accumulate, reconcile, and enter information from multiple sources into spreadsheets for analytical and reporting purposes,
- The ability to have multiple “what-if” versions to model different budget and planning assumptions.

Project Scope:

To provide an effective budgeting, planning and forecasting tool to UW institutions and the schools, colleges and administrative units within them, along with UW System Administration. PBCS will facilitate more efficient budgeting and analysis of financial data for short-term and long-term strategic planning and analysis.

Three functional areas have been identified as the scope for this project:

- **Annual Budgeting:** A prospective one year operating financial plan prepared by each institution and presented to the Board of Regents. This will include outgoing expenses, incoming revenue, and rates established to achieve budgeted revenue where applicable.
- **Estimated Actuals:** An update of projected outgoing expenses, incoming revenue and fund balances for the current fiscal year ending June 30th.
- **Multi-year Forecasting/Strategic Financial Planning:** An update of outgoing expenses, incoming revenue, fund balances, rates and other items as identified based on estimated actuals for a minimum of six years including the ability to do “what if” scenarios.

Project Timeline: *(High level summary of proposed timeframe and major milestones)*

Huron Consulting began in January 2018 to assist with implementing the Oracle Planning and Budgeting Cloud Solution. An estimated timeline for a phased implementation is below. A more

detailed timeline will be developed in the coming months and will assume institutional staffing levels would not need to increase due to the implementation of a new solution. The project timeline will be monitored and alternative implementation approaches will be considered by the Executive Sponsors in an attempt to accelerate the implementation timeline wherever possible.

Calendar Year	Months	
2016	July-Dec.	Procurement Process for a new Solution Pre-Implementation Work (Chart of Accounts and Templates/Reporting)
2017	March	Finalize Pre-Implementation Work
	May	Finalize Procurement of a System
	July-Dec.	Select an Implementation Partner
2018	Jan.-Nov.	Phase I –Annual Budgeting and Estimating Actuals – Plan, Initiate, Design, Build, Test, Train and Deploy Phase I for FY2020 Annual Budget Development
2018	December	Phase I- Annual Budgeting Go-Live
2019	Jan.-July	Support Phase I – Deploy Estimating Actuals
	Mar.-Dec.	Plan and Begin Phase II- PR Balance Reporting and Rate Setting
2020	Jan. –Dec.	Phase II-PR Balance Reporting prior to the end of FY2020
2021	Jan.-June	Finalize Phase II – Rate Setting
	June -Dec.	Phase III - Long-Term Strategic Planning

Project Budget: *(Estimate of total project budget, including items such as hardware/software; training; vendor services costs, etc.)*

A current implementation estimate, including pre-work is \$8.15 million. Ongoing costs are being researched and will be offset by savings from decommissioning the mainframe system which is currently \$730,000 annually.

Source of Funds: UW Systemwide

Project Dashboard: (See Appendix 1 for dashboard definitions)

Project Status Dashboard:	Green	Yellow	Red
<u>Schedule Status:</u>	X		
<u>Scope Status:</u>	X		
<u>Budget Status:</u>	X		
<u>Other Issues (Staffing, Risks, etc.):</u>	X		

Status of Planning and Documentation:

	Status
Governance Structure	Executive Sponsors Identified
Project Charter	Not Started
Communication Plan	Not Started
Project Plan	Not Started
Project Budget	Estimated
Quality Assurance Plan	Not Started

Project: UW-Stevens Point Implementation of PeopleSoft Campus Solutions

Description:

UW-Stevens Point is engaging a project to move from a legacy student information system to the Oracle PeopleSoft Campus Solutions version 9.2. Moving to a new student information system is essential to the strategic direction of UW-Stevens Point for several key reasons:

- New features are needed to enhance student success. The present system utilized by UW-Stevens Point requires additional tools to improve student retention and success such as a student planner, pre/co-requisite enforcement, and an upgraded degree progress tool.
- Improved data quality and better Business Intelligence. There is a strong institutional need for date effective historical data that will allow for improved metrics and an improved historical understanding of issues related to student success and retention.
- Diffusing business process design and management from the Information Technology Department to the business users will lead to an improvement in shared knowledge regarding the operation of the institution, and thus an improvement in productivity for faculty and staff. This operational change will reduce the developer costs within the Information Technology department.

Adding the above feature sets to our legacy student information system, while possible, would consume valuable time and resources. It would also require a major overhaul of our existing database design. This also comes at a time when the key staff members for supporting the existing SIS system (possessing both business user and developer knowledge) are considering retirement, placing our operations at risk should they leave the institution.

Finally, UW-Stevens Point is the only UW System institution not using the Oracle PeopleSoft Campus Solutions product as a student information system. Moving to this product will enhance the operations of the UW System to standardize procedures for data management for the System, and provide a model for other UW institutions on changing business practices to reduce customizations in preparation for possible shared-hosting of this service.

Project Scope:

The scope of this project includes the replacement of the following modules of the existing student information systems with the PeopleSoft Campus Solutions software version 9.2 from Oracle.

- Admissions (not including recruitment)
- Student Records and Enrollment
- Student Financials
- Financial Aid
- Degree Progress/Academic Advisement
- Integrations with key campus third party software systems: EMS, College Scheduler; Housing, Ellucian Recruiter. All of these integrations have been completed and are ready for go live.

Not in project scope:

- Recruitment – move to new CRM (planned for FY18)
- Housing – move to new system (currently under implementation in FY18)
- Judicial – no replacement planned. Cloud based software as a service.
- Student Organization Management – replaced in FY16, Cloud based software as a service.
- Business Intelligence –A key interdependency for this project is the implementation of a business intelligence system for the campus. We plan to utilize the Oracle OBIEE system. While that product is being built out UW – Stevens Point will replace operational reporting using Campus Solutions Query and Microsoft Power BI. Report deployments will be just in time following the go live of modules.

A cornerstone principle of the project is to minimize customizations. This is being done to minimize the long-term costs that customizations bring to the PeopleSoft project. In addition, minimal customizations better position UW-Stevens Point for the migration to a future cloud-based student information system. The UW-Stevens Point project is designed to be a demonstration project for UW System institutions on how to accomplish an ERP project with minimal customizations.

The institution will only undertake customizations when they are needed to provide functionality that is specific to the University of Wisconsin that cannot be provided using existing functionality within PeopleSoft. In this case, UW-Stevens Point would evaluate customizations in place at other institutions and utilize the best of breed. The functional team members and managers will evaluate customizations that are required to support business process of UW-Stevens Point. Should they feel it necessary to push forward with a customization, the functional area would be required to develop a business case for the customization. The Information Technology Department - Applications Development area would be responsible for documenting the initial project and long-term operational costs of the customization. This information would need to be reviewed and approved by the Project Governance Team before being sent to the Chancellor for approval.

Project Update (January 2018):

We met delays early on, and this project is still in progress instead of winding down. Since the last project update in November, we have completed the following critical deliverables:

- 1098T processing
- official transcript generation out of Campus Solutions
- end of term processing:
 - academic standing
 - semester honors
 - campus reports
- a limited set of degree progress reports that are being reviewed and approved by campus departments.

Unfortunately, we still have a number of unfinished deliverables for the project. Many of these are core to our efforts, and were scheduled to be completed as part of our original statement of work. Examples of items still not complete:

- CDR reporting
- Graduate packaging,
- Degree Progress reporting,
- Collection processing,
- additionally, we are still dealing with numerous errors in processes, which necessitate manual review in the Student Records, Financial Aid awards, and Student Finance areas.

Continued work on deliverables and day-to-day operations has strained both functional and IT staff as everyone adjusts to errors and exceptions that arise. We are currently working through the remaining items, but as a result, have incurred the following additional expenses:

- Change order #2 (July 2017): \$465,200
Extended Financial Aid consultants until Nov 1st, Student Records and Student Finances consultant until Dec 31st.
- Change order #3 (Sept 2017): \$12,480
Extended consultant for Academic Advising area (expense covered by the functional area).
- Change order #4 (Oct 2017): \$129,600
Extended Financial Aid consultant and Financial Aid technical consultant until January 15, 2017.
- Change order #5 (Oct 2017): \$51,600
After discussions with the Highstreet Consulting, we added an additional consultant (at cost) dedicated to working on the large backlog of deliverables in the Student Records functional area.

The reasons for these delays and extensions are reflected in the "Notes" section below, but some main reasons are:

- a reduction in staff just before this project started meant a strong reliance on consultants and limited internal technical resources,
- early issues with the Campus Solutions 9.2 fluid platform,
- slow conversion of the program plan stack which gave functional areas little time to test before going live,
- restrictions on customizations, while advantageous, gives periodic delays as we retool business processes to match delivered functionality.

Overall, we feel a year and half timeframe for project completion was optimistic. Our HighStreet consultants commented this process normally takes two years, and that our timeline was aggressive. The progress over the last year has been steady and we are confident we are on the right path, but the revised timeframe for the project will be another 6 months past the original estimate. At the moment, we are strained in meeting the operational demands of the institution until this project is complete, and will be asking for continued sponsorship for a 6-month extension.

Original and Revised Project Schedule:

	Live Date (Original)	Revised Date
Training for Functional and Technical Teams	April 2016	(completed)
Needs Assessment Sessions to review business processes for functional areas	May- June 2016	(completed)
Finalized Project Plan including time and effort	Summer 2016	(completed)
Admissions Module Live	Fall 2016	Fall 2017*
Student Enrollment Live	Spring 2017	Spring 2018*
Student Financial Aid Module Live	Spring 2017	Spring 2018*
Student Financials Module Live	Spring 2017	Spring 2018*
Degree Planning Module Live	End of Fall 2017	Spring 2018*
Project Completion	December 2017	July 2018

* the “Revised Date” reflects needed work on functionality or automation that wasn’t completed prior to going live. This has led to significant exception handling and manual processing.

Original and Revised Project Budget:

- \$3.5 million for vendor training and implementation services
- \$350,000 annual expense for server administration and database management for two years of the project, ongoing costs annually of \$250,000 thereafter
- \$25,000 for project management and business process improvement/lean training for project team members.
- \$33,000 third party integrations
- \$75,000 cost for department LTE’s to backfill operational staff working on the project. Annual for two years.

Original Total Project Cost Estimate: \$4,058,000

Revised Budget (and estimate):

- \$658,880 for additional implementation services (see Change Orders above)
- \$341,120 estimated continued need to complete the project:

Additional Consultant time for:	
Financial Aid (technical)	\$62,400
Financial Aid (operational/technical)	\$102,400
Student Records	\$102,400
Various (AA, AD, SF, CC)	\$31,000
Contingency	\$42,920
Total:	\$341,120

New Total Project Cost Estimate: \$5,058,000

Source of Funds:

- UW System Administration: \$3.5 million provided for Highstreet Consulting costs.
- UW System Administration allocated the budgeted \$500,000 in contingency funds by request from UW-Stevens Point.
- An additional request for further funding of \$1,000,000 is being made by UW-Stevens Point.
- UW-Stevens Point will be assuming the costs for the following:
 - Project Management training/Business Process Improvement training for all ERP Project staff members \$25,000.
 - Additional Project Staffing of LTE's for Departments that are impacted by the Project: \$75,000 annually for two years.
 - Hosting of servers for the project and database administration. Estimates from DoIT, UW-Eau Claire and UW-Stevens Point are between \$150,000 - \$200,000 annually. This represents an increase in costs to UW-Stevens Point.
 - Third party integrations with EMS and Class Scheduler.
 - In January, the Technical Team discovered that a new faculty course evaluation system would need to be purchased as the one being used was integrated into the legacy SIS. The university is paying for the project from local dollars. The cost of this project in the first year was \$60,000.
 - The Cashnet payment gateway project was completed and the cost to UW – Stevens Point was \$60,000.
 - Any customizations that the institution requires but are not needed to make the software operational.

Project Dashboard:

Project Status Dashboard:	Green	Yellow	Red
<u>Schedule Status:</u>			X
<u>Scope Status:</u>	X		
<u>Budget Status:</u>			X
<u>Other Issues (Staffing, Risks, etc.):</u>		X	

Status of Planning and Documentation:

	Status
Governance Structure	Completed
Project Charter	Completed
Communication Plan	Completed
Project Plan	Completed
Project Budget	Exceeded budget constraints, but cost still under other UW implementations.
Quality Assurance Plan	Completed

Notes:

- The current schedule status is red due to the revised timeline exceeding the original estimate by 6 months. Most of the functional areas will be self-operating by January 1st, but some areas will need continued technical assistance from consultants.
- Issues with Campus Solutions updates PUM #3 and #4 had many bugs, and pushed back dates for the Student Records, Student Finances, and the Financial Aid Office areas, straining timelines. We were told by Oracle that UW-Stevens Point was one of the first to install a fresh Campus Solutions 9.2 production environment, and have encountered bugs as a result.
- There is concern over the UW Colleges (Marathon and Marshfield) joining with UW-Stevens Point, and a strong desire to complete this project as quickly as possible.
- Jim Barrett, prior CIO and Assoc. Vice Chancellor for Enrollment Services, has left the institution to pursue an offer with the Wisconsin State Technical Colleges.
- Customizations continue to be minimal, currently sitting at 22. Customizations to date have been due to a software deficiency, compliance with Title IX and for state level financial aid processes. A number of originally planned customizations were eliminated in favor of business process change and or using new delivered features.
- The service hub data integration is already providing data feeds to a number of campus systems and 3rd party integrations. This reduces the need for Campus Solutions customizations.

Project: Replacement of Interactive Reporting Tool (UWBI)

Description:

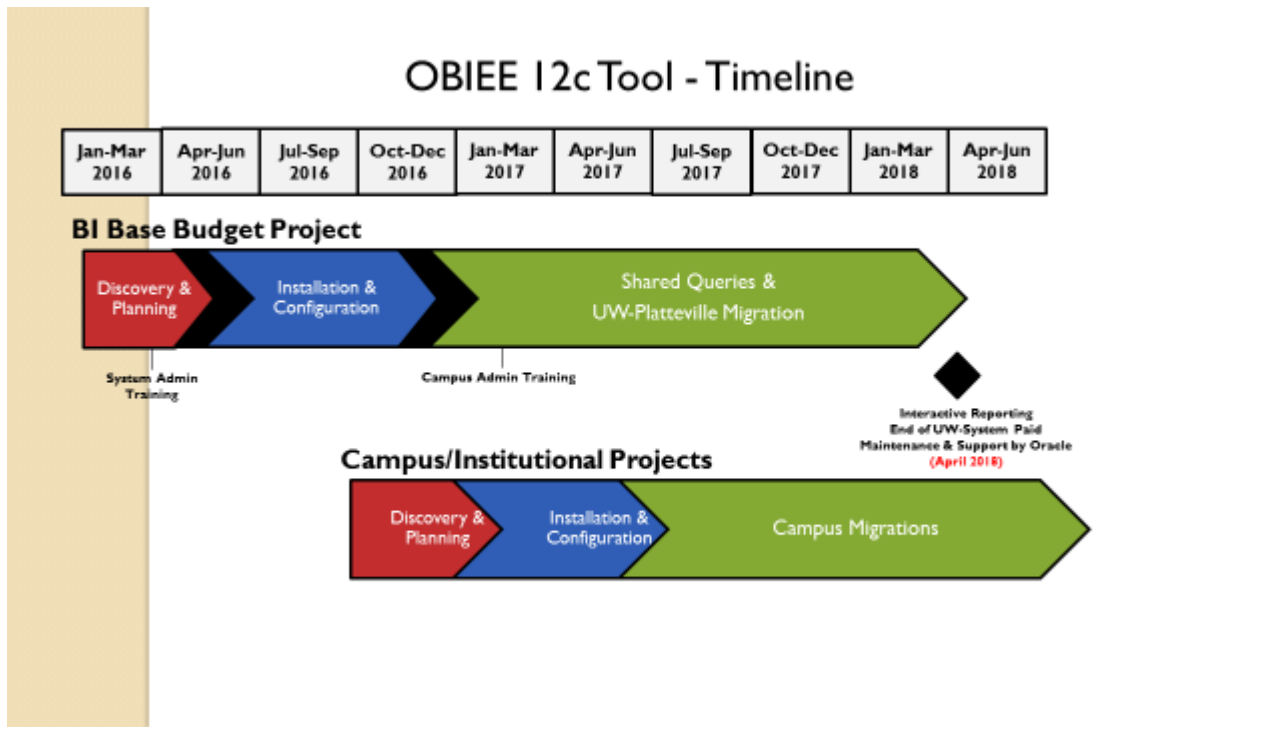
The University of Wisconsin System is implementing a new Business Intelligence (BI) tool to replace the legacy, system-wide reporting tool, Oracle's Brio/Hyperion Interactive Reporting (IR). This change is necessary because the UW System's Oracle's software support contract ends April 2018. A Request For Proposals was issued and the contract was awarded to Oracle OBIEE 12c (Oracle Business Intelligence Enterprise Edition) product in December 2015. The conversion timeframe began at that time and is expected to go through April 2018 (depending on each institution's engagement).

Through the Common Systems Review Group (CSRG) process, the UW System institutions are collectively funding the tool replacement, conversion of the system-wide shared queries and limited training for selected roles at each campus. Each institution is individually responsible for the assessment/conversion of queries/reports that are specific to its campus and for the training of its writers of ad hoc queries. These decisions were made by the BI Steering Committee to encourage the use of shared system-wide queries and to encourage each institution to critically assess its use of custom/unique queries. UW-Platteville recently completed this review and the result was a considerable streamlining of its processes with fewer custom queries.

Project Scope: *(Provide relevant details about what is in scope and out of scope for the project; indicate if there are related projects that have interdependencies.)*

1. Purchase hardware for OBIEE 12c
2. Install, configure, set up security and authentication in OBIEE 12c for the 13 UW System campuses
3. Ensure that the system is configured so that dashboards/reports can be shared across all campuses
4. Migrate the Platteville OBIEE 11g instance into the UW System OBIEE 12c instance
5. Assessment of the system-wide shared queries to determine:
 - a. Which of UW-Platteville's already converted shared queries can be used
 - b. Which queries that have not been converted by UW-Platteville should be converted to OBIEE's BI Publisher using Dynasoft
 - c. Which queries remain that a dimensional data model should be developed to support
6. Create a dimensional data model for the data used by the 'Shared Queries' found in Interactive Reporting
7. Using the dimensional data models, create a metadata repository (semantic layer)
8. Create dashboards/reports using the semantic layer that serve to replace the 'Shared Queries' in Interactive Reporting
9. Train technical people supporting the system-wide shared queries, and the technical staff at the institutions that have student data queries in Interactive Reporting in:
 - a. Dimensional Modeling;
 - b. Repository, Catalog, and Security Management;
 - c. Analyses (criteria and reports/views), Prompts, and Dashboards.
10. Train remaining Campus Administrators in the use of Repository, Catalog, and Security Management for administering the shared queries
11. Monitor readiness of the institutions that have queries related to student data to move to OBIEE

Project Schedule: *(High level summary of proposed timeframe and major milestones)*



Project Budget: (Estimate of total project budget, including items such as hardware/software; training; vendor services costs, etc.)

UWBI - Base Budget Summary			
	FY16	FY17	FY18
Service Costs - Budget	\$ 765,100	\$ 1,162,091	\$ 795,289
Software Costs - Budget	\$ 325,000	\$ 400,400	\$ 145,000
Budget	\$ 1,090,100	\$ 1,562,491	\$ 940,289
Service Costs - Actual	\$ 285,087	\$ 1,162,091	\$ 740,081
Software Costs - Actual	\$ 397,893	\$ 407,140	\$ 30,024
Actual	\$ 682,980	\$ 1,569,231	\$ 770,105

BI - New Initiative Budget Request		
	FY17	FY18
Consulting - Budget	\$ 800,000	\$ 800,000
Training - Budget	\$ 125,000	\$ 125,000
Total Budget	\$ 925,000	\$ 925,000
Consulting/Training - Actuals	\$ 580,375	\$ 406,113
Actual	\$ 580,375	\$ 406,113
Carryover/Remaining	\$ 344,625	\$ 863,512

Source of Funds: Common Systems Review Group

Project Dashboard: (See Appendix 1 for dashboard definitions):

Project Status Dashboard:	Green	Yellow	Red
<u>Schedule Status:</u>		X*	
<u>Scope Status:</u>	X		
<u>Budget Status:</u>		X**	
<u>Other Issues (Staffing, Risks, etc.):</u>		X***	

Notes:

* Schedule Status – Implementation planning was assisted by Huron Consulting and extended implementation to April 2018

** Budget Status – Additional funding was allocated for the Shared Queries

*** Other Issues – Campus/Institutional resource turnover and retraining of new staff is a risk during the migration phase

Status of Planning and Documentation:

	Status
Governance structure	Completed
Project Charter	Completed
Communication Plan	Completed
Project Plan	Completed
Project Budget	BI Base Budget confirmed BI New Initiative Budget received for 2 years to support campuses; Shared Queries support
Quality Assurance Plan	In progress at campus/institutional level

**Project: UW Colleges, UW Extension, and UW System Administration
Voice over Internet Protocol (VoIP)**

Description:

The University of Wisconsin System Administration, University of Wisconsin Colleges and University of Wisconsin-Extension are in great need to modernize their communications systems to meet current and future student, administration, faculty and staff needs and expectations. Because of the similarity of operations, co-location of staff and the relatively small number of phones it uses, UW System Administration is collaborating with UW Colleges and UW-Extension on this project.

An area of great concern/deficiency is the more than 15 unique telephone system implementations running on five different technology platforms supported by UW Colleges and UW-Extension. Many of these systems and platforms are in various stages of obsolescence. This project focuses on meeting the needs of the students, administration, faculty and staff who have the expectation and requirements of a modern communications system as a baseline industry service.

The current, voice only systems are antiquated and are approaching end of life. Additionally, the systems used by UW Colleges and UW-Extension are significantly inadequate, problematic and detrimental to the daily operation of the institutions. These systems are not sustainable and provide no opportunity to integrate with new communication technologies, other business critical services, nor do they allow UW Colleges or UW-Extension to operate as a single institution. Moving to a Voice over IP (VoIP) system will provide a single, more stable and current telecommunications platform, allow for future use of unified communication technology, and significantly improve the ability to be responsive to the increasing growth and demand of the UW Colleges campuses and UW-Extension Divisions. Additionally, a VoIP solution will provide E911, emergency services and paging services across all UW Colleges campuses, which are currently unavailable to some of them. VoIP is the commodity technology for enterprise voice communication and will be used as a strategic technology foundation to build upon.

Strategic Business Drivers for the Project:

- Replace Aging Systems
 - More than 15 unique aging telephone systems are currently used across UW System, UW Colleges, and UW-Extension. Most of these systems have, or soon will, reach their end of life and no longer meet the needs of students, administration, faculty and staff. Some of these systems are so old they can no longer be supported and if they were to fail, it is questionable if they could be fixed.
- Improve Emergency Notification
 - Improving the emergency notification functionality and capabilities throughout the UW System has taken on increased importance with the dangerous incidents that have been occurring around the country. The UW campuses are just as vulnerable to these types of attacks and must have the tools in place to respond when a situation on campus occurs. The objective is to add E911 functionality

that will allow emergency responders to pinpoint the location of the emergency on campus to enhance response times and management of emergencies.

- Unified Communications & Functionality Modernization
 - Some of the UW Colleges campuses do not have voice mail systems of their own and rely on county services to provide this service. Many of the UW Colleges campuses and some of the UW-Extension offices use telephone systems that cannot be integrated with their e-mails systems. UW Colleges and UW-Extension would like to provide equal functionality to all of its locations and a single location for messages by delivering voice mail messages to the end-user's e-mail box if they so choose. Additionally, the use of a single unified communications system will increase collaboration across the institution(s). Lastly, the solution must offer call center management functionality and integrate with the Salesforce CRM used by CEOEL.

Overall the objectives are; to implement a single, unified telecommunications solution; improve emergency communications and responsiveness by providing E911 and emergency services; provide modern telecommunications functionality and services to UW System, UW Colleges Campuses and UW-Extension Divisions; and implement a communications technology platform that positions UW System, UW Colleges and UW-Extension for future growth.

Project Scope:

For the past several years, UW Colleges campuses and some UW-Extension divisions have expressed concern about their aging phone systems. Beginning in 2014 and going through early 2016, an assessment and information gathering exercise was conducted to ascertain the status of the multiple phone systems. The assessment confirmed the concerns expressed by the campuses and divisions and uncovered other phone systems that were approaching obsolescence. Additionally, the consolidation of services resulting from the FY15-FY17 budget cuts highlighted the staffing challenges associated with providing telephone support across the UW Colleges. Also during this time, AT&T announced that the Centrex phone system used by many of the state institutions would not be supported after 2020 and last year DOA renegotiated the AT&T contract, which resulted in a cost increase of Centrex lines.

The completion of the UW Colleges Campus Network Infrastructure Project (CNIP) in December 2016 addressed concerns identified prior to 2014 regarding the ability of UW Colleges campus networks to support future network requirements. In anticipation of the network improvements associated with the CNIP project, planning began for implementation of a VoIP solution to replace the aging phone systems through UW Colleges and UW-Extension and to unite both institutions under one phone system, thus reducing support and long distance costs. UW System requested to be included in the VoIP project because many of the UW System offices are located in the same buildings and UW-Extension in the Madison area. UW Colleges, UW-Extension and UW System approved the project in November 2016.

Project Timeline: December 2016 - July 2018

Project Budget: \$2,719,598

Project ROI: UW System – 2 years, 2 months; UW Colleges – 5 years, 1 month; UW-Extension – 1 year, 9 months; overall – 2 years, 9 months

Source of Funds: UW System (12%), UW Colleges (53%), UW-Extension (35%). Although initial capital is required at the beginning of the project, the project will ultimately pay for itself from the savings realized through lower ongoing operating costs as reflected in the ROI above.

Project Dashboard: (See Appendix 1 for dashboard definitions)

<p>Determine the status for each of the categories below based on the criteria identified on the right and on the back of this page.</p> <p>Insert an X in the column that best describes the status of the category or color/share the appropriate status box.</p> <p>If a category has a status of Yellow or Red, describe the problem/issue and what actions will be taken to correct the problem/issue.</p>		STATUS COLOR INDICATORS
	Green	On target as planned
	Yellow	Encountering issues
	Red	Problems

Project Status Dashboard:	Green	Yellow	Red
Schedule Status	X		
Scope Status	X		
Budget Status	X		
Other Issues (Staffing, Risks, etc.)	X		

Status of Planning and Documentation:

	Status
Governance Structure	Completed
Project Charter	Completed
Communication Plan	Completed
Project Plan	Completed
Project Budget	Completed
Quality Assurance Plan	Completed

Project: UW-Madison VoIP Transition

Description: UW-Madison is transitioning from its longstanding current voice (telephone) services technology (known as Centrex) to a new telephone and voice. AT&T is in the process of retiring Centrex services and more updated and cost effective technologies are now available.

After carefully considering vendor proposals, UW–Madison selected the Cisco VoIP product. Voice over Internet Protocol (VoIP) uses a combination of the campus network, the global internet system, and traditional telephone company access to the Public Switched Telephone Network (PSTN) to place and receive local and long distance calls.

This initiative supports the campus 2015-2019 Strategic Framework (<https://chancellor.wisc.edu/strategicplan2/index.html>) in the major area of *Resource Stewardship*. The project specifically addresses a major goal articulated in the framework: “Transform library structures and technologies to best support research and learning, and to attain campus efficiencies.”

Project Scope:

- The current project scope is focused on replacing existing voice and voicemail services.
- While the system is being architected for improvements in the capabilities to communicate and collaborate, “Unified Communications” solutions are currently out of scope.

Project Schedule:

Early adopters are currently transitioning to the VoIP solution. It will take 12–18 months to migrate the entire campus from Centrex to Cisco, making the end of June 2018 the target completion date.

- The project began in September 2016. In February 2017, project activities focused on infrastructure design, procurement, installation and testing.
- From March 2017 till the end of June 2017, approximately 1,000 early adopters in 12 units across campus will migrate to Cisco VoIP.
- From May 2017 through the end of June 2018, 80% of remaining units will migrate, completing the process. The remaining units will transition during the summer of 2018.

Detailed progress can be found at: <https://voip.it.wisc.edu/timeline-schedule/>

Project Budget:

	Project
Hardware	\$2,104,000
Licensing	\$4,000,000
Consulting	\$435,000
TOTAL	\$6,539,000

Source of Funds:

\$4,000,000 from a Morgridge Foundation Grant. The remaining \$2,539,000 project cost will be funded by savings from Centrex charges currently paid by units and divisions. Labor needed to implement VoIP is part of DoIT's (Division of Information Technology) telephony services operating budget.

Project Dashboard: (See Appendix 1 for dashboard definitions):

Project Status Dashboard:	Green	Yellow	Red
VoIP Transition Website: https://voip.it.wisc.edu/			
<u>Schedule Status:</u> Schedule can be impacted by vendor's ability to port numbers in a timely fashion and the availability of DoIT and local IT staff.		X	
<u>Scope Status:</u>	X		
<u>Budget Status:</u>	X		
Other Issues (Staffing, Risks, etc.):	X		

Status of Planning and Documentation:

	Status
Governance structure	In place.
Project Charter	Multiple sub-charters in place.
Communication Plan	In place.
Project Plan	In place.
Project Budget	Approved.
Quality Assurance Plan	Progress being tracked.

Project: Oracle Shared Financial System Application Upgrade

Description:

The UW System-wide Shared Financial System (SFS) is currently on version 9.1 of Oracle's PeopleSoft Financial Management software. Oracle-PeopleSoft is moving from a bundled release strategy (e.g. 9.0, 9.1, and 9.2) to a rolling update model where new features, updates, and fixes are released in small bundles that are applied as needed. SFS is upgrading to Oracle's terminal release (9.2) to use the rolling update model and to stay within Oracle support. Extended support for our current version will end in January 2018.

The Shared Financial System (SFS) consists of General Ledger, Accounts Payable, Purchasing, Asset Management, Cash Management, Grants, Project Costing, Accounts Receivable and Billing, Cost Share, Effort Reporting and E-Reimbursement (Travel). In addition SFS and DoIT staff support connectivity with HRS (including interfaces for payroll, person data, and tax and vendor information) and bolt on applications such as salary cost transfer, and query reporting tools. All Institutions in the UW System currently use SFS and will benefit from the upgrade. PeopleSoft 9.2 creates an improved user experience that fundamentally changes how users interact with PeopleSoft. This improved user experience can increase efficiency and drive greater user adoption by providing a more intuitive, easy-to-use interface that incorporates the consumer internet experience. There are currently over 21,000 users system wide.

The upgrade project will improve the existing PeopleSoft system through the incorporation of newly delivered functionality. It will also encompass a full review of existing customizations, with a focus on replacing with delivered functionality, or eliminate if possible.

This project is critical to SFS as we need to maintain vendor support (e.g. receive security patches) and protect our investment.

The planned timeline for this upgrade is 19 months. This include 3 months for planning, 15 months for the main project and 1 month of post 'go live' support. Our anticipated 'Go Live' date is October 2018. UW System Administration conducted a competitive request for consulting services to support the upgrade. Sierra-Cedar was the selected consulting partner.

The project aligns with the following Common System priorities:

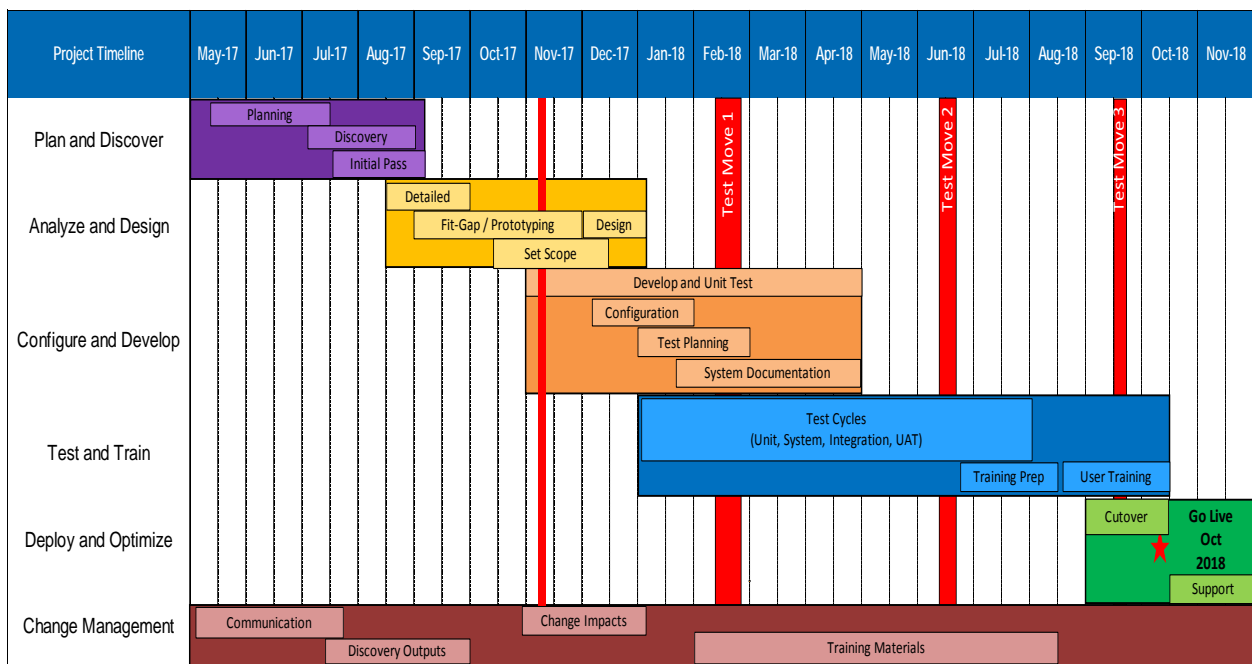
- SFS/HRS expanded functionality
- Initiatives that closely align with [2020FWD strategic framework](#)
 - Operational and Administrative Excellence – The UW system will continue to create operational efficiencies by standardizing, consolidating and streamlining non-instructional operations.

Project Scope:

Scope and broad project goals:

- Upgrade Financials Release 9.1 to Financials Release 9.2.
- Upgrade PeopleTools Release 8.55 to a new version.
- Leverage new 9.2 functionality to streamline, reduce, and eliminate some custom development items.
- Implement new functionality such as user interface, dashboards, and mobile capabilities.
- Complete the upgrade within the specified time and budget, protecting the confidentiality of all data residing in SFS PeopleSoft applications.

Project Schedule:



Project Budget:

Professional Services	\$ 6,413,476
Internal Labor Costs	\$ 595,360
Infrastructure Costs	\$ 904,392
Total Budget	\$ 7,913,228

Source of Funds:

Funding is through UW System wide Funds.

Project Dashboard: (See Appendix 1 for dashboard definitions):

Project Status Dashboard:	Green	Yellow	Red
<u>Schedule Status:</u>	X		
<u>Scope Status:</u>	X		
<u>Budget Status:</u>	X		
<u>Other Issues (Staffing, Risks, etc.):</u>	X		

Project commencement date May 15th 2017

Status of Planning and Documentation:

	Status
Governance structure	Complete
Project Charter	Complete
Communication Plan	In Progress
Project Plan	In Progress
Project Budget	Completed
Quality Assurance Plan	In Progress

Project: Oracle/PeopleSoft Human Capital Management Application Upgrade

Description:

The UW Service Center (SC) provides personnel, payroll and benefits processing to the UW System institutions. The SC, along with the UW-Madison Division of Information Technology (DoIT), manages the Oracle/PeopleSoft Human Capital Management (HCM) application. The SC implemented HCM version 9.0 in 2011; the version 9.2 upgrade will be the organization's first upgrade.

Oracle/PeopleSoft's extended support for HCM version 9.0 ended in June 2015 and the application moved into sustaining support. While Sustaining Support provides access to Oracle technical support, sustaining support does not include new updates, fixes, security alerts, data fixes, and critical patch updates. North American Payroll Tax Updates are available to Sustaining Support customers from July 2015 through December 2017 at additional cost (\$50,000 per year). Hence, one of the primary drivers of the upgrade is to restore full vendor support for HCM.

In spring of 2015, the SC completed an initial upgrade planning engagement to understand the impact of version 9.2 on UW operations and the high-level resource requirements to complete the upgrade. In the fall of 2015, SC conducted a competitive request for consulting services to support the upgrade. Sierra-Cedar was the selected consulting partner. Throughout the project duration, Sierra-Cedar and Service Center/DoIT operational staff will work jointly on the upgrade from HCM 9.0 to HCM 9.2.

The upgraded HCM 9.2 system successfully moved into production on February 27, 2017. The UW project team completed the technical updates on June 4, 2017 and application updates on November 5, 2017. **The HCM 9.2 upgrade project is now complete.**

Upgrade Project Goals:

- Migrate existing data, functionality, processes and reports to HCM version 9.2.
- Minimize the impact the upgrade will have on Service Center operations and end users at the UW institutions.
- Given the HCM version 9.0 support window, the Service Center seeks to implement version 9.2 using the shortest critical path possible, while maintaining the integrity of the system.

Project Scope:

- Upgrade HCM version 9.0 to HCM version 9.2
- Upgrade PeopleTools Release 8.52 to PeopleTools Release 8.54 for HCM
- Retrofit Enterprise Performance Management release 9.0/PeopleTools 8.52 for HCM release 9.2
- Maintain application functionality that is currently being used by Service Center, including modifications, interfaces, workflows, rules, reports, queries, internal controls, security roles/permission lists, batch schedules, and physical/logical environments.
- Leverage HCM 9.2 functionality to streamline, reduce, and eliminate approximately 10% of the custom development items.

- Consider new functionality if it will eliminate release 9.0 modifications, or reduce the need for any new modifications during the upgrade.
- Apply necessary technical and application updates issued by Oracle since January 2016 to complete optimization of the upgrade.

Project Schedule:

HCM 9.2 Upgrade	2016												2017										
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov
Plan & Discover																							
Analyze & Design																							
Configure & Develop																							
Test																							
Train, deploy & optimize																							

Project Budget:

Total Estimated Project Budget Plan:

\$6,125,719	Consulting and remote upgrade lab services
\$ 901,036	Upgrade environments and storage
<u>\$ 500,000</u>	Backfill to support Service Center operations during upgrade
\$7,526,755	

Source of Funds: UW System Administration

Project Status Dashboard: (See Appendix 1 for dashboard definitions)

	Green	Yellow	Red:
<u>Schedule Status:</u> Upgraded system moved into production Feb. 27, 2017. Technical updates applied June 4, 2017 and application updates applied Nov. 5, 2017.	X		
<u>Scope Status:</u> The scope objectives as described above will be met.	X		
<u>Budget Status:</u> Project expenditures are tracking as planned.	X		
<u>Other Issues (Staffing, Risks, etc.)</u>	X		

Status of Planning and Documentation:

	Status
Governance Structure	In place
Project Charter	Complete
Communication Plan	Complete
Project Plan	Complete
Project Budget	Complete
Quality Assurance Plan	Complete

Project: UW-Madison Canvas Transition

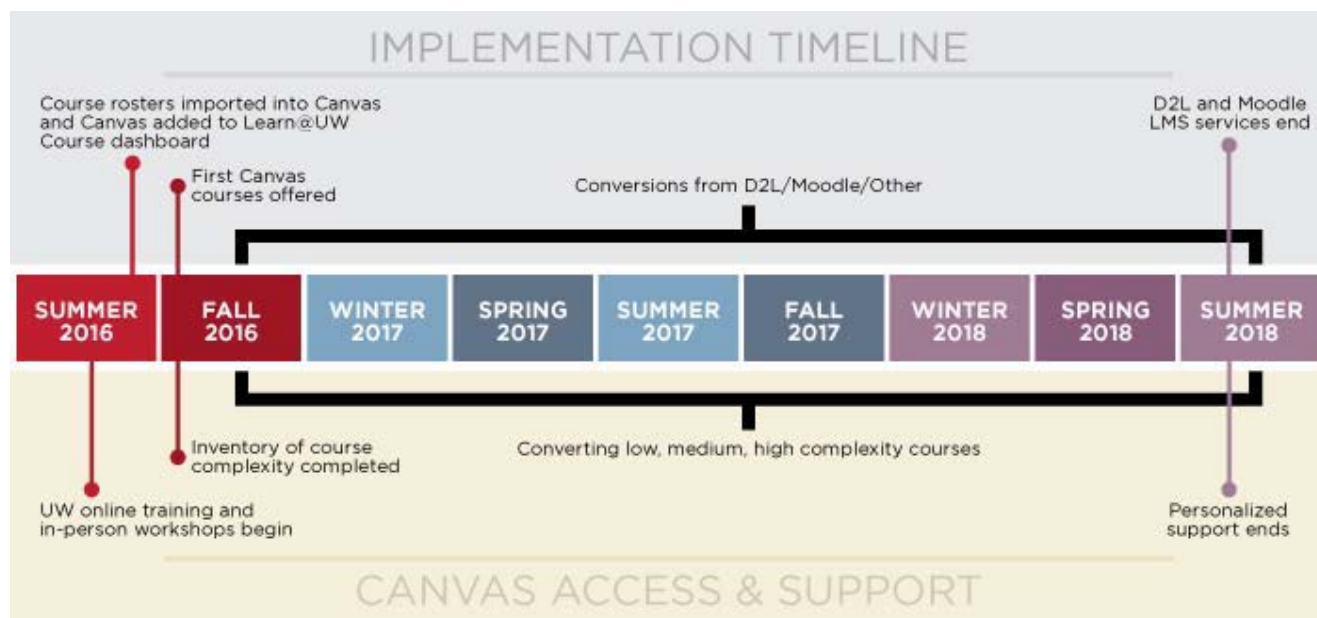
Description: UW-Madison is transitioning to the Canvas learning management system (LMS) over the next two years (FY17 and FY18). The plan is to adopt Canvas as the single, centrally supported LMS, and to discontinue campus support for Desire2Learn (D2L) and Moodle by 2018. Canvas is a cloud-based, learning management system (LMS) that is currently used by hundreds of colleges and universities, and features intuitive instructional workflows, improved collaboration and the ability to integrate with many external tools. Canvas provides a number of enhanced learning capabilities, many of which have been praised by the faculty, instructional staff and students.

This initiative supports the campus 2015-2019 Strategic Framework (<https://chancellor.wisc.edu/strategicplan2/index.html>) in two major areas: *Educational Experience* and *Resource Stewardship*. The project specifically addresses two major goals articulated in the framework: “Improve learning outcomes, including reducing time to graduation, for all students” and “transform library structures and technologies to best support research and learning, and to attain campus efficiencies.”

Project Scope:

- All UW-Madison credit and non-credit course offerings are in scope.
- All other UW-System campus credit and non-credit courses (currently using Desire2Learn) are out of scope.

Project Schedule:



Canvas Usage

Spring 2017 Term as of 04/21/17			
Active/Published Courses	Unique Instructors	Unique Students	% Courses in Canvas
1,155	1,699	27,199	35%

Project Budget*:

	FY17	FY18	TOTAL
Hardware	\$0	\$103,000	\$103,000
Licensing	\$518,000	\$547,000	\$1,065,000
Staff	\$787,000	\$1,764,000	\$2,551,000
TOTAL	\$1,305,000	\$2,414,000	\$3,719,000

*Note: Does not include the cost of converting non-credit courses, currently being determined.

Source of Funds: Campus central funding.

Project Dashboard: (See Appendix 1 for dashboard definitions):

Project Status Dashboard:	Green	Yellow	Red
Canvas Transition Website: https://canvasinfo.wisc.edu/			
<u>Schedule Status:</u>	X		
<u>Scope Status:</u>	X		
<u>Budget Status:</u> Note: Cost of converting non-credit courses being determined.	X		
<u>Other Issues (Staffing, Risks, etc.):</u>	X		

Status of planning and documentation:

	Status
Governance structure	In place.
Project Charter	Multiple sub-charters in place.
Communication Plan	In place.
Project Plan	In place.
Project Budget	Approved.
Quality Assurance Plan	Progress being tracked.

Project: Digital Learning Environment

Description:

The contract with Desire2Learn (D2L) for the Brightspace learning management system (LMS) was set to expire and, as a result, UW System Administration and institutions underwent a multi-year effort to understand the needs for teaching and learning by engaging a wide variety of stakeholders at each institution. Based on the findings from the needs analysis process, the Learn@UW Executive Committee recommended that UW System issue a Request for Proposal (RFP) to seek a Digital Learning Environment (DLE) to succeed its current LMS. A DLE is the digital “hub” for a confederation of services and tools that support teaching and learning, versus an administrative tool for managing course content. The DLE RFP process was completed, and Instructure’s Canvas platform was selected as the digital hub for the UWS DLE.

The purpose of this implementation project is to ensure a well-managed, timely and orderly rollout of the Canvas platform across UW System institutions, excluding UW-Madison. James Henderson, UW System Vice President for Academic and Student Affairs and Robert Cramer, UW System Vice President for Administration, are the executive sponsors for the project. The Canvas platform provides the foundation to evolve the DLE in support of the UWSA 2020FWD strategic framework. The DLE will align with the 2020FWD priorities related to “Educational Pipeline” and “University Experience” and support student success by creating consistency among institutions with flexibility to meet individual institutional needs. The implementation project will be complete by June 30, 2020.

Project Scope:

1. Implement and configure the DLE to support the goals of design with pedagogy first and consistency with flexibility across the institutions. The fixed/flexible framework will be used to meet the most important requirements identified in the DLE RFP and support institutional goals with a learner-centered focus.
2. Identify stakeholders and create a communication plan to engage with the stakeholder groups throughout the project.
3. Define and utilize project governance at the UWSA executive sponsor level and the institutional sponsor level including a definition of the roles and responsibilities on the project. Transition the project governance structure to a UWS DLE governance structure at the end of the project.
4. Develop a collaborative project environment to utilize the strengths and best practices from each institution and the vendor to leverage during the implementation process thereby reducing redundant work completed by each institution. The DLE will support universal design and accessibility.
5. Create training, testing and support plans for faculty, staff, students, and administrators that meet the needs of the transition period and are transferable into ongoing support, knowing that the vendor will perform regular upgrades to the cloud-based software.
6. Design and implement application integration utilizing the vendor provided integration mechanisms that are aligned with the fixed/flexible decisions to create consistency while allowing institutions to access their data and setup new integrations to support instructional priorities at each institution.

7. Determine a migration plan for existing courses, then execute at each institution. The migration plan will address the identification of existing courses that are to be: moved from the current system to the new system, redesigned and recreated in the new system, and archived from the current system.
8. Identify and implement an archive/retention strategy for the data hosted currently by Learn@UW Utility and retire the D2L application.

Project Schedule:

Milestone	Date	Revised Date and Status
Project Start	July 1, 2017	
Stakeholder analysis completed	August 1, 2017	Complete
Institution current-state inventory completed	August 1, 2017	Complete
Project, communication, and risk/issues plans completed	September 1, 2017	Complete
Vendor contract approved by Board of Regents	October 9, 2017	Complete
Fixed/Flexible framework approved	November 1, 2017	March 30, 2018
Project scope approved	November 1, 2017	March 30, 2018
DLE available for initial UWS configuration	November 1, 2017	Complete
DLE available for institutional configuration	December 1, 2017	January 30, 2018
Campus project plans approved	December 1, 2017	January 30, 2018
Course migration for Fall 2018 underway	February 2018	March 2018
Authentication developed	March 2018	
Integration between the DLE and the Student Information Systems developed	April 2018	
System testing completed at institutions	April 2018	
Training developed	June 2018	
Integration and user testing at institutions completed	June 2018	
First courses go live	September 2018	
Data warehouse available	June 2019	

Archive and retirement of on-premise D2L systems and processes	May 2020	
Project complete	June 2020	

Project Budget:

High Level Budget Item	Approved FY18 Budget	Total Project Budget	Estimated Year End Expense	Estimated Project End Expense	Estimated Year End Variance	Estimated Project End Variance
Initiative's Costs						
UWSA Salary and Fringes	\$160,000	\$400,000	\$130,000	\$380,000	\$30,000	\$20,000
DoIT Salary and Fringes	\$199,500	\$199,500	\$230,000	\$230,000	(\$30,500)	(\$30,500)
Professional Services (Consultants)	\$739,500	\$1,479,000	\$878,300	\$1,198,300	(\$138,800)	\$280,700
Training and S&E	\$5,000	\$15,000	\$10,000	\$25,000	(\$5,000)	(\$10,000)
Non-Labor Infrastructure	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$1,104,000	\$2,093,500	\$1,248,300	\$1,833,300	(\$144,300)	\$260,200
Software/Subscriptions Costs						
License	\$1,582,000	\$4,966,604	\$1,317,826	\$4,813,836	\$264,174	\$152,768
Subtotal	\$1,582,000	\$4,966,604	\$1,317,826	\$4,813,836	\$264,174	\$152,768
Initiative's Total	\$2,686,000	\$7,060,104	\$2,566,126	\$6,647,136	\$119,874	\$412,968
Less other funding sources	(\$2,686,000)	(\$2,566,126)	(\$2,566,126)	(\$2,566,126)	(\$119,874)	\$0
CSRG Total	\$0	\$4,493,978	\$0	\$4,081,010	\$0	\$412,968
Variance % (Aggregate)					4%	6%

Summary Estimated Budget:

During fiscal years FY 21 and beyond, the current D2L environment that is run at UW-Madison would be phased out, so there would be savings to offset some or all of the ongoing operational costs of the new Learning Environment.

Source of Funds:

Common Systems Review Group (CSRG) and UW System Administration

Project Dashboard: (See Appendix 1 for dashboard definitions):

Project Status Dashboard:	Green	Yellow	Red
<u>Schedule Status:</u>	X		
<u>Scope Status:</u>	X		
<u>Budget Status:</u>	X		
<u>Other Issues (Staffing, Risks, etc.):</u>	X		

Status of Planning and Documentation:

	Status
Governance Structure	James Henderson, Vice President of Academic and Student Affairs, and Rob Cramer, Vice President of Administration are Co-Sponsors of this project
Project Charter	Complete
Communication Plan	Complete
Project Plan	Complete
Project Budget	Estimated project budget proposal submitted to the Common Systems Review Group (see above)
Quality Assurance Plan	In Process

Appendix 1: Project Dashboard Definitions

Determine the status for each of the categories based on the criteria identified on the right.		STATUS COLOR INDICATORS
	Green	On target as planned
	Yellow	Encountering issues
	Red	Problems
Insert an X in the column that best describes the status of the category or color/share the appropriate status box.		
If a category has a status of Yellow or Red , describe the problem/issue and what actions will be taken to correct the problem/issue.		

<p>Project Status Category Descriptions</p>
<p>Schedule Status (refers to target implementation date of phase or project)</p> <p>Green – Indicates that the project or phase will be completed on target or on the planned date.</p> <p>Yellow – Indicates that the project or phase may be falling behind and work needs to be done to determine if the project can recover and still complete on the scheduled date or if adjustments must be made to the schedule date.</p> <p>Red – Indicates that the project or critical tasks have fallen behind schedule and corrective action must be taken to make the scheduled date or the scheduled date must change.</p>
<p>Scope Status</p> <p>Green – We have not changed the scope in any way that will keep the implementation from meeting the objectives planned for the project.</p> <p>Yellow – The scope of the project has increased. Budget and implementation date are impacted by < 10%. Or the scope of the project has decreased but objectives are not substantially impacted.</p> <p>Red – The scope of the project is under review and changes are being requested that will mean the implementation will not meet the project objectives in some substantial way or doing them later will increase cost 10% or more above the original total cost of the project approved by the sponsors.</p>
<p>Budget Status</p> <p>Green – Currently on target with project budget.</p> <p>Yellow – Project is over budget by 10 – 25%.</p> <p>Red – Project is over budget by 25% or more.</p>
<p>Other Issues (Staffing, Risks, etc.)</p> <p>Green – No staffing, Risks, or other issues/concerns exist.</p> <p>Yellow – Staffing concerns/issues exist that need to be monitored and possible adjustments made. Key staff departing. One or more risks or other issues may be surfacing which need to be monitored and contingency plans developed.</p> <p>Red – Staffing concerns/issues exist and will impact project schedule, budget, deliverables, risks, etc. Key staff lost. One or more risks or other issues have surfaced and will have an impact on budget, deliverables, staffing, scope, and/or schedule. Corrective action must be taken or contingency plans executed.</p>

UW System Contractual Agreements
for On-Call Architectural, Engineering,
and Planning (AEP) and On-Call Site and
Civil Engineering Professional Services

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the contractual agreements between the Board of Regents of the University of Wisconsin System and Aro Eberle Architects, Inc.; Continuum Architects+Planners, S.C.; Hammel, Green and Abrahamson, Inc.; Ayres Associates Inc., and SmithGroupJJR, Inc. The agreements will run from February 15, 2018, through February 14, 2021. Individual work orders will be executed under these Master Agreements, which will detail the specifics of professional services to be completed under the Agreement.

February 9, 2018

Agenda Item I.2.h.

**UW SYSTEM CONTRACTUAL AGREEMENTS
WITH VARIOUS ARCHITECTURAL/ENGINEERING/PLANNING
AND SITE/CIVIL ENGINEERING FIRMS**

EXECUTIVE SUMMARY

BACKGROUND

UW System Board of Regents policy requires that any grant or contract with private profit-making organizations in excess of \$1,000,000 be presented to the Board for formal approval prior to execution.

REQUESTED ACTION

Approval of Resolution I.2.h.

DISCUSSION

In order to provide professional design services for smaller projects or those that have shortened time frames under the auspices of the UW Managed Capital Projects program, UW System published a Request for On-Call Architectural, Engineering, and Planning (AEP), and On-Call Site and Civil Engineering (Site/Civil) services as part of a Master On-Call Agreement in November 2017.

Interested firms were invited to submit their qualifications for a range of services to provide the following: architectural, structural, site/civil, mechanical, plumbing, ventilation and electrical design. Specialty area expertise may be sought for laboratory planning/design, large/unique scientific equipment installations, office and other interior remodels, historic structure renovation/remodeling, instructional technology/active learning classroom upgrades, animal facilities including procedure rooms and holding facilities, clinical spaces, athletic facilities, and exterior design and landscaping. Specialty areas for site and civil services include athletic facilities, road work, landscaping, and utilities.

Each contract will be limited to three years or a not-to-exceed limit of \$1 million in services, whichever occurs first. Each individual project assigned to a firm/team under this contract may not exceed \$400,000 in service fees. There is no guarantee that projects will be assigned to the On-Call AEP or On-Call Site/Civil firms, and many projects in the upper budget range will continue to be procured through a monthly selection process.

A project with a budget that exceeds \$1 million requires approval of the Capital Planning and Budget Committee of the Board of Regents of the University of Wisconsin during the design phase.

UW System received 25 submissions for AEP services and 14 for Site/Civil services. One committee of seven (UWSA, UW-River Falls, and UW-Madison) and another committee of five (UWSA and UW-Madison), respectively, reviewed the submittals and chose the most qualified candidates.

The firms selected for the On-Call Master Agreements are as follows:

Firm	Type	Amount	Dates
Aro Eberle Architects, Inc. 116 King Street, Suite 202 Madison, Wisconsin	AEP	\$1,000,000	2/15/2018 - 2/14/2021
Continuum Architects + Planners, S.C. 207 E. Michigan St, Suite 400 Milwaukee, Wisconsin	AEP	\$1,000,000	2/15/2018 - 2/14/2021
Hammel, Green and Abrahamson, Inc. 333 East Erie Street, Milwaukee, Wisconsin	AEP	\$1,000,000	2/15/2018 - 2/14/2021
Ayres Associates Inc, 3433Oakwood Hills Parkway, Eau Claire, Wisconsin	Site/Civil	\$1,000,000	2/15/2018 - 2/14/2021
SmithGroupJJR, Inc. 44 E. Mifflin St. Ste 550 Madison, Wisconsin	Site/Civil	\$1,000,000	2/15/2018 - 2/14/2021
		\$5,000,000	

Fees for projects will be based on a lump sum fixed fee, a fee based on time spent at a pre-approved hourly rate up to a maximum aggregate fee, or a fixed fee that is determined at completion of the schematic design phase and based on a percentage of the project’s estimated construction cost.

UW System is seeking approval by the Board of Regents to accept the On-Call Master Agreements as indicated in the table above.

RELATED REGENT POLICIES

Regent Policy Document 13-1: General Contract Authority, Approval, and Reporting