

# Wisconsin

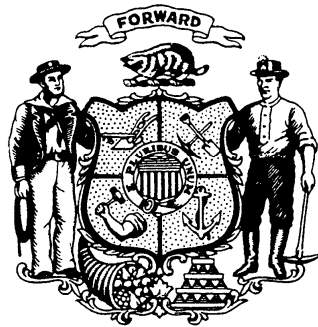


## Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2010

# STATE OF WISCONSIN

## Comprehensive Annual Financial Report



For the fiscal year ended June 30, 2010

**Jim Doyle, Governor**

Department of Administration  
Daniel J. Schooff, Secretary  
Stephen J. Censky, State Controller

Prepared by the State Controller's Office

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For the Fiscal Year Ended June 30, 2010**

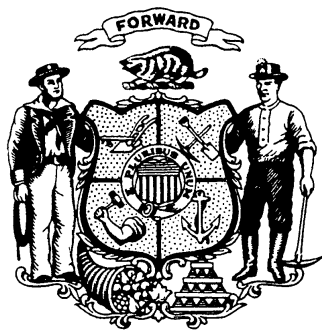
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# **INTRODUCTORY SECTION**

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**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

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GOVERNOR

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December 10, 2010

The Honorable Jim Doyle  
The Honorable Members of the Legislature  
Citizens of the State of Wisconsin

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the State of Wisconsin for the fiscal year ended June 30, 2010.

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

This report has been prepared in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). To report the State's financial activity, the State's budgetary funds are grouped into the fund types required by GAAP. As a result, the State's 63 budgetary funds have been analyzed, restructured and are currently reported in 59 GAAP funds. The most significant change has been to reclassify certain activities from the budgetary General Fund and present them in proprietary and fiduciary fund types more appropriate for the financial reporting of transactions related to commercial and trust activities. Notes 1-C and 1-D to the financial statements include a more detailed discussion of the GAAP fund types.

### **Independent Audit**

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

### **Management Discussion and Analysis**

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

## **PROFILE OF THE STATE**

The State of Wisconsin was admitted to the Union as the 30<sup>th</sup> state in 1848. Wisconsin, situated between Lake Michigan to the east and the Mississippi River to the west, covers 54,310 square miles and serves a population of 5.6 million.

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

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

### **Component Units**

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

Discretely presented component units, which function independently of the State despite the ties between them and are, therefore, presented separately from the data of the State, include the Wisconsin Housing and Economic Development Authority, Wisconsin Health Care Liability Insurance Plan, University of Wisconsin Hospitals and Clinics Authority, University of Wisconsin Foundation and State Fair Park Exposition Center, Inc.

Blended component units, which although legally separate entities are, in substance, part of the State's operations, include the Wisconsin Public Broadcasting Foundation, Inc., Badger Tobacco Asset Securitization Corporation and Celebrate Children Foundation, Inc.

### **Budgetary Process**

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

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

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

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

The Wisconsin Retirement System (WRS) is a pension plan administered by the Department of Employee Trust Funds (DETF). The WRS provides coverage to all eligible employees of the State of Wisconsin and other participating local units of government. The most current actuarial valuations of this pension plan indicated that the WRS was funded at 99.8 percent of liabilities for the 566,317 participants of the WRS. The State's contribution to WRS represents approximately 30.0 percent of total contributions required of all participating entities.



The Accumulated Sick Leave Conversion Credits (ASLCC) benefit program, reported in a fiduciary fund and also administered by DETF, allows employees at the time of their retirement to convert the value of their accumulated unused sick leave into an account to be used to pay for post-retirement health insurance. The actuarial value-based funded ratio of this program was 99.3 percent as of December 31, 2009 (the date of the most recent valuation).

## **ECONOMIC CONDITION AND OUTLOOK**

Wisconsin has mirrored the nation's economic performance in recent years.

- Wisconsin's unemployment rate is lower than the national rate.
- Since the 2000 census, Wisconsin is one of four (out of ten) Midwest states with a population that has grown due to more people relocating to the state.
- With 90.5 percent of its population covered, Wisconsin is tied for the third highest insurance coverage rate in the country. With the expansion of the State's BadgerCare health care program to cover all children and income-eligible adults with no dependent children, 98 percent of Wisconsin residents now have access to health insurance.
- Wisconsin's median household income, \$51,122, is the twenty-first highest in the country, 2.1 percent above the national average.

Wisconsin's economy was significantly affected by the global recession. Several actions were taken to ensure Wisconsin's priorities of providing a good education for all students to prepare them for a more competitive workforce, preventing additional job losses, and protecting the most vulnerable of residents. These actions included significant reductions in spending across state government, no pay increase and furloughs for employees, revenue measures to collect delinquent taxes, and tax increases on those individuals and businesses most able to pay. Despite the tax increases and revenue measures, total general fund tax revenues remained only at Fiscal Year 2009 levels; with Fiscal Year 2010 individual income and sales taxes declining from the previous fiscal year. Priorities were also supported by federal funds provided through the American Recovery and Reinvestment Act of 2009.

Looking ahead, Wisconsin's economic outlook reflects the national outlook. With an economy in recovery after a significant recession, total nonfarm employment in Wisconsin is expected to decline 0.9 percent in 2010 and increase 1.0 percent in 2011. Nationally, nonfarm employment is projected to decline 0.5 percent in 2010 and increase 0.9 percent in 2011. Following the forecasted employment trend, the rate of Wisconsin personal income growth will rebound from a 0.9 percent decline in 2009 to increase 2.8 percent in 2010 and 3.1 percent in 2011. Nationally, the rate of personal income growth is also projected to rebound from a decline of 1.7 percent in 2009 to an increase of 2.8 percent in 2010 and 3.2 percent in 2011.

The impact of the nation's worst economic crisis in decades continued to be felt in Fiscal Year 2010. As in Fiscal Year 2009, decreases in tax collections were met with increases in demand and need for assistance. In order to meet this challenge, state government spending was cut deeper than ever before. All state programs, with very few exceptions, were cut at least 1 percent from base. Many programs were cut by an additional 5 percent or more. State employees were directed to take 8 furlough days in each fiscal year of the biennium in addition to rolling back funding related to a planned 2 percent pay increase. School aid was cut by 2.5 percent, the first time this program has been reduced. To protect property taxpayers from this reduction, school districts' rate of allowable revenue growth was cut by over 25 percent. Medical Assistance funding was reduced through rate reform efforts, including provider rate reductions and restructuring of contracts with managed care organizations. Funding to the University of Wisconsin System, excluding debt service, was reduced by 3.7 percent. Growth in tuition was held to approximately 5.5 percent primarily by reducing administrative costs.

Even deeper cuts in Fiscal Year 2010 were avoided only because Wisconsin was able to use the additional federal funding for states in the American Recovery and Reinvestment Act of 2009 (ARRA) to help offset reduced state revenues due to the recession and, as a result, protect high priority programs, including Medical Assistance, School Aids, Shared Revenue and Youth Aids. While additional federal matching funds for Medical Assistance were available in Fiscal Year 2010 and will be available in Fiscal Year 2011, Wisconsin's share of the state fiscal stabilization funds under ARRA were completely allocated in Fiscal Year 2010.

## MAJOR INITIATIVES

**Economic Development** In 2010, the State encouraged private investment in entrepreneurial activities by expanding the Angel Investment and Early Stage Seed Investment tax credit programs, which initially became effective for tax years beginning after January 1, 2005. Through the programs, individuals and businesses are eligible for tax credits equal to a portion of the investment made in qualified new business ventures. In calendar year 2008, there were 22 new companies certified as qualified new business ventures and \$25.9 million in eligible investments made. In calendar year 2009, there were 25 new companies certified as qualified new business ventures and \$33.6 million in eligible investments made.

In addition, the State has continued its efforts to expand existing businesses and attract new companies to Wisconsin and provide support to entrepreneurs looking to start a business in this State. Major tools used in these efforts are the Wisconsin Development Fund and the development zone programs. The State awarded \$15.7 million during Fiscal Year 2010 from the Wisconsin Development Fund, primarily through the major economic development program, customized labor training grants, and technology development grants and loans. In the 2009 legislative session, five existing tax credit programs (Community Development Zones, Enterprise Development Zones, Technology Zones, Airport Development Zones, and Agriculture Zones) were combined into one program. The new combined program will allocate \$121 million in nonrefundable, nontransferable tax credits to businesses for projects that create jobs, purchase significant capital assets, train employees, or establish or retain a corporate headquarters in Wisconsin.

2009 Wisconsin Act 28 (the 2009-11 biennial budget) created a new refundable jobs tax credit aimed at business attraction and expansion. The Department of Commerce may certify a business as eligible for the credit for up to 10 years, if it is operating or intends to operate in Wisconsin. To claim a credit in a taxable year, a certified business must increase net employment.

The State also offers a variety of programs that target minority and rural business development. In Fiscal Year 2010, the State awarded \$2.1 million through these programs which leveraged additional investments of over \$21 million. The State has also created a women-owned business certification program to assist businesses that are majority owned and controlled by a woman or women in competing for federal contracts. Through the end of Fiscal Year 2010, 424 businesses had been certified.

Wisconsin continues its commitment to help manufacturers grow and remain a driving force in Wisconsin's economy. In 2010, \$1.1 million was provided to manufacturing extension programs, allowing these organizations to help manufacturers modernize, remain competitive and create new jobs in Wisconsin. In addition, a tax credit for dairy modernization offers support for capital investment on dairy farms and livestock operations. In 2010, there was \$7.9 million of tax relief to farmers and an additional \$79.6 million of tax credits were carried forward to be claimed in subsequent tax years. In 2009, the State created the Dairy Cooperative Manufacturing Facility Investment Credit, which is a refundable credit for members of dairy cooperatives or unincorporated cooperative associations that modernize or expand manufacturing operations in Wisconsin. The State also created the Meat Processing Facility Credit in 2009, which is a refundable credit for businesses that modernize or expand meat processing facilities in Wisconsin. In Fiscal Year 2010, the State created the Woody Biomass Tax Credit and the Food Processing Tax Credit.

In 2009, Wisconsin continued to grow the State's \$26 billion dairy industry through the Dairy Business Initiative's focus on adding value to milk through specialty and artisanal products. Wisconsin leads the nation in cheese production and is home to more than 600 types, styles and varieties. The federally funded partnership between the Department of Agriculture, Trade and Consumer Protection and the Dairy Business Innovation Center has helped more than 200 clients successfully launch more than 65 new types of cheese to market since the initiative began in 2004. Of the state's 127 cheese plants, 92 are now manufacturing at least one type of specialty cheese, accounting for almost 19 percent of the state's total cheese production. Twenty-nine farmstead cheese plants craft a variety of award-winning artisan and specialty cheese from cow, goat and sheep's milk. The state's Dairy Business Initiative has also been a positive factor in increasing the state's dairy production and processing capacity. From 2002 to 2009, milk production increased from 22 billion to 25.2 billion pounds, with per cow production rising by 15.6 percent.

Enacted as part of the last budget, the Working Lands Initiative (WLI) made major improvements in the protection of farmland without any additional costs to taxpayers. Farmers are now rewarded for participation with higher tax credits made possible by consolidating state programs into a \$27 million fund. To start a new program to purchase development rights from strategically located farms, the state reallocated \$12 million in unused state borrowing authority. A new Working Lands Trust Fund, funded by "conversion fees" for rezoned land, will reduce conversion of farmland and provide a revenue source for future preservation efforts. The other new feature of WLI is an agricultural enterprise area program, which allows neighboring farmers to apply for special designation that protects more farmland through voluntary farmland preservation agreements while providing farmers eligibility for tax credits and other benefits.

In 2009 Wisconsin's agricultural exports totaled \$1.8 billion, ranking Wisconsin 18th among U.S. states for agricultural exports. Top export markets were Canada, Mexico, Japan and China, and top product categories include cereals, bakery and food ingredients, dairy and preserved foods. Although Wisconsin was not immune to the affects of the global recession, agricultural export sales declined less than the national rate, with four of the state's top five agricultural product categories experiencing export growth.

The recovering world economy also means a recovery in Wisconsin's agricultural exports. In the first half of 2010, Wisconsin exported \$978 million worth of agricultural products to over 120 countries; an increase of 21 percent over the first six months of 2009. Wisconsin is the national leader in export of hides and skins, ginseng roots, canned sweet corn, flax seed, mustard flour, and mixes and doughs for the baking industry.

In 2010, the State continued to support tax relief measures that were enacted in previous years. The full implementation of the single-factor sales apportionment of income for corporate and franchise taxes reduced corporate tax burdens by an estimated \$41.7 million. This tax cut, along with other tax relief to businesses, is a key contributor to the State's share of its gross state product paid from business taxes being 3 percent below the national average, according to a study conducted by the Council on State Taxation.

Wisconsin became the 23rd state member of the Streamlined Sales and Use Tax Agreement by implementing its national standard for sales and use tax practices. This tax modernization effort will promote tax compliance among all businesses, including multi-state enterprises, while removing a competitive disadvantage facing local businesses. Enhanced tax compliance increased tax revenues by an estimated \$30.3 million for Fiscal Year 2010 and are expected to result in an estimated \$31.0 million for Fiscal Year 2011.

Tourism businesses include lodging, restaurants, retail, campgrounds, historic sites, museums, art galleries, community and cultural events and much more. Dollars spent by travelers are then re-circulated back into the local economy benefiting other industries such as agriculture, manufacturing, health care, local governments, construction and service industries that directly support tourism businesses. In calendar year 2009, nearly \$1.96 billion was returned to state and local governments in tax revenue from traveler spending.

For calendar year 2009, traveler spending in Wisconsin is estimated at \$12.1 billion. Tourism supported 286,000 full-time equivalent jobs in 2009 and \$3.38 billion in wages and salaries. The travel industry is the main employer in many communities and in other areas serves to provide stability and diversity, complementing manufacturing, agriculture and knowledge-based sectors. In Fiscal Year 2010, the Department of Tourism awarded over \$1.1 million in Joint Effort Marketing grants to 51 non-profit organizations across the state. It is projected that local communities will see a \$32 million increase in traveler spending as a result of these grants.

In Fiscal Year 2010, the Department of Workforce Development (DWD) received additional authority to expend over \$31 million in federal ARRA funds, adding to the \$38 million in authority received the prior fiscal year. In total, almost \$11 million was received by the Division of Vocational Rehabilitation for direct services to the disabled, over \$7 million supported job service efforts, over \$45 million was given to local Workforce Development Boards in support of job training and placement efforts, and almost \$6 million will be utilized to ensure that "green" concepts and principles are included in new and existing apprenticeship training programs

Since October 2008, claims for unemployment benefits have been higher than at any time in Wisconsin history. As of July 2009, Wisconsin administered its regular unemployment compensation (UC) program and four federal

extensions, with 240,608 weekly continued claims. As of October 2010, DWD is administering four federal extensions of UC benefits along with the regular program, with 190,176 weekly continued claims. This represents a 21 percent decrease in the number of continued claims over the past 16 months as the economy improves and as certain benefit extensions expire.

**Transportation** The State continued to make significant investments in transportation infrastructure through expansion in highway capacity and reconstruction of existing highways and bridges. In 2010, 874 miles of State Trunk Highway and local highways were improved and 301 deficient state and local bridges were rehabilitated or replaced. Of these, ARRA funds supported the improvement of 191 miles of state and local highways and the rehabilitation of 47 state and local bridges. Also, in Fiscal Year 2010, the State contributed over \$237.0 million to continue work on the I-94 North-South Corridor project between Milwaukee and Chicago.

Wisconsin also distributes State transportation user fee revenues to local governments for transportation infrastructure improvements and transit operating assistance. In Fiscal Year 2010, \$590.1 million was transferred to local governments for these purposes.

**Environment** Wisconsin's nationally recognized innovative environmental program, Green Tier, was reauthorized by the Legislature and signed into law by Governor Doyle in July of 2009. By reauthorizing the program, Wisconsin ensured the availability of tools for businesses of all sizes to comply with state and federal regulations, the commitment to help companies exceed environmental standards and continue to explore new ways to support sustainable environmental, economic and social outcomes.

Wisconsin's Warren Knowles-Gaylord Nelson Stewardship Program and its successor, the Warren Knowles-Gaylord Nelson Stewardship 2000 Program, underscore the State's role as a national leader in environmental preservation and enhancement. The original Stewardship Program committed \$250 million through the sale of general obligation bonds and the use of federal grant monies for various resource development and land protection activities, including acquisition of State park lands, protection of urban rivers and assistance to local parks. The Stewardship 2000 Program commits \$572 million over 10 years through the sale of general obligation bonds to continue the State's efforts to protect and enhance Wisconsin's abundant natural resources. The program was reauthorized in 2007 Wisconsin Act 20 through Fiscal Year 2020 with an annual bonding authority of \$86 million beginning in Fiscal Year 2011. During Fiscal Year 2010, the State used \$24 million in Stewardship Program financing to acquire over 18,200 acres of public recreational land through acquisition and recreational easements. In addition to properties purchased by the Department of Natural Resources, the department also awarded Stewardship grants totaling \$16 million to local governments and nonprofit conservation organizations for the acquisition of easements and title in fee and for the development of recreational properties.

In addition to land acquisition through the Stewardship program, Wisconsin's efforts to protect and enhance its natural resources include partnerships with individual landowners. In November 2001, the State entered into an agreement with the U.S. Department of Agriculture for the authority to enroll up to 100,000 acres of Wisconsin farmland in the Conservation Reserve Enhancement Program. The federal government will provide up to \$200 million for the program, which will be matched by the State with up to \$28 million from the sale of general obligation bonds. Landowners participating in the program receive an upfront payment from the State and annual payments from the federal government to install and maintain riparian buffers, wetlands and other practices that reduce polluted runoff or, in certain areas, improve habitat for grassland birds. Landowners may receive a larger upfront payment if they transfer to the State an easement to permanently maintain the practices. As of October 1, 2010, 42,000 acres had been enrolled in the program, and total payments to landowners amounted to almost \$11.9 million.

Wisconsin's Environmental Improvement Fund program provides financial assistance to municipalities for the planning, design and construction of wastewater collection and treatment and drinking water treatment and distribution facilities. Most communities applying for assistance receive subsidized loans, although some wastewater projects are eligible for partial grants through a hardship component of the program. Funding is provided from a State-matched federal capitalization grant and through State revenue and general obligation bonds and repayments from loans previously made. In Fiscal Year 2010, the Environmental Improvement Fund made awards to municipalities amounting to \$363.5 million, bringing the total amount of loans and grants awarded by the

program to \$3.8 billion since its inception in 1991. The funding has financed high priority infrastructure projects to ensure clean water and safe drinking water across the state.

The Petroleum Environmental Cleanup Fund Award program (PECFA) assists owners of leaking petroleum storage tanks with environmental remediation costs and has provided almost \$1.5 billion for cleanups at 12,889 locations (11,939 now closed) since 1988. Efforts to minimize claim payment backlogs and improve site closure methodologies have streamlined the program while protecting the environment and public health.

In addition to the PECFA program, Wisconsin has made a strong effort to reclaim contaminated properties, or brownfields. In Fiscal Year 2010, the brownfields site assessment grant program provided \$1.7 million to 29 communities across the State to jump-start investigation and redevelopment of brownfield sites. After eleven rounds of applications, 464 grants totaling \$16.6 million have been awarded. Since June 1998, the Blight Elimination and Brownfield Redevelopment program has awarded almost \$75 million to 191 projects for the redevelopment of brownfields where the environmental clean-up will have a significant economic as well as environmental impact. The completion of these projects will return 1,700 acres of abandoned or under-used environmentally contaminated sites to productive use, increasing taxable property values by over \$1.6 billion and creating over 7,300 new jobs.

Wisconsin has historically been a national leader in recycling. Since its inception as one of the nation's first programs in support of community recycling, over \$509 million has been provided to municipalities to help defray the cost of operating effective recycling programs.

**Human Resources** During Fiscal Year 2009, the Medical Assistance program was expanded to provide health care to adults with no dependent children under the Core Plan. Due to the popularity of the expansion, enrollment had to be frozen in September 2009 in order to not exceed annual expenditure caps. The Medical Assistance program was further expanded during Fiscal Year 2010 to provide a basic health plan to adults with no dependent children who are on the waiting list for the Core Plan. Health care costs under this basic plan are fully funded by premiums paid by enrollees. In addition, the Department of Health Services continued the statewide expansion of Family Care, the State's long-term care program, in order to ensure better coordination of services.

On an all funds basis, total Medical Assistance and BadgerCare Plus spending increased by 12 percent over Fiscal Year 2009. The majority of the expenditure increase was supported by federal funds, which increased by \$739 million over Fiscal Year 2009, primarily due to an increase in the federal matching rate for Medicaid implemented under ARRA.

The increase in expenditures is primarily due to continued growth in the number of enrollees resulting from an unprecedented increase in unemployment and the loss of employer-sponsored health insurance experienced during the year. Overall Medical Assistance enrollment grew by 15 percent over Fiscal Year 2009. By the end of Fiscal Year 2010, Medical Assistance and BadgerCare Plus enrollment was 1,043,967 recipients compared to 918,089 in June 2009. In addition to this increase in demand for the program, in Fiscal Years 2010 and 2011, the Medical Assistance budget was reduced by over \$600 million from all funds sources for savings initiatives to be identified by the Department of Health Services. Working with providers, enrollees and other interested parties, the department made significant changes to how the program purchases health care, reducing per person costs for the program by 9 percent between Fiscal Years 2008 and 2011.

Enrollment in the SeniorCare pharmacy assistance program grew by 3 percent to 89,353 recipients by the end of Fiscal Year 2010. SeniorCare expenditures totaled \$115 million all funds during the year, of which \$18 million were general purpose revenue with the remainder supported by program and federal revenues.

The Department of Children and Families continued the state's commitment to seek permanent placements for children referred to the state's child welfare system in Fiscal Year 2010. This included finalizing 778 adoptions for children with special needs. In other program areas, the department took significant steps to eliminate fraud from the Wisconsin Shares program, which provides subsidized child care to low-income working families. The efforts of the department's program integrity unit helped hold Shares program expenditures in Fiscal Year 2010 to \$336,344,300, which was \$31,214,100 below Fiscal Year 2009 expenditures and \$48,643,200 below the amount

originally budgeted for Fiscal Year 2010. Under Wisconsin Shares, an average of almost 57,000 children received monthly subsidies in Fiscal Year 2010. An average of 9,630 families received cash benefits each month under the Wisconsin Works (W-2) program. In calendar year 2009, state and county child support partnership efforts provided full case management services to 360,400 families and provided financial management services to an additional 114,000 families.

**Education** School aids and property tax credits provided to support school districts' 2009-2010 costs for elementary and secondary education totaled \$6.2 billion, including \$236.7 million from the ARRA State Fiscal Stabilization Fund (SFSF). State support for elementary and secondary education was not immune from the impact of the global recession. Due to limited state revenue growth, the state was unable to fully offset the \$315.6 million decline in remaining SFSF revenue available to Wisconsin in Fiscal Year 2010. However, the state limited the decrease in combined state and SFSF funding for elementary and secondary education to \$76.8 million in Fiscal Year 2010, or 1.2 percent. Excluding SFSF revenues, state funded aids and property tax credits alone increased by \$238.8 million or 4.1 percent. This increase in state-funded support included an additional \$70 million for the first dollar credit, which reduces individual taxpayers' local property tax liability. In addition, ARRA provided supplemental aid to states under the Individuals with Disabilities Education Act (IDEA) and Title I (for economically disadvantaged pupils) programs. Wisconsin received \$374 million under these programs.

Wisconsin took several steps in Fiscal Year 2010 to limit the impact of the reduction in school aid on local property tax payers. First, the allowable annual revenue limit increase per pupil was reduced from \$275 in Fiscal Year 2008-09 to \$200 in Fiscal Years 2010 and 2011. Second, the automatic annual inflationary increase to the per pupil increment was suspended for both years. Third, the per pupil revenue threshold, below which school districts are exempt from revenue limit controls, was frozen at \$9,000 per pupil for the biennium. It had been increasing by \$300 per year under prior law. Lastly, the state-funded per pupil payment to schools participating in the Milwaukee Parental Choice program was reduced by 2.5 percent in Fiscal Years 2010 and 2011, and the per pupil payment to schools participating in the Milwaukee and Racine independent charter schools program was frozen at \$7,775 for both years. These measures helped hold the net school property tax increase for taxes levied in 2009 to 5.4 percent.

Wisconsin continued its commitment to financial aid for University of Wisconsin students by providing \$4.1 million in Fiscal Year 2010 for a new Academic Fee Increase Grant program to offset tuition increases for students with family incomes below \$60,000 and unmet financial aid needs. The Lawton Minority Undergraduate Grants Program received a 3.6 percent increase in Fiscal Year 2010. In addition, 1 percent aid increases were provided for students attending Wisconsin's technical and private colleges. Wisconsin higher education students also benefited from a significant increase in the federal Pell Grant program under ARRA, receiving \$159 million in additional Pell Grants. Wisconsin's continued commitment to financial aid for University of Wisconsin students, combined with maintaining low-to-moderate tuition levels for resident undergraduate students has helped rank the University of Wisconsin - Madison among the top 15 public universities in overall affordability.

In addition, the University of Wisconsin continues to be among the world leaders in cutting edge research. The National Science Foundation's annual Survey of Research and Development Expenditures at Universities and Colleges ranked the Madison campus third among the nation's universities in total federal research and development funds for Fiscal Year 2009. The Madison campus also surpassed the \$1 billion threshold for the first time in its history. Another \$164 million was received by campus researchers under ARRA. Other than Johns Hopkins, UW-Madison is the only institution, public or private, that has ranked among the top five research universities for each of the past 20 years. This position will be solidified with the opening of the Wisconsin Institutes for Discovery in December 2010. This unique facility will house twin institutes, one private and one public, under one roof. The building is designed to spark collaborations across scientific disciplines, which is expected to accelerate breakthrough discoveries to improve human health. An indicator of the high quality research already being undertaken in Wisconsin is the \$125 million federal grant awarded to establish the Great Lakes Bioenergy Research Center (GLBRC) at UW-Madison. The GLBRC will allow scientists from across the UW System to conduct basic research in new technologies to help convert cellulosic plant biomass — cornstalks, wood chips and perennial native grasses — into sources of energy for everything from cars to electrical power plants.

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Award**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a “Certificate of Achievement for Excellence in Financial Reporting” to the State of Wisconsin for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. This is the 14th year the State has received this award. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

### **Acknowledgements**

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

Sincerely,



Daniel J. Schooff  
Secretary



Stephen J. Censky, CPA  
State Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Wisconsin

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

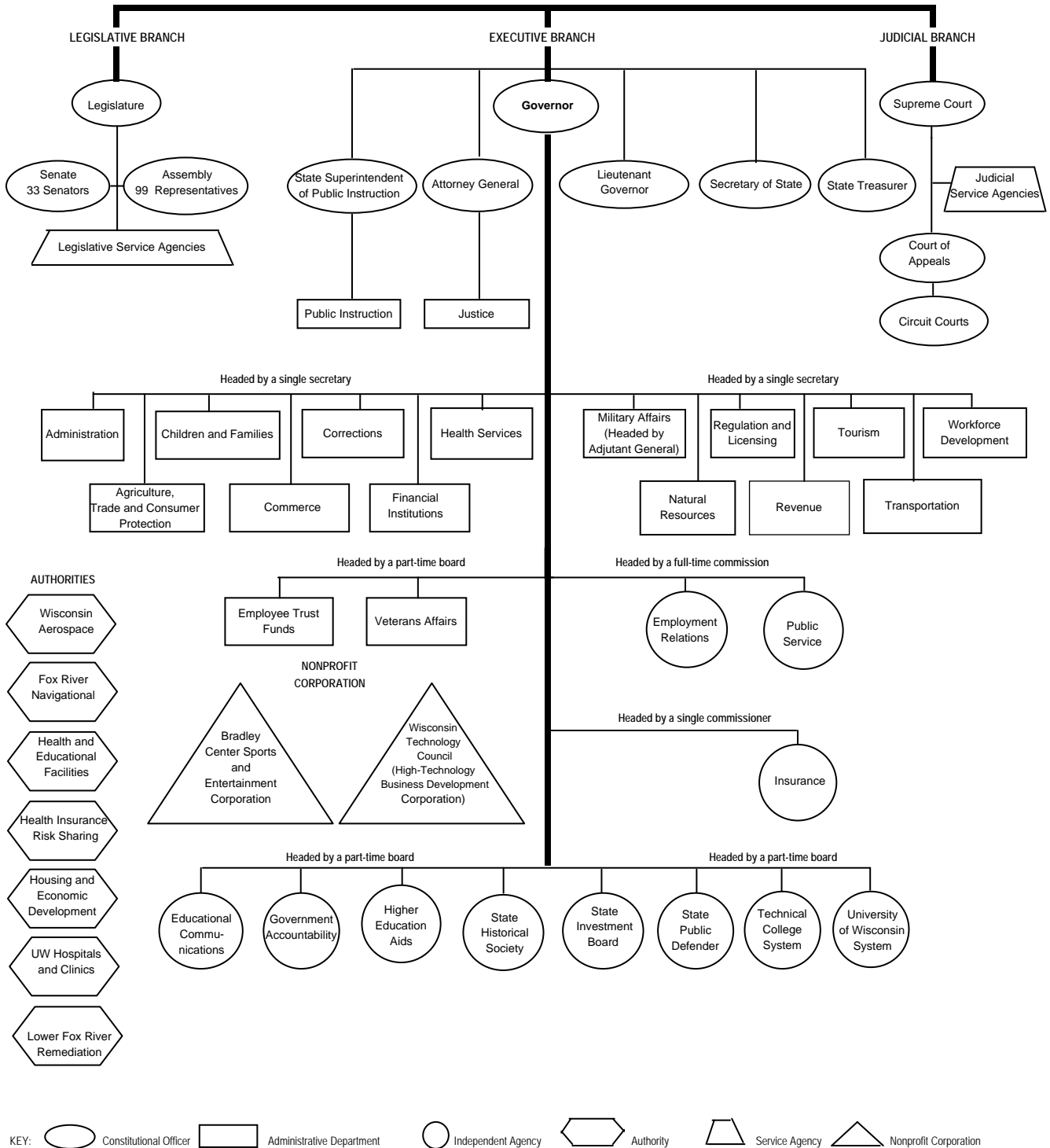
A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



# Organizational Chart

WISCONSIN STATE GOVERNMENT ORGANIZATION  
July 2010



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

# Principal State Officials

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As of June 30, 2010:

## **EXECUTIVE**

Jim Doyle  
*Governor*

Barbara Lawton  
*Lieutenant Governor*

Douglas J. La Follette  
*Secretary of State*

Dawn Marie Sass  
*State Treasurer*

J. B. Van Hollen  
*Attorney General*

Tony Evers  
*State Superintendent of Public Instruction*

## **LEGISLATIVE**

Fred Risser  
*President of the State Senate*

Michael Sheridan  
*Speaker of the Assembly*

## **JUDICIAL**

Shirley S. Abrahamson  
*Chief Justice of the Supreme Court*



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# **FINANCIAL SECTION**

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STATE OF WISCONSIN  
Legislative Audit Bureau

22 East Mifflin Street, Suite 500  
Madison, Wisconsin 53703  
(608) 266-2818  
Fax (608) 267-0410  
[www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)

Janice Mueller  
State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Legislature

The Honorable James Doyle, Governor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Wisconsin's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements for the following: the Wisconsin Department of Transportation Revenue Bond Program and Commercial Paper Program, which represent 11 percent of the liabilities of the governmental activities and 3 percent of the liabilities of the aggregate remaining fund information; the Environmental Improvement Fund, which is a major fund and represents 21 percent of the assets and 15 percent of the liabilities of the business-type activities; or the College Savings Program Trust, which represents 3 percent of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts audited by others, are based solely upon their reports. In addition, we did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors. Our opinion on the aggregate discretely presented component units is based upon the audit reports of the Wisconsin Housing and Economic Development Authority, the University of Wisconsin Hospitals and Clinics Authority, and the University of Wisconsin Foundation.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The following financial statements, which were audited by other auditors, were also audited in accordance with these standards: the Wisconsin Department of Transportation Revenue Bond Program and Commercial Paper Program, the Environmental Improvement Fund, the College Savings Program Trust, and the Wisconsin Housing and Economic Development Authority. The financial statements of the other entities that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. Auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1D to the financial statements, for fiscal year 2009-10, the State implemented Governmental Accounting Standards Board Statement Number 53, *Accounting and Financial Reporting for Derivative Instruments*, which modifies financial reporting and note disclosure requirements for derivative instruments. The State also implemented Statement Number 51, *Accounting and Financial Reporting for Intangible Assets*, to include reportable intangible assets in the applicable financial statements and note disclosures.

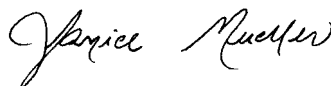
As discussed in Note 20A(3) to the financial statements, the Injured Patients and Families Compensation Fund's loss liabilities are estimates based on recommendations of a consulting actuary. The Injured Patients and Families Compensation Fund's Board of Governors and management believe the estimated loss liabilities are reasonable and represent the most probable estimate of the losses the Fund will pay for the claims incurred to date. However, uncertainties inherent in projecting the frequency and severity of large medical malpractice claims because of the Fund's unlimited liability coverage and extended reporting and settlement periods make it likely that amounts paid will ultimately differ from the reported estimated liabilities. These differences cannot be quantified.

Management's discussion and analysis, the schedule of funding progress for the state retiree health insurance other postemployment benefit plan, the infrastructure narrative, and the budgetary comparison schedule with related notes, as listed in the table of contents, are not required parts of the basic financial statements of the State of Wisconsin but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining statements and schedules in the supplementary information section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, on our consideration of the State's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

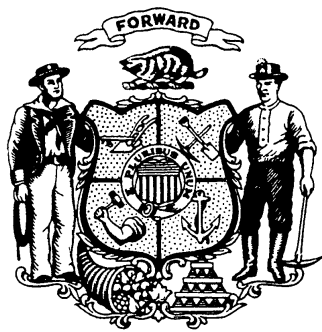
LEGISLATIVE AUDIT BUREAU



by

Janice Mueller  
State Auditor

December 10, 2010



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the State of Wisconsin's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended June 30, 2010. It should be read in conjunction with the transmittal letter located at the front of this CAFR, and the State's financial statements, including the note disclosures which are an integral part of the statements, that follow this part of the CAFR.

### FINANCIAL HIGHLIGHTS -- PRIMARY GOVERNMENT

The State of Wisconsin, like the rest of the nation, experienced an economic decline that persisted from Fiscal Year 2009 in to Fiscal Year 2010. To assist in stimulating the economy, the federal 2009 American Recovery and Reinvestment Act (ARRA) provided tax relief and additional funding for approximately 132 federal programs administered by at least 16 different state agencies. Both events impacted the financial results reported for the State.

#### Government-wide (Tables 2 and 3 on Pages 22 and 23)

- *Net Assets.* The assets of the State of Wisconsin exceeded its liabilities at the close of Fiscal Year 2010 by \$11.7 billion (reported as "net assets"). Of this amount, \$(9.9) billion was reported as "unrestricted net assets". A positive balance in unrestricted net assets would represent the amount available to be used to meet a government's ongoing obligations to citizens and creditors.
- *Changes in Net Assets.* The State's total net assets decreased by \$29.3 million in Fiscal Year 2010. Net assets of governmental activities increased by \$31.7 million or 0.6 percent, while net assets of the business-type activities showed a decrease of \$61.0 million or 1.0 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities.* During Fiscal Year 2010, the State's total revenues for governmental activities of \$26.2 billion were \$1.3 billion more than total expenses (excluding transfers) for governmental activities of \$24.9 billion. Of these expenses, \$12.6 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled \$13.6 billion.

#### Fund

- *Governmental Funds -- Fund Balances.* As of the close of Fiscal Year 2010, the State's governmental funds reported combined ending fund balances of \$(1,863.2) million, an increase of \$85.0 million in comparison with the prior year. Of this total amount, \$(4,208.1) million represents the "unreserved fund balances".
- *General Fund -- Fund Balance.* At the end of the current fiscal year, total fund balance was \$(2,943.3) million, a change of \$(166.1) million from \$(2,777.2) million reported in the prior year. The unreserved fund deficit for the General Fund was \$(3,453.4) million, or (16.2) percent of total General Fund expenditures.

Additional information regarding individual funds begins on Page 27.

#### Long-term Debt

- The State's total long-term debt obligations (bonds and notes payable) increased by \$805.2 million during the current fiscal year which represents the net difference between new issuances, payments and refundings of outstanding debt. The key factors contributing to this increase are the issuance during the fiscal year of \$1,016.5 million of general obligation bonds and \$172.6 million of revenue bond obligations, and the refunding of general obligation and revenue bonds. Additional detail regarding these activities begins on Page 32.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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



### Basic Financial Statements

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

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

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

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

(Table 1, continued)

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

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

**Additional Required Supplementary Information**

In addition to this Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes (1) post-employment benefits - state health insurance program, (2) condition and maintenance data regarding the State's infrastructure, and (3) a budgetary comparison schedule of the General and the Transportation funds, including reconciliations between the statutory and GAAP fund balances at fiscal year-end.

**Other Supplementary Information**

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

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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

### Net Assets

As presented in Table 2, total assets of the State on June 30, 2010 were \$34.1 billion, while total liabilities were \$22.4 billion, resulting in combined net assets (government and business-type activities) of \$11.7 billion. The largest component of the State's total net assets, \$17.8 billion or approximately 152.6 percent, reflects its investment in capital assets (i.e., land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Approximately \$3.8 billion of net assets were restricted by external sources or the State Constitution or Statutes, and were not available to finance the day-to-day operations of the State.

The unrestricted net assets, which, if positive, could be used at the State's discretion, showed a negative balance of \$(9.9) billion. Therefore, based on this measurement, no funds were available for discretionary purposes. A contributing factor to the negative balance is that governments recognize a liability on the government-wide statement of net assets as soon as an obligation is incurred. While financing focuses on when a liability will be paid, accounting is primarily concerned with when a liability is incurred. Accordingly, the State recognizes long-term liabilities (such as general obligation debt, compensated absences, and future benefits and loss liabilities – listed in Note 10 to the financial statements) on the statement of net assets. In addition to the effect of reporting long-term liabilities when incurred, the General Fund's total deficit fund balance of \$(2.9) billion at year-end, as discussed on Page 27, also contributed to the deficit unrestricted net assets reported in the statement of net assets.

During Fiscal Year 2010, the State issued \$1,016.5 million of general obligation bonds, primarily for the acquisition or improvement of land, water, property, highways, buildings, and equipment. General obligation bonds outstanding at June 30, 2010 totaled \$6.0 billion. Outstanding annual appropriation bonds were \$3.4 billion at June 30, 2010. Outstanding revenue bonds, which are not considered general obligation debt of the State, totaled \$2.7 billion at June 30, 2010.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2010-2009
	2010	2009	2010	2009	2010	2009	
Current and Other Assets	\$ 4,731.5	\$ 4,627.5	\$ 6,915.9	\$ 6,170.3	\$ 11,647.4	\$ 10,797.8	7.9 %
Capital Assets	17,496.8	16,826.2	4,991.1	4,628.7	22,487.9	21,454.9	4.8
Total Assets	<u>22,228.3</u>	<u>21,453.7</u>	<u>11,906.9</u>	<u>10,799.0</u>	<u>34,135.2</u>	<u>32,252.7</u>	5.8
Long-term Liabilities	10,382.8	9,707.9	3,475.9	3,267.7	13,858.7	12,975.7	6.8
Other Liabilities	6,262.3	6,194.3	2,320.8	1,360.1	8,583.2	7,554.4	13.6
Total Liabilities	<u>16,645.2</u>	<u>15,902.2</u>	<u>5,796.7</u>	<u>4,627.8</u>	<u>22,441.9</u>	<u>20,530.0</u>	9.3
Net Assets:							
Invested in Capital Assets							
Net of Related Debt	13,914.4	13,492.0	3,932.8	3,649.8	17,847.2	17,141.8	4.1
Restricted	1,125.0	1,105.2	2,668.6	2,494.5	3,793.6	3,599.7	5.4
Unrestricted (deficit)	(9,456.2)	(9,045.8)	(491.2)	26.9	(9,947.4)	(9,018.9)	10.3
Total Net Assets	<u>\$ 5,583.2</u>	<u>\$ 5,551.5</u>	<u>\$ 6,110.2</u>	<u>\$ 6,171.2</u>	<u>\$ 11,693.4</u>	<u>\$ 11,722.7</u>	(0.2)

## Changes in Net Assets

The revenues and expenses information, as shown in Table 3, was derived from the government-wide statement of activities and reflects how the State's net assets changed during the fiscal year. The State earned program revenues of \$21.2 billion and general revenues of \$13.6 billion for total revenues of \$34.8 billion during Fiscal Year 2010. Expenses for the State during Fiscal Year 2010 were \$34.9 billion. As a result of the excess of expenses over revenues, the total net assets of the State decreased \$29.3 million, net of contributions and transfers.

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2010-2009
	2010	2009	2010	2009	2010	2009	
<b>Program Revenues:</b>							
Charges for Goods and Services	\$ 2,199.1	\$ 1,965.9	\$ 6,244.2	\$ 5,598.2	\$ 8,443.3	\$ 7,564.2	11.6 %
Operating Grants and Contributions	9,289.0	7,901.6	2,264.0	743.1	11,552.9	8,644.6	33.6
Capital Grants and Contributions	1,109.4	862.0	109.8	126.3	1,219.3	988.3	23.4
<b>General Revenues:</b>							
Income Taxes	6,798.7	6,809.7	-	-	6,798.7	6,809.7	(0.2)
Sales and Excise Taxes	4,700.3	4,755.2	-	-	4,700.3	4,755.2	(1.2)
Public Utility Taxes	310.0	307.6	-	-	310.0	307.6	0.8
Motor Fuel Taxes	1,008.0	1,001.9	-	-	1,008.0	1,001.9	0.6
Other Taxes	403.4	425.7	-	-	403.4	425.7	(5.2)
Other General Revenues	393.3	443.9	15.7	8.5	409.0	452.4	(9.6)
<b>Total Revenues</b>	<b>26,211.2</b>	<b>24,473.4</b>	<b>8,633.7</b>	<b>6,476.1</b>	<b>34,844.8</b>	<b>30,949.6</b>	<b>12.6</b>
<b>Program Expenses:</b>							
Commerce	330.0	298.9	-	-	330.0	298.9	10.4
Education	6,662.8	6,707.7	-	-	6,662.8	6,707.7	(0.7)
Transportation	2,281.6	2,094.3	-	-	2,281.6	2,094.3	8.9
Environmental Resources	487.4	534.8	-	-	487.4	534.8	(8.9)
Human Relations and Resources	11,539.5	10,398.5	-	-	11,539.5	10,398.5	11.0
General Executive	650.2	551.4	-	-	650.2	551.4	17.9
Judicial	129.8	130.9	-	-	129.8	130.9	(0.9)
Legislative	65.2	65.6	-	-	65.2	65.6	(0.6)
Tax Relief and Other General Expenditures	1,288.2	1,274.9	-	-	1,288.2	1,274.9	1.0
Intergovernmental - Shared Revenue	1,032.2	1,035.1	-	-	1,032.2	1,035.1	(0.3)
Interest on Long-term Debt	467.9	665.4	-	-	467.9	665.4	(29.7)
Injured Patients and Families Compensation	-	-	58.5	(58.2)	58.5	(58.2)	200.5
Environmental Improvement	-	-	148.6	48.5	148.6	48.5	206.5
University of Wisconsin System	-	-	4,195.4	4,016.5	4,195.4	4,016.5	4.5
Unemployment Reserve	-	-	3,416.9	2,215.3	3,416.9	2,215.3	54.2
Lottery	-	-	452.4	465.6	452.4	465.6	(2.8)
Health Insurance	-	-	1,176.7	1,086.5	1,176.7	1,086.5	8.3
Care and Treatment Facilities	-	-	351.5	361.6	351.5	361.6	(2.8)
Other Business-type	-	0.1	158.6	143.4	158.6	143.5	10.5
<b>Total Expenses</b>	<b>24,934.6</b>	<b>23,757.8</b>	<b>9,958.6</b>	<b>8,279.1</b>	<b>34,893.3</b>	<b>32,036.9</b>	<b>8.9</b>
<b>Excess (deficiency) before Contributions and Transfers</b>	<b>1,276.5</b>	<b>715.7</b>	<b>(1,325.0)</b>	<b>(1,803.0)</b>	<b>(48.5)</b>	<b>(1,087.3)</b>	
Contributions to Term and Permanent Endowments	-	-	1.2	0.7	1.2	0.7	
Contributions to Permanent Fund Principal	18.5	22.6	-	-	18.5	22.6	
Transfers	(1,263.3)	(1,051.6)	1,262.7	1,052.2	(0.6)	0.6	
Special Items - Sale of Future Tobacco Settlement Revenues	-	1,518.0	-	-	-	1,518.0	
Special Items - Purchase of Future Tobacco Settlement Revenues	-	(1,518.0)	-	-	-	(1,518.0)	
<b>Increase (decrease) in Net Assets</b>	<b>31.7</b>	<b>(313.3)</b>	<b>(61.0)</b>	<b>(750.1)</b>	<b>(29.3)</b>	<b>(1,063.4)</b>	
<b>Net Assets - Beginning (Restated)</b>	<b>5,551.5</b>	<b>5,864.7</b>	<b>6,171.2</b>	<b>6,921.3</b>	<b>11,722.7</b>	<b>12,786.0</b>	
<b>Net Assets - Ending</b>	<b>\$ 5,583.2</b>	<b>\$ 5,551.5</b>	<b>\$ 6,110.2</b>	<b>\$ 6,171.2</b>	<b>\$ 11,693.4</b>	<b>\$ 11,722.7</b>	<b>(0.2)</b>

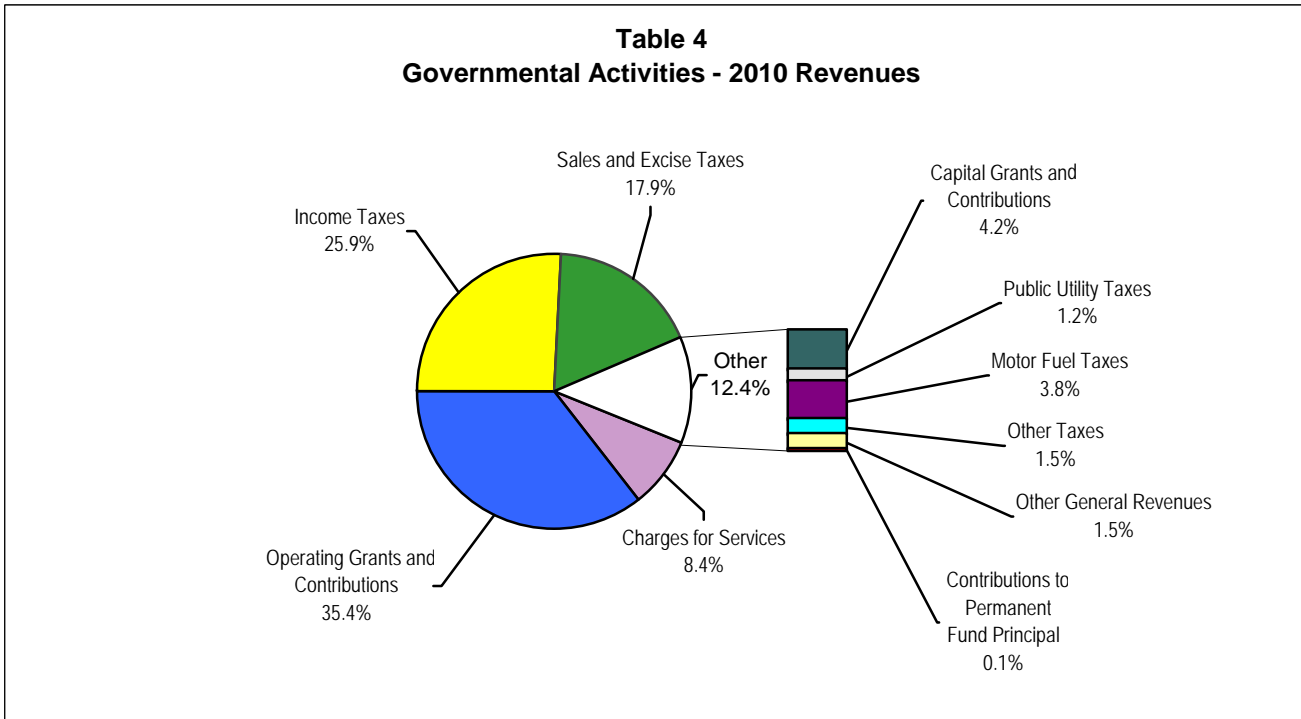
**Governmental Activities**

The net assets of governmental activities remained steady in Fiscal Year 2010. Revenues for the governmental activities (including contributions to permanent fund principal) totaled \$26.2 billion, while expenses and net transfers also totaled \$26.2 billion in 2010.

General and program revenues of governmental activities increased \$1.7 billion during this fiscal year. Operating grants and contributions increased by \$1.4 billion as a result of the enactment of the federal American Recovery and Reinvestment Act (ARRA) of 2009. During the same period, total tax revenues declined by \$79.7 million primarily due to a reduction of \$11.0 million in income tax and \$54.9 million in sales and use taxes, respectively.

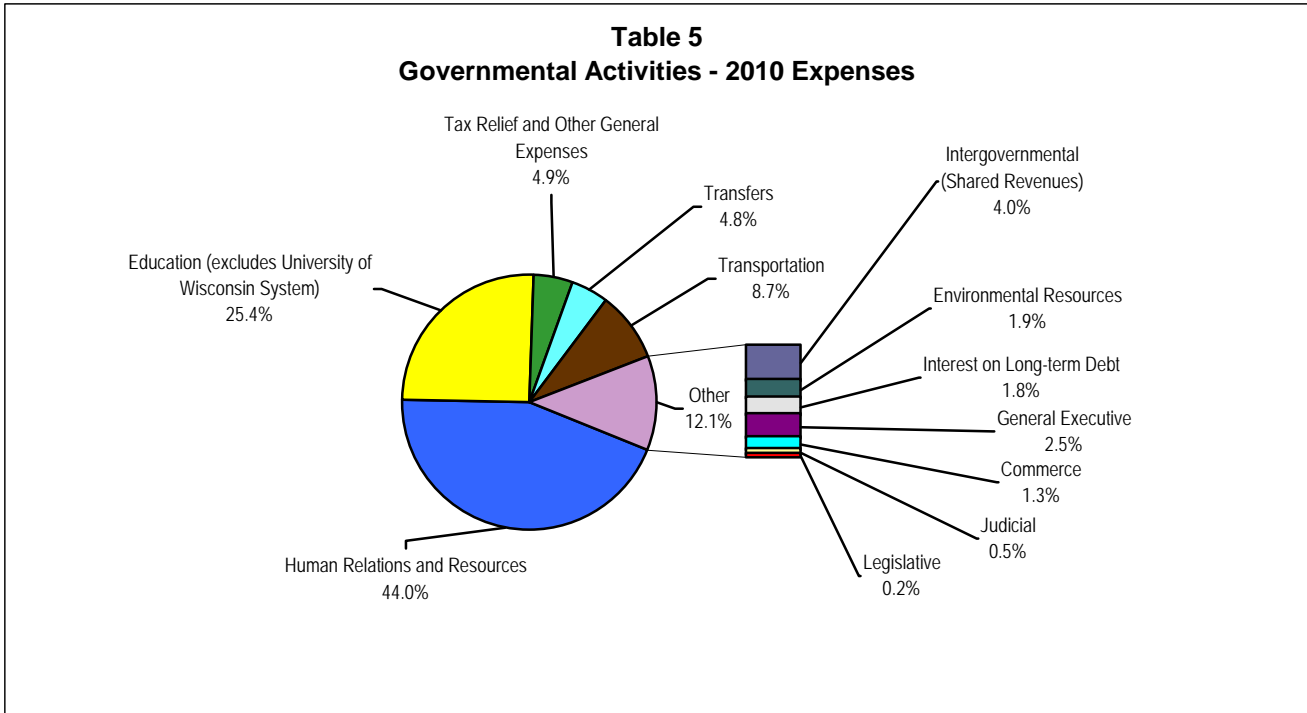
The State’s governmental activities program expenses increased \$1.2 billion during Fiscal Year 2010. Human relations and resources expenditures increased \$1.1 billion. Expenditure increases for the Medical Assistance program were a primary contributor to this rise. In addition, transportation expenditures increased \$187.3 million. However, education expenditures declined by \$44.9 million after increasing by \$230.5 million as a result of increased state aid payments to schools in Fiscal Year 2009. Environmental expenditures also declined by \$47.4 million.

As shown in Table 4, below, approximately 50.4 percent of revenues from all sources earned came from taxes (sales and excise, income, public utility, motor fuel, and other taxes). Operating grants and contributions represent amounts received from other governments/entities – primarily the federal government. Operating grants and contributions for non-capital purposes provided 35.4 percent of total revenues. Capital grants provided 4.2 percent, charges for services contributed 8.4 percent, and various other revenues provided 1.6 percent of the remaining governmental activity revenue sources.



As shown in Table 5, below, expenses for human relations and resources programs make up the largest portion – 44.0 percent – of total governmental expenses and transfers. Included in this cost function are programs such as Medical Assistance and Temporary Assistance for Needy Families as well as costs for state correctional facilities and services.

Educational expenses, which include various school aids but exclude expenses of the University of Wisconsin System, make up 25.4 percent of total expenses. Tax relief and other general expenses and the municipal and county shared revenue program represent 8.9 percent of the total, while transportation expenses represent 8.7 percent. Net transfers to business-type activities, which include a general purpose revenue subsidy to the University of Wisconsin System, make up 4.8 percent of the total expenses and transfers. The interest on long-term debt and remaining functional expenses total 8.2 percent.



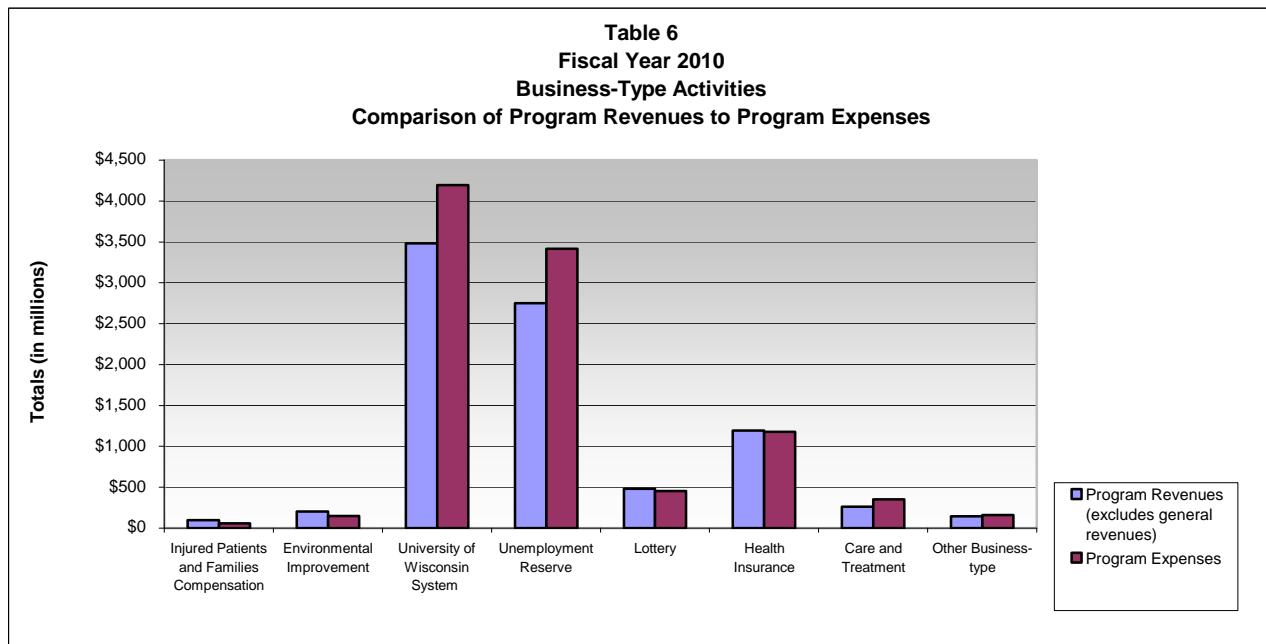
### Business-Type Activities

Net assets of the State’s business-type activities decreased \$61.0 million in Fiscal Year 2010. Total business-type program revenues increased \$2,150.4 million. Unemployment Reserve Fund operating revenues increased \$1,364.3 million primarily due to an increase of \$1,134.5 million in federal aid and an increase in employer contributions of \$193.5 million or 30.5%. University of Wisconsin System operating revenues increased \$235.0 million due primarily to increases in net student tuition and fees revenue (7.8 percent), federal grants and contracts (12.5 percent), local and private grants and contracts (22.7 percent), and sales and services of auxiliary enterprises (3.0 percent). Finally, participant contributions for non-major funds increased by \$108.8 million during Fiscal Year 2010 primarily as the result of increased contributions reported in the Health Insurance Fund.

Program expenses of business-type activities increased \$1,679.5 million from Fiscal Year 2009 to 2010. The largest increase in program expenses, \$1,201.7 million, related to increased benefit expenses for the Unemployment Reserve Fund. Benefit expenses of the Injured Patients and Families Compensation Fund increased by \$118.8 million while the University of Wisconsin System program expenses increased by \$74.1 million. Finally, non-major business-type activities reported an increase of \$92.2 million.

Revenues of business-type activities totaled \$8.6 billion for Fiscal Year 2010. Program revenues consisted of \$6.2 billion of charges for services, \$2.3 billion of operating grants and contributions, and \$109.8 million of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal and net transfers totaled \$15.7 million, \$1.2 million, and \$1,262.7 million, respectively. The total expenses for business-type activities were \$10.0 billion.

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



## FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

### Governmental Funds

At the end of Fiscal Year 2010, the State's governmental funds reported a negative combined fund balance of \$(1,863.2) million. Funds with significant changes in fund balance are discussed below:

#### General Fund

The General Fund is the chief operating fund of the State. In Fiscal Year 2010, the continuing downturn in the economy, and the receipt of additional funds under ARRA had significant impacts on the activity reported in the General Fund. At June 30, 2010, the State's General Fund reported a total fund deficit of \$(2,943.3) million. The net change in fund balance during Fiscal Year 2010 was \$(166.1) million, in contrast to \$(274.7) million in Fiscal Year 2009. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

#### Revenues

Revenues of the General Fund totaled \$22,478.5 million in Fiscal Year 2010, an increase of \$1,366.3 million from Fiscal Year 2009. Factors contributing to this change included the following:

- Intergovernmental revenues (i.e., federal assistance) increased \$1,341.6 million in Fiscal Year 2010, primarily due to an increase in costs that were eligible for federal reimbursement. The most significant change occurred in human relations and resources programs (e.g., Medical Assistance), which increased \$1,333.5 million partially because of the higher federal Medical Assistance (MA) reimbursement rate allowed under ARRA.
- License and permits revenue increased \$123.5 million. The commerce function reported increased revenue of \$56.4 million principally due to regulatory fee increases for the securities and insurance industries. The human relations and resources function also reported a \$73.3 million increase due primarily to the levying of higher hospital assessment fees (a \$42.6 million increase from Fiscal Year 2009) and increased licensed bed assessments.
- Miscellaneous revenue decreased \$76.7 million in Fiscal Year 2010, primarily due to a decrease in tobacco settlement revenues, from \$223.3 million in Fiscal Year 2009 to \$136.8 million in Fiscal Year 2010.
- Revenues from taxes decreased \$18.1 million from Fiscal Year 2009 to Fiscal Year 2010. The most significant decrease relates to income tax, which decreased \$17.7 million or 0.3 percent from Fiscal Year 2009 collections. Estate tax collections decreased 95.7 percent in Fiscal Year 2010 due to statutory provisions that effectively eliminated the estate tax for deaths that occurred on or after January 1, 2008.
- Other revenues, such as fines and forfeitures, gifts and donations, and investment income decreased \$4.1 million.

#### Expenditures

Expenditures of the General Fund totaled \$21,368.8 million in Fiscal Year 2010, an increase of \$1,116.6 million from Fiscal Year 2009. The factors contributing to the change included the following:

- Human relations and resources expenditures increased substantially (\$1,113.7 million) in Fiscal Year 2010 with MA program costs a primary contributor. MA enrollment increased significantly due to economic conditions and program expansion. As noted earlier, a higher federal MA reimbursement percentage covered a larger share of those costs during Fiscal Year 2010. In addition to MA cost increases, food stamp costs also increased as a result of increased participants and an increase in the benefit level.
- The increase in general executive expenditures of \$83.3 million was largely attributable to the increase in federal assistance provided through ARRA.
- Intergovernmental expenditures of the General Fund (i.e., shared revenue) decreased \$69.1 million in Fiscal Year 2010. This decrease in General Fund expenditures was partially offset by shared revenue expenditures reported in two special revenue funds [Police and Fire Protection (\$46.2 million) and Wireless 911 (\$20.0 million)].
- Other expenditures, including the commerce, education, environmental resources, and judicial functions, increased by \$6.3 million in Fiscal Year 2010, while capital outlay expenditures decreased by \$20.5 million between Fiscal Years 2009 and 2010.



*Other Financing Sources and Uses*

Other financing sources/uses and increases/decreases totaled a net \$(1,275.8) million in Fiscal Year 2010, a change of \$(1,659.2) million from the prior year. The components of this change included the following:

- In Fiscal Year 2009, appropriation bonds were issued to finance the purchase of the rights to receive future tobacco settlement revenues. The amount of debt issued totaled \$1,527.7 million. No appropriation bonds were issued in Fiscal Year 2010.
- Transfers in to the General Fund decreased by \$145.6 million (from \$474.3 million in Fiscal Year 2009 to \$328.6 million in Fiscal Year 2010). In Fiscal Year 2009, the Badger Tobacco Asset Securitization Fund transferred \$155.1 million of residual assets to the General Fund. No similar transfers occurred in Fiscal Year 2010.
- Transfers out of the General Fund totaled \$1,612.4 million, a decrease of \$25.7 million from the prior year. The majority of this change relates to reduced general purpose revenue supplements to other funds of \$38.6 million.
- Other financing sources/uses and increases/decreases resulted in a net decrease to fund balance of \$11.6 million from the prior Fiscal Year.

*Special Items*

- No special items are reported In Fiscal Year 2010. This contrasts to Fiscal Year 2009, which included a special item of \$1,518.0 million relating to the State’s purchase of the rights to receive future revenue streams of the tobacco settlement agreement. The revenue streams were purchased with the proceeds of the appropriation bonds issued.

As of June 30, 2010, the General Fund reported an unreserved fund balance deficit of \$(3,453.4) million. This compares to a General Fund unreserved fund balance deficit of \$(3,187.0) million as of June 30, 2009. A deficit unreserved fund balance represents the excess of the liabilities of the General Fund over its assets and reserved fund balance accounts. Reservations of fund balances of governmental funds represent amounts that are not available for appropriation. Examples of fund balance reservations reported in the General Fund include reserves for encumbrances, inventories, prepaid items, and the Budget Stabilization Fund.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were significant and included a \$2.7 billion increase in appropriations. The receipt of funds under ARRA was a significant factor that contributed to appropriation changes during the fiscal year. Also contributing to the variance is the fact that several of the State’s programs and various transfers (including Food Stamps - see the items denoted with \*, below) are not included in the original budget. In addition, numerous adjustments to spending estimates were needed as the year progressed because of changing circumstances (spending needs can change dramatically over a one-year period). The largest variances occurred in the following appropriations (in millions):

Program	Variance
Commerce, Federal Aids; Individuals & Organizations	\$ 160.6
Public Instruction, Federal Aids; Local Aids	125.3
UW-System, Academic Student Fees (part of the statutory General Fund)	130.6
Medical Assistance Program Benefits	220.9
Federal Aid, Medical Assistance	600.1
Food Stamps, Electronic Benefit Transfer	928.1 *

Actual charges to appropriations (expenditures) were \$2.6 billion below the final budgeted estimates. Large positive expenditure variances were reported in the Commerce, Federal Aids; Individuals & Organizations (\$151.0 million) and the Administration, Federal Aids (\$123.8 million) appropriations.

During the past fiscal year, the budgetary-based fund balance increased by \$389.3 million for the statutory General Fund, in part, because of the receipt of ARRA monies, but also due to the increased lapse/transfer of monies from other statutory funds (net transfers totaled \$220.2 million in Fiscal Year 2010 compared to net transfers of \$37.3 in Fiscal Year 2009).

## Transportation Fund

In Fiscal Year 2010, the Transportation Fund reported a net increase in fund balance of \$143.4 million. This compares to a \$84.6 million increase in fund balance in Fiscal Year 2009. This increase resulted primarily from the following factors:

- Revenues of this fund increased \$238.3 million, to a total of \$2,729.5 million, primarily relating to the ARRA increase in federal funding from the U.S. Department of Transportation and Federal Aviation Administration. For Fiscal Year 2009 and 2010, ARRA provided a total of \$529.5 million in federal funding for highway projects. ARRA-funded adjusted expenditures for highway projects totaled \$312.4 million in Fiscal Year 2010 and \$179.2 million in Fiscal Year 2009. Expenditures of the fund totaled \$2,472.2 million in Fiscal Year 2010 compared to \$2,369.3 million in Fiscal Year 2009 (an increase of \$102.9 million).
- Transfers out of the Transportation Fund increased \$70.6 million from Fiscal Year 2009 to 2010. Under 2009 Wisconsin Act 28, \$84.8 million was transferred to the General Fund in Fiscal Year 2010. This compares to 2007 Wisconsin Act 20 and 2009 Wisconsin Act 2 transfers to the General Fund totaling \$6.8 million reported in Fiscal Year 2009 (an increase of \$78.0 million). At the same time, transfers in to the fund more than doubled in Fiscal Year 2010 to \$19.0 million, primarily because of a legislatively mandated transfer of \$10.0 million from the Petroleum Inspection Fund.

Capital outlay expenditures funded with general obligation bonds and reported in the Capital Improvement Fund (a capital projects fund) rather than the Transportation Fund, totaled \$210.1 million in Fiscal Year 2010, an increase of \$126.2 million from Fiscal Year 2009. In addition, capital outlay expenditures of \$367.5 million were reported in the Transportation Fund in Fiscal Year 2010, an increase of \$2.8 million from Fiscal Year 2009.

## Common School Fund

The Common School Fund, a permanent fund, provides low cost loans to municipalities and school districts for public purposes. Earnings of the fund are primarily distributed to local school districts as library aids. This fund reported a net increase of \$34.3 million in fund balance for the year. This compares to a \$33.0 million increase in fund balance in Fiscal Year 2009. Significant changes to the accounts of this fund include:

- Outstanding loans to local governments showed a substantial increase of \$98.4 million in Fiscal Year 2010 (from \$555.4 million in Fiscal Year 2009 to \$653.8 million in the current year). This represents a 17.7 percent increase in loans over the prior year.
- Investments of the fund decreased \$13.9 million or approximately 22.4 percent in Fiscal Year 2010, from \$62.0 million in Fiscal Year 2009 to \$48.1 million in Fiscal Year 2010. This reduction was due to a call of outstanding bonds.

## Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Significant changes to balances of proprietary funds from Fiscal Year 2009 to Fiscal Year 2010 include the following:

### Injured Patients and Families Compensation

Fund equity of the Injured Patients and Families Compensation Fund increased by \$241.8 million from \$(109.0) million to \$132.8 million at June 30, 2010 principally because of the establishment of a \$202.6 million receivable from the General Fund after the Wisconsin Supreme Court ruled in July 2010 that the \$200 million in transfers made from the Injured Patients and Families Compensation Fund pursuant to 2007 Wisconsin Act 20 were unconstitutional. In addition, investment and interest income increased by \$71.5 million to \$68.0 million in Fiscal Year 2010 primarily due to unrealized market gains on investments. In contrast, investment losses of \$(3.5) million were reported in the prior year. Operating revenues increased by \$3.4 million from \$26.3 million to \$29.7 million in Fiscal Year 2010. However, the Fund's benefits expense also increased by \$118.8 million from \$(61.1) million to \$57.7 million and the future benefits and loss liability reserves increased by \$45.7 million. Both increases were the result of actuarial analysis of prior years' experience and the addition of another benefit year.

## Unemployment Reserve

Fund equity of the Unemployment Reserve Fund decreased by \$672.4 million during Fiscal Year 2010 from \$(247.9) million at June 30, 2009 to \$(920.3) million at June 30, 2010. Benefit expenses increased from \$2,215.3 million in Fiscal Year 2009 to \$3,416.9 million in Fiscal Year 2010, an increase of \$1,201.6 million (54.2 percent). The increase in benefits is the result of the average unemployment rate increasing from 6.8 percent during Fiscal Year 2009 to 8.5 percent during Fiscal Year 2010. In addition, benefit periods were extended from a possible 80 weeks to a possible 99 weeks.

Total operating revenues increased by \$1,346.3 million from \$1,295.5 million in Fiscal Year 2009 to \$2,659.8 million in Fiscal Year 2010. Federal aids for the unemployment program increased by \$1,134.5 million to \$1,711.5 million in Fiscal Year 2010. Employer contributions also increased 30.5 percent from \$635.2 million in Fiscal Year 2009 to \$828.6 million in Fiscal Year 2010, an increase of \$193.5 million. The increase in employer contributions is primarily due to the higher tax rates imposed under the rate schedule that took effect in calendar year 2010. Because the Fund's balance as of June 30, 2009, was below the statutory index of \$300 million, the highest rate schedule took effect as of January 1, 2010.

In order to pay benefits, the fund continued to borrow from the federal government through April 2010. As a result, the advance from the federal government increased from \$435.5 million at June 30, 2009 to \$1,424.8 million at June 30, 2010, an increase of \$989.3 million. Starting in 2011 the Fund will incur approximately 4.0 percent annual interest on the amount borrowed and the federal government can begin recovering the loan from employers by incrementally reducing the employers' federal unemployment tax credit beginning with the tax due for 2011. The Fund can avoid these credit reductions for employers by voluntarily repaying certain portions of the loan and meeting other federal requirements.

## University of Wisconsin System

In Fiscal Year 2010, operating revenues of the University of Wisconsin System increased \$235.0 million or approximately 8.2 percent. Revenue was enhanced by an increase in federal grants and contracts of \$101.5 million (12.5 percent) and local and private grants and contracts, which increased by \$42.5 million (22.7 percent). Sales and services of educational activities and auxiliary enterprises increased by \$5.7 million (2.1 percent) and \$10.4 million (3.0 percent), respectively. Finally, increased student tuition and fees revenue of \$73.1 million (7.8 percent) were reported. The net increase in student tuition and fees is primarily due to an increase in tuition rates approved by the Board of Regents. Fiscal Year 2010 operating expenses increased \$74.1 million or 1.8 percent from Fiscal Year 2009. The increase is due primarily to an increase of personal services, scholarships and fellowships, and depreciation expenses of \$52.8 million, \$41.0 million, and \$10.9 million, respectively. Offsetting those increases was a decrease of \$31.1 million in supplies and services expense.

## Environmental Improvement

The Environmental Improvement Fund issued revenue bonds of \$131.2 million in Fiscal Year 2010, of which \$14.1 million was used to refund previous bond issues. The new revenue bonds contributed to a net increase of the fund's liabilities of \$54.1 million or approximately 6.5 percent over Fiscal Year 2009. A primary purpose of this fund is to provide loans to local governments for environmental purposes (e.g., clean water projects), therefore loans receivable reported a corresponding increase of \$25.6 million or 1.4 percent. The Fund was awarded \$103.7 million in Clean Water ARRA funds of which \$74.7 million had been disbursed to municipalities as of June 30, 2010. Additionally, \$37.8 million of Safe Drinking Water ARRA funds were awarded in Fiscal Year 2010 of which \$26.7 million have been disbursed as of June 30, 2010.

## Lottery

The Lottery Fund reported an increase in operating revenues of \$7.4 million, or 1.6 percent, in Fiscal Year 2010. The increase is attributable to sales of Mega Millions, a national lotto game added January 31, 2010. Operating expenses decreased by \$6.7 million or 2.0 percent primarily due to a 2.4 percent decrease in lottery prize awards. The property tax credit, which serves to provide property tax relief through application of net proceeds from the Wisconsin Lottery, totaled \$114.3 million in Fiscal Year 2010 in contrast to \$120.8 million in Fiscal Year 2009, reflecting a decrease of \$6.5 million or 5.4 percent. The amount of the credit is determined and distributed before the end of the fiscal year and based upon the prior year's balance carryover and the current year's estimated performance. Therefore, it is possible that increases or decreases in the property tax credit will differ from the increases and decreases in revenue reported for the current fiscal year.

## GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the close of Fiscal Year 2010, the State had \$22.5 billion invested in capital assets, net of accumulated depreciation of \$4.2 billion. This represents an increase of \$1,016.4 million, or 4.7 percent, from Fiscal Year 2009. Depreciation charges totaled \$110.2 million and \$213.1 million for governmental and business-type activities, respectively, in Fiscal Year 2010. The details of these assets are presented in Table 7, below. Additional information about the State's capital assets is presented in Note 7 to the financial statements.

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2010	2009	2010	2009	2010	2009
Land and Land Improvements	\$ 2,183	\$ 2,060	\$ 137	\$ 135	\$ 2,321	\$ 2,195
Buildings and Improvements	1,369	1,332	2,974	2,899	4,342	4,232
Library Holdings	83	82	1,107	1,088	1,189	1,170
Machinery and Equipment	318	299	277	268	595	567
Infrastructure	12,375	12,219	-	-	12,375	12,219
Construction in Progress	1,170	851	497	239	1,667	1,090
<b>Totals</b>	<b>\$ 17,497</b>	<b>\$ 16,843</b>	<b>\$ 4,991</b>	<b>\$ 4,629</b>	<b>\$ 22,488</b>	<b>\$ 21,471</b>

The major capital asset additions completed or acquired during Fiscal Year 2010 included the:

- 21 North Park Street purchase (\$39.0 million),
- Jarvis Science Wing Renovation – UW-Stout (\$37.5 million),
- Campus Utility Upgrade – UW-Madison (\$28.7 million),
- Rothwell Student Center – UW-Superior (\$23.6 million),
- Madison Crime Lab Remodeling (\$15.0 million), and
- State Fair Park – Exposition Center purchase (\$13.9 million).

In addition to these completed projects, construction in progress as of June 30, 2010 for governmental and business-type activities totaled \$1,169.7 million and \$497.1 million, respectively. A list of construction in progress projects is provided in Note 7. The State's continuing or proposed major capital projects for Fiscal Year 2010 through 2018 include:

- Wisconsin Institute for Discovery (2005-2015) – UW-Madison (estimated budget of \$150 million),
- Academic Buildings (2008-2010) – UW-La Crosse, Oshkosh, Parkside and Superior (estimated budget of \$160.0 million),
- Union South Replacement (2008-2011) – UW-Madison (estimated budget of \$85.7 million),
- Davies Center Addition (2008-2011) – UW-Eau Claire (estimated budget of \$31.4 million),
- Sand Ridge Secure Treatment Center (2007-2011) Mauston – (estimated budget of \$25.0 million),
- Wisconsin Energy Institute – Madison (estimated cost \$100 million),
- Wisconsin Institutes for Medical Research – Center Tower – Madison (estimated cost \$135 million),
- UW Milwaukee Facilities Master Plan (\$240 million for various projects),
- Renovation and Remodeling of the Charter Street Heating Plant (estimated cost \$251 million),
- I-94 North South Freeway Project (completion in 2016) \$1,912 million,
- US 41 Winnebago and Brown Counties (completion in 2018) \$1,515 million,
- Highway 26 Janesville to Watertown (completion in 2014) \$469 million,
- US 51/STH 29 Corridor Wausau (completion in 2011) \$228 million,
- Highway 12 Lake Delton to Sauk City (completion in 2018) \$225 million, and
- Highway 41 Oconto to Peshtigo (completion in 2011) \$175 million.

## **Debt Administration**

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. The total general obligation debt outstanding for the State as of June 30, 2010 was \$6.0 billion, as shown in Table 8. During Fiscal Year 2010, \$1,016.5 million of general obligation bonds were issued to provide for the acquisition or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes or to refund outstanding bonds. Of the bonds issued in the current year, \$303.8 million was to be used for University of Wisconsin System academic and self-amortizing facilities; \$244.7 million for transportation projects, \$65.9 million for the Stewardship Program, \$41.7 for environmental programs, and \$104.8 million for various other projects. In addition, bond proceeds of \$255.5 million were used to refund outstanding general obligation bonds which resulted in an increase in total debt service payments of \$48.6 million.

In Fiscal Year 2004, the State issued \$1.8 billion of annual appropriation bonds to pay the State's unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits. In Fiscal Year 2009, the State issued \$1.5 billion of annual appropriation bonds to purchase the future right, title, and interest in the Tobacco Settlement Revenues (TSRs) from Badger Tobacco Asset Securitization Corporation (BTASC) as well as pay any issuance expenses. As of June 30, 2010, \$3.4 billion of these bonds were outstanding.

Chapter 18 of the Wisconsin Statutes authorizes the State to issue revenue obligations. These obligations, which are not general obligation debt of the State, are secured by a pledge of revenues or property derived from the operations of a program funded by the issuance of the obligations. Revenue bonds of the primary government totaled \$2.7 billion outstanding at June 30, 2010, as shown in Table 8. These bonds included \$1,671.3 million of Transportation Revenue Bonds, \$129.9 million of Petroleum Inspection Revenue Bonds, and \$882.2 million of Environmental Improvement Revenue Bonds.

**Table 8**  
**Outstanding Debt as of June 30, 2010 and 2009**  
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$4,779.7	\$4,244.7	\$1,235.4	\$1,117.2	\$ 6,015.1	\$ 5,361.9
Annual appropriation bonds	3,357.7	3,378.3	--	--	3,357.7	3,378.3
Revenue bonds	1,801.1	1,681.4	882.2	829.3	2,683.3	2,510.7
<b>Totals</b>	<b>\$9,938.5</b>	<b>\$9,304.4</b>	<b>\$2,117.6</b>	<b>\$1,946.5</b>	<b>\$12,056.1</b>	<b>\$11,250.9</b>

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

At June 30, 2010, State of Wisconsin general obligation fixed rate bonds had a rating of Aa2 from Moody's Investors Services, AA from Standard and Poor's Rating Services, and AA from Fitch Ratings. General obligation variable notes had a rating of P-1 from Moody's, A-1+ from Standard and Poor's Corporation, and F1+ from Fitch Investors Services, L.P.

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

## INFRASTRUCTURE -- MODIFIED APPROACH

The State reports infrastructure (i.e., roads, bridges, and buildings considered an ancillary part of roads) as capital assets. The State has elected to report its infrastructure assets (11,200 centerline miles of roads and 5,000 bridges with a combined value of \$12.4 billion), using the modified approach. Under this method, infrastructure assets are not required to be depreciated if the State manages its eligible infrastructure assets using an asset management system designed to maintain and preserve these assets at a condition level established and disclosed by the State.

All infrastructure assets constructed prior to July 1, 2000 have been recorded at estimated historical cost. Historical cost was determined by calculating current costs of a similar asset and deflating that cost, using a price-index, to the estimated average construction date. Infrastructure costs, which exclude right of way, are expressed in 2000 dollars and deflated back to the average construction date using the Federal Highway Administration's composite index for federal-aid highway construction.

In order to adequately serve the traveling public and support the State economy, it is the State's policy to ensure at least 85 percent of the state-owned roads and bridges are in good or fair condition. As of June 30, 2010, 90.7 percent of the roads and 95.9 percent of bridges were in good or fair condition, consistent with State policies.

For the fiscal year ended June 30, 2010, actual maintenance and preservation costs for the State's road network were \$669.1 million or \$8.4 million less than the estimated amount. On that same date, actual maintenance and preservation costs for the State's bridge network were \$93.0 million or \$1.3 million more than the estimated amount. In developing estimated costs at the beginning of the fiscal year it is difficult to predict the types of projects that will actually incur costs during the year. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

## ECONOMIC FACTORS

In calendar year 2009, the Wisconsin economy was significantly affected by the global recession.

Wisconsin employment declined significantly in 2009. Wisconsin employment increased by 0.6 percent in 2007 and decreased by 0.2 percent in 2008 and 4.5 percent in 2009. Wisconsin's employment growth has been comparable to the nation's growth. Nationally, employment increased by 1.1 percent in 2007, and decreased by 0.6 percent in 2008 and by 4.3 percent in 2009.

The changes in employment performance affected income growth. Wisconsin personal income increased 3.9 percent in 2007 and 3.4 percent in 2008 but fell 0.9 percent in 2009. Nationally, personal income increased 5.7 percent in 2007 and 4.0 percent in 2008 but fell 1.7 percent in 2009. On a per capita basis, Wisconsin's performance is also similar to the nation's. Per capita income in Wisconsin increased 3.4 percent in 2007 and 2.9 percent in 2008, but fell 1.4 percent in 2009. This compares to 4.7 percent, 3.1 percent, and (2.6) percent nationally. Relative to the national average, Wisconsin per capita income increased to 94.4 percent of the national average in 2009, up from 93.2 percent in 2008.

Wisconsin and the nation are recovering from the recession. Between December 2009 and October 2010, Wisconsin employment has increased 0.8 percent. Nationally, employment is up 0.7 percent over the same period. Wisconsin's seasonally adjusted unemployment rate in October was 7.8 percent compared to 9.6 percent nationally.

Wisconsin's property values reflect the slowing economy. In 2009, real property values declined 0.5 percent, primarily due to a reduction of 1.3 percent in residential real estate values. Commercial real estate values increased by 2.4 percent in 2009. In 2010, real property values declined 3.2 percent with residential real estate values falling 3.5 percent. Commercial real estate values decreased by 2.4 percent in 2010.



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

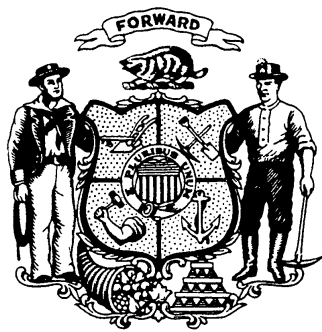
This financial report is designed to provide Wisconsin's citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions about this report or requests for additional financial information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

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

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

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## **Basic Financial Statements**

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Statement of Net Assets

June 30, 2010

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Assets and Deferred Outflows</b>				
Cash and Cash Equivalents	\$ 908,472	\$ 1,778,453	\$ 2,686,926	\$ 908,643
Investments	69,252	1,323,135	1,392,387	296,880
Cash and Investments with Other Component Units	-	-	-	248,233
Receivables (net of allowance)	3,576,119	2,993,991	6,570,110	2,828,770
Internal Balances	(500,006)	500,006	-	-
Inventories	32,905	50,287	83,192	8,645
Prepaid Items	192,572	80,018	272,590	7,597
Capital Leases Receivable - Component Units	-	5,868	5,868	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	108,239	164,474	272,713	210,842
Investments	110,824	-	110,824	2,075,889
Deferred Charges	78,306	13,245	91,550	9,678
Other Assets	24,078	6,385	30,463	104,240
Capital Assets:				
Depreciable	1,595,813	3,251,634	4,847,447	391,548
Nondepreciable:				
Infrastructure	12,374,551	-	12,374,551	-
Other	3,526,461	1,739,416	5,265,877	23,523
Deferred Outflows of Resources	130,745	-	130,745	117,179
Total Assets and Deferred Outflows	22,228,330	11,906,912	34,135,242	7,231,667
<b>Liabilities</b>				
Accounts Payable and Other Accrued Liabilities	1,172,071	475,033	1,647,104	172,205
Due to Other Governments	2,214,479	27,291	2,241,770	10,991
Tax Refunds Payable	1,375,743	-	1,375,743	-
Tax and Other Deposits	64,323	26,795	91,118	74,863
Amounts Held in Trust by Component Unit for				
Other Component Units	-	-	-	215,773
Amounts Held in Trust by Component Unit for				
Others	-	-	-	22,922
Unearned Revenue	406,523	303,047	709,570	1,421
Interest Payable	108,113	13,460	121,573	32,660
Short-term Notes Payable	790,320	50,444	840,764	-
Other Liabilities	130,745	-	130,745	129,428
Advance from Federal Government	-	1,424,769	1,424,769	-
Long-term Liabilities:				
Current Portion	539,664	327,425	867,089	107,161
Noncurrent Portion	9,843,171	3,148,465	12,991,636	3,198,983
Total Liabilities	16,645,151	5,796,729	22,441,880	3,966,407
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	13,914,376	3,932,783	17,847,159	160,898
Restricted for:				
Transportation Programs	6,431	-	6,431	-
Conservation Related	64,694	-	64,694	-
Capital Projects	21,382	-	21,382	-
Debt Service	89,344	-	89,344	-
Environmental Improvement	-	1,534,833	1,534,833	-
Permanent Trusts:				
Expendable	10,510	239,986	250,496	7,135
Nonexpendable	844,332	133,671	978,003	1,280
Future Benefits	-	358,762	358,762	27,357
Other Purposes	88,323	401,356	489,680	2,470,883
Unrestricted	(9,456,213)	(491,209)	(9,947,422)	597,708
Total Net Assets	\$ 5,583,179	\$ 6,110,183	\$ 11,693,362	\$ 3,265,261

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

**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

(In Thousands)

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Primary Government:</b>				
Governmental Activities:				
Commerce	\$ 329,954	\$ 253,713	\$ 116,541	\$ -
Education	6,662,846	21,586	1,233,756	-
Transportation	2,281,649	684,360	116,795	1,080,417
Environmental Resources	487,361	214,332	81,395	7,950
Human Relations and Resources	11,539,481	634,789	7,357,236	21,070
General Executive	650,196	275,349	280,533	-
Judicial	129,753	66,881	514	-
Legislative	65,232	1,983	4	-
Tax Relief and Other General Expenses	1,288,156	-	26,043	-
Intergovernmental - Shared Revenue	1,032,162	46,090	76,139	-
Interest on Debt	467,850	-	-	-
<b>Total Governmental Activities</b>	<b>24,934,639</b>	<b>2,199,083</b>	<b>9,288,956</b>	<b>1,109,437</b>
Business-type Activities:				
Injured Patients and Families Compensation	58,515	29,730	67,995	-
Environmental Improvement	148,594	48,351	155,133	-
University of Wisconsin System	4,195,430	3,098,677	273,660	108,637
Unemployment Reserve	3,416,939	1,037,608	1,711,458	-
Lottery	452,350	481,188	1,604	-
Health Insurance	1,176,704	1,183,544	10,683	-
Care and Treatment Facilities	351,549	262,009	518	1,192
Other Business-type	158,568	103,096	42,910	-
<b>Total Business-type Activities</b>	<b>9,958,649</b>	<b>6,244,202</b>	<b>2,263,961</b>	<b>109,829</b>
<b>Total Primary Government</b>	<b>\$ 34,893,287</b>	<b>\$ 8,443,286</b>	<b>\$ 11,552,917</b>	<b>\$ 1,219,267</b>
<b>Component Units:</b>				
Housing and Economic Development Authority	\$ 335,459	\$ 172,980	\$ 176,772	\$ -
Health Care Liability Insurance Plan	21,411	5,934	3,727	-
University Hospitals and Clinics Authority	959,881	1,018,618	519	1,091
University of Wisconsin Foundation	280,469	267,464	156,119	-
State Fair Park Exposition Center, Inc.	5,108	9,330	-	-
<b>Total Component Units</b>	<b>\$ 1,602,327</b>	<b>\$ 1,474,325</b>	<b>\$ 337,137</b>	<b>\$ 1,091</b>

General Revenues:  
 Dedicated for General Purposes:  
     Income Taxes  
     Sales and Excise Taxes  
     Public Utility Taxes  
     Other Taxes  
 Motor Fuel/Other Taxes Dedicated for Transportation  
 Other Dedicated Taxes  
 Interest and Investment Earnings  
 Miscellaneous  
 Contributions to Term and Permanent Endowments  
 Contributions to Permanent Fund Principal  
 Transfers  
  
 Total General Revenues, Contributions, and Transfers  
 Change in Net Assets  
 Net Assets - Beginning  
 Net Assets - Ending

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

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

Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ 40,300		\$ 40,300	
(5,407,504)		(5,407,504)	
(400,076)		(400,076)	
(183,683)		(183,683)	
(3,526,387)		(3,526,387)	
(94,314)		(94,314)	
(62,358)		(62,358)	
(63,245)		(63,245)	
(1,262,113)		(1,262,113)	
(909,933)		(909,933)	
(467,850)		(467,850)	
<u>(12,337,163)</u>		<u>(12,337,163)</u>	
	\$ 39,210	39,210	
	54,890	54,890	
	(714,456)	(714,456)	
	(667,874)	(667,874)	
	30,442	30,442	
	17,523	17,523	
	(87,829)	(87,829)	
	(12,563)	(12,563)	
-	(1,340,656)	(1,340,656)	
(12,337,163)	(1,340,656)	(13,677,818)	
			\$ 14,293
			(11,750)
			60,347
			143,114
			4,222
			<u>210,226</u>
6,798,690	-	6,798,690	-
4,700,287	-	4,700,287	-
309,983	-	309,983	-
217,488	-	217,488	-
1,008,047	-	1,008,047	-
185,881	-	185,881	-
4,847	15,664	20,512	17,957
388,473	4	388,477	-
-	1,232	1,232	111
18,498	-	18,498	-
(1,263,325)	1,262,747	(577)	-
<u>12,368,869</u>	<u>1,279,648</u>	<u>13,648,517</u>	<u>18,068</u>
31,706	(61,008)	(29,301)	228,294
5,551,473	6,171,190	11,722,663	3,036,967
<u>\$ 5,583,179</u>	<u>\$ 6,110,183</u>	<u>\$ 11,693,362</u>	<u>\$ 3,265,261</u>

**Balance Sheet - Governmental Funds**  
**June 30, 2010**

(In Thousands)

	General	Transportation	Common School	Nonmajor Governmental	Total Governmental
<b>Assets</b>					
Cash and Cash Equivalents	\$ 9,415	\$ 576,218	\$ 109,840	\$ 206,518	\$ 901,991
Investments	731	-	48,055	20,465	69,252
Receivables (net of allowance):					
Taxes	1,063,407	96,299	-	29,273	1,188,978
Loans to Local Governments	2,195	-	653,771	21,410	677,377
Other Loans Receivable	25,819	24,093	-	6	49,917
Other Receivables	378,618	8,813	396	50,264	438,091
Due from Other Funds	218,956	50,534	869	91,423	361,782
Due from Component Units	231	-	-	-	231
Due from Other Governments	813,678	318,845	9,254	5,647	1,147,424
Inventories	10,373	13,330	-	3,067	26,771
Prepaid Items	170,579	4,046	-	17,323	191,948
Advances to Other Funds	167	-	-	-	167
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	108,239	108,239
Investments	-	-	-	110,824	110,824
Other Assets	24,078	-	-	-	24,078
<b>Total Assets</b>	<b>\$ 2,718,249</b>	<b>\$ 1,092,178</b>	<b>\$ 822,185</b>	<b>\$ 664,459</b>	<b>\$ 5,297,071</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable and Other					
Accrued Liabilities	\$ 863,468	\$ 224,761	\$ -	\$ 36,535	\$ 1,124,764
Due to Other Funds	180,071	79,194	1,706	63,011	323,982
Interfund Payables	231,962	-	-	15,390	247,352
Due to Other Governments	2,106,874	102,345	-	5,260	2,214,479
Tax Refunds Payable	1,369,558	5,978	-	206	1,375,743
Tax and Other Deposits	53,364	508	-	10,452	64,323
Unearned Revenue	371,544	28,721	-	5,305	405,570
Deferred Revenue	281,466	523	-	8,099	290,087
Interest Payable	-	-	-	45,689	45,689
Advances from Other Funds	203,245	-	-	5,266	208,512
Short-term Notes Payable	-	-	-	782,608	782,608
Revenue Bonds and Notes Payable	-	-	-	77,195	77,195
<b>Total Liabilities</b>	<b>5,661,551</b>	<b>442,030</b>	<b>1,706</b>	<b>1,055,016</b>	<b>7,160,304</b>
<b>Fund Balances:</b>					
Reserved for Encumbrances	374,270	862,439	-	298,134	1,534,843
Reserved for Inventories	10,373	13,330	-	3,067	26,771
Reserved for Prepaid Items	105,876	4,046	-	17,323	127,245
Reserved for Budget Stabilization Fund	1,684	-	-	-	1,684
Reserved for Restricted Funds	17,712	-	144	26,372	44,229
Reserved for Long-term Receivables	-	-	589,706	20,225	609,931
Reserved for Advances to Other Funds	167	-	-	-	167
Unreserved, Reported In:					
General Fund	(3,453,386)	-	-	-	(3,453,386)
Special Revenue Funds	-	(229,667)	-	51,868	(177,799)
Debt Service Funds	-	-	-	80,780	80,780
Capital Projects Funds	-	-	-	(904,840)	(904,840)
Permanent Funds	-	-	230,628	16,513	247,142
<b>Total Fund Balances</b>	<b>(2,943,303)</b>	<b>650,148</b>	<b>820,479</b>	<b>(390,557)</b>	<b>(1,863,233)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,718,249</b>	<b>\$ 1,092,178</b>	<b>\$ 822,185</b>	<b>\$ 664,459</b>	<b>\$ 5,297,071</b>

(Continued)

**Balance Sheet - Governmental Funds**  
**June 30, 2010**

(Continued)

**Total  
Governmental**

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

**Total Fund Balances - Governmental Funds** (from previous page) \$ (1,863,233)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Infrastructure	12,374,551	
Other Capital Assets	5,855,345	
Accumulated Depreciation	(1,019,087)	
		17,210,809

Other long-term assets that are not available to pay for current period expenditures and, therefore, are deferred in the funds. 81,385

Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 289,135

Internal service funds are used by management to charge the costs of certain activities, such as telecommunications and insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. (21,368)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund statements. These liabilities, however, are included in the Statement of Net Assets.

Revenue Bonds Payable	(1,723,938)	
Appropriation Bonds Payable	(3,357,795)	
General Obligation Bonds Payable	(4,628,075)	
Accrued Interest on Bonds	(62,424)	
Capital Leases	(30,551)	
Installment Contracts	(729)	
Compensated Absences	(156,087)	
Pollution Remediation	(13,991)	
Claims and Judgments	(3,220)	
Other Postemployment Benefits Liability	(136,738)	
		(10,113,549)

**Net Assets of Governmental Activities as reported on the Statement of Net Assets** (See page 39) \$ 5,583,179

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



**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	General	Transportation	Common School	Nonmajor Governmental	Total Governmental
<b>Revenues:</b>					
Taxes	\$ 12,031,186	\$ 1,008,400	\$ -	\$ 186,023	\$ 13,225,609
Intergovernmental	8,992,280	1,194,594	-	71,977	10,258,850
Licenses and Permits	751,862	490,535	-	577,597	1,819,994
Charges for Goods and Services	289,559	20,102	19	20,833	330,513
Investment and Interest Income	1,451	1,091	34,352	3,518	40,413
Fines and Forfeitures	41,694	455	18,495	5,496	66,140
Gifts and Donations	5,296	20	-	13,980	19,295
Miscellaneous:					
Tobacco Settlement	136,841	-	-	-	136,841
Other	228,287	14,320	78	7,454	250,139
<b>Total Revenues</b>	<b>22,478,455</b>	<b>2,729,516</b>	<b>52,946</b>	<b>886,878</b>	<b>26,147,794</b>
<b>Expenditures:</b>					
Current Operating:					
Commerce	279,971	-	-	53,316	333,287
Education	6,583,807	-	32,000	8,690	6,624,497
Transportation	7,014	2,104,767	-	132,297	2,244,078
Environmental Resources	102,369	-	-	374,244	476,613
Human Relations and Resources	11,378,068	-	-	39,568	11,417,637
General Executive	539,000	-	-	98,175	637,175
Judicial	125,522	-	-	280	125,803
Legislative	64,071	-	-	-	64,071
Tax Relief and Other General Expenditures	1,285,206	-	-	4,059	1,289,265
Intergovernmental - Shared Revenue	965,924	-	-	66,238	1,032,162
Capital Outlay	37,814	367,468	-	375,043	780,325
Debt Service:					
Principal	-	-	-	117,568	117,568
Interest	-	-	-	481,173	481,173
Other Expenditures	-	-	-	6,680	6,680
<b>Total Expenditures</b>	<b>21,368,766</b>	<b>2,472,235</b>	<b>32,000</b>	<b>1,757,332</b>	<b>25,630,333</b>
Excess of Revenues Over (Under) Expenditures	1,109,689	257,281	20,946	(870,454)	517,462
<b>Other Financing Sources (Uses):</b>					
Long-term Debt Issued	-	-	-	725,132	725,132
Long-term Debt Issued - Refunding Bonds	-	-	-	372,980	372,980
Payments for Refunded Bonds	-	-	-	(349,907)	(349,907)
Discount on Bonds	-	-	-	(932)	(932)
Premium on Bonds	-	-	-	63,317	63,317
Transfers In	328,649	19,023	15,000	488,100	850,773
Transfers Out	(1,612,427)	(125,581)	(1,666)	(356,252)	(2,095,926)
Capital Lease Acquisitions	10,044	-	-	-	10,044
Installment Purchase Acquisitions	119	-	-	1,309	1,428
<b>Total Other Financing Sources (Uses)</b>	<b>(1,273,615)</b>	<b>(106,557)</b>	<b>13,334</b>	<b>943,747</b>	<b>(423,092)</b>
Net Change in Fund Balances	(163,926)	150,724	34,279	73,293	94,370
Fund Balances, Beginning of Year	(2,777,230)	506,745	786,199	(463,971)	(1,948,257)
Increase (Decrease) in Reserve for Inventories	(2,147)	(7,320)	-	121	(9,346)
<b>Fund Balances, End of Year</b>	<b>\$ (2,943,303)</b>	<b>\$ 650,148</b>	<b>\$ 820,479</b>	<b>\$ (390,557)</b>	<b>\$ (1,863,233)</b>

(Continued)

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Fiscal Year Ended June 30, 2010**

(Continued)

**Total  
Governmental**

**Reconciliation to the Statement of Activities:**

**Net Change in Fund Balances** (from previous page) \$ 94,370

Inventories, which are recorded under the purchases method for governmental fund reporting, are reported under the consumption approach on the Statement of Activities. As a result of this change, the Increase (Decrease) in Reserve for Inventories on the fund statement has been reclassified as functional expenses on the government-wide statement. (9,346)

Governmental funds report the acquisition or construction of capital assets as expenditures, while governmental activities report depreciation expense to allocate the cost of these assets over their estimated useful life. Donated assets are set up at fair value with a corresponding amount of revenue recognized. In the current period, these amounts are:

Capital Outlay/Functional Expenditures	778,721	
Depreciation Expense	(93,145)	
Grants and Contributions (Donated Assets)	<u>8,745</u>	
		694,321

Transfers of capital assets between governmental and business-type activities results in the movement of those assets on the Statement of Net Assets and corresponding recognition of the related transfer in/out on the Statement of Activities. (66)

In the Statement of Activities, only the gain/(loss) on the sale/disposal of capital assets is reported, while in the governmental funds, any proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold/disposed. (24,630)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (6,460)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Bonds Issued	(1,098,112)	
Payments for Refunded Bonds	349,907	
Repayment of Bond Principal	117,568	
Bond Premium	(63,317)	
Bonds Discount	932	
Bond Issuance Costs (Amortization)	<u>4,484</u>	
		(688,537)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net Decrease (increase) in Accrued Interest	25,722	
Decrease (increase) in Capital Leases	1,261	
Decrease (increase) in Installment Contracts	(254)	
Decrease (increase) in Compensated Absences	(12,258)	
Decrease (increase) in Pollution Remediation Liabilities	1,619	
Decrease (increase) in Claims and Judgments	(2,033)	
Decrease (increase) in Postemployment Benefit Liabilities	<u>(35,826)</u>	
		(21,769)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (6,177)

**Changes in Net Assets of Governmental Activities as reported on the  
Statement of Activities** (See page 41) \$ 31,706

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

**State of Wisconsin**  
**Balance Sheet**  
**Proprietary Funds**  
**June 30, 2010**

(In Thousands)

<b>Business-type Activities - Enterprise Funds</b>					
	<b>Injured Patients and Families Compensation</b>	<b>Environmental Improvement</b>	<b>University of Wisconsin System</b>	<b>Unemployment Reserve</b>	
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 18,365	\$ 291,786	\$ 613,115	\$ 183,072	
Investments	35,682	47,734	-	-	
Loans to Local Governments (net of allowance)	-	160,649	-	-	
Other Loans Receivable (net of allowance)	-	-	32,067	-	
Other Receivables (net of allowance)	7,181	615	143,283	238,119	
Due from Other Funds	-	204	44,688	518	
Due from Component Units	-	-	4,018	-	
Interfund Receivables	-	-	391,956	-	
Due from Other Governments	-	9,008	91,421	99,606	
Inventories	3	-	40,932	-	
Prepaid Items	8	23	47,143	-	
Advances to Other Funds	-	-	-	-	
Capital Leases Receivable - Component Units	-	-	1,713	-	
Deferred Charges	-	-	7,415	-	
Other Assets	-	-	-	-	
<b>Total Current Assets</b>	<b>61,239</b>	<b>510,018</b>	<b>1,417,751</b>	<b>521,315</b>	
<b>Noncurrent Assets:</b>					
Investments	555,906	163,850	339,084	-	
Loans to Local Governments (net of allowance)	-	1,658,817	-	-	
Other Loans Receivable (net of allowance)	-	-	162,003	-	
Other Receivables	-	-	4,713	64,579	
Prepaid Items	-	218	-	-	
Advances to Other Funds	202,588	2,477	-	-	
Capital Leases Receivable - Component Units	-	-	4,155	-	
<b>Restricted and Limited Use Assets:</b>					
Cash and Cash Equivalents	35,059	106,528	-	22,887	
Deferred Charges	-	3,522	-	-	
Other Assets	-	-	-	-	
Depreciable Capital Assets (net of accumulated depreciation)	257	9	3,063,686	-	
Nondepreciable Capital Assets	70	-	1,718,975	-	
<b>Total Noncurrent Assets</b>	<b>793,881</b>	<b>1,935,422</b>	<b>5,292,616</b>	<b>87,466</b>	
<b>Total Assets</b>	<b>\$ 855,120</b>	<b>\$ 2,445,440</b>	<b>\$ 6,710,367</b>	<b>\$ 608,781</b>	
<b>Liabilities and Fund Equity</b>					
<b>Current Liabilities:</b>					
Accounts Payable and Other Accrued Liabilities	\$ 430	\$ 177	\$ 270,075	\$ 75,502	
Due to Other Funds	21	2,071	63,294	7,944	
Due to Component Units	-	-	1,420	-	
Interfund Payables	-	-	-	-	
Due to Other Governments	-	168	4,241	20,918	
Tax and Other Deposits	-	-	1,824	-	
Unearned Revenue	719	-	185,566	-	
Interest Payable	-	3,551	7,391	-	
Short-term Notes Payable	-	-	48,879	-	
<b>Current Portion of Long-term Liabilities:</b>					
Future Benefits and Loss Liabilities	86,335	-	-	-	
Capital Leases	-	-	5,888	-	
Compensated Absences	1	1	68,516	-	
General Obligation Bonds Payable	-	-	32,389	-	
Revenue Bonds and Notes Payable	-	70,690	-	-	
<b>Total Current Liabilities</b>	<b>87,505</b>	<b>76,658</b>	<b>689,483</b>	<b>104,364</b>	
<b>Noncurrent Liabilities:</b>					
Accounts Payable and Other Accrued Liabilities	-	-	-	-	
Due to Other Governments	-	1,200	-	-	
Advance from Federal Government	-	-	-	1,424,769	
<b>Noncurrent Portion of Long-term Liabilities:</b>					
Future Benefits and Loss Liabilities	634,736	-	-	-	
Capital Leases	-	-	27,616	-	
Compensated Absences	49	84	64,192	-	
Other Postemployment Benefits	32	22	131,302	-	
General Obligation Bonds Payable	-	-	903,758	-	
Revenue Bonds and Notes Payable	-	811,477	-	-	
<b>Total Noncurrent Liabilities</b>	<b>634,817</b>	<b>812,784</b>	<b>1,126,869</b>	<b>1,424,769</b>	
<b>Total Liabilities</b>	<b>722,322</b>	<b>889,442</b>	<b>1,816,352</b>	<b>1,529,133</b>	
<b>Fund Equity:</b>					
Invested in Capital Assets, Net of Related Debt	328	-	3,764,130	-	
Restricted for Environmental Improvement	-	1,534,833	-	-	
Restricted for Expendable Trusts	-	-	239,986	-	
Restricted for Nonexpendable Trusts	-	-	133,671	-	
Restricted for Future Benefits	132,471	-	-	-	
Restricted for Other Purposes	-	-	336,822	-	
Unrestricted	-	21,165	419,407	(920,352)	
<b>Total Fund Equity</b>	<b>132,798</b>	<b>1,555,998</b>	<b>4,894,016</b>	<b>(920,352)</b>	
<b>Total Liabilities and Fund Equity</b>	<b>\$ 855,120</b>	<b>\$ 2,445,440</b>	<b>\$ 6,710,367</b>	<b>\$ 608,781</b>	

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

**Business-type Activities - Enterprise Funds**

Nonmajor Enterprise		Totals	Governmental Activities - Internal Service Funds		
\$	672,116	\$	1,778,453	\$	6,481
	17,771		101,187		-
	326		160,975		-
	9,482		41,548		-
	62,004		451,202		1,377
	15,788		61,198		46,594
	-		4,018		97
	-		391,956		-
	7,138		207,172		386
	9,352		50,287		5,181
	32,627		79,800		624
	-		0		25
	-		1,713		-
	183		7,598		99
	1,291		1,291		-
	<u>828,076</u>		<u>3,338,400</u>		<u>60,863</u>
	163,108		1,221,948		-
	1,648		1,660,465		-
	237,242		399,245		-
	70		69,362		-
	-		218		-
	657		205,723		2,764
	-		4,155		-
	-		164,474		-
	2,125		5,646		464
	5,094		5,094		-
	187,682		3,251,634		259,304
	20,370		1,739,416		26,712
	<u>617,996</u>		<u>8,727,381</u>		<u>289,244</u>
\$	1,446,072	\$	12,065,780	\$	350,107
\$	61,355	\$	407,539	\$	11,995
	53,420		126,749		4,435
	-		1,420		-
	57,463		57,463		87,141
	765		26,092		103
	24,971		26,795		-
	116,763		303,047		-
	2,518		13,460		1,224
	1,565		50,444		7,712
	52,492		138,827		32,428
	306		6,194		237
	164		68,681		101
	10,644		43,033		10,162
	-		70,690		-
	<u>382,424</u>		<u>1,340,435</u>		<u>155,538</u>
	45,080		45,080		-
	-		1,200		-
	-		1,424,769		-
	253,891		888,627		62,418
	1,029		28,645		784
	11,429		75,754		4,190
	20,228		151,584		2,704
	288,619		1,192,377		141,490
	-		811,477		-
	<u>620,276</u>		<u>4,619,513</u>		<u>211,586</u>
	1,002,700		5,959,948		367,124
	168,326		3,932,783		126,191
	-		1,534,833		-
	-		239,986		-
	-		133,671		-
	226,281		358,752		-
	64,534		401,356		-
	(15,769)		(495,549)		(143,208)
	<u>443,372</u>		<u>6,105,832</u>		<u>(17,017)</u>
\$	1,446,072	\$	12,065,780	\$	350,107
Total Fund Equity Reported Above	\$	6,105,832			
Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds		4,351			
Net Assets of Business-type Activities	\$	<u>6,110,183</u>			

**Statement of Revenues, Expenses, and Changes in  
Fund Equity - Proprietary Funds  
For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	Business-type Activities - Enterprise Funds			
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
<b>Operating Revenues:</b>				
Charges for Goods and Services	\$ 29,727	\$ -	\$ -	-
Participant and Employer Contributions	-	-	-	828,643
Tuition and Fees	-	-	1,007,912	-
Federal Grants and Contracts	-	-	912,176	-
Local and Private Grants and Contracts	-	-	229,892	-
Sales and Services of Educational Activities	-	-	285,243	-
Sales and Services of Auxiliary Enterprises	-	-	350,677	-
Sales and Services to UW Hospital Authority	-	-	55,469	-
Investment and Interest Income	-	28,417	-	-
Interest Income Used as Security for Revenue Bonds	-	19,885	-	-
Miscellaneous:				
Federal Aid for Unemployment Insurance Program	-	-	-	1,711,458
Reimbursing Financing Revenue	-	-	-	109,652
Other	-	48	239,249	10,024
<b>Total Operating Revenues</b>	<b>29,727</b>	<b>48,351</b>	<b>3,080,618</b>	<b>2,659,776</b>
<b>Operating Expenses:</b>				
Personal Services	508	4,491	2,793,586	-
Supplies and Services	247	1,966	1,006,863	-
Lottery Prize Awards	-	-	-	-
Scholarships and Fellowships	-	-	140,529	-
Depreciation	4	2	200,220	-
Benefit Expense	57,692	-	-	3,416,939
Interest Expense	-	39,387	-	-
Other Expenses	-	-	5,046	-
<b>Total Operating Expenses</b>	<b>58,451</b>	<b>45,847</b>	<b>4,146,244</b>	<b>3,416,939</b>
<b>Operating Income (Loss)</b>	<b>(28,724)</b>	<b>2,504</b>	<b>(1,065,626)</b>	<b>(757,163)</b>
<b>Nonoperating Revenues (Expenses):</b>				
Operating Grants	-	140,550	-	-
Investment and Interest Income	67,995	719	40,673	-
Investment Income Used as Security for Revenue Bonds	-	14,097	-	-
Gain (Loss) on Disposal of Capital Assets	-	-	(13,160)	-
Interest Expense	(68)	-	(39,795)	-
Gifts and Donations	-	-	233,698	-
Miscellaneous Revenues	4	-	18,058	89,289
Other Expenses:				
Property Tax Credits	-	-	-	-
Grants Disbursed	-	(102,747)	-	-
Federal Settlement	-	-	-	-
Other	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>67,931</b>	<b>52,620</b>	<b>239,474</b>	<b>89,289</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>39,206</b>	<b>55,124</b>	<b>(826,152)</b>	<b>(667,874)</b>
Capital Contributions	-	-	108,637	-
Additions to Endowments	-	-	1,232	-
Transfers In	202,588	23,687	1,171,726	-
Transfers Out	(14)	(15,098)	(161,153)	(4,558)
<b>Net Change in Fund Equity</b>	<b>241,780</b>	<b>63,714</b>	<b>294,290</b>	<b>(672,432)</b>
<b>Total Fund Equity, Beginning of Year</b>	<b>(108,982)</b>	<b>1,492,284</b>	<b>4,599,726</b>	<b>(247,920)</b>
<b>Total Fund Equity, End of Year</b>	<b>\$ 132,798</b>	<b>\$ 1,555,998</b>	<b>\$ 4,894,016</b>	<b>\$ (920,352)</b>

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

<b>Business-type Activities - Enterprise Funds</b>				
	<b>Nonmajor Enterprise</b>	<b>Totals</b>	<b>Governmental Activities - Internal Service Funds</b>	
\$	792,441	\$ 822,167	\$	258,323
	1,198,935	2,027,578		-
	-	1,007,912		-
	-	912,176		-
	-	229,892		-
	-	285,243		-
	-	350,677		-
	-	55,469		-
	16,412	44,829		-
	-	19,885		-
	-	1,711,458		-
	-	109,652		-
	1,121	250,442		231
	<u>2,008,909</u>	<u>7,827,381</u>		<u>258,554</u>
	303,668	3,102,254		53,385
	159,764	1,168,839		139,651
	273,008	273,008		-
	-	140,529		-
	12,854	213,080		17,115
	1,232,660	4,707,291		20,048
	15,728	55,115		-
	23,491	28,537		-
	<u>2,021,172</u>	<u>9,688,653</u>		<u>230,198</u>
	<u>(12,263)</u>	<u>(1,861,272)</u>		<u>28,356</u>
	1,562	142,112		-
	68,007	177,394		24
	-	14,097		-
	(536)	(13,695)		(338)
	(1,823)	(41,687)		(7,114)
	563	234,261		-
	21,232	128,583		5,000
	(114,330)	(114,330)		-
	(3,636)	(106,384)		-
	-	0		(8,226)
	(41)	(41)		-
	<u>(29,004)</u>	<u>420,310</u>		<u>(10,654)</u>
	(41,267)	(1,440,962)		17,701
	1,289	109,926		-
	-	1,232		-
	79,829	1,477,830		7,157
	<u>(34,330)</u>	<u>(215,153)</u>		<u>(24,916)</u>
	5,521	(67,127)		(57)
	<u>437,851</u>	<u>6,172,959</u>		<u>(16,960)</u>
\$	<u>443,372</u>	\$ <u>6,105,832</u>	\$	<u>(17,017)</u>
Total Net Change in Fund Equity Reported Above	\$	(67,127)		
Consolidation Adjustment of Internal Services				
Activities Related to Enterprise Funds		6,119		
Change in Net Assets of Business-Type Activities	\$	<u>(61,008)</u>		

## Statement of Cash Flows - Proprietary Funds For the Fiscal Year Ended June 30, 2010

(In Thousands)

### Business-type Activities - Enterprise Funds

	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
<b>Cash Flows from Operating Activities:</b>				
Cash Receipts from Customers	\$ 29,115	\$ -	\$ -	757,688
Cash Payments to Suppliers for Goods and Services	(232)	(2,791)	(993,735)	-
Cash Payments to Employees for Services	(496)	(3,561)	(2,735,054)	-
Tuition and Fees	-	-	1,016,565	-
Grants and Contracts	-	-	1,147,261	-
Cash Payments for Lottery Prizes	-	-	-	-
Cash Payments for Loans Originated	-	-	(21,145)	-
Collection of Loans	-	-	22,470	-
Interest Income	-	-	-	-
Cash Payments for Benefits	(12,027)	-	-	(3,421,468)
Sales and Services of Educational Activities	-	-	284,192	-
Sales and Services of Auxiliary Enterprises	-	-	342,722	-
Sales and Services to UW Hospital Authority	-	-	52,970	-
Scholarships and Fellowships	-	-	(140,529)	-
Other Operating Revenues	-	48	238,008	1,806,024
Other Operating Expenses	-	-	-	-
Other Sources of Cash	4	-	-	-
Other Uses of Cash	-	-	-	-
Net Cash Provided (Used) by Operating Activities	16,364	(6,304)	(786,274)	(857,755)
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Grants Receipts	-	140,090	-	-
Grants Disbursed	-	(102,747)	-	-
Proceeds from Issuance of Debt	-	139,159	-	-
Repayment of Bonds and Notes	-	(81,855)	-	-
Interest Payments	(68)	(43,012)	-	-
Property Tax Credit Payments	-	-	-	-
Noncapital Gifts and Grants	-	-	234,930	-
Interfund Loans Received	-	-	-	-
Interfund Loans Repaid	(76,832)	-	-	-
Repayment of Interfund Borrowings	-	-	172,579	-
Interfund Advances Collected	-	-	-	-
Transfers In	-	23,687	1,062,916	-
Transfers Out	(14)	(15,098)	(161,153)	(3,109)
Student Direct Lending Receipts	-	-	117,344	-
Student Direct Lending Disbursements	-	-	(119,172)	-
Other Cash Inflows from Noncapital Financing Activities	-	-	12,661	1,040,212
Other Cash Outflows from Noncapital Financing Activities	-	(2,477)	(229)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(76,914)	57,747	1,319,875	1,037,103
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from Issuance of Debt	-	-	196,348	-
Capital Contributions	-	-	157,553	-
Repayment of Bonds and Notes	-	-	(44,537)	-
Interest Payments	-	-	(96,715)	-
Transfers In	-	-	-	-
Capital Lease Obligations	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Payments for Purchase of Capital Assets	(332)	(11)	(547,733)	-
Other Cash Inflows from Capital Financing Activities	-	-	79,022	-
Other Cash Outflows from Capital Financing Activities	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(332)	(11)	(256,063)	-
<b>Cash Flows from Investing Activities:</b>				
Proceeds from Sale and Maturities of Investment Securities	90,414	110,426	123,386	-
Purchase of Investment Securities	(5,404)	(112,897)	(123,748)	-
Cash Payments for Loans Originated	-	(180,324)	-	-
Collection of Loans	-	154,731	-	-
Investment and Interest Receipts	29,297	60,134	8,911	-
Net Cash Provided (Used) by Investing Activities	114,307	32,071	8,550	-
Net Increase (Decrease) in Cash and Cash Equivalents	53,424	83,503	286,088	179,348
Cash and Cash Equivalents, Beginning of Year	-	314,811	327,027	26,610
Cash and Cash Equivalents, End of Year	\$ 53,424	\$ 398,314	\$ 613,115	\$ 205,958

<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>	
	<b>Nonmajor Enterprise</b>	<b>Totals</b>			
\$	2,036,093	\$ 2,822,896	\$	257,755	
	(128,248)	(1,125,006)		(151,792)	
	(312,384)	(3,051,496)		(52,188)	
	-	1,016,565		-	
	-	1,147,261		-	
	(287,667)	(287,667)		-	
	(14,227)	(35,372)		-	
	50,740	73,211		-	
	17,470	17,470		-	
	(1,216,234)	(4,649,729)		(28,320)	
	-	284,192		-	
	-	342,722		-	
	-	52,970		-	
	-	(140,529)		-	
	3,946	2,048,026		-	
	(46,454)	(46,454)		-	
	10,192	10,195		5,160	
	(4,619)	(4,619)		(8,226)	
	108,607	(1,525,362)		22,389	
	1,347	141,437		-	
	(3,585)	(106,332)		-	
	-	139,159		-	
	(44,790)	(126,645)		-	
	(15,366)	(58,446)		(1)	
	(112,786)	(112,786)		-	
	-	234,930		-	
	7,222	7,222		27,010	
	(22,740)	(99,572)		(497)	
	-	172,579		-	
	-	-		25	
	79,536	1,166,140		7,075	
	(23,736)	(203,111)		(25,008)	
	-	117,344		-	
	-	(119,172)		-	
	2,069	1,054,943		-	
	-	(2,707)		-	
	(132,829)	2,204,983		8,604	
	60	196,408		7,673	
	1,192	158,746		-	
	(2,780)	(47,317)		(12,877)	
	(1,924)	(98,639)		(7,423)	
	97	97		-	
	(287)	(287)		(197)	
	2	2		590	
	(27,818)	(575,894)		(20,986)	
	18,093	97,115		145	
	(15)	(15)		-	
	(13,379)	(269,785)		(33,075)	
	18,839	343,066		-	
	(9,179)	(251,228)		-	
	(266)	(180,590)		-	
	249	154,980		-	
	57,176	155,519		-	
	66,818	221,746		-	
	29,218	631,582		(2,081)	
	642,898	1,311,346		8,563	
\$	672,116	\$ 1,942,927	\$	6,481	

(Continued)



**Statement of Cash Flows - Proprietary Funds  
For the Fiscal Year Ended June 30, 2010**

(Continued)

	Business-type Activities - Enterprise Funds			
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:</b>				
Operating Income (Loss)	\$ (28,724)	\$ 2,504	\$ (1,065,626)	\$ (757,163)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	4	2	200,220	-
Amortization	-	(2,798)	-	-
Provision for Uncollectible Accounts	-	-	-	16,019
Operating Income (Investment Income) Classified as Investing Activity	-	(48,302)	-	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	42,023	-	-
Miscellaneous Nonoperating Income (Expense)	4	-	-	-
Changes in Assets and Liabilities:				
Decrease (Increase) in Receivables	55	384	(22,012)	(102,209)
Decrease (Increase) in Due from Other Funds	-	545	(62)	95
Decrease (Increase) in Due from Component Units	-	-	(2,499)	-
Decrease (Increase) in Due from Other Governments	-	-	14,462	36,275
Decrease (Increase) in Inventories	(1)	-	(824)	-
Decrease (Increase) in Prepaid Items	(1)	16	(7,923)	-
Decrease (Increase) in Other Assets	-	-	-	-
Decrease (Increase) in Deferred Charges	-	(934)	315	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	36	56	34,672	32,167
Increase (Decrease) in Due to Other Funds	(20)	11	(1,153)	2,558
Increase (Decrease) in Due to Component Units	-	-	(1,146)	-
Increase (Decrease) in Due to Other Governments	-	23	1,206	(85,498)
Increase (Decrease) in Tax and Other Deposits	-	-	-	-
Increase (Decrease) in Unearned Revenue	(667)	-	15,753	-
Increase (Decrease) in Interest Payable	-	162	-	-
Increase (Decrease) in Compensated Absences	5	-	13,588	-
Increase (Decrease) in Postemployment Benefits	8	4	34,752	-
Increase (Decrease) in Future Benefits and Loss Liabilities	45,665	-	-	-
Total Adjustments	45,088	(8,808)	279,352	(100,592)
Net Cash Provided (Used) by Operating Activities	\$ 16,364	\$ (6,304)	\$ (786,274)	\$ (857,755)
<b>Noncash Investing, Capital and Financing Activities:</b>				
Assets Acquired through Capital Leases	\$ -	\$ -	\$ 2,719	\$ -
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to Other Funds	-	-	-	-
Lottery Prize Annuity Investment Liability	-	-	-	-
Net Change in Unrealized Gains and Losses	40,879	-	38,397	-
Other	(949)	-	41,587	-

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

<b>Business-type Activities - Enterprise Funds</b>					
<b>Nonmajor Enterprise</b>		<b>Totals</b>	<b>Governmental Activities - Internal Service Funds</b>		
\$	(12,263)	\$	(1,861,272)	\$	28,356
	12,854		213,080		17,115
	-		(2,798)		-
	1,205		17,224		-
	(262)		(48,565)		-
	15,728		57,751		-
	(7,064)		(7,060)		(3,226)
	69,058		(54,724)		(1,109)
	135		713		573
	-		(2,499)		182
	4,220		54,958		348
	(53)		(878)		(1,211)
	3,946		(3,961)		(26)
	12		12		-
	424		(194)		-
	(16,903)		50,028		(8,543)
	961		2,357		(2,668)
	-		(1,146)		-
	(95)		(84,364)		23
	7,260		7,260		-
	11,087		26,173		-
	-		162		-
	442		14,036		136
	6,250		41,013		712
	11,666		57,331		(8,272)
	120,871		335,910		(5,966)
\$	108,607	\$	(1,525,362)	\$	22,389

\$	160	\$	2,878	\$	768
	85		85		-
	3,839		3,839		-
	11,079		90,355		-
	13,226		53,864		(6)

**Statement of Fiduciary Net Assets**  
**June 30, 2010**

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private- Purpose Trust	Agency
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,978,783	\$ 2,606,744	\$ 228,413	\$ 22,910
Securities Lending Collateral	5,352,727	-	-	-
Prepaid Items	21,180	-	771	-
Receivables (net of allowance):				
Loans Receivable	-	-	126	-
Prior Service Contributions Receivable	180,764	-	-	-
Benefits Overpayment Receivable	3,612	-	-	-
Due from Other Funds	54,265	-	-	1,106
Due from Component Units	3,816	-	-	-
Interfund Receivables	154,370	-	-	-
Due from Other Governments	139,223	-	6,185	-
Due from Employers	-	-	-	1,910
Interest and Dividends Receivable	209,852	-	-	-
Investment Sales Receivable	391,109	-	-	-
Other Receivables	4,087	-	4,405	4,442
Total Receivables	1,141,097	-	10,716	7,458
Investments:				
Fixed Income	20,769,425	-	-	-
Stocks	37,863,165	-	-	-
Options	(3,904)	-	-	-
Limited Partnerships	6,446,075	-	-	-
Preferred Securities	95,194	-	-	-
Convertible Securities	68,291	-	-	-
Mortgages	44,841	-	-	-
Real Estate	337,274	-	-	-
Investments of Private Purpose Trust Funds	-	-	2,045,517	-
Investments of Agency Funds	-	-	-	740
Multi-asset Investments	1,073,264	-	-	-
External Investment Pool	579,374	-	-	-
Total Investments	67,273,000	-	2,045,517	740
Inventories	127	-	-	-
Capital Assets	2,558	-	3	-
Other Assets	-	-	-	303,730
Total Assets	75,769,472	2,606,744	2,285,419	\$ 334,837
<b>Liabilities</b>				
Accounts Payable and Other Accrued Liabilities	161,034	-	48	\$ 12,668
Securities Lending Collateral Liability	5,352,727	-	-	-
Annuities Payable	263,917	-	-	-
Advance Contributions	167	-	-	-
Due to Other Funds	69,273	347	161	-
Interfund Payables	154,370	-	-	-
Due to Other Governments	32,877	-	-	-
Tax and Other Deposits	-	-	-	322,170
Future Benefits and Loss Liabilities	-	-	5,010	-
Financial Futures Contracts	137,394	-	-	-
Investment Payable	463,571	-	-	-
Unearned Revenue	431	-	14,351	-
Advances from Other Funds	-	-	167	-
Compensated Absences Payable	2,195,709	-	-	-
Other Postemployment Benefits	846	-	-	-
Total Liabilities	8,832,315	347	19,738	\$ 334,837
<b>Net Assets</b>				
Held in Trust for Pension Benefits, Pool Participants and Other Purposes	\$ 66,937,157	\$ 2,606,398	\$ 2,265,681	

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

**Statement of Changes in Fiduciary Net Assets  
For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private- Purpose Trust
<b>Additions</b>			
Contributions:			
Employer Contributions	\$ 737,476	\$ -	\$ -
Employee Contributions	790,131	-	-
Other	-	-	85
Total Contributions	<u>1,527,607</u>	<u>-</u>	<u>85</u>
Deposits	-	10,124,021	282,683
Premiums	-	-	178,357
Federal Subsidy	-	-	12,896
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	7,152,017	-	-
Interest	570,553	-	-
Dividends	676,767	-	-
Securities Lending Income	21,765	-	-
Other	79,454	-	-
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	285,827	23,581	261,295
Less:			
Investment Expense	(240,765)	(679)	(5,926)
Securities Lending Rebates and Fees	(1,071)	-	-
Investment Income Distributed to Other Funds	(322,816)	-	-
Net Investment Income	<u>8,221,731</u>	<u>22,902</u>	<u>255,368</u>
Interest on Prior Service Receivable	13,986	-	-
Miscellaneous Income	380	-	2
Total Additions	<u>9,763,704</u>	<u>10,146,924</u>	<u>729,390</u>
<b>Deductions</b>			
Retirement Benefits and Refunds:			
Retirement, Disability, and Beneficiary Separations	3,814,863	-	-
	26,752	-	-
Total Retirement Benefits and Refunds	<u>3,841,616</u>	<u>-</u>	<u>-</u>
Distributions	24,403	10,877,829	193,556
Other Benefit Expense	179,001	-	187,754
Administrative Expense	19,242	344	10,810
Miscellaneous Expense	98	-	-
Transfers Out	337	-	6
Total Deductions	<u>4,064,697</u>	<u>10,878,173</u>	<u>392,125</u>
Net Increase (Decrease)	5,699,007	(731,249)	337,265
Net Assets - Beginning of Year	61,238,150	3,337,647	1,928,416
Net Assets - End of Year	<u>\$ 66,937,157</u>	<u>\$ 2,606,398</u>	<u>\$ 2,265,681</u>

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

Notes To The Financial Statements

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## Notes To The Financial Statements

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Presentation

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

#### B. Financial Reporting Entity

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

The decision to include a potential component unit in the State's reporting entity is based on the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*. GASB Statement No. 14 criteria include the ability to appoint a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. GASB Statement No. 39 provisions relate to separately legal, tax-exempt organizations and include: (1) the economic resources received or held are entirely or almost entirely for the direct benefit of the State, (2) the State is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (3) the economic resources received or held by an individual organization that the State is entitled to, or has the ability to otherwise access, are significant to the State.

In addition, GASB Technical Bulletin No. 2004-1 (TB), *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, clarified guidance on whether a Tobacco Settlement Authority (TSA) that is created to obtain the rights to all or a portion of future tobacco settlement resources is a component unit of the government that created it. This guidance resulted in the Badger Tobacco Asset Securitization Corporation (BTASC) to be reported as a blended component unit in the primary government in a debt

service fund. The State has no legal liability for the obligations of BTASC.

Based upon the application of the criteria contained in GASB Statement No. 14, as amended by GASB Statement No. 39 and clarified by GASB Technical Bulletin No. 2004-1, the Wisconsin Public Broadcasting Foundation, Inc., Celebrate Children Foundation, Inc., and the Badger Tobacco Asset Securitization Corporation are reported as blended component units; and the Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, the University of Wisconsin Hospitals and Clinics Authority, the University of Wisconsin Foundation and the State Fair Park Exposition Center, Inc., are presented as discrete component units, as discussed below.

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

Wisconsin Public Broadcasting Foundation Inc.  
Wisconsin Educational Communications Board  
3319 West Beltline Highway  
Madison, WI 53702

Celebrate Children Foundation, Inc.  
110 East Main Street, Suite 614  
Madison, WI 53703

Badger Tobacco Asset Securitization Corporation  
10 East Doty Street, Suite 800  
Madison, WI 53703

Wisconsin Housing and Economic Development Authority  
201 West Washington Avenue, Suite 700  
Madison, WI 53702

Wisconsin Health Care Liability Insurance Plan  
Office of the Commissioner of Insurance  
125 South Webster Street  
Madison, WI 53702

University of Wisconsin Hospitals and Clinics Authority  
635 Science Drive, Room 310  
Madison, WI 53711

University of Wisconsin Foundation  
Attn: Finance  
PO Box 8860  
Madison, WI 53708-8860

State Fair Park Exposition Center, Inc.  
8200 West Greenfield Avenue  
West Allis, WI 53214

#### **Blended Component Units**

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

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

*Celebrate Children Foundation, Inc. (CCF)* – The Celebrate Children Foundation, Inc., was organized as a nonstock, nonprofit corporation for the exclusive purposes of soliciting and accepting contributions, grants, gifts and bequests for the State's Children's Trust Fund or for deposit into a fund maintained by the CCF. The Child Abuse and Neglect Prevention Board administer the Children's Trust Fund, a statutory fund included in the State's CAFR as a special revenue fund. In addition to the State appointing a voting majority of the CCF, the State is able to impose its will on the CCF and a financial benefit/burden relationship exists. The CCF is reported as a special revenue fund.

*Badger Tobacco Asset Securitization Corporation (BTASC)* – A nonstock public corporate entity created under Chapter 181 of the Wisconsin Statutes was created for the purpose of making a one-time purchase of Tobacco Settlement Revenues (TSRs) from the State. In May 2002, BTASC issued bonds to provide sufficient funds for carrying out its purpose. Bonds issued by the BTASC are the sole obligation of the BTASC. The State is not legally liable for payment of principal and interest on these bonds nor is the debt dependent upon any dedicated stream of revenue generated by the State. Directors of the corporation are appointed by the Secretary of Administration for staggered three-year terms. Once appointed, directors can only be removed for

cause. At least one of the directors must be determined to be "independent" for federal bankruptcy law purposes. The State appoints the BTASC board and a financial benefit exists. BTASC reports on a fiscal year ended May 31. BTASC is reported as a debt service fund (Badger Tobacco Asset Securitization).

Pursuant to a Purchase and Sale Agreement with the State, BTASC acquired all of the State's right, title, and interest in the TSRs under the Master Settlement Agreement and the Consent Decree and Final Judgment (MSA). The MSA was entered into on November 23, 1998, among the attorneys general of 46 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Commonwealth of the Northern Mariana Islands (the "Settling States") and the four largest United States tobacco manufacturers.

On May 23, 2002 the State sold the TSRs to BTASC for \$1.3 billion and a residual certificate. Upon discharge of BTASC's obligations under its May 1, 2002 bond indenture, all subsequent TSRs are owned by the State pursuant to the residual certificate.

In April, 2009, BTASC legally defeased its outstanding bonds as a result of a sale of its TSRs to the State. BTASC will remain active to pay remaining costs associated with the defeased bonds held until 2012 when the bonds are scheduled to be paid in full by the trust.

#### **Discretely Presented Component Units**

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

*Wisconsin Housing and Economic Development Authority* – The Wisconsin Housing and Economic Development Authority (Authority) was established by the Wisconsin Legislature in 1972 to help meet the housing needs of Wisconsin's low and moderate income citizens. The State has significantly expanded the scope of services of the Authority by adding programs that include financing for farmers and for economic development projects.



While the Authority receives no State tax dollars for its bond-supported programs and the State is not liable on bonds the Authority issues, the State has the ability to impose its will on the Authority through legislation. The State appoints the Authority's Board. The Authority reports on a June 30 fiscal year-end.

*Wisconsin Health Care Liability Insurance Plan* – The Wisconsin Health Care Liability Insurance Plan (Plan) was established by rule of the Commissioner of Insurance of the State of Wisconsin to provide health care liability insurance and liability coverage normally incidental to health care liability insurance to eligible health care providers in the State. Eight out of 13 members of the Board of Directors are appointed by the Governor, and the State has the ability to impose its will upon the Plan. The Plan reports on a fiscal year ended December 31.

*University of Wisconsin Hospitals and Clinics Authority* – The University of Wisconsin Hospitals and Clinics Authority (Hospital) is a not-for-profit academic medical center. The Hospital operates an acute-care hospital with approximately 480 available beds, numerous specialty clinics, and seven ambulatory facilities providing comprehensive health care to patients, education programs, research and community service to residents of southern Wisconsin. Prior to June 1996, the Hospital was a unit of the University of Wisconsin-Madison. In June 1996, in accordance with legislation enacted by the State Legislature, the Hospital was restructured as a Public Authority, a public body corporate and politic created by State statutes. The State appoints a majority of the Hospital's Board of Directors and a financial benefit/burden relationship exists between the Hospital and the State. The Hospital reports on a June 30 fiscal year-end.

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

The Affiliation Agreement requires the Hospital to continue to support the educational, research and clinical activities of the University of Wisconsin-Madison, which are administered by the Hospital. Under the terms of a Lease Agreement, the Hospital leases facilities, which were occupied by the Hospital as of June 29, 1996 (see Note 12A to the financial statements). Under a Conveyance Agreement, certain assets and liabilities related to the Hospital were identified and transferred to the Hospital effective July 1, 1996. Subject to the Contractual Services Agreement and Operating and Service Agreement between the Board of Regents and the Hospital, the two parties have entered into contracts for the continuation of services in support of programs and operations.

*University of Wisconsin Foundation* – The University of Wisconsin Foundation (the Foundation) is a legally separate, tax-exempt

component unit of the State. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University of Wisconsin-Madison and several other units of the University of Wisconsin System (a fund of the State) in support of its programs. These include scientific, literary, athletic and educational program purposes. Although the State does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the University of Wisconsin-Madison and other units of the University of Wisconsin System by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University of Wisconsin-Madison and several other units of the University of Wisconsin System, the Foundation is considered a component unit of the State. The Foundation reports on a fiscal year ended December 31.

*State Fair Park Exposition Center, Inc.* – In October 2000, the State Fair Park Exposition Center, Inc. (the Center) was organized by the State of Wisconsin State Fair Park as a nonstock, not-for-profit corporation under the Internal Revenue Code 501(c)(3). Authorization for the Center's organization is found under Chapter 42, Wis. Stats. The Center has broad general powers that include approving the sale, lease, or purchase of any real estate and obtaining financing through loans or other methods. The board of the Center includes the chairperson of the State Fair Park Board, and three members appointed by the Center's Board. In addition to the State appointing a voting majority of the Center, the State is able to impose its will on the Center, and a financial benefit relationship exists. The Center reports on a fiscal year ended December 31.

#### **Related Organizations**

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

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

*Bradley Center Sports and Entertainment Corporation* – a public body politic and corporate that operates the Bradley Center.

*Fox River Navigational System Authority* – created under Chapter 237 as a public body corporate and politic to oversee the navigational system on the Fox River after the federal government (the U.S. Army Corps of Engineers) transferred the system to the State.

*Health Insurance Risk-Sharing Plan Authority* – created under 2005 Wisconsin Act 74, Chapter 149, to assume all responsibilities for administration of the health insurance risk-sharing plan.

*Wisconsin Quality Home Care Authority* – created under Wis. Stat. Section 52.05(1) as a public body corporate and politic to establish and maintain one or more registries of home care providers, and provide referral and matching services for consumers in need of home care.

### C. Government-wide and Fund Financial Statements

The *government-wide* financial statements consist of the statement of net assets and the statement of activities.

These statements report information on all activities, except for fiduciary activities, of the primary government and its component units. The statement of net assets and the statement of activities distinguish between the governmental and business-type activities of the State. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are generally financed in whole or in part by fees charged to external parties for goods and services. The focus of the government-wide statements is the primary government. A separate column on the statement of net assets and the statement of activities reports activities for all discretely presented component units.

The *fund* financial statements provide detailed information on all governmental, proprietary and fiduciary funds. Separate columns are presented for all major governmental and enterprise funds. Nonmajor governmental and enterprise funds are aggregated and presented as a single column on the respective governmental or proprietary statements. Internal service funds are exempt from the major fund reporting requirements and are aggregated and ultimately reported as a single column on the proprietary statement. Fiduciary funds are also exempt from major fund reporting and are aggregated by fund type and ultimately reported as single columns on the fiduciary statements.

### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The *government-wide* statement of net assets and statement of activities, as well as the *proprietary and fiduciary fund* statements, are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

In the University of Wisconsin System's enterprise fund, revenues and expenses of an academic term that spans two fiscal years are recognized in two years based on a proration of summer session days.

In reporting the financial activity of its enterprise funds and business-type activities, the State applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. Further, except for the State Life Insurance Fund, the State has elected not to apply the provisions of relevant pronouncements of FASB issued after November 30, 1989 for its enterprise funds and business-type activities. The State Life Insurance Fund is reported as an insurance enterprise fund and, accordingly, applies the provisions of relevant pronouncements of FASB, including those issued after November 30, 1989.

The University of Wisconsin Foundation, Wisconsin Health Care Liability Insurance Plan (Plan) and the State Fair Park Exposition Center, Inc. (the Center) are reported as component units, and in applying GAAP, have elected to apply the provisions of relevant pronouncements of FASB including those issued after November 30, 1989.

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

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

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

The State reports the following major funds:

#### Major Governmental Funds

- *General Fund* – the primary operating fund of the State, accounts for all financial transactions except those required to be accounted for in another fund.
- *Transportation Fund* – a special revenue fund, accounts for the proceeds from motor fuel taxes, vehicle registrations, licensing fees, and federal and local governments which are used to supply and support safe, efficient and effective transportation in Wisconsin.
- *Common School Fund* – a permanent fund, accounts for revenues received from the sale of federally granted land, fines and forfeitures from penal law branches, and the disposal of escheated property. These moneys are used for public purpose loans to municipalities and school districts. Earnings of this fund are distributed to local school districts and to cover administrative costs incurred by the Public Lands Commission.

#### Major Enterprise Funds

- *Injured Patients and Families Compensation Fund* – accounts for the program to provide excess medical malpractice insurance for Wisconsin health care providers. The revenues to finance this insurance are primarily derived from assessments against health care providers.
- *Environmental Improvement Fund* – accounts for financial resources generated and used for clean water projects. Federal capitalization grants, interest earnings, revenue bond proceeds, and general obligation bond proceeds are its primary funding sources.
- *University of Wisconsin System Fund* – accounts for the 13 universities, 13 two-year colleges, the University of Wisconsin Extension and System Administration.
- *Unemployment Reserve Fund* – accounts for unemployment contributions made by employers, federal program receipts, benefit payment recoveries and unemployment benefits paid to laid off workers in the State.

In addition, the State reports the following fund types:

#### Governmental Funds

- *Special Revenue Funds* – account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes. Examples include the Conservation Fund and the Petroleum Inspection Fund.

- *Debt Service Funds* – account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- *Capital Projects Funds* – account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

- *Permanent Funds* – account for resources that are legally restricted to the extent that only earnings and not principal, may be used for purposes that support the State's programs.

#### Proprietary Funds

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

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

#### Fiduciary Funds

- *Pension and Other Employee Benefit Trust Funds* – account for the Wisconsin Retirement System as well as other employee benefit programs including accumulated sick leave, duty disability, employee reimbursement accounts, life insurance, and retiree life insurance.

- *Investment Trust Funds* – account for the local government investment pool managed by the State Treasurer and the Milwaukee Retirement System.

- *Private-purpose Trust Funds* – account for the State-sponsored college savings programs and the BadgerRx for Individuals Fund.

- *Agency Funds* – account for the assets of liquidated insurance companies to insure payments to claimants, transactions of the retiree health insurance program, assets held by the State for inmates and residents of state facilities, deposits of bank and insurance companies doing business in the state, and the collection and disbursement of court-ordered support payments.

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

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

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

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

Deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period, while a deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. Deferred outflows and inflows are reported on the government-wide statement of net assets and the balance sheet of proprietary funds, as applicable, but are not considered either assets or liabilities.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires that all derivative instruments be measured at fair value and reported on the State's financial statements. The change in the fair value of derivative instruments classified as effective hedges are presented as a deferred outflow or inflow of resources with an off-setting asset or liability, as applicable, on the government-wide statement of net assets or balance sheet of proprietary funds. If an effective hedge is subsequently classified as ineffective, it is considered an investment derivative instrument. At that time, the change in fair value is no longer deferred but rather is reported as investment revenue in the government-wide statement of activities or as non-operating investment revenue in proprietary statements.

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

## **E. Assets, Liabilities, and Net Assets/Fund Balances/Fund Equity**

### **1. Cash and Cash Equivalents**

Cash balances of most funds are deposited with the Department of Administration where the available balances beyond immediate needs are pooled in the State Investment Fund for short-term investment purposes. Balances pooled are restricted to legally stipulated investments valued consistent with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Cash balances not controlled by the Department of Administration may be invested where permitted by statute.

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

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

### **2. Investments**

#### **Primary Government**

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

nonsecured corporate notes and bonds, bankers acceptances, participation agreements, privately placed bonds and mortgages, common and preferred stock and other securities approved by applicable sections of the Wisconsin Statutes, bond resolutions, and various trust indentures (see Note 5 to the financial statements).

Generally, investments of the primary government are reported at fair value consistent with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Typically, fair value information is determined using quoted market prices. However, when quoted market prices are not available for certain securities, fair values are estimated through techniques such as discounted future cash flows, matrix pricing and multi-tiers.

There are a certain number of securities carried at cost. Certain non-public or closely held stocks are carried at cost since no independent quotation is available to price these securities. Further, certain investment agreements are reported on a cost basis because the State cannot readily determine whether these agreements meet the definition of interest-earning investment contracts as defined by GASB Statement No. 31. However, the impact on the financial statements is immaterial.

Under Wisconsin Statutes, the investment earnings of certain Permanent Funds are assigned to other funds. The following table shows the funds earning the investment income and the ultimate recipients of that income:

Fund Generating Investment Income	Fund Receiving Investment Income
Agricultural College Normal School	University of Wisconsin System General and University of Wisconsin System
University Benevolent	University of Wisconsin System General

**Component Units**

Investments (reported as cash equivalents) of the Badger Tobacco Asset Securitization Corporation, a blended component unit, are reported at fair value.

Investments of the Wisconsin Housing and Economic Development Authority (the Authority) are reported at fair value based on quoted market prices. Collateralized and uncollateralized investment agreements are not transferable and are considered nonparticipating contracts. As such, both types of investment agreements are reported at contract value.

Investments of the University of Wisconsin Hospitals and Clinics Authority (the Hospital) in equity securities with readily

determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices.

Certain investments of the Wisconsin Health Care Liability Insurance Plan are reported on a cost basis; however, the impact on the financial statements is not material.

Investments of the University of Wisconsin Foundation are reported at fair value.

**3. Mortgage and Other Loans**

Mortgage loans of the Wisconsin Housing and Economic Development Authority, a component unit, are carried at their unpaid principal balance, less allowance for possible loan losses. Loan origination fees and associated costs are deferred and recognized as income or expenses over the projected life of the loan.

Mortgage loans of the Veterans Mortgage Loan Repayment Fund and the Veterans Trust Fund programs, business-type activities, are stated at the outstanding loan balance less an allowance for doubtful accounts.

**4. Forestation State Tax**

The State levies an annual tax of two-tenths of one mill for each dollar of the assessed valuation of the property in the State, as described in Wis. Stat. Sec. 70.58. This tax is levied for the purpose of acquiring, preserving and developing the forests of the state; for forest crop law and county forest law administration and aid payments; and for the acquisition, purchase and development of forests. The proceeds of the tax are paid to the Conservation Fund.

This tax, the only property tax levied by the State, is levied to each county on or before the fourth Monday in August of each year on assessed valuation as of January 1 of that year. The tax is due and payable January 31 or on the due dates established through an installment option permitted under Wis. Stat. Sec. 74.12.

Consistent with the requirements of GASB Interpretation No. 5, *Property Tax Revenue Recognition in Governmental Funds*, collections received July 1 through August 31 that were due but unpaid at June 30 are accrued.



**5. Interfund Assets/Liabilities**

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

Long-term interfund loans are classified as "Advances to Other Funds" and "Advances from Other Funds." Advances to Other Funds, as reported in the governmental fund financial statements, are offset with a fund balance reserve to indicate that they are neither available for appropriation nor expendable available financial resources.

Balances that exist between the primary government and component units are classified as "Due to/from Primary Government" and, correspondingly, "Due to/from Component Units". Further, cash and investments invested by one component unit with another component unit are reported on the statement of net assets as "Cash and Investments with Other Component Units" and "Amounts Held in Trust by Component Units for Other Component Units".

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

**6. Inventories and Prepaid Items**

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

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

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

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

**7. Capital Assets**

Capital assets, which include property, plant, equipment, intangibles, land and infrastructure assets (roads, bridges, and buildings considered an ancillary part of roads), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets of the primary government, other than infrastructure and land purchased for the construction of infrastructure assets, are capitalized when they have a unit cost of \$5,000 or more (except for a collection of library resources that must have a cumulative value equal to or greater than \$5.0 million) and a useful life of two or more years. In addition, internally generated intangible assets are capitalized only if costs equal to or are greater than \$1.0 million. Assets of the discretely presented component units are capitalized when they have a unit cost of \$5,000 or more, except for the University of Wisconsin Foundation, which capitalizes assets greater than \$2,500, and the State Fair Park Exposition Center, Inc., which capitalizes assets greater than \$500.

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

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

Exhaustible capital assets of the primary government and the component units generally are depreciated on the straight-line method over the asset's useful life. Select buildings of the University of Wisconsin System are depreciated using the componentized method over the estimated useful life of the related assets. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units. There is no depreciation recorded for land, construction in process, infrastructure, and certain other capital assets including the State Capitol and Executive Residence and associated furnishings, defined as inexhaustible. Generally, estimated useful lives are as follows:

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Buildings and improvements	2 - 40 years
Equipment, machinery and furnishings	2 - 40 years

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

**8. Restricted and Limited Use Assets**

Governmental fund and proprietary fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions, and donor specifications have been reported as Restricted and Limited Use Assets. Likewise, assets of the Wisconsin Housing and Economic Development Authority, the University of Wisconsin Hospitals and Clinics Authority, and the University of Wisconsin Foundation (discretely presented component units) that meet similar criteria have been reported as Restricted and Limited Use Assets. These assets are classified into four categories: Cash and Cash Equivalents, Investments, Cash and Investments with Other Component Units, and Other Restricted Assets.

**9. Local Assistance Aids**

**Municipal and County Shared Revenue Program**

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

At June 30, 2010, the State was liable to various local governments for unpaid shared revenue aid. To measure the amount of the program allocable to the State's fiscal year, the amount is prorated over portions of recipient local governments' calendar fiscal years that are within the State's fiscal year. The result is that a liability of \$474.1 million representing one-half of the total appropriated amount is reported at June 30, 2010 as Due to Other Governments.

**State Property Tax Credit Program**

At June 30, 2010, the State was liable to various taxing jurisdictions for the school levy, the first dollar, and the lottery

property tax credits paid through the State Property Tax Credit Program.

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

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

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

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

The portion of the liability payable to school districts for the school levy and first dollar tax credits represents the amount of the July payment earned over the school districts' previous fiscal year ended June 30. Since the entire school districts' portion of the July payment occurs within the State's fiscal year, 100 percent of the July payment relating to the school taxing jurisdictions' levy is reported as a liability at June 30, 2010.

The portion of the liability payable to general government for the school levy and first dollar tax credits represents the amount of the July payment prorated over the portion of the local governments' calendar year which is within the State's fiscal year. The result is that 50 percent of the July payment based on the general government taxing jurisdictions' levy is reported as a liability at June 30, 2010.

The aggregated State Property Tax Credit Program liability of \$677.1 million is reported in the General Fund as Due to Other Governments. Of that amount, \$569.0 million relates to the school levy tax credit and \$108.1 million relates to the first dollar tax credit. Beginning with the State's fiscal year 2010, a portion of the school tax credit of \$11.3 million is funded by the Lottery Fund.

The lottery tax credit is accounted for in the Lottery Fund, an enterprise fund that records revenues and expenses on the accrual basis. The State pays municipal treasurers for lottery credits who distribute the moneys to the various taxing jurisdictions. For credits reducing the calendar year 2010 property tax bills, the State made this payment in March 2010. A portion of the State's March payment distributed to the general government taxing jurisdictions applies to their fiscal year that

ends on December 31. Therefore, part of the March distribution represents an expense of the State in Fiscal Year 2010, while the remaining portion represents a prepaid item. The resulting prepaid item reported within the Lottery Fund totals \$26.9 million at June 30, 2010.

#### **State Aid for Exempt Computers**

The Aid for Exempt Computers compensates local governments for tax base lost due to the property tax exemption for computers, software and related equipment. Aid payments are calculated using a procedure that results in an aid amount equal to the amount of taxes that would be paid if the property were taxable. Payments to local governments are made on the fourth Monday in July.

At June 30, 2010, the State was liable to various local governments and other taxing jurisdictions for unpaid exempt computer aid payments of \$54.1 million.

#### **10. Long-term Debt Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and other financing uses, respectively.

Debt issuance costs, as well as bond premiums and discounts, relating to revenue obligations of the Environmental Improvement Fund, an enterprise fund, were deferred and are being amortized using the effective interest rate method.

Debt issuance costs relating to general obligation bonds of the University of Wisconsin System Fund and the Veterans Mortgage Loan Repayment Fund, both enterprise funds, are amortized using the effective interest method. On the government-wide financial statements, bond premiums and discounts, as well as issuance costs, related to the Transportation Revenue Bonds and the Petroleum Inspection Fee Obligation Revenue Bonds (which finance programs in a capital projects fund and a special revenue fund, respectively) are also amortized ratably over the life of the obligations to which they relate. Results from the use of this method do not vary materially from those that would be obtained by use of the effective interest rate method.

Debt issuance costs, and bond premiums and discounts, of the Wisconsin Housing and Economic Development Authority and the University of Wisconsin Hospitals and Clinics Authority, both discretely presented component units, are amortized ratably over the life of the obligations to which they relate.



**11. Compensated Absences**

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

**Annual Leave**

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

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

**Sick Leave**

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

**12. Unearned and Deferred Revenue**

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

Unearned revenue of the University of Wisconsin System consists of payments received but not earned at June 30, 2010, primarily for summer session tuition, tuition and room deposits for the next fall term, advance ticket sales for upcoming intercollegiate athletic events, and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement.

Deferred revenue, reported in the governmental fund statements, represents revenues that are unavailable and consequently not susceptible to accrual. Primarily, this relates to items like long-term receivables, which represent amounts owed to the State that will not be collectible for many years. That is, under modified accrual accounting, revenue is not recognized until it is both measurable and available to finance expenditures of the current period.

**13. Self-Insurance**

Consistent with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the State's risk management activities are reported in an internal service fund, and the claims liabilities associated with that fund are reported therein.

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

**14. Fund Balance Reserves and Restricted Net Assets/Fund Equity****Fund Balance Reserves**

Reservations of fund balances of governmental funds represent amounts that are not available for appropriation. Examples of fund balance reservations include reserves for encumbrances, inventories, and prepaid items.

**Restricted Net Assets/Fund Equity**

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

**NOTE 2. DETAILED RECONCILIATION OF THE GOVERNMENT-WIDE AND FUND STATEMENTS****A. Explanation of Differences Between the Balance Sheet – Governmental Funds and the Statement of Net Assets**

During the year ended June 30, 2010, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Balance Sheet – Governmental Funds to the amounts presented in the governmental section of the Statement of Net Assets (in thousands). The differences result primarily from the long-term economic focus of the Statement of Net Assets compared to the current financial focus of the Balance Sheet – Governmental Funds.

	Total Governmental Funds	Long-term Assets and Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations (3)	Total Amount for Statement of Net Assets
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 901,991	\$ -	\$ 6,481	\$ -	\$ 908,472
Investments	69,252	-	-	-	69,252
Receivables (net of allowance):					
Taxes	1,188,978	-	-	(1,188,978)	-
Loans to Local Governments	677,377	-	-	(677,377)	-
Other Loans Receivable	49,917	-	-	(49,917)	-
Other Receivables	438,091	2,689	1,860	3,133,479	3,576,119
Due from Other Funds	361,782	-	49,383	(411,165)	-
Due from Component Units	231	-	-	(231)	-
Due from Other Governments	1,147,424	-	-	(1,147,424)	-
Internal Balances	-	-	(4,351)	(495,655)	(500,006)
Inventories	26,771	953	5,181	-	32,905
Prepaid Items	191,948	-	624	-	192,572
Advances to Other Funds	167	-	-	(167)	-
Restricted Assets:					
Cash and Cash Equivalents	108,239	-	-	-	108,239
Investments	110,824	-	-	-	110,824
Deferred Charges	-	77,743	563	-	78,306
Other Assets	24,078	-	-	-	24,078
Depreciable Capital Assets	-	1,336,509	259,304	-	1,595,813
Infrastructure	-	12,374,551	-	-	12,374,551
Other Non-depreciable Capital Assets	-	3,499,749	26,712	-	3,526,461
Other Deferred Outflows	-	130,745	-	-	130,745
<b>Total Assets</b>	<b>\$ 5,297,071</b>	<b>\$ 17,422,939</b>	<b>\$ 345,757</b>	<b>\$ (837,436)</b>	<b>\$ 22,228,330</b>
<b>Liabilities:</b>					
Accounts Payable and Other					
Accrued Liabilities	\$ 1,124,764	\$ -	\$ 13,322	\$ 33,985	\$ 1,172,071
Due to Other Funds	323,982	-	91,576	(415,558)	-
Interfund Payables	247,352	-	-	(247,352)	-
Due to Other Governments	2,214,479	-	-	-	2,214,479
Tax Refunds Payable	1,375,743	-	-	-	1,375,743
Tax and Other Deposits	64,323	-	-	-	64,323
Unearned Revenue/Deferred Revenue	695,657	(289,135)	-	-	406,523
Interest Payable	45,689	62,424	-	-	108,113
Advances from Other Funds	208,512	-	-	(208,512)	-
Short-term Notes Payable	782,608	-	7,712	-	790,320
Other Liabilities	-	130,745	-	-	130,745
Long-term Liabilities:					
Current Portion	77,195	419,540	42,929	-	539,664
Noncurrent Portion	-	9,631,585	211,586	-	9,843,171
<b>Total Liabilities</b>	<b>7,160,304</b>	<b>9,955,159</b>	<b>367,124</b>	<b>(837,436)</b>	<b>16,645,151</b>
<b>Fund Balances/Net Assets</b>	<b>(1,863,233)</b>	<b>7,467,780</b>	<b>(21,368)</b>	<b>-</b>	<b>5,583,179</b>
<b>Total Liabilities and Fund Balances/Net Assets</b>	<b>\$ 5,297,071</b>	<b>\$ 17,422,939</b>	<b>\$ 345,757</b>	<b>\$ (837,436)</b>	<b>\$ 22,228,330</b>

- (1) Long-term asset and liability differences arise because governmental funds focus only on short-term financing (that is, resources that will be available to pay for current period expenditures). In contrast, the Statement of Net Assets has a long-term economic focus and reports on all capital and financial resources.
- (2) The adjustment for internal service funds reflects the reclassification of these funds for the government-wide statement. The assets and liabilities of these funds are reported as proprietary activities on the fund statements, but are included as governmental activities on the Statement of Net Assets
- (3) Various reclassifications are necessary due to the differing level of detail needed on each of the statements. Eliminations are done on the Statement of Net Assets to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government. The net residual amounts due between governmental and business-type activities are shown as internal balances.

**B. Explanation of Differences Between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and the Statement of Activities**

During the year ended June 30, 2010, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the amounts presented in the governmental section of the Statement of Activities (in thousands). The differences result primarily from the long-term economic focus of the Statement of Activities compared to the current financial focus of the Statement of Revenues, Expenditures, Changes in Fund Balance – Governmental Funds.

	Total Governmental Funds	Long-term Revenues and Expenses (1)	Capital-Related Items (2)
<b>Revenues:</b>			
Taxes	\$ 13,225,609	\$ -	-
Income Taxes	-	21,132	-
Sales & Excise Taxes	-	(25,689)	-
Public Utility Taxes	-	-	-
Other Taxes	-	(182)	-
Motor Fuel (Transportation) Taxes	-	(352)	-
Other Dedicated Taxes	-	(143)	-
Intergovernmental	10,258,850	-	-
Operating Grants	-	-	750
Capital Grants	-	-	7,995
Licenses and Permits	1,819,994	-	-
Charges for Goods and Services	330,513	(4,990)	-
Investment and Interest Income	40,413	-	-
Fines and Forfeitures/Contributions to Permanent Fund	66,140	-	-
Gifts and Donations	19,295	-	-
Miscellaneous:		3,764	(2,613)
Tobacco Settlement	136,841	-	-
Other	250,139	-	-
<b>Total Revenues</b>	<b>26,147,794</b>	<b>(6,460)</b>	<b>6,132</b>
<b>Expenditures/Expenses:</b>			
Current Operating:			
Commerce	333,287	2,290	809
Education	6,624,497	1,421	3,370
Transportation	2,244,078	4,270	28,400
Environmental Resources	476,613	3,934	10,607
Human Relations and Resources	11,417,637	22,658	63,224
General Executive	637,175	(3,110)	7,377
Judicial	125,803	1,559	2,608
Legislative	64,071	688	371
Tax Relief and Other General Expenditures	1,289,265	-	-
Intergovernmental - Shared Revenue	1,032,162	-	-
Capital Outlay	780,325	-	(780,325)
Debt Service:			
Principal	117,568	-	-
Interest and Other Charges	487,852	1,619	-
<b>Total Expenditures/Expenses</b>	<b>25,630,333</b>	<b>35,329</b>	<b>(663,559)</b>
Excess of Revenues Over (Under) Expenditures/Expenses	517,462	(41,789)	669,691
<b>Other Financing Sources (Uses):</b>			
Net Transfers	(1,245,153)	-	(66)
Long-term Debt Issued	1,098,112	-	-
Premium/Discount on Bonds	62,385	-	-
Payments for Refunded Bonds	(349,907)	-	-
Capital Lease Acquisitions	10,044	(10,044)	-
Installment Purchase Acquisitions	1,428	(1,428)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(423,092)</b>	<b>(11,472)</b>	<b>(66)</b>
<b>Net Change in Fund Balance</b>	<b>94,370</b>	<b>(53,261)</b>	<b>669,625</b>
Change in Reserve for Inventories	(9,346)		
<b>Net Change for the Year</b>	<b>\$ 85,024</b>		

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

Internal Service Funds (3)	Long-term Debt Transactions (4)	Eliminations (5)	Revenue/Expense Reclassifications (6)	Total Amount for Statement of Activities
\$ -	\$ -	\$ -	\$ (13,225,609)	\$ -
-	-	-	6,777,558	6,798,690
-	-	-	4,725,976	4,700,287
-	-	-	309,983	309,983
-	-	-	217,669	217,488
-	-	-	1,008,400	1,008,047
-	-	-	186,023	185,881
-	-	-	(10,258,850)	-
-	-	75,915	9,212,290	9,288,956
-	-	-	1,101,442	1,109,437
-	-	-	(1,819,994)	-
21,277	-	(15,356)	1,867,639	2,199,083
24	-	-	(35,589)	4,847
-	-	-	(47,643)	18,498
-	-	-	(19,295)	-
-	-	-	387,322	388,473
-	-	-	(136,841)	-
-	-	-	(250,139)	-
<b>21,301</b>	<b>-</b>	<b>60,560</b>	<b>342</b>	<b>26,229,670</b>
(1,310)	-	(5,669)	547	329,954
(750)	-	34,264	44	6,662,846
(2,536)	209	-	7,228	2,281,649
(1,770)	(1,943)	(38)	(42)	487,361
(9,025)	2,033	41,651	1,304	11,539,481
18,393	-	(9,649)	10	650,196
(217)	-	-	-	129,753
(175)	277	-	-	65,232
(5)	2,310	-	(3,415)	1,288,156
-	-	-	-	1,032,162
-	-	-	-	-
-	(117,568)	-	-	-
7,114	(32,401)	-	3,666	467,850
<b>9,719</b>	<b>(147,084)</b>	<b>60,560</b>	<b>9,342</b>	<b>24,934,639</b>
<b>11,582</b>	<b>147,084</b>	<b>-</b>	<b>(9,000)</b>	<b>1,295,031</b>
(17,759)	-	-	(346)	(1,263,325)
-	(1,098,112)	-	-	-
-	(62,385)	-	-	-
-	349,907	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>(17,759)</b>	<b>(810,590)</b>	<b>-</b>	<b>(346)</b>	<b>(1,263,325)</b>
\$ (6,177)	\$ (663,506)	\$ 0	(9,346)	31,706
			9,346	-
			\$ 0	\$ 31,706

- (4) Long-term debt transaction differences consist of bond proceeds and principal repayments reported as other financing sources and expenditures in governmental funds, but as increases and decreases in liabilities in the government-wide statements.
- (5) Intra-entity activity within the same function is eliminated to remove the grossing up of both direct expenses and program revenues within that category.
- (6) Revenue and expense reclassifications are necessary due to the differing level of detail needed on each of the statements. In addition, the Statement of Activities focuses on program revenue, which has been redefined from the traditional revenue source categories.

**NOTE 3. BUDGETARY CONTROL**

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

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

**NOTE 4. DEFICIT FUND BALANCE/FUND EQUITY AND RESTRICTED NET ASSETS**

**A. Deficit Fund Balance/Fund Equity**

In addition to the General Fund, funds reporting a deficit fund balance, fund equity, or net assets position at June 30, 2010 are (in thousands):

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Special Revenue:	
Petroleum Inspection	\$ 68,597
Dry Cleaner Environmental Response	2,158
Police and Fire Protection	252
VendorNet	2,789
Capital Projects:	
Capital Improvement	527,822
Transportation Revenue Bonds	160,955
Enterprise:	
Unemployment Reserve	920,352
Winnebago Mental Health Institute	334
Northern Developmental Disabilities Center	17,341
Southern Developmental Disabilities Center	12,627
Life Insurance	306
Internal Service:	
Technology Services	21,708
Risk Management	86,176
Pension and Other Employee Benefit Trust:	
Accumulated Sick Leave	393,157

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**B. Restricted Net Assets**

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, which amends GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, provides guidance in determining when net assets have been restricted to a particular use by the passage of enabling legislation and how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. Net assets restricted (1) by external parties or for constitutional purposes or (2) by enabling legislation were as follows on June 30, 2010 (in thousands):

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Governmental Activities:	
Net Assets Restricted by External Parties or for Constitutional Purposes	\$ 1,026,781
Net Assets Restricted by Enabling Legislation	98,235
Business-type Activities:	
Net Assets Restricted by External Parties or for Constitutional Purposes	2,432,900
Net Assets Restricted by Enabling Legislation	235,708

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**NOTE 5. DEPOSITS AND INVESTMENTS**

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

**A. Deposits**

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

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The State's policy regarding custodial credit risk is detailed in Chapter 34 of the State Statutes. In brief, any federal or state bank, credit union or savings bank may be designated a public depository. A surety bond may be required. The State's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and an appropriation for losses on public deposits. In the event of loss, the division of banking makes payments up to \$400,000 per depositor for the excess of the payments made by the Federal Deposit Insurance Corporation or the Wisconsin Credit Union Savings Insurance Corporation. Payments are made, until the funds available in the appropriation are exhausted, in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions.

**1. Primary Government**

As of June 30, 2010, \$192.0 million of the primary government's bank balance of \$217.4 million (excluding two bank overdrafts totaling \$2.3 thousand in bank accounts that are covered by compensating balances in other accounts) was exposed to custodial credit risk as follows (in millions):

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Uninsured and uncollateralized	\$ 192.0
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Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Deposits in foreign currency at June 30, 2010 are immaterial. The primary government does not have a formal policy specifically related to foreign currency risk.

The State's Unemployment Reserve Fund had \$232.4 million on deposit with the U.S. Treasury. This amount is presented as Cash and Cash Equivalents and is not included in the carrying amount of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

**2. Component Units**

The bank balance of deposits of the Wisconsin Housing and Economic Development Authority at June 30, 2010, the Wisconsin Health Care Liability Insurance Plan at December 31, 2009, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2010, the University of Wisconsin Foundation at December 31, 2009, and the State Fair Park Exposition Center, Inc. at December 31, 2009 was \$263.6 million.

As of their fiscal year end, \$260.8 million of the component units' bank balance of \$263.6 million was exposed to custodial credit risk as follows (in millions):

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Uninsured and uncollateralized	\$ 260.8
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## B. Investments

### 1. Primary Government

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

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

- Primary government, excluding the University of Wisconsin System, the Wisconsin Retirement System and the State Investment Fund. The primary government portfolios include various funds managed by the State of Wisconsin Investment Board consisting of the following:
  - Local Government Property Insurance Fund (LGPIF)
  - State Life Insurance Fund (SLF)
  - Injured Patients and Families Compensation Fund (IPFCF)
  - Historical Society Fund
  - Tuition Trust Fund
- University of Wisconsin System (UWS)
- Wisconsin Retirement System (WRS)
- State Investment Fund (SIF) -- functions as the State's cash management fund by "pooling" the idle cash balances of all State funds and other public institutions. Investments of the SIF are discussed in section B 3 of this note disclosure.

**Primary Government** (excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF))

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

commercial paper; bonds issued by a local district created under Wisconsin Act 229; and investment agreements with a bank, bank holding company, insurance company or other financial institution.

The State of Wisconsin Investment Board (the Board) has exclusive control over the investments of the Local Government Property Insurance Fund (LGPIF), the State Life Insurance Fund (SLF), the Injured Patients and Families Compensation Fund (IPFCF), the Historical Society Fund, and the Tuition Trust Fund, which are collectively known as the "various funds".

Wisconsin Statutes allows investments of the LGPIF in direct obligations of the United States and Canada, securities guaranteed by the United States, unsecured notes of financial and industrial issuers, Yankee/Euro dollar issues, and certificates of deposit issued by banks in the United States, and solvent financial institutions in this State.

Permitted classes of investments of the SLF and the IPFCF include bonds of government units or of private corporations, loans secured by mortgages, preferred or common stocks, real property and other investments not specifically prohibited by statutes.

Funds available for the Historical Society Fund are authorized to be invested in every kind of property, real, personal or mixed, and every kind of investment specifically including but not limited to bonds, debentures and other corporate obligations, preferred or common stocks, and shares of investment companies and investment trusts.

The Board is directed to invest moneys held in the Tuition Trust Fund in investments with maturities and liquidity that are appropriate for the needs of the fund as reported by the State Treasurer.

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

The University of Wisconsin System (UWS) investment policies and guidelines are governed and authorized by the Board of Regents. The current approved asset allocation policy for long-term funds sets a general target of 24.5 percent marketable equities, 16.5 percent fixed income, 34.0 percent alternatives, and 25.0 percent tactical strategies. The approved asset allocation for intermediate term funds is 15.0 percent marketable equities, 65.0 percent fixed income, 10.0 percent alternatives and 10.0 percent cash. These target allocations were last affirmed/approved in December 2009.

**Wisconsin Retirement System (WRS)**

All assets of the WRS are invested by the State of Wisconsin Investment Board (the Board). The WRS consists of shares in the core retirement trust fund and the variable retirement trust fund.

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

Investments of the variable retirement trust fund are authorized under Wis. Stat. Sec. 25.14 and 25.17. Wis. Stat. Sec. 25.17(5) states assets of the variable retirement trust fund shall be invested primarily in equity securities which shall include common stocks, real estate or other recognized forms of equities whether or not subject to indebtedness, including securities convertible into common stocks and securities of corporations in the venture capital stage. The variable retirement trust fund consists primarily of common stock and bonds convertible into common stock, although, because of existing conditions in the securities market, there may temporarily be other types of investments.

**Custodial Credit Risk**

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

**Primary Government** (excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF))

At June 30, 2010, the reported amount of investments of the primary government, including the various funds, was \$4,403.7 million, of which \$286.9 million is reported as cash equivalents and \$327.0 million is reported as "Other Assets". The primary government, including the various funds, does not have an investment policy specifically for custodial credit risk, however, at June 30, 2010, the primary government had no custodial credit risk exposure for these investments.

**University of Wisconsin System (UWS)**

At June 30, 2010, the UWS investments were \$365.8 million, of which \$26.7 million is reported as cash equivalents. The UWS's investments are registered in the name of the UWS and the UWS does not participate in any securities lending programs through its custodian bank. Investment securities underlying the UWS's investment in shares of external investment pools or funds are in custody at those funds. The shares owned in these external investment pools are registered in the name of the UWS.

**Wisconsin Retirement System (WRS)**

At June 30, 2010, the WRS investments were \$66.6 billion. The WRS does not have a formal policy for custodial credit risk. As of June 30, 2010, the WRS held eighteen tri-party repurchase agreements totaling \$787.0 million. The securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of a repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreements is the counterparty, the securities are not held in the WRS's name. They are held in the counterparty's name and held by the counterparty's agent.

**Interest Rate Risk**

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

**Primary Government** (excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF))

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

The following table provides information about the interest rate risks associated with the primary government's investments, except those of the various funds. The investments include certain short-term cash equivalents, and various long-term items.

At June 30, 2010, the primary government's investments were (in millions):

Investment Type	Investment Maturities				Fair Value
	Less Than 1 Year	1 to 5 Years	6 to 10 years	More Than 10 Years	
U.S. Government and U.S. agency holdings	\$ 132.1	\$ 26.0	\$ 21.2	\$ 7.8	\$ 187.1
State and municipal bonds and notes	25.7	49.4	55.4	85.7	216.2
Negotiable certificates of deposit	.7	--	--	--	.7
Repurchase agreements	7.6	--	--	--	7.6
Forward delivery agreements	47.7	--	--	--	47.7
Guaranteed investment agreements	21.8	--	--	--	21.8
Money market funds	204.1	--	--	--	204.1
Mutual funds – open ended	35.1	615.4	1.6	.3	652.4
Total	\$ 474.9	\$ 690.8	\$ 78.2	\$ 93.8	\$ 1,337.6

External Investment Pool

Investments of the Retiree Life Insurance Fund and the Life Insurance Fund (reported as pension and other employee benefit trust funds) are held in an external investment pool with the investment objective of maintaining levels in its general account sufficient to guarantee principal amounts of reserves. The interest rate exposure of this pool expressed in terms of duration and the weighted average life is 4.5 and 5.73 years respectively.

As of May 31, 2010, the Badger Tobacco Asset Securitization Corporation's investments were as follows (in millions):

Investment	Fair Value	Weighted Average Maturity (Years)
Dreyfus Cash Mgmt 288 Inst'l	\$ 6.8	0.08
Federated Tax-free Obligations Fund 15	1.6	0.02
Total Fair Value	<u>\$ 8.4</u>	
Portfolio weighted average maturity		0.10

The various funds, which are managed by the Board, use the duration method to identify and manage interest rate risk. Three of the various funds have investment guidelines relating to interest rate risk. The LGPIF guidelines provide that a bond's maturity must not exceed ten years. The SLF guidelines provide the weighted average maturity (WAM), including cash, shall be a minimum of ten years. The IPFCF guidelines provide that the average duration of the aggregate bond portfolio shall be less than ten years.

As of June 30, 2010, the various funds had interest rate risk statistics as detailed below (in millions):

	Various Funds									
	Duration for Fixed Income Securities (in years)									
	LGPIF		SLF		IPFCF		Historical Society		Tuition Trust	
	Fair Value	Duration	Fair Value	WAM	Fair Value	Duration	Fair Value	Duration	Fair Value	Duration
Government/										
Agency	\$ 10.2	.95	\$ 38.3	15.66	\$ 195.7	4.72	\$ --	--	\$ 6.1	4.42
Corporate	10.7	1.58	57.6	17.48	294.2	5.43	--	--	0.7	4.90
Bond Funds	--	--	--	--	--	--	2.3	5.50	--	--
Total/Average	<u>\$ 20.9</u>	1.28	<u>\$ 95.9</u>	16.75	<u>\$ 489.9</u>	5.15	<u>\$ 2.3</u>	5.50	<u>\$ 6.8</u>	4.47

#### University of Wisconsin System (UWS)

The UWS uses the option adjusted duration method to analyze interest rate risk.

As of June 30, 2010, the UWS had interest rate risk statistics as detailed below (in millions):

UWS		
Fixed Income Sector	Fair Value	Modified Duration
Corporate and other credit	\$ 11.8	4.56
Government	9.2	5.02
Collateralized mortgage obligations: U. S. Agencies	11.3	1.91
U.S. private placements	4.5	3.38
Asset backed securities	3.1	.40
Collateralized mortgage obligations: Corporate	3.1	2.24
U.S. Agencies	3.8	2.65
Commercial mortgage backed securities	.9	1.18
Treasury inflation protected securities	26.9	5.16
Total	<u>\$ 74.7</u>	
<b>Fixed Income Commingled</b>		
Seix Advisors High Yield Fund	<u>\$ 19.1</u>	4.74

#### Wisconsin Retirement System (WRS)

Generally, analysis of long or intermediate term portfolios' interest rate risk is performed using various duration calculations. Modified duration, which is stated in years, is the measure of price sensitivity of a fixed income security to an interest rate change of 100 basis points. The calculation is based on the weighted average of present values for all cash flows. Some pooled investments are analyzed using an option adjusted duration calculation which is similar to the modified duration method. Option adjusted duration incorporates the duration shortening effect of any embedded call provisions in the securities.

On the other hand, short term portfolios use the weighted average maturity to analyze interest rate risk. Weighted average maturity is the maturity of each position in a portfolio weighted by the dollar value of the position to compute an average maturity for the portfolio as a whole. This measure indicates a portfolio's sensitivity to interest rate changes: a longer average weighted maturity implies greater volatility in response to interest rate changes. SWIB's investment guidelines related to interest rate risk vary by portfolio. Some fixed income portfolios are required to be managed within a range of a targeted duration, while others are required to maintain a weighted average maturity at or below a specified number of days or years.

Interest rate risk exposure as of June 30, 2010, stated in terms of modified duration and weighted average maturity, is presented below (in millions):

Investment Type	WRS	
	Fair Value*	Modified Duration (Years)
Asset Backed Securities	\$ 51.0	3.30
Asset Backed Securities	11.6	N/A
Certificates of Deposit	4.5	0.08
Commercial Paper	76.9	0.18
Corporate Bonds/Private Placements	4,920.6	4.90
Corporate Bonds/Private Placements	30.6	N/A
Futures Contracts	(544.7)	6.73
Futures Contracts	2.5	N/A
Government Agency	485.6	2.88
Commercial Mortgages	44.8	2.24
Municipal Bonds	47.3	13.02
Repurchase Agreements	49.7	0.00
Sovereign Debt	3,053.7	7.09
United States Treasury Securities	4,060.5	7.33
	<u>\$12,294.6</u>	

**Intermediate and Long**

Term Collective Trust Funds	Modified	
	Fair Value	Duration (Years)
Emerging Market Fixed Income	\$ 257.5	8.03
Global Fixed Income	526.7	5.79
Domestic Fixed Income	7,528.6	5.34
	<u>\$8,312.8</u>	

Short Term Collective Trust Funds	Weighted Average	
	Fair Value	Maturity (days)
	\$ 55.2	38

Securities Lending Collateral Pool	Weighted Average	
	Fair Value	Maturity (days)
Asset Backed Securities	\$ 164.7	36
Certificates of Deposit	1,070.6	40
Commercial Paper	1,352.4	34
Corporate Bonds	1,653.6	35
Repurchase Agreements	737.3	1
	<u>\$4,978.6</u>	

\*Notional amount presented for futures contracts

**Credit Quality Risk**

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

**Primary Government** (excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF))

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

As of June 30, 2010, the above mentioned investments for the primary government including the various funds were rated by Standard and Poor's, Moody's Investors Service, and Fitch Ratings and the ratings are presented below using the Standard and Poor's rating scale (in millions):

Primary Government (excluding the various funds, UWS, WRS and SIF)	
Credit Quality Ratings	Fair Value
AAA	\$ 217.1
AA	565.0
A	187.5
B	.1
Not Rated	639.9
Total	<u>\$ 1,609.6</u>

The various funds' (except for the Tuition Trust Fund) investments guidelines provide that issues be rated "A-" or better at the time of purchase based on the minimum credit ratings as issued by nationally recognized rating agencies. IPFCF guidelines provide that at the time of purchase at least 80 percent of the bond portfolio must be rated "A3/A1-" or better. The Tuition Trust Fund guidelines do not specifically list a minimum credit quality.

The following schedule displays the credit ratings at June 30, 2010, for the various funds (in millions):

	Various Funds				
	LGPIF	SLF	IPFCF	Historical Society	Tuition Trust
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
AAA	\$ 20.9	\$ 39.4	\$ 204.7	\$ --	\$ 6.1
AA	--	4.6	16.4	--	.1
A	--	31.6	154.7	--	.4
BBB	--	18.7	91.4	--	--
BB	--	1.0	19.4	--	.2
B	--	.6	3.3	--	--
CCC	--	--	--	--	--
Not rated	--	--	--	2.3	--
Totals	\$ 20.9	\$ 95.9	\$ 489.9	\$ 2.3	\$ 6.8

**University of Wisconsin System (UWS)**

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the Long Term Fund, fund-level asset allocation constraints limit exposure to below investment grade debt securities to no more than 10.0 percent; for the Intermediate Term Fund, exposure is limited to 6.0 percent. The UWS currently holds below investment grade securities within commingled vehicles representing 5.5 percent of total assets of the Long Term Fund and 4.3 percent of total assets of the Intermediate Term Fund. In addition, actively-managed, investment grade fixed income separate accounts must maintain an average portfolio quality of AA by Standard & Poor's and/or Aa by Moody's, and hold only securities rated BBB- by Standard & Poor's and/or Baa3 by Moody's or higher. Credit risk guidelines for all mutual or commingled funds used are carefully reviewed and monitored. As of June 30, 2010, the actively-managed, investment grade fixed income separate accounts held a Windsor Financing, LLC security in the amount of \$84 thousand rated Ba3 by Moody's and B+ by Standard & Poor's and a Keystone Owner Trust security in the amount of \$10 thousand rated Caa1 by Moody's and unrated by Standard & Poor's.

The following schedule displays the credit rating as provided by Moody's Investor Service on debt securities held as of June 30, 2010 (in millions). Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the AAA rating below although they are considered to be without credit risk.

UWS	
Ratings	Fair Value
Aaa	\$ 69.0
Aa1	.2
Aa2	1.6
Aa3	1.8
A1	2.0
A2	1.3
A3	3.5
Baa1	1.6
Baa2	4.0
Baa3	.6
Ba2	6.5
Ba3	.1
B2	10.5
Caa2	.9
Unrated and Unrated Pooled Cash	30.0
Total	\$ 133.6

**Wisconsin Retirement System (WRS)**

With the exception of derivative instrument credit risk, there are no fund-wide or system-wide investment guidelines related to credit risk exposures for investments of the WRS. Fixed income credit risk investment guidelines spell out the minimum ratings at the time of purchase by individual portfolios or groups of portfolios based on the portfolios' investment objectives. In addition, some fixed income portfolios are required to carry a minimum weighted average rating at all times.

The following schedule displays the lowest credit rating available as rated by several nationally recognized statistical rating organizations on debt securities held as of June 30, 2010 (in millions). Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the AAA rating below although they are considered to be without credit risk.

WRS	
Ratings	Fair Value
P-1 or A-1	\$ 2,469.5
Aaa or AAA	6,436.7
Aa3 to Aa1 or AA- to AA+	2,364.6
A3 to A1 or A- to A+	2,467.8
Baa3 to Baa1 or BBB- to BBB+	1,507.5
Ba3 to Ba1 or BB- to BB+	449.2
B3 to B1 or B- to B+	529.6
Caa1 to Caa3 or CCC- to CCC+	193.7
Ca1 to Ca3 or CC- to CC+	21.6
C	7.8
Commingled or pooled	10,232.9
Not rated	1,367.4
Total	<u>\$ 28,048.3</u>

**Reverse Repurchase Agreements**

SWIB had \$107.5 million reverse repurchase agreements outstanding at June 30, 2010. Investment guidelines permit certain portfolios to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase the exact securities in the future at the same price plus a stated rate of interest. The market value of the securities underlying reverse repurchase agreements exceeds the cash received, providing the dealers a margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities or providing cash equal value, SWIB would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. This credit exposure at year-end was \$3.1 million.

Since the proceeds from reverse repurchase agreements are used for short-term financings, the maturities of the purchases

made with the proceeds of reverse repurchase agreements are not matched to the maturities of the agreements. The repurchase agreement transactions as of June 30, 2010, had underlying collateral with fair values of approximately 103 percent of the cost of the repurchase agreements. The agreed-upon yields were between .24 percent and .28 percent with maturity dates through August 5, 2010.



**Concentration of Credit Risk**

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

**Primary Government** (excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF))

Although the primary government, except for the various funds discussed later, does not have a formal policy on limiting the exposure to concentrations of credit risk, it is the primary government's policy to comply with the provisions contained within the general resolutions of revenue bond indentures and other program policy investment criteria. For example, the College Savings Program Trust Fund's exposure to a particular industry is limited to no more than double that industry's percentage in the ML All Corporate Index (COAO).

The primary government's, except for the various funds, largest concentration by a single issuer is the State of Wisconsin Global Certificates with approximately 4.5 percent and State of Wisconsin general obligation bonds with approximately 1.4 percent of investments.

With the exception of the Tuition Trust Fund, the various funds investment guidelines limit concentrations of credit risk by establishing maximum issuer and/or sector exposure limits. Generally, the guidelines provide that no single issuer may exceed 5 percent of the fund investments, with the exception of U.S. Government and its agencies, which may be unlimited. The LGPIF further limits AAA-rated mortgage-backed, AAA-rated asset-backed and individual corporate issuers to 3 percent of the market value of the fund investments.

Excluding investments issued or explicitly guaranteed by the U.S. Government, as of June 30, 2010, none of the various funds had more than five percent of their total investments in a single issuer.

**University of Wisconsin System (UWS)**

Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. Actively-managed, fixed income separate accounts are limited to holding no more than 7.0 percent in any one issuer (U.S. Government/Agencies are exempted). Credit concentration guidelines for all mutual or commingled funds used are carefully reviewed and monitored. During fiscal year 2010, the largest concentration by a non-U.S. Government/Agency was New Valley Generation with 0.5 percent of total Trust Funds assets.

**Wisconsin Retirement System (WRS)**

For investments of the WRS, concentration of credit risk is limited by establishing investment guidelines for individual portfolios or groups of portfolios that generally restrict issuer concentrations in any one company or Rule 144A securities below 5 percent of assets.

**Foreign Currency Risk**

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

**Primary Government** (excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF))

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

At June 30, 2010, the primary government, except for the various funds, did not own any issues denominated in a foreign currency.

The various fund's investment guidelines do not specifically address foreign currency risk with the exception that SLF only allows investments in U.S. dollar denominated instruments. As of June 30, 2010, the various funds did not own any issues denominated in a foreign currency.

**University of Wisconsin System (UWS)**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2010, the Long Term and Intermediate Term Funds held equity securities denominated in foreign currencies within pooled investment vehicles only, with market values totaling \$87.3 million and \$4.6 million, respectively, compared to prior fiscal year amounts of \$76.0 million and \$4.2 million, respectively. Some of the trades for such foreign positions will not settle in foreign currencies until after the fiscal year end. For the Long Term and Intermediate Term Funds, it is generally expected and desired that foreign currency exposure is not hedged, as this enhances the diversification benefits from non-U.S. investments. Foreign currency management practices and policies for mutual or commingled funds used are carefully reviewed and monitored.



**Wisconsin Retirement System (WRS)**

The WRS held foreign currency denominated cash and securities directly in designated actively managed portfolios and indirectly through its investment in certain commingled invest funds.

As of June 30, 2010, the following assets were denominated in the following currencies (in millions):

Currency Exposure by Investment Type												
Currency	Cash and Cash Equivalents	Commercial Mortgages	Convertible Securities	Options	Stocks	Fixed Income	Financial Futures	Multi-Asset	Preferred Securities	Limited Partnerships	Real Estate	Total
Australian Dollar	.9	--	--	--	434.3	36.1	(8.8)	--	--	--	--	462.5
Brazil Real	2.4	--	--	--	34.2	29.2	--	--	65.4	--	--	131.2
British Pound Sterling	2.7	--	--	--	1,860.5	200.5	(20.7)	--	--	86.7	--	2,129.7
Canadian Dollar	3.6	--	--	--	600.8	89.3	(5.3)	--	--	32.9	--	721.3
Columbian Peso	--	--	--	--	--	8.8	--	--	--	--	--	8.8
Czech Koruna	--	--	--	--	12.1	--	--	--	--	--	--	12.1
Danish Krone	.4	--	--	--	72.6	25.6	--	--	--	--	--	98.6
Euro Currency Unit	63.8	--	--	--	2,526.8	1,075.6	(19.3)	--	9.3	604.2	--	4,260.4
Hong Kong Dollar	1.2	--	--	--	371.3	--	--	--	--	--	--	372.5
Hungarian Forint	.4	--	--	--	1.3	4.8	--	--	--	--	--	6.5
Indian Rupee	.7	--	--	--	163.9	--	--	--	--	--	--	164.6
Indonesian Rupiah	--	--	--	--	14.3	21.4	--	--	--	--	--	35.7
Israeli Shekel	.4	--	--	--	5.4	--	--	--	--	--	--	5.8
Japanese Yen	19.2	--	--	--	1,764.6	1,012.7	(8.2)	--	--	--	--	2,788.3
Malaysian Ringgit	.7	--	--	--	55.0	45.7	--	--	--	--	--	101.4
Mexican New Peso	.7	--	--	--	43.1	31.0	--	--	--	--	--	74.8
Moroccan Dirham	--	--	--	--	1.8	--	--	--	--	--	--	1.8
New Taiwan Dollar	1.9	--	--	--	178.7	--	--	--	--	--	--	180.6
New Turkish Lira	.3	--	--	--	47.1	--	--	--	--	--	--	47.4
New Zealand Dollar	--	--	--	--	.7	9.7	--	--	--	--	--	10.4
Norwegian Krone	.2	--	--	--	34.4	15.9	--	--	--	--	--	50.5
Peruvian Nuevo Sol	--	--	--	--	--	5.2	--	--	--	--	--	5.2
Philippines Peso	.3	--	--	--	3.7	--	--	--	--	--	--	4.0
Polish Zloty	.5	--	--	--	24.7	30.8	--	--	--	--	--	56.0
Russian Rubel	--	--	--	--	--	1.0	--	--	--	--	--	1.0
South African Rand	1.2	--	--	--	36.5	11.0	--	--	--	--	--	48.7
Singapore Dollar	.4	--	--	--	111.1	--	--	--	--	--	--	111.5
South Korean Won	.3	--	--	--	208.9	8.8	--	--	5.2	--	--	223.2
Swedish Krona	.4	--	--	--	87.7	30.6	--	--	--	4.0	--	122.7
Swiss Franc	.5	--	--	--	497.0	--	--	--	--	--	--	497.5
Thailand Baht	.1	--	--	--	67.5	--	--	--	--	--	--	67.6
United States Dollar	634.2	44.8	68.3	(3.9)	28,603.3	18,069.3	(75.2)	1,073.3	15.3	5,718.2	337.3	54,484.9
Uruguayan Peso	--	--	--	--	--	8.3	--	--	--	--	--	8.3
Total Investments by Currency Exposure	737.4	44.8	68.3	(3.9)	37,863.0	20,771.4	(137.5)	1,073.3	95.2	6,446.0	337.3	67,295.5

## Securities Lending Transactions

### Wisconsin Retirement System (WRS)

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

The cash collateral is reinvested by the lending agent or its affiliate in accordance with the contractual investment guidelines, which are designed to insure the safety of principal and obtain a moderate rate of return. The investment guidelines include very high credit quality standards and also allow for a portion of the collateral investments to be invested with short-term securities. The earnings generated from the collateral investments, less the amount of rebates paid to the dealers and fees paid to agents, results in the gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

In accordance with money market mutual fund industry standards, the cash collateral reinvestment pools are valued at amortized cost. The amortized or book value of a fund's assets and underlying fair market value of the assets may differ based on market conditions. The pools' market value relative to its amortized cost is expressed as net asset value (NAV) and is derived by dividing total market value by amortized cost. During Fiscal Year 2010, the securities lending reinvestment pools' NAVs were below the typical money market fund market floor of 99.5 percent. The NAVs improved by the end of the fiscal year. As of June 30, 2010, the U.S. dollar cash collateral reinvestment pools' NAV was 99.60 percent while the foreign reinvestment pool had a NAV of 99.82 percent.

At year end, no credit risk exposure to borrowers existed because the amounts owed the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent requires it to indemnify if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent. Losses resulting from violations of investment guidelines are also indemnified.

The majority of securities loans can be terminated on demand. The average term of the loans is approximately three days, which is shorter than the weighted average maturity of 28 days for investments made with the U.S. dollar cash collateral and the weighted average maturity of 20 days for investments made with foreign cash collateral.

Pledging or selling collateral securities cannot be done without a borrower default. The quantity of dollar value of securities lending contracts entered into is not restricted.

## Derivative Financial Instruments

### Various Funds

*Interest Only Strips* — Interest only strips are securities that derive cash flow from the payment of interest on underlying debt securities. The Tuition Trust Fund held several interest only strips for yield enhancing purposes. Because the underlying securities are United States Treasury obligations, the credit risk is low. On the other hand, interest only strips are more volatile in terms of pricing, and thus the market risk is higher than traditional United States Treasury obligations.

As of June 30, 2010 the Tuition Trust Fund held interest only strips valued at \$6.6 million representing approximately 72.9 percent of portfolio investments.

### Wisconsin Retirement System (WRS)

Derivatives may be used to implement investment strategies for the Core and Variable Funds. All derivative instruments are subjected to risk analysis and monitoring processes at the portfolio, asset class and fund levels.

Investment guidelines define allowable derivative activity for each portfolio and are based on the investment objectives which have been approved by the Board. Where derivatives are permitted, guidelines stipulate allowable instruments and the manner in which they are to be used.

Investment guidelines have been established which provide minimum credit ratings for counterparties. Additionally, policies have been established which, where possible, seek to provide master netting arrangements with counterparties to over-the-counter derivative transactions.

Gains and losses for all derivative instruments are reported in the Statement of Changes in Fiduciary Net Assets.

*Foreign Currency Spot and Forward Contracts* — Currency exposure management is permitted through the use of exchange traded currency instruments, and through the use of over-the-

counter spot and forward contracts in foreign currencies. Direct hedging of currency exposure back to the U. S. dollar is permitted when consistent with the strategy of the portfolio. Cross-currency exposure management to transfer out of an exposed currency and into a benchmark currency is permitted. In some portfolios, currencies of non-benchmark countries may be held through the use of forward contracts, provided that the notional value of any single non-benchmark currency does not exceed 5 percent of the market value of the portfolio.

No cash is exchanged when a foreign exchange spot or forward contract is initiated. Collateral postings are not required for foreign currency spot or forward contract counterparties. Net amounts due are paid or received on the contracted settle date. The net receivable or payable for spot and forward contracts is included in Other Receivables on the Statement of Fiduciary Net Assets. Losses may arise from future changes in the value of the underlying currency, or if the counterparties do not perform under the terms of the contract. Spot and forward contracts are valued daily with the changes in fair value included in the Net Appreciation (Depreciation) in Fair Value of Investments on the Statement of Changes in Fiduciary Net Assets.

Discretionary currency overlay strategies at the total fund level may be employed when currency market conditions suggest such strategies are warranted. Only the currencies of developed market countries in the MSCI ex US Index may be used to implement the currency overlay. Exchange-traded currency instruments and over-the-counter spot and forward contracts in foreign currencies are used to execute these strategies.

During the fiscal year currency exposure management involved the use of foreign currency spot and forward contracts. The following table presents the fair value of foreign currency spot and forward contract assets and liabilities held as of June 30, 2010 (in millions).

Foreign Currency Spot and Forward Contracts		
Currency	Notional (local currency)	Fair Value of Foreign Currency Contracts Receivable (\$US)
<b>Foreign Exchange Contracts Sold</b>		
AUSTRALIAN DOLLAR	347.1	\$ (6.1)
BRAZIL REAL	2.2	--
BRITISH POUND STER.	308.2	1.7
CANADIAN DOLLAR	313.2	(8.8)
DANISH KRONE	85.4	(.1)
EURO CURRENCY UNIT	408.7	(7.8)
HONG KONG DOLLAR	159.2	(5.5)
HUNGARIAN FORINT	155.5	--
INDONESIAN RUPIAN	6,779.7	--
ISRAELI SHEKEL	9.7	--
JAPANESE YEN	49,409.1	15.8
MALAYSIAN RINGGIT	26.2	.1
MEXICAN NEW PESO	26.9	(.1)
NEW ZEALAND DOLLAR	77.5	.2
NORWEGIAN KRONE	448.9	.4
PHILIPPINES PESO	156.3	--
POLISH ZLOTY	7.5	--
SINGAPORE DOLLAR	14.2	(.1)
SWEDISH KRONA	808.6	(1.1)
SWISS FRANC	105.4	2.8
THAILAND BAHT	24.8	--
		\$ (8.5)
Currency	Notional (local currency)	Fair Value of Foreign Currency Contracts Payable* (\$US)
<b>Foreign Exchange Contracts Purchased</b>		
AUSTRALIAN DOLLAR	(67.2)	\$ 2.5
BRAZIL REAL	(21.0)	(.3)
BRITISH POUND STER.	(81.2)	(.3)
CANADIAN DOLLAR	(53.2)	1.5
COLOMBIAN PESO	(4,876.5)	--
DANISH KRONE	(.1)	--
EURO CURRENCY UNIT	(562.1)	10.0
HONG KONG DOLLAR	(163.0)	(.3)
HUNGARIAN FORINT	(736.5)	.2
INDIAN RUPEE	(20.8)	--
INDONESIAN RUPIAN	(12,675.1)	--
ISRAELI SHEKEL	(9.1)	--
JAPANESE YEN	(42,010.9)	(5.5)
MALAYSIAN RINGGIT	(2.4)	--
MEXICAN NEW PESO	(32.5)	--
NEW TAIWAN DOLLAR	(60.5)	--
NEW TURKISH LIRA	(2.1)	--
PERUVIAN NUEVO SOL	(23.4)	(.1)
S AFRICAN COMM RAND	(79.5)	.2
SINGAPORE DOLLAR	(6.9)	--
SOUTH KOREAN WON	(75.6)	--
SWEDISH KRONA	(71.8)	.1
SWISS FRANC	(17.7)	(.3)
THAILAND BAHT	(7.7)	--
		\$ 7.8
<b>Net Foreign Exchange Currency Spot and Forward Contracts</b>		\$ (.7)

\* Net effect of cross currency contracts is reflected in the "Foreign Exchange Contracts Purchased" section.

Foreign exchange spot and forward positions are over-the-counter contracts, entered into with various counterparties. Guidelines have been established which provide minimum credit ratings for counterparties. Additionally, policies have been established which, where possible, seek to implement master netting arrangements with counterparties to over-the-counter derivative transactions.

The table below details the exposures by counterparties with whom SWIB has entered into foreign exchange spot and forward contracts as of June 30, 2010 (in millions).

Counterparty	Exposure			Counterparty Credit Rating
	Payable	Receivable	Net	
Bank of America Corp	\$ (497.1)	\$ 484.9	\$(12.2)	A
Bank of New York Mellon Corp/The	(546.3)	548.7	2.5	AA-
Barclays Bank PLC	(.7)	.7	-	AA-
BlackRock Inc	(22.1)	22.6	.4	A+
BNP Paribas	(9.5)	9.5	.1	AA
Brown Brothers Harriman & Co	(.4)	.4	--	A+
Citigroup Inc	(81.1)	80.7	(.4)	A
Credit Suisse Group AG	(.3)	.3	-	A
Deutsche Bank AG	(28.5)	28.2	(.4)	A+
Goldman Sachs Group Inc/The	(15.2)	15.1	--	AA-
HSBC Holdings PLC	(60.5)	62.2	1.7	A+
JPMorgan Chase & Co	(459.2)	464.6	5.4	A
Morgan Stanley	(12.7)	12.8	.2	AA-
Royal Bank of Canada	(729.3)	720.2	(9.1)	A
Standard Chartered PLC	(1.9)	1.9	-	A+
State Street Corp	(134.8)	134.7	(.1)	A+
Toronto Dominion Bank	(5.5)	5.4	(.1)	AA-
UBS AG	(1,189.4)	1,202.5	13.1	A+
United Kingdom of Great Britain and Northern Ireland	(22.0)	22.3	.4	AAA
Westpac Banking Corp	(179.4)	177.2	(2.1)	AA
<b>Total</b>	<b>\$(3,995.8)</b>	<b>\$3,995.1</b>	<b>\$ (.7)</b>	

*Futures Contracts* – A financial futures contract is an exchange traded agreement to buy or sell a financial instrument at an agreed upon price and time in the future. Upon entering into a futures contract, collateral is deposited with the broker, in SWIB's name, in accordance with initial margin requirements. Futures contracts are marked to market daily, based upon the closing market price of the contract at the board of trade or exchange on which they are traded. The resulting gain/loss is typically received/paid the following day until the contract expires.

The fair value of futures contracts represents the unrealized gain/loss on the contract and is reflected as Financial Futures Contracts on the Statement of Fiduciary Net Assets. Gains and losses as a result of investments in futures contracts are included in the Net Appreciation (Depreciation) in the Fair Value of Investments on the Statement of Changes in Fiduciary Net Assets.

Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the Statement of Fiduciary Net Assets. Losses may arise from future changes in the value of the underlying instrument.

Financial futures contracts may be entered into for the following objectives: facilitate asset class rebalancing, protect portfolios against the risk of changing asset values or interest rates, enhance liquidity, aid in cash flow management, manage interest rate exposure, adjust duration, equitize cash and receivable positions or as a substitute for cash market transactions. Futures contracts are secured by collateral deposited with brokers which can be in the form of cash, U.S. Treasuries and equity securities.

The following table presents the investments in futures contracts as of June 30, 2010 (in millions).

Description	Futures Contracts		Unrealized Appreciation (Depreciation)*
	Expiration Date	Notional Amount	
<b>Interest Rate Future:</b>			
3MO EUROYEN TIFF FUTURE (TFX)	12/13/2010 - 9/16/2011	\$ 1.9	\$ --
90DAY STERLING LIBOR FUT (LIF)	12/15/2010 - 9/21/2011	3.3	--
<b>Fixed Income Futures:</b>			
AUSTRALIAN 10YR BOND FUT (SFE)	9/15/2010	34.6	.8
AUSTRALIAN 3YR BOND FUT (SFE)	9/15/2010	1.1	-
CANADA 10YR BOND FUTURE (MSE)	9/21/2010	26.7	.6
EURO BUXL 30 YR BOND FUT (EUX)	9/8/2010	.3	--
EURO-BOBL FUTURE (EUX)	9/8/2010	6.5	--
EURO-BUND FUTURE (EUX)	9/8/2010	7.1	--
EURO-SCHATZ FUTURE (EUX)	9/8/2010	12.2	--
JAPAN 10YR MINI BD FUTURE(SGX)	9/8/2010	17.3	.2
UK LONG GILT FUTURE (LIF)	9/28/2010	(43.3)	(.6)
US TREAS BD FUTURE (CBT)	9/21/2010	3.3	.1
US ULTRA BOND (CBT)	9/21/2010	4.3	.1
US 10YR NOTE FUTURE (CBT)	9/21/2010		(9.8)
US 2YR TREAS NTS FUT (CBT)	9/30/2010	(553.4) 128.2	.4
US 5YR TREAS NTS FUT(CBT)	9/30/2010		(2.6)
		(192.6)	
<b>Equity Futures:</b>			
DJ EURO STOXX 50 FUTURE (EUX)	9/17/2010	383.2	(19.3)
DOW JONES MINI FUTURE (CBT)	9/17/2010	.8	--
FTSE 100 INDEX FUTURE (LIF)	9/17/2010	310.5	(20.1)
MSCI EAFE EMINI INDEX FUT (CME)	9/17/2010	2.4	(.2)
RUSSELL 2000 MINI IND FUT(NYF)	9/17/2010	318.4	(23.9)
S&P 500 EMINI INDEX FUT (CME)	9/17/2010	538.5	(36.9)
S & P MID 400 EMINI (CME)	9/17/2010	46.6	(2.3)
S&P/TSE 60 INDEX FUTURES (MSE)	9/16/2010	164.3	(5.9)
SPI 200 INDEX FUTURE (SFE)	9/16/2010	158.5	(9.6)
TOPIX INDEX FUTURE (TSE)	9/9/2010	304.1	(8.3)
Total		\$1,684.9	\$(137.4)

\* Unrealized appreciation (depreciation) includes foreign currency gains and losses.

*Options* – Option contracts give the purchaser of the contract the right to buy (call) or sell (put) the security or index underlying the contract at an agreed upon price on or before the expiration of the option contract. The seller of the contract is subject to market risk, while the purchaser is subject to credit risk and market risk to the extent of the premium paid to enter into the contract.

Rebalancing policies and portfolio investment guidelines permit the use of exchange traded options. Options may be used to improve the efficiency or to enhance the expected return of strategic rebalancing procedures. Exchange traded options may be purchased or sold in conjunction with managing asset class exposure if the exercise of the options will move the asset allocation closer to the target established by the Board. The aggregate notional value of the options is limited to 2 percent of the market value of the trust fund at the date of purchase. The term of options used for this purpose may not exceed one year.

The fair value of option contracts is based upon the closing market price of the contract and reflected as Options on the Statement of Fiduciary Net Assets. Gains and losses as a result of investments in option contracts are included in the Net Appreciation (Depreciation) in the Fair Value of Investments on the Statement of Changes in Fiduciary Net Assets. The table below presents the fair value of option contracts held as of June 30, 2010.

Option Contracts						
Security Description	Contract Type	Maturity	Number of Contracts	Cost	Market Value	Unrealized Gain (Loss)
AMERICAN INTL GROUP INC COM FIDELITY NATL INFORMATION SVCS	CALL	JUL 10	1,000	\$ 187,000	\$ 25,000	\$ (162,000)
FIDELITY NATL INFORMATION SVCS	CALL	AUG 10	2,770	10,969	2,770	(8,199)
FIDELITY NATL INFORMATION SVCS	CALL	JUL 10	1,550	7,750	7,750	-
AIRGAS INC	PUT	AUG 10	(212)	(11,720)	(11,660)	60
AIRGAS INC	PUT	JUL 10	(744)	(60,776)	(11,160)	49,616
AMERICAN INTL GROUP INC COM FIDELITY NATL INFORMATION SVCS	PUT	JUL 10	(1,000)	(706,000)	(555,000)	151,000
FIDELITY NATL INFORMATION SVCS	PUT	AUG 10	(2,770)	(2,310,762)	(2,354,500)	(43,738)
FIDELITY NATL INFORMATION SVCS	PUT	JUL 10	(736)	(557,152)	(592,480)	(35,328)
MILLIPORE CORP COM	PUT	JUL 10	(600)	(30,000)	(3,000)	27,000
RUSSELL 1000 INDEX	PUT	JUL 10	(120)	(24,600)	(24,000)	600
S&P 500 EOM OPTION SEP 10	PUT	JUL 10	(186)	(283,650)	(372,000)	(88,350)
SYBASE INC	PUT	JUL 10	(275)	(9,625)	(3,438)	6,187
SYBASE INC	PUT	SEP 10	(340)	(25,670)	(11,850)	13,820
Total				<u>\$ (3,814,236)</u>	<u>\$ (3,903,568)</u>	<u>\$ (89,332)</u>

## Unfunded Capital Commitments

### University of Wisconsin System (UWS)

The UWS has unfunded limited partnership commitments of \$30.9 million for the fiscal year ending June 30, 2010.

### Wisconsin Retirement System (WRS)

The Board has committed to fund various limited partnerships and side-by-side agreements related to its private equity and real estate holdings. Commitments that have not been funded as of June 30, 2010 totaled \$5.2 billion.

## 2. Component Units

**Component Units** except for the Wisconsin Health Care Liability Insurance Plan and the University of Wisconsin Foundation (Other Component Units)

*Wisconsin Housing and Economic Development Authority (Authority)* – The Authority is required by statute to invest at least fifty percent of its General Fund funds in obligations of the State, of the United States, or of agencies or instrumentalities of the United States, or obligations, the principal and interest of which are guaranteed by the United States, or agencies or instrumentalities of the United States. Each investment portfolio specifies what constitutes a permitted investment and such investments may include obligations of the U.S. government and agencies securities; corporate bonds and notes; money market

mutual funds; commercial paper; and repurchase agreements and investment agreements.

The Authority enters into collateralized investment contracts with various financial institutions. The investment contracts are generally collateralized by obligations of the United States government.

The Authority is also authorized to invest its funds in the State Investment Fund.

The Authority's aggregate investments at June 30, 2010 were \$1,023.7 million of which \$843.8 million are reported as cash equivalents.

*University of Wisconsin Hospital and Clinics Authority* – The University of Wisconsin Hospitals and Clinics Authority's (the Hospital) aggregate investments at June 30, 2010 were \$375.6 million of which \$248.2 million (invested with the University of Wisconsin Foundation, see investment disclosure discussion for the University Wisconsin Foundation) are reported as "Cash and Investments with Other Component Units." The board of directors has authorized management to invest in debt and equity securities.

*State Fair Park Exposition Center, Inc.* – The aggregate investments at December 31, 2009 were \$ .2 million consisting of money market funds reported as cash equivalents.

**Custodial Credit Risk**

The component units do not have a formal policy for custodial credit risk. At fiscal year end, the reported amount of investments was \$ 1,151.3 million, of which \$844.0 million are reported as cash and cash equivalents.

**Interest Rate Risk**

It is the component units' policy to comply with the provisions contained within the general resolutions of revenue bond indentures and other program policy investment criteria. For example, investment maturities will coincide with the anticipated debt service payment dates and cash flow obligations associated

with the life of bonds outstanding. Market conditions, rates of return, interest rate spreads within and across asset classes, and other factors will influence maturity selection for all funds in excess of those required to meet the projected cash flow obligations. No investment will mature after the final bond maturity of the issue.

The following table provides information about the interest rate risks associated with the component units' investments. The investments include certain short-term cash equivalents, and various long-term items. As of fiscal year end, the component units had the following debt investments and maturities (in millions):

Investment Type	Investment Maturities				Fair Value
	Less Than 1 Year	1 to 5 Years	6 to 10 years	More Than 10 Years	
U.S. Government and U.S. agency holdings	\$ 97.3	\$ 4.5	\$ 4.7	\$ --	\$ 106.5
Corporate notes and bonds	.7	--	--	--	.7
Money market funds	971.3	--	--	--	971.3
Noncollateralized investment contracts	--	11.5	--	--	11.5
Mortgage-backed securities	1.2	--	9.0	16.6	26.8
Collateralized investment contracts	20.7	--	.6	1.9	23.2
Negotiable certificates of deposit	11.3	--	--	--	11.3
<b>Total</b>	<b>\$ 1,102.5</b>	<b>\$ 16.0</b>	<b>\$ 14.3</b>	<b>\$ 18.5</b>	<b>\$ 1,151.3</b>

**Credit Quality Risk**

The component units have established different investment policies for different investment types that generally include minimum rating requirements. For example, corporate bonds and notes are limited to U.S. domestic corporations having been rated not less than AA category or its equivalent as to investment quality by two or more nationally recognized investment rating firms. At least one rating must be in the top two short- or long-term rating categories and all other ratings must be in the top three rating categories. Further, money market funds are limited to AAA rated money market mutual funds and non-rated funds with portfolios restricted to only those investments specifically

authorized by the policy. Money market funds are regulated by the Securities & Exchange Commission and have a dollar weighted-average portfolio maturity of 90 days or less that fully invest dollar-for-dollar all funds without sales commissions or loads. The Authority invests in money market mutual funds whose investment objectives include seeking to maintain a stable net asset value of \$1 per share. The Authority may not invest funds under its control in an amount that exceeds 10 percent of total assets of any individual money market mutual fund. The following table presents the component units' ratings at fiscal year end (in millions):

Investment Type	Fair Value	Credit Quality Ratings				Unrated
		AAA	AA	A	BBB	
Corporate notes and bonds	\$ .7	\$ --	\$ .7	\$ --	\$ --	\$ --
Money market funds	971.4	843.8	.2	--	--	127.4
Noncollateralized investment contracts	11.5	--	11.5	--	--	--
Negotiable certificates of deposit	11.3	--	--	--	--	11.3
Mortgage-backed securities	10.2	10.2	--	--	--	--
Collateralized investment contracts	23.1	--	--	23.1	--	--



### Concentration of Credit Risk

Investment policies generally limit the concentration of credit risk with an issuer to a predetermined dollar value and/or percent. For example, the investment policy outlined in a general resolution requires that for funds not invested in government securities or money market mutual funds, no more than 5 percent of total portfolio market value can be invested with any issuer or secured by any one guarantor, and not more than 15 percent of the portfolio's market value will be invested in any municipal or industry sector, and no more than 25 percent of the total portfolio's value will be invested in bank certificates of deposit. There were no non-government investments that exceeded 5 percent of the total portfolio.

### Foreign Currency Risk

The component units' policy generally prohibits investments traded in foreign currencies. Although trading in foreign currencies may be acceptable for a limited number of portfolios, no exposure to foreign currency existed at fiscal year end.

### Securities Lending

The Wisconsin Housing and Economic Development Authority's (Authority) Finance committee approved the use of a security-lending program with the trust department of a bank acting as an agent. As of June 30, 2010 the Authority had \$7.0 million of securities on loan to broker-dealers for a fee.

Security lending transactions involve the lending of securities to broker-dealers and other entities for collateral, in the form of cash or securities, with the simultaneous agreement to return the collateral for the same securities in the future. The securities custodian is an agent in lending the domestic and international securities for collateral of 102 percent and 105 percent, respectively, of the loaned securities' market value. The lending agent in accordance with contractual investment guidelines, which are designed to insure the safety of principal and obtain a moderate rate of return, reinvests the collateral. The investment guidelines include very high credit quality standards and also allow for a portion of the collateral investments to be invested with short-term securities. The Authority has the following types of securities on loan: U.S. agency securities, U.S. government securities and corporate notes. The Authority receives cash collateral for securities lent. The fair value of the investment securities loaned was \$7.2 million as of June 30, 2010, and the fair value of the collateral received was \$4.6 million. The Authority may request the bank to terminate any loan of securities for any reason at any time.

As of June 30, 2010, no credit risk exposure to borrowers existed because the amounts owed the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent states that in the event that a borrower fails to return the lent security, the bank will indemnify the Authority for the following amounts: a) The difference between the closing market value of security on the date it should have been returned to the account and the cash collateral substituted for the lent securities, or b) In the case of collateral received in kind, the difference between the closing market value of the security on the date it should have been returned to the account and the closing market value of the collateral in kind on the same date.

The Authority assumes all risk of loss arising out of collateral investment loss and any resulting collateral deficiencies. The bank expressly assumes the risk of loss arising from negligent or fraudulent operations of its securities lending program. The bank operates the securities lending program as a business trust investment pool with open and matched components. In the matched portion of the investment pool, the maturities of the securities lent and collateral are the same. The open portions of the pool maintain a weighted average maturity of the portfolio at approximately 15 days, with a range from one day to 25 days. The open portions of the pool generally have a 15-day mismatch between the portfolio coverage maturity and the open loans. As of June 30, 2010 approximately 100 percent of the securities lent were in the open portion of the investment pool. No restrictions on the amount of the loans exist or can be made. The earnings generated from the securities lending program is reported as other income. During the year ended June 30, 2010, the Authority received \$22 thousand of income related to security lending transactions.

### Other Component Units

*Wisconsin Health Care Liability Insurance Plan (WHCLIP)* – Aggregate investments of the WHCLIP were \$72.0 million, of which \$13.2 million are money market and other highly liquid debt instruments reported as cash equivalents.

The board of governors is responsible for and establishment of appropriate investment policies relating to the investment of the WHCLIP's assets. The following investment guidelines are established: a minimum of 30 percent of the loss reserves must be invested in U.S. treasuries or agency securities and AAA rated CMOs, investments must be in the form of marketable debt issues, at the time of purchase all bonds must be rated no lower than A by a major rating bond agency, at least 80 percent of the bond portfolio must be rated A or better, adequate corporate diversification by issuer and sector must be maintained (the securities of any issuer should not exceed 1.5 percent of the bond portfolio based on market value at the time of purchase, excluding government or government agency securities), the average duration of the aggregate bond portfolio shall be less than



10 years, as deemed appropriate by the investment manager(s) and is not permitted to invest in common stock.

Excluded investments include: bonds rated below A by a major rating service at the time of purchase, foreign bonds not denominated in U.S. currency, futures transactions, short selling, use of margin, derivatives and hedge funds.

The investments of the WHCLIP at December 31, 2010 were \$58.9 million consisting of the following (in millions):

Investment Type	Amortized Cost	Estimated Fair Value
U.S. Treasury securities and obligations of the U.S. government corporations and agencies	\$ 9.2	\$ 10.1
Debt securities issued by foreign governments and corporations	3.0	3.2
Industrial and miscellaneous	23.7	25.5
Loan-backed securities	23.0	24.2
<b>Total</b>	<b>\$ 58.9</b>	<b>\$ 63.0</b>

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the component units will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty, or by the counterparty's trust department or agent but not in the name of the WHCLIP. The WHCLIP had no custodial credit risk exposure for these investments.

The amortized cost and estimated fair value of bonds at December 31, 2009, by contractual maturity are presented in the table below (in millions):

	Amortized Cost	Estimated Fair Value
1 Year or Less	\$ 6.7	\$ 6.8
1 to 5 Years	10.3	11.1
6 to 10 Years	14.4	15.8
More Than 10 Years	4.5	5.0
	35.9	38.7
Loan-backed securities	23.0	24.2
<b>Total</b>	<b>\$ 58.9</b>	<b>\$ 62.9</b>

Mortgage-backed securities (includes residential and commercial MBS) consist of the following (in millions):

Pass-through securities:	
Issued by FNMA and FHLMC	23.0

The WHCLIP does not hold investments in any one issuer that exceeds 5 percent of total assets.

As of December 31, 2009, the WHCLIP did not own any issues denominated in a foreign currency.

*University of Wisconsin Foundation (the Foundation)* - Aggregate investments of the Foundation are \$2,006.6 million.

The following table summarizes the types of investments of the Foundation at December 31, 2009 (in millions):

Investment Type	Fair Value
Bond and debentures	\$ 455.5
Stocks	512.2
Bond funds	106.0
Stock funds	25.5
Hedge funds	478.4
Limited partnerships	278.6
Real asset funds	146.2
Other funds	4.2
<b>Total</b>	<b>\$ 2,006.6</b>

### Custodial Credit Risk

At December 31, 2009, the reported amount of investments was \$2,006.6 million. The Foundation had no custodial credit risk exposure for these investments.

### Securities Lending

The Foundation participates in securities lending through a program run by its custodial bank. Under the terms of its securities lending agreement, the program requires brokers who borrow securities from the Foundation to provide collateral of a value at least equal to 102 percent of the then fair value of the loaned securities and accrued interest, if any. This collateral is then reinvested on behalf of the Foundation by the custodial bank.

The prime considerations of the collateral pool in which the collateral has been reinvested are liquidity and principal preservation. However, given the recent stressed fixed income market environment, and the fact that all of the securities are held in the pool are subject to credit risk, the value of the collateral pool has declined. In addition, certain securities in the pool have

defaulted and the collateral backing said securities has been placed in a liquidating trust. While the Foundation is still receiving cash flows from this trust, the value of the collateral comprising the trust has incurred significant mark-to-market price declines. This, in conjunction with the general price declines of other securities held in the collateral pool, leaves the Foundation with an outstanding collateral deficiency liability of approximately \$2.4 million as of December 31, 2009. The ultimate realized loss will depend on the terminal value of the securities held in the liquidation trust.

Valuations of the collateral pool are provided to the Foundation by the custodial bank. For purposes of determining the value of collateral investments reflected on a balance sheet, the custodial bank uses financial models, third-party pricing services, or other inputs where quoted prices in an active market are not available. Such calculations reflect hypothetical transactions, are subject to uncertainties, and accordingly do not reflect the amount that would be realized in a current sale. In addition, in light of the judgment involved in the fair value decisions by the custodial bank, and given the current market conditions, the illiquidity of certain of the securities in the collateral pool, and the credit risk associated with securities in the collateral pool, there can be no assurance that a fair value assigned to a particular security by the custodial bank is accurate.

At December 31, 2009, the Foundation had equity and fixed income securities with fair values of \$17.7 million on loan. The Foundation reflects the collateral received for securities on loan as an asset and its obligation to return the collateral as a liability. As of December 31, 2009 and an asset of \$17.7 million and the related liability representing the obligation to return collateral received of \$18.5 million are reported.

Income from securities lending for the year ended December 31, 2009 was approximately \$79 thousand.

### 3. State Investment Fund

The State Investment Fund (SIF) functions as the State's cash management fund by "pooling" the idle cash balances of all State funds and other public institutions. In the State's Comprehensive Annual Financial Report, the SIF is not reported as a separate fund; rather, each State fund's share in the "pool" is reported on the balance sheet as "Cash and Cash Equivalents." Shares of the SIF belonging to other participating public institutions are presented in the Local Government Pooled Investment Fund, an investment trust fund.

Wis. Stat. Secs. 25.17(3)(b), (ba), (bd) and (dg) enumerate the various types of securities in which the SIF can invest, which include direct obligations of the United States or its agencies, corporations wholly owned by the United States or chartered by an act of Congress, securities guaranteed by the United States, unsecured notes of financial and industrial issuers, direct obligations of or guaranteed by the government of Canada, certificates of deposit issued by banks in the United States and solvent financial institutions in Wisconsin, and bankers acceptances. Other prudent investments may be approved by the State of Wisconsin Investment Board's (the Board) Board of Trustees.

Investments are valued at fair value for financial statement purposes and amortized cost for purposes of calculating income to participants. The custodial bank has compiled fair value information for all securities by utilizing third party pricing services. The fair value of investments is determined at the end of each month. Government and agency securities and commercial paper are priced using matrix pricing. This method estimates a security's fair value by using quoted market prices for securities with similar interest rates, maturities, and credit ratings. Short-term debt investments with remaining maturities of up to 90 days are valued using amortized costs to estimate fair value, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Repurchase agreements and nonnegotiable certificates of deposit are valued at cost because they are nonparticipating contracts that do not capture interest rate changes in their value. In addition, a bond issued by another State agency having a par value of \$21.2 thousand is valued at par, which management believes approximates fair value.

For purposes of calculating earnings to each participant, all investments are valued at amortized cost. Specifically, income is distributed to pool participants monthly based on their average daily share balance. Distributed income includes realized investment gains and losses calculated on an amortized cost basis, interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, and investment and administrative expenses. This method differs from the fair value method used to value investments because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the pool's investments.

### Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty or by the counterparty's trust department or agent but not in the name of the Board.

At June 30, 2010, the reported amount of investments was \$6,603.9 million. The SIF had no custodial credit risk exposure for these investments.

### Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. The weighted average maturity method is used to analyze interest rate risk and investment guidelines mandate that the weighted average maturity for the entire portfolio will not exceed one year. At June 30, 2010, the following table shows the investments by investment type, amount and the weighted average maturities (in millions):

Investment	Fair Value	Weighted Average Maturity (Days)
Bank NOW account deposits	\$ 755.6	0
Repurchase agreements	1,249.0	1
Government and agency	4,599.0	112
Certificates of deposit	.3	15
Mortgage backed securities	--	331
Total	<u>\$ 6,603.9</u>	
Portfolio weighted average maturity		78

### Credit Quality Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard and Poor's, Moody's Investors Service, and Fitch Ratings. Investment guidelines establish numerous, very specific maximum exposure limits based on the minimum credit ratings as issued by a nationally recognized rating agency.

The following table presents the SIF's ratings as of June 30, 2010 (in millions):

	Ratings	Fair Value	Percent
Bank NOW Account Deposits	NR	\$ 755.6	11.4
Repurchase agreements (collateral):			
U.S. government debt	AAA	937.0	14.2
Government sponsored entity U.S. agency	AAA to A	312.0	4.7
U.S. Treasury	AAA	650.1	9.8
Federal Home Loan Board	A-1+/AAA	1,352.7	20.5
Federal Home Loan Mortgage Corporation	A-1+/AAA	1,278.3	19.4
Federal National Mortgage Association	A-1+	1,317.9	20.0
Certificates of deposit:			
Nonnegotiable (Var Wis Banks)	N/R	.3	--
Totals		<u>\$ 6,603.9</u>	<u>100.0%</u>

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer. The SIF's investment guidelines limit concentrations of credit risk by establishing numerous maximum issuer and/or issue exposure limits based on credit rating. These guidelines do not place a limit on maximum exposure for any U.S. treasury or agency securities. As of June 30, 2010 the SIF has more than five percent of its investments in a Fifth Third Bank NOW account deposit (6.1 percent), FHLB (20.5 percent), FHLMC (19.4 percent), FNMA (20.0 percent), and repurchase agreement collateral consisting of various securities issued by these same three U.S. agencies (4.7 percent). Since the repurchase agreements mature each day, new collateral, consisting of a different blend of U.S. Treasury and agency securities, is assigned each night.

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The SIF is permitted to invest in Canadian or Euro denominated issues provided they are fully hedged against foreign currency risk. At

June 30, 2010 the SIF did not own any issues denominated in foreign currency.

Copies of the separately issued financial report that includes financial statements and other supplementary information for the SIF may be obtained at [www.swib.state.wi.us](http://www.swib.state.wi.us) or by writing to:

State of Wisconsin Investment Board  
PO Box 7842  
Madison, WI 53707-7842

#### 4. Lottery Investments and Related Future Prize Obligations

Investments of the State Lottery Fund totaling \$64.0 million are held to finance grand prizes payable over a 20-year or 25-year period. The investments in prize annuities are debt obligations of the U.S. government and backed by its full faith and credit as to both principal and interest. Liabilities related to the future prize obligations are presented at their present value and included as Accounts Payable and Other Accrued Liabilities. The following is a schedule of future prize obligations (in thousands):

Fiscal Year	Amount
2011	\$ 9,747
2012	7,284
2013	7,351
2014	6,305
2015	6,274
Thereafter	<u>38,924</u>
Total future value	75,885
Less: Present value adjustment	<u>(21,300)</u>
Present value of payments	<u>\$ 54,585</u>

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

Receivables at June 30, 2010 were as follows (in thousands):

	Loans to		Other Loans Receivable				Due From		Due From	Total
	Taxes	Local Governments	Student Loans	Veterans Loans	Mortgage Loans	Other Loans	Other Receivables	Other Governments	Component Units	
<b>Governmental Activities:</b>										
General	\$ 1,063,407	\$ 2,195	\$ -	\$ -	\$ -	\$ 25,819	\$ 378,618	\$ 813,678	\$ 231	\$ 2,283,949
Transportation	96,299	-	-	-	-	24,093	8,813	318,845	-	448,050
Common School	-	653,771	-	-	-	-	396	9,254	-	663,421
Nonmajor Governmental	29,273	21,410	-	-	-	6	50,264	5,647	-	106,599
Total Governmental:	1,188,978	677,377	-	-	-	49,917	438,091	1,147,424	231	3,502,018
Government-wide Adjustments:										
Internal Service Funds	-	-	-	-	-	-	1,377	386	97	1,860
Accrual Adjustments	-	-	-	-	-	-	2,689	-	-	2,689
Fiduciary Receivables	-	-	-	-	-	-	69,552	-	-	69,552
<b>Total – Governmental Activities</b>	<b>\$ 1,188,978</b>	<b>\$ 677,377</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 49,917</b>	<b>\$ 511,709</b>	<b>\$ 1,147,810</b>	<b>\$ 328</b>	<b>\$ 3,576,119</b>
Related revenue deferral because the receivable does not meet the availability criteria	\$ 223,506	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	48,694	\$ 0	\$ 0	272,200
<b>Business-type Activities:</b>										
Current:										
Injured Patients and Families Compensation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	7,181	\$ -	\$ -	7,181
Environmental Improvement	-	160,649	-	-	-	-	615	9,008	-	170,272
University of Wisconsin System	-	-	32,067	-	-	-	143,283	91,421	4,018	270,788
Unemployment Reserve	-	-	-	-	-	-	238,119	99,606	-	337,726
Nonmajor Enterprise	-	326	-	3,899	5,583	-	62,004	7,138	-	78,949
Total Current:	-	160,975	32,067	3,899	5,583	-	451,202	207,172	4,018	864,916
Noncurrent:										
Environmental Improvement	-	1,658,817	-	-	-	-	-	-	-	1,658,817
University of Wisconsin System	-	-	162,003	-	-	-	4,713	-	-	166,716
Unemployment Reserve	-	-	-	-	-	-	64,579	-	-	64,579
Nonmajor Enterprise	-	1,648	-	11,824	221,533	3,885	70	-	-	238,960
Total Noncurrent	-	1,660,465	162,003	11,824	221,533	3,885	69,362	-	-	2,129,072
Government-wide Adjustments:										
Fiduciary Receivables	-	-	-	-	-	-	3	-	-	3
<b>Total – Business-type Activities</b>	<b>\$ 0</b>	<b>\$ 1,821,439</b>	<b>\$ 194,070</b>	<b>\$ 15,723</b>	<b>\$ 227,116</b>	<b>\$ 3,885</b>	<b>\$ 520,568</b>	<b>\$ 207,172</b>	<b>\$ 4,018</b>	<b>\$ 2,993,991</b>

**B. Net Revenues**

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2010, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	\$ 126,534,787
Sales and Services of Auxiliary Enterprises	22,795,679
Total	<u>\$ 149,330,466</u>

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

Capital asset activity for the fiscal year ended June 30, 2010 was as follows (in thousands):

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 1,994,491	\$ 115,520	\$ (62)	\$ 2,109,948
Buildings and Improvements	160,952	2,616	-	163,568
Library Holdings	81,586	992	(2)	82,576
Equipment	652	-	-	652
Construction and Software in Progress	834,593	596,465	(261,341)	1,169,717
Infrastructure	12,218,692	177,616	(21,758)	12,374,551
Total capital assets, not being depreciated	15,290,966	893,209	(283,163)	15,901,012
Capital assets, being depreciated:				
Land Improvements	120,789	13,845	(363)	134,271
Buildings and Improvements	1,871,669	85,862	(187)	1,957,344
Equipment	738,067	75,371	(35,869)	777,569
Totals	2,730,526	175,078	(36,419)	2,869,184
Less accumulated depreciation for:				
Land Improvements	54,967	6,165	(246)	60,887
Buildings and Improvements	702,687	49,659	(125)	752,221
Equipment	437,562	54,428	(31,726)	460,264
Totals	1,195,216	110,252	(32,096)	1,273,372
Total Capital Assets, being depreciated, net	1,535,310	64,826	(4,323)	1,595,813
Governmental activities capital assets, net	\$ 16,826,276	\$ 958,035	\$ (287,486)	\$ 17,496,825
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 133,347	\$ 2,471	\$ (15)	\$ 135,804
Library Holdings	1,088,150	23,420	(5,031)	1,106,539
Construction and Software in Progress	238,523	376,371	(117,821)	497,073
Total Capital Assets, not being depreciated	1,460,020	402,263	(122,867)	1,739,416
Capital assets, being depreciated:				
Land Improvements	9,492	33	(5)	9,520
Buildings	4,934,315	298,557	(86,997)	5,145,875
Equipment	951,576	82,584	(25,802)	1,008,358
Totals	5,895,382	381,175	(112,805)	6,163,753
Less accumulated depreciation for:				
Land Improvements	7,835	195	(5)	8,024
Buildings	2,034,760	150,785	(13,218)	2,172,327
Equipment	684,136	69,115	(21,483)	731,768
Totals	2,726,731	220,094	(34,707)	2,912,118
Total Capital Assets, being depreciated, net	3,168,651	161,081	(78,098)	3,251,634
Business-type activities capital assets, net	\$ 4,628,671	\$ 563,344	\$ (200,965)	\$ 4,991,050

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of \$5,793 thousand at June 30, 2010, with accumulated depreciation totaling \$3,232 thousand.

Depreciation Expense

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

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
Commerce	\$ 807	University of Wisconsin System	\$ 200,220
Education	3,013	Lottery	48
Transportation	7,564	Veterans Mortgage Loan Repayment	30
Environmental Resources	10,115	Injured Patients and Families Compensation	4
Human Relations and Resources	61,275	Environmental Improvement	2
General Executive	7,298	Other Business-Type	<u>12,775</u>
Judicial	2,599	Total depreciation expense -	
Legislative	399	business-type activities	<u>\$ 213,080</u>
Internal Service Funds	<u>17,115</u>		
Total depreciation expense -			
governmental activities	<u>\$ 110,185</u>		

Construction and Software in Progress

Construction and software in progress of the primary government reported in the government-wide statement of net assets at June 30, 2010 included the following projects (in thousands):

	Allotments	Expended to June 30, 2010	Encumbrances Outstanding	Unencumbered Allotment Balance
<b>Governmental Activities:</b>				
Reported through capital projects funds:				
Interstate 94 North and South Corridor Reconstruction	\$ 110,399	\$ 110,399	\$ -	\$ -
High Speed Rail	47,500	4,599	42,890	11
Armed Forces Reserve Center	45,599	16,061	15,785	13,753
State Highway Rehabilitation	28,111	28,111	-	-
Capital Heating Power Plant – Facility Renovate and Upgrade	19,202	3,072	-	16,131
Wisconsin Resource Center – Female Treatment Center	19,030	5,348	7,367	6,315
Major Highway Projects	14,586	14,586	-	-
Winnebago Corrections Facility Replacement	13,900	1,440	7,946	4,515
Other projects with allotments totaling less than \$10 million		44,074		
Subtotal		227,690		
Projects funded through sources other than capital projects funds:				
Transportation-related		914,706		
Department of Natural Resources		11,841		
Department of Administration		6,789		
Department of Health Services		5,129		
Other agency projects		3,562		
Total construction and software in progress – governmental activities		\$ 1,169,717		
<b>Business-type Activities:</b>				
Reported through capital projects funds - University of Wisconsin System:				
Charter Heating Plant Rebuild – Madison	244,267	9,379	4,688	230,200
Biochemistry II Building – Madison	112,450	53,834	44,027	14,589
Union South Replacement – Madison	94,675	49,939	39,566	5,170
School of Human Ecology Building and Renovation	52,950	7,287	31,729	13,934
Institute for Discovery – Madison	50,188	39,657	-	10,531
Davies Center Redevelopment – Eau Claire	48,802	3,102	-	45,700
Lakeshore Hall and Food Service – Madison	48,170	1,928	-	46,242
Academic Building – Oshkosh	45,449	17,392	20,671	7,386
Chazen Museum of Art Addition – Madison	43,799	15,960	17,168	10,670
New Residence Hall – La Crosse	38,418	6,843	21,950	9,625
New Academic Building – La Crosse	38,380	19,274	11,461	7,645
New Residence Hall – Whitewater	36,960	32,708	1,545	2,707
Communication Arts Renovate and Addition – Parkside	34,156	8,599	20,605	4,952
Education Building Renovation – Madison	33,837	28,134	2,876	2,827
Gordon Commons Redevelopment – Madison	33,056	1,172	-	31,884
New Residence Hall – Oshkosh	31,500	1,484	1,271	28,745
New Academic Building – Superior	26,780	13,507	10,853	2,420
Suite Style Residence Hall – Stevens Point	25,550	8,986	12,495	4,069
South Forks Suite Addition – River Falls	18,935	639	-	18,296
Sterling Hall Renovation – Madison	18,873	16,835	219	1,818
Chadbourne & Barnard Hall – Madison	13,724	12,317	1,371	36
Hovlid Hall Renovation – Stout	13,600	11,793	1,675	132
Fischer and Weller Renovation – Whitewater	10,505	357	185	9,963
Multi-Building Energy Conservation – Milwaukee	10,319	5,386	4,236	697
Projects with allotments totaling less than \$10 million:				
University of Wisconsin System		80,941		
Other		15,516		
Subtotal		462,969		
UW software funded through sources other than capital projects funds				
		28,279		
Total construction and software in progress – business-type activities		\$ 491,248		

Construction and software in progress of the University of Wisconsin System and of the other business-type activities as reported in the financial statements totaled \$481.5 million and \$15.6 million as of June 30, 2010, respectively.



**Component Units**

Capital Assets balance of the Wisconsin Housing and Economic Development Authority at June 30, 2010, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2010, the University of Wisconsin Foundation at December 31, 2009, and the State Fair Park Exposition Center, Inc. at December 31, 2009 were as follows (in thousands)

	<b>Amount</b>
<b>Capital Assets, not being depreciated:</b>	
Land and Land Improvements	\$ 18,735
Construction in Progress	4,788
Total Capital Assets, not being depreciated	<u>23,523</u>
<b>Capital Assets, being depreciated:</b>	
Buildings	529,002
Equipment	251,236
Totals	<u>780,238</u>
<b>Less accumulated depreciation for:</b>	
Buildings	212,798
Equipment	175,892
Totals	<u>388,690</u>
Total Capital Assets, being depreciated, net	<u>391,548</u>
Component Units Capital Assets, net	<u>\$ 415,071</u>

**NOTE 8. ENDOWMENTS****Primary Government****University of Wisconsin System**

The University of Wisconsin System invests its trust funds, principally gifts and bequests designated as endowments or quasi-endowments, in two of its own investment pools: the Long Term Fund and the Intermediate Term Fund. Benefiting University of Wisconsin System entities receive quarterly distributions from the Long Term Fund, principally endowed assets, based on an annual spending rate applied to a 12-quarter moving average market value of the fund. The annual spending rate is currently 4.0 percent. Distributions from the Intermediate Term Fund, principally quasi-endowments and unspent income distributions, consist of interest earnings distributed quarterly. Spending rate and interest distributions from both of these funds are transferred to the State Investment Fund, pending near-term expenditures. At June 30, 2010, net appreciation of \$13.7 million was available to be spent.

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

University of Wisconsin System investment policies and guidelines for the Long Term Fund and Intermediate Term Fund are governed and authorized by the Board of Regents. The approved asset allocation policy for the Long Term Fund sets a general target of 24.5 percent marketable equities, 16.5 percent fixed income, 34.0 percent alternatives, and 25.0 percent tactical strategies. The approved asset allocation for the Intermediate Term Fund is 15.0 percent marketable equities, 65.0 percent fixed income, 10.0 percent alternatives, and 10.0 percent cash.

The fair value of Endowments as of June 30, 2010 was \$370.7 million including an unrealized gain of \$38.4 million when fair values as of June 30, 2010 are compared to asset acquisition costs. This compares to a fair value as of June 30, 2009 of \$336.9 million. The net increase in fund balance during 2009-10 was \$33.8 million.

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments since realized gains and losses are based on the difference between the selling price and the acquisition cost of the asset. Therefore, when assets are reported at fair value much of the realized gain or loss may have already been included in prior years as part of the overall change in the fair value of investments.

At June 30, 2010, the book value and fair value of principal funds under control of the University of Wisconsin System was (in millions):

Original Contributions and Distributed Net Gains	\$ 156.5
Realized Gains – Undistributed	180.4
Book Value	336.9
Unrealized Net Gains/Losses - Undistributed	33.8
Fair Value	<u>\$ 370.7</u>

On June 30, 2010, the portfolio at market, for the Long Term Fund, contained 38.4 percent in common stock and convertible securities, 14.7 percent in bonds and preferred stock, 19.4 percent in alternative assets, 19.4 percent in tactical allocation strategies, and 8.1 percent in short-term investments. The total return on the principal Long Term Fund including capital appreciation was 12.0 percent.

On June 30, 2010, the portfolio at market, for the Intermediate Fund, contained 12.6 percent in common stock and convertible securities, 83.0 percent in bonds and preferred stock, and 4.4 percent in short-term investments. The total return on the principal Intermediate Fund including capital appreciation was 12.0 percent.

External investment counsel was furnished for funds representing 84.7 percent of market value principal.

### Component Unit

#### University of Wisconsin Foundation

The University of Wisconsin Foundation's (the Foundation) endowment consists of 3,067 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Management of Institutional Funds Act (UPMIFA) as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently-restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not

classified in permanently-restricted net assets is classified as temporarily-restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of December 31, 2009 (in millions):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$(38.2)	\$175.0	\$749.5	\$886.3

Endowment Related Activities by Type of Fund as of December 31, 2009 (in millions):

	Un-restricted	Temporarily Restricted	Permanently Restricted	Total
Beginning net assets	\$ (72.8)	\$179.2	\$ 714.1	\$820.6
Reclassification of assets per change in law	(1.1)	1.1	--	--
Net assets after reclassification	\$(73.8)	\$180.3	\$714.1	\$820.6
Investment return	35.7	47.1	--	82.8
Contributions	--	--	29.8	29.8
Appropriation of assets for expenditure	--	(48.7)	--	(48.7)
Transfers in for matching	--	--	2.2	2.2
Net transfers and adjusting entries	--	(3.6)	3.3	(.3)
Ending net assets	<u>\$(38.2)</u>	<u>\$175.0</u>	<u>\$749.4</u>	<u>\$886.3</u>

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$38.2 million as of December 31, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

#### Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a diversified equity-related benchmark while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return that outpaces spending, inflation, and expenses annually. Actual returns in any given year will vary.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4.75 percent of its endowment fund's average fair value over the prior twelve quarters through the quarter-end preceding the quarter in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3.0 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or

for a specified term as well as to provide additional real growth through new gifts and investment return.

The Foundation amended its spending policy effective July 1, 2010. Under the amended policy, the distribution rate will be 4.5 percent of its endowment fund's average fair value over the 16 quarters through the quarter-end preceding the quarter in which the distribution is planned. The additional number of quarters used in calculating the average value will be transitioned in over a one-year period beginning on the effective date of the amended policy.

#### Celebrate Children Foundation, Inc

The Celebrate Children Foundation Inc., (CCF) endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the CCF has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the CCF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the CCF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the CCF, and (7) the CCF's investment policies.

#### Investment Return Objectives, Risk Parameters and Strategies

The CCF has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt

securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5 percent once the assets in the board designated fund reach \$5.0 million, while growing the funds if possible. Therefore, the CCF expects its endowment assets, over time, to produce an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

In accordance with the donor's stipulations, investment return from the permanently restricted endowment assets is unrestricted revenue to the CCF. The CCF chose to place the investment return earned from the permanently restricted assets in a board designated endowment fund. The CCF's spending policy for its board designated endowment indicates that no funds will be spent until the board designated endowment reaches \$5.0 million. Thereafter, no more than 5 percent of the interest accumulated annually may be spent. In establishing this policy, the CCF considered the long-term expected return on its investment assets, the nature and duration of the endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The CCF expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3 percent annually. This is consistent with the CCF's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition as of June 30, 2010:

	Unrestricted	Permanently Restricted	Total
Donor-restricted	\$ --	\$1,083,214	\$1,083,214
Unrestricted			
Board-designated	(14,812)	--	(14,812)
Total	<u>\$(14,812)</u>	<u>\$1,083,214</u>	<u>\$1,068,402</u>

Changes in endowment net assets as of June 30, 2010 are:

	Permanently Restricted	Board-Designated	Total
Balance July 1, 2009	\$977,239	\$(121,042)	\$856,197
Contributions	105,975	--	105,975
Investment return:			
Interest and dividends	--	22,348	22,348
Unrealized gain	--	88,278	88,278
Realized loss	--	(4,396)	(4,396)
End of Year	<u>\$1,083,214</u>	<u>\$(14,812)</u>	<u>\$1,068,402</u>

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

Interfund balances as of or for the year ended June 30, 2010 consist of the following (in thousands):

**A. Due from/to Other Funds:**

Due from Other Funds and the Due to Other Funds represent short-term interfund accounts receivable and payable. The balances in these accounts at June 30, 2010 were as follows (in thousands):

		<b>Due to Other Funds:</b>											
		General	Trans- portation	Common School	Nonmajor Govern- mental	Injured Patients and Families Compensation	Environ- mental Improve- ment	University of Wisconsin System	Unemploy- ment Reserve	Nonmajor Enterprise	Internal Service	Fiduciary	<b>Total</b>
<b>Due from Other Funds:</b>													
General	\$	-	\$ 55,029	\$ 1,417	\$ 10,602	\$ 10	\$ 369	\$ 43,703	\$ 7,944	\$ 30,037	\$ 1,673	\$ 68,173	\$ 218,956
Transportation		15,831	-	-	34,295	-	-	388	-	-	20	-	50,534
Common School		725	-	-	144	-	-	-	-	-	-	-	869
Nonmajor Governmental		45,290	15,460	275	7,415	-	1,665	186	-	19,498	1,635	-	91,423
Environmental Improvement		-	-	-	204	-	-	-	-	-	-	-	204
University of Wisconsin System		41,724	1,693	14	1,215	-	-	-	-	7	36	-	44,688
Unemployment Reserve		518	-	-	-	-	-	-	-	-	-	-	518
Nonmajor Enterprise		13,019	54	-	2,304	-	-	-	-	361	48	3	15,788
Internal Service		36,339	2,767	-	4,290	6	30	1,056	-	495	398	1,212	46,594
Fiduciary		26,627	4,193	-	2,541	5	6	17,961	-	3,022	624	393	55,372
<b>Total</b>	<b>\$</b>	<b>180,071</b>	<b>\$ 79,194</b>	<b>\$ 1,706</b>	<b>\$ 63,011</b>	<b>\$ 21</b>	<b>\$ 2,071</b>	<b>\$ 63,294</b>	<b>\$ 7,944</b>	<b>\$ 53,420</b>	<b>\$ 4,435</b>	<b>\$ 69,781</b>	<b>\$ 524,946</b>

The balances in the Due from Other Funds and Due to Other Funds accounts typically result from the time lag between the dates that

- (1) interfund goods and services were provided and when the payments occurred, and
- (2) interfund transfers were accrued and when the liquidations occurred.

**B. Due from/to Component Units**

Receivables and payables between funds and component units at June 30, 2010 were as follows (in thousands);

	Due from Component Unit				Due from Primary Government		Total
	General	University of Wisconsin System	Internal Service	Fiduciary	University of Wisconsin Hospitals and Clinics Authority		
<b>Due to Primary Government:</b>							
University of Wisconsin Hospitals and Clinics Authority	\$ 6	\$ 4,018	\$ 97	\$ 3,816	\$ -	\$ -	\$ 7,936
Wisconsin Housing and Economic Development Authority	225	-	-	-	-	-	225
<b>Due to Component Unit:</b>							
University of Wisconsin System	-	-	-	-	1,420	-	1,420
<b>Total</b>	<b>\$ 231</b>	<b>\$ 4,018</b>	<b>\$ 97</b>	<b>\$ 3,816</b>	<b>\$ 1,420</b>	<b>\$ -</b>	<b>\$ 9,582</b>

**C. Interfund Receivables/Payables**

Interfund Receivables/Payables represent short-term loans from one fund to another to cover cash overdrafts. Interfund receivables/payables at June 30, 2010 were as follows (in thousands):

	University of Wisconsin System		
	System	Fiduciary	Total
<b>Interfund Payables:</b>			
General	\$ 231,962	\$ -	\$ 231,962
Nonmajor Governmental	15,390	-	15,390
Nonmajor Enterprise	57,463	-	57,463
Internal Service	87,141	-	87,141
Fiduciary	-	154,370	154,370
<b>Total</b>	<b>\$ 391,956</b>	<b>\$ 154,370</b>	<b>\$ 546,326</b>

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

Advances to/from Other Funds represent long-term loans to one fund from another fund. Advances at June 30, 2010 were as follows (in thousands):

	Advances from Other Funds (liability):			
	General	Nonmajor Governmental	Fiduciary	Total
<b>Advances to Other Funds (asset):</b>				
General	\$ -	\$ -	\$ 167	\$ 167
Injured Patients and Families Compensation	202,588	-	-	202,588
Environmental Improvement	-	2,477	-	2,477
Nonmajor Enterprise	657	-	-	657
Internal Service	-	2,789	-	2,789
<b>Total</b>	<b>\$ 203,245</b>	<b>\$ 5,266</b>	<b>\$ 167</b>	<b>\$ 208,679</b>

**E. Interfund Transfers**

Interfund Transfers in and out that occurred during Fiscal Year 2010 were as follows (in thousands):

<b>Transfers in:</b>										
	General	Trans- portation	Common School	Nonmajor Governmental	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Nonmajor Enterprise	Internal Service	Total
<b>Transfers out:</b>										
General	\$ -	\$ 2,765	\$ 15,000	\$ 310,117	\$ 202,588	\$ -	\$ 1,004,783	\$ 71,465	\$ 5,708	\$ 1,612,427
Transportation	85,314	-	-	40,266	-	-	-	-	-	125,581
Common School	1,392	-	-	275	-	-	-	-	-	1,666
Nonmajor Governmental	75,281	16,259	-	65,402	-	23,687	166,934	8,150	539	356,252
Injured Patients and Families Compensation	-	-	-	14	-	-	-	-	-	14
Environmental Improvement	-	-	-	15,098	-	-	-	-	-	15,098
University of Wisconsin System	111,392	-	-	49,756	-	-	-	-	5	161,153
Unemployment Reserve	4,558	-	-	-	-	-	-	-	-	4,558
Nonmajor Enterprise	27,678	-	-	6,076	-	-	-	213	362	34,330
Internal Service	23,034	-	-	1,340	-	-	9	-	534	24,916
Fiduciary	-	-	-	333	-	-	-	-	9	342
Timing Difference due to Different Fiscal Year-ends	-	-	-	(577)	-	-	-	-	-	(577)
<b>Total</b>	<b>\$ 328,649</b>	<b>\$ 19,023</b>	<b>\$ 15,000</b>	<b>\$ 488,100</b>	<b>\$ 202,588</b>	<b>\$ 23,687</b>	<b>\$ 1,171,726</b>	<b>\$ 79,829</b>	<b>\$ 7,157</b>	<b>\$ 2,335,761</b>

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

**Nonroutine and Other Transfers**

In the fiscal year ended June 30, 2010, transfers considered non-routine or inconsistent with the fund making the transfer included the following (in thousands):

Transfers in to the General Fund:

<b>Funds Reporting the Transfer Out</b>	<b>Amount</b>
University Wisconsin System	\$ 85,385
Transportation	84,770
Recycling	25,925
Petroleum Inspection	21,973
Environmental	14,590
Technology Services	8,200
Fleet Services	4,700
Facilities Operations and Maintenance	3,600
Risk Management	3,000
Financial Services	1,800
Agrichemical Management	1,555
Homes for Veterans	1,239
Universal Service	1,237
Agricultural Chemical Cleanup	1,144
Other Funds	1,063

Transfer out from the General Fund:

<b>Fund Reporting the Transfer In</b>	<b>Amount</b>
Environmental	12,864

Transfers out from the Petroleum Inspection Fund:

<b>Funds Reporting the Transfer In</b>	<b>Amount</b>
Transportation	10,000
Recycling	2,000
Environmental	230

Transfer out from the General Fund in response to Supreme Court decision:

<b>Fund Reporting the Transfer In</b>	<b>Amount</b>
Injured Patients and Families Compensation	202,588

**NOTE 10. CHANGES IN LONG-TERM LIABILITIES**

During the year ended June 30, 2010, the following changes occurred in long-term liabilities (in thousands):

**Primary Government**

<b>Governmental Activities</b>	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2010</b>	<b>Amounts Due Within One Year</b>
<b>Bonds Payable:</b>					
General Obligation Bonds for Governmental Funds	\$ 3,984,813	\$ 815,652	\$ 316,284	\$ 4,484,181	\$ 325,543
General Obligation Bonds for Internal Services Funds	150,247	7,692	9,151	148,788	10,162
Annual Appropriation Bonds	3,379,710	-	20,020	3,359,690	25,835
Revenue Bonds	1,599,874	282,460	168,134	1,714,200	86,219
<b>Less Deferred Amounts:</b>					
Issuance Premiums and Discounts	246,514	59,607	36,373	268,778	-
Refundings	(43,280)	696	(5,602)	(36,982)	-
<b>Total Bonds Payable</b>	<b>9,317,880</b>	<b>1,166,107</b>	<b>544,361</b>	<b>9,938,655</b>	<b>447,759</b>
<b>Other Liabilities:</b>					
Future Benefits and Loss Liability	103,119	21,376	29,648	94,847	32,428
Capital Leases	32,263	10,720	11,410	31,572	995
Installment Contracts	475	1,428	1,174	729	690
Compensated Absences	147,984	62,500	50,107	160,378	57,093
Other Postemployment Benefits	102,903	36,539	-	139,441	-
Claims, Judgments and Commitments	1,188	2,033	-	3,220	-
Pollution Remediation Obligations	15,610	-	1,619	13,991	700
<b>Total Governmental Activities</b>					
<b>Long-term Liabilities</b>	<b>\$ 9,721,421</b>	<b>\$ 1,300,702</b>	<b>\$ 638,318</b>	<b>\$ 10,382,835</b>	<b>\$ 539,664</b>

Repayment of the general obligation bonds is made from the Bond Security and Redemption Fund. The amount presented in this fund represents the liability to be paid from resources accumulated to provide debt service payments in Fiscal Year 2010. Repayment of the revenue bonds principal and interest is made from the appropriate debt service fund with payments secured by registration and inspection fees collected by the appropriate program. The compensated absences liability will be liquidated by the State's governmental and internal service funds. Long-term liabilities for claims, judgments and commitments are generally liquidated with resources of the governmental activities.



<b>Business-type Activities</b>	<b>Balance July 1, 2009</b>		<b>Additions</b>		<b>Reductions</b>		<b>Balance June 30, 2010</b>		<b>Amounts Due Within One Year</b>	
Bonds Payable:										
General Obligation Bonds	\$	1,098,038	\$	193,140	\$	75,744	\$	1,215,433	\$	43,033
Revenue Bonds		805,305		131,175		81,855		854,625		70,690
Less Deferred Amounts:										
Issuance Premiums and Discounts		59,836		11,811		8,973		62,675		-
Refundings		(16,663)		-		(1,508)		(15,156)		-
Total Bonds Payable		1,946,517		336,125		165,064		2,117,578		113,723
Other Liabilities:										
Future Benefits and Loss Liability		970,123		194,779		137,448		1,027,454		138,827
Capital Leases		110,110		2,878		78,149		34,839		6,194
Compensated Absences		130,399		17,783		3,748		144,435		68,681
Other Postemployment Benefits		110,571		41,013		-		151,584		-
Total Business-type Activities										
Long-term Liabilities	\$	3,267,720	\$	592,580	\$	384,409	\$	3,475,891	\$	327,425

### Component Units

The following table presents the changes in long-term liabilities of the Wisconsin Housing and Economic Development Authority at June 30, 2010, the Wisconsin Health Care Liability Insurance Plan at December 31, 2009, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2010, the University of Wisconsin Foundation at December 31, 2009, and the State Fair Park Exposition Center, Inc. at December 31, 2009:

	<b>Balance July 1, 2009</b>		<b>Additions</b>		<b>Reductions</b>		<b>Balance June 30, 2010</b>		<b>Amounts Due Within One Year</b>	
Revenue Bonds and Notes	\$	3,211,632	\$	368,070	\$	422,556	\$	3,157,146	\$	87,004
Future Benefits and Loss Liability		17,612		4,394		401		21,605		4,505
Capital Leases		7,953		--		2,084		5,869		1,711
Compensated Absences		8,732		8,600		8,197		9,135		9,135
Split-interest Agreement		33,221		2,540		--		35,761		--
Other Post Employment Benefits		7,654		4,541		--		12,195		--
Pension Related		65,119		1,940		2,627		64,432		4,805
Total Component Units										
Long-term Liabilities	\$	3,351,923	\$	390,085	\$	435,865	\$	3,306,143	\$	107,160

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

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2010 (in thousands):

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

General Obligation Bonds	\$ 4,779,727
Annual Appropriation Bonds	3,357,795
Revenue Bonds:	
Transportation	1,671,255
Petroleum Inspection	129,878
Total Governmental Activities	<u>9,938,655</u>

**Business-type Activities:**

General Obligation Bonds:	
University of Wisconsin System	936,147
Other Business-type	299,263
Revenue Bonds:	
Environmental Improvement	882,167
Total Business-type Activities	<u>2,117,577</u>
Total Primary Government	<u>12,056,232</u>

**Component Units:**

Wisconsin Housing and Economic Development Authority Revenue Bonds	2,915,353
University of Wisconsin Hospitals and Clinics Authority Revenue Bonds	237,291
University of Wisconsin Foundation Note Payable	4,503
Total Component Units	<u>3,157,147</u>

Total at June 30, 2010	<u><u>\$15,213,379</u></u>
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**A. General Obligation Bonds****Primary Government**

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. To date, the Commission has authorized and issued general obligation bonds primarily to provide funds for the acquisition or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. Occasionally, general obligation bonds are also issued for the purpose of providing funds for veterans housing loans and to refund general obligation bonds. All general obligation bonds authorized and issued by the State are secured by a pledge of the full faith, credit and taxing power of the State of Wisconsin and are customarily repaid over a period of twenty to thirty years.

Article VIII of the Wisconsin Constitution and Wis. Stat. Section 18.05 set limits on the amount of debt that the State can contract in total and in any calendar year. In total, debt outstanding cannot exceed five percent of the value of all taxable property in the State. Annual debt issued cannot exceed the lesser of three-quarters of one percent or five percent of the value of all taxable property in the State less net indebtedness at January 1.

At June 30, 2010, \$5,424.3 million of general obligation bonds were authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2010 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
1991	1991 Series B	5/91	6.85	5/11	117,136	6,921
1992	1992 Refunding Issue	3/92	6.25	5/15	448,935	8,810
1993	1992 2; 1993 2	10/92; 3/93	5.2 to 6.5	5/15	143,505	44,880
1994	1993 Refunding Issue 3	8/93	5.3	11/12	302,050	50,130
1998	1997 D; 1998 C	9/97 5/98	6.95 to 7.25	11/28	79,005	12,450
1999	1998 Series 1, E and F; 1999 Series 1, and B	8/98; 10/98; 10/98 5/99; 5/99	4.75 to 7.25	11/30	274,525	101,610
2000	1999 D	11/99	7.7	11/30	65,000	7,095
2001	2000 Series B and E; 2001 Series A, B, C and D	7/00;11/00; 2/01; 4/01; 6/01; 6/01	4.5 to 8.05	11/31	259,030	24,845
2002	2001 Series 1, E, F; 2002 Series 1, A, B, C, D	10/01; 10/01; 10/01; 3/02; 3/02; 3/02; 6/02; 6/02	4.0 to 6.96	5/33	819,545	330,015
2003	2002 Series E, F, G and H; 2003 Series 1, 2, and A	9/02; 9/02; 10/02; 12/02; 4/03; 4/03; 5/03	3.8 to 5.25	5/33	415,190	172,645
2004	2003 B, C, and 3; 2004 1, 2, A, 3 and CWGBC	7/03; 10/03;10/03; 1/04; 1/04; 3/04; 6/04; 4/04	0 to 5.25	5/34	1,305,096	866,528
2005	2004 Series 4, B, C, D and E; 2005 Series 1, A, B and C	7/04; 8/04; 8/04; 8/04; 10/04; 2/05; 2/05; 4/05; 4/05	3.0 to 5.65	5/35	1,079,440	913,540
2006	2005 Series D and E; 2006 Series 1 and A	8/05; 12/05; 1/06; 3/06	4.0 to 5.25	5/26	662,910	568,630
2007	2006 Series B, C and D; 2007 Series AW, BW and 1; 2007 Series A and B	7/06; 8/06; 9/06; 2/07; 2/07; 2/07; 2/07; 6/07	4.25 to 5.76	5/37	867,570	848,581
2008	2007 Series 2,3 and C; 2008 Series 1, A, AW, B and BW	10/07; 10/07;12/07 6/08; 4/08;3/08; 5/08; 6/08	2.65 to 6.26	5/38	389,315	364,735
2009	2008 Series C and D 2009 Series AW, A and B	9/08;12/08; 1/09;6/09;6/09	2.0 to 6.2	5/30	521,875	510,505
2010	2009 Series C, D and 1; 2010 Series1, A, B and AW	9.09;9/09;9/09; 3/10;4/10;4/10;4/10	2.0 to 5.9	5/40	1,016,483	1,016,483
Total					8,766,610	5,848,403
Premiums/Discounts					--	212,173
Deferred Amount on Refunding					--	(45,438)
Total General Obligation Bonds					\$ 8,766,610	\$ 6,015,138

As of June 30, 2010, general obligation bond debt service requirements for principal and interest for governmental activities and business - type activities are as follows (in thousands):

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 307,471	\$ 221,662	\$ 39,920	\$ 60,379
2012	358,500	205,798	49,077	58,191
2013	353,401	189,533	51,247	55,899
2014	344,706	173,295	50,449	53,504
2015	357,027	157,008	49,606	51,122
2016-2020	1,477,476	554,999	316,525	213,054
2021-2025	964,893	252,670	325,055	134,166
2026-2030	461,781	64,372	235,644	56,601
2031-2035	7,715	442	65,060	18,810
2036-2040	--	--	32,850	5,175
Total	4,632,969	1,819,780	1,215,433	706,899
Premiums/Discounts	183,740	--	28,433	--
Deferred Amount on Refunding	(36,982)	--	(8,457)	--
Total	\$ 4,779,727	\$ 1,819,780	\$ 1,235,410	\$ 706,899

Zero Coupon Bonds

The general obligation bonds of 1991, Series B, are zero coupon bonds recorded in the amount of \$6.9 million. The bonds mature on May 1 through the year 2011.

Qualified Build America Bonds

The State has issued three series of general obligation bonds, in the aggregate amount of \$459.4 million, that are “qualified Build America Bonds” pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Code). Based on the credit allowed for “qualified Build America Bonds”, the State has elected to receive from the United States Treasury on each payment date a direct payment in the amount of 35 percent of the interest payable by the State with respect to such date, and the credit will not be allowed to the taxpayers holding the bonds.

- The interest rates on the 2009 Series B bonds, in the amount of \$54.5 million, range from 5.15 percent to 5.40 percent payable semiannually on May 1 and November 1 beginning with the first interest payment date of November 1, 2009. These bonds are callable at par on May 1, 2019 or any date thereafter. The bonds mature beginning May 1, 2023 through 2030.

- The interest rates on the 2009 Series D bonds, in the amount of \$225.8 million, range from 4.9 percent to 5.9 percent payable semiannually on May 1 and November 1 beginning with the first interest payment date of May 1, 2010. These bonds are callable at par on May 1, 2020 or any date thereafter. The bonds mature beginning May 1, 2023 through 2040.
- The interest rates on the 2010 Series B bonds, in the amount of \$179.1 million, range from 4.3 percent to 5.65 percent payable semiannually on May 1 and November 1 beginning with the first interest payment date of November 1, 2010. These bonds are callable at par on May 1, 2020 or any date thereafter. The bonds mature beginning May 1, 2020 through 2030.

## B. Annual Appropriation Bonds

### 2003 Annual Appropriation Bonds

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

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

The General Fund Annual Appropriation Bonds, Series A (Taxable Fixed Rate) in the outstanding principal amount of \$850.0 million ("2003 Series A Bonds"), bear interest at rates from 4.80 percent to 5.70 percent computed on the basis of a 30 day month and a 360-day year, payable semiannually on each May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Refunding Bonds of 2008, Series A (Taxable Fixed Rate) in the outstanding principal amount of \$481.4 million ("2008 Series A Bonds"), bear interest at rates from 3.479 percent to 5.238 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Bonds of 2008, Series B (Taxable Floating Rate Notes), ("2008 Series B Bonds"), in the outstanding principal amount of \$300.0 million, bear interest at rates 120 basis points over the one-month LIBOR, computed on the basis of a 360-day year and for the number of days actually elapsed, payable monthly on the first business day of the month.

The General Fund Annual Appropriation Bonds of 2008, Series C (Taxable Floating Rate Notes), ("2008 Series C Bonds") in the outstanding principal amount of \$205.4 million, bear interest at rates 110 basis points over the one-month LIBOR computed on the basis of a 360-day year and for the number of days actually elapsed, payable monthly on the first business day of the month.

As of June 30, 2010, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2011	\$ 20.1	\$ 101.8
2012	26.9	101.0
2013	286.5	99.8
2014	72.8	86.3
2015	10.4	83.0
2016 - 2020	527.9	361.6
2021 - 2025	353.8	244.9
2026 - 2030	428.4	103.0
2031 - 2035	110.0	8.4
Total	1,836.8	1,189.8
Unamortized Prem./Discount	(1.6)	--
Total, net	<u>\$ 1,835.2</u>	<u>\$ 1,189.8</u>

### Derivatives

The State has entered into interest rate exchange agreements, or swap agreements, to modify interest rates for nearly all of the 2008 Series B bonds and 2008 Series C bonds. All interest rate agreements at June 30, 2010, are classified as effective cash flow hedges. Since the interest rate exchange agreements qualify as an effective hedge, changes to fair value are not reported in the statement of activities, and, therefore, no restatement of beginning net assets is necessary as a result of implementation of GASB Statement No. 53 in Fiscal Year 2010. The State has contracted with a third party advisor to provide estimates of the fair value of the aggregate swap agreements as of June 30, 2010.

Objective – In December 2003, the State entered into four interest rate exchange agreements with four different counterparties in order to reduce the interest rate risk in connection with \$595.2 million of the Series B (Taxable Auction Rate Certificates) issued in 2003. In June 2005, the State entered into four additional interest rate exchange agreements with three counterparties in order to reduce the interest rate risk on the balance of the Series B (Taxable Auction Rate Certificates) issued in 2003, (\$349.7 million). In April and June 2008, the State issued \$509 million of annual appropriation refunding bonds as floating rate notes having variable interest rate set every month (2008 Series B Bonds and 2008 Series C Bonds). In conjunction with issuance in April 2008, at its option the State terminated and made corresponding termination payments in the aggregate amount of \$40.0 million on some, and a portion of other, interest rate exchange agreements previously entered into in December 2003 and June 2005. As of June 30, 2010, interest rate

exchange agreements remain to reduce the interest rate risk in connection with \$496 million in floating rate notes.

Terms – Nearly all of the outstanding 2008 Series B Bonds and 2008 Series C Bonds are subject to the interest rate exchange agreements with a notional amount totaling \$496.4 million as of June 30, 2010. 2008 Series Bond B and Series C Bonds mature and a related notional amount of the related interest rate exchange agreements decline from May 1, 2011 through 2032. Based on the interest rate exchange agreements, the State owes to the counterparties an amount calculated at fixed rates ranging from 4.661 percent to 5.47 percent and the counterparties owe the State interest on an amount based on a variable rate, which is the one-month LIBOR. The net amount is paid monthly.

Fair Value – As of June 30, 2010, the aggregate fair value of the interest exchange agreements was negative \$130.7 million, a decrease of \$40.0 million compared to the aggregate fair value of negative \$90.7 million reported as of June 30, 2009. Since the interest rate exchange agreements qualify as effective cash flow hedges, a deferred outflow of resources and a liability are reported in the statement of net assets for the fair value of the swap agreements. Changes in the fair value are not reported in the statement of activities. The fair value was valued by a third party consultant based on information contained in the broker Interest Rate Swap Confirmations supplied by the three counterparties -- JP Morgan Chase, Citigroup N.A. New York, and UBS AG. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the interest rate exchange agreement. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the interest rate exchange agreements, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the interest rate exchange agreements. The fair value may vary throughout the life of the swap agreements due to any changes in fixed swap interest rates and swap market conditions.

Associated Debt – Using rates as of June 30, 2010, debt service requirements are presented for the 2008 Series B Bonds and 2008 Series C Bonds that are subject to the interest rate exchange agreements and the net swap payments assuming that interest rates remain the same for their term. As rates vary, interest payments on the floating rate notes and net swap payments will vary.

(in millions)

Fiscal Year Ended June 30	Interest Rate				Totals
	Principal	Interest	Swaps, Net		
2011	\$ 3.4	\$ 7.6	\$ 24.8	\$ 35.8	
2012	4.6	7.5	24.7	36.8	
2013	5.9	7.4	24.5	37.8	
2014	1.1	7.4	24.2	32.7	
2015	1.1	7.4	24.2	32.7	
2016 - 2020	5.5	36.6	120.2	162.3	
2021 - 2025	48.9	34.8	115.1	198.8	
2026 - 2030	316.9	22.3	74.3	413.5	
2031 - 2035	109.0	2.0	6.5	117.5	
	<u>\$ 496.4</u>	<u>\$ 133.0</u>	<u>\$ 438.5</u>	<u>\$ 1,067.9</u>	

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

Credit Risk – As of June 30, 2010, the State was exposed to only a minimal amount of credit risk, as the fair values of all of the four interest rate exchange agreements were negative. Should rates change, the State could have increased exposure in the future. The State has entered into four interest rate agreements with three different counterparties. The lowest rating assigned to these counterparties is, as of June 30, 2010, A1 by Moody's, A+ by Standard & Poor's, and A+ by Fitch Ratings. Under the interest rate exchange agreements and to mitigate the potential for credit risk, if any of the counterparties' credit quality falls below A3 by Moody's Investors Service or A- by either Standard & Poor's or Fitch Ratings, the fair value of the interest rate exchange agreement for that respective counterparty will be fully collateralized by that counterparty. In addition, an event of termination occurs if any of the counterparties' credit quality falls below Baa2 by Moody's investors service or BBB by either Standard & Poor's or Fitch Ratings.

Basis Risk – The interest rate exchange agreements expose the State to basis risk (i.e., a shortfall or surplus between the variable interest rate received on the interest rate exchange agreements and the interest rate paid on the floating rate notes), however this risk is fixed at the spreads for the respective series.

Termination Risk – The interest rate exchange agreements may be terminated by the State, upon two business days written notice, designating to the counterparty the termination date. In addition, the State or the counterparties may terminate the interest rate exchange agreements if the other party fails to perform under the terms of the interest rate exchange agreements or if other various events occur. As of June 30, 2010, there have

not been any such events. If any interest rate exchange agreement is terminated, the State would be unhedged and exposed to additional interest rate risk on the 2008 Series B Bonds and the 2008 Series C Bonds. In addition, if the interest rate exchange agreement has a negative fair value at the time of termination, the State would incur a loss and would be required to make a settlement payment to the related counterparty. Actual termination payments, if required to be made, can be made, at the State's discretion, from the Stabilization Fund, or delayed until funds are available in the Subordinated Payment Obligations Fund or until the next biennium when appropriations can be made in the biennial budget for the termination payments.

Market-access Risk and Rollover Risk – The State's swap agreements are for the term (maturity) of the 2008 Series B Bonds and the 2008 Series C Bonds and, therefore, there is no market-access risk or rollover risk.

Foreign Currency Risk – The State's swap agreements are not subject to foreign currency risk.

**2009 Annual Appropriation Bonds**

In April 2009, the State issued \$1.5 billion of General Fund Annual Appropriation Bonds. These appropriation obligations were authorized by Wisconsin Statutes for the purpose of purchasing the tobacco settlement revenues that had been sold by the Secretary of Administration to the Badger Tobacco Asset Securitization Corporation pursuant to Wis. Stat. Section 16.63. The 2009 General Fund Annual Appropriation Bonds bear interest rates from 3.00 percent to 6.25 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

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

As of June 30, 2010, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2011	\$ 5.8	\$ 86.8
2012	5.9	86.6
2013	6.6	86.4
2014	7.5	86.2
2015	18.3	85.9
2016 - 2020	136.0	412.3
2021 - 2025	187.5	374.4
2026 - 2030	302.5	312.8
2031 - 2035	568.8	193.3
2036 - 2040	284.0	26.3
Total	1,522.9	1,751.0
Unamortized Premium/Discount	(.3)	--
Total, net	<u>\$ 1,522.6</u>	<u>\$ 1,751.0</u>



**C. Revenue Bonds**

**Primary Government**

Chapter 18, Wisconsin Statutes, authorizes the State to issue revenue obligations secured by a pledge of revenues or property derived from the operation of a program funded by the issuance of these obligations. The resulting bond obligations are not general obligations of the State.

**Transportation Revenue Bonds**

Transportation Revenue Bonds are issued to finance part of the costs of certain transportation facilities and major highway projects. Chapter 18, Subchapter II of the Wisconsin Statutes as amended, Wis. Stat. Sec. 84.59 and a general bond resolution and series resolutions authorize the issuance of these bonds.

The Department of Transportation is authorized to issue a total of \$3,009.8 million of revenue bonds. Presently, there are fifteen issues of Transportation Revenue Bonds totaling \$1,596.7 million. Debt service payments are secured by driver and vehicle registration fees and also a reserve fund, which will be used in the event that a deficiency exists in the redemption fund.

The Transportation Revenue Bonds issued and outstanding as of June 30, 2010 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2009B	10/09	3.5 to 5.8	7/30	\$ 147,130	\$ 147,130
2009A	10/09	3.5 to 4.0	7/14	17,870	17,870
2008A	8/08	5.0	7/29	185,000	185,000
2007A	3/07	4.25 to 5.0	7/27	148,710	148,710
20071	3/07	4.35 to 5.0	7/22	206,900	206,900
2005B	9/05	4.0 to 5.0	7/25	158,400	136,205
2005A	3/05	3.0 to 5.25	7/25	235,585	234,205
2004 1	9/04	5.25	7/17	95,905	70,920
2003A	11/03	5.0	7/24	166,230	124,455
2002A	10/02	4.6 to 5.0	7/23	119,785	78,645
2002 1& 2	4/02	4.1 to 5.75	7/15 & 7/19	200,080	95,620
2001A	11/01	4.0 to 5.0	7/22	106,450	43,620
1998A	8/98	5.5	7/16	130,590	86,605
1993A	9/93	4.75 to 5.0	7/12	116,450	20,855
				2,035,085	1,596,740
Unamortized Premium				--	74,515
Total				\$2,035,085	\$1,671,255

**Petroleum Inspection Fee Revenue Bonds**

Petroleum Inspection Fee (PIF) Revenue Bonds are issued to finance claims made under the Petroleum Environmental Cleanup Fund Award (PECFA) Program for reimbursement of cleanup costs to soil and groundwater contamination. The program reimburses owners for 75 percent to 99 percent of cleanup costs associated with soil and groundwater contamination.

As of June 30, 2010, PIF Bonds outstanding are \$117.5 million. Debt service payments are secured by petroleum inspection fees.

The PIF revenue bonds issued and outstanding as of June 30, 2010 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2009-1	10.09	2.5 to 5.0	7/17	\$ 117,460	\$ 117,460
Unamortized Premium				--	12,418
Total				\$ 117,460	\$ 129,878

**Clean Water Revenue Bonds**

The Environmental Improvement Fund (the Fund) provides loans and grants to local municipalities to finance wastewater treatment planning and construction. The Fund is authorized to issue up to \$2,363.3 million in Revenue Bonds. At June 30, 2010, there were fifteen issues of Revenue Bonds outstanding totaling \$882.2 million. These bonds are secured by payments on program loans and earnings of investments.

Bonds issued and outstanding for the Environmental Improvement Fund as of June 30, 2010 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2010-3	2/10	3.0 to 5.0	6/25	\$ 49,690	\$ 49,690
2010-2	2/10	5.0	6/21	14,070	14,070
2010-1	2/10	3.95 to 5.44	6/31	67,415	67,415
2008-3	12/08	3.0 to 5.5	6/26	92,210	89,225
2008-2	2/08	5.0	6/18	27,335	27,335
2008-1	2/08	4.0 to 5.0	6/28	100,000	93,885
2006-2	11/06	4.0 to 5.0	6/27	100,000	90,465
2006-1	3/06	3.5 to 5.0	6/27	80,000	72,375
2004-2	1/05	3.25 to 5.25	6/20	107,025	94,590
2004-1	3/04	4.0 to 5.0	6/24	116,795	81,070
2002-2	8/02	3.0 to 5.5	6/16	85,575	34,905
2002-1	5/02	4.0 to 5.25	6/23	100,000	48,005
2001-1	4/01	4.5 to 5.25	6/21	70,000	3,265
1998-2	8/99	4.0 to 5.5	6/17	104,360	67,895
1991-1	4/91	5.4 to 6.9	6/11	225,000	20,435
				1,339,475	854,625
Unamortized Premium				--	34,241
Less: Unamortized discount and Charge					(6,699)
Total, net of discount, charge and premium				\$1,339,475	\$ 882,167



As of June 30, 2010, revenue bond debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities	
	Transportation Revenue Bonds		Petroleum Inspection Fee Revenue Bonds		Clean Water Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 77,195	\$ 79,500	\$ --	\$ 6,700	\$ 70,690	\$ 42,614
2012	81,200	73,353	--	5,597	54,465	38,874
2013	88,665	69,014	--	5,597	55,355	36,230
2014	93,315	64,367	24,165	5,007	52,280	33,574
2015	97,940	59,431	25,345	3,817	52,765	30,851
2016-2020	484,430	225,454	67,950	4,148	262,810	114,340
2021-2025	470,915	103,975	--	--	203,765	54,770
2026-2030	189,795	24,684	--	--	102,495	13,129
2031-2035	13,285	388	--	--	--	--
Total	1,596,740	700,166	117,460	30,866	854,625	364,382
Unamortized Premium	74,515	--	12,418	--	34,461	--
Unamortized Discount/Charge	--	--	--	--	(6,919)	--
Total, net	\$ 1,671,255	\$ 700,166	\$ 129,878	\$ 30,866	\$ 882,167	\$ 364,382

#### Qualified Build America Bonds

The 2009 Series B (taxable) Transportation Revenue Bonds in the amount of \$147.3 million, are "qualified Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Code). Based on the credit allowed for "qualified Build America Bonds", the State has elected to receive from the United States Treasury on each payment date a direct payment in the amount of 35 percent of the interest payable by the State with respect to such date, and the credit will not be allowed to the taxpayers holding the bonds. The interest rates on the bonds range from 3.5 percent to 5.8 percent payable semiannually on January 1 and July 1 beginning with the first interest payment date of July 1, 2010. These bonds are callable at par on July 1, 2019 or any date thereafter. The bonds mature beginning July 1, 2015 through 2030.

The 2010 Clean Water Revenue, Series 3 bonds in the amount of \$49.7 million, are "qualified Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Code). Based on the credit allowed for "qualified Build America Bonds", the State has elected to receive from the United States Treasury on each payment date a direct payment in the amount of 35 percent of the interest payable by the State with respect to such date, and the credit will not be allowed to the taxpayers holding the bonds. The interest rates on the bonds range from 3.957 percent to 5.441 percent payable semiannually on June 1 and December 1 beginning with the first interest payment date of June 1, 2010. These bonds are callable at par on June 1, 2020 or any date thereafter. The bonds mature beginning June 1, 2017 through 2025.

**Component Units – Discrete Presentation**

**Wisconsin Housing and Economic Development Authority**

Bonds and notes payable at June 30, 2010 of the Wisconsin Housing and Economic Development Authority (Authority) consisted of the following (in thousands):

Revenue bonds and notes	\$ 2,914,544
Special obligation and subordinated special obligation	3,410
Total	2,917,954
Less: Deferred amount on refunding	(2,601)
Total, net	\$ 2,915,353

*Authority's Revenue Bonds and Notes*

The Authority's revenue bonds and notes are collateralized by the revenues and assets of the Authority, subject to the provisions of resolutions and note agreements which pledge particular revenues or assets to specific bonds or notes. The bonds are subject to mandatory sinking fund requirements and may be redeemed at the Authority's option at various dates and at prices ranging from 100 percent to 108 percent of par value. Any particular series contains both term bonds and serial bonds which mature at various dates. The Authority's revenue bonds and notes outstanding at June 30, 2010 consisted of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
<b>Housing Revenue Bonds:</b>				
1998 A,B&C	2/98	5.3 to 6.88	2032	\$ 13,410
1999 A&B	10/99	5.45 to 6.18	2031	23,765
2002 A,B&C	5/02	4.5 to 5.6	2033	34,320
2003 A&B	12/03	Variable	2034	5,850
2003 C	12/03	3.7 to 5.25	2043	13,185
2003 D&E	12/03	Variable	2044	19,545
2005 A,B&C	12/05	3.2	2035	9,390
2005 D&E	12/05	3.7 to 5.15	2045	38,335
2005 F	12/05	4.31	2030	115,980
2006 A&B	12/06	3.5 to 4.75	2047	16,860
2006 C&D	12/06	Variable	2037	8,625
2007 A&B	12/07	Variable	2042	17,330
2007 C,D&E	12/07	Variable	2038	8,415
2007 F&G	12/07	Variable	2042	16,125
2008 A,B,C,D, E, F&G	6/08	Variable	2033	47,215
2009 A	12/09		2042	14,035
		Variable		402,385
<b>Home Ownership Revenue Bonds:</b>				
1998 D&E	6/98	5.35	2028	11,535
1999 C,D&E	4/99	4.75 to 5.0	2017	3,955
1999 F,G&H	7/99	5.65	2024	4,245
2000 A,B&C	3/00	5.75 to 5.8	2013	745
2000 D,E&F	6/00	5.75 to 7.91	2029	3,235

2000 F	7/00	Variable	2015	2,265
2000 H	11/00	Variable	2024	8,595
2000 G & H	11/00	7.21	2031	965
2001 A,B&C	5/01	5.65 to 6.4	2032	10,050
2002 A&C	2/02	4.55 to 5.45	2022	25,735
2002 B	2/02	Variable	2032	5,905
2002 C	2/02	Variable	2016	4,185
2002 E&G	3/03	4.05 to 4.85	2017	17,815
2002 I	10/02	3.8 to 4.85	2022	9,600
2002 E & F	7/02	Variable	2032	31,010
2002 I	10/02	Variable	2032	34,750
2003 A	4/03	Variable	2033	57,365
2003 B	7/03	Variable	2034	59,815
2003 C	11/03	Variable	2034	51,285
2003 D	11/03	Variable	2028	12,105
2004 A	4/04	Variable	2035	75,170
2004 A	4/04	3.7 to 3.95	2011	1,535
2004 C&D	7/04	3.65 to 5.1	2024	9,245
2004 D	7/04	Variable	2035	94,185
2004 E	11/04	Variable	2035	72,270
2005 A	4/05	4.0 to 4.95	2025	8,200
2005 A	4/05	Variable	2036	89,825
2005 C	6/05	Variable	2033	139,325
2005 C	6/05	4.875	2036	28,100
2005 D	9/05	4.875	2036	18,220
2005 D&E	9/05	Variable	2036	100,690
2006 A&B	1/06	Variable	2037	172,500
2006 C&D	5/06	4.85 to 6.0	2037	173,245
2006 E&F	10/06	4.7 to 5.727	2037	139,180
2007 A&B	4/07	4.65 to 5.75	2038	115,960
2007 B	4/07	Variable	2026	28,785
2007 C&D	4/07	Variable	2038	145,050
2007 C&D	4/07	5.125 to 5.2	2038	41,485
2007 E&F	12/07	4.43 to 6.0	2038	73,910
2007 E&F	12/07	Variable	2038	39,240
2008 A&B	5/08	Variable	2038	101,815
2008 A&B	5/08	5.3 to 5.625	2031	59,555
2009 A	12/09	Variable	2041	255,970
				2,338,620

**Business Development Bonds:**

1995 2,6, & 7	Various	Variable	2015	965
				965

**Multifamily Housing Bonds:**

2006 A&B	7/06	Variable	2036	7,200
2007 A&B	6/07	Variable	2040	11,520
2007 C	8/07	Variable	2048	6,290
2008 A&B	8/08	Variable	2046	13,810
2009 A	6/09	1.5 to 3.5	2018	4,115
2009 A	6/09	Variable	2035	15,885
2009 B	12/09	Variable	2043	69,030
				127,850

Notes Payable	Various	Variable	Various	32,059
Fac. Refunding	6/09	Variable	2017	12,665

**Authority's Total Revenue Bonds and Notes** \$2,914,544

Authority's Special Obligation Bonds

The Authority's Special Obligation Bonds are special limited obligations of the Authority and are collateralized by the revenues and assets of each bond resolution.

Special obligation bonds at June 30, 2010 consist of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Home Ownership Revenue Bonds:				
1998 F&G	10/98	4.75 to 5.2	2018	\$ 3,410
Total Special Obligation Bonds				<u>\$ 3,410</u>

Debt service requirements for principal and interest for the Authority at June 30, 2010 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2011	\$ 80,479	\$ 53,469
2012	51,230	50,948
2013	44,975	49,627
2014	41,645	48,835
2015	44,780	48,184
2016 - 2020	333,940	225,757
2021 - 2025	430,740	183,038
2026 - 2030	610,595	125,078
2031 - 2035	645,210	66,644
2036 - 2040	264,735	11,655
2041 - 2045	348,985	939
Thereafter	20,640	134
Total	2,917,954	864,308
Deferred Amount on Refunding	(2,601)	--
Total	<u>\$ 2,915,353</u>	<u>\$ 864,308</u>

Under a Business Development Program and a Beginning Farmer Program, revenue bonds are issued which do not constitute indebtedness of the Authority within the meaning of any provision or limitation of the Constitution or Statutes of the State of Wisconsin. They do not constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit. They are payable solely out of the revenues derived pursuant to the loan agreement, or in the event of default of the loan agreement, out of any revenues derived from the sale, releasing or other disposition of the mortgaged property.

Therefore, the bonds are not reflected in the financial statements. As of June 30, 2010 the Authority had issued 83 series of such bonds in an aggregate principal amount of \$73.9 million for economic projects in Wisconsin.

A Construction Plus line of credit bears interest at the rate of 2.58 percent at June 30, 2010. Both line of credit rates are based on the 30 day Eurodollar rate.

Derivatives

The Authority has entered into various interest rate swap agreements. The agreements provide the Authority with synthetic fixed interest rates on a portion of its debt. During the term of the swap agreements, the Authority expects to effectively pay a fixed rate on the debt. In return, the counterparty pays interest based on a contractually agreed upon variable rate. The Authority will be exposed to variable rates on the outstanding bonds if the counterparty to the swap defaults, the swap is terminated such that the bonds outstanding is greater than the swap notional value or the effective interest rate, determined by the remarketing agent used for bond holder payments, increases over the variable rate index used for calculating the interest received from the counterparty. All interest rate swap agreements at June 30, 2010 are classified as effective cash flow hedges. The Authority does not intend to terminate these agreements other than at par and for purposes of maintaining a match between bonds outstanding and the swap notional value prior to their maturity.

Using rates as of June 30, 2010, debt service requirements of the Authority outstanding variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ended	Principal	Interest	Interest Rate	
			Swaps, Net	Total
2011	\$ 52,815	\$ 4,874	\$ 52,806	\$ 110,495
2012	49,885	4,655	50,812	105,352
2013	48,985	4,456	49,109	102,550
2014	59,395	4,275	47,352	111,022
2015	59,035	4,077	45,004	108,116
2016 - 2020	281,235	17,244	191,990	490,469
2021 - 2025	211,120	12,964	146,713	370,797
2026 - 2030	286,235	8,839	99,456	394,530
2031 - 2035	301,750	3,891	41,418	347,059
2036 - 2040	78,390	558	5,872	84,820
2041 - 2045	4,695	26	336	5,057
Totals	\$1,433,540	\$ 65,859	\$ 730,868	\$2,230,267

The following table outlines information related to agreements in place as of June 30, 2010 (in thousands):

Program and Bond Issue	Notional Value at 6/30/10	Effective Date	Swap Termination Date	Counterparty Credit Rating	Percent Fixed Rate Paid	Variable Rate/Index Received	Swap Termination Market Value at 6/30/10
Housing Revenue Bonds							
2008 Series G	\$ 21,920	5/21/2002	11/1/2033	A/A2	4.68	70% of one month London Interbank Offered Rate (LIBOR)	\$ (1,510)
2003 Series D	8,430	1/5/2005	5/1/2044	AA-/Aa1	4.21	65% of one month LIBOR + 25 basis points	(766)
2003 Series E	11,205	1/5/2005	5/1/2043	AA-/Aa1	4.05	63.5% of one month LIBOR + 20 basis points	(1,004)
2005 Series F	77,000	1/17/2006	11/1/2030	AA-/Aa1	5.21	One month LIBOR	(15,710)
2006 Series C	3,740	12/14/2006	11/1/2016	AA-/Aa1	3.64	SIFMA + 2 Basis Points	(344)
2006 Series D	4,885	12/14/2006	11/1/2016	AA-/Aa1	3.64	SIFMA + 2 Basis Points	(449)
2007 Series A	10,110	12/19/2007	11/1/2042	AA-/Aa1	4.72	SIFMA + 6 Basis Points	(135)
2007 Series B	7,220	12/19/2007	11/01/2039	AA-/Aa1	4.58	SIFMA + 2 Basis Points	(97)
2007 Series F	10,950	12/19/2007	11/01/2025	AA-/Aa1	4.01	SIFMA + 2 Basis Points	(1,245)
2007 Series G	5,175	12/19/2007	11/01/2025	AA-/Aa1	4.01	SIFMA + 6 Basis Points	(589)
							<u>(21,849)</u>
Multifamily Housing Bonds							
2006 Series A&B	7,200	7/19/2006	10/1/2013	AA-/Aa1	4.21	SIFMA + 2 Basis Points	(678)
2007 Series A	7,580	6/29/2007	10/1/2022	AA-/Aa1	4.43	SIFMA + 6 Basis Points	(1,181)
2007 Series B	3,940	6/29/2007	10/1/2022	AA-/Aa1	5.9	SIFMA + 2 Basis Points	(1,087)
2007 Series C	6,290	8/2/2007	10/1/2024	AA-/Aa1	4.33	SIFMA + 2 Basis Points	(955)
2008 Series A	6,870	8/28/2008	10/1/2026	AA-/Aa2	3.89	SIFMA + 7 Basis Points	(758)
2008 Series A	4,415	8/28/2008	10/1/2026	AA-/Aa2	3.89	SIFMA + 7 Basis Points	(488)
2008 Series B	2,525	8/28/2008	10/1/2026	AA-/Aa2	5.08	SIFMA + 7 Basis Points	(523)
							<u>(5,670)</u>
1987 Home Ownership Revenue Bonds							
2002 Series B	5,905	2/6/2002	3/1/2020	AA-/Aa1	5.88	One month LIBOR + 35 Basis Points	(677)
2002 Series C	4,185	2/6/2002	9/1/2012	AA-/Aa1	3.69	67 percent of one month LIBOR	(129)
2002 Series I	34,750	10/17/2002	9/1/2032	A+/Aa3	4.07	70 percent of one month LIBOR	(1,918)
2003 Series B	59,815	7/29/2003	9/1/2034	AA-/Aa1	3.94	65 percent of one month LIBOR + 25 Basis Points	(4,872)
2004 Series A	31,020	4/29/2004	9/1/2022	AA-/Aa1	4.47	SIFMA + 8 basis points	(3,024)
2004 Series A	9,720	4/29/2004	9/1/2012	AA-/Aa1	2.87	65 percent of one month LIBOR + 25 Basis Points	(231)
2004 Series A	34,430	4/29/2004	3/1/2035	AA-/Aa1	4.27	65 percent of one month LIBOR + 25 Basis Points	(3,350)
2005 Series A	89,825	4/12/2005	3/1/2036	A/A2	3.79	65 percent of one month LIBOR + 25 Basis Points	(5,945)
2005 Series D	81,030	9/29/2005	9/1/2036	AAA/Aa3	3.70	65 percent of one month LIBOR + 25 Basis Points	(4,928)
2007 Series B	28,785	4/10/2007	9/1/2026	AAA/Aa3	5.20	One month LIBOR + 35 Basis Points	(4,387)
2007 Series E	27,980	12/18/2007	9/1/2038	AAA/Aa3	3.96	62 percent of one month LIBOR + 38 Basis Points	(2,811)
2007 Series F	11,260	12/18/2007	9/1/2014	AAA/Aa3	4.43	One month LIBOR	(1,093)
							<u>(33,365)</u>
1988 Home Ownership Revenue Bonds							
2002 Series E	2,310	7/11/2002	3/1/2011	AA-/Aa1	3.24	70 percent of one month LIBOR	(25)
2002 Series E	23,890	7/11/2002	9/1/2032	AA-/Aa1	4.67	70 percent of one month LIBOR	(230)
2002 Series F	4,810	7/11/2002	9/1/2014	AA-/Aa1	5.20	Three months LIBOR + 40 Basis Points	(265)
2003 Series A	13,335	4/3/2003	9/1/2014	A/A2	2.98	65 percent one month LIBOR + 25 Basis Points	(483)
2003 Series A	26,110	4/3/2003	9/1/2030	A/A2	4.26	65 percent one month LIBOR + 25 Basis Points	(238)
2003 Series A	17,920	4/3/2003	9/1/2033	A/A2	4.17	65 percent one month LIBOR + 25 Basis Points	(171)
2003 Series C	34,560	11/4/2003	3/1/2034	A/A2	4.08	65 percent one month LIBOR + 25 Basis Points	(1,544)
2003 Series C	16,725	11/4/2003	3/1/2019	A/A2	3.32	65 percent one month LIBOR + 25 Basis Points	(781)
2004 Series D	94,185	7/27/2004	9/1/2035	A/A2	3.84	65 percent one month LIBOR + 25 Basis Points	(5,975)
2004 Series E	72,270	7/27/2004	9/1/2035	AA-/Aa1	3.99	65 percent one month LIBOR + 25 Basis Points	(7,578)
2005 Series C	76,635	8/3/2005	3/1/2024	AA-/Aa1	3.34	65 percent one month LIBOR + 25 Basis Points	(5,150)
2005 Series C	62,690	8/3/2005	9/1/2033	AA-/Aa1	4.07	65 percent one month LIBOR + 25 Basis Points	(2,446)
2006 Series A	86,660	1/19/2006	3/1/2029	AA-/Aa1	3.65	65 percent one month LIBOR + 25 Basis Points	(7,262)
2006 Series A	52,480	1/9/2006	9/1/2037	AA-/Aa1	4.27	65 percent one month LIBOR + 25 Basis Points	(2,742)
2007 Series C	20,860	6/28/2007	9/1/2017	AA-/Aa1	4.32	SIFMA + 8 Basis Points	(825)

(continued)

(continued)	Notional	Effective	Swap	Counterparty	Percent	Variable	Swap
Program and	Value at	Date	Termination	Credit	Fixed Rate	Rate/Index	Termination
Bond Issue	6/30/10		Date	Rating	Paid	Received	Market Value
							at 6/30/10
2007 Series C	22,575	6/28/2007	9/1/2023	AA-/Aa1	4.63	SIFMA + 8 Basis Points	(2,416)
2007 Series C	37,270	6/28/2007	9/1/2016	AA-/Aa1	4.11	SIFMA + 8 Basis Points	(2,710)
2007 Series D	23,760	6/28/2007	9/1/2027	AA-/Aa1	6.48	100 percent of one month LIBOR	(2,825)
2007 Series D	21,855	6/28/2007	9/1/2016	AA-/Aa1	5.62	100 percent of one month LIBOR	(2,445)
2007 Series D	18,730	6/28/2007	9/1/2028	AA-/Aa1	6.01	100 percent of one month LIBOR	(4,212)
2008 Series A	33,815	5/15/2008	3/1/2019	AA/Aa2	3.35	SIFMA + 8 Basis Points	(2,712)
2008 Series A	52,025	5/15/2008	9/1/2038	AAA/Aa1	3.86	62 percent of one month LIBOR + 38 Basis Points	(3,260)
							(56,295)
						Total Swap Termination Market Value	(\$ 117,179)

Swap Valuation — The Swap Termination Market Values presented above were estimated by either the Authority's counterparties to the swap agreements or by a third-party consultant, using proprietary valuation models based on industry valuation methodology, including the use of forward yield curves, zero curve rates, and market implied volatility assumptions. The synthetic instrument method and the regression analysis method were used to determine whether the derivative was hedgeable or not based on criteria provided by GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments". The fair values of the hedgeable derivatives are presented in the Statements of Revenue, Expenses and Changes in Fund Net Assets. The market values in the table above represent the termination payments that would have been due had the swaps terminated on June 30, 2010. A positive value represents money due to the Authority by the counterparty upon termination while a negative value represents money payable by the Authority.

Termination Risk — Counterparties to the Authority's swap agreements have ordinary termination rights that require a settlement payment by the Authority or the counterparty based on the market value of the swap agreement at the time of termination. As of June 30, 2010, no termination events have occurred.

Credit Risk — The Authority is exposed to credit risk, the risk that the counterparty fails to perform according to its contractual obligations, on all swap agreements. To mitigate this risk, the Authority has entered into swap agreements with highly rated counterparties. As of June 30, 2010, the counterparty or counterparty guarantor in 58 percent of the outstanding swaps were rated AA-/Aa1, 22 percent were rated A/A2, 14 percent were rated AAA/Aa3, and the remaining counterparties were rated AA/Aa2 and A+/Aa3 by S&P and Moody's, respectively. A collateral agreement has been entered into with all but one of the swap counterparties, to help reduce the Authority's exposure to credit risk. Collateral is required based on the counterparty's credit rating and the allowed threshold under each credit rating level. As of June 30, 2010, the counterparty rated AA-/Aa1, has collateral requirements starting at BBB+/Baa1 and a posting threshold of \$500,000. The counterparty rated A/A2 has collateral requirements starting at AA-/Aa3 and a posting threshold of

\$50.0 million. Based on the current rating of A/A2 the posting threshold level is lowered to \$40.0 million. The counterparty rating of AA/Aa2 has collateral requirements starting at A+/A1 and a posting threshold of \$10.0 million. The counterparty rating of A+/Aa3 has collateral requirements starting at BBB+/Baa1 and a posting threshold of \$500,000. The counterparty rated AAA/Aa3 does not have a collateral agreement with the Authority. Based on the fair values as of June 30, 2010, no collateral is required from any counterparty.

Basis and Interest Rate Risk — This risk arises when the amount that is paid by the swap counterparty is different than the variable rate interest payment due to the bondholders. For the Authority, this can happen when the swap counterparty payment is based on a taxable index (LIBOR) while the underlying bonds are traded in the tax exempt market. Based on market conditions, the relationship between taxable and tax exempt rates may vary. To minimize this risk, the Authority has chosen to use the formula that best represents the relationship between the taxable index and the Authority's historical bond rates. In addition, even when the swap counterparty payment is based on a tax exempt index (SIFMA) and the underlying bonds are tax exempt, or the swap counterparty payment is based on a taxable index (LIBOR) and the underlying bonds are taxable, the Authority's variable rate bonds may be traded differently from the market indices.

Rollover Risk — The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated bond. The Authority's swap agreements have limited rollover risk. For HORB issues, the swap agreements contain scheduled reductions to the notional amounts that are expected to follow the scheduled and anticipated reductions in the associated bonds under a wide range of mortgage prepayment speeds. In the case of the HRB and MHB issues, the underlying mortgages will adjust at the swap termination date to current market conditions.



The following swaps expose the Authority to rollover risk:

Associated Debt Issuance	Bond Maturity Date	Swap Termination Date
1987 HORB 2002 Series B	9/1/2032	3/1/2020
1987 HORB 2002 Series C	9/1/2016	9/1/2012
1987 HORB 2004 Series A	9/1/2028	9/1/2012
1987 HORB 2007 Series F	9/1/2018	9/1/2014
1988 HORB 2002 Series E	3/1/2028	3/1/2011
1988 HORB 2002 Series F	9/1/2032	9/1/2014
1988 HORB 2003 Series A	3/1/2029	9/1/2014
1988 HORB 2003 Series C	9/1/2033	3/1/2019
1988 HORB 2005 Series C	3/1/2028	3/1/2024
1988 HORB 2006 Series A	9/1/2030	3/1/2029
1988 HORB 2007 Series C	9/1/2035	9/1/2016
1988 HORB 2007 Series D	3/1/2034	9/1/2016
1988 HORB 2007 Series D	3/1/2038	9/1/2028
1988 HORB 2008 Series A	9/1/2038	3/1/2019
1974 HRB 2006 Series C&D	5/1/2037	11/1/2016
1974 HRB 2007 Series F&G	5/1/2042	11/1/2025
2006 MHB 2006 Series A&B	10/1/2036	10/1/2013
2006 MHB 2007 Series A&B	10/1/2040	10/1/2022
2006 MHB 2007 Series C	10/1/2048	9/1/2024
2006 MHB 2008 Series A&B	4/1/2046	10/1/2026

#### University of Wisconsin Hospitals and Clinics Authority (the Hospital)

In March 2000, the Hospital issued \$56.5 million of Hospital Revenue Bonds, Series 2000 ("Series 2000 Bonds"). In September 2005, the Hospital refunded \$52.5 million of the outstanding bonds with variable Rate Demand Hospital Revenue Bonds, Series 2005. Principal payments on the remaining Series 2000 Bonds are due semiannually in April 2009 through April 2010. Interest rates range from 5.35 percent to 5.50 percent and interest is payable semiannually on April 1 and October 1 of each year. The effective annual interest rate was 5.5 percent and 5.7 percent in 2010 and 2009, respectively.

In October 2002, the Hospital issued \$68.5 million of Hospital Revenue Bonds, Series 2002 (Series 2002 Bonds) consisting of \$55.6 million Series 2002A Short-term Adjustable Securities and \$12.9 million Series 2002B Fixed Interest Rate Bonds. The bond proceeds are designated to finance qualified capital projects. In July 2008, the Hospital exercised its option to convert the interest rate on the Series 2002A Bonds from auction rates to a weekly variable rate mode, secured by a commercial bank Standby Bond Purchase Agreement. Interest on the Bond Issue Series 2002A was payable at the end of each Rate Period. In March 2009, the Hospital refunded \$55.6 million of the outstanding Series 2002A bonds with Variable Rate Demand Revenue Bonds, Series 2009A. The refunding of the Series 2002A bonds resulted in the recognition of a loss of \$1.7 million due to the unamortized

insurance premium and recognition of a deferred loss of \$641 thousand for other unamortized deferred costs of the Series 2002A. Principal payments on the Series 2002B Bonds range from \$1.6 million to \$1.9 million due annually commencing in April 2011 through April 2013. Interest rates for the Series 2002B Bonds range from 5.25 percent to 5.50 percent and interest is payable semiannually on April 1 and October 1 of each year beginning April 1, 2003. The effective annual interest rate of the Series 2002A Bonds was 2.5 percent in 2009. The effective annual interest rate was 5.9 percent in 2010 and 5.5 percent in 2009.

In October 2002, the Hospital entered into an interest rate swap in order to convert a portion of the Series 2002A Short-term Adjustable Rate Securities to fixed rates. The notional amount of this swap agreement was \$21.4 million at June 30, 2010 which matures on April 1, 2022. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.85 percent per annum, payable semiannually, and the Hospital to receive a floating rate of 70.0 percent of one-month LIBOR per annum, payable monthly. As of June 30, 2010 the interest rate received by the Hospital was .2 percent. The Hospital will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. The swap exposes the Hospital to credit risk should the relationship between LIBOR and auction rate converge, changing the synthetic rate on the bonds. The Hospital does not intend to terminate this agreement. The fair value of the swap is \$(2.9) million at June 30, 2010. At June 30, 2010 the Hospital was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Hospital would be exposed to credit risk in the amount of the swap's fair value. Under the swap provision, either party has the option, but not the obligation, to terminate the swap transaction if the other party gets downgraded below BBB- by S&P or below Baa by Moody's. At June 30, 2010, the Hospital's rating is A+ from S&P and A1 from Moody's and the counterparty's rating is AA- from S&P and Aa1 from Moody's. The Hospital elected to classify the swap agreement as ineffective and reports the change in fair value as nonoperating revenue.

In November 2004, the Hospital entered into an interest rate swap in order to convert a portion of the Series 1997 Variable Rate Demand Bonds to fixed rates. The notional amount of this swap agreement was \$26.5 million at June 30, 2010, which matures on April 1, 2021. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.45 percent per annum, payable semiannually, and the Hospital to receive a floating rate of 70.0 percent of one-month LIBOR per annum, payable monthly. In 2010, the effective interest rate received by the Hospital was .2 percent. The Hospital will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. The swap exposes the Hospital to basis risk should the relationship between LIBOR and auction rate converge, changing the synthetic rate on the bonds. The Hospital does not intend to terminate this agreement. The fair value of the swap was

\$(2.8) million at June 30, 2010. Under the swap provision, either party has the option, but not the obligation, to terminate the swap transaction if the other party gets downgraded below BBB- by S&P or below Baa by Moody's. At June 30, 2010, the Hospital's rating is A+ from S&P and A1 from Moody's and the counterparty's rating is AA- from S&P and Aa1 from Moody's. The Hospital elected to classify the swap agreement as ineffective and reports the change in fair value as nonoperating revenue.

In September 2005, the Hospital issued \$59.8 million of Variable Rate Demand Hospital Revenue Bonds, Series 2005 ("Series 2005 Bonds"). The bond proceeds were designated to refund a portion of the Series 2000 Bonds. Principal payments on the Series 2005 Bonds, ranging from \$495 thousand to \$8.1 million are due annually in April 2009 through April 2029. Series 2005 Bonds bear interest at a weekly rate determined by a remarketing agent. Interest is payable monthly. The effective interest rate was 3.1 percent in 2009. In March 2009, the Hospital refunded \$58.1 million of the outstanding Series 2005 bonds with Variable Rate Demand Hospital Revenue Bonds, Series 2009B and transferred the April 2009 principal payment of \$495 thousand into escrow. The refunding of the Series 2005 Bonds resulted in the recognition of a loss of \$889 thousand due to the unamortized insurance premium and recognition of a deferred loss of \$423 thousand for other unamortized deferred costs of the Series 2005 Bonds.

In September 2005, the Hospital entered into an interest rate swap in order to convert the Series 2005 Variable Rate Demand Hospital Revenue Bonds to fixed rates. This swap has been applied to the Series 2009B with the refunding of the Series 2005 Bonds. The notional amount of the swap agreement was \$59.8 million at June 30, 2010, which matures on April 1, 2029. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.31 percent per annum, payable monthly, and the Hospital will receive a floating rate of 58.3 percent of one-month LIBOR per annum plus 0.36 percent payable monthly. The effective interest rate received by the Hospital was .5 percent in 2010. The Hospital will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. Under the swap provision, either party has the option, but not the obligation, to terminate the swap transaction if the other party gets downgraded below BBB- by S&P or below Baa by Moody's. At June 30, 2010, the Hospital's rating is A+ from S&P and A1 from Moody's and the counterparty's rating is AA- from S&P and Aa1 from Moody's. The Hospital does not intend to terminate the agreement. The swap exposes the hospital to basis risk should the relationship between LIBOR and variable rate coverage, changing the synthetic rate on the bonds. The fair value of the swap agreement was \$(6.4) million at June 30, 2010. As of June 30, 2010, the Hospital was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Hospital would be exposed to credit risk in the amount of the swap's fair value. The Hospital elected to

classify the swap agreement as ineffective and reports the change in fair value as nonoperating revenue

In March 2009, insurance on the 2005 swap agreement was removed and the collateral posting provisions of the swap agreement became effective. The collateral amount required is determined based on the fair value of the swap, less the applicable threshold of \$7.0 million at the Hospital's current rating. Collateral valuations are performed daily, based on the official market closing curve. While the counterparty holds the collateral, the funds will earn the overnight Federal Funds interest rate, payable monthly.

In May 2008, the Hospital issued \$50.4 million of Fixed Rate Bonds, Series 2008A ("Series 2008A Bonds") through a private placement. The bond proceeds were used to refund \$50.0 million of Variable Rate Demand Hospital Revenue Bonds, Series 1997. Principal payments on the Series 2008 A Bonds, ranging from \$515 thousand to \$5.2 million are due annually in April 2011 through April 2026. Interest is payable semi-annually. In 2010, the effective interest rate was 5.3 percent.

In June 2008, the Hospital issued \$61.0 million of Variable Rate Demand Revenue Refunding Bonds, Series 2008B ("2008B Bonds"). The bond proceeds were used to refund \$60.0 million of Hospital Revenue Bonds consisting of Short-term Adjustable Rate Securities, Series 2004. Principal payments on the Series 2008B Bonds, ranging from \$9.95 million to \$15.275 million are due annually in April 2030 through April 2034. Series 2008B Bonds bear interest at a daily rate determined by a remarketing agent. Interest is payable monthly. In 2010, the effective interest rate was .2 percent.

In September 2008, the Hospital entered into an equipment financing agreement with GE Government Finance, Inc., in the amount of \$9.3 million. Principal and interest payments are made monthly commencing on November 1, 2008, for seven years. In 2010, the effective interest rate was 4.5 percent.

In March 2009, the Hospital issued \$57.1 million of Variable Rate Demand Revenue Refunding Bonds, Series 2009A ("Series 2009A Bonds"), secured by an irrevocable transferable direct-pay letter of credit issued by a commercial bank. The bond proceeds were used to refund \$55.6 million of Hospital Revenue Bonds consisting of Short-Term Adjustable Rate Securities, Series 2002A. Principal payments on the Series 2009A Bonds, ranging from \$500 thousand to \$4.0 million, are due annually in April 2013 through April 2032. Series 2009A Bonds bear interest at a weekly rate determined by a remarketing agent. Interest is payable monthly. In 2010, the effective interest rate was 0.2 percent.

In March 2009, the Hospital issued \$59.3 million of Variable Rate Demand Revenue Refunding Bonds, Series 2009B ("Series 2009B Bonds"). The bond proceeds were used to refund \$58.1 million of Variable Rate Demand Revenue Refunding

Bonds, Series 2005. Principal payments on the Series 2009B Bonds ranging from \$1.96 million to \$8.2 million, are due annually in April 2011 through April 2029. Series 2009B Bonds bear interest at a weekly rate determined by a remarketing agent. Interest is payable monthly. In 2010, the effective interest rate was 0.2 percent.

In June 2009, the Hospital issued \$5.3 million of Fixed Rate Hospital Revenue Bonds, Series 2009C ("Series 2009C Bonds") through a private placement. The bond proceeds were designated to finance qualified capital projects. Principal payments on the Series 2009C Bonds, ranging from \$248 thousand to \$478 thousand, are due bi-annually beginning in April 2011 through October 2024. Series 2009C Bonds bear interest from June 30, 2009 through October 1, 2012, at the initial fixed rate of 5.07 percent per annum. The interest rate will be reset every three years and is payable bi-annually. In 2010, the effective interest rate was 5.1 percent.

The Series 2000 Bonds, Series 2002 Bonds, Series 2008A Bonds, Series 2008B, 2009A and 2009B are collateralized by a security interest in substantially all of the Hospital's revenue. The borrowing agreements contain various covenants and restrictions, including compliance with the terms and conditions of a Lease Agreement and provisions limiting the amount of additional indebtedness that may be incurred. The borrowing agreements also require the establishment and maintenance of certain funds under the control of a trustee. The Hospital is in compliance with all debt covenants at June 30, 2010.

The Series 2008B, Series 2009A Bonds, and Series 2009B Bonds with variable interest rates are secured by irrevocable transferable direct-pay letters of credit issued by a commercial bank. The initial letter of credit agreements have stated expiration dates of five (5) years. The letter of credit securing the 2008B bonds requires draws to be repaid on the earliest of the following dates to occur: (A) the date the bond is remarketed; (B) the date sixty (60) months from the date of the draw; or (C) the stated expiration date of the letter of credit. The letters of credit securing the 2009A and 2009B bonds do not require any principal payments within the first year of the draw; interest payments are due monthly. Outstanding principal payments under the letters of credit would revert to a Term Out Loan after the first year. Any obligations under the Term Out Loans are repayable in equal quarterly installments based on a four year straight-line amortization commencing on the 367th day after the draw with final payments of the outstanding balances on the earliest to occur of: (A) the date on which the letter of credit is replaced or substituted; (B) five (5) years following the date of the draw preceding such Term Out Loan; (C) the date the bonds are successfully remarketed; or (D) the date on which all amounts due have been accelerated pursuant to the letters of credit. At June 30, 2010, there were no amounts outstanding under the letters of credit.

Legislation which had limited the Hospital's total borrowings, exclusive of amounts payable to the State, to 235.0 million, with limited exceptions, was amended in April 2008. The statute now requires the Hospital to obtain approval of additional bond issuance from its Board of Directors, maintain an unenhanced bond rating in the category of "A" or better from Standard and Poor's Corporation and Moody's Investor service, Inc., and notify the State Joint Committee on Finance.

Scheduled principal and interest repayments on all of the Hospital's long-term debt, including the effect of the swaps based on the effective interest rate, are as follows (in thousands):

Fiscal Year Ended	Principal	Interest	Interest Rate	
			Swap, Net	Total
2011	\$ 7,481	\$ 4,107	\$ 3,147	\$ 14,735
2012	7,840	3,817	3,076	14,733
2013	8,190	3,528	2,995	14,713
2014	8,562	3,247	2,882	14,691
2015	8,931	3,038	2,685	14,654
2016-2020	41,955	12,266	9,922	64,143
2021-2025	49,863	6,694	4,360	60,917
2026-2030	58,700	1,261	1,222	61,183
2031-2034	58,985	287	--	59,272
Deferred loss on refunding of 2000 Bonds	(5,856)	--	--	(5,856)
Deferred loss on refunding of 1997 Bonds	(242)	--	--	(242)
Deferred loss on refunding of 2004 Bonds	(428)	--	--	(428)
Deferred loss on refunding of 2002A Bonds	(605)	--	--	(605)
Deferred loss on refunding of 2005 Bonds	(395)	--	--	(395)
Premium on 2002B Bonds	177	--	--	177
	<u>\$243,158</u>	<u>\$ 38,245</u>	<u>\$ 30,289</u>	<u>\$311,692</u>

The revenue bonds of the Hospital do not constitute debt of the State nor is the State liable on those bonds.



Debt service requirements for principal and interest for the Hospital's revenue bonds at June 30, 2010 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2011	\$ 5,770	\$ 6,980
2012	6,199	6,709
2013	6,903	6,410
2014	7,899	6,075
2015	8,654	5,694
2016-2020	41,735	22,145
2021-2025	49,795	11,048
2026-2030	58,700	2,483
2031-2034	58,985	287
Total	244,640	67,831
Deferred loss on refunding	(7,526)	--
Premium/Discount	177	--
Total	\$ 237,291	\$ 67,831

#### University of Wisconsin Foundation

Long-term debt of the University of Wisconsin Foundation consists of two notes payable. One of the notes is payable in accreting monthly principal installments with a final balloon payment due February 2010. The note is collateralized by certain investments equal to the outstanding loan balance. The outstanding balance as of December 31, 2009 is \$1.8 million.

Interest of one-month LIBOR plus 1.25 percent (effective rate of 1.48 percent at December 31, 2009) is payable on the entire outstanding principal amount. In addition, the notional amount \$1.1 million and amortizing thereafter (representing the "notional amount") is subject to an interest rate swap, converting the floating interest rate to a fixed rate. Interest on the notional amount of the swap effectively changes the one-month LIBOR plus 1.25 percent floating rate to a fixed rate of 5.24 percent. The fair value of the interest rate swap is an unrealized loss of \$5,977 as of December 31, 2009.

ASC 815, *Derivatives and Hedging*, requires a not-for-profit organization to recognize all derivative contracts on its statement of financial position at their fair value, and changes in the fair value of all derivatives are reported as a change in temporarily restricted net assets on its statement of activities in the period of change.

The note was amended in February 2010. The amended note is payable in monthly installments of \$19,738, including interest of 5.18 percent, with a balloon payment due in February 2015.

The second note is payable in five annual installments of \$532,731, with a final payment due in January 2014. All payments on the note apply to principal. The balance outstanding as of December 31, 2009 is \$2.7 million.

Future maturities of long-term debt as of December 31, 2009 are as follows:

Year ended December 31	Total Principal
2010	\$ 755,748
2011	769,591
2012	769,591
2013	769,591
2014	769,591
Thereafter	669,143
Total	\$ 4,503,255

## D. Refundings, Exchanges and Early Extinguishments

### Refunding Provisions of GASB Statement No. 23

The State implemented the provisions of GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities* beginning with Fiscal Year 1996. This Statement requires proprietary activities to adopt certain accounting and reporting changes for both current refunding and advance refunding resulting in defeasance of debt. GASB Statement No. 23 permits, but does not require, retroactive application of its provisions. The State has chosen not to apply the provisions retroactively to previously issued financial statements.

### Current Year Refundings/General Obligation Bonds

In September 2009, the State issued \$54.3 million of general obligation refunding bonds (2009 Series 1), the proceeds of which were used to current refund on November 1, 2009 principal of various general obligation bonds in the amount of \$56.9 million. The refunding resulted in an increase in total debt service payments by \$5.0 million and an economic gain or loss was not incurred.

In March 2010, the State issued \$201.2 million of general obligation refunding bonds (2010 Series 1), the proceeds of which were used to current refund on May 1, 2010 principal of various general obligation bonds in the amount of \$226.1 million. The refunding resulted in an increase in total debt service payments by \$43.6 million and an economic gain or loss was not incurred.

### Current Year Refundings/Revenue Bonds

In October, 2009, the Petroleum Inspection Fee Revenue Bonds issued \$117.5 million of 2009 Series 1 revenue bonds. A portion of the proceeds, plus \$14.3 million of original issue premium, net of the underwriter's discount, were used to fund previously issued extendible municipal commercial paper and a portion of the proceeds were deposited with the Trustee to provide for the current refunding of various outstanding petroleum inspection revenue bonds and refunding bonds. The refunding resulted in an economic gain of \$1.1 million. This analysis does not address or include the bond proceeds used to fund previously issued extendible municipal commercial paper.

### Prior Year Refundings/General Obligation Bonds

Government Accounting Standards Board Statement No. 7 *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. At June 30, 2010, approximately \$749.3 million of general obligation bond principal have been defeased.

### Prior Year Refundings/Revenue Bonds

For financial reporting purposes, the following primary government revenue bonds have been defeased, and therefore, removed as a liability from the balance sheet:

- Environmental Improvement Fund revenue bonds – At June 30, 2010, revenue bonds outstanding of \$247.2 million have been defeased.
- Transportation revenue bonds – At June 30, 2010, revenue bonds outstanding of \$442.8 million have been defeased.

### Prior Year Refundings/Component Units

#### Badger Tobacco Asset Securitization Corporation

In April, 2009, the Badger Tobacco Asset Securitization Corporation's (BTASC) deposited securities in an irrevocable trust with an escrow agent to provide for all future debt service payments on the BTASC bonds. As a result, the \$1.3 billion of BTASC bonds are considered to be legally defeased and the liability for those bonds has been removed from the financial statements. Any gain or loss on the refunding has not been determined as the future cash flows of the old debt are not estimable due to the uncertainty of future Tobacco Settlement Revenues (TSRs).

#### Wisconsin Housing and Economic Development Authority

In 1990 the Wisconsin Housing and Economic Development Authority (the Authority) defeased \$48.4 million of Insured Mortgage Revenue Bonds, as of June 30, 2010, the remaining outstanding defeased debt is \$20.6 million.

#### University of Wisconsin Hospital and Clinics Authority (the Hospital)

On September 20, 2005, the Hospital issued \$59.8 million in Variable Rate Demand Revenue Refunding Bonds, Series 2005 with an initial interest rate of 2.69 percent per annum at the time of issuance to advance refund \$52.5 million of outstanding Bond Issue Series 2000 with an interest rate range of 5.6 percent to 5.85 percent. The net proceeds of \$58.2 million (after payment of \$1.6 million in issuance costs) were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the Fixed Rate Serial and Term Hospital Revenue Bonds, Series 2000 with maturity dates on or after April 1, 2011. As a result, the refunded portion of the Bond Issue Series 2000 is considered to be defeased and the liability for those bonds has been removed from the balance sheet. The amount outstanding related to the

deceased portion of the 2000 Series Bond is \$.0 million at June 30, 2010.

**Early Extinguishments/Redemptions**

**Component Units**

Wisconsin Housing and Economic Development Authority

During 2010, the Wisconsin Housing and Economic Development Authority (the Authority) redeemed early various outstanding bonds according to the redemption provisions in the bond resolutions. None of these redemptions resulted in extraordinary losses due to the write-off of remaining unamortized deferred debt financing costs.

A summary of these early redemptions follows (in thousands):

Bond Issue	Redemptions 2010
Home Ownership Revenue	
Bond Resolutions:	
1987	\$ 123,610
1988	159,960
All Other	6,070
Facility Refunding Bonds	2,635
Housing Revenue Bonds	2,010
Multifamily Housing Bonds	130
General Fund	1,725

**E. Short-term Financing**

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, authorize, issue, and sell debt obligations of the State. To date, the Commission has authorized the issuance of notes. When this short-term debt does not meet long-term financing criteria, it is classified among fund liabilities.

**General Obligation Commercial Paper Notes**

The State has authorized General Obligation Commercial Paper Notes for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes.

The State intends to make annual May 1 payments on the outstanding commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2010, the amount of general obligation commercial paper notes outstanding was \$193.5 million which had interest rates ranging from .24 percent to .37 percent and maturities ranging from July 1, 2010 to October 8, 2010.

Short-term debt activity for the year ended June 30, 2010 for the general obligation commercial paper notes was as follows (in millions):

Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
\$ 198.6	\$ --	\$ 5.1	\$ 193.5

**General Obligation Extendible Municipal Commercial Paper**

The State has authorized general obligation extendible municipal commercial paper for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. Periodically, additional extendible municipal commercial papers are issued to pay for maturing extendible municipal commercial paper. The State intends to make annual May 1 payments on the outstanding extendible commercial paper that reflect principal amortization of the paper. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2010, the amount of the general obligation extendible municipal commercial paper outstanding was \$413.6 million which had interest rates ranging from .35 percent to .50 percent and maturities ranging from July 8, 2010, to October 8, 2010.

Short-term debt activity for the year ended June 30, 2010 for the general obligation extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
\$ 422.2	\$ --	\$ 8.6	\$ 413.6

**Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper**

The State has authorized petroleum inspection fee revenue extendible municipal commercial paper to pay the costs of claims under the Petroleum Environmental Cleanup Fund Award (PECFA) Program. Periodically, additional extendible municipal commercial paper is issued to pay for maturing paper. The State may periodically deposit money into the Junior Subordinate Principal Account, which represents principal payments to be made on the extendible municipal commercial paper. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing paper. At June 30, 2010, the amount of petroleum inspection fee revenue extendible commercial paper outstanding was \$71.2 million which had interest rates ranging from .38 percent to .44 percent and maturities ranging from July 8, 2010 to September 10, 2010.

Short-term debt activity for the year ended June 30, 2010 for the petroleum inspection fee revenue extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
\$ 142.3	\$ --	\$ 71.2	\$ 71.2

**Transportation Revenue Commercial Paper Notes**

The State authorized transportation revenue commercial paper notes to pay the costs of major highway projects and certain State transportation facilities. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes. The State intends to make annual July 1 payments on the commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2010, the amount of transportation revenue commercial paper notes outstanding was \$162.5 million which had interest rates ranging from .33 percent to .34 percent and maturities ranging from July 8 to October 8, 2010.

Short-term debt activity for the year ended June 30, 2010 for the transportation revenue commercial paper notes was as follows (in millions):

Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
\$ 177.6	\$ --	\$ 15.1	\$ 162.5

## F. Certificates of Participation

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by State agencies. This facility is the Third Amended and Restated Master Lease 1992-1. Pursuant to the terms and conditions of this agreement, the trustee for the facility issues parity Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. A common pool of collateral ratably secures all Master Lease certificates. Title in the property and service items purchased under the facility remains with the State and the State grants to the Trustee, for the benefit of all Master Lease certificate holders, a first security interest in the leased items. At June 30, 2010, the following parity Master Lease certificates were outstanding:

- Master Lease Certificates of Participation of 2006, Series A, in the amount of \$29.3 million. This series of Master Lease certificates has interest rates ranging from 4.0 percent to 5.0 percent and matures semi-annually through September 1, 2016.
- Master Lease Certificates of Participation of 2010, Series A (Revolving Credit Agreement – Taxable) in the amount of \$25.2 million. This Master Lease certificate evidences the State's obligation to repay advances under a Revolving Credit Agreement, dated June 22, 2007, as amended between U.S. Bank National Association (as trustee), the State of Wisconsin, acting by and through its Department of Administration, as lessee, and Dexia Credit Local. The scheduled termination date under the Revolving Credit Agreement, as amended, is September 1, 2013. This Master Lease certificate shall bear interest at the rates and mature on the dates provided for in the Revolving Credit Agreement. The balance of this Master Lease certificate may include some accrued interest that will be payable at the next semi-annual interest payment date.
- Master Lease Certificates of Participation of 2007, Series B and Master Lease Certificates of Participation of 2008 Series A (Revolving Credit Agreement-Tax Exempt) in the amount of \$9.6 million. These Master Lease certificates of participation evidence the State's obligation to repay certain advances under a Revolving Credit Agreement, dated June 22, 2007, as amended between U.S. Bank National Association, as trustee, the State of Wisconsin, acting by and through its Department of Administration, as lessee, and Dexia Credit Local, as amended. The scheduled termination date under the revolving credit agreement is September 1, 2013. This master lease certificates of participation shall bear interest at the rates and mature on the dates provided for in the Revolving Credit Agreement.

The Third Amended and Restated Master Lease 1992-1 provides that certain lease schedules to the facility can be terminated if the State deposits with the Trustee an amount that is equal to the outstanding amount of the lease schedule, or in amounts that are sufficient to purchase investments that mature on dates and in amounts to make the lease payments when due. At June 30, 2010, the State has not deposited with the Trustee amounts, that when invested, will terminate lease schedules.

## G. Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of June 30, 2010, a liability for arbitrage rebate did not exist.

## H. Moral Obligation Debt

Through legislation enacted in 1999, the State authorized the creation of local districts. These districts (Wisconsin Center District, Southeast Wisconsin Professional Baseball Park District, and the Green Bay/Brown County Professional Football Stadium District) are authorized to issue bonds for their respective purpose, and if the State determines that certain conditions are satisfied, the State may have a moral obligation to appropriate moneys to make up deficiencies in the districts' special debt service reserve funds. To date, the Wisconsin Center District has the authority to issue up to \$200.0 million and has issued \$125.8 million of bonds that are subject to the moral obligation. The two other local districts each have authority to issue \$160.0 million of revenue obligations that, subject to the Secretary of Administration's determination that certain conditions have been met, could carry a moral obligation of the State. All of the districts have issued revenue obligations that do not carry the moral obligation of the State.

Through legislation enacted in 1999, the State authorized the issuance of up to \$170.0 million principal amount of bonds to finance the development or redevelopment of sites and facilities to be used for public schools. If certain conditions are satisfied, and if a special debt service reserve fund is created for the bonds, the State will provide a moral obligation pledge, which would restore the special debt reserve fund established for the bonds to an amount not to exceed the maximum annual debt service on the bonds. Three bond issues with an aggregate outstanding balance of \$100.8 million have been issued that have a special debt service reserve fund secured by the State's moral obligation.

**I. Credit Agreements****Primary Government**

The State has, as part of the working bank contract, a letter of credit agreement with the US Bank National Association under which the Bank has agreed to provide to the State an open line of credit in the amount of \$50.0 million. The agreement provides for advances in anticipation of bond issuance proceeds. As of June 30, 2010, \$50.0 million was unused and available.

The State has entered into a credit agreement to provide a line of credit for liquidity support for up to \$233.0 million of general obligation commercial paper notes. The line of credit expires in March, 2013, but is subject to renewal as provided for in the credit agreement. The cost of this line of credit is 0.095 percent per year.

Also, the State has entered into a credit agreement to provide a line of credit for liquidity support for its transportation revenue commercial paper program. The amount of the line of credit is \$207.0 million. This line of credit expires in April, 2013, but is subject to termination and renewal as provided for in the credit agreement. The cost of this line of credit is 0.100 percent per year.

**NOTE 12. LEASE COMMITMENTS AND INSTALLMENT PURCHASES**

The State leases office buildings, space, and equipment under a variety of agreements that vary in lease term, many of which are subject to appropriation from the State Legislature to continue the lease commitment. If such funding, i.e., through legislative appropriation, is judged to be assured, and the likelihood of cancellation through exercise of the fiscal funding clause is remote, leases are considered noncancelable and reported as either a capital lease or an operating lease.

**A. Capital Leases**

**Primary Government**

Capital lease commitments in the government-wide and proprietary funds statements are reported as liabilities at lease inception. The related assets along with the depreciation are also reported at that time. Lease payments are reported as a reduction of the liability.

For capital leases in governmental funds, "Other Financing Sources - Capital Lease Acquisitions" and expenditures are recorded at lease inception. Lease payments are recorded as expenditures.

The following is an analysis of the gross minimum lease payments along with the present value of the minimum lease payments as of June 30, 2010 for capital leases (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities
2011	\$ 10,580	\$ 7,808
2012	9,731	7,417
2013	7,701	6,928
2014	6,360	6,529
2015	1,965	5,664
2016 - 2020	684	5,722
2021 - 2025	-	-
2026 - 2030	-	-
2031 - 2035	-	-
2036 - 2040	-	-
Total minimum future payments	37,022	40,067
Less: Interest	(5,449)	(5,227)
Present value of net minimum lease payments	<u>\$ 31,572</u>	<u>\$ 34,839</u>

Assets acquired through capital leases are valued at the lower of fair market value or the present value of minimum lease payments at the inception of the lease. The following is an analysis of capital assets recorded under capital leases as of June 30, 2010 (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities
Land and Land Improvements	\$ 376	\$ -
Buildings and Improvements	1,000	70,950
Machinery and Improvements	100,712	9,539
Less: Accumulated Depreciation	(36,166)	(32,998)
Carrying Amount	<u>\$ 65,922</u>	<u>\$ 47,491</u>

**Master Lease Program**

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by state agencies. This facility is the Third Amended and Restated Master Lease between the State acting by and through the Department of Administration and U.S. Bank National Association. Lease purchase obligations under the Master Lease are not general obligations of the State, but are payable from appropriations of State agencies participating in the Master Lease Program, subject to annual appropriation. The interest component of each lease/purchase payment is subject to a separate determination. Pursuant to terms of the Master Lease, the Trustee for the facility issues parity Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. The outstanding balance as of June 30, 2010 was as follows:

Balance Due	Average Life (Weighted Term)
\$64,204,149	2.5 Years



**Component Unit**

**University of Wisconsin Hospital and Clinics Authority**

Under the terms of a lease agreement, the University of Wisconsin Hospitals and Clinics Authority (the Hospital) leases facilities which were occupied by the Hospital as of June, 1996 (see Note 1B to the financial statements). The initial term of the lease is 30 years to be renewed annually with automatic extensions of one additional year on each July 1 until action is taken to stop the extensions. Included in the consideration for the lease is an amount equal to the debt service during the term of the lease agreement on all outstanding bonds issued by the State for the purpose of financing the acquisition, construction or improvement of the leased facilities. The balance at June 30, 2010 for amounts related to this agreement was \$5.9 million.

**B. Operating Leases**

Operating leases, those leases not recorded as capital leases as required by FASB Statement No. 13, are not recorded in the statement of net assets. These leases contain various renewal options, the effect of which are reflected in the minimum lease payments only if it is considered that the option will be exercised. Certain other operating leases contain escalation clauses and contingent rentals which are not included in the calculation of the future minimum lease payments. The State has adopted the operating lease scheduled rent increase provisions of FASB Statement No. 13. Operating lease expenditures/expenses are recognized as incurred or paid over the lease term.

Governmental and business-type activities and fiduciary funds rental expenses under operating leases for Fiscal Year 2010 were \$66.0 million. Of this amount, \$65.4 million relates to minimum rental payments stipulated in lease agreements, \$600 thousand relates to contingent rentals, and \$206 thousand relates to sublease rental payments received. Component unit rental expenses under operating leases were \$18.7 million, of which \$18.6 million relates to minimum rental payments stipulated in lease agreements.

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

Fiscal Year	Govern- mental Activities	Business- type Activities	Fiduciary Funds	Com- ponent Units
2011	\$ 46,911	\$ 24,886	\$ 135	\$ 12,231
2012	38,567	14,652	34	5,734
2013	32,794	10,633	12	2,800
2014	27,287	9,686	3	1,470
2015	22,256	7,840	-	1,221
2016 - 2020	49,263	33,229	-	4,483
2021 - 2025	9,192	29,904	-	-
2026 - 2030	436	30,143	-	-
2031 - 2035	375	15,179	-	-
2036 - 2040	385	-	-	-
2041 - 2045	331	-	-	-
2046 - 2050	342	-	-	-
Thereafter	252	-	-	-
<hr/>				
Minimum lease payments	\$ 228,392	\$ 176,152	\$ 185	\$ 27,939

**C. Installment Purchases**

The State has entered into installment purchase agreements. The following is an analysis of the gross minimum installment payments, along with the present value of the minimum installment payments, as of June 30, 2010 for installment purchases (in thousands):

Fiscal Year	Governmental Activities
2011	\$ 696
2012	40
Total minimum future payments	<hr/> 736
Less: Interest	(7)
Present value of net minimum installment payments	<hr/> <hr/> \$ 729



**NOTE 13. POLLUTION REMEDIATION OBLIGATIONS**

The State implemented the Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* in Fiscal Year 2009. This Statement establishes accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation obligations that are required upon retirement of an asset, such as landfill closure and post closure care and nuclear power plant decommissioning.

**Measurement of Obligations**

GASB 49 requires the State to calculate pollution remediation obligations using the expected cash flow technique. These estimates are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors. Recoveries from other responsible parties may reduce the State's obligation. In accordance with the standard, if the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability. Under specific circumstances capital assets may be created when pollution remediation is performed. The State has adopted a minimum reporting threshold of \$1.0 million. Therefore, only remediation sites with outlays estimated to meet or exceed that amount are reported in the financial statements.

During fiscal year 2010, the State did not recognize additional estimated liabilities for pollution remediation. The State expended \$1.6 million to clean up sites in FY 2010, therefore, the beginning liability of \$15.6 million was reduced to \$14.0 million. There were no recoveries received from other responsible parties during fiscal year 2010 and none are expected for the identified obligations.

**Identified Remediation Obligations:**

Pollution remediation liabilities are updated annually and are based on engineering studies and the judgment of agency officials. The following table shows liabilities included in the Statement of Net Assets as of June 30, 2010 (in millions):

<b>Nature and Source of Pollution</b>	<b>Estimated Liability</b>	<b>Estimated Recovery</b>
Contract agreement with EPA to clean up Superfund site of former wood treatment facility	\$ .5	--
Voluntary commencement by the State to clean up heavy metal contamination of canal near former industrial site	7.0	--
State agreement with EPA to clean up PCB sediments in Milwaukee's Lincoln Park	6.5	--
<b>Total estimated obligations</b>	<b>\$14.0</b>	<b>--</b>

In addition to the liability reported in the table above, the State expects to incur estimated costs of \$27,000 per year indefinitely to pump and treat contamination at a former chrome plating facility. The State also expects to incur estimated costs of \$70,000 per year indefinitely to operate and maintain a closed landfill. Both are Superfund sites and estimated total remediation costs for them cannot be reasonably determined. Therefore, a liability has not been reported in the Statement of Net Assets for either site.

**NOTE 14. RETIREMENT PLAN**

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

The WRS is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information for the year ending December 31, 2009, is available at [www.etf.wi.gov](http://www.etf.wi.gov) or may be obtained upon request from:

Department of Employee Trust Funds  
 801 West Badger Road  
 P.O. Box 7931  
 Madison, WI 53707-7931.

**Plan Description**

The WRS, governed by Chapter 40 of the Wisconsin Statutes, is a cost-sharing multiple-employer defined benefit pension plan. It provides coverage to all eligible State of Wisconsin, local government and other public employees. Any employee of a participating employer who is expected to work at least 600 hours per year (440 hours per year for teachers) for at least one year must be covered by the WRS. As of December 31, 2009, the number of participating employers was:

State Agencies	59
Cities	152
Counties	71
4 <sup>th</sup> Class Cities	36
Villages	256
Towns	232
School Districts	427
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	208
Total Employers	<u>1,469</u>

For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested. Employees who retire at or after age 65 (55 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 and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

**Accounting Policies and Plan Asset Matters**

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

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

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

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

**State Contributions Required and Contributions Made**

Covered State employees in the General/Teacher category are required by statute to contribute 5.0 percent of their salary (3.2 percent for Executives and Elected Officials, 5.5 percent for Protective Occupations with Social Security, and 3.9 percent for Protective Occupations without Social Security) to the plan as of June 30, 2010. Employers may make these contributions to the plan on behalf of employees.

Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. State contributions made for the years ended December 31, 2009, 2008, and 2007 were as follows (in millions):

	2009	2008	2007
Employer current service	\$ 192.5	\$ 196.2	\$ 182.9
Percent of payroll	5.0%	5.1%	5.1%
Employer prior service	\$ 3.2	\$ 3.1	\$ 2.8
Percent of payroll	0.1%	0.1%	0.1%
Employee required	\$ 191.1	\$ 191.2	\$ 178.4
Percent of payroll	5.0%	5.0%	5.0%
Benefit adjustment contributions	\$ 30.0	\$ 33.2	\$ 31.0
Percent of payroll	0.8%	0.9%	0.9%
Percent of Required Contributions	100%	100%	100%

The WRS uses the "Entry Age Normal with Frozen Initial Liability" actuarial method in establishing employer contribution rates. Under this method, the unfunded actuarial accrued liability (UAAL) is generally affected only by the monthly amortization payments, compound interest, the added liability created by new employer units, and any liabilities caused by changes in benefit provisions. The UAAL is being amortized over a 40 year period beginning January 1, 1990 for employers in the WRS prior to 2009. Liabilities for employers joining the WRS effective April 5, 2008, are amortized over 30 years. However, periodically, the Employee Trust Funds Board has reviewed and, when appropriate, adjusted the actuarial assumptions used to determine this liability. Changes in the assumptions may affect the UAAL, and the resulting actuarial gains or losses are credited or charged to employers' unfunded liability accounts.

All actuarial gains or losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost.

As of June 30, 2010 and 2009, the WRS's unfunded actuarial accrued liability was \$0.2 billion and \$0.2 billion, respectively. These amounts are presented as Prior Service Contributions Receivable on the financial statements. New prior service liabilities resulting from employers entering the WRS or increasing their prior service coverage are recognized as contributions in the year service is granted and are added to the Prior Service Contributions Receivable. Employer contributions for prior service reduce the receivable. The receivable is increased as of calendar year end with interest at the assumed interest rate of 7.8 percent.

**NOTE 15. MILWAUKEE RETIREMENT SYSTEM**

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

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

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

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

Copies of the separately issued financial report that includes financial statements along with the accompanying footnote disclosures and supplementary information for the CRIT and the VRIT is available at [www.swib.state.wi.us](http://www.swib.state.wi.us) or may be obtained upon request from:

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

**NOTE 16. POSTEMPLOYMENT BENEFITS – STATE HEALTH INSURANCE PROGRAM**

Effective Fiscal Year 2008, the State implemented the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefit expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in financial reports of state and local governmental employers.

**Plan Description**

The State’s Health Insurance Program, a cost-sharing multiple employer, defined benefit plan, is an employer-sponsored program (not administered as a trust) offering group medical coverage to eligible employees and retirees of State and participating local government employers. Created under Chapter 40, of the Wisconsin Statutes, the State Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under Wis. Stat. Sections 15.165(2) and 40.03(6). As of January 2009 (most recent actuarial valuation date), there were 54,598 active, and 20,592 retirees and beneficiaries participating in the plan.

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

The Department of Employee Trust Funds issues a publicly available financial report. That report is available at [www.etf.wi.gov](http://www.etf.wi.gov) or may be obtained upon request from:

The Department of Employee Trust Funds  
801 West Badger Road  
P.O. Box 7931  
Madison, Wisconsin 53707-7931

**Funding Policy**

The health insurance plan is currently funded on a “pay-as-you-go” basis. GASB Statement No. 45 does not require funding of the OPEB expense and the State does not currently intend to prefund the OPEB obligation. Under this plan, retirees contribute premiums directly to the plan either through “out-of-pocket” or from unused accumulated sick leave conversion credits. The value of the sick leave benefit is defined as compensated absences and reported under the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Contribution requirements are established and may be amended by the Group Insurance Board. For retirees that participate in the health insurance plan, premiums, for non-Medicare retirees, are based on an effective rate structure for the health care service provider selected. Rates range from \$564.50 to \$1,074.00 for single coverage and \$1,407.50 to \$2,681.60 for family coverage.

The annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. At June 30, 2010, the ARC was \$130.5 million while the employer contributions were \$46.5 million, and the ARC adjustment, with interest, was \$14.7 million.

**Annual OPEB Cost**

As of January 1, 2009 (most recent actuarial valuation date), the State’s annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation were as follows (in thousands):

Year	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$124,294	\$46,487	37.4%	\$291,875
2009	158,699	48,795	30.8	214,068
2008	148,497	44,333	29.9	104,164

Interest on the net OPEB obligation was \$8.6 million while the net OPEB obligation increased \$77.8 million.

**Funded Status and Funding Progress**

The funded status of the plan as of January 1, 2009 (most recent actuarial valuation date) was as follows (in thousands):

Actuarial accrued liability (AAL)	\$1,329,526
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	<u>\$1,329,526</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$3,053,972
UAAL as a percentage of covered payroll	43.5%

The actuarial accrued liability calculation considers the retiree drug subsidy (RDS) provisions of Medicare Part D as a separate transaction. Therefore, the actuarial accrued liability, the annual

required contribution of the employer (ARC), and the annual OPEB costs are determined without reduction of RDS payments. At January 1, 2009, (most recent actuarial valuation date) the Medicare part D portion included in the actuarial accrued liability is \$497.4 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

### Actuarial Methods and Assumptions

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

In the January 1, 2009 actuarial valuation, the entry age normal actuarial cost method was used. Actuarial assumptions included a discount rate of 4.0 percent, determined using an underlying assumption of 3.0 percent for inflation plus 1.0 percent for high quality investments with durations of one year or less, and a 4.1 percent assumed annual payroll growth. The projected annual healthcare cost trend rate is 9.07 percent initially, reduced by decrements to an ultimate rate of 5.0 percent. Other assumptions used, such as mortality, disability and retirement rates for active members, are consistent with an actuarial valuation on the Wisconsin Retirement Plan dated December 31, 2008. In addition, a 30 year, level percent of pay, closed amortization period was used for the initial UAAL, while a 15 year, level percent of pay, closed amortization period was used for any future gains and losses.

Currently, the health insurance plan is not funded by assets held in a separate trust. The discount rate (discussed above) was based on the State's general assets not earmarked for certain uses, such as building funds. The State's general assets are held in short-term fixed income investments. Therefore, the discount rate reflects that type of investment policy.

A Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or

decreasing over time relative to the actuarial accrued liability for benefits.

**NOTE 17. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS**

The State of Wisconsin, Department of Employee Trust Funds (DETF), administers three postemployment benefit plans other than pension plans – the State Retiree Health Insurance Fund, the Duty Disability Fund, and the Retiree Life Insurance Fund.

**Plan Descriptions**

**State Retiree Health Insurance Fund**

The State *Retiree Health Insurance Fund* is a multiple-employer defined benefit OPEB plan offering group health insurance. Disclosures relating to the plan are provided in Note 16 – *Postemployment Benefits of the State Other Than Pensions – Health Insurance Program*.

**Duty Disability Fund**

The *Duty Disability Fund* is a cost-sharing multiple-employer defined benefit OPEB plan. The plan offers special disability insurance for state and local participants in protective occupations. The plan is self-insured, and risk is shared between the State and local government employers in the plan. The plan is administered under Wis. Stat. Section 40.65. The plan is reported as a pension and other employee benefit trust fund.

Contributions are actuarially determined in accordance with Wis. Stats. Section 40.05 (2)(ar). All contributions are employer paid based on a graduated, experienced-rated formula. During Calendar Year 2009 contribution rates ranged from 1.9 percent to 6.6 percent of covered payroll based on employer experience.

Eligibility for program benefits is based upon whether a duty-related injury or disease is likely to be permanent, which causes a protective occupation participant to retire, accept reduced pay or light duty assignment, or in some cases, that impairs promotional opportunities. Benefits approximate 80 percent of salary (75 percent if partially disabled and not a State Employee), less certain offsets such as; social security, unemployment compensation, worker’s compensation and other retirement benefits. Survivor benefits are also offset by certain benefits based on program requirements.

**Retiree Life Insurance Fund**

The *Retiree Life Insurance Fund* is a cost-sharing multiple-employer defined benefit OPEB plan. The plan provides post-employment life insurance coverage to all eligible employees. The plan is administered under Wis. Stats. Section 40.70. The plan is reported as a pension and other employee benefit trust fund.

Generally, members may enroll during a 30-day enrollment period once they satisfy a six-month waiting period. They may enroll

after the initial 30-day enrollment period with evidence of insurability. Members under evidence of insurability enrollment must enroll in group life insurance coverage before age 55 to be eligible for Basic or Supplemental coverage.

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

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

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

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

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

After retirement, basic coverage is continued for life in amounts for the insurance in force before retirement. Additional coverage may be continued until age 65 at 100 percent of the amount of the insurance in force before retirement at the employee’s expense, and spouse and dependent coverage benefits is terminated.



## Summary of Significant Accounting Policies

### Basis of Accounting

The OPEB plans are reported in accordance with GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

### Method Used to Value Investments

#### *Duty Disability Fund*

Investments for the *Duty Disability Fund* are invested in the Core Retirement Investment Trust, which is managed by the State of Wisconsin Investment Board (SWIB). These investments are valued at fair value. Generally, fair value information represents actual bid prices or the quoted yield equivalent at the end of the year for securities of comparable maturity, quality, and type, as obtained from one or more major investment brokers. If quoted market prices are not available, a variety of third-party pricing methods are used, including appraisals, certifications, pricing models, and other methods deemed acceptable by industry standards.

#### *Retiree Life Insurance Fund*

Investments for the *Retiree Life Insurance Fund* are held with the insurance carrier (the Company). The Retiree Life Insurance Fund's investment is a share in the investment pool.

Fixed maturity securities, which may be sold prior to maturity, including fixed maturities on loan, are classified as available-for-sale and are carried at fair value. Premiums and discounts are amortized or accreted over the estimated lives of the securities based on the interest yield method.

The Company uses book value as cost for applying the retrospective adjustment method to loan-backed fixed maturity securities purchased. Prepayment assumptions for single class and multi-class mortgage-backed securities were obtained from broker/dealer survey values or internal estimates.

Marketable equity securities are classified as available-for-sale and are carried at fair value. Mutual funds and exchange traded fund investments in select asset classes that are sub-advised are carried at the fair value of the underlying net assets of the funds.

Available-for-sale securities are stated at fair value.

Mortgage loans are carried at amortized cost less any valuation allowances. Premiums and discounts are amortized or accreted

over the terms of the mortgage loans based on the effective interest yield method.

Private equity investments in limited partnerships are carried at the amount invested, adjusted to recognize the Company's ownership share of the earnings or losses of the investee after the date of the acquisition, adjusted for any distributions received (equity method accounting).

Investments in partnerships, which represent minority interests owned in certain general agencies, are carried at the amount invested, adjusted to recognize the Company's ownership share of the earnings or losses of the investee after acquisition adjusted for any distributions received (equity method accounting).

Fair values of fixed maturity securities are based on quoted market prices where available. Fair values of marketable equity securities are based on quoted market prices. Fair values of private equity investments are obtained from the financial statement valuations of the underlying fund or independent broker bids. For fixed maturity securities not based on quoted market prices, generally private placement securities, securities that do not trade regularly, and embedded derivatives, an internally developed pricing model using a commercial software application is most often used. The internally developed pricing model is developed by obtaining spreads versus the U.S. Treasury yield for corporate securities with varying weighted average lives and bond ratings.

Real estate is carried at cost less accumulated depreciation.

The Company's derivative instrument holdings are carried at fair value. All derivatives are recorded as non-hedge transactions. Derivative instrument fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using current market assumptions and modeling techniques, which are then compared with quotes from counterparties.

For mortgage-backed securities of high credit quality, excluding interest-only securities, the Company recognizes income using a constant effective yield method based on prepayment assumptions obtained from an outside service provider or upon analyst review of the underlying collateral and the estimated economic life of the securities.

Policy loans are carried at the unpaid principal balance.

Cash and cash equivalents are carried at cost, which approximates fair value. The Company considers all money market funds and commercial paper with original maturity dates of less than three months to be cash equivalents.

Finance receivables that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding unpaid principal balances reduced by any charge-offs.

The Company holds "To-Be-Announced" (TBA) Government National Mortgage Association forward contracts that require the Company to take delivery of a mortgage-backed security at a settlement date in the future. Most of the TBAs are settled at the first available period allowed under the contract. However, the deliveries of some of the Company's TBA securities happen at a later date, thus extending the forward contract date. These securities are reported at fair value as derivative instruments with the changes in fair value reported in net realized investment gains and losses on the consolidated statements of operations.

**Required Supplementary Information**

Required Supplementary Information about the OPEB plans is presented in the Department of Employee Trust Funds audited financial statements. The December 31, 2009 financial report is available at [www.etf.wi.gov](http://www.etf.wi.gov) and on request from:

The Department of Employee Trust Funds  
801 West Badger Road  
P.O. Box 7931  
Madison, Wisconsin 53707-7931



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

The Department of Employee Trust Funds operates four public entity risk pools: group health insurance, group income continuation insurance, long-term disability insurance, and pharmacy benefits. The information provided in this note applies to the period ending December 31, 2009.

**A. Description of Funds**

The Health Insurance Fund offers group health insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Approximately 372 local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The fund includes both a self-insured, fee-for-service plan as well as various prepaid plans, primarily Health Maintenance Organizations (HMO's) and a self-insured plan that provides for pharmacy benefits of covered members.

The Income Continuation Insurance Fund offers disability wage continuation insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Approximately 187 local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The plan is self-insured.

The Long-term Disability Insurance Fund offers long-term disability benefits to participants in the Wisconsin Retirement System (WRS). The long-term disability benefits provided by this program are an alternative coverage to that currently provided by the WRS. All new WRS participants on or after October 15, 1992, are eligible only for the long-term disability insurance coverage, while participating employees active prior to October 15, 1992, may elect coverage through WRS or the long-term disability insurance program.

**B. Accounting Policies for Risk Pools**

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

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

*Unpaid Claims Liabilities* - Claims liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The estimate includes the effects of inflation and other societal and economic factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Unpaid claims liability is presented at face value and is not discounted for health insurance. It is discounted using an interest rate of 7.8 percent for income continuation and long-term disability insurance. The liabilities for income continuation, long-term disability, and health insurance were determined by actuarial methods.

*Administrative Expenses* - All maintenance expenses are expensed in the period in which they are incurred. Acquisition costs are immaterial and are treated as maintenance expenses. Premium deficiencies are not calculated because acquisition costs are immaterial. Claim adjustment expenses are also immaterial.

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

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

*Premium Setting* - Premiums are established by the Group Insurance Board in consultation with actuaries.

**C. Unpaid Claims Liabilities**

As discussed in Section B of this Note, each fund establishes a liability for both reported and unreported insured events, which is an estimate of future payments of losses. The following represents changes in those aggregate liabilities for the nonreinsured portion of each fund during Calendar Year 2009 (in millions):

	Health Insurance		Income Continuation Insurance		Long-term Disability Insurance		Pharmacy Benefits	
	2009	2008*	2009	2008	2009	2008	2009	2008*
Unpaid claims at beginning of the calendar year	\$ 4.9	\$ 3.5**	\$ 76.7	\$ 68.7	\$ 138.6	\$ 135.8	\$ (2.3)	\$ (1.1)
Incurred claims:								
Provision for insured events of the current calendar year	25.9	30.5	33.4	22.4	50.2	31.1	134.8	124.0
Changes in provision for insured events of prior calendar years	(2.3)	(0.3)	(21.8)	0.5	(8.9)	(7.9)	(0.1)	2.5
Total incurred claims	23.6	30.2	11.6	22.9	41.3	23.2	134.7	126.5
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	21.6	25.7	5.5	5.1	1.7	1.1	139.1	126.3
Claims and claim adjustment expenses attributable to insured events of prior calendar years	2.6	3.1	10.0	9.8	21.9	19.3	(2.4)	1.4
Total payments	24.2	28.8	15.5	14.9	23.6	20.4	136.7	127.7
Total unpaid claims expenses at end of the calendar year	\$ 4.3	\$ 4.9	\$ 72.8	\$ 76.7	\$ 156.3	\$ 138.6	\$ (4.3)***	\$ (2.3)***

\* Starting in 2006, in accordance with GASB 43, the local retiree health program and the state retiree health program are reported separately in an agency fund and in a private-purpose trust fund respectively, and are not included with the active health information in this table.

\*\* Due to a prior period adjustment the unpaid claims at the beginning of 2008 do not match the total unpaid claims at the end of 2007.

\*\*\* Total unpaid claims at the end of 2009 is the net of \$3.9 million in unpaid claims and \$8.2 million in rebates due from pharmaceutical companies; total unpaid claims at the end of 2008 is the net of \$5.5 million in unpaid claims and \$7.8 million in rebates due from pharmaceutical companies.

**D. Trend Information**

Historical trend information showing revenue and claims development information is presented in the Department of Employee Trust Funds audited financial statements. The separately issued financial report for the year ended December 31, 2009 is available at [www.etf.wi.gov](http://www.etf.wi.gov) and on request from:

The Department of Employee Trust Funds  
801 West Badger Road  
P.O. Box 7931  
Madison, Wisconsin 53707-7931

**NOTE 19. SELF-INSURANCE**

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

**State Property Damage**

Property damages to State-owned properties are covered by the State's self-funded property program up to \$3.0 million per occurrence and \$3.2 million annual aggregate. When claims, which exceed \$25,000 per occurrence, total \$3.2 million, the State's private insurance becomes available. Losses to property occurring after the threshold are first subject to a \$25,000 deductible. The amount of loss in excess of \$25,000 is covered by the State's private insurance company. During Fiscal Year 2010, the excess insurance limits were written to \$300 million.

The liabilities for State property damage are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities is based on the reserves on open claims and paid claims. Losses incurred but not reported are expected to be immaterial. Claims incurred but not paid as of June 30, 2010 are estimated to total \$3.3 million.

**Property Damages and Bodily Injuries to Third Parties**

The State is self-funded for third party liability to a level of \$4 million per occurrence and purchases insurance in excess of this self-funded retention. The policy limit during Fiscal Year 2010 was \$49 million.

The liabilities for property damages and injuries to third parties are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities for the prior fiscal year was the reserves on open claims. The estimate for future benefits and loss liabilities is calculated by an actuary based on the reserves on open claims and prior experience. No liability is reported for environmental impairment liability claims either incurred or incurred but not reported because existing case law makes it unlikely the State would be held liable for material amounts. Because actual claims liabilities depend upon complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not

necessarily result in an exact amount. Immaterial non-incremental claims adjustment expenses are not included as part of the liability. Claims incurred but not paid as of June 30, 2010 are estimated to total \$21.2 million.

**Worker's Compensation**

The Worker's Compensation Program was created by Wisconsin Statutes Chapter 102 to provide benefits to workers injured on the job. All employees of the State are included in the program. An injury is covered under worker's compensation if it is caused by an accident that arose out of and in the course of employment.

The responsibility for claiming compensation is on the employee. A claim must be filed with the program within two years from the date of injury; otherwise the claim is not allowable.

The worker's compensation liability has been determined by an actuary using paid claims and current claims reserves. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by external factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims incurred but not paid as of June 30, 2010 are estimated to total \$71.7 million.

Changes in the balances of claims liability for the Risk Management Fund during the current and prior fiscal years are as follows (in thousands):

	2010	2009
Beginning of fiscal year liability	\$ 103,119	\$ 95,000
Current year claims and changes		
in estimates	21,376	41,508
Claim payments	(28,278)	(28,089)
	96,217	108,419
Excess insurance reimbursable	(1,370)	(5,300)
Balance at fiscal year-end	<u>\$ 94,847</u>	<u>\$ 103,119</u>

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

**Annuity Contracts**

The Risk Management Fund purchased annuity contracts in various claimants' names to satisfy claim liabilities. The likelihood that the fund will be required to make future payments on those claims is remote and, therefore, the fund is considered to have satisfied its primary liability to the claimants. Accordingly, the annuity contracts are not reported in, and the related liabilities are removed from, the fund's balance sheet. The aggregate outstanding amount of liabilities removed from the financial statements at June 30, 2010 is \$8.3 million.

**NOTE 20. INSURANCE FUNDS****A. Primary Government****1. Local Government Property Insurance Fund**

Created by the Legislature in 1911, the purpose of the Local Government Property Insurance Fund is to provide property insurance coverage to tax-supported local government units such as counties, towns, villages, cities, school districts and library boards. Property insured includes government buildings, schools, libraries and motor vehicles. Coverage is available on an optional basis. As of June 30, 2010 the Local Government Property Insurance Fund insured 1,108 local governmental units. The total amount of insurance in force as of June 30, 2010 was \$49.9 billion.

*Valuation of Cash Equivalents and Investments* - All investments of the Local Government Property Insurance Fund are managed by the State of Wisconsin Investment Board, as discussed in Note 5-B to the financial statements. At June 30, 2010, the fund had \$26.3 million of shares in the State Investment Fund which are considered cash equivalents.

*Premium* - Unearned premium reported as deferred revenue represents the daily pro rata portion of premium written which is applicable to the unexpired terms of the insurance policies in force. Policies are generally written for annual terms.

*Unpaid Loss Liabilities* - The Local Government Property Insurance Fund establishes the unpaid loss liability titled future benefits and loss liabilities on the financial statements based on estimates of the ultimate cost of losses (including future loss adjustment expenses) that have been reported but not settled, and of losses that have been incurred but not reported. Estimated amounts of excess-of-loss insurance recoverable on unpaid losses are deducted from the liability for unpaid losses. Loss liabilities are recomputed periodically to produce current estimates that reflect recent settlements, loss frequency, and other economic factors. Adjustments to future benefits and loss liabilities are charged or credited to expense in the periods in which they are made.

*Policy Acquisition Costs* - Since the Local Government Property Insurance Fund has no marketing staff and incurs no sales commissions, acquisition costs are minimal and charged to operations as incurred.

*Excess-of-Loss Insurance Coverage* - The Local Government Property Insurance Fund purchases excess-of-loss insurance coverage, the operation of which is analogous to "reinsurance," to reduce its exposure to large losses on all types of insured events. Excess-of-loss insurance permits recovery of a portion of losses from the excess-of-loss insurers, although it does not discharge the primary liability of the fund as direct insurer of the risks reinsured. The fund does not report excess-of-loss insured risks as liabilities unless it is probable that those risks will not be covered by excess-of-loss insurers. As of June 30, 2010 the fund had \$425.0 million of per occurrence excess of loss reinsurance in force with a \$2.0 million combined single limit retention for each occurrence, and an annual aggregate reinsurance contract with a \$22.0 million annual aggregate retention plus a per claim retention of \$5 thousand once the aggregate is met, as respects occurrences for the term of the agreement. Premiums ceded to excess-of-loss insurers, which is netted against premium revenue (charges for goods and services in the financial statements), amounted to \$5.2 million during the fiscal year. Excess-of-loss and adjusting expense recoveries earned would typically reduce claims paid (benefit expense on the financial statements); however, during the fiscal year the Local Government Property Insurance Fund did not earn any excess-of-loss insurance recoveries, which increased claims paid.

**Unpaid Loss Liabilities**

As discussed above, the Local Government Property Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related loss expenses. The following represents changes in those aggregate liabilities for the fund during the past two fiscal years (in thousands):

	2010	2009
Unpaid loss liabilities at beginning of the year	\$9,506	\$18,118
Less: Excess-of-loss insurance recoverable	<u>(2,716)</u>	<u>(5,088)</u>
Net unpaid loss liabilities at beginning of year	<u>6,790</u>	<u>13,030</u>
Incurred losses and loss expenses:		
Provision for insured events of the current year	12,113	11,372
Increase (decrease) in provision for insured events of prior years	<u>4</u>	<u>254</u>
Total incurred losses and loss expenses	<u>12,117</u>	<u>11,626</u>
Payments:		
Losses and loss expenses attributable to insured events of the current year	6,228	6,896
Losses and loss expenses attributable to insured events prior years	<u>6,404</u>	<u>10,970</u>
Total payments	<u>12,632</u>	<u>17,866</u>
Net unpaid loss liabilities at end of year	6,275	6,790
Plus: Excess-of-loss liabilities recoverable	<u>--</u>	<u>2,716</u>
Total unpaid loss liabilities at end of year	<u>\$6,275</u>	<u>\$9,506</u>

**Trend Information**

Historical trend information showing revenue and claims development information is presented in the Office of the Commissioner of Insurance June 30, 2010 financial statements. Copies of these statements may be requested from:

Office of the Commissioner of Insurance  
 125 South Webster Street  
 Madison, Wisconsin 53702

**2. State Life Insurance Fund**

The State Life Insurance Fund was created under Chapter 607, Wisconsin Statutes, to offer life insurance to residents of Wisconsin in a manner similar to private insurers. This fund functions much like a mutual life insurance company and is subject to the same regulatory requirements as any life insurance company licensed to operate in Wisconsin.

Premiums are reported as earned when due. Benefits and expenses are associated with earned premiums so as to result in recognition of profits over the life of the contracts. This association is accomplished by means of the provision for liabilities for future benefits and the amortization of acquisition costs.

The costs of policy issuance and underwriting, all of which vary with, and are primarily related to, the production of new business, have been deferred. These deferred acquisition costs are amortized over a forty year period, considered representative of the life of the contract. The amortization is in proportion to the ratio of annual in-force business to the amount of business issued. Such anticipated in-force business was estimated using similar assumptions to those used for computing liabilities for future policy benefits.

**Deferred Acquisition Cost Assumptions**

Issue Years	Interest Rate	Lapse Rate	Mortality
1913-1966	3.0%	2.0%	None
1967-1976	3.0	2.0	None
1977-1985	4.0	2.0	None
1986-1994	5.0	2.0	None
1995+	4.0	2.0	None

The State Life Insurance Fund does not pay commissions nor does it incur agent expenses.

Future benefits and loss liabilities have been computed by the net level premium method based upon estimated future investment yield and mortality. The composition of liabilities and the more material assumptions pertinent thereto are presented below (in thousands):

Issue Year	Ordinary Life Insurance in Force	Amount of Policy Liability
1913-1966	\$ 9,773	\$ 7,290
1967-1976	31,663	16,482
1977-1985	75,090	23,460
1986-1994	50,741	8,531
1995-2008	41,629	5,163
2009+	2,249	113
	<u>\$ 211,145</u>	<u>\$ 61,039</u>

**Bases of Assumptions**

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

\* Age Next Birthday

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

The statutory assets at December 31, 2009 were \$89.6 million and the statutory capital and surplus was \$7.3 million, and the fund equity at June 30, 2010 was \$20.2 million.

**3. Injured Patients and Families Compensation Fund**

The Injured Patients and Families Compensation Fund was created in 1975 for the purpose of providing excess medical malpractice claims exceeding the legal primary insurance limits prescribed in Wis. Stat. Section 655.23(4), or the maximum liability limit for which the health care provided is insured, whichever limit is greater. Management of the Injured Patients and Families Compensation Fund is vested with a 13-member Board of Governors, which is chaired by the Commissioner of Insurance. Most health care providers permanently practicing or operating in the State of Wisconsin are required to pay Injured Patients and Families Compensation Fund operating fees. Risk of loss is retained by the fund.

The Future Benefits and Loss Liability account includes individual case estimates for reported losses and estimates for incurred but not reported losses based upon the projected ultimate losses recommended by a consulting actuary. Individual case estimates of the liability for reported losses and net losses paid from inception of the Injured Patients and Families Compensation Fund are deducted from the projected ultimate loss liabilities to determine the liability for incurred but not reported losses as of June 30, 2010 as follows (in thousands):

Projected ultimate loss liability	\$ 1,484,313
Less: Net loss paid from inception	(772,632)
Less: Liability for reported losses	(56,028)
Liability for incurred but not reported losses	<u>\$ 655,653</u>

The Future Benefits and Loss Liability account also includes a provision for the estimated future payment of the costs to settle claims. The actuary estimates the ultimate loss adjustment expense (LAE) using data available through September 30 of the fiscal year. The actuary estimates LAE at 18 percent of the estimated unpaid loss liabilities as of June 30, 2010. Since the actuary estimate occurs before the end of the fiscal year and are based on an estimate of the cumulative payments, the percentage used by the actuary in determining LAE will differ slightly from the percentages used in financial statements since actual LAE payments are used for financial reporting. The LAE paid from the inception of the Injured Patients and Families Compensation Fund are deducted from the projected ultimate loss adjustment expenses provision to determine the liability for loss adjustment expenses as of June 30, 2010 as follows (in thousands):

Projected ultimate loss adjustment expense liability	\$ 194,767
Less: Loss adjustment expense paid from inception	(69,848)
Liability for loss adjustment expense	<u>\$ 124,919</u>

In accordance with Section Ins. 17.27(3), Wis. Adm. Code, the liability for reported losses, liability for incurred but not reported losses, and liability for loss adjustment expense are maintained on a present value basis with the difference from full value being reported as a contra account to these estimated loss liabilities. These estimated loss liabilities are discounted only to the extent that they are matched by cash and invested assets. Using the actuarially determined discount factor of 0.820, which is based on an investment yield assumption of 5.5 percent approved by the Board of Governors, the discounted loss liability would be as follows as of June 30, 2010 (in thousands):

Estimated liability for Incurred But Not Reported (IBNR)	\$ 655,653
Estimated liability for reported losses	56,028
Estimated unpaid loss adjustment expense	124,919
Total estimated loss liabilities	<u>836,600</u>
Less: Amount representing interest	(150,588)
Discounted loss liabilities	<u>\$ 686,012</u>

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

Once every three years, the Office of the Commissioner of Insurance contracts for an actuarial audit of the Injured Patients and Families Compensation Fund. This audit includes a review by another actuary of the reasonableness of the actuarial methodology and assumptions used in developing estimates of the Fund's liabilities. The actuarial audits have concluded that the Fund's loss liability estimates are reasonable, although conservative. The Fund's contracted actuary has considered the recommendations made in the actuarial audits and appropriately incorporated any necessary changes based on those recommendations into the actuarial methodology and assumptions used to calculate the Fiscal Year 2010 liabilities estimate.

In addition to discounted loss liabilities, the Future Benefit and Loss Liabilities account also includes a future medical expenses liability and a contributions being held liability. The future medical expenses liability consists of those accounts required by Wis. Stat. Sec. 655.015 to be established if a settlement or judgment provides for future medical expense payments in excess of \$100,000. The accounts are managed by the Fund and earn a proportionate share of the Fund's interest. Any account balance remaining when a claimant dies reverts back the Fund. The contributions being held liability consists of nonrefundable payments, generally in amounts equal to the primary coverage in effect for related claims, that primary insurers have voluntarily presented to the fund and which are negotiable with the fund in exchange for a release of payment for any future defense costs



that may be incurred on the claim. This amount is held as a liability to the Fund until a payment on the claim is made.

The breakdown of Future Benefit and Loss Liabilities, including the portions that are estimated as current and noncurrent as of June 30, 2010 (in thousands), is as follows:

Discounted loss liabilities	\$ 686,012
Future medical expense liability	35,059
Contributions being held liability	--
Total estimated loss liabilities	<u>721,071</u>
Current portion	(86,335)
Noncurrent portion	<u>\$ 634,736</u>

The uncertainties inherent in projecting the frequency and severity of large claims because of the Injured Patients and Families Compensation Fund's unlimited liability coverage and extended reporting and settlement periods makes it likely that the amounts ultimately paid will differ from the recorded estimated loss liabilities. These differences cannot be quantified.

The estimated amounts included in the balance of Future Benefits and Loss Liabilities are continually reviewed and adjusted as the Injured Patients and Families Compensation Fund gains additional experience. Such adjustments are reflected in current operations. Because of the changes in these estimates, the benefit expense for the fiscal year is not necessarily indicative of the loss experience for the year.

The following is a reconciliation of the change in the balance of Future Benefits and Loss Liabilities during FY 2010 (in thousands):

Liability at the beginning of the year	\$ 675,407
Incurred claims and related expenses for the current year and the change in estimated amounts for claims incurred in prior years	49,205
Less: current year payments attributable to claims incurred in current and prior years	<u>(3,541)</u>
Liability at the end of the year	<u>\$ 721,071</u>

**B. Component Units**

**Wisconsin Health Care Liability Insurance Plan**

The Wisconsin Health Care Liability Insurance Plan (the Plan) is a statutory unincorporated association established by rule of the Commissioner of Insurance of the State of Wisconsin as mandated by the State of Wisconsin legislature. The Plan provides health care liability insurance and liability coverages normally incidental to health care liability insurance to eligible

health care providers in the State of Wisconsin calling for payment of premium prior to the effective date of the policy. All insurers authorized to write personal injury liability insurance in the State of Wisconsin, with certain minor exceptions, are required to be members of the Plan.

The Plan generates its premium written revenue by selling medical malpractice insurance. Rates are calculated in accordance with generally accepted actuarial principles. The rates are set so that the Plan will be self-supporting. Profit is not the intent of the Plan.

Since the inception of the Plan in 1975, the health care liability coverage limits have increased from \$200 thousand per occurrence and \$600 thousand annual aggregate to the current limits of \$1.0 million per occurrence and \$3.0 million annual aggregate. A general liability coverage is also available to participating health care providers with limits of \$1.0 million per occurrence and \$3.0 million annual aggregate. The Plan is not covered under any reinsurance contracts.

In the event that sufficient funds are not available for the sound financial operation of the Plan, all members shall, on a temporary basis, contribute to the financial needs of the Plan. Members shall participate in the contributions in the proportion of their respective premiums to the aggregate premiums written by all members of the Plan. Such assessments shall be recouped by rate increases applied prospectively. There were no assessments for the year ended December 31, 2009.

The future benefits and loss liability includes amounts determined from individual reported losses (case reserves) and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes that the amounts are adequate, the ultimate liability will differ from the amounts provided. The methods for making such estimates and for establishing the resulting liability are annually reviewed, and any adjustments are reflected in income currently. Specific account balances as of December 31, 2008, and December 31, 2009, are as follows (in thousands):

	2009	2008
Balance at January 1	\$ 17,612	\$ 37,122
Incurred related to:		
Current year	4,594	4,502
Prior years	630	(21,877)
Total Incurred	<u>5,224</u>	<u>(17,375)</u>
Paid related to:		
Current year	89	108
Prior years	1,141	2,027
Total paid	<u>1,230</u>	<u>2,135</u>
Balance at December 31	<u>\$ 21,606</u>	<u>\$ 17,612</u>



There is inherent uncertainty in medical malpractice claims when establishing the estimates of unpaid losses and unpaid loss adjustment expenses. In 2008, the Plan decreased its estimates of unpaid losses and unpaid loss adjustment expenses related to insured events of prior years. These decreases were greater than the estimated losses incurred for the current year, causing negative incurred losses and loss adjustment expenses.

**NOTE 21. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA****Primary Government**

The State issues revenue bonds to finance the Leveraged Loan Program, which is accounted for as part of the Environmental Improvement Fund. Investors in those bonds rely solely on the revenue generated within the Leveraged Loan Program. Assets of this program are used primarily for loans for Wisconsin municipal waste water projects. Condensed financial statement information of the Leveraged Loan Program as of and for the year ended June 30, 2010 is presented below (in thousands):

**Condensed Balance Sheet**

Assets:	
Current Assets	\$ 162,393
Other Assets	945,395
Total Assets	<u>\$ 1,107,788</u>
Liabilities:	
Due to Other Funds	\$ 1,500
Other Current Liabilities (Including Current Portion of Long-term Debt)	74,242
Noncurrent Liabilities	<u>812,677</u>
Total Liabilities	<u>888,419</u>
Fund Equity:	
Restricted	219,369
Total Fund Equity	<u>219,369</u>
Total Liabilities and Fund Equity	<u>\$ 1,107,788</u>

**Condensed Statement of Revenues, Expenses and Changes in Fund Equity**

Operating Revenues (Expenses):	
Interest Income used as Security for Revenue Bonds	\$ 19,885
Interest Expense	(39,387)
Other Operating Expenses	<u>(1,603)</u>
Operating Income (Loss)	(21,105)
Nonoperating Revenues (Expenses):	
Investment Income	<u>14,318</u>
Income (Loss) before Transfers	(6,787)
Transfers In (Out)	<u>15,243</u>
Change in Fund Equity	8,456
Beginning Fund Equity	210,913
Ending Fund Equity	<u>\$ 219,369</u>

**Condensed Statement of Cash Flows**

Net Cash Provided (Used) by :	
Operating Activities	\$ (3,254)
Noncapital Financing Activities	29,535
Investing Activities	<u>4,486</u>
Net Increase (Decrease)	30,767
Beginning Cash and Cash Equivalents	<u>118,045</u>
Ending Cash and Cash Equivalents	<u>\$ 148,812</u>

**NOTE 22. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION**

Significant financial data for the State's five discretely presented component units for the year ended December 31, 2009 or June 30, 2010 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority	Wisconsin Health Care Liability Insurance Plan	University of Wisconsin Hospitals and Clinics Authority*	University of Wisconsin Foundation	State Fair Park Exposition Center	Total
<b>Condensed Balance Sheet</b>						
Assets and Deferred Outflows:						
Cash, Investments and Other Assets	\$ 3,589,284	\$ 73,142	\$ 376,877	\$ 2,410,222	\$ 240	\$ 6,449,764
Due from Primary Governments	-	-	1,420	-	-	1,420
Cash and Investments with Other Component Units	-	-	248,233	-	-	248,233
Capital Assets, net	15,808	-	392,004	7,251	7	415,071
Deferred Outflows of Resources	117,179	-	-	-	-	117,179
Total Assets and Deferred Outflows	\$ 3,722,271	\$ 73,142	\$ 1,018,534	\$ 2,417,473	\$ 247	\$ 7,231,667
Liabilities:						
Accounts Payable and Other Current Liabilities	\$ 137,624	\$ 24,179	\$ 96,038	\$ 48,847	\$ 213	\$ 306,901
Due to Primary Government	225	-	7,936	-	-	8,161
Amounts Held for Other Component Units	-	-	-	215,773	-	215,773
Other Liabilities	117,179	-	12,249	-	-	129,428
Long-term Liabilities (Current and Noncurrent portions)	2,915,885	21,606	328,388	40,264	-	3,306,143
Total Liabilities	3,170,913	45,785	444,611	304,885	213	3,966,407
Fund Equity:						
Invested in Capital Assets, Net of Related Debt	3,143	-	150,496	7,251	7	160,898
Restricted	543,809	27,357	8,415	1,927,074	-	2,506,655
Unrestricted	4,406	-	415,012	178,263	26	597,708
Total Fund Equity	551,358	27,357	573,923	2,112,588	34	3,265,261
Total Liabilities and Fund Equity	\$ 3,722,271	\$ 73,142	\$ 1,018,534	\$ 2,417,473	\$ 247	\$ 7,231,667
<b>Condensed Statement of Revenues, Expenses and Changes in Fund Equity</b>						
Program Expenses:						
Depreciation	\$ 7,505	\$ -	\$ 48,874	\$ 467	\$ 934	\$ 57,780
Payments to Primary Government	-	-	2,640	250,985	-	253,625
Other	327,954	21,411	908,367	29,017	4,174	1,290,922
Total Program Expenses:	335,459	21,411	959,881	280,469	5,108	1,602,327
Program Revenues:						
Charges for Goods and Services	6,372	5,756	1,002,272	-	3,881	1,018,281
Investment and Interest Income	152,791	3,727	-	267,057	-	423,576
Operating Grants and Contributions	176,772	-	519	156,119	-	333,410
Capital Grants and Contributions	-	-	1,091	-	-	1,091
Miscellaneous	13,817	178	16,346	406	5,448	36,196
Total Program Revenues	349,752	9,661	1,020,228	423,583	9,330	1,812,553
Net Program Revenue/(Expense)	14,293	(11,750)	60,347	143,114	4,222	210,226
General Revenues:						
Interest and Investment Earnings	9,653	-	8,151	-	153	17,957
Miscellaneous	-	-	-	-	-	-
Loss on Unamortized Bond Insurance Premium	-	-	-	-	-	-
Contributions to Endowments	-	-	111	-	-	111
Change in Fund Equity	23,946	(11,750)	68,609	143,114	4,375	228,294
Fund Equity, Beginning of Year	527,412	39,107	505,314	1,969,475	(4,341)	3,036,967
Fund Equity, End of Year	\$ 551,358	\$ 27,357	\$ 573,923	\$ 2,112,588	\$ 34	\$ 3,265,261

\* The University of Wisconsin Hospital and Clinics Authority adjusted beginning net assets by \$(8.3) million due to a change in method of accounting for derivative instruments.

**NOTE 23. RESTATEMENTS OF BEGINNING FUND BALANCES/FUND EQUITY/NET ASSETS AND OTHER CHANGES**

The reconciliations that follow summarize restatements of the end-of-year fund balance/fund equity/net assets as reported in the 2009 Comprehensive Annual Financial Report to the beginning-of-year fund balances/fund equity/net assets reported for Fiscal Year 2010 (in thousands):

**A. Fund Statements – Governmental Funds**

	Major Funds					Total Governmental
	General	Transportation	Common School	Nonmajor Funds		
Fund Balances June 30, 2009 as reported in the 2009 Comprehensive Annual Financial Report	\$ (2,711,626)	\$ 531,592	\$ 786,199	\$ (463,971)		\$ (1,857,805)
Correction of accrual for tobacco settlement receivable	(71,643)	-	-	-		(71,643)
Correction of accrual for due to other governments	-	(24,847)	-	-		(24,847)
Other adjustments of assets and liabilities as of June 30, 2009	6,038	-	-	-		6,038
Fund Balances July 1, 2009 as restated	\$ (2,777,230)	\$ 506,745	\$ 786,199	\$ (463,971)		\$ (1,948,257)
Effect of prior period adjustments on the amount of excess revenues and other sources over expenditures and other uses of Fiscal Year 2009	\$ (65,291)	\$ (24,847)	-	-		\$ (90,138)

**B. Fund Statements – Proprietary Funds**

	Major Funds						Total Enterprise	Internal Service Funds
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Funds			
Fund Equity June 30, 2009 as reported in the 2009 Comprehensive Annual Financial Report	\$ (108,982)	\$ 1,492,284	\$ 4,599,726	\$ (247,920)	\$ 439,672	\$ 6,174,780	\$ (17,250)	
Other adjustments of assets and liabilities as of June 30, 2009	-	-	-	-	(1,822)	(1,822)	290	
Fund Equity July 1, 2009 as restated	\$ (108,982)	\$ 1,492,284	\$ 4,599,726	\$ (247,920)	\$ 437,851	\$ 6,172,959	\$ (16,960)	
Effect of prior period adjustments on the amount of net change in fund equity of Fiscal Year 2009	\$ -	\$ -	\$ -	\$ -	\$ (1,882)	\$ (1,882)	\$ 290	

**C. Fund Statements – Fiduciary Funds**

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Total Fiduciary
Net Assets June 30, 2009 as reported in the 2009 Comprehensive Annual Financial Report	\$ 61,237,935	\$ 3,337,647	\$ 1,928,416	\$ 66,503,998
Other adjustments of assets and liabilities as of June 30, 2009	215	-	-	215
Net Assets July 1, 2009 as restated	\$ 61,238,150	\$ 3,337,647	\$ 1,928,416	\$ 66,504,213
Effect of prior period adjustments on the amount of net increase (decrease) in net assets of Fiscal Year 2009	\$ (49)	\$ -	\$ -	\$ (49)

**D. Government-wide Statements**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Net Assets June 30, 2009 as reported in the 2009 Comprehensive Annual Financial Report	\$ 5,658,256	\$ 6,173,012	\$ 11,831,268	\$ 3,045,312
Correction of accrual for tobacco settlement receivable	(71,643)	-	(71,643)	-
Correction of accrual for due to other governments	(24,847)	-	(24,847)	-
Department of Transportation restatement of capital assets and infrastructure	(16,005)	-	(16,005)	-
Cumulative effect of change in method of accounting for derivative instruments for implementation of GASB 53	-	-	-	(8,345)
Other adjustments of assets and liabilities as of June 30, 2009	5,713	(1,822)	3,891	-
Net Assets July 1, 2009 as restated	\$ 5,551,473	\$ 6,171,190	\$ 11,722,663	\$ 3,036,967
Effect of prior period adjustments on the amount of net increase (decrease) in net assets of Fiscal Year 2009	\$ (90,258)	\$ (1,882)	\$ (92,140)	-

## NOTE 24. LITIGATION, CONTINGENCIES AND COMMITMENTS

### A. Litigation and Contingencies

The State is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations.

#### Claims and Judgments Reported in Governmental Activities

The State accrues liabilities related to legal proceedings, if a loss is probable and reasonably estimable. Such losses, totaling \$3.7 million on June 30, 2010 reported in the governmental activities, are discussed below:

*Other Claims -- Work Injury Supplemental Benefits* - The Work Injury Supplemental Benefit Fund, administered by the Department of Workforce Development, provides compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. The liability for annuities to be paid totaled \$.9 million at June 30, 2010.

The U.S. Department of Agriculture (USDA) determined that certain costs of services for the Supplemental Nutrition Assistance Program (SNAP), administered by the State of Wisconsin Department of Health Services, were not eligible for participation in that program. Therefore, a liability for \$2.8 million is reported at June 30, 2010, \$2.3 million as a claims and judgments in the government-wide statements and \$.5 million as a "Due to Other Governments" in the General Fund.

#### Other Claims, Judgments, and Contingencies

The State is also named as a party in other legal proceedings where the ultimate disposition and consequence are not presently determinable. The potential liability amount relating to an unfavorable outcome for certain of these proceedings could not be reasonably determined at this time. However, the ultimate dispositions and consequences of any single legal proceeding or all legal proceedings collectively should not have a material adverse effect on the State's financial position.

*Notice of Transferee Liability* - In September 2008, the Internal Revenue Service (IRS) provided the State of Wisconsin Investment Board (SWIB) a Notice of Transferee Liability. This claim seeks taxes, penalties and interest relating to the sale of Shockley Communications Corporation (SCC) stock in 2001.

The IRS asserts that the shareholders' sale of SCC stock in 2001 should have been characterized as a sale of assets by SCC, on which SCC should have paid income taxes. The IRS asserts that the former SCC shareholders, including SWIB, would be liable for those taxes, plus penalties and interest. The SWIB's liability, as a putative transferee of SCC assets, would be limited to \$28.3 million plus interest.

The SWIB believes that the loss, if any, resulting from the claim being upheld will not have a material impact on net investment assets or net income in future years. Due to uncertainty in predicting an outcome, a liability has not been recorded.

*Child Support Disallowances* - In November 2008, the Federal Government notified the State that it had disallowed certain costs that were not reimbursed in accordance with federal requirements. The State is disputing these findings and currently awaiting a final decision. Because a fiscal impact cannot be readily determined and due to uncertainty in predicting an outcome if appeals were to proceed, a liability has not been recorded.

*Taxability of Custom Software* - In July 2008, the Wisconsin Supreme Court decided in favor of the Menasha Corporation in the case regarding the taxability of custom software. While it was initially estimated that the State could potentially receive requests for refund claims in excess of \$270.0 million, actual refunds paid in Fiscal Year 2009 and Fiscal Year 2010 totaled \$37.2 million. The State estimates that it will pay out an additional \$4.3 million in claims during Fiscal Year 2011; therefore, a liability for \$4.3 million is reported at June 30, 2010, in the General Fund as a tax refund payable. Refund claims not yet received, or remaining to be settled could reach up to \$7.7 million, however, a liability for this amount is not reported.

*Transfer from Injured Patients and Families Compensation Fund* - 2007 Wisconsin Act 20, which was signed into law October 2007, required a transfer of \$200 million from the Injured Patients and Families Compensation Fund to the General Fund. The transfer consisted of \$71.5 million, which was transferred in October 2007, and an additional \$128.5 million which was transferred in July 2008. Subsequent to the signing of this legislation and the initial transfer, the Wisconsin Medical Society filed a lawsuit on behalf of their members challenging the transfer as unconstitutional. After being dismissed in December 2008, the case was appealed to the Wisconsin Supreme Court. In July, 2010, the Wisconsin Supreme Court ruled that the plaintiffs had a property interest in the transferred funds, and that the transfer therefore, constituted an unlawful taking under the Wisconsin Constitution. The Court ruling requires that the \$200 million, plus interest and lost earnings, be returned to the Injured Patients and Families Compensation Fund. The matter has been remanded to the Circuit Court to determine the amount of interest and lost earnings due. A liability of \$202.6 million is reported as an "Advance from Other Funds" in the General Fund. The amount reported does not include lost earnings, which have yet to be determined.

**B. Commitments**

**Primary Government**

In addition to legal proceedings, the State is party to commitments which normally occur in governmental operations. In addition to the amount of encumbrances outstanding at June 30, 2010, reported as Fund Balance - Reserved for Encumbrances, additional obligations at June 30, 2010 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	\$ 482,759
Transportation Revenue Bonds Capital Projects Fund	54,813
General Fund – Department of Commerce programs, including economic and community development programs	49,897
Environmental	3,289

*The Environmental Improvement Fund* (the Fund) was established to administer the Clean Water Fund Loan Program. Loans are made to local units of government for wastewater treatment projects for terms of up to 20 years. These loans are made at a number of prescribed interest rates based on environmental priority. The loans contractually are revenue obligations or general obligations of the local governmental unit. Additionally, various statutory provisions exist which provide further security for payment. The Fund has made financial assistance commitments of \$270.1 million as of June 30, 2010. These loan commitments are expected to be met through additional federal grants and proceeds from issuance of revenue obligations.

In addition, the revenue obligation bonds of the Leveraged Loan Program in the Fund are collateralized by a security interest in all the assets of the Leveraged Loan Program. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the Fund’s revenue obligation bonds. However, as the loans granted to local units of government are at an interest rate less than the revenue bond rate, the State is obligated by the Fund’s General Resolution to fund, at the time each loan is made, a reserve which subsidizes the Leveraged Loan Program in an amount which offsets this interest disparity.

*The Injured Patients and Families Compensation Fund* may be required to purchase an annuity as a result of a claim settlement. Under specific annuity arrangements, the fund may have ultimate responsibility for annuity payments if the annuity company defaults on annuity payments. One of the fund’s annuity providers defaulted on \$100 thousand in annuity payments through June 30, 2010, which the fund subsequently paid. The annuity provider is currently making the majority of these annuity payments, but the fund continues to make monthly annuity payments to cover defaulted payments. The fund has received

reimbursement for these payments, including interest of \$93 thousand through June 30, 2010. It is unclear when the annuity provider will be able to make the remaining annuity payments and whether the fund will be able to recover the remaining annuity payments made on the behalf of the annuity provider. The total estimated replacement value of the fund’s annuities as of June 30, 2010 was \$32.8 million. The replacement value calculation includes only annuities where the Fund remains the owner. Annuities with qualified assignments are no longer included. The fund reserves the right to pursue collection from State guarantee funds.

*State Public Deposit Guarantee* - As required by Wis. Stat. Sec. 34.08, the State is to make payments to public depositors for proofs of loss (e.g., loss resulting from a bank failure) up to \$400 thousand per depositor above the amount of federal insurance. This statutory requirement guarantees that the State will make payments in favor of the public depositor that has submitted a proof of loss. Payments would be made in the order in which satisfactory proofs of loss are received by the State’s Department of Financial Institutions, until the designated appropriation is exhausted. At June 30, 2010, the appropriation available totaled \$43.0 million. Losses become fixed as of the date of the loss. A public depositor experiencing a loss must assign its interest in the deposit, to the extent of the amount paid, to the Department of Financial Institutions. Any recovery made by the Department of Financial Institutions under the assignment is to be repaid to the appropriation. The possibility of a material loss resulting from payments to and recovery from public depositors is remote.

**Component Units**

*The Wisconsin Housing and Economic Development Authority’s* mission was expanded since its creation to include administration of the Agricultural and Business Programs. These programs administer funds that are legislatively appropriated to subsidize interest and provide guarantees of principal balances of qualifying loans. At June 30, 2010, outstanding loan guarantees totaled \$30.4 million.

In April 2003, the Authority approved the Neighborhood Business Revitalization Guarantee program. The guarantee program will provide up to \$12.0 million in loan guarantees for revitalization in targeted urban commercial communities with populations greater than 35,000. As of June 30, 2010, \$6.4 million of loan guarantees had been approved with outstanding loan guarantees of \$6.2 million.

**NOTE 25. SUBSEQUENT EVENTS**

**Primary Government**

**Short-term Debt**

*Operating Notes* – In July 2010, the State issued \$800.0 million of operating notes. The proceeds of the notes were to be used within six months to fund local assistance payments to the State’s municipalities and school districts, and finance day-to-day operations in anticipation of revenue received later in the fiscal year. The notes were issued because of an imbalance between the timing of payments disbursed and receipts collected. The imbalance exists because a greater percentage of receipts are received in the second half of the fiscal year, primarily January, March and April. The notes will be paid at maturity on June 15, 2011.

**Long-term Debt**

*General Obligation Bonds* - In September 2010, the State issued \$146.7 million of 2010 Series C general obligation bonds to be used for the acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes. The interest rates ranged from 4.0 percent to 5.0 percent payable semiannually, beginning May 1, 2011.

In September 2010, the State issued \$309.7 million of 2010 Series D 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 ranged from 3.5 percent to 5.1 percent payable semiannually, beginning May 1, 2011. The bonds mature May 1 of the years 2022 through 2041. These bonds are “qualified Build America Bonds” pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended. The State will receive 35 percent of the interest payable to bondholders from the United States Treasury.

In December 2010, the State will issue \$15.0 million of general obligation bonds to the State of Wisconsin Environmental Improvement Fund, the debt service of which is used to address the difference between loan repayments received in the Clean Water Fund Program’s leveraged loan portfolio and the debt service due on revenue obligations issued to fund loans from this Clean Water Fund Program portfolio. The interest rate is 5.955 percent payable semiannually beginning May 1, 2011. The bonds mature May 1 of the years 2030 and 2031.

*Revenue Bonds* - In November 2010, the State issued Clean Water Revenue Bonds, 2010 Series 4 in the amount of \$116.3 million. The interest rates ranged from 2.0 percent to 5.0 percent, interest is payable semiannually. The bonds mature June 1 of the years 2012 through 2031. The bonds are being used to make loans to municipalities primarily for construction or

improvement of their wastewater treatment facilities. In November 2010, the State issued Clean Water Revenue Refunding Bonds, 2010 Series 5 in the amount of \$36.8 million. The interest rates are 5.0 percent, interest is payable semiannually. The bonds mature June 1 of the years 2018 through 2023. The bonds are being used for the advance refunding of bonds previously issued to make loans to municipalities primarily for construction or improvement of their wastewater treatment facilities.

In December 2010, the State will issue 2010 Series A Transportation Revenue Bonds in the amount of \$76.1 million. The fixed interest rate is 5.0 percent payable semiannually. The bonds are due in various maturities beginning in 2012, with final maturity in 2021. The proceeds will be used to finance certain State transportation facilities and highway projects and to pay costs of issuance.

In December 2010, the State will issue 2010 Series B taxable Transportation Revenue Bonds in the amount of \$123.9 million. The 2010 Series B bonds are “qualified Build America Bonds” pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended. The State will receive 35 percent of the interest payable to bondholders from the United States Treasury. Fixed interest rates range from 4.7 percent to 6.0 percent payable semiannually. The bonds are due in various maturities beginning in 2022, with final maturity in 2031. The proceeds will be used to finance certain State transportation facilities and highway projects and to pay costs of issuance.

**Component Units**

*Wisconsin Housing and Economic Development Authority* (the Authority) – Subsequent to June 30, 2010, the Authority redeemed the following bonds (in thousands):

<b>Program/Bond Resolution</b>	<b>Amount Redeemed</b>
Home Ownership Revenue Bonds:	
1999 Series F, G, H & I	\$ 270
1998 Series F & G	2,085



In addition, subsequent to June 30, 2010, the Authority early retired the following bonds (in thousands):

<b>Program/Bond Resolution</b>	<b>Redemptions Amount Retired</b>
Home Ownership Revenue Bonds:	
1987	\$ 55,180
1988	65,400
All Other	4,740
Housing Revenue Bonds	3,590
Multifamily Stand Alone Bonds	175
Line of Credit – Mortgage Financing	23,858
Facility Refunding Bond	12,665
BDB Bonds	75

In addition, subsequent to June 30, 2010, the Authority issued the following bonds (in thousands):

<b>Program/Bond Resolution</b>	<b>Issuances</b>
Home Ownership Revenue Bonds:	
2009	\$ 40,000
Line of Credit – Mortgage Financing	63,561
Facility Refunding Bond	12,665

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## **Required Supplementary Information**

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**Required Supplementary Information**

**Postemployment Benefits - State Health Insurance Program**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation Of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) – Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b – a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b – a) / c)</b>
1/1/2009	\$ 0	\$ 1,329,526	\$ 1,329,526	0.0%	\$ 3,053,972	43.5%
1/1/2007	\$ 0	\$ 1,472,774	\$ 1,472,774	0.0%	\$ 2,842,917	51.8%

**Required Supplementary Information**

**Infrastructure Assets Reported Using the Modified Approach**

The State has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the State can demonstrate that these assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The State owns approximately 11,200 centerline miles of roads and 5,000 bridges.

**Road Network**

Condition assessments are completed on a two-year cycle with the most current results reported for each State road. Numerous measures are used to assess the condition of the State's road network. The State has adopted the International Roughness Index (IRI), as defined by the Federal Highway Administration, as its primary condition measure. IRI is measured on a scale of 0 to 5, with an IRI of 2.69 or greater being defined as a "poor" ride. Roads with a "poor" IRI assessment cause negative impacts for the traveling public by decreasing driver comfort and increasing the damage to vehicles and goods. It is the State's policy to ensure no more than 15 percent of its roads receive a "poor" IRI assessment.

Recent condition assessment results are as follows:

Year Ended June 30	Miles of Road	Percent Rated "Poor"	Established Percent	Variance Favorable/ (Unfavorable)
2010	11,200	9.3*	15.0	5.7
2009	11,200	6.9	15.0	8.1
2008	11,200	6.9	15.0	8.1
2007	11,200	6.4	15.0	8.6
2006	11,200	5.4	15.0	9.6
2005	11,200	5.8	15.0	9.2
2004	11,200	6.1	15.0	8.9
2003	11,200	4.3	15.0	10.7
2002	11,200	4.6	15.0	10.4

\*The increase in the percentage of roads rated poorly is partially attributable to the use of new equipment used in assessing the IRI. DOT officials believe the current data collection methods

provide a more accurate view of existing ride quality because of improvements in equipment and methodology.

Each year the State estimates the costs to maintain and preserve the road network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

Year Ended June 30	Estimated Costs (In millions)	Actual Costs (In millions)	Variance (In millions) Favorable/ (Unfavorable)
2010	\$ 660.7	\$ 669.1	\$ (8.4)
2009	647.7	624.4	23.3
2008	531.8	537.3	(5.5)
2007	501.8	441.6	60.2
2006	495.7	367.5	128.2
2005	366.6	333.8	32.8
2004	450.8	341.1	109.7
2003	420.9	336.7	84.2
2002	470.7	437.6	33.1

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years. Estimated costs for 2005 and actual costs for 2005 through 2008 have been restated from amounts reported in prior years due to an error in classification of costs on a capital project as maintenance/preservation costs.

**Bridge Network**

Condition assessments are completed on a two-year cycle, with more frequent inspections completed if warranted. The most current assessment results are reported for each State bridge, making the overall assessment a blend of measures completed in the current fiscal year and those completed in the prior year.

The structural condition rating is a broad measure of the condition of a bridge. Each bridge is rated using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings. The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two

NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. The NBI uses a 10-point scale for condition codes and appraisal ratings. A bridge is considered "structurally deficient" if any condition code is 4 or less, or if either appraisal code is 2 or less.

"Structurally deficient" bridges cause negative impacts for the public by increasing the likelihood that heavy loads will need to be rerouted to less efficient routes, thus increasing logistic costs for State businesses. It is the State's policy to ensure no more than 15 percent of its bridges are "structurally deficient".

Recent condition assessment results are as follows:

Year Ended June 30	Number of Bridges	Percent Structurally Deficient	Established Percent	Variance Favorable/ (Unfavorable)
2010	5,000	4.1	15.0	10.9
2009	5,000	3.8	15.0	11.2
2008	4,900	4.5	15.0	10.5
2007	4,900	4.1	15.0	10.9
2006	4,900	4.3	15.0	10.7
2005	4,900	5.1	15.0	9.9
2004	4,900	5.4	15.0	9.6
2003	4,900	6.2	15.0	8.8
2002	4,900	7.6	15.0	7.4

Each year the State estimates the costs to maintain and preserve the bridge network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

Year Ended June 30	Estimated Costs (In millions)	Actual Costs (In millions)	Variance (In millions) Favorable/ (Unfavorable)
2010	\$ 91.7	\$ 93.0	\$ (1.3)
2009	55.9	56.9	(1.0)
2008	61.0	46.2	14.8
2007	36.0	46.9	(10.9)
2006	42.4	31.3	11.1
2005	28.3	38.6	(10.3)
2004	47.8	52.3	(4.5)
2003	46.4	45.7	0.7
2002	33.6	38.4	(4.8)

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The

types of projects ultimately contracted and incurring costs during the year are often very different. The State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

**Budgetary Comparison Schedule  
General Fund  
For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	Original Budget		Final Budget		Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year				\$	505,075
<b>Revenues and Transfers (Inflows):</b>					
Taxes	\$ 12,371,404	\$	12,156,781		12,156,840
Departmental:					
Tribal Gaming	19,477		19,227		25,095
Other	15,149,589 (A)		15,237,792 (A)		14,736,145
Transfers from:					
Transportation Fund	(A)		(A)		84,770
Nonmajor Governmental Funds	(A)		(A)		158,916
Nonmajor Enterprise Funds	(A)		(A)		317
<b>Total Revenues and Transfers (Inflows)</b>	<b>27,540,470</b>		<b>27,413,799</b>		<b>27,162,082</b>
Amounts Available for Appropriation					27,667,157
<b>Appropriations (Outflows):</b>					
Commerce	385,294		615,987		303,822
Education	11,577,970		11,884,855		11,217,390
Environmental Resources	343,640		205,000		169,044
Human Relations and Resources	10,450,988		12,671,856		11,539,870
General Executive	1,347,977		1,482,742		1,030,803
Judicial	136,256		132,470		130,341
Legislative	73,818		65,998		65,930
Tax Relief and Other General	2,351,994		2,319,622		2,291,777
Transfers to:					
Nonmajor Governmental Funds	23,800		23,800		23,800
<b>Total Appropriations (Outflows)</b>	<b>\$ 26,691,736</b>	<b>\$</b>	<b>29,402,330</b>		<b>26,772,777</b>
Fund Balances, End of Year					894,380
Less Encumbrances Outstanding at June 30, 2010					(716,009)
Fund Balances, End of Year Budgetary Basis				\$	178,371
Reconciliation of the End of Year, Budgetary Basis, Fund Balance to the Detail Reported in the Annual Fiscal Report:					
General Purpose:					
Designated				\$	78,496
Undesignated					70,980
Total General Purpose					149,476
Program Revenue					28,895
Fund Balances, End of Year Budgetary Basis				\$	178,371

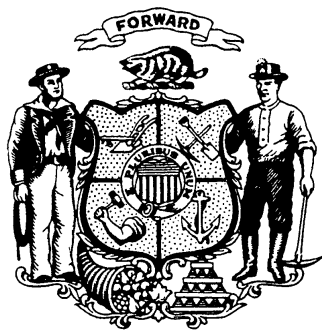
(A) Interfund transfers to the General Fund were budgeted under departmental revenue during Fiscal Year 2010.

**Budgetary Comparison Schedule  
Transportation Fund  
For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			\$ 418,581
<b>Revenues (Inflows):</b>			
Taxes	\$ 1,008,681	\$ 1,008,681	1,008,681
Departmental	1,907,041	1,907,041	1,907,041
Transfers from:			
Nonmajor Governmental Funds	10,000	10,000	10,000
<b>Total Revenues (Inflows)</b>	<b>2,925,722</b>	<b>2,925,722</b>	<b>2,925,722</b>
Amounts Available for Appropriation			3,344,303
<b>Appropriations and Transfers (Outflows):</b>			
Environmental Resources	4,200,128	5,870,385	2,680,892
General Executive	1,990	1,936	1,509
Tax Relief and Other General	24,399	21,862	22,821
Transfers to:			
General Fund	45,370	84,770	84,770
<b>Total Appropriations and Transfers (Outflows)</b>	<b>\$ 4,271,887</b>	<b>\$ 5,978,952</b>	<b>2,789,992</b>
Fund Balances, End of Year			554,311
Less Encumbrances Outstanding at June 30, 2010			(1,603,381)
Fund Balances, End of Year Budgetary Basis			<b>\$ (1,049,070)</b>





Notes To Required Supplementary Information

NOTE 1. BUDGETARY INFORMATION

A. Budgetary – GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedule compares the legally adopted budget (more fully described in RSI Note 1-B) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on the budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of basis and perspective differences as of June 30, 2010 is presented below (in thousands):

	General Fund	Transportation Fund
<b>Fund balance June 30, 2010 (budgetary basis – budgetary fund structure):</b>		
General Purpose Revenue – fund balance per budgetary basis <i>Annual Fiscal Report</i>		
Undesignated fund balance	\$ 70,980	
Designated fund balance	78,496	
Total General Purpose Revenue fund balance	149,476	
Program Revenue – fund balance per budgetary basis <i>Annual Fiscal Report</i>	28,895	
Fund balance June 30, 2010 (budgetary basis – budgetary fund structure)		
As reported on the budgetary comparison schedule	178,371	\$(1,049,070)
Reclassifications:		
To eliminate the effect of encumbrances that were reported as expenditures under budgetary reporting ( <i>basis difference</i> )	716,009	1,603,381
To reclassify activities of the Medical Assistance Trust, Hospital Assessment, Budget Stabilization, and Permanent Endowment Funds (reported as special revenue funds under budgetary reporting) as part of the General Fund ( <i>perspective difference</i> )	40,818	--
To reclassify activities reported in another GAAP fund type ( <i>perspective differences</i> ):		
Enterprise funds (except for the University of Wisconsin System)	55,232	--
University of Wisconsin System	(658,719)	--
Internal Service funds	50,017	--
Fiduciary funds	(653)	--
Transportation Revenue Bonds capital project fund	--	3,353
Fund balance June 30, 2010 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	381,075	557,664
Adjustments ( <i>basis differences</i> ):		
To accrue receivables and establish payables for individual income taxes (net)	(990,462)	--
To defer revenues for gross receipts public utility taxes	(240,560)	--
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(414,404)	(10,557)
To adjust expenditures for the municipal and county shared revenue program	(528,177)	--
To adjust expenditures for State property tax credit program	(677,023)	--
To record a loan for the monies received in prior years from the Injured Patients and Families Compensation Fund	(202,588)	--
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(171,269)	--
To adjust revenues and expenditures for certain major Health Services, and Children and Families human services payments to local governments	(93,543)	--
To recognize the tobacco settlement revenue receivable	72,159	--
To accrue State educational aids payments deferred until the subsequent year	(75,000)	--
To adjust revenues and expenditures for other items (net)	(3,512)	103,041
<b>Fund balance June 30, 2010 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements</b>	<b>\$(2,943,303)</b>	<b>\$ 650,148</b>

## B. Budgetary Basis of Accounting

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

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

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

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

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

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

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

The State's biennial budget was enacted and published on June 29, 2009. This legislation is recognized by State officials as the original budget and is treated as such on the Budgetary Comparison Schedules.

While the legal level of budgetary control for the reported funds is maintained at the appropriation line as specified by the Legislature in Chapter 20 of the Wisconsin Statutes, this level of detail is impractical for inclusion in the Comprehensive Annual Financial Report. Accordingly, a supplementary report is available upon request which provides budgetary comparisons at the legal level of control.

Appropriation unexpended balances lapse at year-end or forward to the subsequent fiscal year depending on the type of appropriation involved:

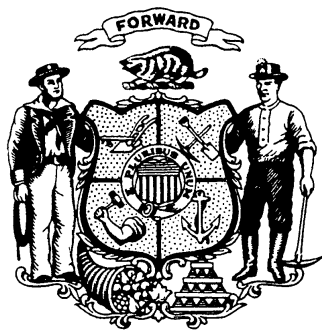
- *Continuing* - unexpended balances automatically forward to ensuing years until fully depleted or repealed by subsequent action of the Legislature.
- *Annual*:
  - *General Purpose Revenue* - unencumbered balances lapse at year end.
  - *Program Revenue* - unexpended cash balances may be forwarded to the next fiscal year.
- *Biennial* - unexpended balances or deficits automatically forward to the second year. At the end of the second year all unencumbered general purpose revenue balances lapse.
- *Sum sufficient* - moneys are appropriated and expended in the amounts necessary to accomplish the purpose specified.

Encumbrances may be carried over to the next fiscal year as a revision to the budgetary appropriation with Department of Administration approval. Under budgetary reporting, encumbrances are treated like expenditures and are shown as a reduction of fund balance. Under GAAP reporting, encumbrances outstanding at year end for purchase orders and contracts expected to be honored in the following year are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

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## **Supplementary Information**

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# Nonmajor Governmental Funds

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

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

The **Election Administration Fund** accounts for federal and State moneys provided to develop, administer and manage a statewide voter registration system; enabling all qualified electors, including those with disabilities, the opportunity to vote while maintaining uniform standards within the voting process and safeguarding the vote of all electors.

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

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

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

The **Celebrate Children Foundation Fund** is a publicly supported not-for-profit corporation dedicated to obtaining and investing resources in quality childhood and family development experiences to ensure an environment in which all Wisconsin children become healthy and productive citizens. This fund is supported primarily by the transfer of license plate fee contributions.

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

- The **Heritage State Parks and Forests Fund** accounts for the funding for operations and maintenance of State parks, southern State forests, and recreation areas either by making partial matching grants to "friends groups" or by accepting expenditure transfers from park and forest programs in the Conservation Fund.
  - The **Waste Management Fund** accounts for the closure and long-term care of approved landfills from fees imposed on landfill operators.
  - The **Environmental Fund** accounts for the development and enforcement of groundwater standards, as well as assistance in the emergency response, investigation and clean up of contaminated sites. This assistance is funded by fees on activities or substances which may contaminate groundwater and fees for solid waste tipping, pesticide licenses and oil inspections.
  - The **Dry Cleaner Environmental Response Fund** accounts for the financial assistance for the remediation of environmental contamination caused by the spillage of dry cleaning solvents. Revenues used to fund this program are dry cleaning facility license and solvent fees.
  - The **Recycling and Renewable Energy Fund** accounts for the moneys from the recycling surcharge tax and recycling fees, used to reduce the amount of solid waste disposed of in landfills and incinerators.
- The **Other Special Revenue Funds** account for resources that must be used for specific purposes and include the following:
- The **Wisconsin Election Campaign Fund** accounts for taxpayer donated funding for political candidates. The donations are intended to replace special interest funds.
  - The **Investment and Local Impact Fund** accounts for grants and loans to municipalities where metalliferous minerals exist to offset the negative effects of mining projects. These grants and loans are funded with taxes which have been imposed on mining activities.
  - The **Industrial Building Construction Loan Fund** accounts for economic development grants and loans for the construction of industrial buildings. These grants and loans are funded primarily with investment income.

(Continued)

# Nonmajor Governmental Funds

(Continued)

- The **Self-insured Employers Liability Fund** establishes a reserve to cover claims for employees of employers who have become insolvent. These employers were previously determined to be exempt from the requirement to carry accident or death insurance. The reserve is also used to cover the cost of insurance carrier or insurance service organization used to process, investigate, and pay valid claims from the injured employees.
- The **Work Injury Supplemental Benefit Fund** accounts for compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. This compensation is provided with funds collected from State employers and insurance carriers.
- The **Workers Compensation Fund** accounts for the expenditures related to administering the worker's compensation laws in Wisconsin. These expenditures are funded by annual assessments of insurers and self-insured employers doing business in the State.
- The **Uninsured Employers Fund** accounts for the administration of insurance enforcement activities and compensation to injured employees of uninsured employers. The revenue is primarily provided by funds collected from uninsured employers.
- The **Mediation Fund** accounts for the resolution of disputes regarding medical malpractice. Dispute filing fees and fees charged to health care providers are the primary revenue sources.
- The **Police and Fire Protection Fund** accounts for the distribution of fees collected by communication providers and retailers for distribution to counties and municipalities as State shared revenue.
- The **State Capitol Restoration Fund** accounts for moneys from private donations used to offset the costs of restoration work at the State Capitol.
- The **Agricultural Chemical Cleanup Fund** accounts for the portion of the costs responsible persons pay to clean up fertilizer and pesticide spills and historical handling areas. Fertilizer and pesticide licenses and registration fees primarily provide the revenue.
- The **Agrichemical Management Fund** accounts for the regulation and enforcement of pesticide, feed and fertilizer industries. The revenue is generated by licenses and fees assessed to these industries.
- The **Agricultural Producer Security Fund** accounts for the program to secure payments to producers. This fund is supported primarily with fees, surcharges, assessments, reimbursements and bond proceeds of surety bonds.
- The **Historical Legacy Trust Fund** accounts for moneys to commemorate the 200th anniversary of statehood. Gifts, grants, and bequests generate the revenue. Also, all moneys received by the State Sesquicentennial Commission after September 30, 1998 are reported in this fund.
- The **History Preservation Partnership Trust Fund** accounts for moneys received from admissions, sales, and other receipts of the Historical Society. The fund is supported primarily by program revenues from daily receipts, site deposits and other generated income from goods and services.
- The **Wireless 911 Fund** accounts for moneys received from surcharges on wireless telephone customers. The moneys generated by this surcharge were used to provide grants to wireless providers and local governments to devise a system to provide wireless 911 emergency telephone service. With 2009 Wisconsin Act 28, the grant program was ended and the remaining balance was provided to local governments through shared revenue under Wisconsin Statutes 20.835(q).
- The **VendorNet Fund** accounts for revenues, primarily subscription fees from vendors, used to carry out information technology development projects, including paying for costs associated with technology-related equipment, software and support.
- The **Universal Service Fund** accounts for various programs that ensure that all State residents receive essential telecommunication services at reasonable prices and that they have access to certain advanced telecommunications service capabilities. Assessment of entities in the telecommunications industry is the primary source of revenues.
- The **Children's Trust Fund** accounts for the program which provides information and encourages the development of child abuse and neglect prevention programs. This fund is supported primarily with investment income and moneys received as contributions, grants, gifts and bequests.

(Continued)

# Nonmajor Governmental Funds

(Continued)

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

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

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

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

The **Badger Tobacco Asset Securitization Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of bonds issued by the Badger Tobacco Asset Securitization Corporation (BTASC) in Fiscal Year 2002 for the purpose of making a one-time purchase of Tobacco Settlement Revenues from the State. These bonds are revenue obligations of the BTASC secured by, and payable solely and only out of, the moneys, assets or revenues pledged by the BTASC.

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

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

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

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

The **Capital Improvement Fund** accounts for revenues from general obligation bond proceeds, General Fund transfers and investment pool interest earnings which are primarily used for the acquisition or construction of major capital facilities and for repair and maintenance projects.

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

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

The **Historical Society Fund** accounts for investment income and donations received by the Wisconsin Historical Society to assist in the operations of the State's archives, research and library services, museums, historic preservation, and executive and administrative services.

The **Other Permanent Fund** accounts for various resources with legal restrictions requiring that principal remain intact and only earnings may be spent, including the following:

- The **Agricultural College and University** statutory funds account for federal land grant revenues used as public purpose loans for municipalities and school districts.
- The **Normal School** statutory fund accounts for public purpose loans to municipalities and school districts. These loans are financed with revenues derived from the sale of federally granted land and timber. The interest generated from this fund is used to support and maintain State universities.
- The **Benevolent** statutory fund accounts for investment income used for the care, custody and education of residents committed to the Lincoln Hills School.



**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2010**

(In Thousands)

	<b>Special Revenue Funds</b>				
	<b>Conservation</b>	<b>Election Administration</b>	<b>Utility Public Benefits</b>	<b>Petroleum Inspection</b>	<b>Wisconsin Public Broadcasting Foundation</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 39,778	\$ 15,899	\$ 11,379	\$ 1,572	\$ 5,830
Investments	-	-	-	-	6,041
Receivables (net of allowance):					
Taxes	28,516	-	-	-	-
Loans to Local Governments	3,550	-	-	-	-
Other Loans Receivable	6	-	-	-	-
Other Receivables	3,961	2	7,143	30	284
Due from Other Funds	6,910	306	1,959	12,394	178
Due from Other Governments	4,365	23	-	-	-
Inventories	3,046	-	-	-	7
Prepaid Items	2,020	14	11	136	53
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Investments	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 92,152</b>	<b>\$ 16,244</b>	<b>\$ 20,491</b>	<b>\$ 14,132</b>	<b>\$ 12,393</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable and Other					
Accrued Liabilities	\$ 12,981	\$ 94	\$ 617	\$ 8,873	\$ 368
Due to Other Funds	12,917	175	96	2,611	342
Interfund Payables	-	-	-	-	-
Due to Other Governments	3,482	-	147	95	-
Tax Refunds Payable	-	-	-	-	-
Tax and Other Deposits	1,422	-	-	-	-
Unearned Revenue	3,930	-	1,271	-	103
Deferred Revenue	498	-	-	-	-
Interest Payable	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Short-term Notes Payable	-	-	-	71,150	-
Revenue Bonds and Notes Payable	-	-	-	-	-
<b>Total Liabilities</b>	<b>35,229</b>	<b>269</b>	<b>2,130</b>	<b>82,728</b>	<b>812</b>
<b>Fund Balances:</b>					
Reserved for					
Encumbrances	27,830	60	745	141	-
Reserved for Inventories	3,046	-	-	-	7
Reserved for Prepaid Items	2,020	14	11	136	53
Reserved for Restricted Funds	265	15,898	-	-	259
Reserved for Long-term Receivables	2,602	-	-	-	-
Unreserved:					
Undesignated	21,160	2	17,605	(68,874)	11,261
<b>Total Fund Balance</b>	<b>56,924</b>	<b>15,974</b>	<b>18,361</b>	<b>(68,597)</b>	<b>11,580</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 92,152</b>	<b>\$ 16,244</b>	<b>\$ 20,491</b>	<b>\$ 14,132</b>	<b>\$ 12,393</b>

Special Revenue Funds				Debt Service Funds		
Celebrate Children Foundation	Other Environmental Special Revenue	Other Special Revenue	Total Special Revenue Funds	Bond Security and Redemption	Annual Appropriation Bonds	2009 Annual Appropriation Bonds
\$ 566	\$ 19,882	\$ 50,130	\$ 145,035	\$ 20,039	\$ -	\$ -
937	-	-	6,978	-	-	-
-	756	-	29,273	-	-	-
-	-	-	3,550	-	-	-
-	-	-	6	-	-	-
20	10,767	28,048	50,255	-	-	-
-	40,301	1,879	63,926	-	-	-
-	1,260	-	5,647	-	-	-
-	1	14	3,067	-	-	-
-	14,876	84	17,194	-	-	-
-	-	-	-	-	-	126
-	-	-	-	-	33,905	-
<b>\$ 1,523</b>	<b>\$ 87,843</b>	<b>\$ 80,155</b>	<b>\$ 324,932</b>	<b>\$ 20,039</b>	<b>\$ 33,905</b>	<b>\$ 126</b>

\$ 115	\$ 2,409	\$ 2,231	\$ 27,688	\$ -	\$ -	\$ -
-	2,577	4,309	23,027	4,757	-	-
-	10,368	5,022	15,390	-	-	-
-	1,497	-	5,221	-	-	-
-	206	-	206	-	-	-
-	9,028	-	10,450	-	-	-
-	-	2	5,305	-	-	-
-	-	7,601	8,099	-	-	-
-	-	-	-	-	-	-
-	2,477	2,789	5,266	-	-	-
-	-	-	71,150	-	-	-
-	-	-	-	-	-	-
<b>115</b>	<b>28,563</b>	<b>21,954</b>	<b>171,801</b>	<b>4,757</b>	<b>-</b>	<b>-</b>

-	29,110	2,802	60,689	-	-	-
-	1	14	3,067	-	-	-
-	14,876	84	17,194	-	-	-
1,257	-	30	17,710	-	-	-
-	-	-	2,602	-	-	-
<b>151</b>	<b>15,292</b>	<b>55,270</b>	<b>51,868</b>	<b>15,282</b>	<b>33,905</b>	<b>126</b>
<b>1,408</b>	<b>59,279</b>	<b>58,201</b>	<b>153,131</b>	<b>15,282</b>	<b>33,905</b>	<b>126</b>
<b>\$ 1,523</b>	<b>\$ 87,843</b>	<b>\$ 80,155</b>	<b>\$ 324,932</b>	<b>\$ 20,039</b>	<b>\$ 33,905</b>	<b>\$ 126</b>

(Continued)

**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2010**

(Continued)

	Debt Service Funds				Capital Projects Funds
	Badger Tobacco Asset Securitization	Petroleum Inspection Revenue Bonds	Transportation Revenue Bonds	Total Debt Service Funds	Building Trust
<b>Assets</b>					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	20,039	\$ 20,012
Investments	-	-	-	-	-
Receivables (net of allowance):					
Taxes	-	-	-	-	-
Loans to Local Governments	-	-	-	-	-
Other Loans Receivable	-	-	-	-	-
Other Receivables	1	-	-	1	-
Due from Other Funds	-	-	2,001	2,001	4,763
Due from Other Governments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid Items	124	-	-	124	-
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	8,439	4,393	71,048	84,006	-
Investments	-	-	76,919	110,824	-
<b>Total Assets</b>	<b>\$ 8,564</b>	<b>\$ 4,393</b>	<b>\$ 149,968</b>	<b>\$ 216,994</b>	<b>\$ 24,775</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable and Other					
Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	3,043
Due to Other Funds	-	-	9	4,766	350
Interfund Payables	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-
Tax and Other Deposits	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Interest Payable	-	3,902	41,787	45,689	-
Advances from Other Funds	-	-	-	-	-
Short-term Notes Payable	-	-	-	-	-
Revenue Bonds and Notes Payable	-	-	77,195	77,195	-
<b>Total Liabilities</b>	<b>-</b>	<b>3,902</b>	<b>118,991</b>	<b>127,650</b>	<b>3,393</b>
<b>Fund Balances:</b>					
Reserved for					
Encumbrances	-	-	-	-	21,799
Reserved for Inventories	-	-	-	-	-
Reserved for Prepaid Items	124	-	-	124	-
Reserved for Restricted Funds	8,440	-	-	8,440	-
Reserved for Long-term Receivables	-	-	-	-	-
Unreserved:					
Undesignated	-	491	30,976	80,780	(417)
<b>Total Fund Balance</b>	<b>8,564</b>	<b>491</b>	<b>30,976</b>	<b>89,344</b>	<b>21,382</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 8,564</b>	<b>\$ 4,393</b>	<b>\$ 149,968</b>	<b>\$ 216,994</b>	<b>\$ 24,775</b>

Capital Projects Funds			Permanent Funds			
Capital Improvement	Transportation Revenue Bonds	Total Capital Projects Funds	Historical Society	Other Permanent	Total Permanent Funds	Total Nonmajor Governmental Funds
\$ 20,149	\$ -	\$ 40,161	\$ 201	\$ 1,082	\$ 1,283	\$ 206,518
-	-	-	9,178	4,310	13,488	20,465
-	-	-	-	-	-	29,273
-	-	-	-	17,860	17,860	21,410
-	-	-	-	-	-	6
-	-	-	8	-	8	50,264
18,985	10	23,758	10	1,728	1,738	91,423
-	-	-	-	-	-	5,647
-	-	-	-	-	-	3,067
-	-	-	4	-	4	17,323
-	24,233	24,233	-	-	-	108,239
-	-	-	-	-	-	110,824
<b>\$ 39,135</b>	<b>\$ 24,243</b>	<b>\$ 88,153</b>	<b>\$ 9,400</b>	<b>\$ 24,980</b>	<b>\$ 34,380</b>	<b>\$ 664,459</b>

\$ 5,797	\$ -	\$ 8,840	\$ 8	\$ -	\$ 8	\$ 36,535
12,161	22,700	35,211	8	-	8	63,011
-	-	-	-	-	-	15,390
39	-	39	-	-	-	5,260
-	-	-	-	-	-	206
-	-	-	-	2	2	10,452
-	-	-	-	-	-	5,305
-	-	-	-	-	-	8,099
-	-	-	-	-	-	45,689
-	-	-	-	-	-	5,266
548,960	162,498	711,458	-	-	-	782,608
-	-	-	-	-	-	77,195
<b>566,957</b>	<b>185,198</b>	<b>755,548</b>	<b>15</b>	<b>2</b>	<b>17</b>	<b>1,055,016</b>

112,998	102,647	237,445	-	-	-	298,134
-	-	-	-	-	-	3,067
-	-	-	4	-	4	17,323
-	-	-	-	223	223	26,372
-	-	-	-	17,623	17,623	20,225
<b>(640,821)</b>	<b>(263,602)</b>	<b>(904,840)</b>	<b>9,380</b>	<b>7,133</b>	<b>16,513</b>	<b>(755,678)</b>
<b>(527,822)</b>	<b>(160,955)</b>	<b>(667,395)</b>	<b>9,385</b>	<b>24,978</b>	<b>34,363</b>	<b>(390,557)</b>
<b>\$ 39,135</b>	<b>\$ 24,243</b>	<b>\$ 88,153</b>	<b>\$ 9,400</b>	<b>\$ 24,980</b>	<b>\$ 34,380</b>	<b>\$ 664,459</b>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	Special Revenue Funds				
	Conservation	Election Administration	Utility Public Benefits	Petroleum Inspection	Wisconsin Public Broadcasting Foundation
<b>Revenues:</b>					
Taxes	\$ 95,010	\$ -	\$ -	\$ 59,807	\$ -
Intergovernmental	39,804	5,868	-	-	-
Licenses and Permits	112,637	-	106,315	89	-
Charges for Goods and Services	15,144	-	-	53	643
Investment and Interest Income	42	35	1	29	512
Fines and Forfeitures	362	-	-	2	-
Gifts and Donations	3,586	-	-	-	9,909
Miscellaneous: Other	2,863	8	-	114	-
<b>Total Revenues</b>	<b>269,448</b>	<b>5,911</b>	<b>106,316</b>	<b>60,095</b>	<b>11,064</b>
<b>Expenditures:</b>					
Current:					
Commerce	-	-	-	-	-
Education	-	-	-	-	2,791
Transportation	-	-	-	-	-
Environmental Resources	249,909	-	-	17,084	-
Human Relations and Resources	-	-	-	-	-
General Executive	-	3,179	93,200	-	-
Judicial	-	-	-	-	-
Tax Relief and Other	-	-	-	-	-
General Expenditures	-	-	-	-	-
Intergovernmental - Shared Revenue	-	-	-	-	-
Capital Outlay	7,047	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	542	-
Other Expenditures	-	-	-	-	-
<b>Total Expenditures</b>	<b>256,956</b>	<b>3,179</b>	<b>93,200</b>	<b>17,625</b>	<b>2,791</b>
Excess of Revenues Over (Under) Expenditures	12,492	2,732	13,116	42,470	8,273
<b>Other Financing Sources (Uses):</b>					
Long-term Debt Issued	-	-	-	-	-
Long-term Debt Issued - Refunding Bonds	-	-	-	57,498	-
Payments for Refunded Bonds	-	-	-	-	-
Discount on Bonds	-	-	-	-	-
Premium on Bonds	-	-	-	14,320	-
Transfers In	23,121	208	-	-	-
Transfers Out	(31,142)	(30)	(21)	(42,330)	(7,834)
Installment Purchase Acquisitions	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(8,021)</b>	<b>178</b>	<b>(21)</b>	<b>29,488</b>	<b>(7,834)</b>
Net Change in Fund Balances	4,471	2,910	13,095	71,958	439
Fund Balances, Beginning of Year	52,326	13,064	5,266	(140,555)	11,142
Increase (Decrease) in Reserve for Inventories	126	-	-	-	(1)
<b>Fund Balances, End of Year</b>	<b>\$ 56,924</b>	<b>\$ 15,974</b>	<b>\$ 18,361</b>	<b>\$ (68,597)</b>	<b>11,580</b>

Special Revenue Funds				Debt Service Funds		
Celebrate Children Foundation	Other Environmental Special Revenue	Other Special Revenue	Total Special Revenue Funds	Bond Security and Redemption	Annual Appropriation Bonds	2009 Annual Appropriation Bonds
\$ -	\$ 20,183	\$ 2	\$ 175,003	\$ -	\$ -	\$ -
-	853	-	46,526	2,433	-	-
-	59,330	128,592	406,963	-	-	-
-	1,346	3,245	20,431	-	-	-
111	119	111	960	57	104	60
-	2,652	2,481	5,496	-	-	-
262	-	13	13,771	-	-	-
-	1,487	429	4,901	-	-	-
373	85,971	134,874	674,052	2,490	104	60
-	-	49,741	49,741	-	-	-
-	-	3,547	6,338	-	-	-
-	-	-	-	-	-	-
-	71,163	-	338,156	-	-	-
327	-	19,774	20,102	-	-	-
-	-	-	96,379	-	-	-
-	-	280	280	-	-	-
-	-	81	81	-	10	1
-	-	66,238	66,238	-	-	-
-	506	-	7,552	-	-	-
-	-	-	-	20,353	13,820	6,200
-	-	-	542	201,986	102,262	92,530
-	-	-	-	5,018	-	-
327	71,669	139,662	585,410	227,358	116,092	98,732
45	14,302	(4,788)	88,642	(224,868)	(115,988)	(98,671)
-	-	-	-	-	-	-
-	-	-	57,498	255,520	-	-
-	-	-	-	(283,517)	-	-
-	-	-	-	(932)	-	-
-	-	-	14,320	47,764	-	-
224	16,799	91	40,443	210,335	113,683	98,730
(30)	(54,208)	(5,848)	(141,443)	(29)	-	-
-	-	-	-	-	-	-
194	(37,409)	(5,757)	(29,182)	229,140	113,683	98,730
240	(23,107)	(10,545)	59,460	4,272	(2,305)	59
1,169	82,387	68,751	93,550	11,010	36,210	67
-	-	(4)	121	-	-	-
\$ 1,408	\$ 59,279	\$ 58,201	\$ 153,131	\$ 15,282	\$ 33,905	\$ 126

(Continued)

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2010**

(Continued)

	Debt Service Funds				Capital Projects Funds
	Badger Tobacco Asset Securitization	Petroleum Inspection Revenue Bonds	Transportation Revenue Bonds	Total Debt Service Funds	Building Trust
<b>Revenues:</b>					
Taxes	\$ -	\$ 11,020	\$ -	\$ 11,020	\$ -
Intergovernmental	-	-	2,001	4,434	21,017
Licenses and Permits	-	-	170,251	170,251	-
Charges for Goods and Services	-	-	-	-	-
Investment and Interest Income	19	4	163	407	116
Fines and Forfeitures	-	-	-	-	-
Gifts and Donations	-	-	-	-	207
Miscellaneous: Other	-	-	-	-	954
<b>Total Revenues</b>	<b>19</b>	<b>11,024</b>	<b>172,415</b>	<b>186,113</b>	<b>22,293</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Commerce	-	-	-	-	-
Education	-	-	-	-	698
Transportation	-	-	-	-	1,025
Environmental Resources	-	1,328	-	1,328	1,800
Human Relations and Resources	-	-	-	-	10,572
General Executive	-	-	-	-	325
Judicial	-	-	-	-	-
Tax Relief and Other					
General Expenditures	181	-	-	193	124
Intergovernmental - Shared Revenue	-	-	-	-	-
Capital Outlay	-	-	-	-	17,080
<b>Debt Service:</b>					
Principal	-	-	77,195	117,568	-
Interest	-	4,991	77,844	479,614	-
Other Expenditures	-	-	-	5,018	-
<b>Total Expenditures</b>	<b>181</b>	<b>6,319</b>	<b>155,039</b>	<b>603,721</b>	<b>31,624</b>
Excess of Revenues Over (Under) Expenditures	(163)	4,705	17,376	(417,609)	(9,331)
<b>Other Financing Sources (Uses):</b>					
Long-term Debt Issued	-	-	-	-	-
Long-term Debt Issued - Refunding Bonds	-	59,962	-	315,482	-
Payments for Refunded Bonds	-	(66,390)	-	(349,907)	-
Discount on Bonds	-	-	-	(932)	-
Premium on Bonds	-	-	-	47,764	-
Transfers In	-	-	-	422,748	7,652
Transfers Out	(577)	-	(15,121)	(15,727)	(4,656)
Installment Purchase Acquisitions	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(577)</b>	<b>(6,428)</b>	<b>(15,121)</b>	<b>419,427</b>	<b>2,996</b>
<b>Net Change in Fund Balances</b>	<b>(740)</b>	<b>(1,723)</b>	<b>2,256</b>	<b>1,818</b>	<b>(6,335)</b>
Fund Balances, Beginning of Year	9,304	2,214	28,721	87,525	27,717
Increase (Decrease) in Reserve for Inventories	-	-	-	-	-
<b>Fund Balances, End of Year</b>	<b>\$ 8,564</b>	<b>\$ 491</b>	<b>\$ 30,976</b>	<b>\$ 89,344</b>	<b>\$ 21,382</b>

Capital Projects Funds			Permanent Funds			Total Nonmajor Governmental Funds
Capital Improvement	Transportation Revenue Bonds	Total Capital Projects Funds	Historical Society	Other Permanent	Total Permanent Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	186,023
-	-	21,017	-	-	-	71,977
-	382	382	-	-	-	577,597
-	-	-	8	395	402	20,833
781	18	915	1,237	-	1,237	3,518
-	-	-	-	-	-	5,496
-	-	207	2	-	2	13,980
10	-	965	-	1,588	1,588	7,454
792	400	23,485	1,246	1,983	3,229	886,878
3,575	-	3,575	-	-	-	53,316
1,112	-	1,811	541	-	541	8,690
83,988	47,284	132,297	-	-	-	132,297
32,960	-	34,761	-	-	-	374,244
8,895	-	19,467	-	-	-	39,568
1,471	-	1,796	-	-	-	98,175
-	-	-	-	-	-	280
3,282	380	3,785	-	-	-	4,059
-	-	-	-	-	-	66,238
222,125	127,755	366,961	82	448	530	375,043
-	-	-	-	-	-	117,568
1,017	-	1,017	-	-	-	481,173
410	1,251	1,661	-	-	-	6,680
358,835	176,671	567,130	624	448	1,071	1,757,332
(358,043)	(176,271)	(543,645)	623	1,535	2,158	(870,454)
560,132	165,000	725,132	-	-	-	725,132
-	-	-	-	-	-	372,980
-	-	-	-	-	-	(349,907)
-	-	-	-	-	-	(932)
-	1,233	1,233	-	-	-	63,317
1,862	15,121	24,635	-	275	275	488,100
(192,154)	(2,169)	(198,979)	(4)	(99)	(103)	(356,252)
1,309	-	1,309	-	-	-	1,309
371,149	179,184	553,330	(4)	175	171	943,747
13,106	2,913	9,685	619	1,710	2,329	73,293
(540,929)	(163,868)	(677,080)	8,766	23,268	32,034	(463,971)
-	-	-	-	-	-	121
\$ (527,822)	\$ (160,955)	\$ (667,395)	\$ 9,385	\$ 24,978	\$ 34,363	\$ (390,557)



**Budgetary Comparison Schedule  
Nonmajor Budgeted Governmental Funds  
For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	Special Revenue							
	Conservation		Election Administration		Medical Assistance Trust		Hospital Assessment	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Unexpended Budgetary Fund Balances, Beginning of Year		\$ 42,788		\$ 13,061		\$ 480		\$ 15,285
<b>Revenues (Inflows):</b>								
Taxes	\$ 91,903	91,903	\$ -	-	\$ -	-	\$ -	-
Budgeted Transfers from:								
General Fund	-	-	-	-	23,800	23,800	-	-
Nonmajor Governmental Funds	-	-	-	-	252,019	252,019	-	-
Departmental	205,570	205,570	6,122	6,122	195,708	195,708	378,993	378,993
<b>Total Revenues</b>	<b>297,472</b>	<b>297,472</b>	<b>6,122</b>	<b>6,122</b>	<b>471,527</b>	<b>471,527</b>	<b>378,993</b>	<b>378,993</b>
Amounts Available for Appropriation		340,260		19,183		472,006		394,278
<b>Appropriations and Transfers (Outflows):</b>								
Commerce	1,586	1,586	-	-	-	-	-	-
Education	1,315	519	-	-	-	-	-	-
Environmental Resources	348,756	286,670	-	-	-	-	-	-
Human Relations and Resources	-	-	-	-	464,488	464,488	393,980	170,611
General Executive	-	-	3,794	3,209	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Tax Relief and Other General	12	120	-	-	-	-	-	-
Budgeted Transfers to:								
General Fund	-	-	-	-	7,021	7,021	1,010	1,010
Transportation Fund	-	-	-	-	-	-	-	-
Nonmajor Governmental Funds	-	-	-	-	-	-	202,019	202,019
<b>Total Appropriations and Transfers</b>	<b>\$ 351,669</b>	<b>288,894</b>	<b>\$ 3,794</b>	<b>3,209</b>	<b>\$ 471,509</b>	<b>471,509</b>	<b>\$ 597,009</b>	<b>373,640</b>
Fund Balances								
End of Year		51,366		15,974		497		20,638
Less Encumbrances Outstanding at June 30, 2010		(28,747)		(60)		(5)		(20,305)
Fund Balances, End of Year Budgetary Basis		\$ 22,619		\$ 15,914		\$ 493		\$ 333

Special Revenue									
Utility Public Benefits		Petroleum Inspection		Budget Stabilization		Permanent Endowment		Other Environmental Special Revenue	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	<u>\$ (1,722)</u>		<u>\$ 4,541</u>		<u>\$ 1,466</u>		<u>\$ (1,945)</u>		<u>\$ 53,481</u>
\$ -	-	\$ 60,957	60,957	\$ -	-	\$ -	-	\$ 20,610	20,610
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	2,230	2,230
106,241	106,241	205	205	218	218	136,379	136,379	83,576	83,576
106,241	106,241	61,163	61,163	218	218	136,379	136,379	106,416	106,416
	<u>104,519</u>		<u>65,703</u>		<u>1,684</u>		<u>134,433</u>		<u>159,897</u>
463	435	18,781	18,528	-	-	-	-	37,071	16,579
-	-	-	-	-	-	-	-	4,825	3,371
-	-	5,781	5,543	-	-	-	-	78,595	64,793
18,279	18,279	1,989	840	-	-	-	-	622	621
85,533	74,555	170	136	-	-	-	-	271	149
-	-	-	-	-	-	-	-	-	-
-	-	6,506	6,506	-	-	-	-	4	4
-	-	21,973	21,973	-	-	84,433	84,433	40,519	40,519
-	-	10,000	10,000	-	-	-	-	-	-
-	-	2,230	2,230	-	-	50,000	50,000	-	-
\$ 104,275	93,270	\$ 67,430	65,756	\$ -	-	\$ 134,433	134,433	\$ 161,906	126,037
	11,249		(53)		1,684		-		33,860
	<u>(775)</u>		<u>(169)</u>		<u>-</u>		<u>-</u>		<u>(33,842)</u>
	<u>\$ 10,474</u>		<u>\$ (221)</u>		<u>\$ 1,684</u>		<u>\$ 0</u>		<u>\$ 18</u>

(Continued)

**Budgetary Comparison Schedule  
Nonmajor Budgeted Governmental Funds  
For the Fiscal Year Ended June 30, 2010**

(Continued)

	Special Revenue		Permanent						
	Other Special Revenue		Common School		Normal School		Historical Society		
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	
Unexpended Budgetary Fund Balances, Beginning of Year		\$ 57,752		\$ 777,510		\$ 22,715		\$ 8,766	
<b>Revenues (Inflows):</b>									
Taxes	\$ 2	2	\$ -	-	\$ -	-	\$ -	-	
Budgeted Transfers from:									
General Fund	-	-	-	-	-	-	-	-	
Nonmajor Governmental Funds	-	-	-	-	-	-	-	-	
Departmental	130,387	130,387	65,419	65,419	1,733	1,733	1,246	1,246	
Total Revenues	130,389	130,389	65,419	65,419	1,733	1,733	1,246	1,246	
Amounts Available for Appropriation		188,141		842,929		24,449		10,012	
<b>Appropriations and Transfers (Outflows):</b>									
Commerce	22,537	13,565	-	-	-	-	-	-	
Education	25,228	24,221	39,600	32,000	275	99	671	628	
Environmental Resources	-	-	-	-	-	-	-	-	
Human Relations and Resources	23,437	20,338	-	-	-	-	-	-	
General Executive	17,642	16,814	-	275	-	-	-	-	
Judicial	768	285	-	-	-	-	-	-	
Tax Relief and Other General	66,583	66,248	-	-	-	-	-	-	
Budgeted Transfers to:									
General Fund	3,959	3,959	-	-	-	-	-	-	
Transportation Fund	-	-	-	-	-	-	-	-	
Nonmajor Governmental Funds	-	-	-	-	-	-	-	-	
Total Appropriations and Transfers	\$ 160,153	145,430	\$ 39,600	32,275	\$ 275	99	\$ 671	628	
Fund Balances									
End of Year		42,711		810,654		24,349		9,385	
Less Encumbrances Outstanding at June 30, 2010		(2,305)		-		-		-	
Fund Balances, End of Year Budgetary Basis	\$ 40,406		\$ 810,654		\$ 24,349		\$ 9,385		

# Nonmajor Enterprise Funds

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

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

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

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

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

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

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

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

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

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

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

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

## Combining Balance Sheet - Nonmajor Enterprise Funds

June 30, 2010

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 39,694	\$ 78,626	\$ 218,902	\$ 206,612	\$ 24,243
Investments	9,681	-	-	-	-
Receivables (net of allowance):					
Loans to Local Governments	-	-	-	-	-
Loans Receivable	-	-	-	-	4,054
Other Receivables	20,148	3,613	76	9,614	237
Due from Other Funds	204	555	-	9	403
Due from Other Governments	-	-	-	-	108
Inventories	1,802	-	-	-	59
Prepaid Items	27,045	-	-	78	178
Deferred Charges	-	-	-	-	-
Other Assets	1,291	-	-	-	-
Total Current Assets	99,865	82,794	218,977	216,313	29,282
Noncurrent Assets:					
Investments	54,347	-	-	-	-
Receivables (net of allowance):					
Loans to Local Governments	-	-	-	-	-
Loans Receivable	-	-	-	-	13,653
Other Receivables	-	-	-	-	-
Advances to Other Funds	-	-	-	-	203
Deferred Charges	-	-	-	-	1
Other Assets	4,053	-	-	-	-
Depreciable Capital Assets (net of accumulated depreciation)	103	-	-	-	7,597
Nondepreciable Capital Assets	-	-	-	-	3,999
Total Noncurrent Assets	58,503	-	-	-	25,454
Total Assets	\$ 158,368	\$ 82,794	\$ 218,977	\$ 216,313	\$ 54,736
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable and Other Accrued Liabilities	\$ 37,173	\$ 124	\$ 133	\$ 1,828	\$ 883
Due to Other Funds	12,592	83	62	683	2,774
Interfund Payables	-	-	-	-	-
Due to Other Governments	-	-	-	-	15
Tax and Other Deposits	-	-	-	-	11
Unearned Revenue	648	894	-	104,691	-
Interest Payable	-	-	-	-	5
Short-term Notes Payable	-	-	-	-	1
Current Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	-	15,303	22,321	6,622	-
Capital Leases	-	-	-	-	-
Compensated Absences	8	-	-	-	6
General Obligation Bonds Payable	-	-	-	-	64
Total Current Liabilities	50,421	16,404	22,515	113,823	3,757
Noncurrent Liabilities:					
Accounts Payable and Other Accrued Liabilities	45,080	-	-	-	-
Noncurrent Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	-	57,474	133,957	-	-
Capital Leases	-	-	-	-	-
Compensated Absences	572	-	-	-	422
Other Postemployment Benefits	395	-	-	-	326
General Obligation Bonds Payable	-	-	-	-	525
Total Noncurrent Liabilities	46,046	57,474	133,957	-	1,273
Total Liabilities	96,468	73,878	156,473	113,823	5,031
<b>Fund Equity</b>					
Invested in Capital Assets, Net of Related Debt	103	-	-	-	11,009
Restricted for Future Benefits	-	8,916	62,505	102,490	-
Restricted for Other Purposes	61,797	-	-	-	-
Unrestricted	-	-	-	-	38,697
Total Fund Equity	61,900	8,916	62,505	102,490	49,705
Total Liabilities and Fund Equity	\$ 158,368	\$ 82,794	\$ 218,977	\$ 216,313	\$ 54,736

Care and Treatment Facilities						
Veterans Mortgage Loan Repayment	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds	
\$ 58,108	\$ 3,761	\$ 18	\$ 7,984	\$ 34,168	\$ 672,116	
-	-	-	-	8,089	17,771	
-	-	-	-	326	326	
5,428	-	-	-	-	9,482	
2,006	5,192	8,511	8,957	3,648	62,004	
-	1,321	999	9,960	2,339	15,788	
-	6	311	6,293	419	7,138	
-	375	516	1,825	4,775	9,352	
43	828	845	3,225	385	32,627	
183	-	-	-	-	183	
-	-	-	-	-	1,291	
65,768	11,483	11,200	38,243	54,150	828,076	
-	-	-	-	108,761	163,108	
-	-	-	-	1,648	1,648	
219,704	-	-	-	3,885	237,242	
-	-	-	-	70	70	
454	-	-	-	-	657	
1,471	-	-	29	623	2,125	
1,041	-	-	-	-	5,094	
77	19,963	11,798	73,280	74,865	187,682	
-	358	3,048	8,874	4,091	20,370	
222,746	20,320	14,846	82,183	193,943	617,996	
\$ 288,514	\$ 31,804	\$ 26,047	\$ 120,426	\$ 248,093	\$ 1,446,072	
\$ 278	\$ 3,367	\$ 3,044	\$ 10,863	\$ 3,661	\$ 61,355	
284	2,756	3,882	15,705	14,599	53,420	
-	-	14,131	43,128	205	57,463	
15	269	233	233	-	765	
-	-	-	18	24,942	24,971	
-	12	-	-	10,518	116,763	
2,210	-	-	81	222	2,518	
-	-	-	1,351	214	1,565	
-	-	-	-	8,247	52,492	
-	59	42	63	142	306	
4	34	23	82	6	164	
8,157	-	-	311	2,112	10,644	
10,949	6,495	21,355	71,836	64,867	382,424	
-	-	-	-	-	45,080	
-	-	-	-	62,460	253,891	
-	253	216	405	156	1,029	
303	2,403	1,527	5,801	401	11,429	
122	3,079	3,283	12,688	335	20,228	
251,769	-	-	10,301	26,024	288,619	
252,195	5,734	5,025	29,195	89,376	620,276	
263,144	12,230	26,380	101,031	154,243	1,002,700	
77	20,009	14,589	69,752	52,787	168,326	
-	-	-	-	52,370	226,281	
-	-	-	-	2,737	64,534	
25,293	(435)	(14,923)	(50,357)	(14,045)	(15,769)	
25,370	19,574	(334)	19,395	93,850	443,372	
\$ 288,514	\$ 31,804	\$ 26,047	\$ 120,426	\$ 248,093	\$ 1,446,072	

**Combining Statement of Revenues, Expenses, and Changes in Fund Equity - Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
<b>Operating Revenues:</b>					
Charges for Goods and Services	\$ 480,939	\$ -	\$ -	\$ 2	\$ 192
Participant and Employer Contributions	-	15,394	-	1,183,542	-
Investment and Interest Income	-	-	-	-	1,403
Miscellaneous	150	76	-	-	-
<b>Total Operating Revenues</b>	<b>481,089</b>	<b>15,470</b>	<b>-</b>	<b>1,183,544</b>	<b>1,595</b>
<b>Operating Expenses:</b>					
Personal Services	6,191	-	-	-	5,646
Supplies and Services	58,816	1,047	2,050	8,181	2,912
Lottery Prize Awards	273,008	-	-	-	-
Depreciation	48	-	-	-	675
Benefit Expense	-	11,737	42,339	1,163,912	-
Interest Expense	-	-	-	-	-
Other Expenses	-	455	397	4,611	326
<b>Total Operating Expenses</b>	<b>338,063</b>	<b>13,239</b>	<b>44,786</b>	<b>1,176,704</b>	<b>9,559</b>
<b>Operating Income (Loss)</b>	<b>143,026</b>	<b>2,231</b>	<b>(44,786)</b>	<b>6,840</b>	<b>(7,964)</b>
<b>Nonoperating Revenues (Expenses):</b>					
Operating Grants	-	-	-	-	1,297
Investment and Interest Income	1,604	8,273	33,031	10,683	67
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	4
Interest Expense	-	-	-	-	(27)
Gifts and Donations	-	-	-	-	131
Miscellaneous Revenues	99	1	1	-	8
Other Expenses:					
Property Tax Credits	(114,330)	-	-	-	-
Grants Disbursed	-	-	-	-	(3,003)
Other	-	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(112,626)</b>	<b>8,273</b>	<b>33,032</b>	<b>10,683</b>	<b>(1,524)</b>
<b>Income (Loss) before Transfers</b>	<b>30,400</b>	<b>10,505</b>	<b>(11,754)</b>	<b>17,523</b>	<b>(9,487)</b>
Capital Contributions	-	-	-	-	-
Transfers In	193	-	-	-	132
Transfers Out	(18,641)	-	-	-	(310)
<b>Net Change in Fund Equity</b>	<b>11,952</b>	<b>10,505</b>	<b>(11,754)</b>	<b>17,523</b>	<b>(9,665)</b>
Total Fund Equity, Beginning of Year	49,948	(1,588)	74,258	84,967	59,370
<b>Total Fund Equity, End of Year</b>	<b>\$ 61,900</b>	<b>\$ 8,916</b>	<b>\$ 62,505</b>	<b>\$ 102,490</b>	<b>\$ 49,705</b>

Veterans Mortgage Loan Repayment	Care and Treatment Facilities			Other Enterprise	Total All Nonmajor Funds
	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities		
\$ -	\$ 30,779	\$ 20,516	\$ 208,152	\$ 51,860	792,441
-	-	-	-	-	1,198,935
14,705	-	-	-	304	16,412
-	-	-	-	895	1,121
14,705	30,779	20,516	208,152	53,058	2,008,909
2,486	57,744	49,304	173,298	9,000	303,668
577	12,772	8,792	41,620	22,996	159,764
-	-	-	-	-	273,008
30	1,540	950	5,727	3,883	12,854
-	-	-	-	14,673	1,232,660
15,186	-	-	-	542	15,728
2,254	-	-	690	14,758	23,491
20,533	72,057	59,046	221,335	65,851	2,021,172
(5,828)	(41,278)	(38,530)	(13,182)	(12,793)	(12,263)
-	92	134	39	-	1,562
177	-	-	2	14,171	68,007
-	(41)	(426)	(42)	(31)	(536)
-	(17)	(13)	(434)	(1,332)	(1,823)
-	-	-	254	178	563
4	536	935	1,091	18,558	21,232
-	-	-	-	-	(114,330)
(339)	-	-	(294)	-	(3,636)
-	-	-	(1)	(40)	(41)
(159)	571	629	615	31,503	(29,004)
(5,987)	(40,707)	(37,902)	(12,568)	18,711	(41,267)
-	-	97	1,192	-	1,289
-	39,875	32,707	4,627	2,294	79,829
(51)	(1,732)	(1,626)	(10,364)	(1,607)	(34,330)
(6,039)	(2,564)	(6,723)	(17,112)	19,398	5,521
31,409	22,138	6,390	36,507	74,452	437,851
\$ 25,370	\$ 19,574	\$ (334)	\$ 19,395	\$ 93,850	443,372



## Combining Statement of Cash Flows - Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2010

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
<b>Cash Flows from Operating Activities:</b>					
Cash Receipts from Customers	\$ 478,534	\$ 15,541	\$ -	\$ 1,191,402	\$ 192
Cash Payments to Suppliers for Goods and Services	(26,294)	(1,548)	(2,475)	(8,181)	(2,934)
Cash Payments to Employees for Services	(6,241)	-	-	(4,611)	(5,831)
Cash Payments for Lottery Prizes	(287,667)	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-	(2,844)
Collection of Loans	-	-	-	-	7,772
Interest Income	-	-	-	-	1,452
Cash Payments for Benefits	-	(16,157)	(24,654)	(1,163,976)	-
Other Operating Revenues	-	76	-	-	-
Other Operating Expenses	(32,421)	-	-	-	(289)
Other Sources of Cash	-	-	1	2	-
Other Uses of Cash	-	-	-	-	-
Net Cash Provided (Used) by Operating Activities	125,911	(2,087)	(27,128)	14,636	(2,482)
<b>Cash Flows from Noncapital Financing Activities:</b>					
Operating Grants Receipts	-	-	-	-	1,190
Grants Disbursed	-	-	-	-	(2,955)
Repayment of Bonds and Notes	-	-	-	-	-
Interest Payments	-	-	-	-	-
Property Tax Credit Payments	(112,786)	-	-	-	-
Interfund Loans Received	-	-	-	-	-
Interfund Loans Repaid	-	-	-	-	-
Transfers In	208	-	-	-	1
Transfers Out	(14,874)	-	-	-	(310)
Other Cash Inflows from Noncapital Financing Activities	-	-	-	-	163
Net Cash Provided (Used) by Noncapital Financing Activities	(127,452)	-	-	-	(1,911)
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from Issuance of Debt	-	-	-	-	-
Capital Contributions	-	-	-	-	-
Repayment of Bonds and Notes	-	-	-	-	(57)
Interest Payments	-	-	-	-	(32)
Transfers In	-	-	-	-	-
Capital Lease Obligations	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	2
Payments for Purchase of Capital Assets	(5)	-	-	-	(55)
Other Cash Inflows from Capital Financing Activities	-	-	-	-	-
Other Cash Outflows from Capital Financing Activities	-	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(5)	-	-	-	(142)
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Sale and Maturities of Investment Securities	13,305	-	-	-	-
Purchase of Investment Securities	-	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-	-
Collection of Loans	-	-	-	-	-
Investment and Interest Receipts	(107)	8,273	33,031	10,683	67
Net Cash Provided (Used) by Investing Activities	13,198	8,273	33,031	10,683	67
Net Increase (Decrease) in Cash and Cash Equivalents	11,652	6,186	5,903	25,319	(4,468)
Cash and Cash Equivalents, Beginning of Year	28,042	72,440	212,999	181,293	28,710
Cash and Cash Equivalents, End of Year	\$ 39,694	\$ 78,626	\$ 218,902	\$ 206,612	\$ 24,243

Veterans Mortgage Loan Repayment	Care and Treatment Facilities			Other Enterprise	Total All Nonmajor Funds
	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities		
\$ -	\$ 29,510	\$ 23,502	\$ 242,930	\$ 54,482	2,036,093
(560)	(12,174)	(10,002)	(40,541)	(23,540)	(128,248)
(2,464)	(59,514)	(50,541)	(174,200)	(8,982)	(312,384)
-	-	-	-	-	(287,667)
(11,136)	-	-	-	(247)	(14,227)
42,233	-	-	-	735	50,740
15,972	-	-	-	46	17,470
-	-	-	-	(11,447)	(1,216,234)
-	-	-	-	3,869	3,946
(1,387)	-	-	-	(12,357)	(46,454)
-	3,659	2,391	3,683	455	10,192
-	-	-	(4,565)	(54)	(4,619)
42,658	(38,518)	(34,650)	27,308	2,960	108,607
-	63	43	51	-	1,347
(336)	-	-	(294)	-	(3,585)
(44,790)	-	-	-	-	(44,790)
(14,824)	-	-	-	(542)	(15,366)
-	-	-	-	-	(112,786)
-	-	4,393	2,829	-	7,222
-	-	-	(16,757)	(5,984)	(22,740)
-	39,826	32,839	4,466	2,197	79,536
(51)	(95)	(85)	(6,697)	(1,625)	(23,736)
3	-	-	254	1,649	2,069
(59,998)	39,794	37,190	(16,147)	(4,304)	(132,829)
-	-	-	-	60	60
-	-	-	1,192	-	1,192
-	-	-	(511)	(2,211)	(2,780)
-	(17)	(13)	(512)	(1,350)	(1,924)
-	-	-	-	97	97
-	(63)	(40)	(60)	(125)	(287)
-	-	-	-	-	2
(3)	(802)	(2,479)	(6,853)	(17,621)	(27,818)
-	-	-	139	17,954	18,093
-	-	-	-	(15)	(15)
(3)	(881)	(2,533)	(6,605)	(3,210)	(13,379)
-	-	-	-	5,534	18,839
-	-	-	-	(9,179)	(9,179)
-	-	-	-	(266)	(266)
-	-	-	-	249	249
163	-	-	2	5,063	57,176
163	-	-	2	1,400	66,818
(17,180)	395	8	4,557	(3,154)	29,218
75,288	3,366	11	3,427	37,322	642,898
\$ 58,108	\$ 3,761	\$ 18	\$ 7,984	\$ 34,168	\$ 672,116

(Continued)

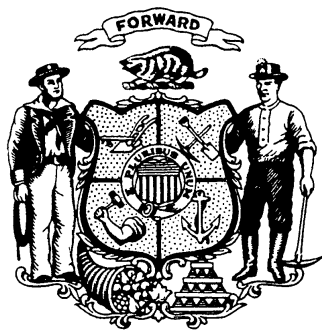
**Combining Statement of Cash Flows - Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2010**

(Continued)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:</b>					
Operating Income (Loss)	\$ 143,026	\$ 2,231	\$ (44,786)	\$ 6,840	\$ (7,964)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	48	-	-	-	675
Provision for Uncollectible Accounts	-	-	-	-	37
Operating Income (Investment Income) Classified as Investing Activity	-	-	-	-	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	-	-	-	-
Miscellaneous Nonoperating Income (Expense)	-	-	1	-	(1)
Changes in Assets and Liabilities:					
Decrease (Increase) in Receivables	(875)	(507)	22	(2,807)	4,928
Decrease (Increase) in Due from Other Funds	15	(63)	-	(9)	157
Decrease (Increase) in Due from Other Governments	-	-	-	-	-
Decrease (Increase) in Inventories	(182)	-	-	-	(14)
Decrease (Increase) in Prepaid Items	154	-	-	1,267	(10)
Decrease (Increase) in Other Assets	114	-	-	-	31
Decrease (Increase) in Deferred Charges	-	-	-	-	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(15,481)	(116)	26	997	42
Increase (Decrease) in Due to Other Funds	(735)	70	(28)	(309)	(543)
Increase (Decrease) in Due to Other Governments	-	-	-	-	6
Increase (Decrease) in Tax and Other Deposits	-	-	-	-	2
Increase (Decrease) in Unearned Revenue	(256)	211	-	10,987	-
Increase (Decrease) in Compensated Absences	(14)	-	-	-	65
Increase (Decrease) in Postemployment Benefits	97	-	-	-	108
Increase (Decrease) in Future Benefits and Loss Liabilities	-	(3,912)	17,637	(2,328)	-
Total Adjustments	(17,115)	(4,319)	17,657	7,796	5,482
Net Cash Provided (Used) by Operating Activities	\$ 125,911	\$ (2,087)	\$ (27,128)	\$ 14,636	\$ (2,482)
<b>Noncash Investing, Capital and Financing Activities:</b>					
Assets Acquired through Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to Other Funds	-	-	-	-	-
Change in Investments for Prize Annuities Payable	3,839	-	-	-	-
Net Change in Unrealized Gains and Losses	1,462	-	-	-	-
Other	-	-	-	-	-

Veterans Mortgage Loan Repayment	Care and Treatment Facilities			Other Enterprise	Total All Nonmajor Funds
	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities		
\$ (5,828)	\$ (41,278)	\$ (38,530)	\$ (13,182)	\$ (12,793)	(12,263)
30	1,540	950	5,727	3,883	12,854
461	-	-	690	18	1,205
-	-	-	-	(262)	(262)
15,186	-	-	-	542	15,728
(1)	(945)	(744)	(5,306)	(67)	(7,064)
32,416	(328)	1,043	34,160	1,007	69,058
-	1,319	392	(1,849)	174	135
-	-	-	4,161	60	4,220
-	124	157	(82)	(57)	(53)
(3)	(78)	(15)	(265)	2,898	3,946
(133)	-	-	-	-	12
406	-	-	-	18	424
106	(221)	(180)	(1,737)	(339)	(16,903)
(12)	217	1,292	934	76	961
5	-	-	(106)	-	(95)
-	-	-	-	7,258	7,260
-	-	-	-	145	11,087
49	231	(120)	174	57	442
(23)	901	1,105	3,989	73	6,250
-	-	-	-	270	11,666
48,486	2,760	3,881	40,490	15,753	120,871
\$ 42,658	\$ (38,518)	\$ (34,650)	\$ 27,308	\$ 2,960	108,607

\$ -	\$ -	\$ -	\$ -	\$ 160	160
-	14	97	-	(27)	85
-	-	-	-	-	3,839
-	-	-	-	9,617	11,079
-	-	-	-	13,226	13,226



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# Internal Service Funds

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

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

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

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

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

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

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

## Combining Balance Sheet - Internal Service Funds

### June 30, 2010

(In Thousands)

	Technology Services	Fleet Services	Financial Services
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ -	-
Receivables (net of allowance):			
Other Receivables	499	378	-
Due from Other Funds	22,010	3,562	3,062
Due from Component Units	-	97	-
Due from Other Governments	237	50	-
Inventories	1,425	43	-
Prepaid Items	227	40	47
Advances to Other Funds	25	-	-
Deferred Charges	-	-	-
Total Current Assets	<u>24,424</u>	<u>4,169</u>	<u>3,109</u>
Noncurrent Assets:			
Advances to Other Funds	2,764	-	-
Deferred Charges	-	-	-
Depreciable Capital Assets (net of accumulated depreciation)	13,729	28,507	34
Nondepreciable Capital Assets	-	-	-
Total Noncurrent Assets	<u>16,493</u>	<u>28,507</u>	<u>34</u>
Total Assets	<u>\$ 40,917</u>	<u>\$ 32,676</u>	<u>\$ 3,143</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	\$ 5,724	\$ 687	\$ 166
Due to Other Funds	613	163	215
Interfund Payables	52,419	29,914	42
Due to Other Governments	-	13	-
Interest Payable	-	-	-
Short-term Notes Payable	-	-	-
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	145	-	-
Compensated Absences	49	5	11
General Obligation Bonds Payable	-	-	-
Total Current Liabilities	<u>58,950</u>	<u>30,781</u>	<u>434</u>
Noncurrent Liabilities:			
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	543	-	-
Compensated Absences	2,057	189	471
Other Postemployment Benefits	1,075	144	193
General Obligation Bonds Payable	-	-	-
Total Noncurrent Liabilities	<u>3,675</u>	<u>333</u>	<u>664</u>
Total Liabilities	<u>62,625</u>	<u>31,115</u>	<u>1,098</u>
<b>Fund Equity</b>			
Invested in Capital Assets, Net of Related Debt	13,042	28,507	34
Unrestricted	(34,750)	(26,945)	2,011
Total Fund Equity	<u>(21,708)</u>	<u>1,562</u>	<u>2,045</u>
Total Liabilities and Fund Equity	<u>\$ 40,917</u>	<u>\$ 32,676</u>	<u>\$ 3,143</u>

	Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
\$	3,908	\$ 2,569	\$ 4	6,481
	337	51	113	1,377
	8,629	6,584	2,747	46,594
	-	-	-	97
	60	-	39	386
	90	-	3,623	5,181
	183	19	108	624
	-	-	-	25
	98	-	-	99
	13,305	9,223	6,634	60,863
	-	-	-	2,764
	461	-	3	464
	212,988	-	4,045	259,304
	26,671	-	41	26,712
	240,120	-	4,090	289,244
\$	253,425	\$ 9,223	\$ 10,724	\$ 350,107
\$	3,832	\$ 383	\$ 1,204	11,995
	2,780	32	632	4,435
	-	-	4,767	87,141
	90	-	-	103
	1,212	-	12	1,224
	7,709	-	2	7,712
	-	32,428	-	32,428
	-	-	93	237
	27	1	7	101
	10,120	-	42	10,162
	25,770	32,844	6,760	155,538
	-	62,418	-	62,418
	-	-	241	784
	1,133	44	296	4,190
	770	93	428	2,704
	140,698	-	792	141,490
	142,601	62,555	1,757	211,586
	168,371	95,399	8,517	367,124
	81,691	-	2,916	126,191
	3,362	(86,176)	(710)	(143,208)
	85,054	(86,176)	2,207	(17,017)
\$	253,425	\$ 9,223	\$ 10,724	\$ 350,107



**Combining Statement of Revenues, Expenses, and Changes in  
Fund Equity - Internal Service Funds  
For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	Technology Services	Fleet Services	Financial Services
<b>Operating Revenues:</b>			
Charges for Goods and Services	\$ 133,448	\$ 14,334	\$ 9,933
Miscellaneous	34	196	-
Total Operating Revenues	133,482	14,530	9,933
<b>Operating Expenses:</b>			
Personal Services	22,777	2,394	3,935
Supplies and Services	92,921	7,946	3,973
Depreciation	4,095	2,586	6
Benefit Expense	-	-	-
Total Operating Expenses	119,794	12,927	7,915
Operating Income (Loss)	13,689	1,603	2,018
<b>Nonoperating Revenues (Expenses):</b>			
Investment and Interest Income	-	-	-
Gain (Loss) on Disposal of Capital Assets	(216)	(116)	-
Interest Expense	(19)	(1)	-
Miscellaneous Revenues	331	-	1
Other Expenses:			
Federal Settlement	(7,750)	-	(476)
Total Nonoperating Revenues (Expenses)	(7,655)	(117)	(475)
Net Income (Loss)	6,034	1,486	1,543
Transfers In	-	564	-
Transfers Out	(9,001)	(4,751)	(1,883)
Net Change in Fund Equity	(2,967)	(2,701)	(340)
Total Fund Equity, Beginning	(18,741)	4,263	2,385
Total Fund Equity, Ending	\$ (21,708)	\$ 1,562	\$ 2,045

	<b>Facilities Operations and Maintenance</b>	<b>Risk Management</b>	<b>Badger State Industries</b>	<b>Totals</b>
\$	57,602	\$ 30,131	\$ 12,876	258,323
	-	-	-	231
	57,602	30,131	12,876	258,554
	16,901	1,323	6,054	53,385
	20,636	4,336	9,839	139,651
	9,981	-	445	17,115
	-	20,048	-	20,048
	47,519	25,706	16,338	230,198
	10,083	4,424	(3,462)	28,356
	24	-	-	24
	-	-	(6)	(338)
	(7,035)	-	(59)	(7,114)
	132	4,465	71	5,000
	-	-	-	(8,226)
	(6,879)	4,465	7	(10,654)
	3,204	8,890	(3,455)	17,701
	5,727	-	866	7,157
	(5,685)	(3,040)	(556)	(24,916)
	3,247	5,850	(3,145)	(57)
	81,807	(92,026)	5,352	(16,960)
\$	85,054	\$ (86,176)	\$ 2,207	(17,017)

**Combining Statement of Cash Flows - Internal Service Funds  
For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	Technology Services	Fleet Services	Financial Services
<b>Cash Flows from Operating Activities:</b>			
Cash Receipts from Customers	\$ 133,711	\$ 13,579	\$ 7,933
Cash Payments to Suppliers for Goods and Services	(103,968)	(7,902)	(3,959)
Cash Payments to Employees for Services	(22,587)	(2,345)	(3,874)
Cash Payments for Benefits	-	-	-
Other Sources of Cash	365	196	1
Other Uses of Cash	(7,750)	-	(476)
Net Cash Provided (Used) by Operating Activities	(228)	3,528	(374)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Interest Payments	-	(1)	-
Interfund Loans Received	16,063	7,711	42
Interfund Loans Repaid	-	-	-
Interfund Advances Collected	25	-	-
Transfers In	-	564	-
Transfers Out	(9,001)	(4,751)	(1,883)
Net Cash Provided (Used) by Noncapital Financing Activities	7,087	3,522	(1,842)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from Issuance of Debt	-	-	-
Repayment of Bonds and Notes	-	-	-
Interest Payments	(19)	(1)	-
Capital Lease Obligations	(81)	(24)	-
Proceeds from Sale of Capital Assets	-	586	-
Payments for Purchase of Capital Assets	(6,759)	(7,611)	(40)
Other Cash Inflows from Capital Financing Activities	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(6,859)	(7,050)	(40)
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	(2,257)
Cash and Cash Equivalents, Beginning of Year	0	0	2,257
Cash and Cash Equivalents, End of Year	\$ 0	\$ 0	\$ 0

	<b>Facilities Operations and Maintenance</b>	<b>Risk Management</b>	<b>Badger State Industries</b>	<b>Totals</b>
\$	59,766 \$	29,818 \$	12,949 \$	257,755
	(21,292)	(4,360)	(10,311)	(151,792)
	(16,117)	(1,339)	(5,925)	(52,188)
	-	(28,320)	-	(28,320)
	132	4,465	-	5,160
	-	-	-	(8,226)
	22,488	264	(3,288)	22,389
	-	-	-	(1)
	-	-	3,195	27,010
	(497)	-	-	(497)
	-	-	-	25
	5,645	-	866	7,075
	(5,777)	(3,040)	(556)	(25,008)
	(628)	(3,040)	3,505	8,604
	7,673	-	-	7,673
	(12,827)	-	(50)	(12,877)
	(7,340)	-	(63)	(7,423)
	-	-	(93)	(197)
	-	-	4	590
	(6,560)	-	(15)	(20,986)
	145	-	-	145
	(18,909)	-	(217)	(33,075)
	2,950	(2,775)	-	(2,081)
	958	5,345	4	8,563
\$	3,908 \$	2,569 \$	4 \$	6,481

(Continued)

**Combining Statement of Cash Flows - Internal Service Funds  
For the Fiscal Year Ended June 30, 2010**

(Continued)

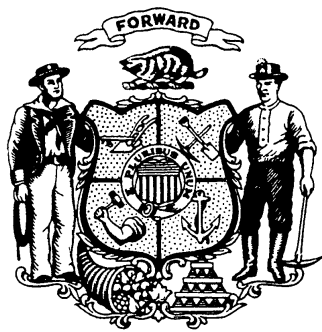
	Technology Services	Fleet Services	Financial Services
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 13,689	\$ 1,603	\$ 2,018
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	4,095	2,586	6
Miscellaneous Nonoperating Income (Expense)	(7,419)	-	(475)
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	(386)	(378)	-
Decrease (Increase) in Due from Other Funds	219	(538)	(1,999)
Decrease (Increase) in Due from Component Units	15	167	-
Decrease (Increase) in Due from Other Governments	415	(6)	-
Decrease (Increase) in Inventories	(590)	17	-
Decrease (Increase) in Prepaid Items	15	(9)	(7)
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(8,089)	94	(13)
Increase (Decrease) in Due to Other Funds	(2,502)	(76)	25
Increase (Decrease) in Due to Other Governments	-	9	-
Increase (Decrease) in Compensated Absences	17	34	12
Increase (Decrease) in Postemployment Benefits	294	25	59
Increase (Decrease) in Future Benefits and Loss Liabilities	-	-	-
Total Adjustments	(13,917)	1,924	(2,392)
Net Cash Provided (Used) by Operating Activities	\$ (228)	\$ 3,528	\$ (374)

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

Assets Acquired through Capital Leases	\$ 768	\$ -	\$ -
Other	-	-	-

	Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
\$	10,083	4,424	(3,462)	28,356
	9,981	-	445	17,115
	132	4,465	71	(3,226)
	(245)	(51)	(50)	(1,109)
	2,450	(262)	703	573
	-	-	-	182
	(42)	-	(19)	348
	(2)	-	(636)	(1,211)
	(12)	-	(12)	(26)
	(166)	48	(416)	(8,543)
	7	(83)	(39)	(2,668)
	16	-	(2)	23
	80	(27)	20	136
	204	22	109	712
	-	(8,272)	-	(8,272)
	12,405	(4,160)	174	(5,966)
\$	22,488	264	(3,288)	22,389

\$	-	-	-	768
	-	-	(6)	(6)



# Fiduciary Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

The **BadgerRx for Individuals Fund** accounts for the program that, through the leveraged bargaining powers established by the State for employee health insurance, provides discounts and rebates on prescription drugs to participating individuals in the State.

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

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

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

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

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

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

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

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



State of Wisconsin

**Combining Statement of Fiduciary Net Assets - Pension and Other Employee Benefit Trust Funds**  
**June 30, 2010**

(In Thousands)

	Wisconsin Retirement System	Accumulated Sick Leave	Duty Disability	Reimbursed Employee Expense	Local Retiree Life Insurance	Retiree Life Insurance	Totals
<b>Assets</b>							
Cash and Cash Equivalents	\$ -	\$ 1,638,873	\$ 337,001	\$ 2,909	\$ -	\$ -	\$ 1,978,783
Securities Lending Collateral	5,352,727	-	-	-	-	-	5,352,727
Prepaid Items	11,053	9,284	-	843	-	-	21,180
Receivables (net of allowance):							
Prior Service Contributions Receivable	180,764	-	-	-	-	-	180,764
Benefits Overpayment Receivable	3,612	-	-	-	-	-	3,612
Due from Other Funds	53,866	-	-	399	-	-	54,265
Due from Component Units	3,816	-	-	-	-	-	3,816
Interfund Receivables	-	154,231	-	139	-	-	154,370
Due from Other Governments	139,223	-	-	-	-	-	139,223
Interest and Dividends Receivable	209,852	-	-	-	-	-	209,852
Investment Sales Receivable	391,109	-	-	-	-	-	391,109
Other Receivables	3,472	208	405	1	-	-	4,087
Total Receivables	985,713	154,440	405	539	-	-	1,141,097
Investments:							
Fixed Income	20,769,425	-	-	-	-	-	20,769,425
Stocks	37,863,165	-	-	-	-	-	37,863,165
Options	(3,904)	-	-	-	-	-	(3,904)
Limited Partnerships	6,446,075	-	-	-	-	-	6,446,075
Preferred Securities	95,194	-	-	-	-	-	95,194
Convertible Securities	68,291	-	-	-	-	-	68,291
Mortgages	44,841	-	-	-	-	-	44,841
Real Estate	337,274	-	-	-	-	-	337,274
Multi-asset Investments	1,073,264	-	-	-	-	-	1,073,264
External Investment Pool	-	-	-	-	225,640	353,734	579,374
Total Investments	66,693,626	-	-	-	225,640	353,734	67,273,000
Inventories	127	-	-	-	-	-	127
Capital Assets	2,558	-	-	-	-	-	2,558
Total Assets	73,045,805	1,802,597	337,406	4,291	225,640	353,734	75,769,472
<b>Liabilities</b>							
Accounts Payable and Other Accrued Liabilities	155,831	-	2,509	2,694	-	-	161,034
Securities Lending Collateral Liability	5,352,727	-	-	-	-	-	5,352,727
Annuities Payable	263,917	-	-	-	-	-	263,917
Advance Contributions	167	-	-	-	-	-	167
Due to Other Funds	69,088	45	69	58	8	6	69,273
Interfund Payables	154,231	-	-	-	79	59	154,370
Due to Other Governments	32,877	-	-	-	-	-	32,877
Financial Futures Contracts	137,394	-	-	-	-	-	137,394
Investment Payable	463,571	-	-	-	-	-	463,571
Unearned Revenue	-	-	-	431	-	-	431
Compensated Absences Payable	-	2,195,709	-	-	-	-	2,195,709
Other Postemployment Benefits	846	-	-	-	-	-	846
Total Liabilities	6,630,648	2,195,754	2,578	3,182	87	65	8,832,315
<b>Net Assets</b>							
Held in Trust for Pension Benefits and Other Purposes	\$ 66,415,157	\$ (393,157)	\$ 334,828	\$ 1,108	\$ 225,553	\$ 353,669	\$ 66,937,157

**Combining Statement of Changes in Fiduciary Net Assets - Pension and Other Employee Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	Wisconsin Retirement System	Accumulated Sick Leave	Duty Disability	Reimbursed Employee Expense	Local Retiree Life Insurance	Retiree Life Insurance	Totals
<b>Additions</b>							
Contributions:							
Employer Contributions	\$ 651,695	\$ 32,535	\$ 49,775	\$ -	\$ 1,950	\$ 1,519	\$ 737,476
Employee Contributions	757,259	-	-	25,250	4,194	3,429	790,131
Total Contributions	1,408,954	32,535	49,775	25,250	6,144	4,948	1,527,607
Investment Income:							
Net Appreciation (Depreciation) in Fair Value of Investments	7,152,017	-	-	-	-	-	7,152,017
Interest	570,553	-	-	-	-	-	570,553
Dividends	676,767	-	-	-	-	-	676,767
Securities Lending Income	21,765	-	-	-	-	-	21,765
Other	79,454	-	-	-	-	-	79,454
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	-	218,764	36,990	12	11,730	18,331	285,827
Less:							
Investment Expense	(240,765)	-	-	-	-	-	(240,765)
Securities Lending Rebates and Fees	(1,071)	-	-	-	-	-	(1,071)
Investment Income Distributed to Other Funds	(322,816)	-	-	-	-	-	(322,816)
Net Investment Income	7,935,904	218,764	36,990	12	11,730	18,331	8,221,731
Interest on Prior Service Receivable	13,986	-	-	-	-	-	13,986
Miscellaneous Income	292	-	-	2	50	37	380
Total Additions	9,359,136	251,300	86,765	25,264	17,924	23,315	9,763,704
<b>Deductions</b>							
Retirement Benefits and Refunds:							
Retirement, Disability, and Beneficiary Separations	3,814,863	-	-	-	-	-	3,814,863
	26,752	-	-	-	-	-	26,752
Total Retirement Benefits and Refunds	3,841,616	-	-	-	-	-	3,841,616
Distributions	-	-	-	24,403	-	-	24,403
Other Benefit Expense	-	125,708	30,091	-	10,668	12,534	179,001
Administrative Expense	15,797	281	456	976	1,015	718	19,242
Miscellaneous Expense	98	-	-	-	-	-	98
Transfer Out	337	-	-	-	-	-	337
Total Deductions	3,857,847	125,989	30,547	25,379	11,684	13,251	4,064,697
Net Increase (Decrease)	5,501,289	125,311	56,218	(115)	6,240	10,064	5,699,007
Net Assets - Beginning of Year	60,913,868	(518,468)	278,609	1,224	219,312	343,605	61,238,150
Net Assets - End of Year	\$ 66,415,157	\$ (393,157)	\$ 334,828	\$ 1,108	\$ 225,553	\$ 353,669	\$ 66,937,157

**Combining Statement of Fiduciary Net Assets - Investment Trust Funds  
June 30, 2010**

(In Thousands)

	<b>Local Government Pooled Investment</b>	<b>Milwaukee Retirement System</b>	<b>Totals</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,490,625	\$ 116,120	\$ 2,606,744
Total Assets	2,490,625	116,120	2,606,744
<b>Liabilities</b>			
Due to Other Funds	347	-	347
Total Liabilities	347	-	347
<b>Net Assets</b>			
Held in Trust for Pool Participants and Other Purposes	\$ 2,490,278	\$ 116,120	\$ 2,606,398

**Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Funds  
For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	<b>Local Government Pooled Investment</b>	<b>Milwaukee Retirement System</b>	<b>Totals</b>
<b>Additions</b>			
Deposits	\$ 10,124,021	\$ -	\$ 10,124,021
Investment Income	7,812	15,769	23,581
Less: Investment Expense	(679)	-	(679)
Net Investment Income	7,134	15,769	22,902
Total Additions	10,131,155	15,769	10,146,924
<b>Deductions</b>			
Distributions	10,862,529	15,300	10,877,829
Administrative Expense	344	-	344
Total Deductions	10,862,873	15,300	10,878,173
Net Increase (Decrease)	(731,718)	469	(731,249)
Net Assets - Beginning of Year	3,221,996	115,651	3,337,647
Net Assets - End of Year	\$ 2,490,278	\$ 116,120	\$ 2,606,398

**Combining Statement of Fiduciary Net Assets - Private-Purpose Trust Funds  
June 30, 2010**

(In Thousands)

	Tuition Trust	BadgerRx for Individuals	College Savings Program Trust	Retiree Health Insurance	Totals
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,680	\$ 210	\$ 208,729	\$ 17,793	\$ 228,413
Prepaid Items	-	-	2	769	771
Receivables (net of allowance):					
Loans Receivable	-	126	-	-	126
Other Receivables	6	8	64	4,327	4,405
Due From Other Governments	-	-	-	6,185	6,185
Total Receivables	6	134	64	10,512	10,716
Investments:					
Investments of Private Purpose Trust Funds	6,788	-	2,038,729	-	2,045,517
Total Investments	6,788	-	2,038,729	-	2,045,517
Capital Assets	-	-	3	-	3
Total Assets	8,475	344	2,247,527	29,073	2,285,419
<b>Liabilities</b>					
Accounts Payable	2	-	47	-	48
Due to Other Funds	-	1	4	156	161
Future Benefit and Loss Liabilities	-	-	-	5,010	5,010
Unearned Revenue	-	-	-	14,351	14,351
Advances from Other Funds	-	167	-	-	167
Total Liabilities	2	168	51	19,517	19,738
<b>Net Assets</b>					
Held in Trust	\$ 8,473	\$ 177	\$ 2,247,475	\$ 9,556	\$ 2,265,681

**Combining Statement of Changes in Fiduciary Net Assets -  
Private-Purpose Trust Funds  
For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	Tuition Trust	BadgerRx for Individuals	College Savings Program Trust	Retiree Health Insurance	Totals
<b>Additions</b>					
Contributions:					
Other	\$ -	\$ 85	\$ -	\$ -	85
Premiums				178,357	178,357
Federal Subsidy				12,896	12,896
Deposits	-	-	282,683	-	282,683
Investment Income	611	-	261,105	(422)	261,295
Less:					
Investment Expense	-	-	(5,926)	-	(5,926)
Net Investment Income	611	-	255,179	(422)	255,368
Miscellaneous Income	-	-	1	1	2
Total Additions	611	85	537,862	190,831	729,390
<b>Deductions</b>					
Distributions	1,142	-	192,414	-	193,556
Benefit Expense				187,754	187,754
Administrative Expense	36	5	5,160	5,609	10,810
Transfers Out	-	-	6	-	6
Total Deductions	1,178	5	197,579	193,363	392,125
Net Increase (Decrease)	(567)	81	340,283	(2,532)	337,265
Net Assets - Beginning of Year	9,040	96	1,907,192	12,088	1,928,416
Net Assets - End of Year	\$ 8,473	\$ 177	\$ 2,247,475	\$ 9,556	\$ 2,265,681

**Combining Statement of Fiduciary Net Assets - Agency Funds  
June 30, 2010**

(In Thousands)

	Insurance Company Liquidation Account	Local Retiree Health Insurance	Inmate and Resident	Bank and Insurance Company Deposits	Support Collection Trust	Totals
<b>Assets</b>						
Cash and Cash Equivalents	\$ 720	\$ -	\$ 10,743	\$ -	\$ 11,447	\$ 22,910
Receivables (net of allowance):						
Due from Other Funds	-	-	1,033	-	74	1,106
Due from Employers	-	1,910	-	-	-	1,910
Other Receivables	-	246	4,196	-	-	4,442
Total Receivables	-	2,156	5,228	-	74	7,458
Investments	-	-	740	-	-	740
Other Assets	-	-	-	303,730	-	303,730
Total Assets	\$ 720	\$ 2,156	\$ 16,711	\$ 303,730	\$ 11,521	\$ 334,837
<b>Liabilities</b>						
Accounts Payable	\$ 720	\$ 426	\$ 1	\$ -	\$ 11,521	\$ 12,668
Tax and Other Deposits	-	1,730	16,710	303,730	-	322,170
Total Liabilities	\$ 720	\$ 2,156	\$ 16,711	\$ 303,730	\$ 11,521	\$ 334,837

**Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Fiscal Year Ended June 30, 2010**

(In Thousands)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<b>Insurance Company Liquidation Account</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 6,028	\$ 5,242	\$ 10,550	\$ 720
Total Assets	<u>\$ 6,028</u>	<u>\$ 5,242</u>	<u>\$ 10,550</u>	<u>\$ 720</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 6,028	\$ 5,242	\$ 10,550	\$ 720
Total Liabilities	<u>\$ 6,028</u>	<u>\$ 5,242</u>	<u>\$ 10,550</u>	<u>\$ 720</u>
<b>Local Retiree Health Insurance</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 363	\$ 23,872	\$ 24,235	\$ -
Receivables (net of allowance):				
Due from Other Funds	-	277	277	-
Due from Employers	208	23,713	22,012	1,910
Other Receivables	158	407	320	246
Total Assets	<u>\$ 730</u>	<u>\$ 48,270</u>	<u>\$ 46,843</u>	<u>\$ 2,156</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 240	\$ 218	\$ 32	\$ 426
Due to Other Funds	24	81	105	-
Tax and Other Deposits	466	1,730	466	1,730
Total Liabilities	<u>\$ 730</u>	<u>\$ 2,029</u>	<u>\$ 603</u>	<u>\$ 2,156</u>
<b>Inmate and Resident</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 9,939	\$ 80,565	\$ 79,761	\$ 10,743
Receivables (net of allowance):				
Due from Other Funds	1,719	8,332	9,018	1,033
Other Receivables	3,322	6,393	5,519	4,196
Investments	749	183	192	740
Total Assets	<u>\$ 15,729</u>	<u>\$ 95,473</u>	<u>\$ 94,491</u>	<u>\$ 16,711</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 2	\$ 58	\$ 59	\$ 1
Due to Other Funds	-	538	538	-
Tax and Other Deposits	15,727	67,273	66,289	16,710
Total Liabilities	<u>\$ 15,729</u>	<u>\$ 67,869</u>	<u>\$ 66,887</u>	<u>\$ 16,711</u>

(Continued)



**Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Fiscal Year Ended June 30, 2010**

(Continued)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<b>Bank and Insurance Company Deposits</b>				
<b>Assets:</b>				
Other Assets:				
Assets Held in Custody for Others	\$ 303,128	\$ 68,393	\$ 67,791	\$ 303,730
Total Assets	<u>\$ 303,128</u>	<u>\$ 68,393</u>	<u>\$ 67,791</u>	<u>\$ 303,730</u>
<b>Liabilities:</b>				
Tax and Other Deposits	\$ 303,128	\$ 68,393	\$ 67,791	\$ 303,730
Total Liabilities	<u>\$ 303,128</u>	<u>\$ 68,393</u>	<u>\$ 67,791</u>	<u>\$ 303,730</u>
<b>Support Collection Trust</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 10,099	\$ 950,507	\$ 949,159	\$ 11,447
Receivables (net of allowance):				
Due from Other Funds	73	74	73	74
Total Assets	<u>\$ 10,172</u>	<u>\$ 950,581</u>	<u>\$ 949,231</u>	<u>\$ 11,521</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 10,172	\$ 950,581	\$ 949,231	\$ 11,521
Total Liabilities	<u>\$ 10,172</u>	<u>\$ 950,581</u>	<u>\$ 949,231</u>	<u>\$ 11,521</u>
<b>Total - All Agency Funds</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 26,429	\$ 1,060,185	\$ 1,063,704	\$ 22,910
Receivables (net of allowance):				
Due from Other Funds	1,792	8,682	9,368	1,106
Due from Employers	208	23,713	22,012	1,910
Other Receivables	3,480	6,801	5,839	4,442
Investments	749	183	192	740
Other Assets:				
Assets Held in Custody for Others	303,128	68,393	67,791	303,730
Total Assets	<u>\$ 335,787</u>	<u>\$ 1,167,957</u>	<u>\$ 1,168,907</u>	<u>\$ 334,837</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 16,442	\$ 956,099	\$ 959,873	\$ 12,668
Due to Other Funds	24	619	643	-
Tax and Other Deposits	319,321	137,395	134,547	322,170
Total Liabilities	<u>\$ 335,787</u>	<u>\$ 1,094,113</u>	<u>\$ 1,095,062</u>	<u>\$ 334,837</u>

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# STATISTICAL SECTION

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**Statistical Section Narrative and Table of Contents**

**Narrative**

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

**Page**

**Financial Trends Information**

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

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**Net Assets by Component  
(Accrual Basis of Accounting)**

For the Last Nine Fiscal Years

	2010	2009	2008 (a)	2007 (b)
<b>Governmental Activities:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 13,914,376	\$ 13,492,047	\$ 12,900,350	\$ 12,275,649
Restricted	1,125,016	1,105,242	1,309,409	1,331,102
Unrestricted	(9,456,213)	(8,939,033)	(8,322,198)	(8,168,852)
Total Governmental Activities Net Assets	<u>\$ 5,583,179</u>	<u>\$ 5,658,256</u>	<u>\$ 5,887,562</u>	<u>\$ 5,437,898</u>
<b>Business-type Activities:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 3,932,783	\$ 3,649,767	\$ 3,438,954	\$ 3,225,114
Restricted	2,668,608	2,494,489	3,161,901	3,503,289
Unrestricted	(491,209)	28,756	298,301	457,089
Total Business-type Activities Net Assets	<u>\$ 6,110,183</u>	<u>\$ 6,173,012</u>	<u>\$ 6,899,157</u>	<u>\$ 7,185,492</u>
<b>Primary Government:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 17,847,159	\$ 17,141,814	\$ 16,339,304	\$ 15,500,763
Restricted	3,793,624	3,599,731	4,471,310	4,834,391
Unrestricted	(9,947,422)	(8,910,277)	(8,023,897)	(7,711,763)
Total Primary Government Net Assets	<u>\$ 11,693,362</u>	<u>\$ 11,831,268</u>	<u>\$ 12,786,719</u>	<u>\$ 12,623,390</u>

(a) In 2008, the Life Insurance Fund was reclassified from a fiduciary to a proprietary fund.

(b) In 2007, GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was implemented.

In 2007, the Health Insurance Risk Sharing Plan, an enterprise fund with \$23.4 million in fund equity at June 30, 2006, was reclassified as an authority.

(c) In 2005, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, was implemented.

(d) In 2004, GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, was implemented.

Prior years have not been restated for periods preceding the 2002 implementation of GASB 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*

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

## Schedule A-1

(In Thousands)

2006	2005 (c)	2004	2003	2002
\$ 12,291,617	\$ 11,499,433	\$ 11,146,113	\$ 11,090,111	\$ 10,684,294
1,218,005	1,314,931	1,321,877	657,578	551,012
(8,238,766)	(7,723,238)	(7,776,238) (d)	(4,799,930)	(3,582,988)
<u>\$ 5,270,855</u>	<u>\$ 5,091,125</u>	<u>\$ 4,691,753</u>	<u>\$ 6,947,758</u>	<u>\$ 7,652,320</u>
\$ 3,243,637	\$ 2,997,647	\$ 2,870,433	\$ 2,828,388	\$ 2,626,925
3,336,784	3,222,638	2,852,436	3,012,860	3,038,832
140,047	178,697	439,290	304,167	483,535
<u>\$ 6,720,467</u>	<u>\$ 6,398,984</u>	<u>\$ 6,162,158</u>	<u>\$ 6,145,416</u>	<u>\$ 6,149,292</u>
\$ 15,535,254	\$ 14,497,080	\$ 14,016,546	\$ 13,918,499	\$ 13,311,219
4,554,789	4,537,569	4,174,313	3,670,438	3,589,844
(8,098,719)	(7,544,541)	(7,336,948)	(4,495,763)	(3,099,453)
<u>\$ 11,991,322</u>	<u>\$ 11,490,109</u>	<u>\$ 10,853,911</u>	<u>\$ 13,093,174</u>	<u>\$ 13,801,612</u>

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

For the Last Nine Fiscal Years

	2010	2009	2008	2007
<b>Expenses</b>				
Governmental Activities				
Commerce	\$ 329,954	\$ 298,908	\$ 293,362	\$ 289,452
Education	6,662,846	6,707,734	6,477,194	6,413,120
Transportation	2,281,649	2,069,477	1,911,514	1,850,586
Environmental Resources	487,361	534,850	486,531	471,767
Human Relations and Resources	11,539,481	10,398,237	9,078,665	8,698,915
General Executive	650,196	551,358	536,527	540,268
Judicial	129,753	130,916	125,798	119,991
Legislative	65,232	65,626	65,356	62,457
Tax Relief and Other General Expenses	1,288,156	1,274,940	1,135,551	956,749
Intergovernmental - Shared Revenue	1,032,162	1,035,050	1,019,275	1,016,313
Interest on Debt	467,850	665,367	500,270	479,402
Total Governmental Activities	24,934,640	23,732,463	21,630,043	20,899,020
Business-type Activities:				
Injured Patients and Families Compensation	58,515	(58,215)	137,747	57,873
Environmental Improvement	148,594	48,486	43,436	42,671
University of Wisconsin System	4,195,430	4,016,459	3,920,563	3,663,119
Unemployment Insurance Reserve	3,416,939	2,215,332	950,923	882,622
Other Business-type	2,139,171	2,057,077	1,966,242	1,862,525
Total Business-type Activities	9,958,649	8,279,139	7,018,911	6,508,810
Total Primary Government Expenses	\$ 34,893,289	\$ 32,011,602	\$ 28,648,954	\$ 27,407,830
<b>Revenues</b>				
<b>Program Revenues (All Types Consolidated):</b>				
Governmental Activities:				
Charges for Services:				
Commerce	\$ 253,713	\$ 173,231	\$ 208,363	\$ 196,564
Education	21,586	19,859	23,291	21,614
Transportation	684,360	676,871	610,421	515,046
Environmental Resources	214,332	214,277	201,790	190,149
Human Relations and Resources	634,789	562,382	226,343	233,679
General Executive	275,349	244,988	275,298	248,221
Judicial	66,881	67,096	66,165	61,698
Intergovernmental - Shared Revenue	46,090	(c)	-	-
Other	1,983	1,375	5,800	5,854
Operating Grants and Contributions	9,288,956	7,901,598	6,030,638	5,819,764
Capital Grants and Contributions	1,109,437	861,984	726,671	717,758
Total Governmental Activities	12,597,476	10,723,661	8,374,780	8,010,347
Business-type Activities:				
Charges for Services:				
University of Wisconsin System	3,098,677	2,845,573	2,606,437	2,515,487
Health Insurance	1,183,544	1,075,757	977,165	907,984
Unemployment Insurance Reserve	1,037,608	772,779	735,536	719,517
Other Activities	924,374	906,014	918,147	885,770
Operating Grants and Contributions	2,263,961	743,051	397,889	389,004
Capital Grants and Contributions	109,829	126,336	70,949	112,773
Total Business-type Activities	8,617,993	6,469,510	5,706,123	5,530,535
Total Primary Government Revenues	\$ 21,215,469	\$ 17,193,171	\$ 14,080,903	\$ 13,540,882
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (12,337,164)	\$ (13,008,802)	\$ (13,255,263)	\$ (12,888,673)
Business-type Activities	(1,340,656)	(1,809,629)	(1,312,788)	(978,275)
Total Primary Government Net Expense	\$ (13,677,818)	\$ (14,818,431)	\$ (14,568,050)	\$ (13,866,946)

(a) In 2004, Annual Appropriation Bonds were issued to payoff the State's unfunded accrued prior service (pension) liability and its unfunded accrued liability for accumulated sick leave. The 2004 balance for Tax Relief and Other General Expenses includes \$782.4 million of employee benefit liability expenses.

(b) In 2005, the Veterans Mortgage Loan Repayment Fund was no longer considered a major fund.

(c) In 2010 one time shared revenue was provided through the American Recovery and Reinvestment Act.

Prior years have not been restated for periods preceding the 2002 implementation of GASB 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*

**Schedule A-2**

(In Thousands)

2006		2005		2004		2003		2002	
\$	267,195	\$	257,112	\$	281,753	\$	224,377	\$	194,927
	6,270,218		5,818,372		5,749,391		5,675,138		5,440,440
	1,774,161		1,801,595		1,795,548		1,590,710		1,714,215
	466,997		418,616		444,295		474,969		531,983
	8,436,702		8,441,099		8,000,799		8,158,215		7,997,351
	542,303		478,782		425,265		489,442		416,294
	114,853		111,690		109,788		107,835		106,954
	59,938		57,047		57,631		59,758		59,948
	857,866		837,970		1,572,126 (a)		843,757		820,618
	1,016,718		1,011,052		1,058,182		1,107,958		1,095,991
	477,465		424,217		382,219		292,579		297,572
	20,284,418		19,657,549		19,876,997		19,024,739		18,676,293
	(2,307)		77,624		36,094		102,878		72,923
	42,764		39,482		42,246		42,560		42,491
	3,519,740		3,425,045		3,278,414		3,075,475		2,935,234
	821,122		844,869		1,068,647		1,186,584		1,071,756
	2,082,861		1,959,230 (b)		1,881,562		1,714,540		1,599,244
	6,464,181		6,346,250		6,306,963		6,122,037		5,721,648
\$	26,748,598	\$	26,003,799	\$	26,183,959	\$	25,146,777	\$	24,397,940
\$	181,332	\$	158,494	\$	166,249	\$	148,083	\$	145,118
	21,781		23,298		22,431		22,332		20,187
	520,807		486,406		478,126		436,929		439,574
	198,344		184,416		178,603		177,462		171,185
	203,413		175,584		167,552		130,524		114,293
	325,570		217,128		231,016		191,304		158,693
	60,777		61,377		56,606		46,377		41,494
	-		-		-		-		-
	6,612		6,896		6,903		9,817		7,603
	5,723,527		5,826,288		5,559,517		5,425,725		4,933,780
	600,681		666,843		635,565		635,402		669,128
	7,842,844		7,806,730		7,502,568		7,223,955		6,701,055
	2,403,104		2,330,027		2,130,641		1,940,491		1,756,157
	1,009,013		947,530		875,475		769,210		671,545
	729,124		766,985		695,099		614,932		744,891
	1,170,031		1,141,562		1,136,024		1,066,996		930,221
	332,362		356,738		457,859		497,258		297,085
	35,719		34,523		20,799		35,514		61,776
	5,679,353		5,577,365		5,315,897		4,924,400		4,461,674
\$	13,522,197	\$	13,384,095	\$	12,818,465	\$	12,148,355	\$	11,162,729
\$	(12,441,574)	\$	(11,850,819)	\$	(12,374,429)	\$	(11,800,785)	\$	(11,975,239)
	(784,827)		(768,884)		(991,065)		(1,197,637)		(1,259,974)
\$	(13,226,400)	\$	(12,619,705)	\$	(13,365,494)	\$	(12,998,422)	\$	(13,235,212)

(Continued)



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

For the Last Nine Fiscal Years

(Continued)

	2010	2009	2008	2007
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental Activities:				
Taxes:				
Income Taxes	\$ 6,798,690	\$ 6,809,733	\$ 7,503,616	\$ 7,365,400
Sales and Excise Taxes	4,700,287	4,755,163	4,809,262	4,517,594
Public Utility Taxes	309,983	307,552	286,501	271,222
Motor Fuel (Transportation-related) Taxes	1,008,047	1,001,921	1,037,740	1,020,793
Other Taxes	403,369	425,665	575,251	565,583
Investment Earnings	4,847	40,112	75,998	80,472
Contributions and Miscellaneous	406,971	498,044	366,080	422,605
Special Items - Sale of Future Tobacco				
Settlement Revenues	-	1,518,000	-	-
Special Items - Purchase of Future Tobacco				
Settlement Revenues	-	(1,518,000)	-	-
Transfers	(1,263,325)	(1,051,574)	(1,002,000)	(1,163,529)
Total Governmental Activities	12,368,869	12,786,616	13,652,449	13,080,141
Business-type Activities:				
Investment Earnings	15,664	8,455	15,460	213,850
Contributions and Miscellaneous	1,236	795	1,283	3,062
Transfers	1,262,747	1,052,151	1,002,000	1,163,529
Total Business-type Activities	1,279,648	1,061,401	1,018,743	1,380,441
Total Primary Government	\$ 13,648,517	\$ 13,848,017	\$ 14,671,191	\$ 14,460,582
<b>Change in Net Assets</b>				
Governmental Activities	\$ 31,706	\$ (222,186)	\$ 397,187	\$ 191,468
Business-type Activities	(61,008)	(748,227)	(294,045)	402,166
Total Primary Government	\$ (29,301)	\$ (970,414)	\$ 103,141	\$ 593,636

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

**Schedule A-2**

(In Thousands)

	2006		2005		2004		2003		2002
\$	6,867,020	\$	6,467,377	\$	5,956,292	\$	5,502,423	\$	5,415,337
	4,489,663		4,395,292		4,249,709		4,102,350		4,048,716
	250,088		255,727		254,229		273,892		243,970
	990,688		989,638		950,497		924,503		892,162
	565,252		564,583		524,729		483,617		443,449
	72,643		42,710		23,507		22,353		29,019
	405,356		444,184		466,711		920,407		1,358,785
	-		-		-		-		1,275,002
	-		-		-		-		-
	(1,022,896)		(1,008,160)		(1,007,395)		(1,099,606)		(1,059,422)
	12,617,813		12,151,349		11,418,280		11,129,938		12,647,018
	49,660		11,484		(4,813)		18,192		10,668
	9,388		678		5,378		2,080		6,511
	1,022,896		1,008,160		1,007,395		1,099,606		1,059,422
	1,081,945		1,020,323		1,007,961		1,119,877		1,076,600
\$	13,699,757	\$	13,171,672	\$	12,426,241	\$	12,249,815	\$	13,723,618
\$	176,239	\$	300,529	\$	(956,149)	\$	(670,847)	\$	671,779
	297,117		251,438		16,895		(77,760)		(183,373)
\$	473,357	\$	551,967	\$	(939,254)	\$	(748,608)	\$	488,405

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

For the Last Ten Fiscal Years

	2010	2009	2008	2007
General Fund:				
Reserved	\$ 510,083	\$ 409,756	\$ 349,825	\$ 419,680
Unreserved	(3,453,386)	(3,121,381)	(2,852,559) <sup>(a)</sup>	(2,863,822) <sup>(b)</sup>
<b>Total General Fund</b>	<b>\$ (2,943,303)</b>	<b>\$ (2,711,626)</b>	<b>\$ (2,502,734)</b>	<b>\$ (2,444,142)</b>
All Other Governmental Funds:				
Reserved	\$ 1,834,786	\$ 1,648,775	\$ 1,730,277	\$ 1,619,918
Unreserved, Reported in:				
Special Revenue Funds	(177,799)	(302,048)	(232,826)	(158,992) <sup>(b)</sup>
Debt Service Funds	80,780	78,222	82,691	62,612
Capital Projects Funds	(904,840)	(867,803)	(888,941)	(718,729)
Permanent Funds	247,142	296,675	337,560	301,394
<b>Total All Other Governmental Funds</b>	<b>\$ 1,080,069</b>	<b>\$ 853,821</b>	<b>\$ 1,028,761</b>	<b>\$ 1,106,203</b>

(a) In 2008, the Medical Assistance Trust Fund (a special revenue fund with fund balance of \$2.7 million at June 30, 2007) was reclassified to the General Fund. Prior years have not been restated.

(b) In 2007, the Budget Stabilization Fund (a special revenue fund with fund balance of \$6 million at June 30, 2006) was reclassified to the General Fund. Prior years have not been restated.

(c) In 2005, the Unclaimed Property Fund was reclassified from a private purpose trust fund to the General Fund. Prior years have not been restated.

(d) In 2003, the fund balance of the Tobacco Settlement Endowment Fund (a special revenue fund) totaling \$287.1 million was transferred to the General Fund.

(e) In 2002, the Tobacco Settlement Endowment Fund and the Medical Assistance Trust Fund were created and had unreserved fund balances of \$283.8 million and \$361.0 million, respectively, at June 30, 2002.

(f) Prior to 2002, activities of the permanent funds were reported in nonexpendable trust funds not included in this schedule.

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

(In Thousands)

2006		2005		2004		2003		2002		2001	
\$	356,451	\$	337,245	\$	365,739	\$	395,611	\$	392,995	\$	374,025
	(2,506,925)		(2,459,480) (c)		(2,296,847)		(2,638,150) (d)		(1,877,328)		(1,588,872)
\$	(2,150,474)	\$	(2,122,235)	\$	(1,931,108)	\$	(2,242,539)	\$	(1,484,333)	\$	(1,214,847)
\$	1,761,116	\$	1,500,475	\$	1,481,174	\$	1,055,003	\$	982,544	\$	814,728
	(265,660)		(157,366)		(526,460)		(94,756) (d)		271,321 (e)		(400,365)
	123,093		231,994		314,488		25,991		20,484		9,155
	(667,392)		(530,032)		(363,325)		(433,813)		(511,890)		(459,547)
	230,420		241,776		283,939		386,811		324,733 (f)		-
\$	1,181,577	\$	1,286,847	\$	1,189,816	\$	939,236	\$	1,087,192	\$	(36,029)

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

For the Last Ten Fiscal Years

	2010	2009	2008	2007
<b>Revenues:</b>				
Taxes	\$ 13,225,609	\$ 13,249,082	\$ 14,229,280	\$ 13,743,355
Intergovernmental	10,258,850	8,680,730	6,638,741	6,428,024
Licenses and Permits	1,819,994	1,606,833	1,202,109	1,141,117
Charges for Goods and Services	330,513	316,781	378,769	307,449
Investment and Interest Income	40,413	70,340	109,850	116,123
Fines and Forfeitures	66,140	66,782	58,430	57,976
Gifts and Donations	19,295	19,816	17,447	18,881
<b>Miscellaneous:</b>				
Intergovernmental Transfer	-	-	-	-
Tobacco Settlement	136,841	306,179	150,165	125,908
Other	250,139	238,194	191,087	279,590
<b>Total Revenues</b>	<b>26,147,794</b>	<b>24,554,736</b>	<b>22,975,877</b>	<b>22,218,423</b>
<b>Expenditures:</b>				
<b>Current Operating:</b>				
Commerce	333,287	301,885	294,650	294,861
Education	6,624,497	6,673,017	6,445,647	6,385,551
Transportation	2,244,078	2,029,347	1,857,435	1,767,266
Environmental Resources	476,613	503,411	471,737	462,502
Human Relations and Resources	11,417,637	10,298,086	8,969,935	8,620,586
General Executive	637,175	559,262	535,493	562,573
Judicial	125,803	126,851	121,720	117,289
Legislative	64,071	63,798	63,964	61,949
<b>Tax Relief and Other General Expenditures:</b>				
Employee Benefit Liability	-	-	-	-
Other	1,289,265	1,275,882	1,085,775	955,796
Intergovernmental - Shared Revenue	1,032,162	1,035,050	1,019,275	1,016,313
<b>Debt Service:</b>				
Principal	117,568	1,812,219	420,188	407,677
Interest and Other Charges	487,853	678,052	542,458	493,397
Capital Outlay	780,325	775,189	688,598	759,780
<b>Total Expenditures</b>	<b>25,630,333</b>	<b>26,132,047</b>	<b>22,516,874</b>	<b>21,905,540</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>517,462</b>	<b>(1,577,311)</b>	<b>459,003</b>	<b>312,883</b>
<b>Other Financing Sources (Uses):</b>				
Long-term Debt Issued	725,132	2,172,974 (a)	284,979	454,408
Long-term Debt Issued - Refunding Bonds	372,980	-	1,007,120	436,193
Payments for Refunded Bond:	(349,907)	-	-	-
Payment to Refunding Bond Escrow Agent	-	-	(944,850)	(472,849)
Discount on Bonds	(932)	(371)	(4,377)	-
Premium on Bonds	63,317	28,843	15,515	48,898
Transfers In	850,773	1,157,010	1,003,771	1,026,728
Transfers Out	(2,095,926)	(2,196,922)	(2,007,375)	(2,192,666)
Capital Leases Acquisitions	10,044	20,077	8,529	12,712
Installment Purchase Acquisitions	1,428	671	770	653
<b>Total Other Financing Sources (Uses)</b>	<b>(423,092)</b>	<b>1,182,281</b>	<b>(635,918)</b>	<b>(685,924)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 94,370</b>	<b>\$ (395,029)</b>	<b>\$ (176,915)</b>	<b>\$ (373,041)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>2.4%</b>	<b>9.8%</b>	<b>4.4%</b>	<b>4.3%</b>

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

(b) In 2005, the Unclaimed Property Fund was reclassified from a private purpose trust fund to the General Fund. Years prior to 2005 have not been restated for this reclassification.

(c) In 2004, the State issued \$1,794.9 million of Annual Appropriation Bonds to pay for the unfunded accrued prior service (pension) liability for sick leave conversion credits. The General Fund reported a related Employee Benefit Liability expenditure of \$1,487.6 million.

(d) In 2002 through 2010, governmental fund types included activities of the General, special revenue, capital project, debt service, and permanent funds. Years prior to 2002 were not restated for GASB Statement No. 34. Fiscal Year 2002 was restated to appropriately reflect transfers to discretely presented component units as expenditures.

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

2006	2005	(b)	2004	2003	2002	(d)	2001
\$ 13,170,610	\$ 12,647,472		\$ 11,913,325	\$ 11,270,818	\$ 11,050,658		\$ 10,984,512
6,230,782	6,399,774		6,118,198	5,984,658	5,509,834		5,102,944
1,123,956	1,043,742		1,016,729	891,260	855,093		775,022
361,804	230,479		269,649	247,519	224,066		268,347
103,482	70,148		47,654	48,838	45,562		98,244
72,263	66,764		68,737	55,834	55,392 (e)		-
18,687	17,469		13,006	14,342	38,087		24,271
-	87,300		95,000	598,580	969,886		637,000
121,227	132,055		130,110	153,923	1,431,218 (f)		124,389
274,820	216,117		210,335	139,531	166,569		246,823
21,477,631	20,911,320		19,882,743	19,405,303	20,346,365		18,261,552
270,530	260,077		284,930	226,182	198,291		205,802
6,245,252	5,792,108		5,726,586	5,649,280	5,417,136		5,201,596
1,672,697	1,684,549		1,653,448	1,519,266	1,664,161		1,170,663
462,841	412,322		439,734	464,479	528,699		729,456
8,375,997	8,370,108		7,966,656	8,113,457	7,957,774		6,945,336
549,582	486,351		451,469	490,846	443,114		440,513
111,495	108,184		107,423	104,930	103,069		102,634
60,169	57,174		58,301	60,175	61,989		61,658
-	-		1,487,574 (c)	-	-		-
857,113	837,581		812,498	845,130	822,650		770,035
1,016,718	1,011,052		1,058,182	1,107,958	1,095,991		1,072,576
426,357	337,196		126,358	270,719	173,247		176,766
482,815	425,349		381,145	226,469	209,851		161,774
787,998	778,510		672,955	691,586	669,704		1,042,881
21,319,565	20,560,561		21,227,259	19,770,477	19,345,676		18,081,690
158,066	350,759		(1,344,516)	(365,174)	1,000,689		179,862
627,497	455,845		2,551,901 (c)	506,524	529,649		281,631
133,829	719,779		524,658	-	596,332		-
-	-		-	-	-		-
(93,592)	(780,044)		(534,937)	-	(631,477)		-
-	-		(2,857)	-	- (g)		-
44,896	96,993		98,214	31,640	60,247 (g)		-
1,454,568	1,028,319		1,274,917	1,234,157	2,067,099 (h)		369,342
(2,466,960)	(2,038,387)		(2,253,763)	(2,319,188)	(3,135,615) (h)		(1,476,426)
5,985	5,875		3,379	17,143	6,039		7,330
2,457	1,068		1,124	2,863	1,216		873
(291,319)	(510,552)		1,662,636	(526,861)	(506,510)		(817,250)
\$ (133,253)	\$ (159,793)		\$ 318,120	\$ (892,035)	\$ 494,179		\$ (637,388)
4.4%	3.9%		2.5%	2.6%	2.1%		2.0%

(e) Prior to 2002, fines and forfeitures were reported as Other Revenues.

(f) In 2002, tobacco settlement revenues included \$1,275.0 million of revenues reported in the Tobacco Settlement Endowment Fund, which was used to account for the proceeds from the sale of the State's right to receive payments under the Attorney General Master Tobacco Settlement of 1998.

(g) Prior to 2002, bond premiums and discounts were netted with long-term debt issued.

(h) In 2002, the Tobacco Settlement Endowment Fund transferred \$992.4 million to the General Fund to fund a portion of the shared revenue program, as well as other General Fund programs. Also in that year, the General Fund transferred a net \$562.3 million to the Medical Assistance Trust Fund.

*State of Wisconsin*  
**Personal Income by Industry**

**Schedule B-1**

For the Last Nine Calendar Years (a)

(In Millions)

	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Personal Income by Source:</b>									
Farm Earnings	\$ 998	\$ 1,894	\$ 2,067	\$ 1,386	\$ 1,671	\$ 1,881	\$ 1,542	\$ 1,066	\$ 1,171
Forestry, Fishing, Related Activities	368	360	343	328	310	313	303	322	343
Mining	243	272	228	247	226	218	188	181	186
Utilities	1,339	1,298	1,193	1,206	1,158	1,165	1,059	1,055	1,014
Construction	8,167	9,698	10,193	10,292	9,942	9,650	9,050	8,618	8,454
Manufacturing	28,733	32,125	31,234	31,069	30,100	29,696	28,802	28,120	27,977
Wholesale Trade	8,131	8,645	8,459	8,198	7,721	7,225	6,727	6,603	6,283
Retail Trade	9,386	9,731	9,947	9,861	9,680	9,541	9,329	9,011	8,573
Transportation and Warehousing	5,565	5,867	5,838	5,718	5,583	5,273	5,008	4,766	4,726
Information	3,480	3,585	3,417	3,166	3,057	2,984	2,770	2,706	2,698
Finance and Insurance	9,602	9,640	9,761	9,813	9,037	8,755	8,327	7,852	7,440
Real Estate and Rental and Leasing	1,501	1,542	1,524	1,768	1,898	1,829	1,715	1,653	1,605
Professional and Technical Services	9,042	9,356	8,785	8,247	7,656	7,211	6,698	6,544	6,476
Management of Companies and Enterprises	4,424	4,392	4,456	4,237	3,752	3,703	3,549	3,126	2,922
Administrative and Waste Services	4,211	4,734	4,631	4,311	4,015	3,743	3,500	3,502	3,354
Educational Services	2,106	2,015	1,885	1,754	1,628	1,632	1,490	1,400	1,273
Health Care and Social Assistance	19,712	19,060	17,905	17,166	16,326	15,743	14,644	13,680	12,524
Arts, Entertainment, and Recreation	1,289	1,346	1,301	1,233	1,137	1,126	1,081	1,061	948
Accommodations and Food Services	3,748	3,825	3,943	3,829	3,698	3,623	3,383	3,170	3,049
Other Services, except Public Administration	5,554	5,660	5,626	5,562	5,359	5,017	4,801	4,782	4,305
Federal, Civilian	2,604	2,522	2,442	2,401	2,288	2,252	2,072	2,004	1,928
Military	886	801	708	706	742	679	622	454	362
State and Local	19,607	19,143	18,265	18,230	17,392	16,562	16,874	15,798	15,148
Other (b)	60,782	55,867	52,228	47,828	42,170	40,483	39,717	40,232	40,012
<b>Total Personal Income</b>	<b>\$ 211,478</b>	<b>\$ 213,379</b>	<b>\$ 206,380</b>	<b>\$ 198,556</b>	<b>\$ 186,545</b>	<b>\$ 180,303</b>	<b>\$ 173,248</b>	<b>\$ 167,708</b>	<b>\$ 162,773</b>

**Per Capita Personal Income**  
**(in Dollars)**      \$ 37,398   \$ 37,916   \$ 36,843   \$ 35,637   \$ 33,664   \$ 32,715   \$ 31,633   \$ 30,790   \$ 30,094

(a) Only nine years of comparative data are presented because of changes in the industry classification system from the Standard Industrial Classification (SIC) to the North American Industry Classification System (NAICS) beginning in calendar year 2001.

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

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

**Personal Income Tax Rates**

For the Last Ten Calendar Years

Year	Top Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of			Average Tax Rate (a)
		Single	Married Filing Jointly	Head of Household	
2010	7.75 %	\$ 221,660	\$ 295,550	\$ 147,770	(b) %
2009	6.75	153,280	204,370	102,190	(b)
2008	6.75	145,460	193,950	96,980	4.43
2007	6.75	142,650	190,210	95,100	4.47
2006	6.75	137,410	183,210	91,600	4.44
2005	6.75	132,580	176,770	88,390	4.48
2004	6.75	129,150	172,200	86,100	4.47
2003	6.75	126,420	168,560	84,280	4.41
2002	6.75	124,200	165,600	82,800	4.38
2001	6.75	116,330	155,100	77,550	4.40

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

(b) Information is currently not available.

**Source:** Wisconsin Department of Revenue



## Personal Income Filers and Liability by Income Level Calendar Year 2008<sup>(a)</sup> and Nine Years Prior

### 2008

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Net Income Tax Rate (b)
\$1,000,000 and Higher	3,392	0.12 %	\$ 495,093,792	8.28 %	5.51 %
\$500,000 to 999,999	7,319	0.25	298,372,633	4.99	6.05
\$200,000 to 499,999	41,000	1.43	680,320,563	11.37	5.79
\$100,000 to 199,999	224,116	7.79	1,513,124,687	25.29	5.22
\$70,000 to 99,999	300,248	10.44	1,185,286,699	19.81	4.74
\$50,000 to 69,999	326,469	11.35	829,506,348	13.87	4.27
\$30,000 to 49,999	504,625	17.54	710,888,985	11.88	3.60
\$10,000 to 29,999	761,801	26.48	261,621,892	4.37	1.76
Less than \$10,000	708,083	24.61	7,777,086	0.13	0.54
<b>Total</b>	<b>2,877,053</b>	<b>100.00 %</b>	<b>\$ 5,981,992,685</b>	<b>100.00 %</b>	<b>4.43 %</b>

### 1999

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Net Income Tax Rate (b)
\$1,000,000 and Higher	1,968	0.07 %	\$ 282,935,876	5.34 %	6.36 %
\$500,000 to 999,999	4,260	0.16	183,483,399	3.46	6.39
\$200,000 to 499,999	23,121	0.86	419,468,802	7.91	6.25
\$100,000 to 199,999	100,215	3.72	770,572,726	14.53	5.94
\$70,000 to 99,999	206,065	7.65	954,106,169	17.99	5.65
\$50,000 to 69,999	325,827	12.10	1,057,614,849	19.94	5.49
\$30,000 to 49,999	488,067	18.12	1,012,439,014	19.09	5.28
\$10,000 to 29,999	794,597	29.50	598,552,055	11.29	3.90
Less than \$10,000	749,672	27.83	24,034,709	0.45	0.94
<b>Total</b>	<b>2,693,792</b>	<b>100.00 %</b>	<b>\$ 5,303,207,599</b>	<b>100.00 %</b>	<b>5.29 %</b>

(a) Tax information is gathered on a calendar year basis. Since tax forms are filed in the following year, the information from tax year 2008 is the most current data available.

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

Source: Wisconsin Department of Revenue

## Ratio of Outstanding Debt by Type

For the Last Nine Fiscal Years

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

	2010	2009	2008	2007 (a)	2006	2005	2004	2003	2002
<b>Governmental Activities:</b>									
General Obligation Bonds	\$ 4,779,727	\$ 4,244,746	\$ 4,080,880	\$ 4,066,286	\$ 4,041,982	\$ 3,763,973	\$ 3,560,219	\$ 3,090,875	\$ 2,962,588
Annual Appropriation Bonds	3,357,795	3,378,300	1,850,802	1,792,686	1,792,488	1,792,290	1,792,092 (b)	-	-
Transportation Revenue Bonds	1,671,255	1,591,971	1,485,849	1,566,842	1,485,558	1,386,493	1,359,849	1,137,467	965,264
Petroleum Inspection Revenue Bonds	129,878	89,373	111,142	132,189	190,984	210,446	224,658	188,119	199,797
Badger Tobacco Asset									
Securitization Corporation Bonds	-	-	1,388,778	1,436,063	1,474,084	1,520,788	1,566,993 (c)	-	-
Capital Leases	31,572	32,263	37,830	41,208	36,840	22,856	20,326	40,315	20,690
Installment Contracts	729	475	316	451	666	1,571	2,770	3,653	1,249
<b>Business-type Activities:</b>									
General Obligation Bonds	1,235,410	1,117,248	1,154,594	1,122,337	896,268	893,196	859,262	913,452	996,238
Environmental Improvement									
Revenue Bonds	882,167	829,269	797,979	746,181	690,873	652,213	692,111	623,418	659,451
Capital Leases	34,839	110,110	116,439	121,183	47,686	48,427	48,577	40,916	37,779
<b>Total Primary Government</b>	<b>\$ 12,123,372</b>	<b>\$ 11,393,755</b>	<b>\$ 11,024,609</b>	<b>\$ 11,025,426</b>	<b>\$ 10,657,429</b>	<b>\$ 10,292,253</b>	<b>\$ 10,126,857</b>	<b>\$ 6,038,215</b>	<b>\$ 5,843,056</b>
<b>Percentage of</b>									
<b>Personal Income (d)</b>	5.73%	5.34%	5.34%	5.55%	5.71%	5.71%	5.85%	3.60%	3.59%
<b>Per Capita</b>	2,144	2,024	1,968	1,979	1,923	1,868	1,849	1,109	1,080

(a) 2007 bonds restated to report net of issuance premiums/discounts and refundings and to include internal service funds in governmental activities.

(b) In 2004, the State issued appropriation obligations to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits.

(c) In 2004, GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, was implemented. Prior years have not been restated.

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

SOURCE: Details regarding the State's outstanding debt can be found in the notes to the financial statements.

Schedule C-2 lists personal income and population data by year.

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

For the Last Ten Fiscal Years

	2010	2009	2008	2007 (a)
General Obligation Bonds:				
Payable from Governmental Funds	\$ 4,628,075	\$ 4,091,223	\$ 3,921,719	\$ 3,907,010
Payable from Internal Service Funds	151,652	153,523	159,161	159,276
Payable from Enterprise Funds	1,235,410	1,117,248	1,154,594	1,122,337
Total General Obligation Bonds	6,015,137	5,361,994	5,235,474	5,188,623
Annual Appropriation Bonds (c)	3,357,795	3,378,300	1,850,802	1,792,686
Bonded Debt to be Paid with General Resources	\$ 9,372,932	\$ 8,740,294	\$ 7,086,276	\$ 6,981,309
Personal Income	\$ 211,477,916	\$ 213,378,781	\$ 206,379,739	\$ 198,556,011
Ratio of Bonded Debt to Personal Income (d)	4.4%	4.1%	3.4%	3.5%
Population	5,655	5,628	5,602	5,572
Bonded Debt per Capita (in Dollars) (d)	\$ 1,657	\$ 1,553	\$ 1,265	\$ 1,253

(a) 2007 bonds restated to report net of issuance premiums/discounts and refundings.

(b) Prior to 2002, the University of Wisconsin System financial statements were separately presented, following generally accepted accounting principles for colleges and universities as prescribed by the American Institute of Certified Public Accountants and the National Association of College and University Business Officers. The amounts "Payable from Enterprise Fund" for years prior to 2002 included general obligation debt expected to be paid from both resources of the University of Wisconsin System and general purpose revenues of the State. With the implementation of GASB Statement No. 34 in 2002, the University of Wisconsin System was reclassified as an enterprise fund. As a result, beginning in 2002, general obligation debt expected to be paid from resources of the University of Wisconsin System enterprise fund was reported in that enterprise fund, while debt expected to be paid from general purpose revenues of the State was reported through governmental funds.

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

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

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

**Schedule C-2**

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

	2006		2005		2004		2003		2002		2001
\$	3,879,823	\$	3,596,453	\$	3,389,177	\$	2,917,331	\$	2,802,708	(b) \$	1,892,416
	162,159		167,520		171,042		173,544		159,880		108,224
	896,267		893,195		859,261		913,452		996,238	(b)	1,714,566
	4,938,249		4,657,168		4,419,480		4,004,327		3,958,826		3,715,206
	1,792,488		1,792,290		1,792,092		-		-		-
\$	6,730,737	\$	6,449,458	\$	6,211,572	\$	4,004,327	\$	3,958,826	\$	3,715,206
\$	186,545,156	\$	180,303,031	\$	173,247,922	\$	167,707,615	\$	162,772,656	\$	156,602,874
	3.6%		3.6%		3.6%		2.4%		2.4%		2.4%
	5,541		5,511		5,477		5,447		5,409		5,374
\$	1,215	\$	1,170	\$	1,134	\$	735	\$	732	\$	691

**Legal Debt Margin**

For the Last Ten Calendar Years

(In Thousands)

Calendar Year	Annual Debt Limit	Total Net Debt Applicable to Limit (a)	Legal Debt Margin	Legal Debt Margin as a Percentage of Debt Limit
2010 (b)	\$ 3,719,281	\$ 794,293	\$ 2,924,988	78.6 %
2009	3,839,340	542,765	3,296,575	85.9
2008	3,857,955	493,635	3,364,320	87.2
2007	3,734,403	483,280	3,251,123	87.1
2006	3,517,374	891,285	2,626,089	74.7
2005	3,209,502	471,640	2,737,862	85.3
2004	2,933,909	664,435	2,269,474	77.4
2003	2,705,327	499,030	2,206,297	81.6
2002	2,514,949	481,000	2,033,949	80.9
2001	2,343,628	485,645	1,857,983	79.3

**Calculation of Annual Public Debt Limit for 2010:**

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

(1) Three-fourths of one percent of the aggregate value of taxable property	\$ 3,719,281
or	
(2) Five percent of aggregate value of taxable property	\$ 24,795,210
<u>Less:</u> Net indebtedness at January 1	<u>6,481,078</u>
	<u>\$ 18,314,132</u>
The lesser of (1) or (2) is:	\$ 3,719,281

(a) Consists of bonds issued less refundings.

(b) Debt issued through December 1, 2010.

SOURCE: Wisconsin Department of Administration

## Department of Transportation Revenue Bond Coverage

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenues	Debt Service		Total Debt Service	Pledged Revenue Coverage
				Principal	Interest		
2010	\$ 610,471	\$ 66	\$ 610,405	\$ 79,395	\$ 73,018	\$ 152,413	4.00
2009	603,548	68	603,480	80,395	70,787	151,182	3.99
2008	544,739	89	544,650	75,065	68,173	143,238	3.80
2007	458,077	78	457,999	71,640	68,460	140,100	3.27
2006	467,368	98	467,270	61,120	63,739	124,859	3.74
2005	436,724	138	436,586	57,885	65,433	123,318	3.54
2004	425,588	55	425,533	46,870	57,083	103,953	4.09
2003	326,266	71	326,195	38,115	52,738	90,853	3.59
2002	324,967	105	324,862	36,560	46,454	83,014	3.91
2001	316,061	36	316,025	33,705	39,488	73,193	4.32

The State of Wisconsin, Department of Transportation finances certain state highway projects and related transportation facilities through the issuance of revenue bonds. The revenue bonds, \$1,596.7 million outstanding at June 30, 2010, are secured by a pledge of the registration and registration-related fees collected under Wis. Stat. Sec. 341.25 and investments.

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

Beginning in FY 2003, IRP revenues due Wisconsin were mistakenly recorded as a liability to other states. Gross Revenues are corrected (increased).

(b) Includes administrative operating expenses.

SOURCE: Wisconsin Department of Transportation

**Environmental Improvement Fund Revenue Bond Coverage**

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenues	Debt Service			Pledged Revenue Coverage
				Principal	Interest	Total Debt Service	
2010	\$ 110,429	\$ 1,603	\$ 108,826	\$ 66,865	\$ 39,387	\$ 106,252	1.02
2009	106,305	2,346	103,959	60,730	39,282	100,012	1.04
2008	99,761	2,515	97,246	53,810	36,439	90,249	1.08
2007	98,288	2,416	95,872	47,085	36,163	83,248	1.15
2006	86,289	2,348	83,941	44,775	33,197	77,972	1.08
2005	64,321	2,292	62,029	39,340	33,677	73,017	0.85
2004	66,741	2,088	64,653	37,545	34,527	72,072	0.90
2003	72,959	2,065	70,894	36,405	34,646	71,051	1.00
2002	67,330	2,052	65,278	30,975	32,426	63,401	1.03
2001	63,268	1,891	61,377	27,245	31,012	58,257	1.05

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

(b) Includes allocated administrative and general costs.

SOURCE: Wisconsin Department of Administration

**Petroleum Inspection Fee Revenue Bond Coverage**

For Last Ten Fiscal Years

(In Thousands)

Year	Fees Remitted to the Trustees (a)	Debt Service			Total Debt Service	Pledged Revenue Coverage
		Principal	Interest			
2010	\$ 72,540	\$ 22,350	\$ 2,632	\$ 24,982	2.90	
2009	73,359	21,280	6,898	28,178	2.60	
2008	76,558	20,270	10,086	30,356	2.52	
2007 (b)	75,361	19,775	12,722	32,497	2.32	
2006	114,949	18,205	13,728	31,933	3.60	
2005	115,901	12,735	13,555	26,290	4.41	
2004	116,634	12,070	11,507	23,577	4.95	
2003	117,336	11,440	12,632	24,072	4.87	
2002	110,689	-	11,304	11,304	9.79	
2001	114,304	1,750	10,930	12,680	9.01	

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

(b) The 2006-2007 information does not include \$37,885,000 in principal or \$36,140 interest that were paid with monies transferred from the State's Petroleum Inspection Fund. Fiscal year 2006-2007 is the first full fiscal year at the reduced rate for petroleum inspection fees. 2005 Wisconsin Acts 25 and 85 amended Wis. Stat. Sec. 168.12 (1) by reducing the petroleum inspection fee imposed from \$0.03 per gallon to \$0.02 per gallon, effective April 1, 2006.



## Wisconsin Housing and Economic Development Authority Revenue Bond Coverage

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (a)	Direct Operating Expenses (b)	Net Revenues	Debt Service		Total Debt Service	Pledged Revenue Coverage (c)
				Principal	Interest		
<b>Home Ownership Revenue Bonds</b>							
2010	\$ 389,628	\$ 15,430	\$ 374,198	\$ 339,225 <sup>(d)</sup>	\$ 95,116	\$ 434,341	0.86
2009	464,514	13,381	451,133	226,545	125,480	352,025	1.28
2008	349,724	13,149	336,575	154,885	114,035	268,920	1.25
2007	291,008	11,359	279,649	138,000	95,035	233,035	1.20
2006	273,512	11,039	262,473	172,640	75,490	248,130	1.06
2005	261,337	9,799	251,538	181,650 <sup>(f)</sup>	62,099	243,749	1.03
2004	439,960 <sup>(e)</sup>	9,431	430,529	396,415 <sup>(f)</sup>	59,809	456,224	0.95
2003	630,290	8,153	622,137	528,825	78,782	607,607	1.02
2002	429,838	8,287	421,551	300,645	88,279	388,924	1.08
2001	286,366	7,731	278,635	178,905	95,138	274,043	1.02
<b>Housing Revenue Bonds</b>							
2010	\$ 61,141	\$ 4,445	\$ 56,696	\$ 12,965	\$ 19,460	\$ 32,425	1.75
2009	88,197	4,692	83,505	43,915	21,892	65,807	1.27
2008	79,701	4,574	75,127	27,092	22,847	49,939	1.50
2007	80,325	3,924	76,401	24,945	21,960	46,905	1.62
2006	87,115	4,313	82,802	44,165 <sup>(f)</sup>	22,448	66,613	1.25
2005	72,123	3,381	68,742	40,160 <sup>(f)</sup>	22,384	62,544	1.10
2004	70,811	4,099	66,712	32,040 <sup>(f)</sup>	22,942	54,982	1.23
2003	66,740	3,772	62,968	22,265 <sup>(f)</sup>	24,162	46,427	1.35
2002	66,480	3,449	63,031	16,725	25,884	42,609	1.48
2001	59,553	4,346	55,207	15,230	25,919	41,149	1.35
<b>Housing Rehabilitation and Home Improvement Revenue Bonds</b>							
2010	\$ 2,379	\$ 531	\$ 1,848	\$ -	\$ -	\$ -	n/a
2009	2,867	482	2,385	-	-	-	n/a
2008	2,858	516	2,342	-	-	-	n/a
2007	2,826	560	2,266	-	-	-	n/a
2006	2,442	370	2,072	-	-	-	n/a
2005	2,283	333	1,950	-	-	-	n/a
2004	1,941	297	1,644	-	-	-	n/a
2003	1,941	145	1,796	-	-	-	n/a
2002	2,241	69	2,172	-	-	-	n/a
2001	2,177	106	2,071	-	-	-	n/a

(Continued)

## Wisconsin Housing and Economic Development Authority Revenue Bond Coverage

For the Last Ten Fiscal Years

(Continued)

Year	Gross Revenues (a)	Direct Operating Expenses (b)	Net Revenues	Debt Service		Total Debt Service	Pledged Revenue Coverage (c)
				Principal	Interest		
<b>Business Development Revenue Bonds</b>							
2010	\$ 2,154	\$ 4	\$ 2,150	\$ 2,125	\$ 27	\$ 2,152	1.00
2009	1,260	3	1,257	1,150	105	1,255	1.00
2008	765	5	760	605	154	759	1.00
2007	1,521	5	1,516	1,290	224	1,514	1.00
2006	3,894	6	3,888	3,630	256	3,886	1.00
2005	2,734	9	2,725	2,450	271	2,721	1.00
2004	5,240	7	5,233	4,935	288	5,223	1.00
2003	3,075	8	3,067	2,550	505	3,055	1.00
2002	3,660	10	3,650	2,990	642	3,632	1.00
2001	4,657	13	4,644	3,445	1,186	4,631	1.00
<b>Single Family Drawdown Revenue Bonds</b>							
2010	\$ 1	\$ 3	\$ (1)	\$ 0	\$ 18	\$ 18	(0.06)
2009	80,832	2	80,829	80,257	566	80,823	1.00
2008	73,891	3	73,888	70,712	3,166	73,878	1.00
2007	28,461	2	28,459	25,677	2,785	28,462	1.00
2006	129,329	2	129,327	127,215	2,092	129,307	1.00
2005	188,601	5	188,596	185,976	2,924	188,900	1.00
2004	212,366	6	212,360	209,050	3,252	212,302	1.00
2003	157,155	5	157,150	154,000	3,114	157,114	1.00
2002	199,567	2	199,565	195,431	4,148	199,579	1.00
2001	92,053	5	92,048	84,350	7,748	92,098	1.00

(a) Includes mortgage payments received.

(b) Includes administrative and general costs, mortgage insurance premiums, lender service fees, and for the Housing Revenue Bonds includes the FAF (financial adjustment factor) expense and that portion of the FAF not yet expensed.

(c) Includes gains/losses due to the increases/decreases in fair market value of investments as a result of the implementation of GASB Statement No. 31. The Pledged Revenue Coverage excludes these amounts.

(d) Includes \$290.0 million of special redemptions, \$164.6 million of special redemptions July 1, 2009 through September 30, 2009.

(e) Gross revenues include revised mortgage payments that exclude mortgage loans between programs.

(f) Revised debt service principal payments exclude debt refunding issues.

SOURCE: Wisconsin Housing and Economic Development Authority

**Demographic and Economic Statistics**

For the Last Ten Years

<b>Calendar Year</b>	<b>Population (In Thousands)</b>	<b>Personal Income (In Thousands)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate (a)</b>	<b>Public School Enrollment (b)</b>
2009	5,655	\$ 211,477,916	\$ 37,398	8.5 %	825,382
2008	5,628	213,378,781	37,916	4.8	830,433
2007	5,602	206,379,739	36,843	4.8	836,860
2006	5,572	198,556,011	35,637	4.7	842,879
2005	5,541	186,545,156	33,664	4.8	837,313
2004	5,511	180,303,031	32,715	5.0	853,363
2003	5,477	173,247,922	31,633	5.6	855,139
2002	5,447	167,707,615	30,790	5.3	854,688
2001	5,409	162,772,656	30,094	4.4	855,725
2000	5,374	156,602,874	29,139	3.4	875,038

(a) Not seasonally adjusted

(b) 2009-2010 school year Kindergarten through Grade 12

Calendar year information is not yet available for 2010.

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

Wisconsin Department of Public Instruction

Wisconsin Department of Workforce Development

**Principal Employers  
2010 and Nine Years Prior (a)**

Employer	2010		2001	
	Employees (b)	Rank	Employees (b)	Rank
Wal-Mart Associates Inc.	Greater than 9,999	1	Greater than 9,999	1
UW-Madison	Greater than 9,999	2	Greater than 9,999	3
Milwaukee Public Schools	Greater than 9,999	3	Greater than 9,999	2
US Postal Service	Greater than 9,999	4		
Department of Corrections	Greater than 9,999	5	7,500 - 9,999	4
Menard Inc.	7,500 - 9,999	6	5,000 - 7,499	10
Marshfield Clinic	5,000 - 7,499	7		
Aurora Health Care Metro, Inc	5,000 - 7,499	8		
City of Milwaukee	5,000 - 7,499	9	7,500 - 9,999	6
Department of Veterans Affairs	5,000 - 7,499	10		
Kohler Co			7,500 - 9,999	5
Shopko Stores			7,500 - 9,999	7
Quad Graphics			5,000 - 7,499	8
County of Milwaukee			5,000 - 7,499	9

(a) March data

(b) Number of employees per employer and percentage of total employment is confidential information.

SOURCE: Wisconsin Department of Workforce Development

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

For the Last Ten Fiscal Years

<b>Functions/Programs</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Commerce	1,397	1,424	1,467	1,468	1,476
Education					
University of Wisconsin System	32,205	31,552	30,982	30,668	30,458
Other Education	859	859	880	872	886
Transportation	3,174	3,238	3,315	3,350	3,247
Environmental Resources	2,470	2,470	2,581	2,586	2,609
Human Relations and Resources	20,163	20,191	19,972	19,656	19,337
General Executive	2,877	2,935	2,953	2,990	3,036
Judicial	808	804	802	784	783
Legislative	726	734	717	732	732
<b>Totals</b>	<b>64,679</b>	<b>64,206</b>	<b>63,670</b>	<b>63,106</b>	<b>62,563</b>
<b>Percentage Change</b>	<b>0.74%</b>	<b>0.84%</b>	<b>0.89%</b>	<b>0.87%</b>	<b>-0.48%</b>

Totals exclude limited term employees.

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

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

2005	2004	2003	2002	2001	Change from 2001 to 2010
1,499	1,571	1,552	1,618	1,706	-18.10%
30,443	30,570	30,489	30,057	29,196	10.31%
862	869	902	945	959	-10.38%
3,348	3,558	3,712	3,803	3,932	-19.27%
2,613	2,738	2,832	2,937	2,964	-16.67%
19,604	20,114	19,958	19,919	19,223	4.89%
2,985	3,055	3,165	3,263	3,285	-12.44%
779	777	772	769	782	3.27%
732	726	768	769	796	-8.78%
62,866	63,978	64,149	64,080	62,843	2.92%
-1.74%	-0.27%	0.11%	1.97%		

## Operating Indicators by Function

For the Last Ten Fiscal Years

	2010	2009	2008	2007
<b>Commerce</b>				
Agriculture				
Farm Inspections (Calendar Year)	(a)	21,446	21,331	21,134
State Fair Park				
State Fair Attendance (Calendar Year)	876,020	833,285	872,458	801,420
<b>Education</b>				
Historical Society				
Visitors to Historic Sites and State Museum	(a)	248,689	242,121	244,783
Public Instruction				
Licensed School Staff	(a)	68,681	67,939	68,071
Ratio of Students to Licensed Staff	(a)	12.7	12.9	12.9
State's Share of Spending per Student	(a)	\$5,533	\$6,018	\$5,985
University of Wisconsin System				
Enrollment (Full Time Equivalent)	153,193	149,493	147,956	144,814
Number of Degrees Conferred	(a)	33,044	32,475	32,057
Technical College System				
Enrollment (Degree/Career Programs)	(a)	185,878	178,447	177,126
Number of Degrees Granted	(a)	24,121	23,617	24,054
<b>Transportation</b>				
Motor Vehicle Registrations (Calendar Year)	(a)	5,539,105	5,402,565	5,455,985
Licensed Drivers (Calendar Year)	(a)	4,085,833	4,079,562	4,075,764
<b>Environmental Resources</b>				
Natural Resources				
Park Visitors (Calendar Year) (Excludes Lakeshore Park)	(a)	14,435,928	13,291,541	13,063,165
Annual Park Admission Stickers (Calendar Year)	(a)	579,125	571,844	517,445
Fishing and Hunting Licenses (License Year)	(a)	4,786,631	4,648,467	3,183,074
State Hatchery Fish Stocked	(a)	12,409,996	7,720,740	18,209,232
<b>Human Relations and Resources</b>				
Corrections (Average Daily Population)				
Adults in Correctional Facilities	23,015	23,162	23,341	23,094
Juveniles in Detention Facilities	466	563	587	581
Health and Family Services				
Medicaid Caseload (Average Monthly)	1,094,058	952,175	873,229	849,630
Clients in Care and Treatment Centers (d)	1,571	1,639	1,681	1,762
FoodShare Recipients (Average Monthly)	681,826	507,228	408,360	379,046
Children and Families (Calendar Year)				
Wisconsin Works (W-2) Participants	(a)	20,904	19,030	19,289
Workforce Development				
Unemployment Insurance Initial Claims	1,209,972	1,206,008	668,665	630,013
Unemployment Insurance Benefits (In Thousands)	\$3,131,688	\$2,093,627	\$939,832	\$803,753
Military Affairs				
National Guard Assigned Strength	10,180	9,944	9,979	10,035
Veterans Affairs (Calendar Year)				
Residents of Veterans Homes	(a)	891	870	921
<b>General Executive</b>				
Administration				
Construction Projects Initiated (Calendar Year)	(a)	846	960	817
State Patrol Troopers/Inspectors (Authorized)	382/112	382/112	382/112	382/112
State Patrol Citations Issued (Calendar Year)	(a)	146,835	142,363	150,053
Employee Trust Funds (Calendar Year)				
Active Employees in Pension Plan	(a)	72,415	72,165	71,162
Active Employees in Group Health Plan	(a)	71,924	71,925	70,119

(a) Information is currently not available.

(b) Average monthly Medicaid caseload increased due to the start of Family Planning Waiver and SeniorCare.

(c) FoodShare Wisconsin replaced the Food Stamp Program in Wisconsin on October 15, 2004.

(d) Care and Treatment Center population is based on a daily average, except for the Wisconsin Resource Center from 2002 through 2006 (which is based on a client count on the last day of the month). The Sand Ridge Secure Treatment Center opened in June 2001.

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies

2006	2005	2004	2003	2002	2001
23,435	23,539	24,766	25,608	28,670	29,374
861,408	860,078	879,322	809,484	894,709	773,650
234,515	242,931	235,523	238,591	257,244	276,627
68,284	68,853	68,692	70,079	69,354	68,538
12.8	12.5	12.8	12.6	12.7	12.8
\$5,847	\$5,500	\$5,445	\$5,392	\$5,231	\$5,052
144,298	142,209	141,500	140,000	137,730	135,205
30,703	30,976	32,189	29,237	28,894	28,217
175,955	174,894	176,082	172,415	164,912	158,639
23,198	23,355	21,649	19,741	18,110	16,508
5,326,693	5,371,800	5,278,402	5,160,673	5,038,541	4,946,305
4,066,273	4,049,450	3,993,348	3,933,924	3,839,930	3,835,549
13,161,106	13,410,803	14,300,000	14,100,000	14,100,000	13,700,000
516,109	367,251	346,730	371,710	373,140	380,961
3,156,267	3,125,816	3,106,580	3,118,324	3,083,839	2,500,105
9,966,000	10,929,000	10,913,000	14,288,000	11,229,000	15,110,000
22,412	22,596	22,331	21,825	21,025	20,450
596	658	693	799	836	907
834,027	805,702	775,052	677,800 (b)	553,723	496,116
1,775	1,825	1,874	1,895	1,904	1,844
363,678	339,820	320,219 (c)	288,855	251,868	208,127
19,174	24,244	27,754	27,308	25,049	23,129
604,013	615,122	631,263	723,018	721,543	744,806
\$833,284	\$846,984	\$919,619	\$1,209,351	\$1,203,352	\$856,754
9,764	9,777	9,936	9,993	9,885	10,051
854	730	798	805	744	742
894	780	889	588	822	689
382/111	372/111	393/115	401/118	401/118	401/118
146,545	158,379	184,220	176,833	173,885	162,856
70,366	70,006	70,933	71,031	71,222	70,512
68,688	68,044	68,758	68,755	68,090	64,619



## Capital Asset Statistics by Function

For the Last Ten Fiscal Years

	2010	2009	2008	2007
<b>Commerce</b>				
State Fair Park				
Number of Buildings	39	42	41	41
Acres of Land	191	191	188	188
<b>Education</b>				
Educational Communications Board				
Communication Tower Sites	16	19	19	19
Historical Society				
Historic Sites Operated by the Historical Society	9	9	9	9
Public Instruction				
Residential Schools	2	2	2	2
University of Wisconsin System				
Number of Campuses	26	26	26	26
Technical College System				
Number of Districts and Campuses	16 and 48	16 and 47	16 and 47	16 and 47
<b>Transportation</b>				
Miles of State Highways	(a)	11,774	11,783	11,782
<b>Environmental Resources</b>				
Natural Resources				
Number of State Parks and Recreational Areas	54	54	54	50
Acres of State Parks and Recreational Areas	85,045	85,001	85,001	83,582
Number of State Forests	12	12	12	13
Acres of State Forests	508,734	506,727	506,727	506,727
Number of State Trails	42	42	42	35
Miles of State Trails	1,908	1,898	1,762	1,104
Number of Fish Hatcheries	14	14	13	13
<b>Human Relations and Resources</b>				
Corrections				
Number of Adult Correctional Institutions	19	19	19	19
Number of Adult Correctional Centers	16	16	16	16
Number of Juvenile Facilities	4	4	4	4
Health and Family Services				
Number of Care and Treatment Centers	7	7	7	7
Military Affairs				
National Guard Armories (b)	69	69	77	76
Flight Centers	3	3	3	3
Veterans Affairs				
Number of Veterans Homes	2	2	2	2
<b>General Executive</b>				
Administration				
Number of DOA Owned Buildings	26	26	26	24
Number of General Fleet Vehicles (All Agencies)	5,762	6,087	6,202	6,285
Number of Aircraft	19	19	19	19
Public Lands				
Acres of Land	76,292	78,000	75,700	76,200

(a) Information is currently not available.

(b) Current information is from the Department of Military Affairs, data prior to 2004 is from the Wisconsin Blue Book.

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies

2006	2005	2004	2003	2002	2001
42	42	42	41	46	46
197	197	197	197	197	197
18	17	17	17	17	17
8	8	8	8	8	8
2	2	2	2	2	2
26	26	26	26	26	26
16 and 47	16 and 47	16 and 47	16 and 47	16 and 47	16 and 47
11,782	11,772	11,772	11,753	11,753	11,752
50	50	49	48	48	48
83,304	82,083	79,250	77,911	78,928	77,431
13	13	13	13	13	12
506,620	506,620	506,620	502,827	501,017	495,626
33	33	33	30	27	25
987	984	978	847	825	784
13	14	14	14	14	14
19	19	19	17	16	15
16	16	16	16	16	16
4	4	4	4	5	5
7	7	7	7	7	6
76	(a)	(a)	68	68	68
3	3	3	3	3	3
2	2	2	2	2	1
24	24	24	24	25	26
6,261	6,350	7,228	7,246	7,688	7,348
19	21	27	30	37	34
77,845	77,755	79,490	79,500	79,162	79,162

**Local Government Property Insurance Fund  
Ten-Year Claims Development Information**

Fiscal and Policy Year Ended June 30

(In Thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Premium and investment revenues:										
Earned	\$ 13,578	\$ 14,518	\$ 18,190	\$ 26,920	\$ 26,291	\$ 27,018	\$ 24,732	\$ 23,929	\$ 22,644	\$ 21,919
Ceded	2,258	2,815	4,602	5,710	4,506	3,965	3,956	4,739	4,689	5,207
Net Earned	11,320	11,703	13,588	21,210	21,785	23,053	20,776	19,190	17,955	16,712
2. Loss expenses	621	652	629	618	623	522	404	182	247	408
3. Estimated incurred claims and allocated expense, end of policy year										
Direct incurred	14,125	14,837	18,589	11,118	11,367	16,564	22,226	22,037	11,372	12,113
Ceded	1,075	979	4,183	0	1,744	912	5,966	621	0	0
Net Incurred	13,050	13,858	14,406	11,118	9,623	15,652	16,260	21,416	11,372	12,113
4. Paid (cumulative) as of:										
End of policy year	5,060	7,278	9,040	7,138	6,074	8,790	7,855	9,917	6,896	6,228
One year later	12,333	13,669	12,431	10,841	9,313	16,498	16,387	19,416	11,137	
Two years later	13,459	14,814	13,002	11,105	9,983	16,286	16,619	21,353		
Three years later	13,437	14,923	13,004	11,105	9,983	16,475	16,740			
Four years later	13,437	14,981	13,004	11,105	10,844	16,580				
Five years later	13,437	14,981	13,004	11,105	10,844					
Six years later	13,437	14,981	13,004	11,105						
Seven years later	13,437	14,981	13,004							
Eight years later	13,437	14,981								
Nine years later	13,437									

The table above illustrates how the Local Government Property Insurance Fund's earned revenues (net of insurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

- (1) These lines show the total of each fiscal year's earned contribution revenues and investment revenues, amount of reinsurance premium ceded and net earned revenues.
- (2) This line shows each fiscal year's other operating cost of the fund including overhead and claims expense not allocable to individual claims.
- (3) This section shows the fund's incurred claims and allocated claims adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year.

SOURCE: Wisconsin Office of Commissioner of Insurance

(Continued)

**Local Government Property Insurance Fund  
Ten-Year Claims Development Information**

Fiscal and Policy Year Ended June 30

(Continued)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
5. Reestimated ceded losses and expenses	\$ 2,939	\$ 352	\$ 3,647	\$ 0	\$ 1,775	\$ 1,639	\$ 5,858	\$ 0	\$ 0	0
6. Reestimated incurred claims and expense:										
End of policy year	13,050	13,858	14,406	11,118	9,623	15,652	16,260	21,416	11,372	12,113
One year later	12,773	14,014	12,722	11,024	10,087	16,629	16,923	21,561	11,489	
Two years later	13,459	14,898	13,007	11,977	10,978	16,286	16,619	21,392		
Three years later	13,492	14,995	13,004	11,105	10,978	16,475	16,740			
Four years later	13,437	15,484	13,004	11,105	11,013	16,580				
Five years later	13,437	14,981	13,004	11,105	10,844					
Six years later	13,437	14,981	13,004	11,105						
Seven years later	13,437	14,981	13,004							
Eight years later	13,437	14,981								
Nine years later	13,437									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	387	1,123	(1,402)	(13)	1,221	928	480	(24)	117	n/a

(5) This line represents the reestimated losses assumed by reinsurers as of the end of the current fiscal year for each of the policy years presented.

(6) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

(7) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive policy years.

## Income Continuation Insurance Risk Pool Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31

(In Millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Net earned required contributions and investment revenues	\$ 8.2	\$ 7.9	\$ 3.7	\$ 25.5	\$ 20.5	\$ 17.9	\$ 24.4	\$ 20.5	\$ (9.1)	\$ 28.8
2. Unallocated expenses	0.8	1.9	1.7	1.9	2.1	2.1	2.4	2.4	2.4	1.8
3. Estimated incurred claims as of the end of the policy year	21.4	28.9	17.1	23.4	29.2	31.6	29.1	27.4	22.4	33.4
4. Paid (cumulative) as of:										
End of policy year	3.2	5.5	3.5	4.5	4.5	5.1	4.4	2.5	5.1	5.5
One year later	6.4	10.0	7.7	8.8	9.7	12.9	9.3	6.8	9.2	
Two years later	8.0	12.1	9.0	10.5	11.9	17.0	10.4	7.8		
Three years later	9.0	13.0	9.9	11.7	13.1	18.1	11.2			
Four years later	9.6	13.6	10.6	12.3	13.6	18.8				
Five years later	10.0	14.1	11.0	12.6	14.1					
Six years later	10.4	14.3	11.4	13.0						
Seven years later	10.6	14.5	11.8							
Eight years later	10.8	14.7								
Nine years later	11.0									
5. Reestimated incurred claims:										
End of policy year	21.4	28.9	17.1	23.4	29.2	31.6	29.1	27.4	22.4	33.4
One year later	18.0	20.4	15.8	17.0	20.5	25.1	16.7	22.5	15.8	
Two years later	16.3	18.9	14.4	16.6	21.1	25.9	17.8	13.4		
Three years later	14.3	16.7	14.3	17.1	19.7	27.0	16.8			
Four years later	13.1	16.6	14.1	15.8	20.2	24.7				
Five years later	12.7	16.5	13.7	16.0	18.5					
Six years later	12.4	16.1	14.1	15.6						
Seven years later	12.6	16.3	14.4							
Eight years later	12.8	16.4								
Nine years later	12.2									
6. Increase (decrease) in estimated incurred claims from end of policy year	(9.2)	(12.5)	(2.7)	(7.8)	(10.7)	(6.9)	(12.3)	(14.0)	(6.6)	0.0

The table above illustrates how the Income Continuation Insurance Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

- (1) This line shows the total of each calendar year's earned contribution and investment revenues.
- (2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
- (3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.  
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

SOURCE: Wisconsin Department of Employee Trust Funds

## Long-term Disability Insurance Risk Pool Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31

(In Millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1 Net earned required contributions and investment revenues	\$ (3.0)	\$ (6.9)	\$ (22.9)	\$ 52.5	\$ 33.4	\$ 24.1	\$ 47.3	\$ 27.8	\$ (88.3)	\$ 49.3
2 Unallocated expenses	0.3	1.0	0.8	0.7	1.1	1.0	1.1	1.4	1.3	2.2
3 Estimated incurred claims as of the end of the policy year	9.4	10.0	11.7	15.9	19.4	30.6	34.6	48.3	31.1	50.2
4 Paid (cumulative) as of:										
End of policy year	0.2	0.5	0.0	0.3	0.1	0.7	1.1	1.4	1.1	1.7
One year later	0.8	1.0	1.1	1.6	1.9	2.8	3.5	5.8	5.7	
Two years later	1.5	2.0	2.5	3.9	3.9	5.4	6.8	9.4		
Three years later	2.6	3.0	3.9	6.0	6.4	8.0	9.9			
Four years later	3.4	3.9	5.1	8.5	8.0	10.3				
Five years later	4.2	4.7	6.6	10.6	9.5					
Six years later	4.9	5.7	8.0	12.5						
Seven years later	5.7	6.5	9.3							
Eight years later	6.5	7.3								
Nine years later	7.2									
5 Reestimated incurred claims:										
End of policy year	9.4	10.0	11.7	15.9	19.4	30.6	34.6	48.3	31.1	50.2
One year later	4.9	8.7	8.4	12.0	14.1	22.2	26.2	25.6	26.9	
Two years later	7.2	8.3	12.7	18.3	14.9	22.1	29.5	29.9		
Three years later	8.5	10.2	12.9	19.2	16.1	24.7	27.1			
Four years later	9.3	10.0	13.7	20.3	17.7	23.4				
Five years later	8.5	10.1	14.3	22.4	19.2					
Six years later	9.0	10.8	15.7	24.3						
Seven years later	9.4	11.5	17.0							
Eight years later	10.1	12.3								
Nine years later	10.8									
6 Increase (decrease) in estimated incurred claims from end of policy year	1.4	2.3	5.3	8.4	(0.2)	(7.2)	(7.5)	(18.4)	(4.2)	0.0

The table above illustrates how the Long-term Disability Insurance Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

- (1) This line shows the total of each calendar year's earned contribution and investment revenues.
- (2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
- (3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

SOURCE: Wisconsin Department of Employee Trust Funds

## Health Insurance Risk Pool (Standard Plan) Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31

(In Millions)

	2000	2001	2002	2003	2004	2005	2006 (a)	2007	2008	2009
1 Net earned required contributions and investment revenues	\$ 64.5	\$ 77.6	\$ 83.8	\$ 85.1	\$ 90.4	\$ 90.9	\$ 82.9	\$ 42.1	\$ 22.5	\$ 41.5
2 Unallocated expenses	3.7	4.8	3.9	5.7	6.8	7.7	4.9	3.4	5.3	5.0
3 Estimated incurred claims as of the end of the policy year	69.9	73.7	70.5	73.2	74.6	73.6	60.1	23.7	30.5	25.9
4 Paid (cumulative) as of:										
End of policy year	55.9	61.1	62.5	65.1	65.2	65.8	51.8	20.3	25.7	21.6
One year later	64.4	68.2	69.3	73.4	72.2	73.6	58.3	23.5	28.3	
Two years later	64.6	68.3	69.4	73.7	72.3	73.7	58.2	23.5		
Three years later	64.6	68.3	69.4	73.7	72.3	73.7	58.2			
Four years later	64.6	68.3	69.4	73.7	72.3	73.7				
Five years later	64.6	68.3	69.4	73.7	72.3					
Six years later	64.6	68.3	69.4	73.7						
Seven years later	64.6	68.3	69.4							
Eight years later	64.6	68.3								
Nine years later	64.6									
5 Reestimated incurred claims:										
End of policy year	69.9	73.7	70.5	73.2	74.6	73.6	60.1	23.7	30.5	25.9
One year later	64.7	68.3	69.5	73.5	72.2	73.7	58.4	23.6	28.3	
Two years later	64.6	68.3	69.4	73.7	72.3	73.7	58.2	23.5		
Three years later	64.6	68.3	69.4	73.7	72.3	73.7	58.2			
Four years later	64.6	68.3	69.4	73.7	72.3	73.7				
Five years later	64.6	68.3	69.4	73.7	72.3					
Six years later	64.6	68.3	69.4	73.7						
Seven years later	64.6	68.3	69.4							
Eight years later	64.6	68.3								
Nine years later	64.6									
6 Increase (decrease) in estimated incurred claims from end of policy year	(5.3)	(5.4)	(1.1)	0.5	(2.3)	0.1	(1.9)	(0.2)	(2.2)	0.0

The table above illustrates how the Health Insurance Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

- (1) This line shows the total of each calendar year's earned contribution and investment revenues.
- (2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
- (3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

- (a) Starting in 2006, in accordance with GASB 43, retiree health is reported separately in an agency fund and is not included with the active health information in this table.

SOURCE: Wisconsin Department of Employee Trust Funds

## Health Insurance Risk Pool (Pharmacy Benefit) Six-Year Claims Development Information

Calendar and Policy Year Ended December 31

(In Millions)

	2004	2005	2006 (a)	2007	2008	2009
1. Net earned required contributions and investment revenues	\$ 205.7	\$ 191.6	\$ 164.7	\$ 170.0	\$ 138.8	\$ 155.5
2. Unallocated expenses	7.6	9.5	7.4	8.4	8.8	6.4
3. Estimated incurred claims as of the end of the policy year	158.1	160.6	110.1	116.9	124.0	134.8
4. Paid (cumulative) as of:						
End of policy year	162.4	168.8	116.8	118.0	126.3	139.1
One year later	159.8	159.6	111.0	119.4	123.9	
Two years later	159.8	159.6	111.0	119.4		
Three years later	159.8	159.6	111.0			
Four years later	159.8	159.6				
Five years later	159.8					
5. Reestimated incurred claims:						
End of policy year	158.1	160.6	110.1	116.9	124.0	134.8
One year later	159.8	159.6	111.0	119.4	123.9	
Two years later	159.8	159.6	111.0	119.4		
Three years later	159.8	159.6	111.0			
Four years later	159.8	159.6				
Five years later	159.8					
6. Increase (decrease) in estimated incurred claims from end of policy year	1.7	(1.0)	0.9	2.5	(0.1)	0.0

The table above illustrates how the BadgerRX for Individuals Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of the calendar year. The pharmacy benefit plan began operation in 2004. The rows of the table are defined as follows:

- (1) This line shows the total of each calendar year's earned contribution and investment revenues.
  - (2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
  - (3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
  - (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year. Paid claims include payments expected to be reimbursed as rebate payments from participating pharmaceutical companies.
  - (5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Incurred claims are presented net of anticipated rebates.
  - (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.  
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy.
- (a) Starting in 2006, in accordance with GASB 43, retiree health is reported separately in an agency fund and is not included with the active health information in this table.

SOURCE: Wisconsin Department of Employee Trust Funds



## **Acknowledgments**

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Cover photo of Wisconsin's State Capitol courtesy of Man M. Le, photographer.