



STATE OF WISCONSIN

# Legislative Audit Bureau

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Joe Chrisman  
State Auditor

December 18, 2015

Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

We conducted a financial audit of the State of Wisconsin as of and for the fiscal year ended June 30, 2015, and issued unmodified opinions dated December 17, 2015, on the State's financial statements. These financial statements were prepared by the Department of Administration (DOA) in accordance with generally accepted accounting principles (GAAP) and were included in the State's fiscal year (FY) 2014-15 Comprehensive Annual Financial Report (CAFR), which DOA published on its website.

The CAFR helps to describe the State's fiscal condition and contains information on over 90 funds. In this letter, we discuss the balances of the General Fund and Transportation Fund, which are the State's two largest governmental funds; the amount of the State's long-term debt; and the State's net pension asset.

As reported on a GAAP basis, and as shown on page 44 of the CAFR, the General Fund deficit increased from \$1.4 billion as of June 30, 2014, to \$1.8 billion as of June 30, 2015. In its Management's Discussion and Analysis (MD&A) on page 29, DOA noted that total revenue, which was derived primarily from taxes and the federal government, increased by \$310.2 million and totaled \$24.6 billion for FY 2014-15. Total expenditures and transfers increased by \$1.2 billion primarily due to increases in Medical Assistance costs and school aids payments, and totaled \$25.0 billion for FY 2014-15.

On a GAAP basis, and as shown on page 44 of the CAFR, the balance of the Transportation Fund increased from \$691.2 million as of June 30, 2014, to \$777.5 million as of June 30, 2015. The majority of the Transportation Fund's balance was reclassified on the Balance Sheet as "restricted" following the November 2014 constitutional amendment relating to uses of the Transportation Fund. DOA indicates in its MD&A on page 31 that 2013 Wisconsin Act 20 authorized a one-time transfer of \$133.3 million from the General Fund to the Transportation Fund. This transfer largely contributed to the overall increase of the Transportation Fund during FY 2014-15. Total transportation-related expenditures increased from \$3.0 billion in FY 2013-14 to \$3.2 billion in FY 2014-15. Of this total, \$2.6 billion was reported in the Transportation Fund and was funded largely by motor fuel taxes,

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Representative Samantha Kerkman, Co-chairpersons  
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registration fees, and federal revenues. Transportation revenue bonds and general obligation bonds, which are reported in separate funds, funded the remaining \$628.8 million in expenditures.

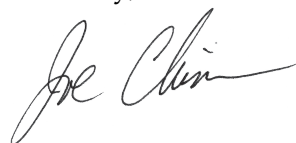
The State's long-term debt remained at \$13.6 billion as of June 30, 2015, as shown in the MD&A on page 34. Both outstanding annual appropriation bonds and revenue bonds decreased. However, these decreases were offset by the issuance of \$1.8 billion in new general obligation bonds and notes.

The Governmental Accounting Standards Board issued new accounting standards for public pension plans and participating employers. Under these new standards, the Wisconsin Retirement System (WRS) reported a net pension asset of \$2.5 billion, as we discussed in our report 15-12. The State's proportionate share of the WRS net pension asset was \$686.9 million, of which \$324.1 million was for governmental activities and \$362.8 million was for business-type activities, as shown in the CAFR on page 39. The net pension asset for the State, which is reported on the Statement of Net Position, is not available to finance the day-to-day operations of the State. Additional information on the net pension asset is presented in the CAFR in Note 14 on page 123.

In early 2016, we will issue the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which is required under *Government Auditing Standards*.

We appreciate the courtesy and cooperation extended to us by the Department of Administration and other state agencies during the audit.

Sincerely,



Joe Chrisman  
State Auditor

JC/BN/bm

cc: Senator Mary Lazich  
Senator Alberta Darling  
Senator Kathleen Vinehout  
Senator Janet Bewley

Representative John Macco  
Representative John Nygren  
Representative Melissa Sargent  
Representative Terese Berceau

Scott Neitzel, Secretary  
Department of Administration

Jeffery Anderson, Deputy State Controller  
Department of Administration