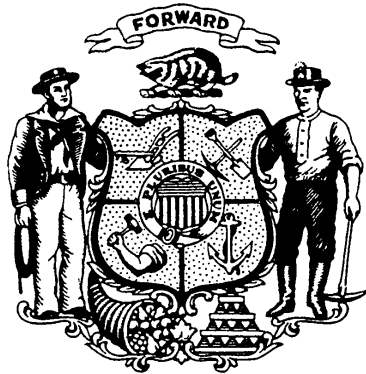


# WISCONSIN

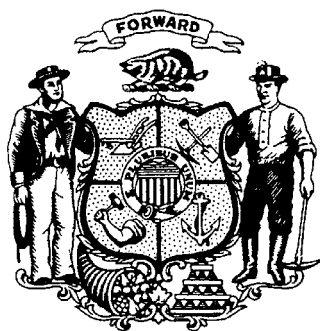
## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended June 30, 2004

# STATE OF WISCONSIN

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended June 30, 2004

**Jim Doyle, Governor**

Department of Administration  
Marc J. Marotta, Secretary  
William J. Raftery, State Controller

Prepared by the State Controller's Office

This document is available on the Department of Administration homepage  
on the World Wide Web: <http://www.doa.state.wi.us/debf>

DOA-6082P (R12/04)


**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2004**

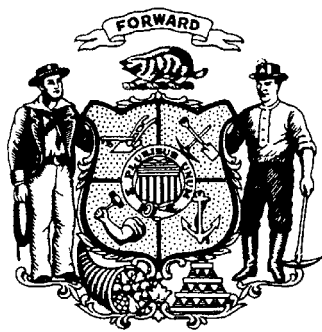
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# **INTRODUCTORY SECTION**

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**JIM DOYLE**  
GOVERNOR

**MARC J. MAROTTA**  
SECRETARY

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December 21, 2004

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, 2004. This report is prepared by the Department of Administration, Division of Executive Budget and Finance, State Controller's Office, which is responsible for both the accuracy of the data and the completeness and fairness of its presentation, including disclosures. We believe that the information presented is accurate in all material respects and reported in a manner designed to show the financial position and operating results of the State.

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. The State's 60 budgetary funds are expanded and have been displayed into the 92 individual GAAP funds, and five discrete component units. The major 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. Note 1-C to the financial statements includes a more detailed discussion of the generic GAAP fund types.

Wisconsin's 2004 Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section, which provides information on the general contents of the report, contains this letter of transmittal, a list of State officials and an organizational chart of State government. The Financial Section is composed of the auditor's report, Management Discussion and Analysis, the basic financial statements, required supplementary information and the combining financial statements. The Statistical Section provides various financial, economic and demographic data about the State, generally on a multi-year basis.

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 GOVERNMENT**

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 in accordance with criteria established by the GASB. The reporting entity consists of all the funds of the primary government (the State of Wisconsin), as well as its component units which are legally separate organizations for which the State is financially accountable or receives a substantial benefit. Discretely presented component units include the Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, the University of Wisconsin Hospitals and Clinics Authority, the State Fair Park Exposition Center, Inc., and the University of Wisconsin Foundation. Blended component units, which are legally separate from the State, but have a higher degree of interconnectedness with the State, include the Wisconsin Public Broadcasting Foundation, Inc. and the Badger Tobacco Asset Securitization Corporation.

The State provides a full range of services that include education, health and social services, transportation, law, justice, public safety, recreation and resources development, public improvements and general administrative services. The costs associated with these services are presented within the financial statements in detail and summary form.

### **Internal Controls**

The State's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that evaluation of costs and benefits requires estimates and judgments by management.

### **Budgetary Controls**

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, and then forward such requests to the State Treasurer for signature. 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. In addition, the State's biennial budget is developed according to the statutorily required fund structure that differs extensively from the fund structure used in the financial statements.

### **Cash Management**

The State of Wisconsin Investment Board is responsible for investing in cash resources of the State. On a daily basis, excess cash from all funds is pooled and invested through a variety of investment vehicles. Interest income earned on these investments is allocated to the various funds based on their average daily cash balances. The total amount of investments in the State Investment Fund at June 30, 2004 was \$5.5 billion.



## **Risk Management**

The State's risk management program, encompassing all State agencies, began in 1974 within the Department of Administration. Statutory responsibilities and authority include, but are not limited to:

- Protecting the State's assets from catastrophic loss;
- Emphasizing loss reduction;
- Identifying and evaluating exposures to loss;
- Recommending changes in procedures and programs to eliminate or reduce existing exposures;
- Arranging appropriate insurance for the transfer of risk of loss; and
- Approving all insurance purchases.

Currently, the State is essentially self-insured, through its risk management program, against major losses to which it is exposed. The Risk Management Fund, an internal service fund, services most claims for risk of loss, including damage to State owned property, liability for property damages and injuries to third parties, and worker's compensation. Additional disclosures on the State's risk management activities are provided in Note 17.

## **Pension Trust Funds**

The Wisconsin Retirement System (WRS), consisting of the fixed retirement investment trust, the variable retirement investment trust, and the police and firefighters trust is administered by the Department of Employee Trust Funds. 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 the pension plan indicated that the WRS was funded at 99.2 percent of liabilities for the 535,068 participants of the WRS. During Fiscal Year 2004, the State paid off its pension-related debt of approximately \$705 million, through the issuance of General Fund Annual Appropriation Bonds; in a more typical year the State's contribution to WRS would represent approximately 30 percent of total contributions required of all participating entities.

## **ECONOMIC CONDITION AND OUTLOOK**

In calendar year 2003, the Wisconsin economy stabilized and moved into position for a sustainable recovery.

Wisconsin employment declined slightly in 2003 in Wisconsin by 0.3 percent. Wisconsin employment was largely unchanged in 2002, up only 0.1 percent and down substantially in 2001, -2 percent. Wisconsin fared better than the nation in 2002 and 2003. Nationally, employment declined -1.1 percent in 2002 and -0.3 percent in 2003.

The differences in employment performance were realized in differences in income growth. Wisconsin personal income increased 2.8 percent in 2002 and 3.1 percent in 2003. Nationally, income growth was 1.8 percent in 2002 and 3.3 percent in 2003. On a per capita basis, Wisconsin's performance was stronger than the nation's. Per capita income in Wisconsin increased 2.2 percent in 2002 and 2.5 percent in 2003 compared to 0.7 percent and 2.2 percent nationally. Since 2000, Wisconsin's per capita income has moved closer to the national average from 95.7 percent in 2000 to 97.7 percent in 2003.

Wisconsin's employment is expanding once again. Through October 2004, Wisconsin non-farm employment is up 2.1 percent compared to a year ago. Nationally, employment was up 1.6 percent over the same period. Wisconsin's unemployment rate in October was 5.0 percent compared to 5.5 percent nationally.

Wisconsin's property values reflect an expanding economy. Real property values increased significantly in 2002 and 2003, up 7.5 percent in each year. In 2004, values increased 8.7 percent. Commercial, manufacturing and residential real estate have all increased significantly in these years.

Wisconsin has matched or exceeded the nation's economic performance in recent years.

- Wisconsin's unemployment rate remains well below the national rate.
- Since the 2000 census, the State's population growth ranks second in the Midwest states as more people relocate to Wisconsin.
- With 91.5 percent of its population covered, Wisconsin has the fourth highest health insurance coverage rate in the country.
- Wisconsin has the eighth lowest poverty rate at 8.8 percent of population compared to 12.1 percent nationally.
- Wisconsin's median household income, \$46,782, is the fourteenth highest in the country, 7.5 percent above the national average.

Looking ahead, Wisconsin's recovery should match the national recovery. With recovery in manufacturing adding to the expansion in services, finance and utilities, total nonfarm employment should increase by 1.6 percent in 2004 and by 1.8 percent in 2005. Nationally, nonfarm employment should increase by 1.0 percent in 2004 and by 1.7 percent in 2005.

The expansion of employment should strengthen Wisconsin's personal income growth. Total personal income should grow by 4.5 percent in 2004 and by 5.5 percent in 2005. This is comparable to national growth over the two-year period of 5.2 percent in 2004 and 4.9 percent in 2005.

## MAJOR INITIATIVES

**Economic Development.** In 2004, the Governor signed major legislation designed to encourage investors to devote capital to start-up companies by providing a total of \$65 million in tax credits to individuals that make angel and venture capital investments in early stage companies and manufacturers. This legislation also provides \$5.2 million over the course of a biennium to help businesses attract federal and venture capital assistance to commercialize technologies or processes.

Several additional tax relief measures and regulatory changes were enacted in Fiscal Year 2004. The enactment of the single-factor sales apportionment of income for corporate and franchise taxes is projected to reduce corporate tax burdens by \$45 million, when it is fully implemented in 2008. Manufacturers currently receive tax credits equal to the amount of sales and use tax paid for fuel and electricity used in manufacturing. Beginning on January 1, 2006, fuel and electricity used in manufacturing will be exempt from sales and use tax. Manufacturers will still be able to claim any unused tax credits accumulated prior to 2006. In addition, a new tax credit for dairy modernization offers support for capital investment on dairy farms and is estimated to provide up to \$5.7 million annually to dairy farmers through 2009. Also, to position Wisconsin's economy for future growth, the utility siting permit processes were streamlined to encourage siting of new facilities and improve electric reliability for business, industry, agriculture and the public.

In addition, the State has continued its efforts to expand existing businesses, 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, the development zone programs and the Certified Capital Companies program (CAPCO). The State awarded \$7.9 million during Fiscal Year 2004 from the Wisconsin Development Fund, primarily through the major economic development program, customized labor training grants and technology development grants and loans. The State also earmarked \$275,000 in funds to provide entrepreneurial training grants to assist in small business development. To date, 456 businesses have been designated under the Community and Enterprise Development Zone programs, resulting in over 68,000 jobs created or retained and leveraging more than \$2.3 billion in private investment. The Technology Development Zones program certified 46 high-technology businesses as eligible to receive \$9.2 million in tax credits. These credits leveraged over \$278 million in private investment, and the firms involved created and retained over 9,000 jobs in Wisconsin. The Agricultural Development Zone program certified 18 businesses as eligible to receive \$2.5 million in tax credits. These credits leveraged over \$37 million in private investment, and the firms involved created and retained over 1,500 jobs in Wisconsin. Since its establishment in 1999, three CAPCOs have invested almost \$20 million in 14 Wisconsin companies.

The State also offers a variety of programs that target minority and rural business development as well as community-based economic development. In Fiscal Year 2004, the State awarded \$2.4 million, which leveraged additional investments of \$11.3 million. Also in 2004, the Governor signed legislation to provide an additional \$750,000 per year to manufacturing extension programs, allowing these organizations to help manufacturers modernize, remain competitive and create new jobs in Wisconsin. State investment in the manufacturing extension programs illustrates Wisconsin's continued commitment to help manufacturers grow and remain a driving force in Wisconsin's economy.

Wisconsin has always enjoyed a strong tourism economy and in Fiscal Year 2004 travelers spent over \$11.7 billion on recreation, leisure, meetings, conventions and sports events in the State. This spending supported over 311,000 full time jobs paying \$6.6 billion in wages and salaries. The State invested \$8.5 million to increase awareness of Wisconsin as a premier travel destination, mostly on television, radio and publications in metropolitan Chicago and Minneapolis/St. Paul, which are primary sources of out-of-state travelers.

During the year, the State hosted several high profile national sports and cultural events which confirmed the State's reputation as a top tourism destination. The Grand Excursion along the Mississippi River, ESPN Television's Great Outdoor Games, the PGA Golf Championship and a national tour of Egyptian antiquities all attracted attendance from throughout the Midwest.

**Transportation.** The State continued to make significant investments in transportation infrastructure through expansion in highway capacity and reconstruction of existing highways and bridges. In 2004, almost 714 miles of State Trunk Highway (STH) and local highways were improved and 151 deficient state and local bridges were rehabilitated or replaced. Also, in 2004 the State contributed \$43.3 million to continue work on the Marquette Interchange reconstruction project. In all, more than \$662 million in construction projects on STH and local road systems was contracted through the Wisconsin Department of Transportation.

Wisconsin also distributes State transportation user fee revenues to local governments for transportation infrastructure improvements and transit operating assistance. In Fiscal Year 2004, \$536.6 million was transferred to local governments for these purposes.

**Environment.** Wisconsin took significant steps to streamline its regulatory processes while maintaining environmental protections. The regulatory reform act, 2003 Wisconsin Act 118, changed the regulation of navigable waters, air pollution regulation and administrative rule process. The Wisconsin Constitution places Wisconsin's navigable waters in trust for use by all residents and visitors of the State. To protect the public's rights, the Department of Natural Resources regulates modifications to Wisconsin's navigable waters, such as the installation of piers and dredging. Act 118 exempts many activities from navigable waters regulation and subjects certain activities to general permits. Activities that may cause significant environmental harm remain subject to an individual permit process. Act 118 also changed air pollution regulation by exempting minor sources, directing the department to establish general permits for similar stationary sources and requiring the department to provide additional documentation for its findings on air permits. Finally, Act 118 requires the preparation of an economic impact report for administrative rules that meet certain criteria including having an estimated annual cost of over \$20 million.

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. Expenditures for environmental preservation and improvement of recreational opportunities under the Stewardship and Stewardship 2000 programs totaled \$53.9 million in Fiscal Year 2004. During Fiscal Year 2004, the State used Stewardship 2000 Program financing to acquire over 5,800 acres of land and 63 miles of shoreline on the Rainbow Flowage and Pickerel Lake in the Northern Highland America Legion State Forest in Oneida and Vilas Counties. The purchase assures that nearly all the flowage's shoreline will remain undeveloped, which will preserve a highly productive fishery and terrestrial habitat for eagles, osprey and many species of waterfowl.

In addition to land acquisition through the Stewardship programs, 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 \$40 million from the sale of general obligation bonds. Landowners participating in the program receive an up-front 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 up-front payment if they transfer to the State an easement to permanently maintain the practices. Through Fiscal Year 2004, Wisconsin has enrolled over 2,000 participants and over 38,000 acres and has made payments of \$8.6 million. The federal government has paid landowners over \$57 million.

The first instance of chronic wasting disease in Wisconsin's deer herd was discovered in February 2002. Since then, the State has spent \$18.9 million to support disease management efforts, including testing and disposal costs, public outreach efforts, law enforcement costs, and a radio telemetry study of deer movement in the chronic wasting disease management area. The department has mapped the State into various regions and has identified testing target areas in order to map the disease, stop its spread, and manage the deer herd to ensure successful deer hunts for generations to come. The State continues to monitor the extent and prevalence of the disease.

In addition, the State took steps to safeguard the health of livestock and wild animal populations from diseases, such as chronic wasting disease and foot and mouth disease, by establishing a livestock premises identification program. Under 2003 Wisconsin Act 229, individuals are required to register all livestock premises with the Department of Agriculture, Trade and Consumer Protection. The program is one of the first in the U.S. and is part of a national program to allow the tracking of diseased animals from birth to slaughter.

Wisconsin's Environmental Improvement Fund program provides financial assistance to municipalities for the planning, design and construction of wastewater treatment and drinking water treatment facilities. The program also provides assistance for brownfields remediation projects. 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. In Fiscal Year 2004, the Environmental Improvement Fund made awards to municipalities amounting to \$109 million, bringing the total amount of loans and grants awarded by the program to \$2.1 billion since its inception in 1991.

The Petroleum Environmental Cleanup Fund Award program (PECFA) assists owners of leaking petroleum storage tanks with environmental remediation costs and has provided \$1.402 billion for cleanups at 11,732 locations 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 2004, the brownfields site assessment grant program provided \$1.7 million to 35 local governments to jump-start investigation and redevelopment of brownfield sites. After four rounds of applications, 207 grants totaling \$6.6 million have been awarded. Since June of 1998, the brownfields grant program has awarded \$36.9 million to 89 projects for the redevelopment of brownfields where clean up will have a significant economic as well as environmental impact. The completion of these projects will return 1,090 acres of abandoned or under-used environmentally contaminated sites to productive use, increase taxable property values by over \$607 million and create over 4,000 new jobs.

Wisconsin has historically been a national leader in recycling. Since its inception as one of the nation's first and foremost programs in support of community recycling, over \$348.8 million has been provided to municipalities to help defray the cost of operating effective recycling programs. In addition, the State has provided funds for innovative recycling and waste reduction projects, including \$1.9 million annually for the Recycling Efficiency Incentive Grants program. The program rewards municipalities for efficiencies achieved through consolidation of and cooperative agreements between local recycling services.

**Human Resources.** Several major new programs were implemented by the Department of Health and Family Services shortly before or during the Fiscal Year 2002-04 period, resulting in significant increases in expenditures. The SeniorCare program, created in 2001 Act 16 (the 2001-03 Biennial Budget Act), was implemented September 1, 2002. The program provides assistance for the purchase of prescription drugs to approximately 90,000 individuals age 65 years or older. The Family Care program, created in 1999 Act 9 (the 1999-2001 Biennial Budget Act), began operation in February 2000. The program provides comprehensive and flexible long-term managed care to approximately 9,000 persons who are elderly or who have a developmental disability or physical disability. The BadgerCare program, created in 1997 Act 27 (the 1997-99 Biennial Budget Act), was implemented beginning in July 1999. The program provides health insurance to over 100,000 children and parents in low income working families whose employers do not offer health insurance or who do not contribute enough to make it affordable.

Another change which affected the department's expenditure trends beginning in Fiscal Year 2002 was the creation of the Medical Assistance Trust Fund by 2001 Act 16 (2001-03 Biennial Budget Act). The Medical Assistance (MA) Trust Fund was created in response to the State's efforts to maximize federal MA revenue. Additional federal revenue was generated through a number of mechanisms, including an intergovernmental transfer program between the state and local government owned nursing homes. The proceeds from these federal maximization initiatives were deposited in the Medical Assistance Trust Fund and are appropriated as segregated funding. These segregated funds are used to pay a portion of the non-federal share of medical assistance benefits, which results in an increase in SEG expenditures and a decrease in GPR expenditures.

In Fiscal Year 2004, the Department of Health and Family Services facilitated over 1,120 adoptions of special needs children. The Special Needs Adoption program finds adoptive homes for children with unique needs. These children may be sibling groups of 3 or more placed together, children age 10-18 or children with emotional, behavior and developmental disabilities.

Criminal penalty statutory changes went into effect in Fiscal Year 2003. These changes revise felony classifications to more accurately reflect the crime committed. The changes will improve the criminal justice system and help reduce incarceration costs because the additional classifications will provide better guidance for imposing penalties.

**Education.** State aids and tax credits applied to support 2003-2004 school year costs for elementary and secondary education totaled \$5.3 billion. As part of this state aid commitment, funding for the equalization aid, which provides general funding to school districts to help offset property tax increases, increased by \$72.2 million in Fiscal Year 2004, an increase of 1.7 percent. The 2003-05 biennial budget bill also increased the low revenue ceiling by \$500 (7.2 percent) per pupil in 2003-04, from \$6,900 per pupil to \$7,400, the largest increase in the ten-year history of revenue limits. This increase provided over 50 of the State's lowest spending school districts with more flexibility to ensure that their students can continue to receive a quality education.

Fiscal Year 2004 also provided the largest increase in State financial aid for University of Wisconsin students in the history of the Wisconsin Higher Education Grants, Lawton and Advanced Opportunity programs. The combined \$6.9 million (23.3 percent) increase will provide much-needed increases in grants to help keep the University of Wisconsin affordable for low-income students.

The Governor's Task Force on Educational Excellence completed its work in 2004. The Task Force report, which addressed school finance, student achievement, teacher recruitment and retention and special education, will provide an important resource to help policymakers chart the future of public education in Wisconsin.

## **OTHER INFORMATION**

### **Independent Audit**

In compliance with Wis. Stat. Sec. 13.94 (1)(c), the State Legislative Audit Bureau has performed an examination of the State's basic financial statements. The examination was made in accordance with generally accepted auditing standards. Their report is contained in the Financial Section which follows.

**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, 2003. 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 eighth year the State of Wisconsin 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.

**ACKNOWLEDGMENTS**

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,



Marc J. Marotta  
Secretary



William J. Raftery, 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, 2003

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.



*Nancy L. Zielle*

President

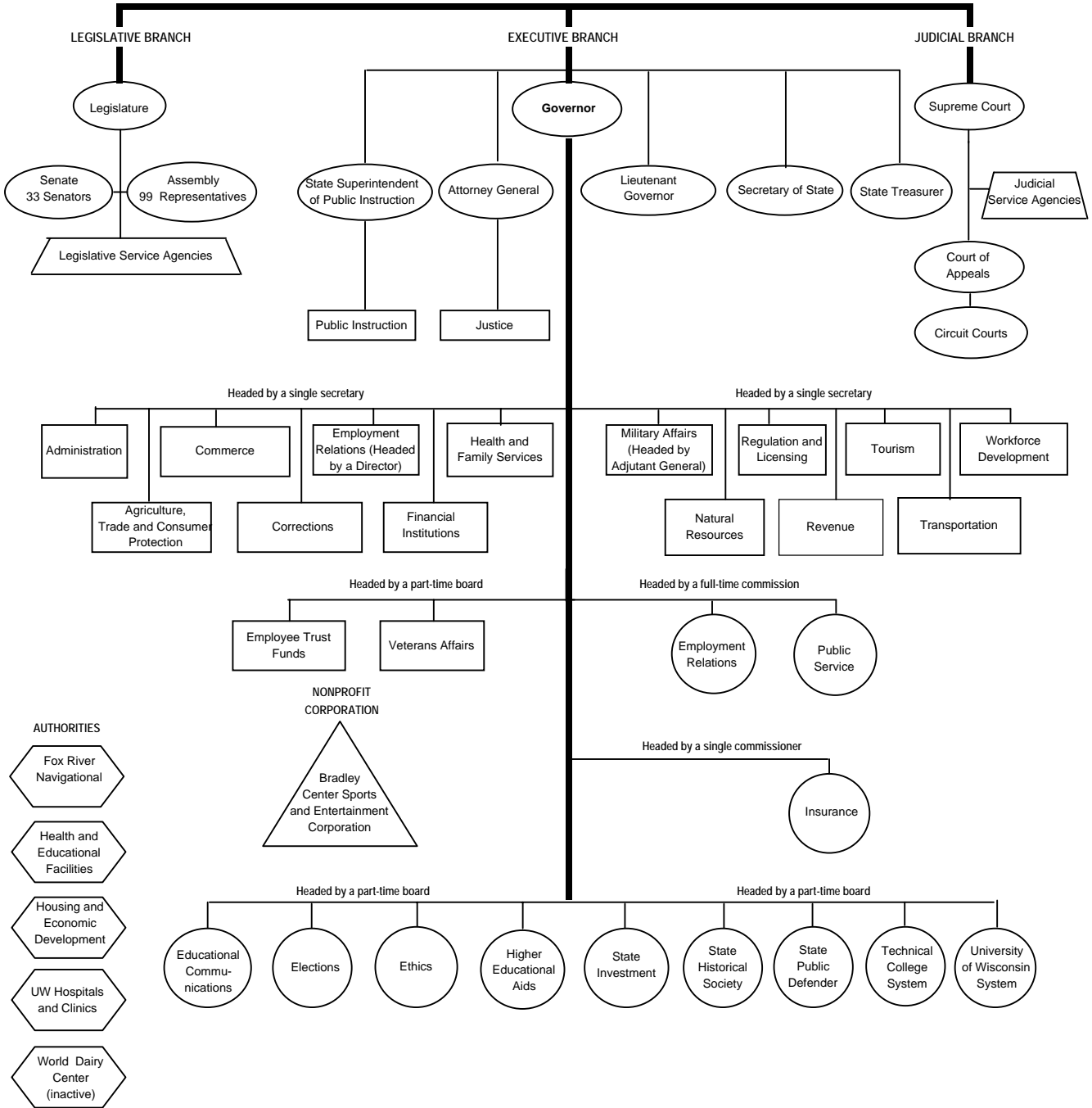
*Jeffrey R. Emer*

Executive Director



# Organizational Chart

WISCONSIN STATE GOVERNMENT ORGANIZATION  
January 2003



KEY: ○ Constitutional Officer    □ Administrative Department    ○ Independent Agency    ⬡ Authority    ⚡ Service Agency    ▲ Nonprofit Corporation

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

# Principal State Officials

---

As of June 30, 2004:

## **EXECUTIVE**

Jim Doyle

*Governor*

Barbara Lawton

*Lieutenant Governor*

Douglas J. La Follette

*Secretary of State*

Jack C. Voight

*State Treasurer*

Peggy A. Lautenschlager

*Attorney General*

Elizabeth Burmaster

*State Superintendent of Public Instruction*

## **LEGISLATIVE**

Alan J. Lasee

*President of the State Senate*

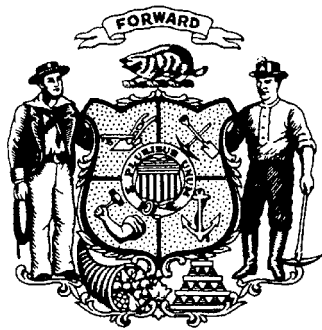
John Gard

*Speaker of the Assembly*

## **JUDICIAL**

Shirley S. Abrahamson

*Chief Justice of the Supreme Court*



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# **FINANCIAL SECTION**

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## 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, 2004, 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 following financial statements: 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 Badger Tobacco Asset Securitization Fund, which represents 11 percent of the liabilities of the governmental activities; the Environmental Improvement Fund, which is a major fund and represents 19 percent of the assets and 20 percent of the liabilities of the business-type activities; or the College Savings Program Trust, which represents 2 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, insofar as it relates to the amounts audited by others, is based upon the 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 financial statements of the Wisconsin Housing and Economic Development Authority, which were audited by other auditors, were also audited in accordance with these standards. The financial statements of the other funds and component units 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 previously referred to present fairly, in all material respects, the respective financial positions 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, 2004, 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 1 to the financial statements, the State implemented two accounting changes during fiscal year 2003-04. Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*—broadened the definition of component units and as a result, required the inclusion of the financial statements of the University of Wisconsin Foundation as a discretely presented component unit in the State’s Comprehensive Annual Financial Report. GASB Technical Bulletin Number 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, required the State to report the Badger Tobacco Asset Securitization Corporation as a blended component unit.

As discussed in Note 18C to the financial statements, the Injured Patients and Families Compensation Fund’s projected ultimate loss liability is an estimate based on recommendations of a consulting actuary. The Injured Patients and Families Compensation Fund Board of Governors believes that the estimated loss liability is reasonable and adequate to cover the cost of claims incurred to date. However, uncertainties inherent in projecting the frequency and severity of large medical malpractice claims because of the Injured Patients and Families Compensation Fund’s unlimited liability coverage and extended reporting and settlement periods make it likely that amounts paid will ultimately differ from the recorded estimated liabilities. These differences cannot be quantified.

Management’s discussion and analysis, 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 the Governmental Accounting Standards Board. 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 of the State of Wisconsin. The combining statements and schedules have been subjected to the auditing procedures applied 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.

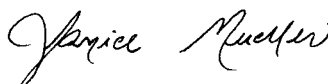
The introductory section and the statistical section listed in the table of contents have not been subjected to the auditing procedures applied within the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have prepared a report dated December 21, 2004, on our consideration of the State of Wisconsin’s internal control over financial reporting and on 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. A more detailed version of that report will be included in the State’s single audit report. The report on internal control and compliance 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.

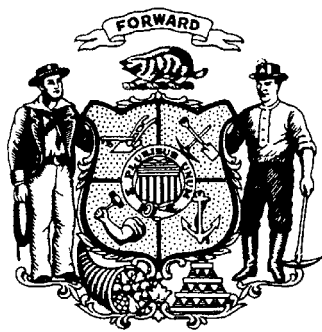
December 21, 2004

by

LEGISLATIVE AUDIT BUREAU



Janice Mueller  
State Auditor



# MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2004. It should be read in conjunction with the transmittal letter located at the front of this CAFR, and the State's financial statements, which follow this part of the CAFR.

## FINANCIAL HIGHLIGHTS -- PRIMARY GOVERNMENT

### Government-wide (Tables 2 and 3 on Pages 23 and 24)

- *Net Assets.* The assets of the State of Wisconsin exceeded its liabilities at the close of Fiscal Year 2004 by \$10.9 billion (reported as "net assets"). Of this amount, \$(7.3) 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 \$0.9 billion in Fiscal Year 2004. Net assets of governmental activities decreased by \$956.1 million or 16.9 percent, while net assets of the business-type activities showed an increase of \$16.9 million or 0.3 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities.* During Fiscal Year 2004, the State's total revenues for governmental activities of \$19.91 billion were \$29.2 million more than total expenses (excluding transfers) for governmental activities of \$19.88 billion. Of these expenses, \$7.5 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled \$12.4 billion.

### Fund

- *Governmental Funds -- Fund Balances.* As of the close of Fiscal Year 2004, the State's governmental funds reported combined ending fund balances of \$(741.3) million, an increase of \$316.5 million in comparison with the prior year. Of this total amount, \$(2.6) billion represents the "unreserved fund balances".
- *General Fund -- Fund Balance.* At the end of the current fiscal year, the unreserved fund deficit for the General Fund was \$(2.3) billion, or (13.4) percent of total General Fund expenditures.

### Long-term Debt

- The State's total long-term debt obligations (bonds and notes payable) increased by \$2,534.8 million during the current fiscal year which represents the net difference between new issuances, payments and refundings of outstanding debt. A key factor contributing to the increase is the issuance of \$1,794.9 million of General Fund annual appropriation bonds, which were issued to pay off the State's unfunded accrued prior service (pension) liability and the unfunded accrued liability for sick leave conversion credits. Additionally the issuance during the fiscal year of \$1,305.1 million of general obligation bonds and \$507.3 million of revenue bond obligations, and early redemptions and refundings of general obligation and revenue bonds contributed to this increase. Additional detail regarding these activities begins on Page 31.

## 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 page:



## 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.

### Government-wide Financial Statements

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 government-wide financial statements include two statements:

- The *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.
- The *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.

These government-wide financial statements are divided into three categories:

- *Governmental Activities* – Most services generally associated with State government fall into this category, including commerce, education, transportation, environmental resources, human relations and resources, general executive, judicial and legislative.
- *Business-Type Activities* – Those operations for which a fee is charged to external users for goods and services are reported in this category.
- *Discretely Presented Component Units* – These are operations for which the State has financial accountability but that have certain independent qualities as well. The State's discretely presented component units (all business-type activities) are:
  - Wisconsin Housing and Economic Development Authority,
  - Wisconsin Health Care Liability Insurance Plan,
  - University of Wisconsin Hospitals and Clinics Authority,
  - State Fair Park Exposition Center, Inc., and
  - University of Wisconsin Foundation.

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the State's component units are presented in Note 1-B to the financial statements.

The government-wide financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting, which is similar to the methods used by most businesses, takes into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid.

### Fund Financial Statements

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

The State has three kinds of fund categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

- **Governmental Funds** – Most of the basic services provided by the State are financed through governmental funds. Governmental funds report information using the flow of current financial resources measurement focus and the modified accrual basis of accounting. 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. The State has two major governmental funds -- the General Fund and the Transportation Fund. Examples of non-major governmental funds include the Conservation Fund, the Bond Security and Redemption Fund, and the Capital Improvement Fund.
- **Proprietary Funds** – 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. Proprietary funds, like the government-wide statements, use the accrual basis of accounting. The State has five major proprietary funds -- the Injured Patients and Families Compensation Fund, the Environmental Improvement Fund, the Veterans Mortgage Loan Repayment Fund, the University of Wisconsin System and the Unemployment Reserve Fund. Examples of the State's non-major proprietary funds include the Lottery and the Health Insurance Fund.
- **Fiduciary Funds** – These funds are used to show assets held by the State as trustee or agent for others outside the State, such as the Wisconsin Retirement System and the Local Government Pooled Investment Fund. Similar to proprietary funds, these funds use the accrual basis of accounting. Because the State can not use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed above.

Table 1, below, shows how the required parts of this financial report are arranged and relate to one another.

<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>	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary. Governmental activities are primarily financed through taxes, intergovernmental revenues, and other nonexchange revenues. Examples of governmental funds include: <ul style="list-style-type: none"> <li>• General</li> <li>• Transportation</li> <li>• Bond Security and Redemption</li> <li>• Capital Improvement</li> <li>• Common School</li> </ul>	The activities the State operates similar to private business. Examples of proprietary funds include: <ul style="list-style-type: none"> <li>• Enterprise funds: <ul style="list-style-type: none"> <li>-- Injured Patients and Families Compensation</li> <li>-- Environmental Improvement</li> <li>-- University of Wisconsin System</li> <li>-- Lottery</li> </ul> </li> <li>• Internal service funds: <ul style="list-style-type: none"> <li>-- Technology Services</li> <li>-- Facilities Operations and Maintenance</li> </ul> </li> </ul>	Instances in which the State is the trustee or agent for someone else's resources. Examples of fiduciary funds include: <ul style="list-style-type: none"> <li>• Wisconsin Retirement System</li> <li>• Local Government Pooled Investment</li> <li>• Unclaimed Property</li> <li>• College Savings Program Trust</li> </ul>
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</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>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resource focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
<b>Type of inflow-outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	<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>	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

## **Additional Required Supplementary Information**

In addition to this Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements. The required supplementary information includes (1) condition and maintenance data regarding the State's infrastructure, and (2) 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, below, 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, 2004 were \$28.5 billion, while total liabilities were \$17.7 billion, resulting in combined net assets (government and business-type activities) of \$10.9 billion. The largest component of the State's total net assets, \$14.0 billion or approximately 129.1 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 \$4.2 billion of net assets were restricted by external sources or the State Constitution, 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 \$(7.3) 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 \$(1.9) 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 2004, the State issued \$1.8 billion of General Fund annual appropriation bonds to pay the unfunded accrued prior service (pension) liability and the unfunded accrued liability for sick leave conversion credits. Further, the State issued \$1.3 billion of general obligation bonds and global certificates, primarily for the acquisition or improvement of land. General Obligation Bonds outstanding at June 30, 2004 totaled \$4.4 billion. Outstanding revenue bonds, which are not considered general obligation debt of the State, were \$3.8 billion at June 30, 2004.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2004-2003
	2004	2003	2004	2003	2004	2003	
	\$	\$	\$	\$	\$	\$	
Current and Other Assets	5,040.5	4,658.3	6,408.3	6,473.3	11,448.8	11,131.6	2.8 %
Capital Assets	13,756.7	13,316.0	3,326.3	3,132.8	17,082.9	16,448.9	3.9
Total Assets	18,797.2	17,974.3	9,734.5	9,606.2	28,531.7	27,580.4	3.4
Long-term Liabilities	8,749.0	6,975.6	2,910.8	2,830.8	11,659.8	9,806.4	18.9
Other Liabilities	5,356.4	5,350.8	661.6	630.1	6,018.0	5,980.9	0.6
Total Liabilities	14,105.4	12,326.4	3,572.4	3,460.9	17,677.8	15,787.3	12.0
Net Assets:							
Invested in Capital Assets							
Net of Related Debt	11,146.1	11,084.9	2,870.4	2,830.7	14,016.5	13,915.6	0.7
Restricted	1,321.9	(652.4)	2,852.4	3,012.9	4,174.3	2,360.5	76.8
Unrestricted (deficit)	(7,776.2)	(4,784.6)	439.3	301.7	(7,336.9)	(4,482.9)	63.7
Total Net Assets	\$ 4,691.8	\$ 5,647.9	\$ 6,162.2	\$ 6,145.3	\$ 10,853.9	\$ 11,793.2	(8.0)

## 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 \$12.8 billion and general revenues of \$12.4 billion for total revenues of \$25.2 billion during Fiscal Year 2004. Expenses for the State during Fiscal Year 2004 were \$26.2 billion. These expenses included payment of \$782.4 million for the unfunded liability for sick leave conversion credits, which was funded through the issuance of annual appropriation bonds. As a result of the excess of expenses over revenues, the total net assets of the State decreased \$0.9 billion, net of contributions and transfers.

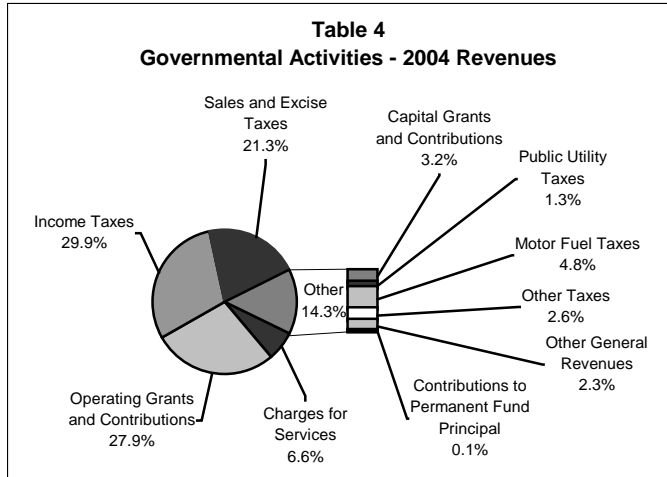
	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>		<b>Total Percentage Change</b> <b>2004-2003</b>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	
<b>Program Revenues:</b>							
Charges for Goods and Services	\$ 1,307.5	\$ 1,162.8	\$ 4,837.2	\$ 4,392.2	\$ 6,144.7	\$ 5,555.0	10.6 %
Operating Grants and Contributions	5,559.5	5,425.7	457.9	497.3	6,017.4	5,923.0	1.6
Capital Grants and Contributions	635.6	635.4	20.8	35.5	656.4	670.9	(2.2)
<b>General Revenues:</b>							
Income Taxes	5,956.3	5,502.4	-	-	5,956.3	5,502.4	8.2
Sales and Excise Taxes	4,249.7	4,102.4	-	-	4,249.7	4,102.4	3.6
Public Utility Taxes	254.2	273.9	-	-	254.2	273.9	(7.2)
Motor Fuel Taxes	950.5	924.5	-	-	950.5	924.5	2.8
Other Taxes	524.7	483.6	-	-	524.7	483.6	8.5
Other General Revenues	468.2	925.2	(4.8)	18.2	463.4	943.4	(50.9)
<b>Total Revenues</b>	<b>19,906.2</b>	<b>19,436.0</b>	<b>5,311.1</b>	<b>4,943.1</b>	<b>25,217.4</b>	<b>24,379.1</b>	<b>3.4</b>
<b>Program Expenses:</b>							
Commerce	281.8	224.4	-	-	281.8	224.4	25.6
Education	5,749.4	5,675.1	-	-	5,749.4	5,675.1	1.3
Transportation	1,795.5	1,590.7	-	-	1,795.5	1,590.7	12.9
Environmental Resources	444.3	475.0	-	-	444.3	475.0	(6.5)
Human Relations and Resources	8,000.8	8,151.3	-	-	8,000.8	8,151.2	(1.8)
General Executive	425.3	488.9	-	-	425.3	488.9	(13.0)
Judicial	109.8	107.8	-	-	109.8	107.8	1.8
Legislative	57.6	59.8	-	-	57.6	59.8	(3.6)
<b>Tax Relief and Other General Expenditures:</b>							
Employee Benefit Liability	782.4	-	-	-	782.4	-	n/a (a)
Other	789.7	843.8	-	-	789.7	843.8	(6.4)
Intergovernmental	1,058.2	1,108.0	-	-	1,058.2	1,108.0	(4.5)
Interest on Long-term Debt	382.2	290.9	-	-	382.2	290.9	31.4
Injured Patients and Families Compensation	-	-	36.1	102.9	36.1	102.9	(64.9)
Environmental Improvement	-	-	42.2	42.6	42.2	42.6	(0.7)
Veterans Mortgage Loan Repayment	-	-	32.7	47.3	32.7	47.3	(30.9)
University of Wisconsin System	-	-	3,278.4	3,075.5	3,278.4	3,075.5	6.6
Unemployment Insurance Reserve	-	-	1,068.6	1,186.6	1,068.6	1,186.6	(9.9)
Lottery	-	-	458.1	418.5	458.1	418.5	9.5
Health Insurance	-	-	854.0	762.0	854.0	762.0	12.1
Other Business-type	-	-	536.8	486.3	536.8	486.3	10.4
<b>Total Expenses</b>	<b>19,877.0</b>	<b>19,015.7</b>	<b>6,307.0</b>	<b>6,121.5</b>	<b>26,184.0</b>	<b>25,137.1</b>	<b>4.2</b>
<b>Excess (deficiency) before Contributions and Transfers</b>							
	29.2	420.3	(995.8)	(1,178.3)	(966.6)	(758.0)	27.5
Contributions to Term and Permanent Endowments	-	-	5.3	2.1	5.3	2.1	157.6
Contributions to Permanent Fund Principal	22.0	20.8	-	-	22.0	20.8	6.0
Transfers	(1,007.4)	(1,098.4)	1,007.4	1,098.4	-	-	-
<b>Increase (decrease) in Net Assets</b>	<b>(956.1)</b>	<b>(657.3)</b>	<b>16.9</b>	<b>(77.9)</b>	<b>(939.3)</b>	<b>(735.2)</b>	<b>27.8</b>
Net Assets - Beginning (Restated)	5,647.9	6,305.2	6,145.3	6,223.2	11,793.2	12,528.4	(5.9)
<b>Net Assets - Ending</b>	<b>\$ 4,691.8</b>	<b>\$ 5,647.9</b>	<b>\$ 6,162.2</b>	<b>\$ 6,145.3</b>	<b>\$ 10,853.9</b>	<b>\$ 11,793.2</b>	<b>(8.0)</b>

(a) Employee Benefit Liability expenses are only applicable to 2004.

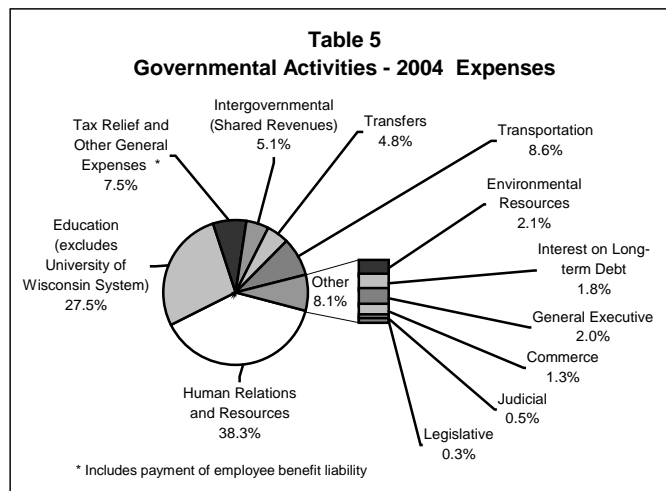
## Governmental Activities

The net assets of governmental activities decreased \$1.0 billion in Fiscal Year 2004. Revenues for the governmental activities (including Contributions to Permanent Fund Principal) totaled \$19.9 billion, while expenses and net transfers totaled \$20.9 billion in 2004.

As shown in Table 4, below, approximately 59.9 percent of revenues from all sources earned came from taxes (sales and excise, income, public utility, motor fuel, and other taxes). Operating and capital grants and contributions, which represent amounts received from other governments/entities – primarily the federal government – provided 31.1 percent of total revenues. Charges for services contributed 6.6 percent, and various other revenues provided 2.5 percent of the remaining governmental activity revenue sources.

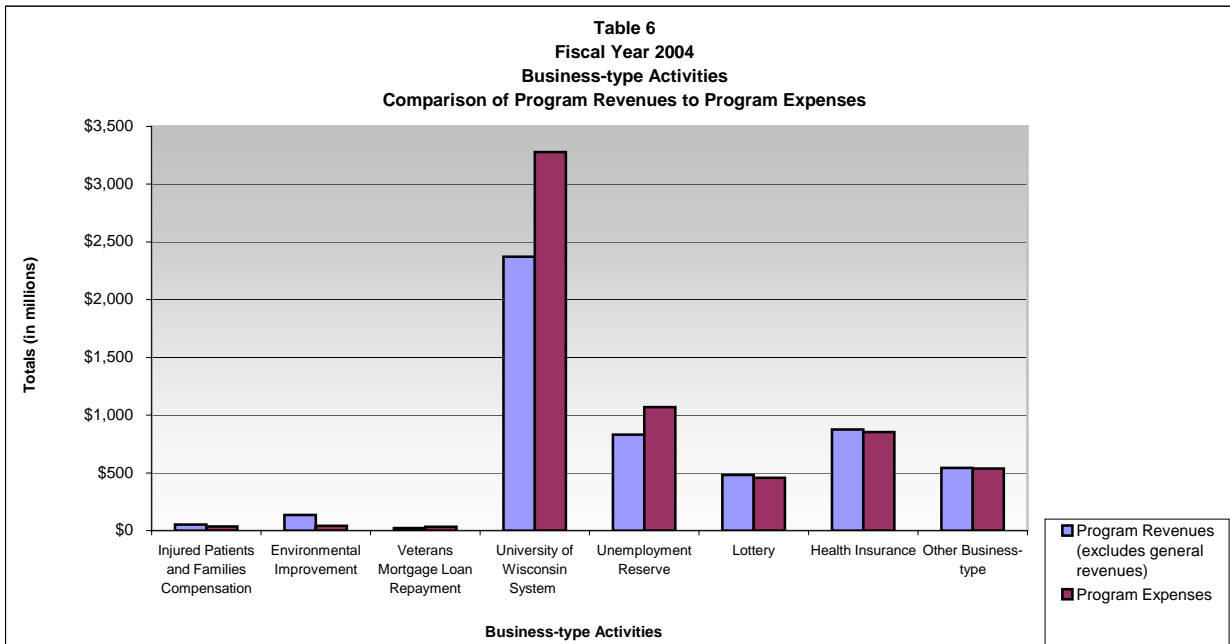


As shown in Table 5, below, expenses for Human Relations and Resources programs make up the largest portion – 38.3 percent – of total governmental expenses and transfers. Included in this function are various programs such as Medical Assistance, the prison system, and the temporary assistance for needy families “TANF” program. Educational expenses, which include various school aids but exclude expenses of the University of Wisconsin System, make up 27.5 percent. Tax Relief and Other General Expenses, which includes the expense related to payment of the employee benefit liability, and the municipal and county shared revenue program represent 7.5 and 5.1 percent of the total, respectively, while Transportation expenses represent 8.6 percent. Net transfers to business-type activities, which include a general purpose revenue “GPR” subsidy to the University of Wisconsin System for various programs, make up 4.8 percent of the total expenses/transfers. The interest on long-term debt and remaining functional expenses total 8.1 percent. The interest on long-term debt and remaining functional expenses total 8.1 percent.



## Business-Type Activities

Revenues of business-type activities totaled \$5.3 billion for Fiscal Year 2004. The program revenues consisted of \$4.8 billion of charges for services, \$0.5 billion of operating grants and contributions, and \$.02 billion of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal, and net transfers in totaled \$(4.8) million, \$5.3 million, and \$1,007.4 million, respectively. The total expenses for business-type activities were \$6.3 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 2004, the State's governmental funds reported a combined fund balance of \$(741.3) million. Funds with significant changes in fund balance are discussed below:

### General Fund

The General Fund is the chief operating fund of the State. At June 30 2004, the State's General Fund reported a total fund deficit of \$(1,931.1) million. The net change in fund balance during Fiscal Year 2004 was \$307.7 million, in contrast to \$(753.1) million in Fiscal Year 2003. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

#### *Revenues*

Revenues of the General Fund totaled \$16,794.6 million in Fiscal Year 2004, an increase of \$95.2 million from Fiscal Year 2003. Factors contributing to the increase included the following:

- Revenues from taxes increased \$609.3 million from Fiscal Year 2003 to Fiscal Year 2004. The most significant increase related to individual income tax withholdings, which increased \$179.8 million or 3.5 percent. This increase was due to the growth in employment and wages in the State during that period.
- Intergovernmental revenues (e.g., federal assistance) increased \$105.6 million in Fiscal Year 2004, primarily due to an increase in expenditures that were eligible for Federal reimbursement. These items included an increase in benefits paid related to Medical Assistance and the Waiver Program.
- Intergovernmental transfers in the General Fund decreased \$598.6 million during Fiscal Year 2004. This decrease reflects two changes related to intergovernmental transfers. Starting in Fiscal Year 2004, these transfers are accounted for in the Medical Assistance Trust Fund, a special revenue fund, rather than the General Fund. (This special revenue fund reported a fund deficit of \$(176.3) million at June 30, 2004.) Further, intergovernmental transfers declined significantly between fiscal years 2003 and 2004 due to a decrease in the supplementary nursing home Medical Assistance payments that could have been received from the federal government as a result of intergovernmental transfers between the State and certain counties. These transfers declined from \$598.6 million in Fiscal Year 2003 to \$95.0 million in Fiscal Year 2004.
- In Fiscal Year 2003, Tobacco Settlement revenues of \$153.9 million were reported in the General Fund. In Fiscal Year 2004, tobacco settlement revenues are directed to the Badger Tobacco Asset Securitization Corporation, to provide debt service for the bonds issued in 2002 to securitize future revenue.
- Other revenues, such as charges for goods and services, and gifts and grants increased \$132.9 million.

#### *Expenditures*

Expenditures of the General Fund totaled \$17,152.6 million in Fiscal Year 2004, an increase of \$957.0 million from Fiscal Year 2003. The factors contributing to the increase included the following:

- An increase in Tax Relief and Other General expenditures of \$1,487.6 million relating to the payment of employee benefits for the unfunded accrued prior service (pension) liability and the unfunded accrued liability for sick leave conversion credits. This was funded by the issuance of General Fund annual appropriation bonds discussed below.
- A decrease in human relations and resources expenditures of \$546.1 million primarily resulted from the shift of a portion of medical assistance payments to the Medical Assistance Trust fund.
- Other functional expenditures increased \$15.5 million.



### *Other Financing Sources and Uses*

Other financing sources/uses and increases/decreases totaled a net \$665.7 million in Fiscal Year 2004, a change of \$1,922.6 million from the prior year. The components of this change included the following:

- In Fiscal Year 2004, the State issued annual appropriation bonds to pay the unfunded accrued prior service (pension) liability and the unfunded accrued liability for sick leave conversion credits. Net proceeds of the \$1,506.3 million were recorded in the General Fund.
- The State transferred to the General Fund \$230.0 million from the Transportation Fund and \$17.6 million from the Utility Public Benefits Fund in this fiscal year. These moneys were used to fund a portion of the Fiscal Year 2004 shared revenue payments to local governments.
- The transfer of \$287.1 million in Fiscal Year 2003 from the Tobacco Settlement Endowment Fund was the final portion of the proceeds from the sale of the State's right to the Attorneys General Master Settlement Agreement of 1998. Therefore, similar transfers were not reported in Fiscal Year 2004.
- During Fiscal Year 2004, transfers from various funds to the General Fund, relating to the reduction in expenditures experienced from the issuance of the annual appropriation bonds, totaled \$48.0 million. This is in contrast to the \$38.6 million transferred from various funds to the General Fund in Fiscal Year 2003 for contributions initially intended to be paid to the accumulated sick leave program.
- Transfers out of the General Fund totaled \$1,347.6 million, a decrease of \$399.2 million from the prior year. The majority of this decrease relates to a reduction in transfers out to the Medical Assistance Trust and Bond Security and Redemption Funds of \$146.2 million and \$169.3 million, respectively.
- Other financing sources/uses and other increases/decreases resulted in a net increase of \$47.2 million from the prior fiscal year.

As of June 30, 2004, the General Fund reported a deficit of \$(2,296.8) million in its "Unreserved" Fund Balance. This compares to a General Fund Unreserved Fund Deficit of \$(2,638.2) million as of June 30, 2003. 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 and prepaid items.

### ***General Fund Budgetary Highlights***

Differences between the original budget and the final amended budget were significant (a \$2.8 billion increase in appropriations). This was due primarily to the fact that several of the State's programs (including annual appropriation bond proceeds for the unfunded prior service (pension) liability and accumulated sick leave program, the transfer to the Medical Assistance Trust Fund, Food Stamps and certain Local Aids - 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 incurred in the following programs (in millions):

Program	Variance
Department of Commerce Federal Aid; Local Assistance	\$ 50.0 *
UW-System General Program Operations – Doctoral Universities	67.9
UW-System General Program Operations – System Wide Accounts	(62.1)
UW-System Principal Repayment and Interest	(51.8)
UW-System Federal Aid – Special Projects	103.7
Federal Aid, Medical Assistance	67.5
Food Stamps, Electronic Benefit Transfer	266.0 *
Appropriation Obligation Proceeds (for the Unfunded Prior Service (Pension) Liability and Accumulated Sick Leave Program)	1,487.6 *
Homeland Security	79.9
Transfer to Medical Assistance Trust Fund	123.5 *

Actual charges to appropriations (expenditures) were \$1.4 billion below the final budgeted estimates. The most significant positive variance occurred in UW System Federal Aid – Special Projects (\$77.8 million).

During the past fiscal year the budgetary-based fund balance increased by \$342.0 million for the General Fund, primarily due to an increase in tax revenue collections.

### Transportation Fund

In Fiscal Year 2004, the Transportation Fund transferred to the General Fund \$230.0 million to fund a portion of the 2004 shared revenue payments to local governments. This was the primary contributing factor to the increase in transfers out of \$324.2 million from the preceding year. Also, total expenditures of the Transportation Fund decreased by \$179.6 million, from \$1,928.3 million in Fiscal Year 2003 to \$1,748.7 million in Fiscal Year 2004.

### Medical Assistance Trust Fund

The Medical Assistance Trust Fund, which was created to account for revenues received under the intergovernmental transfers program, ended the year with a deficit balance of (\$176.3 million). Revenues in the fund increased by \$125 million, primarily due to the reporting of intergovernmental transfers in this fund (in the prior year these were recorded in the General Fund). Expenditures increased by \$406.2 million, while transfers in from the General Fund decreased by \$146.2 million. Wisconsin, along with other states, continues to struggle with increasing Medical Assistance costs. The deficit in the Medical Assistance Trust Fund may need to be financed by the General Fund.

### Annual Appropriation Bonds Fund

In December 2003, the State issued \$1,794.9 million of General Fund annual appropriation bonds to obtain proceeds to pay the State's unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits. Of this amount, \$1,509.2 million is reported as long-term debt issued in the General Fund. The remaining portion of proceeds, \$285.7 million, is reported in the Annual Appropriation Bonds Fund, a debt service fund, to pay for future debt service requirements.

### 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 2003 to Fiscal Year 2004 include the following:

- In Fiscal Year 2004, the Environmental Improvement Fund issued new revenue bonds of \$116.8 million, which contributed to the fund's increase in \$67.2 million of total liabilities from Fiscal Year 2003. Correspondingly, loans receivable increased \$102.1 million or 8.5 percent, while cash and cash equivalents increased \$73.3 million or 37.0 percent over the prior year.

- Due to a decline in new mortgage loans and an increase in mortgage prepayments, the Veterans Mortgage Loan Repayment Fund's mortgage loans receivable has declined \$87.2 million or 22.2 percent. Its cash balance decreased \$111.4 million or 44.2 percent over the previous fiscal year because some of the outstanding general obligation bonds were paid off early. As a result of the early bond repayment, its outstanding general obligation bonds decreased \$189.1 million or 32.5 percent.
- In Fiscal Year 2004, the University of Wisconsin System's Tuition and Fees revenue increased \$75.8 million or 13.1 percent, due to increased enrollment and an 18.0 percent increase in tuition. Federal grants and contracts revenue increased \$59.8 million or 9.6 percent, substantially due to numerous significant new project grants.
- The Unemployment Reserve Fund experienced a \$117.9 million decrease in expenses or 9.9 percent in Fiscal Year 2004 in comparison to Fiscal Year 2003. The federal government stopped authorizing additional benefits to claimants who had exhausted their benefits, which was a significant factor contributing to this decrease. Due to the continuation of the economic slow down during the year, benefits have exceeded receipts. The operating loss for Fiscal Year 2004 and 2003 were \$236.4 million and \$369.2 million, respectively. The fund equity is reported as \$971.0 million as of June 30, 2004.
- In Fiscal Year 2004, the revenues of the Health Insurance Fund, which accounts for group health insurance provided to State employees and employers of participating governments, increased to \$875.5 million and expenses increased to \$854.0 million, reflecting a \$106.3 million and \$92.0 million increase, respectively, due to increased participation in the program and the rising cost of health insurance premiums paid to health insurance providers.

## GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the close of Fiscal Year 2004, the State had \$17.1 billion invested in capital assets, net of accumulated depreciation of \$2.8 billion. This represents an increase of \$638.9 million, or 3.9 percent, from Fiscal Year 2003. Depreciation charges totaled \$96.2 million and \$179.0 million for governmental and business-type activities, respectively, in Fiscal Year 2004. 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	
	2004	2003	2004	2003	2004	2003
Land and Land Improvements	\$ 1,383	\$ 1,268	\$ 114	\$ 114	\$ 1,497	\$ 1,382
Buildings and Improvements	1,292	1,277	1,967	1,804	3,259	3,081
Library Holdings	77	75	1,003	987	1,079	1,061
Machinery and Equipment	223	243	213	198	436	440
Infrastructure	9,880	9,352	-	-	9,880	9,352
Construction in Progress	901	1,098	30	29	931	1,127
<b>Totals</b>	<b>\$ 13,756</b>	<b>\$ 13,314</b>	<b>\$ 3,326</b>	<b>\$ 3,131</b>	<b>\$ 17,082</b>	<b>\$ 16,444</b>

The major capital asset additions completed during Fiscal Year 2004 included the Health Science Learning Center – Madison (\$52.9 million expended) and the Klotsche Center Physical Education Addition – Milwaukee (\$17.6 million expended). In addition to these completed projects, construction in progress as of June 30, 2004 for governmental and business-type activities totaled \$900.8 million and \$260.9 million, respectively. (For business-type activities, \$231.2 million of construction in progress for the University of Wisconsin System is reported within various other categories of capital assets.) A list of

construction in progress projects is provided in Note 7. The State's continuing or proposed major capital projects for Fiscal Year 2005 include the Camp Randall Stadium Renovation – Madison (estimated budget of \$107.4 million, the Microbiological Science Building – Madison (estimated budget of \$108.7 million), and the Interdisciplinary Research Center – Madison (estimated budget of \$133.9 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, 2004 was \$4.4 billion, as shown in Table 8.

During Fiscal Year 2004, \$1,305.1 million of these general obligation bonds were issued to provide for the acquisition or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes and refund current outstanding bonds.

In addition, the State issued \$1,794.9 million of annual appropriation bonds to obtain proceeds to pay the State's 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).

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 \$3.8 billion outstanding at June 30, 2004, as shown in Table 8. These bonds included \$1,359.8 million of Transportation Revenue Bonds, \$224.7 million of Petroleum Inspection Revenue Bonds, \$692.1 million of Environmental Improvement Revenue Bonds, and \$1,567.0 million of Badger Tobacco Asset Securitization Corporation bonds.

Based on 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 Badger Tobacco Asset Securitization Corporation (BTASC), previously reported as a discretely presented component unit, is reported as a blended component unit in a debt service fund. The bylaws of BTASC require that the corporation hold itself apart and separate from the State of Wisconsin. 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.

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General obligation bonds and notes	\$ 3,560.2	\$ 3,090.9	\$ 859.3	\$ 913.5	\$ 4,419.5	\$ 4,004.4
Annual appropriation bonds	1,792.1	--	--	--	1,792.1	--
Revenue bonds and notes	3,151.5	2,892.6	692.1	623.4	3,843.6	3,516.0
Totals	<u>\$ 8,503.8</u>	<u>\$ 5,983.5</u>	<u>\$ 1,551.4</u>	<u>\$ 1,536.9</u>	<u>\$ 10,055.2</u>	<u>\$ 7,520.4</u>

Article VIII of the Wisconsin Constitution and Wis. Stat. Sec. 18.05 limits 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 aggregate value of taxable property or five percent of aggregate value of taxable property less net indebtedness at January 1.

At June 30, 2004, State of Wisconsin fixed bonds had a rating of Aa3 from Moody's Investors Services, AA- from Standard and Poor's Corporation, and AA- from Fitch Investors Service, L.P. Variable bonds had a rating of P-1 from Moody's, A-1+ from Standard and Poor's Corporation, and F-1+ 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 4,900 bridges with a combined value of \$9.9 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, 2004, 93.9 percent of the roads and 94.6 percent of bridges were in good or fair condition, consistent with State policies.

For the fiscal year ended June 30, 2004, actual maintenance and preservation costs for the State's road network were \$341.1 million, or \$109.7 million less than the estimated amount. On that same date, actual maintenance and preservation costs for the State's bridge network were \$52.3 million, or \$4.5 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. Actual maintenance and preservation costs for the road network reflect an unanticipated shift from maintenance/preservation projects to capital construction projects during the Fiscal Year 2004. In addition, the State of Wisconsin, Department of Transportation's multi-year budgeting 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 2003, the Wisconsin economy stabilized and moved into a sustainable recovery during 2004.

Employment declined slightly in 2003 in Wisconsin, down 0.3 percent. Wisconsin's employment has been expanding since January 2004. Through October 2004, Wisconsin non-farm employment is up 2.1 percent compared to a year ago. Employment losses suffered in the 2000-01 recession have been fully recovered. All private sectors of the economy are adding employment. Unemployment has declined from 5.5 percent in 2003 to 5.0 percent by October 2004.

Personal income growth has improved with the gains in employment. Wisconsin personal income increased 2.8 percent in 2002 and 3.1 percent in 2003. Nationally, income growth was 1.8 percent in 2002 and 3.3 percent in 2003. On a per capita basis, Wisconsin income increased 2.2 percent in 2002 and 2.5 percent in 2003 compared to 0.7 percent and 2.2 percent nationally. Since 2000, Wisconsin's per capita income has moved closer to the national average from 95.7 percent in 2000 to 97.7 percent in 2003. Through the first half of 2004, income growth is averaging 4.0 percent.

Wisconsin's property values reflect an expanding economy. Real property values increased significantly in 2002 and 2003, up 7.5 percent in each year. In 2004, values increased 8.7 percent. Commercial, manufacturing and residential real estate have all increased significantly in these years.

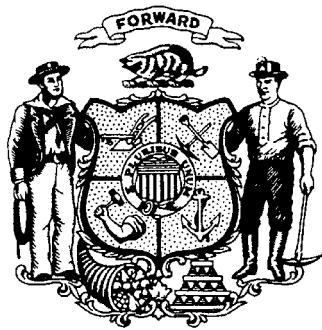
Inflation in Wisconsin has been modest. As measured by the Milwaukee-Racine CSA consumer price index, inflation in 2003 was 2.1 percent. In the first half of 2004, inflation was a moderate 1.1 percent.

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

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

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

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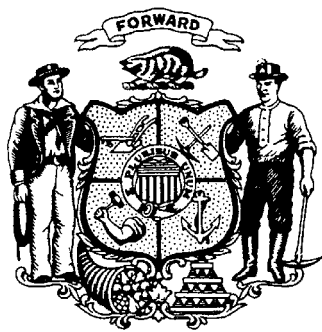


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## **Basic Financial Statements**

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Statement of Net Assets

June 30, 2004

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 998,363	\$ 2,498,378	\$ 3,496,740	\$ 284,880
Investments	150,725	1,363,022	1,513,747	1,088,246
Cash and Investments with Other Component Units	-	-	-	176,305
Receivables (net of allowance)	2,538,724	2,305,039	4,843,763	1,928,271
Internal Balances	20,824	(20,824)	-	-
Inventories	44,903	34,755	79,658	6,079
Prepaid Items	430,604	117,946	548,550	2,346
Capital Leases Receivable - Component Units	-	19,960	19,960	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	302,992	68,577	371,568	70,622
Investments	478,901	-	478,901	1,110,342
Cash and Investments with Other Component Units	-	-	-	11,279
Other Restricted Assets	1,008	-	1,008	6,234
Deferred Charges	72,416	15,168	87,584	13,835
Capital Assets:				
Depreciable	1,413,472	2,182,695	3,596,167	296,456
Nondepreciable:				
Infrastructure	9,880,249	-	9,880,249	-
Other	2,462,939	1,143,584	3,606,523	10,816
Other Assets	1,046	6,233	7,279	18,347
<b>Total Assets</b>	<b>18,797,166</b>	<b>9,734,533</b>	<b>28,531,698</b>	<b>5,024,058</b>
<b>Liabilities</b>				
Accounts Payable and Other Accrued Liabilities	1,489,729	380,230	1,869,959	112,445
Due to Other Governments	1,613,554	29,196	1,642,750	2,590
Tax Refunds Payable	1,020,137	-	1,020,137	-
Tax and Other Deposits	37,107	17,254	54,360	94,554
Amounts Held in Trust by Component Unit for Other Component Units	-	-	-	172,191
Amounts Held in Trust by Component Unit for Others	-	-	-	292,197
Unearned Revenue	432,249	210,174	642,424	1,651
Interest Payable	127,276	10,447	137,724	22,190
Short-term Notes Payable	636,396	14,260	650,656	-
Long-term Liabilities:				
Current Portion	389,062	267,879	656,941	208,220
Noncurrent Portion	8,359,903	2,642,934	11,002,837	2,122,762
<b>Total Liabilities</b>	<b>14,105,413</b>	<b>3,572,375</b>	<b>17,677,787</b>	<b>3,028,799</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	11,146,113	2,870,433	14,016,546	92,029
Restricted for:				
Transportation Programs	120,526	-	120,526	-
Debt Service	588,627	-	588,627	-
Unemployment Compensation	-	971,022	971,022	-
Environmental Improvement	-	1,079,854	1,079,854	-
Permanent Trusts:				
Expendable	10,164	216,529	226,693	10,464
Nonexpendable	590,196	116,835	707,031	785,320
Other Purposes	12,364	468,196	480,559	670,700
Unrestricted	(7,776,238)	439,290	(7,336,948)	436,746
<b>Total Net Assets</b>	<b>\$ 4,691,753</b>	<b>\$ 6,162,158</b>	<b>\$ 10,853,911</b>	<b>\$ 1,995,259</b>

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

**Statement of Activities  
For the Fiscal Year Ended June 30, 2004**

(In Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Commerce	\$ 281,753	\$ 166,249	\$ 80,948	\$ -
Education	5,749,391	22,431	709,103	-
Transportation	1,795,548	478,126	114,281	627,557
Environmental Resources	444,295	178,603	62,624	2,971
Human Relations and Resources	8,000,799	167,552	4,307,858	5,037
General Executive	425,265	231,016	134,646	-
Judicial	109,788	56,606	961	-
Legislative	57,631	1,210	8	-
Tax Relief and Other General Expenses:				
Employee Benefit Liability	782,440	-	-	-
Other	789,686	5,693	149,088	-
Intergovernmental	1,058,182	-	-	-
Interest on Debt	382,219	-	-	-
Total Governmental Activities	19,876,997	1,307,486	5,559,517	635,565
Business-type Activities:				
Injured Patients and Families Compensation	36,094	52,794	-	-
Environmental Improvement	42,246	37,871	97,643	-
Veterans Mortgage Loan Repayment	32,667	21,392	-	-
University of Wisconsin System	3,278,414	2,130,641	222,388	17,898
Unemployment Reserve	1,068,647	695,099	137,116	-
Lottery	458,110	483,224	-	-
Health Insurance	854,017	875,475	-	-
Other Business-type	536,768	540,743	712	2,901
Total Business-type Activities	6,306,963	4,837,239	457,859	20,799
Total Primary Government	\$ 26,183,959	\$ 6,144,725	\$ 6,017,376	\$ 656,364
<b>Component Units:</b>				
Housing and Economic Development Authority	\$ 249,920	\$ 119,300	\$ 128,724	\$ -
Health Care Liability Insurance Plan	11,022	10,487	-	-
University Hospitals and Clinics Authority	587,237	606,925	1,006	6,028
University of Wisconsin Foundation	128,542	236,677	160,426	-
State Fair Park Exposition Center, Inc.	5,439	3,971	-	-
Total Component Units	\$ 982,160	\$ 977,360	\$ 290,156	\$ 6,028

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  
 Grants and Contributions Not Restricted to Specific Programs  
 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			
Governmental Activities	Primary Government		Component Units
	Business-Type Activities	Total	
\$	(34,555)	\$	(34,555)
	(5,017,857)		(5,017,857)
	(575,584)		(575,584)
	(200,097)		(200,097)
	(3,520,352)		(3,520,352)
	(59,604)		(59,604)
	(52,222)		(52,222)
	(56,413)		(56,413)
	(782,440)		(782,440)
	(634,905)		(634,905)
	(1,058,182)		(1,058,182)
	(382,219)		(382,219)
	<u>(12,374,429)</u>		<u>(12,374,429)</u>
	\$	16,700	16,700
		93,269	93,269
		(11,274)	(11,274)
		(907,487)	(907,487)
		(236,432)	(236,432)
		25,114	25,114
		21,457	21,457
		7,587	7,587
	-	(991,065)	(991,065)
	<u>(12,374,429)</u>	<u>(991,065)</u>	<u>(13,365,494)</u>
			\$ (1,896)
			(535)
			26,722
			268,562
			<u>(1,468)</u>
			<u>291,385</u>
	5,956,292	-	5,956,292
	4,249,709	-	4,249,709
	254,229	-	254,229
	311,810	-	311,810
	950,497	-	950,497
	212,919	-	212,919
	1	-	1
	23,507	(4,813)	18,694
	444,705	35	444,740
	-	5,343	5,343
	22,005	-	22,005
	<u>(1,007,395)</u>	<u>1,007,395</u>	<u>-</u>
	11,418,280	1,007,961	12,426,241
	<u>(956,149)</u>	<u>16,895</u>	<u>(939,254)</u>
	5,647,902	6,145,263	11,793,165
\$	4,691,753	\$ 6,162,158	\$ 10,853,911
			\$ 1,995,259

**Balance Sheet - Governmental Funds  
June 30, 2004**

(In Thousands)

	General	Transportation	Nonmajor Governmental	Total Governmental
<b>Assets</b>				
Cash and Cash Equivalents	\$ 7,421	\$ 332,947	\$ 628,203	\$ 968,571
Investments	1,056	-	149,668	150,725
Receivables (net of allowance):				
Taxes	1,151,325	94,812	26,012	1,272,149
Loans to Local Governments	14,720	-	333,137	347,857
Other Receivables	197,682	50,736	84,810	333,229
Due from Other Funds	199,766	55,867	70,339	325,972
Due from Component Units	2,380	-	-	2,380
Due from Other Governments	468,748	58,251	15,939	542,937
Inventories	13,106	19,300	2,285	34,691
Prepaid Items	365,594	2,968	42,988	411,550
Advances to Other Funds	-	-	750	750
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	-	-	302,992	302,992
Investments	-	-	478,901	478,901
Other Restricted Assets	-	-	1,008	1,008
Other Assets	-	-	1,046	1,046
<b>Total Assets</b>	<b>\$ 2,421,799</b>	<b>\$ 614,881</b>	<b>\$ 2,138,078</b>	<b>\$ 5,174,758</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable and Other Accrued Liabilities	\$ 567,180	\$ 138,278	\$ 119,544	\$ 825,001
Due to Other Funds	143,557	37,593	137,280	318,431
Due to Component Units	903	-	-	903
Interfund Payables	386,723	-	199,409	586,132
Due to Other Governments	1,490,714	76,114	45,714	1,612,541
Tax Refunds Payable	1,014,316	5,429	391	1,020,137
Tax and Other Deposits	30,396	574	6,137	37,107
Deferred Revenue	719,118	8,887	63,453	791,458
Interest Payable	-	-	41,754	41,754
Advances from Other Funds	-	-	3,714	3,714
Short Term Notes Payable	-	-	608,252	608,252
Revenue Bonds and Notes Payable	-	-	70,620	70,620
<b>Total Liabilities</b>	<b>4,352,907</b>	<b>266,875</b>	<b>1,296,268</b>	<b>5,916,050</b>
Fund Balances:				
Reserved for Encumbrances	179,457	610,227	212,047	1,001,731
Reserved for Inventories	13,106	19,300	2,285	34,691
Reserved for Prepaid Items	173,177	2,968	42,988	219,133
Reserved for Restricted Funds	-	-	274,190	274,190
Reserved for Long-term Receivables	-	-	316,420	316,420
Reserved for Advances to Other Funds	-	-	750	750
Unreserved, Reported In:				
General Fund	(2,296,847)	-	-	(2,296,847)
Special Revenue Funds	-	(284,489)	(241,972)	(526,460)
Debt Service Funds	-	-	314,488	314,488
Capital Projects Funds	-	-	(363,325)	(363,325)
Permanent Funds	-	-	283,939	283,939
<b>Total Fund Balances</b>	<b>(1,931,108)</b>	<b>348,006</b>	<b>841,810</b>	<b>(741,292)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,421,799</b>	<b>\$ 614,881</b>	<b>\$ 2,138,078</b>	<b>\$ 5,174,758</b>

(Continued)

**Balance Sheet - Governmental Funds**  
**June 30, 2004**

(Continued)

	<b>Total Governmental</b>
<b>Reconciliation to the Statement of Net Assets:</b>	
Total Fund Balances from previous page	\$ (741,292)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Infrastructure	9,880,249
Other Capital Assets	4,216,755
Accumulated Depreciation	(640,509)
Other long-term assets that are not available to pay for current period expenditures and, therefore, are deferred in the funds.	77,625
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.	364,467
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	12,615
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Revenue Bonds Payable	(3,080,880)
Appropriation Bonds Payable	(1,792,092)
General Obligation Bonds Payable	(3,389,177)
Accrued Interest on Bonds	(85,523)
Capital Leases	(19,783)
Installment Contracts	(2,299)
Compensated Absences	(106,368)
Claims and Judgments	(2,037)
Net Assets of Governmental Activities as reported on the Statement of Net Assets (See page 37)	<u>\$ 4,691,753</u>

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, 2004**

(In Thousands)

	General	Transportation	Nonmajor Governmental	Total Governmental
<b>Revenues:</b>				
Taxes	\$ 10,748,878	\$ 950,824	\$ 213,624	\$ 11,913,325
Intergovernmental	5,330,427	742,485	45,286	6,118,198
Licenses and Permits	239,314	342,292	435,123	1,016,729
Charges for Goods and Services	238,625	20,151	10,872	269,649
Investment and Interest Income	4,315	2,797	40,541	47,654
Fines and Forfeitures	38,137	527	30,074	68,737
Gifts and Donations	2,288	-	10,718	13,006
Other Revenues:				
Intergovernmental Transfer	-	-	95,000	95,000
Tobacco Settlement	-	-	130,110	130,110
Other	192,619	16,195	1,521	210,335
<b>Total Revenues</b>	<b>16,794,603</b>	<b>2,075,272</b>	<b>1,012,869</b>	<b>19,882,744</b>
<b>Expenditures:</b>				
Current Operating:				
Commerce	247,639	-	37,290	284,930
Education	5,702,513	-	24,073	5,726,586
Transportation	5,861	1,462,255	185,333	1,653,448
Environmental Resources	103,448	-	336,286	439,734
Human Relations and Resources	7,168,613	-	798,043	7,966,656
General Executive	363,760	-	87,710	451,469
Judicial	107,066	-	357	107,423
Legislative	58,301	-	-	58,301
Tax Relief and Other General Expenditures:				
Employee Benefit Liability	1,487,574	-	-	1,487,574
Other	807,673	-	4,825	812,498
Intergovernmental	1,058,182	-	-	1,058,182
Debt Service:				
Principal	-	-	126,358	126,358
Interest and Other Charges	18,750	-	362,395	381,145
Capital Outlay	23,190	286,437	363,328	672,955
<b>Total Expenditures</b>	<b>17,152,571</b>	<b>1,748,692</b>	<b>2,325,996</b>	<b>21,227,259</b>
Excess of Revenues Over (Under) Expenditures	(357,969)	326,580	(1,313,127)	(1,344,515)
<b>Other Financing Sources (Uses):</b>				
Long-term Debt Issued	1,509,181	-	1,042,719	2,551,901
Long-term Debt Issued - Refunding Bonds	-	-	524,658	524,658
Payments to Refunding Bond Escrow Agent	-	-	(534,937)	(534,937)
Discount on Bonds	(2,857)	-	-	(2,857)
Premium on Bonds	-	-	98,214	98,214
Transfers In	503,455	4	771,459	1,274,917
Transfers Out	(1,347,557)	(363,356)	(542,849)	(2,253,763)
Capital Leases Acquisitions	3,379	-	-	3,379
Installment Purchase Acquisitions	20	-	1,104	1,124
<b>Total Other Financing Sources (Uses)</b>	<b>665,622</b>	<b>(363,352)</b>	<b>1,360,367</b>	<b>1,662,637</b>
Net Change in Fund Balances	307,653	(36,772)	47,240	318,122
Fund Balances, Beginning of Year	(2,238,857)	386,363	794,732	(1,057,762)
Increase (Decrease) in Reserve for Inventories	96	(1,585)	(163)	(1,652)
<b>Fund Balances, End of Year</b>	<b>\$ (1,931,108)</b>	<b>\$ 348,006</b>	<b>\$ 841,810</b>	<b>\$ (741,292)</b>

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004**

(Continued)

	<b>Total Governmental</b>
<b>Reconciliation to the Statement of Activities:</b>	
Net Change in Fund Balances from previous page	\$ 318,122
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.	(1,652)
Repayment of bond principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.	126,358
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	707,289
Depreciation Expense	(74,639)
Grants and Contributions (Donated Assets)	4,245
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.	(859)
In the Statement of Activities, only the gain on the sale of capital assets is reported, while in the governmental funds, the 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.	(178,748)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	17,552
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	
Bonds Issued	(3,076,559)
Payments to Refunding Bond Escrow Agent	534,937
Bond Premium	(97,981)
Bonds Discount	2,857
Bond Issuance Costs	27,383
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 increase in accrued interest	(10,221)
Decrease in Capital Leases	14,875
Decrease in Installment Contracts	345
Increase in Compensated Absences	(5,073)
Decrease in Claims and Judgments	136
Decrease in Employer Pension Related Debt Costs	722,248
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.	13,236
Changes in Net Assets of Governmental Activities as reported on the Statement of Activities (See page 39)	<u>\$ (956,149)</u>

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



State of Wisconsin

**Balance Sheet**  
**Proprietary Funds**  
**June 30, 2004**

(In Thousands)

	Business-type Activities		
	Injured Patients and Families Compensation	Environmental Improvement	Veterans Mortgage Loan Repayment
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 24,511	\$ 271,142	\$ 140,573
Investments	25,693	23,386	-
Loans to Local Governments (net of allowance)	-	84,557	-
Other Loans Receivable (net of allowance)	-	-	11,670
Other Receivables (net of allowance)	43,680	330	2,445
Due from Other Funds	-	275	11
Due from Component Units	14	-	-
Due from Other Governments	-	8,263	-
Inventories	2	-	-
Prepaid Items	7	4	68
Capital Leases Receivable - Component Units	-	-	-
Deferred Charges	-	-	101
Total Current Assets	93,907	387,957	154,867
Noncurrent Assets:			
Investments	647,373	135,016	-
Loans to Local Governments (net of allowance)	-	1,214,029	-
Other Loans Receivable (net of allowance)	-	-	293,434
Prepaid Items	-	-	-
Advances to Other Funds	-	-	-
Capital Leases Receivable - Component Units	-	-	-
Restricted and Limited Use Assets:			
Cash and Cash Equivalents	-	68,577	-
Deferred Charges	-	2,650	4,667
Capital Assets (net of accumulated depreciation)	3	-	91
Nondepreciable Capital assets	-	-	-
Other Assets	-	-	434
Total Noncurrent Assets	647,376	1,420,272	298,626
Total Assets	\$ 741,283	\$ 1,808,229	\$ 453,493
<b>Liabilities and Fund Equity</b>			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	\$ 45,351	\$ 189	\$ 1,792
Due to Other Funds	93	1,355	418
Due to Component Units	-	-	-
Interfund Payables	-	-	-
Due to Other Governments	-	187	4
Tax and Other Deposits	-	-	1
Deferred Revenue	2,707	-	96
Interest Payable	-	2,958	3,617
Short-term Notes Payable	-	-	-
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	54,716	-	-
Capital Leases	-	-	-
Installment Contracts Payable	-	-	-
Compensated Absences	9	51	107
General Obligation Bonds Payable	-	-	8,950
Revenue Bonds and Notes Payable	-	39,340	-
Total Current Liabilities	102,875	44,080	14,986
Noncurrent Liabilities:			
Accounts Payable and Other Accrued Liabilities	-	-	-
Due to Other Governments	-	1,470	-
Deferred Revenue	-	-	-
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	613,769	-	-
Capital Leases	-	-	-
Installment Contracts Payable	-	-	-
Compensated Absences	22	32	187
General Obligation Bonds Payable	-	-	382,320
Revenue Bonds and Notes Payable	-	652,771	-
Total Noncurrent Liabilities	613,791	654,273	382,507
Total Liabilities	716,667	698,353	397,493
Fund Equity:			
Invested in Capital Assets, Net of Related Debt	3	-	91
Restricted for Unemployment Compensation	-	-	-
Restricted for Environmental Improvement	-	1,079,854	-
Restricted for Expendable Trusts	-	-	-
Restricted for Nonexpendable Trusts	-	-	-
Restricted for Future Benefits	24,613	-	-
Restricted for Other Purposes	-	-	-
Unrestricted	-	30,022	55,910
Total Fund Equity	24,616	1,109,876	56,000
Total Liabilities and Fund Equity	\$ 741,283	\$ 1,808,229	\$ 453,493

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

Business-type Activities					Governmental Activities - Internal Service Funds
University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Totals		
\$ 493,766	\$ 819,162	\$ 749,224	\$ 2,498,378	\$	29,791
-	-	16,390	65,470	-	-
-	-	450	85,007	-	-
29,754	-	8,289	49,712	-	-
112,424	179,459	43,729	382,066	-	96
53,901	393	9,301	63,880	-	36,564
1,003	-	-	1,017	-	199
54,737	3,814	4,099	70,912	-	267
27,597	-	7,156	34,755	-	7,164
26,253	-	91,614	117,946	-	12,686
1,798	-	-	1,798	-	-
6,922	-	-	7,022	-	845
<u>808,153</u>	<u>1,002,827</u>	<u>930,252</u>	<u>3,377,964</u>		<u>87,611</u>
322,375	-	192,788	1,297,552	-	-
-	-	1,107	1,215,136	-	-
153,499	-	54,121	501,054	-	-
-	-	-	-	-	6,368
-	-	-	-	-	2,964
18,162	-	-	18,162	-	-
-	-	-	68,577	-	-
-	-	828	8,145	-	6
2,044,371	-	138,230	2,182,695	-	270,679
1,110,116	-	33,468	1,143,584	-	29,484
-	-	5,799	6,233	-	-
<u>3,648,524</u>	<u>-</u>	<u>426,341</u>	<u>6,441,138</u>		<u>309,502</u>
<u>\$ 4,456,677</u>	<u>\$ 1,002,827</u>	<u>\$ 1,356,593</u>	<u>\$ 9,819,102</u>	<u>\$</u>	<u>397,113</u>
\$ 142,887	\$ 15,431	\$ 48,079	\$ 253,728	\$	9,492
51,628	9,127	43,841	106,462	-	3,968
1,645	-	-	1,645	-	-
-	-	8,971	8,971	-	32,663
20,030	7,248	257	27,726	-	77
1,586	-	15,667	17,254	-	-
110,347	-	97,025	210,174	-	5,043
3,529	-	344	10,447	-	1,663
12,664	-	1,596	14,260	-	28,144
-	-	87,003	141,719	-	25,385
8,825	-	280	9,105	-	54
-	-	-	-	-	236
46,385	-	3,629	50,181	-	1,032
16,705	-	1,879	27,534	-	7,835
-	-	-	39,340	-	-
<u>416,231</u>	<u>31,805</u>	<u>308,570</u>	<u>918,547</u>		<u>115,591</u>
-	-	99,415	99,415	-	11,086
-	-	-	1,470	-	-
-	-	-	-	-	1,231
-	-	463,682	1,077,452	-	85,471
37,492	-	1,981	39,473	-	489
-	-	-	-	-	236
36,378	-	4,891	41,511	-	1,765
410,054	-	39,354	831,727	-	163,207
-	-	-	652,771	-	-
<u>483,924</u>	<u>-</u>	<u>609,324</u>	<u>2,743,819</u>		<u>263,484</u>
<u>900,155</u>	<u>31,805</u>	<u>917,894</u>	<u>3,662,367</u>		<u>379,075</u>
2,743,521	-	126,818	2,870,433	-	100,807
-	971,022	-	971,022	-	-
-	-	-	1,079,854	-	-
216,529	-	-	216,529	-	-
116,835	-	-	116,835	-	-
-	-	135,751	160,364	-	-
235,439	-	72,376	307,815	-	-
244,197	-	103,754	433,883	-	(82,770)
<u>3,556,522</u>	<u>971,022</u>	<u>438,699</u>	<u>6,156,736</u>		<u>18,038</u>
<u>\$ 4,456,677</u>	<u>\$ 1,002,827</u>	<u>\$ 1,356,593</u>	<u>\$ 9,819,102</u>	<u>\$</u>	<u>397,113</u>
Total Fund Equity Reported Above			\$ 6,156,736		
Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds			5,423		
Net Assets of Business-type Activities			<u>\$ 6,162,158</u>		

**Statement of Revenues, Expenses, and Changes in  
Fund Equity - Proprietary Funds  
For the Fiscal Year Ended June 30, 2004**

(In Thousands)

	Business-type Activities		
	Injured Patients and Families Compensation	Environmental Improvement	Veterans Mortgage Loan Repayment
<b>Operating Revenues:</b>			
Charges for Goods and Services	\$ 32,106	\$ -	\$ -
Participant and Employer Contributions	-	-	-
Tuition and Fees	-	-	-
Federal Grants and Contracts	-	-	-
Local and Private Grants and Contracts	-	-	-
Sales and Services of Educational Activities	-	-	-
Sales and Services of Auxiliary Enterprises	-	-	-
Sales and Services to UW Hospital Authority	-	-	-
Interest Income Used as Security for Revenue Bonds	-	17,144	-
Investment and Other Interest Income	20,552	20,686	21,392
Other Income:			
Federal Aid for Unemployment Insurance Program	-	-	-
Reimbursing Financing Revenue	-	-	-
Other	-	41	-
<b>Total Operating Revenues</b>	<b>52,658</b>	<b>37,871</b>	<b>21,392</b>
<b>Operating Expenses:</b>			
Personal Services	495	5,016	3,819
Supplies and Services	386	1,637	823
Lottery Prize Awards	-	-	-
Scholarships and Fellowships	-	-	-
Depreciation	3	-	45
Benefit Expense	35,212	-	-
Interest Expense	-	34,527	26,274
Other Expenses	-	-	1,349
<b>Total Operating Expenses</b>	<b>36,095</b>	<b>41,180</b>	<b>32,311</b>
<b>Operating Income (Loss)</b>	<b>16,563</b>	<b>(3,309)</b>	<b>(10,919)</b>
<b>Nonoperating Revenues (Expenses):</b>			
Operating Grants	-	92,589	-
Investment Income Used as Security for Revenue Bonds	-	3,723	-
Other Investment and Interest Income	-	1,661	1,713
Gain (Loss) on Disposal of Capital Assets	-	-	-
Interest Expense	-	-	-
Gifts and Donations	-	-	-
Other Revenues	136	-	1
Other Expenses:			
Property Tax Credits	-	-	-
Grants Disbursed	-	(1,065)	(444)
Other	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>136</b>	<b>96,908</b>	<b>1,269</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>16,699</b>	<b>93,599</b>	<b>(9,650)</b>
Capital Contributions	-	-	-
Additions to Endowments	-	-	-
Transfers In	-	38,320	-
Transfers Out	(15)	(6,095)	(81)
<b>Net Change in Fund Equity</b>	<b>16,684</b>	<b>125,824</b>	<b>(9,731)</b>
<b>Total Fund Equity, Beginning of Year</b>	<b>7,932</b>	<b>984,052</b>	<b>65,731</b>
<b>Total Fund Equity, End of Year</b>	<b>\$ 24,616</b>	<b>\$ 1,109,876</b>	<b>\$ 56,000</b>

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

Business-type Activities				Governmental Activities - Internal Service Funds
University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Totals	
\$ -	\$ -	895,148	\$ 927,254	\$ 246,452
-	578,439	925,409	1,503,848	-
653,268	-	-	653,268	-
685,619	-	-	685,619	-
112,101	-	-	112,101	-
221,119	-	-	221,119	-
247,450	-	-	247,450	-
39,457	-	-	39,457	-
-	-	-	17,144	-
-	55,316	76,697	194,643	-
-	137,116	-	137,116	-
-	56,036	-	56,036	-
171,626	5,308	388	177,363	1,291
2,130,641	832,215	1,897,642	4,972,420	247,743
2,204,278	-	238,323	2,451,931	45,455
794,244	-	162,779	959,869	129,210
-	-	275,179	275,179	-
81,625	-	-	81,625	-
168,219	-	10,724	178,991	21,459
-	1,068,647	1,032,005	2,135,864	14,627
-	-	698	61,499	-
4,299	-	7,976	13,625	-
3,252,664	1,068,647	1,727,685	6,158,583	210,752
(1,122,023)	(236,432)	169,957	(1,186,163)	36,991
-	-	712	93,300	-
-	-	-	3,723	-
41,794	-	(9,391)	35,777	46
(10,389)	-	16	(10,372)	(205)
(18,716)	-	(1,918)	(20,635)	(9,637)
183,129	-	-	183,129	-
-	-	1,800	1,936	1,153
-	-	(115,319)	(115,319)	-
-	-	(7,172)	(8,681)	-
(1,163)	-	(120)	(1,283)	-
194,654	-	(131,391)	161,576	(8,644)
(927,369)	(236,432)	38,566	(1,024,587)	28,347
17,898	-	2,901	20,799	-
5,343	-	-	5,343	-
1,003,079	-	63,295	1,104,694	7,755
(50,140)	(8,351)	(32,617)	(97,299)	(14,921)
48,812	(244,783)	72,144	8,950	21,181
3,507,710	1,215,805	366,555	6,147,786	(3,143)
\$ 3,556,522	\$ 971,022	\$ 438,699	\$ 6,156,736	\$ 18,038
Total Net Change in Fund Equity Reported Above			\$ 8,950	
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds			7,945	
Change in Net Assets of Business-Type Activities			\$ 16,895	

## Statement of Cash Flows - Proprietary Funds

### For the Fiscal Year Ended June 30, 2004

(In Thousands)

	Business-type Activities		
	Injured Patients and Families Compensation	Environmental Improvement	Veterans Mortgage Loan Repayment
<b>Cash Flows from Operating Activities:</b>			
Cash Receipts from Customers	\$ 32,004	\$ -	\$ -
Cash Payments to Suppliers for Goods and Services	(384)	(2,782)	(1,211)
Cash Payments to Employees for Services	(489)	(4,152)	(3,648)
Tuition and Fees	-	-	-
Grants and Contracts	-	-	-
Cash Payments for Lottery Prizes	-	-	-
Cash Payments for Loans Originated	-	-	(66,064)
Collection of Loans	-	-	156,568
Interest Income	-	-	22,270
Cash Payments for Benefits	(23,041)	-	-
Sales and Services of Educational Activities	-	-	-
Sales and Services of Auxiliary Enterprises	-	-	-
Sales and Services of Hospitals	-	-	-
Scholarships and Fellowships	-	-	-
Other Operating Revenues	-	41	-
Other Operating Expenses	-	-	(1,330)
Other Sources of Cash	136	-	-
Other Uses of Cash	-	-	-
Net Cash Provided (Used) by Operating Activities	8,225	(6,892)	106,585
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Grants Receipts	-	91,133	-
Grants for Loans to Governments	-	-	-
Grants Disbursed	-	(1,065)	(440)
Proceeds from Issuance of Long-term Debt	-	123,165	30,000
Retirement of Long-term Debt	-	(54,340)	(219,390)
Interest Payments	-	(34,255)	(27,961)
Property Tax Credits	-	-	-
Noncapital Gifts and Grants	-	-	-
Interfund Loans Received	-	-	-
Interfund Loans Repaid	-	-	-
Interfund Advances Collected	-	-	-
Transfers In	-	38,320	-
Transfers Out	(15)	(6,095)	(81)
Student Direct Lending Receipts	-	-	-
Student Direct Lending Disbursements	-	-	-
Other Cash Inflows from Noncapital Financing Activities	-	-	1
Other Cash Outflows from Noncapital Financing Activities	-	-	(463)
Net Cash Provided (Used) by Noncapital Financing Activities	(15)	156,862	(218,334)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from Issuance of Long-term Debt	-	-	-
Capital Contributions	-	-	-
Repayment of Long-term Debt	-	-	-
Repayment of Short-term Notes	-	-	-
Interest Payments	-	-	-
Capital Lease Obligations	-	-	-
Proceeds from Sale of Capital Assets	-	-	-
Payments for Purchase of Capital Assets	-	-	-
Other Cash Inflows from Capital Financing Activities	-	-	-
Other Cash Outflows from Capital Financing Activities	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Sale and Maturities of Investment Securities	109,384	50,021	-
Purchase of Investment Securities	(130,469)	(66,773)	-
Cash Payments for Loans Originated	-	(181,386)	-
Collection of Loans	-	79,310	-
Investment and Interest Receipts	31,293	46,612	1,582
Net Cash Provided (Used) by Investing Activities	10,207	(72,217)	1,582
Net Increase (Decrease) in Cash and Cash Equivalents	18,417	77,753	(110,168)
Cash and Cash Equivalents, Beginning of Year	6,094	261,966	250,741
Cash and Cash Equivalents, End of Year	\$ 24,511	\$ 339,719	\$ 140,573

Business-type Activities				Governmental
University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Totals	Activities - Internal Service Funds
\$ -	\$ 552,837	\$ 1,856,277	\$ 2,441,117	\$ 244,659
(790,160)	-	(130,952)	(925,489)	(133,951)
(2,240,864)	-	(240,295)	(2,489,447)	(45,120)
659,837	-	-	659,837	-
821,316	-	-	821,316	-
-	-	(289,528)	(289,528)	-
(47,471)	-	(11,744)	(125,279)	-
39,027	-	17,874	213,468	-
-	-	4,025	26,295	-
-	(1,070,123)	(996,591)	(2,089,756)	(22,036)
199,184	-	-	199,184	-
228,250	-	-	228,250	-
40,384	-	-	40,384	-
(81,625)	-	-	(81,625)	-
172,456	198,917	74	371,488	1,291
-	-	(33,596)	(34,927)	-
-	-	9,206	9,342	1,394
-	-	(128)	(128)	-
(999,665)	(318,369)	184,620	(1,025,497)	46,237
-	-	653	91,786	-
-	-	30	30	-
-	-	(7,426)	(8,932)	-
-	-	-	153,165	-
-	-	-	(273,730)	-
-	-	(692)	(62,908)	-
-	-	(118,357)	(118,357)	-
188,473	-	-	188,473	-
-	-	5,751	5,751	-
-	-	(25,574)	(25,574)	(6,088)
-	-	-	-	20
949,412	-	62,642	1,050,374	7,930
-	(1,957)	(32,509)	(40,657)	(14,783)
134,211	-	-	134,211	-
(137,446)	-	-	(137,446)	-
-	-	31	32	-
(2,604)	-	-	(3,067)	-
1,132,045	(1,957)	(115,452)	953,150	(12,921)
227,451	-	706	228,157	4,805
19,134	-	2,901	22,034	-
(28,349)	-	(1,541)	(29,890)	(7,086)
-	-	-	-	(3,031)
(54,840)	-	(1,968)	(56,808)	(9,133)
(4,745)	-	(385)	(5,131)	(5,114)
-	-	237	237	3,267
(351,724)	-	(11,466)	(363,190)	(16,310)
-	-	227	227	-
-	-	(158)	(158)	(538)
(193,074)	-	(11,447)	(204,521)	(33,140)
484,136	-	32,802	676,343	-
(490,932)	-	(13,435)	(701,609)	-
-	-	(165)	(181,551)	-
-	-	200	79,510	-
7,296	55,316	80,515	222,614	45
500	55,316	99,917	95,306	45
(60,193)	(265,009)	157,639	(181,562)	222
553,959	1,084,171	591,585	2,748,516	29,570
\$ 493,766	\$ 819,162	\$ 749,224	\$ 2,566,954	\$ 29,791

(Continued)

**Statement of Cash Flows - Proprietary Funds  
For the Fiscal Year Ended June 30, 2004**

(Continued)

	Business-type Activities		
	Injured Patients and Families Compensation	Environmental Improvement	Veterans Mortgage Loan Repayment
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:</b>			
Operating Income (Loss)	\$ 16,563	\$ (3,309)	\$ (10,919)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	3	-	45
Amortization	-	137	-
Provision for Uncollectible Accounts	-	-	(82)
Operating Income (Investment Income) Classified as Investing Activity	(20,552)	(37,830)	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	34,181	26,274
Miscellaneous Nonoperating Income (Expense)	136	-	-
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	21	-	91,559
Decrease (Increase) in Due from Other Funds	-	29	22
Decrease (Increase) in Due from Component Units	2	-	-
Decrease (Increase) in Due from Other Governments	-	-	-
Decrease (Increase) in Inventories	(1)	-	-
Decrease (Increase) in Prepaid Items	-	-	-
Decrease (Increase) in Other Assets	-	-	(147)
Decrease (Increase) in Deferred Charges	-	(114)	101
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(61)	108	571
Increase (Decrease) in Compensated Absences	-	(8)	20
Increase (Decrease) in Due to Other Funds	71	(283)	(764)
Increase (Decrease) in Due to Component Units	-	-	-
Increase (Decrease) in Due to Other Governments	-	(13)	4
Increase (Decrease) in Tax and Other Deposits	-	-	(1)
Increase (Decrease) in Deferred Revenue	(125)	-	(98)
Increase (Decrease) in Interest Payable	-	209	-
Increase (Decrease) in Future Benefits and Loss Liabilities	12,170	-	-
Total Adjustments	(8,338)	(3,584)	117,504
Net Cash Provided (Used) by Operating Activities	\$ 8,225	\$ (6,892)	\$ 106,585
<b>Noncash Investing, Capital and Financing Activities:</b>			
Capital Leases (Initial Year): Fair Market Value	\$ -	\$ -	\$ -
Current Year Cash Receipts (Payments)	-	-	-
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to Other Funds	-	-	-
Net Change in Unrealized Gains and Losses	(58,506)	-	-
Other	-	-	-

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

Business-type Activities				Governmental Activities - Internal Service Funds
University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Totals	
\$ (1,122,023)	\$ (236,432)	169,957	\$ (1,186,163)	\$ 36,991
168,219	-	10,724	178,991	21,459
-	-	-	137	-
-	(502)	(55)	(639)	-
-	(55,316)	(72,729)	(186,428)	-
-	-	692	61,147	-
(24,237)	-	1,837	(22,264)	899
(38,873)	(28,334)	9,159	33,533	291
(11,741)	107	22,940	11,358	(2,095)
-	-	-	2	48
(5,820)	4,926	6,250	5,356	(2)
1,651	-	600	2,250	(1,062)
(2,455)	-	2,927	473	7,484
-	-	2,256	2,109	-
(1,373)	-	14	(1,371)	-
(1,440)	(2,694)	(20,911)	(24,428)	(6,893)
5,425	-	625	6,062	146
14,481	(465)	3,906	16,945	268
-	-	(11)	(11)	(3)
2,629	341	183	3,143	(24)
-	-	1,578	1,577	-
15,891	-	5,076	20,744	(3,861)
-	-	-	209	-
-	-	39,602	51,772	(7,409)
122,359	(81,938)	14,663	160,666	9,246
\$ (999,665)	\$ (318,369)	184,620	\$ (1,025,497)	\$ 46,237

\$ 12,567	\$ -	\$ 459	\$ 13,026	\$ -
(708)	-	(88)	(795)	-
-	-	87	87	42
17,401	-	(17,166)	(58,270)	-
2,086	-	39	2,126	10



**Statement of Fiduciary Net Assets**  
**June 30, 2004**

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private- Purpose Trust	Agency
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,128,473	\$ 2,573,261	\$ 33,042	\$ 75,711
Securities Lending Collateral	5,053,059	-	-	-
Prepaid Items	5,042	-	7	-
Receivables (net of allowance):				
Prior Service Contributions Receivable	469,306	-	-	-
Benefits Overpayment Receivable	2,312	-	-	-
Due from Other Funds	38,843	-	-	606
Due from Component Units	2,276	-	-	-
Interfund Receivables	489,329	627,765	-	-
Due from Other Governments	90,563	-	-	-
Interest and Dividends Receivable	183,001	-	-	-
Investment Sales Receivable	368,437	-	-	-
Other Receivables	2,584	-	181	5,231
Total Receivables	1,646,649	627,765	181	5,837
Investments:				
Fixed Income	16,500,477	-	-	-
Stocks	43,081,043	-	-	-
Limited Partnerships	2,529,989	-	-	-
Mortgages	593,064	-	-	-
Real Estate	417,080	-	-	-
Investments of Private Purpose Funds	-	-	1,197,790	-
Investments of Agency Funds	-	-	-	743
Financial Futures Contracts	88	-	-	-
Multi-asset Investments	1,767,683	-	-	-
Total Investments	64,889,426	-	1,197,790	743
Capital Assets	9	-	-	-
Other Assets	-	-	37,315	279,836
Total Assets	72,722,658	3,201,026	1,268,335	\$ 362,126
<b>Liabilities</b>				
Accounts Payable and Other Accrued Liabilities	41,509	-	122	\$ 65,488
Securities Lending Collateral Liability	5,053,059	-	-	-
Annuities Payable	197,142	-	-	-
Advance Contributions	289	-	-	-
Due to Other Funds	31,272	16	15	5,701
Interfund Payables	489,329	-	-	-
Due to Other Governments	24,023	-	-	-
Tax and Other Deposits	-	-	-	290,937
Investment Payable	744,480	-	-	-
Deferred Revenue	2,177	-	-	-
Compensated Absences Payable	1,624,942	-	-	-
Total Liabilities	8,208,222	16	137	\$ 362,126
<b>Net Assets</b>				
Held in Trust for Pension Benefits, Pool Participants and Other Purposes	\$ 64,514,436	\$ 3,201,010	\$ 1,268,198	

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, 2004**

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private- Purpose Trust
<b>Additions</b>			
Contributions:			
Employer Contributions	\$ 1,333,728	\$ -	\$ -
Employee Contributions	758,694	-	-
Total Contributions	2,092,422	-	-
Deposits	-	11,244,730	351,020
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	8,498,783	-	-
Interest	548,335	-	-
Dividends	304,237	-	-
Securities Lending Income	46,074	-	-
Other	97,994	-	-
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	416,130	48,379	138,343
Less:			
Investment Expense	(146,551)	(1,290)	(6,468)
Securities Lending Rebates and Fees	(37,329)	-	-
Investment Income Distributed to Other Funds	(306,119)	-	-
Net Investment Income	9,421,555	47,089	131,875
Interest on Prior Service Receivable	36,119	-	-
Miscellaneous Income			
Escheat Additions	-	-	81,026
Other	2,380	-	-
Total Miscellaneous Income	2,380	-	81,026
Total Additions	11,552,476	11,291,819	563,921
<b>Deductions</b>			
Benefits and Refunds:			
Retirement, Disability, and Beneficiary Separations	2,744,709	-	-
	23,777	-	-
Total Benefits and Refunds	2,768,486	-	-
Distributions	74,533	11,650,770	158,918
Insurance Premiums	421,240	-	-
Unusual Write-off of Receivable	(159)	-	-
Administrative Expense	18,415	218	10,646
Miscellaneous Expense	5	-	-
Transfers Out	488	-	20,036
Total Deductions	3,283,007	11,650,987	189,601
Net Increase (Decrease)	8,269,469	(359,168)	374,320
Net Assets - Beginning of Year	56,244,967	3,560,178	893,878
Net Assets - End of Year	\$ 64,514,436	\$ 3,201,010	\$ 1,268,198

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* (effective beginning with Fiscal Year 2004). 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*, became effective beginning with Fiscal Year 2004. The TB 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 (BATSC), previously

reported as a discretely presented component unit, to be a blended component unit in the primary government and reported as 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. 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

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

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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. In addition to accountability for fiscal matters, the State has the ability to significantly influence operations of the Foundation through legislation. The Foundation 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.

### **Discrete Component Units**

Discrete 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 significantly influence operations of the Authority through legislation. The State appoints the Authority's Board and has the ability to impose its will on the Authority. 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.

*World Dairy Center Authority* - an authority created to establish a center for the development of dairying in the United States and the world; to analyze worldwide trends in the dairy industry and recommend actions to be taken by the State; promote dairy cattle, technology, products and services; and develop new markets for dairy and dairy-related products.

*Wisconsin Advanced Telecommunications Foundation* - organized as a nonstock corporation, administers an endowment fund to support advanced telecommunications technology application projects and efforts to educate telecommunications users about advanced services.

### 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 school days.

In reporting the financial activity of its proprietary funds, except for the State Life Insurance Fund, 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. 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 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.

The University of Wisconsin Foundation, a discretely presented component unit, prepares its separately issued financial statements on the basis of cash receipts and disbursements. The financial information presented in the State's government-wide financial statements and the accompanying footnote disclosures has been adjusted to an accrual basis in conformity with GAAP. Certain accrual adjustments not reported are not considered material.



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

#### **Major Enterprise Funds**

- *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 revenue sources.

- *Veterans Mortgage Loan Repayment Fund* – accounts for the issuance and administration of veterans' first mortgage loans. Revenues are primarily derived from bond proceeds, mortgage payments, and investment income.
- *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, employee reimbursement accounts, life insurance and deferred compensation.
- *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 escheated property held by the State for private individuals and the State-sponsored college savings programs.
- *Agency Funds* – account for assets held by the State for inmates and residents of state facilities, deposits of bank and insurance companies doing business in the state, assets of liquidated insurance companies to insure payments to claimants, 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; or investment and interest earnings from various loan and insurance funds/component units, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions. 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 are recorded under charges for goods and services. In the case of the State's insurance and loan enterprise funds, investment and interest income is an important component of operating revenue. Operating revenues of the University of Wisconsin include tuition and fees, certain grants and contracts resulting from exchange transactions, and sales and services of educational activities and auxiliary enterprises. In regards to the employee benefit plans, the primary operating revenue source is participant and employer contributions. Operating expenses for the proprietary funds include the costs of sales and services, benefit expenses, administration expenses and depreciation on capital assets. All revenues and expenses not related to a fund's primary purpose are reported as nonoperating.

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

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

**1. Cash and Cash Equivalents**

Cash balances of most funds are deposited with the State Treasurer 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 State Treasurer 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.

**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 stock 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:

<u>Fund Generating Investment Income</u>	<u>Fund Receiving Investment Income</u>
Agricultural College	University of Wisconsin System
Normal School	General
University	University of Wisconsin System
Benevolent	General

**Component Units**

Except for forward delivery agreements, investments of the Badger Tobacco Asset Securitization Corporation, a blended component unit, are reported at fair value. Forward delivery agreements are securities with maturities of one year or less and are reported at cost.

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 primarily 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 with origination fees and associated costs deferred and recognized over a fifteen year period using the straight-line method.

#### 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 deferred revenues, to indicate that these accounts do not represent expendable available financial resources.

#### 7. Capital Assets

Capital assets, which include property, plant, equipment, 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. 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, 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. 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 other capital assets defined as inexhaustible (except for construction in progress reported by the University of Wisconsin System, which is included in the applicable major capital assets categories). Generally, estimated useful lives are as follows:

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Buildings and improvements	2 - 40 years
Equipment, machinery and furnishings	2 - 27 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. Through Wis. Stat. Sec. 20.835(1)(t) and (u), the State transferred moneys from the Transportation Fund and the Utility Public Benefits Fund in the amounts of \$230.0 million and \$17.6 million, respectively, in order to fund the Fiscal Year 2004 payment to the local governments.

At June 30, 2004, 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 \$474.9 million representing one-half of the total appropriated amount is reported at June 30, 2004 as Due To Other Governments.

**State Property Tax Credit Program**

At June 30, 2004, the State was liable to various taxing jurisdictions for property tax credits paid through the State Property Tax Credit Program. Under the program, payments to local taxing jurisdictions provide property tax relief directly to taxpayers in the form of State credits on individual property tax bills. State statutes require that payment to local taxing jurisdictions be made during July. Although the 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; villages; school districts; technical colleges).

The school portion of the property tax credit liability 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, 2004.

The general government portion of the property tax credit liability 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, 2004.

The aggregated State Property Tax Credit Program liability of \$354.7 million is reported in the General Fund as Due to Other Governments.

#### **Lottery Property Tax Credit Program**

The Lottery Property Tax Credit provides direct property tax relief to taxpayers in the form of State Credits on property tax bills. Under the program, 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.

The State pays municipal treasurers for lottery credits who distribute the moneys to the various taxing jurisdictions. For credits reducing the calendar year 2004 property tax bills, the State made this payment in March 2004.

The Lottery Tax Credit Program is accounted for in the Lottery Fund, an enterprise fund, that records revenues and expenses on the accrual basis. 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 2004, while the remaining portion represents a prepaid item. The resulting Prepaid Item reported within the Lottery Fund totals \$29.2 million at June 30, 2004.

#### **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 first Monday in May.

A portion of the May payment distributed to the general government taxing jurisdictions, Tax Incremental Districts, and special districts applies to their fiscal period ending December 31. Therefore, part of the May distribution represents an expense to the State in Fiscal Year 2004, while the remaining portion represents a prepaid item. The resulting Prepaid Item within the General Fund totals \$21.0 million at June 30, 2004.

#### **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 2002, 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 Veterans Mortgage Loan Repayment Fund and the University of Wisconsin System Fund, both enterprise funds, are amortized ratably over the life of the obligations to which they relate. 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.

Debt issuance costs, bond premiums and discounts of the Badger Tobacco Asset Securitization Corporation, a blended component unit, are capitalized and amortized over the lives of the related debt using the interest method.

Debt issuance costs of the State Fair Park Exposition Center, Inc., a component unit, are being amortized using the effective-interest method over the life of the related bonds.

### 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 at a minimum of 10 days per year. 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. Compensatory time accumulates for eligible employees for hours worked in excess of forty hours per week. Each full-time employee is eligible for three 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. That portion of the total health insurance obligation for which the State has already accumulated resources is presented in the Accumulated Sick Leave Fund, a pension and other employee benefit trust fund.

### 12. Deferred Revenue

In the government-wide statements and proprietary fund financial statements deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenues arise 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 deferred revenue is removed and revenue is recognized. In the governmental fund statements revenues are also deferred for amounts that are unearned or unavailable.

Deferred revenues of the University of Wisconsin System consist of payments received but not earned at June 30, 2004, primarily for summer session tuition, tuition and room deposits for the next fall term, advance ticket sales for upcoming intercollegiate athletic events, and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement.

### 13. Self-Insurance

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

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

**14. 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 regulation of other governments), or (2) imposed by law through constitutional provisions. 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, 2004, 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	\$ 968,571	\$ -	\$ 29,791	\$ -	\$ 998,363
Investments	150,725	-	-	-	150,725
Receivables (net of allowance):					
Taxes	1,272,149	-	-	(1,272,149)	-
Loans to Local Governments	347,857	-	-	(347,857)	-
Other Receivables	333,229	3,011	562	2,201,922	2,538,724
Due from Other Funds	325,972	-	39,528	(365,500)	-
Due from Component Units	2,380	-	-	(2,380)	-
Due from Other Governments	542,937	-	-	(542,937)	-
Internal Balances	-	-	(5,423)	26,247	20,824
Inventories	34,691	3,049	7,164	-	44,903
Prepaid Items	411,550	-	19,054	-	430,604
Advances to Other Funds	750	-	-	(750)	-
Restricted Assets:					
Cash and Cash Equivalents	302,992	-	-	-	302,992
Investments	478,901	-	-	-	478,901
Other Restricted Assets	1,008	-	-	-	1,008
Deferred Charges	-	71,565	851	-	72,416
Depreciable Capital Assets	-	1,142,792	270,679	-	1,413,472
Infrastructure	-	9,880,249	-	-	9,880,249
Other Non-depreciable Capital Assets	-	2,433,454	29,484	-	2,462,939
Other Assets	1,046	-	-	-	1,046
<b>Total Assets</b>	<b>\$ 5,174,758</b>	<b>\$ 13,534,121</b>	<b>\$ 391,690</b>	<b>\$ (303,404)</b>	<b>\$ 18,797,166</b>
<b>Liabilities:</b>					
Accounts Payable and Other					
Accrued Liabilities	\$ 825,001	\$ 3	\$ 22,318	\$ 642,407	\$ 1,489,729
Due to Other Funds	318,431	-	36,631	(355,062)	-
Due to Component Units	903	-	-	(903)	-
Interfund Payables	586,132	-	-	(586,132)	-
Due to Other Governments	1,612,541	1,013	-	-	1,613,554
Tax Refunds Payable	1,020,137	-	-	-	1,020,137
Tax and Other Deposits	37,107	-	-	-	37,107
Deferred Revenue	791,458	(365,483)	6,274	-	432,249
Interest Payable	41,754	85,523	-	-	127,276
Advances from Other Funds	3,714	-	-	(3,714)	-
Short Term Notes Payable	608,252	-	28,144	-	636,396
Long-term Liabilities:					
Short-term Portion	70,620	283,900	34,541	-	389,062
Long-term Portion	-	8,108,735	251,167	-	8,359,903
<b>Total Liabilities</b>	<b>5,916,050</b>	<b>8,113,691</b>	<b>379,075</b>	<b>(303,404)</b>	<b>14,105,413</b>
<b>Fund Balances/Net Assets</b>	<b>(741,292)</b>	<b>5,420,430</b>	<b>12,615</b>	<b>-</b>	<b>4,691,753</b>
<b>Total Liabilities and Fund Balances/Net Assets</b>	<b>\$ 5,174,758</b>	<b>\$ 13,534,121</b>	<b>\$ 391,690</b>	<b>\$ (303,404)</b>	<b>\$ 18,797,166</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, 2004, 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	\$ 11,913,325	\$ -	-
Income Taxes	-	20,365	-
Sales & Excise Taxes	-	3,128	-
Public Utility Taxes	-	-	-
Other Taxes	-	(330)	-
Motor Fuel (Transportation) Taxes	-	(327)	-
Other Dedicated Taxes	-	(688)	-
Intergovernmental	6,118,198	-	-
Operating Grants	-	-	1,275
Capital Grants	-	-	2,970
Unrestricted Grants	-	-	-
Licenses and Permits	1,016,729	-	-
Charges for Goods and Services	269,649	2,085	-
Investment and Interest Income	47,654	-	-
Fines and Forfeitures/Contributions to Permanent Fund	68,737	-	-
Gifts and Donations	13,006	-	-
Other Revenues:		(6,681)	(4,339)
Intergovernmental Transfer	95,000	-	-
Tobacco Settlement	130,110	-	-
Other	210,335	-	-
<b>Total Revenues</b>	<b>19,882,744</b>	<b>17,552</b>	<b>(94)</b>
<b>Expenditures:</b>			
Current Operating:			
Commerce	284,930	503	1,698
Education	5,726,586	2	2,569
Transportation	1,653,448	(379)	145,518
Environmental Resources	439,734	(1,116)	8,575
Human Relations and Resources	7,966,656	(12,367)	48,683
General Executive	451,469	(2,149)	4,665
Judicial	107,423	31	2,563
Legislative	58,301	(740)	443
Tax Relief and Other General Expenditures:			
Employee Benefit Liability	1,487,574	(705,134)	-
Other	812,498	(17,114)	-
Intergovernmental	1,058,182	-	-
Debt Service:			
Principal	126,358	-	-
Interest and Other Charges	381,145	1,513	-
Capital Outlay	672,955	-	(672,955)
<b>Total Expenditures</b>	<b>21,227,259</b>	<b>(736,950)</b>	<b>(458,241)</b>
Excess of Revenues Over (Under) Expenditures	(1,344,515)	754,502	458,147
<b>Other Financing Sources (Uses):</b>			
Net Transfers	(978,845)	-	(859)
Long-term Debt Issued	3,076,559	-	-
Premium/Discount on Bonds	95,357	-	-
Payments to Refunding Bond Escrow Agent	(534,937)	-	-
Capital Leases Acquisitions	3,379	(3,379)	-
Installment Purchase Acquisitions	1,124	(1,124)	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,662,637</b>	<b>(4,504)</b>	<b>(859)</b>
<b>Net Change in Fund Balance</b>	<b>318,122</b>	<b>\$ 749,998</b>	<b>\$ 457,288</b>
Change in Reserve for Inventories	(1,652)		
<b>Net Change for the Year</b>	<b>\$ 316,470</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
\$ -	\$ -	\$ -	(11,913,325)	\$ -
-	-	-	5,935,928	5,956,292
-	-	-	4,246,581	4,249,709
-	-	-	254,229	254,229
-	-	-	312,140	311,810
-	-	-	950,824	950,497
-	-	(17)	213,624	212,919
-	-	-	(6,118,198)	-
-	-	35,440	5,522,801	5,559,517
-	-	2	632,594	635,565
-	-	-	1	1
-	-	-	(1,016,729)	-
1,106	-	(28,815)	1,063,461	1,307,486
46	-	-	(24,193)	23,507
-	-	-	(46,732)	22,005
-	-	-	(13,006)	-
-	-	(244)	455,970	444,705
-	-	-	(95,000)	-
-	-	-	(130,110)	-
-	-	-	(210,335)	-
1,152	-	6,365	20,524	19,928,242
(1,164)	-	(4,125)	(89)	281,753
(2,456)	-	22,570	121	5,749,391
(4,745)	135	-	1,570	1,795,548
(1,924)	(1,087)	(101)	213	444,295
(14,345)	(136)	12,604	(296)	8,000,799
(3,597)	(545)	(24,583)	6	425,265
(357)	127	-	-	109,788
(297)	(76)	-	-	57,631
-	-	-	-	782,440
(3)	-	-	(5,694)	789,686
-	-	-	-	1,058,182
-	(126,358)	-	-	-
9,637	(15,898)	-	5,822	382,219
(19,250)	(143,838)	6,365	1,652	19,876,997
20,402	143,838	-	18,873	51,246
(7,166)	-	-	(20,524)	(1,007,395)
-	(3,076,559)	-	-	-
-	(95,357)	-	-	-
-	534,937	-	-	-
-	-	-	-	-
-	-	-	-	-
(7,166)	(2,636,979)	-	(20,524)	(1,007,395)
\$ 13,236	\$ (2,493,140)	\$ 0	(1,652)	(956,149)
			1,652	-
			\$ 0	\$ (956,149)

- (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/NET ASSETS**

In addition to the General Fund, funds reporting a deficit fund balance, fund equity, or net assets position at June 30, 2004 are (in thousands):

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Special Revenue:		
Medical Assistance Trust	\$	176,310
Petroleum Inspection		182,634
VendorNet		2,964
Capital Projects:		
Capital Improvement		202,258
Transportation Revenue Bonds		9,645
Enterprise:		
Duty Disability		176,121
Internal Service:		
Fleet Services		921
Risk Management		109,313
Pension and Other Employee Benefit Trust:		
Accumulated Sick Leave		12,261

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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. Disclosures of the State's investment activities are presented in the following categories: State Investment Fund, Other Funds Managed by the Board, Other State Agencies and Funds, and Component Units.

**A. Deposits****Primary Government**

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 State Treasurer. The State Treasurer 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.

The State's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and an appropriation for losses on public deposits. The State, as required by Wis. Stat. Sec. 34.08, is to make payments to public depositors for proofs of loss up to \$400 thousand per depositor above the amount of federal insurance. 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.

At June 30, 2004, the carrying amount of the primary government deposits reported as cash was \$(167.6) million and the bank balance was \$332.9 million. Further, \$525 thousand of deposits of the Bank and Insurance Company agency fund are reported as "Other Assets". Of the bank amount, excluding a bank overdraft of \$38.2 million in two bank accounts that are covered by compensating balances in other accounts,

- \$9.5 million was covered by federal depository insurance, the State Public Deposit Guarantee Fund or collateralized with securities held by the State or its agent in the State's name, and
- \$361.6 million was uncollateralized and uninsured.

The State's Unemployment Reserve Fund had \$832.7 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.

Petty cash and contingent accounts authorized under Wis. Stat. Sec 20.920, which are held by agencies and reported as Cash and Cash Equivalents in the amount of \$133.1 thousand, are not included in the carrying amount nor bank balance of deposits in this note because these are neither deposits nor investments.

**Component Units**

The carrying amount of deposits of the Wisconsin Housing and Economic Development Authority at June 30, 2004, the Wisconsin Health Care Liability Insurance Plan at December 31, 2003, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2004, the University of Wisconsin Foundation at December 31, 2003, and the State Fair Park Exposition Center, Inc. at December 31, 2003 was \$29.3 million and the bank balance was \$29.2 million. Of the bank amount, \$2.1 million was covered by federal depository insurance, the State Public Deposit Guarantee Fund or collateralized with securities held by the State or its agent in the State's name and \$27.1 million was uncollateralized and uninsured.

## B. Investments

### Primary Government

#### State Investment Fund

This fund 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 State Investment Fund 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 fund 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) and (bd) enumerate the various types of securities in which the State Investment Fund can invest, which include direct obligations of the United States and Canada, securities guaranteed by the United States, securities of federally chartered corporations such as the African Development Bank, unsecured notes of financial and industrial issuers, Yankee/Euro issues, certificates of deposit issued by banks in the United States and solvent financial institutions in this State, and bankers acceptances. Other prudent investments may be approved by the State of Wisconsin Investment Board's Board of Trustees. The Board of Trustees has given standing authority to the Board to invest in resale agreements, financial futures contracts, options and interest rate swaps.

#### Valuation of Securities

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. 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. Repurchase agreements and certificates of deposit are valued at cost because they are nonparticipating contracts that do not capture interest rate changes in their value. Swaps are valued at the net present value of estimated expected future cash flows using discount rates commensurate with the risk involved. In addition, a bond issued by other State agencies having a par value of \$0.9 million is valued at par, which management believes approximates fair value. The fair value of investments is determined at the end of each month.

#### Pool Earnings and Pool Shares

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.

#### Derivative Financial Instruments

As of June 30, 2004, the only derivative financial instrument held by the State Investment Fund was a restructured interest rate swap. Each swap transaction involves the exchange of interest rate payment obligations without the exchange of underlying principal amounts. The notional amounts used to express the volume of these transactions do not represent the amounts subject to risk, but represent the amount on which both parties calculate interest rate obligations. The settlement of the interest rate exchange occurs at predetermined dates, with the net difference between the interest paid and interest received reflected as an increase in income. Entering into interest rate swap agreements subjects the investor to the possibility of financial loss in the event of adverse changes in market rates or nonperformance by the counterparty to the swap agreement. Selecting creditworthy counterparties mitigates credit risks arising from derivative transactions.

*Restructured Investments* - During fiscal year 1995, the State of Wisconsin Investment Board became aware of the existence of market exposure in certain swap agreements and structured bonds which could impair the earnings of the fund.

The State of Wisconsin Investment Board entered into agreements with two counterparties which resulted in the counterparties' assumption of all future market risk associated with ten swap agreements and two structured bonds. At the time of the agreement the counterparties assigned a market value to these investments of negative \$95.3 million. Within this restructuring, one swap agreement requires periodic payments over a period of ten years, while the other agreement requires periodic payment of the loss over a period of five years. Interest costs associated with the periodic payment of the loss over time is estimated to be \$24.8 million. Future period earnings will be charged as payments are made.

As of June 30, 2004, the fair value of the restructured investments was negative \$4.4 million while the amortized deferred loss was negative \$3.8 million.

The State of Wisconsin Investment Board has suspended the use of nonrisk reducing derivatives in the fund and investment guidelines prohibiting the use of such instruments were adopted by the Board on November 2, 1995.

Deposits

The State Investment Fund holds certificates of deposit at various Wisconsin banks as part of the Wisconsin Certificate of Deposit Program implemented in July 1987. As of June 30, 2004, the fair value of these certificates of deposit was \$450.0 million.

Approximately \$400.0 million are Category 1 risk level deposits which are insured by the FDIC, the Wisconsin State Deposit Guarantee Fund and Financial Securities Assurance Corporation insurance. The remaining \$50.0 million are considered Category 3 uncollateralized deposits.

Investments

GASB Statement No. 3 requires investments to be categorized to indicate the level of risk assumed by the State Investment Fund. These categories are:

- Category 1 are those investments which are insured or registered, or securities which are held by the State Investment Fund in this fund's name or its agent in the name of this Fund.
- Category 2 are those investments which are uninsured and unregistered, with the securities held by the counterparty's trust department or agent in the State Investment Fund's name.
- Category 3 are those investments which are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in the State Investment Fund's name.

The following table presents investments held by the State Investment Fund categorized in accordance with GASB Statement No. 3 requirements to indicate the level of risk assumed by the fund at year-end:

At June 30, 2004, the State Investment Fund's investments are as follows (in millions):

	Category			Fair Value
	1	2	3	
U.S. government and agency holdings	\$ 3,467.5	\$ --	\$ --	\$ 3,467.5
Repurchase agreements	1,268.0	--	--	1,268.0
Commercial paper	636.9	--	--	636.9
Mortgage backed securities	.8	--	--	.8
Certificates of deposit	147.0	--	--	147.0
	<u>\$ 5,520.2</u>	<u>\$ --</u>	<u>\$ --</u>	<u>5,520.2</u>
Swaps				(9.1)
				<u>\$ 5,511.1</u>

Copies of the separately issued financial report that includes financial statements and other supplementary information for the State Investment Fund may be obtained by writing to:

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



**Other Funds Managed by the Board**

Other investments under exclusive control of the Board which are not held in the cash management pool include those held by certain permanent, proprietary, and fiduciary funds. A discussion of these investment activities follows:

*Governmental*

*Historical Society* - At June 30, 2004, investments of \$10.7 million consisted of stock and bond index funds.

*Business-type*

*Local Government Property Insurance, State Life Insurance, and Injured Patients and Families Compensation Funds* - At June 30, 2004, investments were \$8.1 million for the Local Government Property Insurance Fund, \$72.7 million for the State Life Insurance Fund, and \$673.1 million for the Injured Patients and Families Compensation Fund, consisting of stocks and fixed income.

*Fiduciary*

*Wisconsin Retirement System Fund* – This trust is a pooled fund consisting of retirement contributions made by and on behalf of participants in the Wisconsin Retirement System (WRS) (see Note 13 to the financial statements). At June 30, 2004, the Wisconsin Retirement System Fund held \$63,458.4 million of investments consisting of fixed income, stocks, limited partnerships, real estate, mortgages and other investments valued at fair value in accordance with Wis. Stat. Sec. 25.17(14). In addition, \$609.1 million of investments are included in the fund's cash and cash equivalents. Further, \$243.0 million is invested in a time deposit reported as part of the securities lending collateral and not included in the investments.

In addition, \$5,053.0 million of securities lending transactions were held at June 30, 2004. These transactions are categorized consistent with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*.

*Tuition Trust Fund* – At June 30, 2004, investments of \$11.4 million consisted of bonds and principal only strips.

The following table presents investments of these funds at June 30, 2004, categorized in accordance with the requirements of GASB Statement No. 3.

At June 30, 2004, the investments of the Other Funds Managed by the Board consisted of (in millions):

	Category			Fair Value
	1	2	3	
Fixed Income	\$ 9,120.3	\$ --	\$ --	\$ 9,120.3
Stocks	14,061.3	--	--	14,061.3
Repurchase Agreements	1,335.1	--	--	1,335.1
Certificates of Deposit	441.0	--	--	441.0
	<u>\$ 24,957.7</u>	<u>\$ --</u>	<u>\$ --</u>	24,957.7
Limited Partnerships				2,529.9
Pooled Equity Funds				27,911.4
Pooled Fixed Income Funds				6,698.9
Mortgages				593.1
Pooled Multi-asset Fund				336.8
Real Estate				417.1
Custodial Pooled Cash and Equivalents				388.3
Investments Held by Broker Dealers Under Securities Loans:				
Fixed Income				3,765.0
Equities				1,221.3
Securities Lending Cash Collateral Pooled Investments				833.9
				<u>\$ 69,653.4</u>

*Securities Lending Transactions* – State statutes and State of Wisconsin Investment Board (SWIB) policies permit the use of investments 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 for collateral of 102 percent and 105 percent, respectively, of the loaned securities' market value. The cash collateral is reinvested by 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. 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, results in the gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

Securities on loan at June 30, 2004 are presented as unclassified in the preceding schedule of custodial risk. 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 them to indemnify if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent.

The majority of securities loans can be terminated on demand, although the average term of the loans is approximately one week. The term to maturity of the securities loans is matched with the term to maturity of the investments of the cash collateral by investing in a variety of short term investments with a weighted average maturity of 24 days.

The ability to pledge or sell collateral securities cannot be made without a borrower default. In addition, no restrictions on the amount of the loans exist.

#### Derivative Financial Instruments

*Foreign Currency Forwards and Options* - The State of Wisconsin Investment Board's derivative trading activities primarily involve forward contracts and foreign currency options. Generally, foreign currency forwards and options are held to hedge foreign exchange risk. Market risk is generally controlled by holding substantially offsetting purchase and sell positions. At June 30, 2004 the fair value of foreign currency forward contracts assets totaled \$1.7 billion, while the liabilities totaled \$1.7 billion.

*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 accordance with the initial margin requirements of the broker. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin. Losses may arise from future changes in the value of the underlying instrument, or if the counterparties do not perform under the terms of the contract.

Investment guidelines allow external portfolio managers to manage interest rate exposure only through the use of exchange-traded interest rate instruments. As of June 30, 2004, SWIB was invested in exchange-traded interest rate futures contracts with a net exposure totaling negative \$379.7 million.

Internally managed fixed income portfolios are allowed to invest in financial futures, options, and swaps for the purposes of adjusting duration and to invest anticipated cash flows, subject to review by the SWIB Risk and Investment Committee. During the period presented, these portfolios held no futures, options or swaps.

In addition, investment guidelines allow internally managed active U.S. equity managers to use index futures, index options, and options on index futures up to 20 percent of the aggregate value of all SWIB U.S. equity portfolios, subject to review by the SWIB Risk and Investment Committee when entered into for the purpose of equitizing cash holdings. During the period presented in these financial statements, no index futures, index options, or options on index futures were held.

One outside equity manager is permitted by the investment guidelines to use exchange-traded Standard and Poor's Equity Index futures contracts to manage its exposure to the stock market during the fiscal year presented. This manager is authorized to utilize futures up to 5 percent of the fair value of the portfolio although it held no futures during the fiscal year presented.

*Collateralized Mortgage Obligations (CMOs)* – Bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with each CMOs established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly more sensitive to interest rate fluctuations. In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. A reduction in interest payments causes a decline in cash flows and thus a decline in the fair value of the security. Rising interest rates may cause an increase in interest payments, thus an increase in fair value of the security. CMOs are held to maximize yields and in part to hedge against a rise in interest rates. At June 30, 2004, CMOs valued at \$8.2 million were held.

*Principal Only Strips* – Securities that derive cash flow from the payment of principal on underlying debt securities. SWIB holds several principal only strips for yield enhancing purposes. The underlying securities are United States Treasury obligations, therefore the credit risk is low. On the other hand, principal 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, 2004, no principal only strips were held.

#### Credit-linked Trust Certificates

SWIB has allowed one external manager credit exposure management through the use of credit-linked trust certificates, provided the counter-party is a recognized exchange or is a bank or broker dealer with an actual credit rating of at least: (1) 'B/C' or better from Thomson Bankwatch (Keefe); (2) "A1/P1" or better on

short term debt from Standard and Poor's or Moody's; or (3) "A" or better on long-term debt from Standard and Poor's or Moody's. Credit-linked trust certificates are exchange-traded securities, created through a Special Purpose Company, or trust. Proceeds from the sale of the certificates are invested in AAA rated securities, then lent out under a securities lending agreement. The trust also enters into a credit default swap that references 100 high yield corporate bonds. The trust pays a variable coupon and receives a fixed coupon on the notional value during the life of the note. If the issuer of one of more of the 100 high yield corporate bonds defaults, the trust will receive the current market value of the defaulted asset and the notional value will be reduced, lessening future interest earnings.

By investing in credit-linked trust certificates, SWIB gains immediate, diversified exposure to the high yield fixed income market. For taking on the risk associated with the 100 high yield corporate bonds, SWIB earns a premium rate of return. Investment in these certificates involves risk of loss from credit downgrades, illiquidity and counterparty risk. Valuation of this security is calculated by the party marketing the security. At June 30, 2004, SWIB was invested in credit-linked trust certificates totaling \$20.00 million.

#### Unfunded Capital Commitments

Partnership agreements generally set a limit on the total dollar amount that limited partners must commit to funding when entering the partnership. Over the life of the partnership, the general partner will request capital contributions totaling the agreed upon limit. As of June 30, 2004, unfunded capital commitments totaled \$1.3 billion.

**Other State Agencies and Funds**

The following funds also make investments following pertinent State statutes and policy provisions as set out by the appropriate governing boards or bond resolutions:

*Governmental*

*General Fund* – At June 30, 2004, investments of \$0.9 million of which \$0.5 million are considered deposits and included in Note 5A.

*Transportation Revenue Bond Funds* – At June 30, 2004, the Transportation Revenue Bond Capital Projects Fund and the Transportation Revenue Bond Debt Service Fund had investments totaling \$246.6 million, of which \$153.4 million are reported as cash equivalents. Investments of \$93.2 million satisfy risk category No. 1, while the remaining investments are uncategorized.

*Annual Appropriation Bonds* – At June 30, 2004 investments totaling \$248.6 million were held of which \$240.3 million meet risk Category 1 and the remaining \$8.3 million are uncategorized.

*Common School Fund* – At June 30, 2004, investments totaling \$130.7 million meet risk Category 1.

*Petroleum Inspection Revenue Bonds Fund* – At June 30, 2004, investments of \$4.1 million consisting of government and agency investments which meet Category 1 risk criteria.

*Wisconsin Public Broadcasting Foundation Fund* – The fund's investments at June 30, 2004 were \$6.7 million, which consists of \$4.2 million of various investments and \$2.5 million of money market funds which are reported as cash equivalents. All investments meet Category 1 risk criteria.

*Badger Tobacco Asset Securitization Corporation* -- Investments of \$274.5 million of which \$137.4 million are reported as cash equivalents. Investments of \$137.1 million meet the Category 1 risk level.

*Business-type*

*Environmental Improvement Fund* – The fund's aggregate investments at June 30, 2004 were \$194.0 million, of which \$35.7 million are reported as cash equivalents consisting of a repurchase agreement which is a Category 2 level of risk. Investments of \$158.3 million consist of government and agency holdings and satisfy Category 1 risk criteria.

*Lottery Fund* – Investments are all in the form of U.S. Treasury zero coupon bonds. At June 30, 2004, investments of \$128.4 million which meet Category 1 risk criteria were held.

The *University of Wisconsin System* – The fund's aggregate investments at June 30, 2004 were \$344.1 million of which \$21.8 million are reported as cash equivalents. Of the remaining \$322.4 million, \$254.8 million meet Category 1 risk criteria while the remaining investments are uncategorized.

*Fiduciary*

*Inmate and Resident Fund* – At June 30, 2004, investments totaling \$0.7 million of which \$0.5 million are reported as cash equivalents and \$0.2 million meet risk Category 3.

*College Savings Program Trust* – At June 30, 2004, investments totaling \$1,186.4 million, which consist of \$3.4 million of short-term securities which meet risk Category 1 and the remaining investments are uncategorized.

At June 30, 2004, the State has approximately \$279.3 million of securities which it holds for banks and insurance companies. These assets are held for the period of time specified by statute and then returned to their owner. The assets are presented in the *Bank and Insurance Company Deposits Fund* as "Other Assets". All investments meet risk Category 1.

Unclaimed property, usually in the form of stocks, bank accounts, insurance proceeds, utility deposits and uncashed checks, are transferred periodically to the *Unclaimed Property Program Fund*. The \$37.3 million securities, presented as "Other Assets" on the financial statements meet risk Category 1.

The State's Section 457 *Deferred Compensation Plan Fund* investments, totaling \$1,430.8 million at June 30, 2004, are in the form of equity, bond and money market mutual funds, insured savings accounts and investment contracts with insurance companies.

The following table presents investments of the Other State Agencies and Funds at June 30, 2004, categorized in accordance with the requirements of GASB Statement No. 3.

At June 30, 2004, the Other State Agencies and Funds' investments consisted of (in millions):

	Category			Reported Amount	Fair Value
	1	2	3		
Government and agency holdings	\$ 924.9	\$ --	\$ .2	\$ 925.2	\$ 925.2
Municipal bonds	105.1	--	--	105.1	105.1
Commercial paper and nonsecured corporate notes and bonds	238.9	--	--	238.9	238.9
Repurchase agreements	3.4	35.7	--	39.1	39.1
Forward delivery agreements	137.1	--	--	137.1	140.4
Negotiable certificates of deposit	5.9	--	--	5.9	5.9
Mortgaged backed securities	10.4	--	--	10.4	10.4
Fixed Income	50.8	--	--	50.8	50.8
	<u>\$ 1,476.5</u>	<u>\$ 35.7</u>	<u>\$ .2</u>	1,512.4	1,515.8
Mutual funds				1,223.9	1,223.9
Money market funds				310.0	310.0
Limited partnerships				2.9	2.9
Deferred compensation investments				1,430.9	1,430.9
Other				32.4	32.4
				<u>\$ 4,512.6</u>	<u>\$ 4,515.9</u>

## Component Units

*Wisconsin Housing and Economic Development Authority (Authority)* – The Authority is required by statute to invest at least 50 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 bond resolution specifies what constitutes a permitted investment and such investments may include obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper; bankers acceptances; and repurchase agreements and investment agreements.

The Authority's aggregate investments at June 30, 2004 were \$677.9 million of which \$132.7 million are reported as cash equivalents consisting of money market funds. The Authority's investments except for uncollateralized investment agreements of \$137.2 million are a Category 1 level of risk. The Authority's investments in uncollateralized investment agreements are a Category 3 level of risk.

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 has established a Master Repurchase Agreement with its banking institutions to govern the purchase of repurchase agreements. This agreement requires the institution to take possession of collateral having a market value of at least 103 percent of the cost of the repurchase agreement. The underlying collateral must be maintained at this level at all times.

The Authority's 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, 2004 the Authority had \$69.7 million of securities on loan to broker-dealers for a fee. The transactions are categorized consistently with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*.

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 has received the following types of collateral for the securities lent: cash, government securities or irrevocable letters of credit. The fair value of the investment securities loaned was \$69.7 million as of June 30, 2004, and the fair value of the collateral received was \$70.8 million. The Authority may request the bank to terminate any loan of securities for any reason at any time.

As of June 30, 2004, 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 maintains a weighted average maturity of the portfolio at approximately 15 days, with a range from 1 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, 2004, approximately 50.0% of the securities lent were in the matched portion and approximately 50.0% 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, 2004 the Authority received \$94 thousand of income related to security lending transactions.

*Wisconsin Health Care Liability Insurance Plan* – The investments of the Wisconsin Health Care Liability Insurance Plan at December 31, 2003 were \$88.0 million, of which \$7.1 million are reported as cash equivalents. Investments of \$2.0 million in bonds meet the Category 1 risk level, while all remaining investments meet the Category 2 risk level.

*University of Wisconsin Hospital and Clinics Authority* – The University of Wisconsin Hospitals and Clinics Authority (the Hospital) aggregate investments of \$226.8 million consist of \$39.0 million of repurchase agreements which meet Category 2 risk criteria and \$0.2 million of money market funds which are uncategorized. In addition, \$187.6 million of investments reported as “Cash and Investments with Other Component Units” are uncategorized as ownership does not depend on control of individual securities.

*University of Wisconsin Foundation* – Aggregate investments of the University of Wisconsin Foundation are \$1,716.5 million of which \$183.2 million are money market funds reported as cash equivalents. The remaining \$1,533.3 million consist of various investments of which \$720.6 million meet Category 1 risk criteria and the remaining \$812.7 million are uncategorized.

*State Fair Park Exposition Center, Inc.* – Investments, consisting of \$3.1 million of money market funds reported as cash equivalents, are not categorized.

The following table presents investments of the Wisconsin Housing And Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, the University of Wisconsin Hospital and Clinics Authority, the University of Wisconsin Foundation, and the State Fair Park Exposition Center, Inc., categorized in accordance with the requirements of GASB Statement No. 3.

The investments of the Wisconsin Housing and Economic Development Authority at June 30, 2004, the Wisconsin Health Care Liability Insurance Plan at December 31, 2003, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2004, the University of Wisconsin Foundation at December 31, 2003, and the State Fair Park Exposition Center, Inc. at December 31, 2003 consisted of (in millions):

	Category			Reported Amount	Fair Value
	1	2	3		
Government and agency holdings	\$ 222.5	\$ 21.2	\$ --	\$ 243.7	\$ 245.8
Bonds	484.0	--	--	484.0	484.0
Corporate notes and bonds	161.2	33.3	--	194.5	194.5
Negotiable certificates of deposit	15.7	--	--	15.7	15.7
Mortgage-backed securities	8.1	--	--	8.1	8.1
Repurchase agreements	--	39.0	--	39.0	39.0
Collateralized investment contracts	239.0	26.4	--	265.4	265.4
Investment agreements	--	137.2	--	137.2	137.2
	<u>\$ 1,130.5</u>	<u>\$ 257.1</u>	<u>\$ --</u>	1,387.6	1,389.7
Money market funds				325.2	325.2
Limited partnerships				137.9	137.9
Mutual funds				538.1	538.1
International equities				135.9	135.9
				<u>\$ 2,524.7</u>	<u>\$ 2,526.8</u>

The following schedule summarizes investments of the reporting entity presented in the above investment note discussions (in millions):

Other Funds Managed by the Board	\$ 69,653.4
Other State Agencies and Funds	4,512.7
Component Units	<u>2,524.7</u>
Total Investments	<u>\$ 76,690.8</u>

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

Investments of the State Lottery Fund totaling \$128.4 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
2005	\$ 16,516
2006	16,643
2007	16,774
2008	16,909
2009	16,900
Thereafter	<u>87,490</u>
Total future value	171,232
Less: Present value adjustment	<u>(55,694)</u>
Present value of payments	<u>\$ 115,538</u>



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

Receivables at June 30, 2004 were as follows (in thousands):

	Taxes	Student Loans	Veterans Loans	Mortgage Loans	Insurance Policy Loans	Loans to Local Governments	Other Receivables	Due From Other Governments	Due From Component Units	Total Receivables
<b>Governmental Activities:</b>										
General	\$ 1,151,325	\$ -	\$ -	\$ -	\$ -	\$ 14,720	\$ 197,682	\$ 468,748	\$ 2,380	\$ 1,834,856
Transportation	94,812	-	-	-	-	-	50,736	58,251	-	203,798
Nonmajor Governmental	26,012	-	-	-	-	333,137	84,810	15,939	-	459,898
Total Governmental:	1,272,149	-	-	-	-	347,857	333,229	542,937	2,380	2,498,552
Government-wide Adjustments:										
Internal Service Funds	-	-	-	-	-	-	96	267	199	562
Accrual Adjustments	-	-	-	-	-	-	3,011	-	-	3,011
Fiduciary Receivables	-	-	-	-	-	-	36,599	-	-	36,599
<b>Total – Governmental Activities</b>	<b>\$ 1,272,149</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 347,857</b>	<b>\$ 372,935</b>	<b>\$ 543,205</b>	<b>\$ 2,579</b>	<b>\$ 2,538,724</b>
Related revenue deferral because the receivable does not meet the availability criteria	\$ 274,640	\$ -	\$ -	\$ -	\$ -	\$ -	93,892	\$ -	\$ -	368,531
<b>Business-type Activities:</b>										
Current:										
Injured Patients and Families Compensation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	43,680	\$ -	14	43,694
Environmental Improvement	-	-	-	-	-	84,557	330	8,263	-	93,149
Veterans Mortgage Loan Repayment	-	-	-	11,670	-	-	2,445	-	-	14,114
University of Wisconsin System	-	29,754	-	-	-	-	112,424	54,737	1,003	197,918
Unemployment Reserve	-	-	-	-	-	-	179,459	3,814	-	183,273
Nonmajor Enterprise	-	321	6,892	1,076	-	450	43,729	4,099	-	56,566
Total Current:	-	30,075	6,892	12,745	-	85,007	382,066	70,912	1,017	588,714
Noncurrent:										
Environmental Improvement	-	-	-	-	-	1,214,029	-	-	-	1,214,029
Veterans Mortgage Loan Repayment	-	-	-	293,434	-	-	-	-	-	293,434
University of Wisconsin System	-	153,499	-	-	-	-	-	-	-	153,499
Nonmajor Enterprise	-	547	39,813	10,075	3,687	1,107	-	-	-	55,228
Total Noncurrent	-	154,046	39,813	303,508	3,687	1,215,136	-	-	-	1,716,190
Government-wide Adjustments:										
Fiduciary Receivables	-	-	-	-	-	-	135	-	-	135
<b>Total – Business-type Activities</b>	<b>\$ -</b>	<b>\$ 184,121</b>	<b>\$ 46,705</b>	<b>\$ 316,254</b>	<b>\$ 3,687</b>	<b>\$ 1,300,143</b>	<b>\$ 382,201</b>	<b>\$ 70,912</b>	<b>\$ 1,017</b>	<b>\$ 2,305,039</b>

**B. Net Revenues**

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2004, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	\$ 70,883
Sales and Services of Auxiliary Enterprises	13,321
Total	<u>\$ 84,204</u>

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

Capital asset activity for the fiscal year ended June 30, 2004 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	\$ 1,209,401	\$ 120,797	\$ (1,556)	\$ 1,328,643
Buildings and Improvements	154,519	1,558	-	156,078
Library Holdings	75,641	1,176	(22)	76,795
Equipment	642	-	-	642
Construction in Progress	1,104,971	530,667	(734,855)	900,782
Infrastructure	9,353,244	670,326	(143,322)	9,880,249
Total capital assets, not being depreciated	11,898,419	1,324,525	(879,754)	12,343,189
Capital assets, being depreciated:				
Land Improvements	80,453	2,903	-	83,356
Buildings and Improvements	1,553,622	59,233	(4,277)	1,608,577
Equipment	535,773	38,560	(30,149)	544,184
Totals	2,169,847	100,696	(34,426)	2,236,117
Less accumulated depreciation for:				
Land Improvements	24,307	4,819	-	29,126
Buildings and Improvements	431,805	42,054	(1,516)	472,344
Equipment	296,276	49,350	(23,850)	321,776
Totals	752,388	96,223	(25,366)	823,245
Total Capital Assets, being depreciated, net	1,417,459	4,473	(9,060)	1,412,872
Governmental activities capital assets, net	\$ 13,315,878	\$ 1,328,998	\$ (888,815)	\$ 13,756,061
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and Land Improvements	\$ 110,924	\$ 284	\$ -	\$ 111,208
Library Holdings	986,646	21,524	(5,579)	1,002,592
Construction in progress	30,721	10,512	(11,449)	29,785
Total Capital Assets, not being depreciated	1,128,291	32,320	(17,027)	1,143,584
Capital assets, being depreciated:				
Land Improvements	8,692	236	(2)	8,926
Buildings	3,174,886	285,640	(674)	3,459,852
Equipment	650,010	73,198	(16,124)	707,084
Totals	3,833,588	359,075	(16,800)	4,175,863
Less accumulated depreciation for:				
Land Improvements	5,903	454	(2)	6,355
Buildings	1,370,757	123,151	(1,191)	1,492,717
Equipment	452,381	55,383	(13,670)	494,095
Totals	1,829,042	178,988	(14,863)	1,993,168
Total Capital Assets, being depreciated, net	2,004,546	180,086	(1,937)	2,182,695
Business-type activities capital assets, net	\$ 3,132,837	\$ 212,407	\$ (18,965)	\$ 3,326,279

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of \$3,750 thousand at June 30, 2004, with accumulated depreciation totaling \$3,741 thousand.

Depreciation Expense

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

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
Commerce	\$ 1,544	Injured Patients and Families Compensation	\$ 3
Education	2,548	Veterans Mortgage Loan Repayment	45
Transportation	9,252	University of Wisconsin System	168,219
Environmental Resources	9,448	Lottery	63
Human Relations and Resources	44,395	Other Business-Type	<u>10,659</u>
General Executive	4,403	Total depreciation expense -	
Judicial	2,563	business-type activities	<u>\$ 178,988</u>
Legislative	395		
Depreciation on capital assets held by the internal service funds	<u>21,675</u>		
Total depreciation expense - governmental activities	<u>\$ 96,223</u>		

## Construction in Progress

Construction in progress of the primary government reported in the government-wide statement of net assets at June 30, 2004 included the following projects (in thousands):

	Allotments	Expended to June 30, 2004	Encumbrances Outstanding	Unencumbered Allotment Balance
<b>Governmental Activities:</b>				
Reported through capital projects funds:				
State Highway and Southeast Wisconsin Freeway Rehabilitations	\$ 184,841	\$ 45,740	\$ --	\$ 139,101
Justice Center and Law Library	42,600	171	20	42,409
Fox Lake Correctional Institution Infrastructure Improvements	14,056	6,556	5,425	2,075
Camp Douglas US Property and Fiscal	13,717	3,335	7,310	3,071
Madison Crime Lab Remodeling	11,159	9,504	346	1,309
Other projects with allotments totaling less than \$10 million		44,597		
		109,904		
Other:				
Transportation-related funded through sources other than capital projects		788,789		
Other		2,090		
Total construction in progress – governmental activities		\$ 900,782		
<b>Business-type Activities:</b>				
University of Wisconsin System:				
Camp Randall Stadium Renovation – Madison	\$ 107,391	\$ 70,631	\$ 27,740	\$ 9,020
Microbiological Science Building – Madison	105,799	6,330	2,645	96,825
Madison Cogeneration Facility	90,000	54,031	36,519	(550)
Mechanical Engineering Addition/Remodeling – Madison	46,057	4,728	1,089	40,241
Student Center – River Falls	29,533	2,851	622	26,060
Fine Arts Center Remodeling/Addition – Stevens Point	26,120	9,882	11,717	4,521
Veterinarian Diagnostic Building – Madison	25,198	1,427	470	23,301
Residence Hall – La Crosse	22,344	716	32	21,596
Lot 76 Parking Ramp – Madison	18,000	786	232	16,982
Upham Hall Addition – Whitewater	17,011	59	13,442	3,509
North Campus Resident Hall – Stout	16,694	2,786	13,094	814
Taylor Hall Renovation – Oshkosh	12,261	642	217	11,402
Residence Hall – River Falls	10,641	6,461	3,826	354
Lampham Northwest Wing Remodeling – Milwaukee	10,295	961	400	8,935
Homes for Veterans:				
Home-skilled Nursing Facility – Southern Wisconsin Center	19,094	2,476	12,408	4,210
State Fair Park:				
Grandstand Replacement	20,500	20,795	10	(305)
Other projects with allotments totaling less than \$10 million:				
University of Wisconsin System		68,874		
Other		6,513		
Total construction in progress – business-type activities		\$ 260,948		

As discussed in Note 1E7, construction in progress of the University of Wisconsin System is reported in the applicable major capital assets categories. Construction in progress of the University of Wisconsin System and of the other business-type activities totaled \$231.2 million and \$29.8 million as of June 30, 2004, respectively.

**Component Units**

Capital Assets balance of the Wisconsin Housing and Economic Development Authority at June 30, 2004, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2004, the University of Wisconsin Foundation at December 31, 2003, and the State Fair Park Exposition Center, Inc. at December 31, 2003 were as follows (in thousands):

	<b>Amount</b>
Capital Assets, not being depreciated:	
Land and Land Improvements	\$ 6,323
Construction in Progress	4,493
Total Capital Assets, not being depreciated	<u>10,816</u>
Capital Assets, being depreciated:	
Buildings	356,385
Equipment	161,084
Totals	<u>517,469</u>
Less accumulated depreciation for:	
Buildings	119,066
Equipment	101,947
Totals	<u>221,013</u>
Total Capital Assets, being depreciated, net	<u>296,455</u>
Component Units Capital Assets, net	<u>\$ 307,271</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 of 4.5 percent applied to a 12-quarter moving average market value of the fund. Distributions from the Intermediate Term Fund, principally quasi-endowments and unspent income distributions, consist of interest earnings distributed quarterly. Spending rate and interest distributions from both of these funds are transferred to the State Investment Fund, pending near-term expenditures. At June 30, 2004, net appreciation of \$8.3 million was available to be spent.

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 65 percent marketable equities, 15 percent fixed income and 20 percent alternatives. Accordingly, the fund includes investments in domestic and non-U.S. stocks and bonds, and limited partnerships consisting of venture capital and other private equity investments. The approved asset allocation for the Intermediate Term Fund is 100 percent intermediate maturity, investment-grade fixed income.

The fair value of Endowments as of June 30, 2004 was \$336.3 million including unrealized gains of \$17.4 million when fair values as of June 30, 2004 are compared to asset acquisition costs. This compares to a fair value as of June 30, 2003 of \$295.9 million. The net increase in fund balance during 2003-04 was \$40.4 million.

The book value of Endowments under control of the University of Wisconsin System was \$318.9 million as of June 30, 2004 compared to a book value of \$284.9 million as of June 30, 2003. 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, 2004, the book value and fair value of principal funds under control of the University of Wisconsin System was (in millions):

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Original Contributions and Distributed Net Gains	\$ 133.3
Realized Gains – Undistributed	<u>185.6</u>
Book Value	318.9
Unrealized Net Gains/Losses - Undistributed	<u>17.4</u>
Fair Value	<u>\$ 336.3</u>

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On June 30, 2004, the portfolio at market contained 73.7 percent in stocks, 23.2 percent in fixed income obligations, 1.0 percent in alternative assets, and 2.1 percent in short-term investments. The total return on the principal Long Term Fund including capital appreciation was 17.0 percent. The total return on the principal Intermediate Fund including capital appreciation was 0.9 percent. External investment counsel was furnished for funds representing 97.0 percent of market-value principal.

## Component Unit

### University of Wisconsin Foundation

At December 31, 2003, there were 3,066 funds pooled in an endowment fund for investment purposes. Generally, principal of the funds is to be kept intact with income from investments being distributed according to the wishes of the donor. For certain funds, principal is also available for distribution.

The University of Wisconsin Foundation's investment policies and guidelines are governed and authorized by the University of Wisconsin Foundation's Board of Directors. The Board does not limit the types of investments allowed.

For the fiscal year ended December 31, 2003, the endowment fund accounts reported cash and money market funds of \$68.6 million and investments with a fair value of \$754.3 million. This compares to a fair value for investments as of December 31, 2002 of \$614.2 million. The asset allocation for endowment assets at December 31, 2003 is 49.9 percent in domestic equities, 14.5 percent in international equities, 32.7 percent in alternative investment managers and 2.9 percent in cash.

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

Interfund balances as of or for the year ended June 30, 2004 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, 2004 were as follows (in thousands):

<b>Due to Other Funds:</b>				
	<b>General</b>	<b>Transportation</b>	<b>Nonmajor Governmental</b>	<b>Injured Patients and Families Compensation</b>
<b>Due from Other Funds:</b>				
General	\$ -	\$ 15,220	\$ 62,126	\$ 11
Transportation	1,116	-	54,687	-
Nonmajor Governmental	44,937	17,599	5,047	73
Environmental Improvement	53	-	222	-
Veterans Mortgage Loan Repayment	-	-	-	-
University of Wisconsin System	51,529	442	1,843	-
Unemployment Reserve	393	-	-	-
Nonmajor Enterprise	8,302	-	22	-
Internal Service	18,164	3,145	11,347	4
Fiduciary	19,064	1,186	1,986	6
<b>Total</b>	<b>\$ 143,557</b>	<b>\$ 37,593</b>	<b>\$ 137,280</b>	<b>\$ 93</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.

Environmental Improvement	Veterans Mortgage Loan Repayment	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Internal Service	Fiduciary	Total
\$ 339	\$ 49	\$ 35,066	\$ 9,127	\$ 39,917	\$ 2,690	\$ 35,222	\$ 199,766
-	-	65	-	-	-	-	55,867
989	-	189	-	1,025	478	-	70,339
-	-	-	-	-	-	-	275
-	-	-	-	11	-	-	11
17	-	-	-	2	67	-	53,901
-	-	-	-	-	-	-	393
-	309	-	-	517	16	135	9,301
1	19	1,581	-	681	245	1,377	36,564
9	41	14,727	-	1,687	472	270	39,449
<b>\$ 1,355</b>	<b>\$ 418</b>	<b>\$ 51,628</b>	<b>\$ 9,127</b>	<b>\$ 43,841</b>	<b>\$ 3,968</b>	<b>\$ 37,005</b>	<b>\$ 465,866</b>



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

Receivables and payables between funds and component units at June 30, 2004 were as follows (in thousands);

	<u>Due from Component Unit</u>					<u>Due from Primary Government</u>			Total
	General	Injured Patients and Families Compensation	University of Wisconsin System	Internal Service	Fiduciary	University of Wisconsin Hospitals and Clinics Authority	State Fair Park Exposition Center, Inc.		
<b>Due to Primary Government:</b>									
Wisconsin Housing and Economic Development Authority	\$2,375	\$ --	\$ --	\$ 24	\$ --	\$ --	\$ --	\$ 2,399	
Wisconsin Health Care Liability Insurance Plan	--	14	--	--	--	--	--	14	
University of Wisconsin Hospitals and Clinics Authority	--	--	1,003	172	2,276	--	--	3,451	
State Fair Park Exposition, Center Inc.	--	--	--	90	--	--	--	90	
<b>Due to Component Unit:</b>									
General	--	--	--	--	--	903	--	903	
University of Wisconsin System	--	--	--	--	--	1,645	--	1,645	
Nonmajor Enterprise	--	--	--	--	--	--	131	131	
<b>Total</b>	<b>\$2,375</b>	<b>\$ 14</b>	<b>\$ 1,003</b>	<b>\$ 286</b>	<b>\$ 2,276</b>	<b>\$ 2,548</b>	<b>\$ 131</b>	<b>\$ 8,633</b>	

The receivable and payable balances between the primary government and the component units typically result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between entities are made.

**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, 2004 were as follows (in thousands):

	<u>Interfund Receivables</u>
	Fiduciary
<b>Interfund Payables:</b>	
General	\$ 386,723
Nonmajor Governmental	199,409
Nonmajor Enterprise	8,971
Internal Service	32,663
Fiduciary	489,329
<b>Total</b>	<b>\$ 1,117,094</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, 2004 were as follows (in thousands):

	<u>Advances to Other Funds (asset):</u>		
	Nonmajor Governmental	Internal Service	Total
<b>Advances from Other Funds (liability):</b>			
Nonmajor Governmental	\$ 750	\$ 2,964	\$ 3,714
<b>Total</b>	<b>\$ 750</b>	<b>\$ 2,964</b>	<b>\$ 3,714</b>

**E. Interfund Transfers**

Interfund Transfers in and out that occurred during Fiscal Year 2004 were as follows (in thousands):

		<b>Transfers in:</b>							
		General	Transportation	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Nonmajor Enterprise	Internal Service	Total
<b>Transfers out:</b>									
General	\$	-	\$ 4	\$ 363,493	\$ -	\$ 923,041	\$ 55,748	\$ 5,272	\$ 1,347,557
Transportation		338,495	-	24,819	-	-	-	42	363,356
Nonmajor Governmental		61,888	-	355,484	38,320	79,964	6,898	296	542,849
Injured Patients and Families Compensation		15	-	-	-	-	-	-	15
Environmental Improvement		95	-	6,000	-	-	-	-	6,095
Veterans Mortgage Loan Repayment		81	-	-	-	-	-	-	81
University of Wisconsin System		48,665	-	1,475	-	-	-	-	50,140
Unemployment Reserve		8,351	-	-	-	-	-	-	8,351
Nonmajor Enterprise		31,607	-	127	-	-	721	162	32,617
Internal Service		13,733	-	61	-	75	-	1,053	14,921
Fiduciary		524	-	20,000	-	-	-	-	20,524
Capital Assets Transferred Between Proprietary Funds and Governmental Funds		-	-	-	-	-	(71)	930	859
<b>Total</b>	<b>\$</b>	<b>503,455</b>	<b>\$ 4</b>	<b>\$ 771,459</b>	<b>\$ 38,320</b>	<b>\$ 1,003,079</b>	<b>\$ 63,295</b>	<b>\$ 7,755</b>	<b>\$ 2,387,367</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.

In the fiscal year ended June 30, 2004, transfers considered non-routine or inconsistent with the fund making the transfer included the following (in thousands):

<b>Funds Reporting the Transfer</b>	<b>Amount</b>
Amounts transferred to the General Fund from other funds to address revenue shortfalls:	
Transportation	\$ 3,499
Petroleum Inspection	20,767
Environmental	2,119
Recycling	7,237
University of Wisconsin System	2,625
Other funds	1,385
Amounts transferred to the General Fund from other funds in lieu of payments for the annual appropriation bonds, which were issued to pay the unfunded pension liability and unfunded accumulated unused sick leave:	
Transportation	4,376
Conservation	2,606
University of Wisconsin System	34,420
Other funds	6,541
Transfers to fund a portion of the shared revenue program in the General Fund:	
Transportation	230,000
Utility Public Benefits	17,600

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

During the year ended June 30, 2004, the following changes occurred in long-term liabilities (in thousands):

**Primary Government**

<b>Governmental Activities</b>	<b>Balance</b>			<b>Balance</b>		
	<b>July 1, 2003</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2004</b>	<b>Amounts Due Within One Year</b>	
<b>Bonds and Notes Payable:</b>						
General Obligation Bonds	\$ 3,090,875	\$ 1,073,030	\$ 603,686	\$ 3,560,219	\$	237,513
Annual Appropriation Bonds	-	1,792,092	-	1,792,092		-
Revenue Bonds	2,892,579	417,548	158,627	3,151,500		74,611
Total Bonds and Notes Payable	5,983,454	3,282,670	762,313	8,503,811		312,124
<b>Other Liabilities:</b>						
Future Benefits and Loss Liability	118,265	14,819	22,228	110,856		25,385
Capital Leases	40,315	3,379	23,368	20,326		5,450
Installment Contracts	3,653	1,124	2,008	2,770		1,470
Compensated Absences	103,945	48,877	43,657	109,164		44,633
Employer Pension Related Debt Costs	722,248	-	722,248	-		-
Claims, Judgments and Commitments	2,174	-	137	2,037		-
Total Governmental Activities						
Long-term Liabilities	\$ 6,974,054	\$ 3,350,869	\$ 1,575,959	\$ 8,748,965	\$	389,062

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 2004. 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.

In July 2003, Wisconsin Act 33 was 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. Sec. 40.05(2)(b) and its unfunded accrued liability for sick leave conversion credits under Wis. Stat. Sec. 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40. In December 2003, the State issued \$1.8 billion of these bonds. A portion of the proceeds was used to pay the State's unfunded prior service (pension) liability, which was reported as "Employer Pension Related Debt Costs."

<b>Business-type Activities</b>	<b>Balance July 1, 2003</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2004</b>	<b>Amounts Due Within One Year</b>
Bonds and Notes Payable:					
General Obligation Bonds	\$ 913,452	\$ 296,285	\$ 350,475	\$ 859,262	\$ 27,534
Revenue Bonds	623,418	106,238	37,545	692,111	39,340
Total Bonds and Notes Payable	1,536,870	402,523	388,020	1,551,373	66,874
Other Liabilities:					
Future Benefits and Loss Liability	1,167,400	199,093	147,322	1,219,171	141,719
Capital Leases	40,916	13,026	5,364	48,577	9,105
Compensated Absences	85,642	9,625	3,576	91,692	50,181
Total Business-type Activities					
Long-term Liabilities	\$ 2,830,828	\$ 624,268	\$ 544,282	\$ 2,910,814	\$ 267,879

### Component Units

The following table presents the changes in long-term liabilities of the Wisconsin Housing and Economic Development Authority at June 30, 2004, the Wisconsin Health Care Liability Insurance Plan at December 31, 2003, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2004, the University of Wisconsin Foundation at December 31, 2003, and the State Fair Park Exposition Center, Inc. at December 31, 2003:

	<b>Balance July 1, 2003</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2004</b>	<b>Amounts Due Within One Year</b>
Bonds and Notes Payable:					
Revenue Bonds and Notes	\$ 2,245,536	\$ 155,798	\$ 223,229	\$ 2,178,105	\$ 191,328
Future Benefits and Loss Liability	51,680	--	7,920	43,760	6,699
Capital Leases	22,927	--	2,770	20,157	2,053
Compensated Absences	4,221	237	--	4,458	4,030
Pension Related	81,061	3,439	--	84,500	4,109
Total Component Units					
Long-term Liabilities	\$ 2,405,425	\$ 159,474	\$ 233,919	\$ 2,330,981	\$ 208,220

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

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2004 (in thousands):

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

General Obligation Bonds	\$ 3,560,219
Annual Appropriation Bonds	1,792,092
Revenue Bonds:	
Transportation	1,359,849
Petroleum Inspection	224,658
Badger Tobacco Asset Securitization Corporation	<u>1,566,993</u>
Total Governmental Activities	<u>8,503,811</u>

**Business-type Activities:**

General Obligation Bonds:	
Veterans Mortgage Loan Repayment	391,270
University of Wisconsin System	426,759
Other Business-type	41,232
Revenue Bonds:	
Environmental Improvement	<u>692,111</u>
Total Business-type Activities	<u>1,551,372</u>
Total Primary Government	<u>10,055,183</u>

**Component Units:**

Wisconsin Housing and Economic Development Authority Revenue Bonds	1,958,760
University of Wisconsin Hospitals and Clinics Authority Revenue Bonds	175,628
State Fair Park Exposition Center, Inc. Revenue Bonds and Notes Payable	<u>40,924</u>
Subtotal	<u>2,175,312</u>
University of Wisconsin Foundation Note Payable	<u>2,792</u>
Total at June 30, 2004	<u><u>\$12,233,287</u></u>

**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. Sec. 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, 2004, \$2,561.7 million of general obligation bonds were authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2004 were as follows (in thousands):

<b>Fiscal Year Issued</b>	<b>Series</b>	<b>Dates</b>	<b>Interest Rates</b>	<b>Maturity Through</b>	<b>Amount Issued</b>	<b>Amount Outstanding</b>
1990	1990 Series D	5/90	6.95 to 7.0	5/10	\$ 65,859	\$ 21,094
1991	1991 Series B	5/91	6.65 to 6.85	5/11	117,136	40,009
1992	1992 Refunding Issue	3/92	6.35 to 6.55	5/15	448,935	145,250
1993	1992 2; 1993 1, 2	10/92 1/93; 3/93	4.6 to 7.75	5/15	423,565	261,530
1994	1993 Refunding Issues 3, 5, 6; 1994 Refunding Issue 2	8/93; 12/93; 10/93; 3/94;	4.65 to 6.2	5/24	515,830	229,675
1995	1994 Series 3 and C; 1995 Series A & B, and 1	9/94; 9/94; 2/95 1/95; 2/95	5.5 to 7.0	5/25	331,715	21,355
1996	1995 Series 2 and C; 1996 Series 1, A, B and Note 995B	10/95; 9/95; 2/96; 1/96; 5/96 and 7/95	4.4 to 7.3	11/25	448,537	153,609
1997	1996 C and D; 1997 1 and A	9/96; 10/96; 3/97; 3/97	5.75 to 6.25	5/28	190,230	29,815
1998	1997 B, C and D; 1998 A, B and C	7/97; 9/97 9/97; 3/98; 5/98; 5/98	4.5 to 7.25	11/28	411,765	195,090
1999	1998 Series 1, 2, D, E and F; 1999 Series 1, A and B	8/98; 9/98; 9/98; 10/98 10/98; 5/99; 2/99; 5/99	4.0 to 7.25	11/30	590,675	382,810
2000	1999 C and D; 2000 A;	10/99; 11/99; 3/00	5.0 to 7.7	11/30	315,000	101,970
2001	2000 Series B, C, D, E; and 2001 Series A, B, C and D	7/00; 7/00; 11/00; 11/00 2/01; 4/01; 6/01; 6/01	4.0 to 8.05	11/31	546,710	330,770
2002	2001 Series 1, E, F and F1; and 2002 Series 1, A, B, C, D	10/01; 10/01; 10/01 3/02; 3/02; 3/02; 6/02; 6/02	3.0 to 6.96	5/33	819,545	713,495
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	2.45 to 6.00	5/33	415,190	391,755
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 17.785	5/34	1,305,096	1,305,096
Total					6,945,788	4,323,323
Premiums/Discounts					--	133,275
Deferred Amount on Refunding					--	(37,117)
Total General Obligation Bonds and Notes					\$ 6,945,788	\$ 4,419,481

As of June 30, 2004, 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
2005	\$ 223,471	\$ 183,662	\$ 26,494	\$ 44,681
2006	243,154	176,586	29,647	43,486
2007	242,319	163,920	31,806	42,061
2008	242,570	149,474	34,208	40,427
2009	254,097	128,086	34,411	38,727
2010-2014	1,148,274	430,221	187,317	166,599
2015-2019	753,097	189,829	191,357	115,667
2020-2024	362,756	37,198	173,724	66,311
2025-2029	--	--	97,585	26,869
2030-2034	--	--	47,035	6,157
Total	3,469,738	1,458,976	853,584	590,985
Premiums/Discounts	117,560	--	15,715	--
Deferred Amount on Refunding	(27,079)	--	(10,038)	--
Total	\$ 3,560,219	\$ 1,458,976	\$ 859,261	\$ 590,985

#### Zero Coupon Bonds

The general obligation bonds of 1990, Series D (Higher Education Series), are zero coupon bonds recorded in the amount of \$21.1 million which is the accreted value at June 30, 2004. The bonds mature on May 1 through the year 2010.

The general obligation bonds of 1991, Series B, are zero coupon bonds recorded in the amount of \$40.0 million. The bonds mature on May 1 through the year 2011.

**B. Annual Appropriation Bonds**

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. The Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on obligations such as the Bonds, 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.

In December 2003, the State issued \$1.8 billion of these General Fund Annual Appropriation Bonds (Bonds) consisting of Series A (Taxable Fixed Rate) and Series B (Taxable Auction Rate Certificates). The Series A Bonds, in the amount of \$ 850.0 million, are dated the date of their issuance. The Series A Bonds bear interest from that date, payable semiannually on each May 1 and November 1 until their maturity dates. The Series A Bonds bear interest rates from 4.80 percent to 5.70 percent computed on the basis of a 30-day month and a 360-day year.

The Series B Bonds, in the amount of \$944.9 million, are multi-modal bonds that are initially being issued, in multiple subseries, as Auction Rate Certificates. Interest on the Series B Bonds is variable and is computed on the basis of a 360-day year and for the number of days actually elapsed.

As of June 30, 2004, the debt service requirements for principal and interest on these bonds are as follows (in thousands):

Fiscal Year Ended June 30	Principal	Interest
2005	\$ --	\$ 84,993
2006	--	84,993
2007	--	84,993
2008	--	85,011
2009	6,100	84,977
2010 - 2014	353,840	409,704
2015 - 2019	142,700	342,985
2020 - 2024	435,730	291,131
2025 - 2029	611,630	154,694
2030 - 2032	244,850	23,055
Total	1,794,850	1,646,534
Unamortized Premium/Discount	(2,758)	--
Total, net	<u>\$ 1,792,092</u>	<u>\$ 1,646,534</u>

**Interest Rate Swaps**

The State has entered into interest rate exchange agreements, or swap agreements, to modify interest rates on its outstanding annual appropriation bonds. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

*Objective* – In December 2003, the State issued annual appropriation bonds in the amount of \$1.8 billion. Of this amount, \$944.9 million was issued as taxable auction rate certificates (ARCs) in nine sub-series and having variable interest rates set every respective 28 days at an auction. 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 ARCs.

*Terms* – ARCs in the total amount of \$592.2 million are subject to the interest rate exchange agreements, which were effective at the same time as the issuance of the obligations (December 2003). The ARCs mature and a related notional amount of the related interest rate exchange agreements decline from May 1, 2026 through 2032. Based on the interest rate exchange agreements, the State owes interest calculated at a fixed rate of 5.47 percent to the counterparties and the counterparties owe the State interest 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, 2004, the aggregate fair value of the interest exchange agreements is \$11.2 million. The fair value was valued by a third party consultant based on information contained in the broker Interest Rate Swap Confirmations supplied by the four counterparties -- JP Morgan, Citigroup, UBS AG, and Bear Stearns. Based on those parameters, and swap market conditions prevailing on the June 30, 2004 valuation date, the third party consultant calculated the estimated market value. The valuations of derivative transactions provided by the third party consultant are indicative values based on mid-market levels



as of the close of business on the date for which they are provided. The fair value may vary throughout the life of the swap agreements due to changes in fixed swap interest rates and swap market conditions.

*Associated Debt* – Using rates as of June 30, 2004, debt service requirements are presented for the ARCs 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 ARCs and net swap payments will vary.

(in thousands)

Fiscal Year Ended June 30	Principal		Interest Rate		Totals
	Principal	Interest	Swaps, Net	Totals	
2005	\$ --	\$ 9,413	\$ 24,348	\$ 33,761	
2006	--	9,413	24,348	33,761	
2007	--	9,413	24,348	33,761	
2008	--	9,439	24,326	33,765	
2009	--	9,413	24,348	33,761	
2010 - 2014	--	47,092	121,719	168,811	
2015 - 2019	--	47,092	121,719	168,811	
2020 - 2024	--	47,118	121,696	168,814	
2025 - 2029	350,300	37,884	97,887	486,071	
2030 - 2032	244,850	6,439	16,616	267,905	
	<u>\$ 595,150</u>	<u>\$ 232,719</u>	<u>\$ 601,355</u>	<u>\$ 1,429,224</u>	

*Interest Rate Risk* – Although the interest rate is synthetically fixed under the interest rate exchange agreements, interest payments on the ARCs subject to the interest rate exchange agreements and net swap payments will vary as interest rates vary.

*Credit Risk* – As of June 30, 2004, the State was exposed to credit risk in the amount of the aggregate fair value of the interest rate exchange agreements. The State has entered into four interest rate agreements with four different counterparties. The lowest rating assigned to these counterparties is, as of June 30, 2004, Aa2 by Moody's, AA- by Standard & Poor's, and AA- by Fitch Ratings (which only assigns a rating for three of the four counterparties). 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 of BBB by either Standard & Poor's or Fitch Ratings.

*Basis Risk* – The interest rate exchange agreements expose the State to basis risk as the relationship between the one-month LIBOR and the ARCs vary, which changes the synthetic rate on the bonds. As of June 30, 2004, the one-month LIBOR was 1.36% and the interest rate on the ARCs was 1.56%. This variance, in essence, results in an adjustment to the intended synthetic interest rate of 5.47% to an actual synthetic interest rate of 5.67%. The relationship between the one-month LIBOR and ARCs will vary over time.

*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. 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. If any interest rate exchange agreement is terminated, the State would be unhedged and exposed to additional interest rate risk on the related ARCs. 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. To further mitigate the risk of an involuntary termination event, the State has also purchased a swap insurance policy from a financial guaranty insurance company that was rated Aaa by Moody's and AAA by Standard & Poor's and Fitch. The State's regularly scheduled net payment obligations under three of the four interest rate exchange agreements are insured subject to the terms and conditions of the policy.

*Market-access Risk and Rollover Risk* – The State's swap agreements are for the term (maturity) of the related ARCs and, therefore, there is no market-access risk or rollover risk.

**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 \$2,095.6 million of revenue bonds. Presently, there are twelve issues of Transportation Revenue Bonds totaling \$1,316.3 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, 2004 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2003A	11/03	2.5 to 5.25	7/24	\$ 250,000	\$ 250,000
2002A	10/02	3.0 to 5.0	7/23	200,000	200,000
20022	4/02	3.0 to 5.5	7/22	68,930	68,930
20021	4/02	5.0 to 5.75	7/19	241,865	227,805
2001A	11/01	3.0 to 5.0	7/22	140,000	130,580
2000A	9/00	5.3 to 5.5	7/21	93,100	93,100
1998A&B	8&10/98	4.125 to 5.5	7/19	229,545	208,140
1996A	5/96	5.0 to 6.0	7/08	54,630	26,545
1995A	9/95	4.8 to 6.25	7/07	49,495	19,750
1994A	7/94	5.3 to 7.5	7/05	41,845	9,395
1993A	9/93	4.5 to 5.0	7/12	116,450	82,005
				1,485,860	1,316,250
Unamortized Premium					43,599
Total				\$ 1,485,860	\$ 1,359,849

**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.

Presently, there are four issues of PIF Bonds outstanding totaling \$224.7 million. Debt service payments are secured by petroleum inspection fees.

The PIF revenue bonds issued and outstanding as of June 30, 2004 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2004-1	5/04	3.0 to 5.0	7/12	\$ 95,470	\$ 95,470
2004A	2/04	3.0 to 5.0	7/12	45,000	45,000
2001A	12/01	5.0	7/08	30,000	30,000
2000A	3/00	5.25 to 6.0	7/12	170,250	48,420
				340,720	218,890
Unamortized Premium				--	11,043
Deferred Amount on Refunding				--	(5,275)
Total				\$ 340,720	\$ 224,658

**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 \$1,616.0 million in Revenue Bonds. At June 30, 2004, there were eleven issues of Revenue Bonds outstanding totaling \$692.1 million. These bonds are secured by payments on program loans and earnings of investments.

Bonds issued and outstanding for the Fund as of June 30, 2004 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2004-1	3/04	4.0 to 5.0	6/24	\$ 116,795	\$ 116,795
2002-2	8/02	3.0 to 5.5	6/26	85,575	84,340
2002-1	5/01	4.0 to 5.25	6/23	100,000	94,295
2001-1	4/01	4.5 to 5.25	6/21	70,000	62,825
1999-1	9/99	5.0 to 5.75	6/20	80,000	50,740
1998-2	8/99	4.0 to 5.5	6/17	104,360	90,400
1998-1	1/98	4.0 to 5.0	6/18	90,000	65,780
1997-1	2/97	4.5 to 6.0	6/17	80,000	10,915
1995-1	7/95	4.0 to 6.25	6/15	80,000	4,365
1993-2	9/93	2.75 to 6.125	6/08	81,950	45,035
1993-1	9/93	3.6 to 5.3	6/13	84,345	--
1991-1	4/91	5.4 to 6.9	6/11	225,000	57,445
				1,198,025	682,935
Unamortized Premium					19,388
Less: Unamortized discount and charge					(10,212)
Total, net of discount, charge and premium				\$ 1,198,025	\$ 692,111

As of June 30, 2004, 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
2005	\$ 57,885	\$ 66,719	\$ 12,735	\$ 11,187	\$ 39,340	\$ 35,497
2006	68,320	61,836	18,205	9,582	44,775	33,516
2007	71,285	58,692	19,775	8,596	47,085	31,121
2008	74,380	55,305	35,270	7,230	49,540	28,620
2009	72,630	51,764	36,280	5,495	52,070	26,326
2010-2014	339,405	207,273	96,625	9,404	222,690	89,184
2015-2019	334,500	116,721	--	--	148,085	40,914
2020-2024	278,740	35,772	--	--	79,350	9,830
2025-2029	19,105	478	--	--	--	--
Total	1,316,250	654,560	218,890	51,493	682,935	295,008
Unamortized Premium	43,599	--	11,043	--	19,388	--
Unamortized Discount/Charge	--	--	(5,275)	--	(10,212)	--
Total, net	\$ 1,359,849	\$ 654,560	\$ 224,658	\$ 51,493	\$ 692,111	\$ 295,008

**Component Units – Blended Presentation**

**Badger Tobacco Asset Securitization Corporation**

In May 2002, the Badger Tobacco Asset Securitization Corporation (BTASC) (a blended component unit – debt service fund) issued \$1.6 billion of bonds for the purpose of making a one-time purchase of Tobacco Settlement Revenue (TSRs) from the State. Interest on the bonds is on due June 1 and December 1. 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.

Debt service requirements for principal and interest for the BTASC at May 31, 2004 were as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2005	\$ --	\$ 97,643
2006	12,210	97,307
2007	12,315	96,633
2008	12,485	95,966
2009	31,220	94,858
2010-2014	173,130	447,308
2015-2019	214,360	390,419
2020-2024	283,220	316,937
2025-2029	437,685	207,245
2030-2033	414,470	47,248
Total	1,591,095	1,891,564
Unamortized Premium/Discount	(24,102)	--
Deferred Amount on Refunding	--	--
Total	\$1,566,993	\$ 1,891,564

**Component Units – Discrete Presentation**

**Wisconsin Housing and Economic Development Authority**

Bonds and notes payable at June 30, 2004 of the Wisconsin Housing and Economic Development Authority (Authority) consisted of the following (in thousands):

Revenue bonds and notes	\$ 1,704,757
Special obligation and subordinated Special obligation	260,088
Total	1,964,845
Less: Deferred amount on refunding	(6,085)
Total, net	\$ 1,958,760

*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 103 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, 2004 consisted of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Housing Revenue Bonds:				
1992 A	1/92	6.85	2012	\$ 3,370
1993 A&B	10/93	5.0 to 5.65	2023	43,690
1993 C	12/93	5.2 to 5.875	2019	96,040
1995 A&B	7/95	5.3 to 6.5	2026	36,730
1998 A,B&C	2/98	4.4 to 6.88	2032	35,170
1999 A&B	10/99	4.75 to 6.18	2031	37,960
2000 A&B	9/00	Variable	2032	10,440
2002 A, B&C	5/02	3.2 to 5.6	2033	105,015
2002 D, E&G	5/02	Variable	2034	15,620
2002 F	5/02	Variable	2033	10,280
2002 H	5/02	4.68	2033	25,520
2002 I	5/02	Variable	2033	6,900
2003 A&B	12/03	Variable	2034	6,460
2003 C	12/03	1.4 to 5.25	2043	15,000
2003 D& E	12/03	Variable	2044	20,515
				468,710

Home Ownership Revenue Bonds:

1995 A&B	1/95	6.3	2025	100
1995 C,D&E	5/95	5.55 to 7.45	2026	16,465
1995 F,G&H	9/95	5.25 to 7.2	2017	6,960
1996 A&B	3/96	5.3 to 6.15	2027	17,240
1996 C&D	7/96	5.5 to 6.35	2027	14,580
1996 E&F	11/96	5.0 to 6.1	2026	12,280
1997 A,B&C	4/97	5.2 to 6.1	2028	17,095
1997 D&E	6/97	4.85 to 6.0	2028	27,410
1997 G,H&I	11/97	4.85 to 5.55	2028	17,110
1998 A,B&C	4/98	4.75 to 5.375	2028	62,375
1998 D&E	6/98	4.55 to 5.45	2028	37,930
1999 C,D&E	4/99	4.15 to 7.29	2029	30,120
1999 A&B	8/99	5.3 to 5.5	2021	11,240
1999 F,G&H	7/99	4.55 to 7.07	2030	27,280
2000 A,B&C	3/00	5.2 to 8.57	2030	17,770
2000 D,E&F	6/00	5.75 to 7.91	2031	17,760
2000 F	7/00	Variable	2015	6,690
2000 G	11/00	7.21	2031	9,390
2000 H	11/00	Variable	2024	12,920
2001 A,B&C	5/01	3.95 to 6.4	2032	31,330
2002 A&C	2/02	2.6 to 5.5	2032	66,790
2002 B	2/02	5.88	2032	17,740
2002 C	2/02	3.69	2016	14,945
2002 D	2/02	2.91	2022	6,570
2002 E,G&H	3/03	2.2 to 5.25	2022	108,865
2002 I	10/02	Variable	2032	82,740
2002 F	7/02	Variable	2032	21,180
2002 J	10/02	Variable	2032	8,640

(Continued)

Series/ Issue	Date	Rates	Maturity Through	Outstanding
2003 A	4/03	1.3 to 4.95	2033	108,310
2003 B	7/03	3.935	2034	109,395
2003 C	11/03	1.25 to 4.95	2034	89,920
2003 D	11/03	Variable	2028	19,830
2004 A	4/04	4.47	2034	130,000
2004 B	4/04	Variable	2034	6,295
				1,185,265
Business Development Bonds:				
1989 3	Various	4.5 to 5.0	2014	955
1991 4,6	Various	3.75 to 5.5	2006	1,460
1995 1-2,4-9	Various	Variable	2015	9,800
				12,215
Notes Payable	Various	Variable	2021	38,567
<b>Authority's Total Revenue Bonds and Notes</b>				<b>\$ 1,704,757</b>

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, 2004 consist of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Home Ownership Revenue Bonds:				
1994 C&D	8/94	5.75 to 6.3	2025	\$ 7,365
1998 F&G	10/98	4.1 to 6.7	2029	35,290
				<u>42,655</u>
Single Family Drawdown Revenue Bonds:				
2001-1	11/01	Variable	2004	103,120
2003-1	4/03	Variable	2006	114,313
				<u>217,433</u>
Total Special Obligation Bonds				<u>\$ 260,088</u>

Debt service requirements for principal and interest for the Authority at June 30, 2004 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2005	\$ 190,817	\$ 64,022
2006	174,243	61,068
2007	61,350	57,466
2008	64,075	54,901
2009	67,565	52,655
2010-2014	326,840	216,340
2015-2019	295,380	146,928
2020-2024	271,985	88,828
2025-2029	267,820	39,296
2030-2034	220,715	9,847
2035	24,055	1,495
Total	<u>1,964,845</u>	<u>792,846</u>
Unamortized Premium/Discount	--	--
Deferred Amount on Refunding	<u>(6,085)</u>	<u>--</u>
Total	<u>\$ 1,958,760</u>	<u>\$ 792,846</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, 2004, the Authority had issued 142 series of such bonds in an aggregate principal amount of \$82.6 million for economic projects in Wisconsin.

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 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, 2004 are classified as effective. The Authority does not intend to terminate these agreements prior to their maturity.

The following table outlines information related to agreements in place as of June 30, 2004 (in thousands):

Program and Bond Issue	Notional Value at 6/30/04	Effective Date	Swap Termination Date	Counterparty Credit Rating	Percent Fixed Rate Paid	Variable Rate/Index Received	Swap Termination Market Value at 6/30/04
Housing Revenue Bonds							
2002 Series H	\$ 25,520	5/21/2002	11/1/2033	AAA	4.68	70% of one month London Interbank Offered Rate (LIBOR)	\$ (1,329)
2003 Series D	8,710	12/23/2003	5/1/2044	AAA	4.21	65% of one month LIBOR + 25 basis points	(91)
2003 Series E	11,805	12/23/2003	5/1/2043	AAA	4.05	63.5% of one month LIBOR + 25 basis points	(111)
							<u>(1,531)</u>
1987 Home Ownership Revenue Bonds							
2002 Series B	17,740	2/6/2002	3/1/2020	AAA	5.88	One month LIBOR + 35 basis points	(716)
2002 Series C	14,945	2/6/2002	9/1/2012	AAA	3.69	67 percent of one month LIBOR	(570)
2002 Series D	6,570	2/6/2002	9/1/2006	AAA	2.91	70 percent of one month LIBOR	(71)
2002 Series I	8,175	10/17/2002	3/1/2008	AA+	2.33	70 percent of one month LIBOR	(4)
2002 Series I	35,020	10/17/2002	9/1/2032	AA+	4.07	70 percent of one month LIBOR	(92)
2002 Series J	9,640	10/17/2002	9/1/2006	AA+	3.13	One month LIBOR + 40 basis points	(6)
2003 Series B	109,395	7/29/2003	9/1/2034	AAA	3.935	65 percent of one month LIBOR + 25 basis points	(1,202)
2004 Series A	31,020	4/29/2004	9/1/2022	AAA	4.47	BMA + 8 basis points	(368)
2004 Series A	30,515	4/29/2004	9/1/2012	AAA	2.87	65 percent of one month LIBOR + 25 basis points	138
2004 Series A	42,035	4/29/2004	3/1/2035	AAA	4.27	65 percent of one month LIBOR + 25 basis points	(964)
							<u>(3,855)</u>
1988 Home Ownership Revenue Bonds							
2002 Series E	20,205	7/11/2002	3/1/2011	AAA	3.24	70 percent of one month LIBOR	(319)
2002 Series E	23,890	7/11/2002	9/1/2032	AAA	4.67	70 percent of one month LIBOR	(904)
2002 Series F	21,180	7/11/2002	9/1/2014	AAA	5.20	Three months LIBOR + 40 basis points	(422)
2003 Series A	24,985	4/3/2003	9/1/2014	AAA	2.98	65 percent one month LIBOR + 25 basis points	329
2003 Series A	31,375	4/3/2003	9/1/2030	AAA	4.26	65 percent one month LIBOR + 25 basis points	61
2003 Series A	17,920	4/3/2003	9/1/2033	AAA	4.17	65 percent one month LIBOR + 25 basis points	111
2003 Series C	21,520	11/4/2003	3/1/2019	AAA	3.32	65 percent one month LIBOR + 25 basis points	138
2003 Series C	38,605	11/4/2003	3/1/2034	AAA	4.3	65 percent one month LIBOR + 25 basis points	(660)
							<u>(1,666)</u>
							<u>\$ (7,052)</u>

The commercial paper obligations are issued for terms of one to 270 days. These obligations bear interest at various rates, which ranged from 1.15 percent to 1.25 percent and 0.95 percent to 1.3 percent at June 30, 2004 and June 30, 2003 respectively. The obligations are backed by a line of credit agreement which is renewable annually and bears interest at variable rates, based on an index defined in the agreement. The line of credit agreements used for temporary mortgage financing, one of which is renewable annually, bear interest based on the 30 day LIBOR rate. The three agreements bear interest at the rates of 1.875 percent, 1.99 percent and 1.59 percent at June 30, 2004.

#### **University of Wisconsin Hospitals and Clinics Authority**

In April 1997, the University of Wisconsin Hospitals and Clinics Authority (the Hospital) issued \$50.0 million of Variable Rate Demand Hospital Revenue Bonds, Series 1997. The bond proceeds are designated to finance qualified capital projects. Principal payments on the Series 1997 Bonds are due annually commencing in April 2010 through April 2026. Interest is payable monthly. The effective annual estimated interest rate was 1.0 percent in 2004.

In March 2000, the Hospital issued \$56.5 million of Hospital Revenue Bonds Series 2000. The bond proceeds are designated to finance qualified capital projects. Principal payments are due annually commencing in April 2007 through April 2029. Interest rates range from 5.35 percent to 6.20 percent and interest is payable semiannually on April 1 and October 1 each year beginning October 1, 2000. The effective annual interest rate was 6.1 percent in 2004.

The Series 1997 Bonds, Series 2000 Bonds and Series 2002 Bonds 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 the lease agreement (Note 1-B) and provisions limiting the amount of additional indebtedness which may be incurred. The borrowing agreements also require the establishment and maintenance of certain funds under the control of a trustee.

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. Principal payments on the Series 2002A Bonds range from \$500 thousand to \$3.9 million due annually commencing in April 2013 through 2032. The interest rates and the interest payment dates for the Series 2002A Bonds vary depending on if the bonds are in auction mode, daily mode, weekly mode, or in flexible mode beginning November 29, 2002. Principal payments on the Series 2002B Bonds range from \$1.4 million to \$1.9 million due annually commencing in April 2006 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 2002 A Bonds was 2.2 percent in 2004. The effective annual interest rate of the Series 2002B Bonds was 5.4 percent in 2004.

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, 2004, 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 percent of one-month LIBOR per annum, payable monthly. As of June 30, 2004, the interest rate received by the Hospital was 1.1 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. As of June 30, 2004, 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 fair value of the swap is \$(375,361) at June 30, 2004.

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

Fiscal Year Ended	Principal	Interest	Interest Rate		Total
			Swap, Net		
2005	\$ 2,053	\$ 6,686	\$ 608		\$ 9,347
2006	4,737	6,575	608		11,920
2007	4,825	6,356	609		11,790
2008	4,736	6,711	609		12,056
2009	4,864	5,858	609		11,331
2010-2014	30,669	25,267	3,042		58,978
2015-2019	36,128	19,885	3,042		59,055
2020-2024	44,470	14,781	1,825		61,076
2025-2029	55,110	7,785	--		62,895
2030-2032	7,630	341	--		7,971
Premium on 2002B Bonds	563	--	--		563
	<u>\$195,785</u>	<u>\$ 100,245</u>	<u>\$ 10,952</u>		<u>\$306,982</u>

The Hospital is limited to total borrowings, exclusive of amounts payable to the primary government, to \$235.0 million, with limited exceptions.

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, 2004 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2005	\$ --	\$ 5,185
2006	1,385	5,186
2007	2,035	5,114
2008	2,480	5,007
2009	2,815	4,870
2010-2014	21,325	21,789
2015-2019	35,280	17,752
2020-2024	43,970	13,446
2025-2029	54,510	7,636
2030-2034	11,200	240
Total	175,000	86,225
Unamortized Premium/Discount	628	--
Deferred Amount on Refunding	--	--
Total	<u>\$ 175,628</u>	<u>\$ 86,225</u>

**State Fair Park Exposition Center, Inc.**

In August 2001, the State Fair Park Exposition Center, Inc. (the Center) issued \$44.9 million of City of West Allis, Wisconsin, Variable Rate Demand Revenue Bonds, Series 2001, which were issued to finance the construction of the exposition center. The bonds call for monthly interest-only payments for the first two years. The bonds have a final maturity date of August 1, 2028, with no set schedule for principal repayment. However, the bonds require mandatory redemption to the extent of unused bond proceeds. Repayment of the bonds is guaranteed by a ground lease and license agreement, and letter of credit issued by US Bank which expired on October 15, 2003. The letter of credit was renewed effective October 15, 2003 through October 15, 2004. The Center has not been notified of any event of default with respect to the industrial revenue bonds payable restrictive covenants as of December 31, 2003.

Debt service requirements for principal and interest for the Center, at December 31, 2003 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2004	\$ 290	\$ 2,579
2005	390	2,560
2006	495	2,536
2007	610	2,504
2008	715	2,466
2009-2013	5,555	11,471
2014-2018	7,845	9,415
2019-2023	10,600	6,608
2024-2028	14,295	2,751
Total	40,795	42,890
Unamortized Premium/Discount	--	--
Deferred Amount on Refunding	--	--
Total	<u>\$ 40,795</u>	<u>\$ 42,890</u>

In addition, the Center had notes payable of \$130 thousand outstanding at June 30, 2004.



University of Wisconsin Foundation

Long-term debt consists of a note payable to U.S. Bank, N.A. The note was refinanced effective March 1, 2003. The note is payable in accreting monthly principal installments beginning with \$10.6 thousand, with a 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, 2003 was \$2.8 million.

Future maturities of long-term debt as of December 31, 2003 are as follows (in thousands):

Year ended December 31	Total Principal
2004	\$ 137
2005	144
2006	152
2007	160
2008	168
Later years	2,032
	\$ 2,792

**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.

In February 1996, the State participated in a refunding (1996 Series 1) of general obligation debt that fell within the provisions of GASB Statement No. 23. The State is amortizing these deferred amounts over a period of approximately 19 years, using the straight-line method.

**Current Year Refundings/General Obligation Bonds**

In October 2003, the State issued \$67.9 million of general obligation refunding bonds (2003 Series 3), the proceeds of which were used to current refund the May 1, 2004 through November 1, 2006 maturities of the 1993 Series 5 bonds. The refunding resulted in an increase in total debt service payments by \$50.7 million with an economic loss of \$9.0 million

In January 2004, the State issued \$147.0 million of general obligation refunding bonds (2004 Series 1), the proceeds of which were deposited in an escrow account to provide for future debt service payments and redemption of \$145.1 million of various general obligation bonds outstanding at the time of the refunding. As a result of the refunding, the bonds are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by \$5.8 million and an economic gain of \$5.7 million.

In January 2004, the State issued \$175.8 million of general obligation refunding bonds (2004 Series 2), the proceeds of which were deposited in an escrow account to provide for future debt service payments and redemption of \$177.5 million of various general obligation bonds outstanding at the time of the refunding. As a result of the refunding, the bonds are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by \$8.3 million and an economic gain of \$8.1 million.

In March 2004, the State issued \$175.0 million of general obligation refunding notes (2004 Series 1), the proceeds of which were used to current refund on May 1, 2004 principal of various

general obligation bonds in the amount of \$175.0 million. In June 2004, the State issued \$175.0 million of general obligation refunding bonds (2004 Series 3), the proceeds of which were used to fund the notes. The refunding resulted in an increase in total debt service payments by \$66.2 million and an economic loss of \$12.0 million.

**Current Year Exchange/General Obligation Bonds**

In April 2004, the Environmental Improvement Fund exchanged \$116.8 million of general obligation bonds (multiple issues), the debt service of which is used to bridge the difference between the payments received in the Leveraged Loan Portfolio and the debt service due on the revenue obligations issued to fund the Leveraged Loan Portfolio, for a global certificate in the amount of \$116.8 million. The exchange resulted in an increase in total debt service payments by \$6.7 million and an economic gain of \$0.8 million.

**Current Year Refundings/Revenue Bonds**

In March 2004, the State issued \$116.8 million of clean water revenue bonds (2004 Series 1) of which \$16.8 million was used to current refund the outstanding 2008 maturity of the 1993 Series 2 bonds. The refunding resulted in a decrease of \$1.0 million in total debt service payments and an economic gain of \$1.0 million.

In May 2004, the State issued \$95.5 million of petroleum inspection fee revenue refunding bonds (2004 Series 1), the proceeds of which were deposited in an escrow account to provide for future debt service payments and redemption of \$96.6 million of the 2000 Series A bonds maturing from 2007 through 2012 outstanding at the time of the refunding. As a result of the refunding, the bonds are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by \$4.8 million and an economic gain of \$4.0 million.

**Prior Year Refundings/General Obligation Bonds**

Government Accounting Standards Board Statement No. 7 *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. At June 30, 2004, approximately \$703.2 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, 2004, revenue bonds outstanding of \$219.7 million have been defeased.
- Transportation revenue bonds – At June 30, 2004, revenue bonds outstanding of \$233.3 million have been defeased.
- Petroleum Inspection Fee revenue bonds – At June 30, 2004, revenue bonds outstanding of \$96.6 million have been defeased.

In addition, the Wisconsin Housing and Economic Development Authority (the Authority), a proprietary component unit, defeased Insured Mortgage Revenue Bonds payable aggregating \$48.4 million and sold the related Insured Mortgage Loan portfolio on March 1, 1990. As of June 30, 2004, the remaining outstanding defeased debt was \$30.7 million.

**Early Extinguishments**

**Component Units**

Wisconsin Housing and Economic Development Authority

During 2004, 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 and, in certain instances, the payment of an early redemption premium. A summary of these early redemptions follows (in thousands):

Bond Issue	Redemptions 2004
Home Ownership Revenue	
Bond Resolutions:	
1987	\$ 112,655
1988	193,775
All Other	291,835
Housing Revenue Bonds	18,060
General funds	2,755

**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 in anticipation of revenue or bond financing. 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. As of June 30, 2004, the State issued \$166.7 million of general obligation commercial paper notes. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes.

The State intends to make annual May 1 payments on the outstanding commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular payments to the issuing and paying agent that will be equal to the interest due on maturing notes. At June 30, 2004, the amount of commercial paper notes outstanding was \$68.6 million which had interest rates ranging from 0.92 percent to 1.11 percent and maturities ranging from July 6, 2004 to August 16, 2004.

Short-term debt activity for the year ended June 30, 2004 for the general obligation commercial paper notes was as follows (in millions):

Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
\$ 77.1	\$ --	\$ 8.5	\$ 68.6

**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. As of June 30, 2004, the State issued \$440.5 million of general obligation extendible municipal commercial paper. 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 payments to the issuing and paying agent that will be equal to the upcoming interest due on maturing notes. At June 30, 2004, the amount of extendible municipal commercial paper outstanding was \$313.9 million which

had interest rates ranging from 0.98 percent to 1.14 percent and maturities ranging from July 6, 2004, to September 8, 2004.

Short-term debt activity for the year ended June 30, 2004 for the general obligation extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
\$ 239.9	\$ 100.0	\$ 26.0	\$ 313.9

**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. As of June 30, 2004, the State issued \$142.3 million of petroleum inspection fee revenue extendible municipal commercial paper. 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 payments to the issuing and paying agent that will be equal to the upcoming interest due on maturing paper. At June 30, 2004, the amount of extendible commercial paper outstanding was \$142.3 million which had interest rates ranging from 1.06 percent to 1.13 percent and maturities ranging from August 10, 2004 to September 8, 2004.

Short-term debt activity for the year ended June 30, 2004 for the petroleum inspection fee revenue extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
\$ 142.3	\$ --	\$ --	\$ 142.3

**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. As of June 30, 2004, the State issued \$157.8 million of transportation revenue commercial paper notes. 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 payments to the issuing and paying agent that will

be equal to the upcoming interest due on maturing notes. At June 30, 2004, the amount of commercial paper notes outstanding was \$125.8 million which had interest rates ranging from 1.05 percent to 1.20 percent and maturities ranging from July 6, 2004 to January 12, 2005.

Short-term debt activity for the year ended June 30, 2004 for the transportation revenue commercial paper notes was as follows (in millions):

Balance		Balance	
July 1, 2003	Additions	Reductions	June 30, 2004
\$ 131.4	\$ --	\$ 5.6	\$ 125.8

**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, 2004, the following parity Master Lease certificates were outstanding:

- Master Lease Certificates of Participation of 1999, Series A, in the amount of \$0.6 million. This series of Master Lease certificates have interest rates ranging from 3.8 percent to 3.9 percent and mature semi-annually through March 1, 2005.
- Master Lease Certificates of Participation of 1999, Series B (Taxable), in the amount of \$3.5 million. This series of Master Lease certificates have interest rates of 5.6 percent and mature semi-annually through September 1, 2005.
- Master Lease Certificates of Participation of 2000, Series A, in the amount of \$7.4 million. This series of Master Lease certificates have interest rates ranging from 4.5 percent to 4.75 percent and mature semi-annually through September 1, 2007.
- Master Lease Certificates of Participation of 2000, Series B (Taxable), in the amount of \$3.8 million. This series of Master Lease certificates have interest rates ranging from 6.9 percent to 7.0 percent and mature semi-annually through September 1, 2005.

- Master Lease Certificates of Participation of 2002, Series A, in the amount of \$26.2 million. This series of Master Lease certificates have interest rates ranging from 3.00 percent to 3.75 percent and mature semi-annually through September 1, 2007.
- Master Lease Certificates of Participation of 2002, Series C and Master Lease Certificates of Participation of 2003, Series B (Revolving Credit Agreement – Tax Exempt) in the amount of \$14.3 million. These Master Lease certificates evidence the State's obligation to repay tax-exempt revolving loans under a Revolving Credit Agreement, dated July 1, 2002, as amended, between U.S. Bank National Association (Trustee) and the Bank of America Leasing & Capital LLC. These Master Lease certificates shall bear interest at the rates provided for in the Revolving Credit Agreement and both mature on March 1, 2013. The balance of these certificates of participation may include some accrued interest that will be payable at the next semi-annual interest payment date.
- Master Lease Certificates of Participation of 2002, Series D, in the amount of \$23.1 million. This series of Master Lease Certificates have interest rates ranging from 2.0 percent to 5.0 percent and mature semi-annually through September 1, 2007.
- Master Lease Certificates of Participation of 2003, Series A (Revolving Credit Agreement – Taxable). This Master Lease certificate evidences the State's obligation to repay revolving loans under a Revolving Credit Agreement, dated July 1, 2002, as amended, between U.S. Bank National Association (Trustee) and the Bank of America Leasing & Capital LLC. The Commitment date under the Revolving Credit Agreement is June 30, 2005. This Master Lease certificate shall bear interest at the rates provided for in the Revolving Credit Agreement and matures on March 1, 2022. The balance of this certificate of participation may include some accrued interest that will be payable at the next semi-annual interest payment date.

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, 2004, the State has deposited with the Trustee amounts, that when invested, will terminate lease schedules having an aggregate outstanding amount of \$8.4 million. As a result of terminating these lease schedules, the associated liability is removed from the financial statements.

## 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, 2004, no material arbitrage rebate liabilities existed.

## H. Moral Obligation Debt

Through legislation enacted in 1994, the State authorized the creation of local exposition 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 costs related to an exposition center, 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' reserve funds that secure up to \$200 million principal amount of bonds. To date, the Wisconsin Center District has issued \$125.8 million of bonds that are subject to the moral obligation. The two other local exposition 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. Each of these 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. Two bond issues of \$112.0 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, 2004, \$50.0 million was unused and available.

The State has previously entered into a credit agreement to provide a line of credit for liquidity support for up to \$80.0 million of general obligation commercial paper notes. The line of credit expires in March, 2005, but is subject to annual renewal as provided for in the credit agreement. The cost of this line of credit is 0.125 percent per year.

Also, the State has entered into a credit agreement with two banks to provide a line of credit for liquidity support for its transportation revenue commercial paper program. The amount of the line of credit is \$135.0 million. This line of credit expires in May, 2005, but is subject to renewal as provided for in the credit agreement. The cost of this line of credit is 0.170 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, 2004 for capital leases (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities
2005	\$ 6,440	\$ 7,122
2006	5,512	6,454
2007	4,160	5,744
2008	4,696	25,931
2009	1,279	1,887
2010 – 2014	1,242	8,890
2015 – 2019	142	2,051
Total minimum future payments	23,470	58,079
Less: Executory costs	(3)	--
Less: Interest	(3,141)	(9,502)
Present value of net minimum lease payments	\$ 20,326	\$ 48,577

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, 2004 (in thousands):

	Governmental Activities	Business-type Activities
Land and Land Improvements	\$ 376	\$ 209
Buildings and Improvements	963	59,378
Machinery and Equipment	56,275	10,327
Less: Accumulated Depreciation	(13,428)	(11,732)
Carrying Amount	\$ 44,186	\$ 58,182

**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, 2004 was as follows:

Balance Due	Average Life (Weighted Term)
\$85,014,923	3.5793 Years

**Component Unit**

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. Interest rates on the related bonds range from 4.0 percent to 6.26 percent, with final maturities due beginning in April 2000 through April 2022. Scheduled principal and interest payments through April 2022 are \$20.2 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 2004 were \$66.2 million. Of this amount, \$65.4 million relates to minimum rental payments stipulated in lease agreements, \$303 thousand relates to contingent rentals, and \$510 thousand relates to sublease rental payments.

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

Fiscal Year	Governmental Activities	Business- type Activities	Fiduciary Funds	Units
2005	\$ 39,622	\$ 11,757	\$ 97	\$ 6,518
2006	31,454	8,042	63	6,241
2007	24,966	4,748	31	5,635
2008	22,243	3,827	25	4,476
2009	15,349	2,901	1	3,238
2010 – 2014	29,960	10,582	--	7,678
2015 – 2019	4,848	578	--	--
2020 – 2024	673	269	--	--
2025 – 2029	632	61	--	--
2030 – 2034	473	45	--	--
Thereafter	412	--	--	--
Minimum lease payments	<u>\$ 170,633</u>	<u>\$ 42,811</u>	<u>\$ 217</u>	<u>\$ 33,787</u>

**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, 2004 for installment purchases (in thousands):

Fiscal Year	Governmental Activities
2005	\$ 1,556
2006	911
2007	402
2008	39
Total minimum future payments	<u>2,907</u>
Less: Interest	<u>(138)</u>
Present value of net minimum installment payments	<u>\$ 2,770</u>

**NOTE 13. 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 fixed 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, 2002, may be obtained by writing to:

Department of Employee Trust Funds  
 801 West Badger Road  
 P.O. Box 7931  
 Madison, WI 53707-7931.

The separately issued financial reports for the year ended December 31, 2003 will be available in early Calendar Year 2005.

**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 for at least one year must be covered by the WRS. As of December 31, 2003, the number of participating employers was:

State Agencies	61
Cities	153
Counties	71
4 <sup>th</sup> Class Cities	34
Villages	227
Towns	203
School Districts	426
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	177
<b>Total Employers</b>	<b>1,380</b>

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 fixed retirement investment trust. The variable retirement investment trust consists primarily of equity securities. The fixed retirement investment trust is a balanced investment fund made up of fixed income securities and equity securities. Shares in the fixed 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 fixed 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 (2.6 percent for Executives and Elected Officials, 4.5 percent for Protective Occupations with Social Security, and 3.2 percent for Protective Occupations without Social Security) to the plan as of June 30, 2004. 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; however, State legislation in 1999 prescribed a \$200 million contribution holiday for employers for the first time in the plan's history. State contributions made for the years ended December 31, 2003, 2002 and 2001 were as follows (in millions):

	2003	2002	2001
Employer current service	\$ 140.4	\$ 127.2	\$ 122.9
Percent of payroll	4.5%	4.3%	4.2%
Employer prior service	\$ 706.8	\$ 38.3	\$ 15.5
Percent of payroll	22.4%	1.3%	0.5%
Employee required	\$ 154.1	\$ 145.7	\$ 140.9
Percent of payroll	4.9%	4.9%	4.9%
Benefit adjustment contrib.	\$ 11.1	\$ 5.3	\$ 5.1
Percent of payroll	0.4%	0.2%	0.2%
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. 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, 2004 and 2003, the WRS's unfunded actuarial accrued liability was \$0.5 billion and \$1.7 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 14. MILWAUKEE RETIREMENT SYSTEM**

The Milwaukee Retirement System (MRS), with participation by the City of Milwaukee Retirement System and the Milwaukee Public Schools Retirement System, 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 Fixed Retirement Investment Trust (FRIT) and the Variable Retirement Investment Trust (VRIT), funds of the Wisconsin Retirement System (WRS). Participation of the MRS in the FRIT and VRIT is described in the DETF Administrative Code, Chapter 10.12. The State of Wisconsin Investment Board (SWIB) manages the FRIT 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 FRIT and VRIT consist of a highly diversified portfolio of securities. Wis. Stat. 25.17(3)(a) allow 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 FRIT 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.

equivalents. The following tables present investments of the FRIT and VRIT at June 30, 2004, categorized in accordance with the level of risk requirements of GASB Statement No. 3 (in millions):

At June 30, 2004, the FRIT and VRIT held \$68,877.7 million of investments of which includes \$5,053.0 million of securities lending collateral and \$388.3 million of pooled cash and cash

**Fixed Retirement Investment Trust:**

	Category			Fair Value
	1	2	3	
Fixed Income	\$ 8,365.3	\$ --	\$ --	\$ 8,365.3
Stocks	11,719.5	--	--	11,719.5
Repurchase Agreements	1,281.4	--	--	1,281.4
Certificates of Deposit	426.5	--	--	426.5
Total	<u>\$ 21,792.7</u>	<u>\$ --</u>	<u>\$ --</u>	<u>21,792.7</u>
Limited Partnerships				2,530.0
Pooled Multi-Asset Fund				336.8
Pooled Equities				24,591.4
Pooled Bonds				6,699.0
Mortgages				593.1
Real Estate Owned				417.1
Custodial Pooled Cash and Equivalents				370.3
Investments Held by Broker Dealers under Securities Loans:				
Fixed Income				3,765.0
Equities				1,022.4
Securities Lending Cash Collateral Pooled Investments				800.4
				<u>\$ 62,918.2</u>

**Variable Retirement Investment Trust:**

	Category			Fair Value
	1	2	3	
Fixed Income	\$ 92.2	\$ --	\$ --	\$ 92.2
Stocks	2,228.8	--	--	2,228.8
Repurchase Agreements	53.6	--	--	53.6
Certificates of Deposit	14.4	--	--	14.4
Total	<u>\$ 2,389.0</u>	<u>\$ --</u>	<u>\$ --</u>	<u>2,389.0</u>
Pooled Equities				3,320.1
Pooled Cash and Equivalents				18.0
Investments Held by Broker Dealers under Securities Loans:				
Equities				198.9
Securities Lending Cash Collateral Pooled Investments				33.5
				<u>\$ 5,959.5</u>

The following schedule provides summary information by investment classification for the FRIT at June 30, 2004 (in thousands):

Classification	Interest/Coupon Rates	Maturity Dates	Cost	Fair Value
Fixed Income	Variable and 0.3 to 28.7	7/04 to 11/49	\$ 15,665,998	\$ 16,500,477
Common and Preferred Stock	N/A	N/A	31,115,940	37,333,313
Limited Partnerships	N/A	N/A	2,741,924	2,529,989
Mortgages	6.77 to 12.25	8/04 to 6/22	539,949	593,064
Real Estate Owned	N/A	N/A	318,807	417,080
Multi-Asset	N/A	N/A	250,000	336,814
Total Investments			<u>\$ 50,632,619</u>	<u>\$ 57,710,738</u>

The following schedule provides summary information by investment classification for the VRIT at June 30, 2004 (in thousands):

Classification	Interest/Coupon Rates	Maturity Dates	Cost	Fair Value
Common and Preferred Stock	N/A	N/A	\$ 4,926,422	\$ 5,747,730
Total Investments			<u>\$ 4,926,422</u>	<u>\$ 5,747,730</u>

Significant financial data for the FRIT and VRIT for the year ended June 30, 2004 is presented below (in thousands):

Fixed Retirement Investment Trust Condensed Statement of Net Assets As of June 30, 2004		Fixed Retirement Investment Trust Condensed Statement of Changes in Net Assets For the Year Ended June 30, 2004	
Assets:		Additions:	
Cash and Cash Equivalents	\$ 1,643,140	Net Increase (Decrease ) in Fair Value of Investments	\$ 7,396,289
Securities Lending Collateral	4,850,013	Interest	547,506
Investment Receivables	439,800	Dividends	263,790
Investments, at Fair Value	57,710,738	Securities Lending Income	44,422
Other Assets	<u>2,442</u>	Other	<u>97,995</u>
Total Assets	<u>64,646,133</u>	Total Additions	<u>8,350,002</u>
Liabilities:		Deductions:	
Securities Lending Collateral Liability	4,850,013	Investment Expense	139,135
Investment Payables	<u>655,479</u>	Securities Lending Rebates and Fees	36,256
Total Liabilities	<u>5,505,492</u>	Net Withdrawals by Pool Participants	<u>(694,261)</u>
Net Assets Held in Trust of:		Total Deductions	<u>(518,870)</u>
Internal Investment Pool Participants	59,084,812	Net Increase (Decrease)	8,868,872
Milwaukee Retirement System	<u>55,830</u>	Net Assets Held in Trust for Pool Participants	
	<u>\$ 59,140,642</u>	Beginning of Year	<u>50,271,770</u>
		End of Year	<u>\$ 59,140,642</u>

**Variable Retirement Investment Trust**  
**Condensed Statement of Net Assets**  
**As of June 30, 2004**

Assets:	
Cash and Cash Equivalents	\$ 63,212
Securities Lending Collateral	203,046
Investment Receivables	114,422
Investments, at Fair Value	<u>5,747,730</u>
Total Assets	<u>6,128,411</u>
Liabilities:	
Securities Lending Collateral Liability	203,046
Investment Payables	<u>116,092</u>
Total Liabilities	<u>319,139</u>
Net Assets Held in Trust of:	
Internal Investment Pool Participants	5,774,033
Milwaukee Retirement System	<u>35,240</u>
	<u>\$ 5,809,273</u>

**Variable Retirement Investment Trust**  
**Condensed Statement of Changes in Net Assets**  
**For the Year Ended June 30, 2004**

Additions:	
Net Increase (Decrease) in Fair Value of Investments	\$ 1,102,491
Interest	786
Dividends	40,447
Securities Lending Income	<u>1,652</u>
Total Additions	<u>1,145,376</u>
Deductions:	
Investment Expense	7,416
Securities Lending Rebates and Fees	1,073
Net Withdrawals by Pool Participants	<u>378,123</u>
Total Deductions	<u>386,612</u>
Net Increase (Decrease)	758,764
Net Assets Held in Trust for Pool Participants	
Beginning of Year	5,050,509
End of Year	<u>\$ 5,809,273</u>

**NOTE 15. OTHER EMPLOYMENT  
BENEFITS**

In addition to providing pension benefits, the State participates in the Department of Employee Trust Funds administered post retirement life insurance and health insurance benefit programs. The State provides life and health insurance benefits for retired employees in accordance with Chapter 40 of the Wisconsin Statutes.

Post retirement life insurance is provided to employees retiring before age 65 if they (1) have 20 years of creditable service, and (2) are eligible for a retirement annuity. This coverage is at the employee's expense (employee must pay the full premium) until age 65 when reduced coverage is provided at no cost. Employees retiring at or after age 65 are immediately eligible for reduced coverage at no cost. Beginning in the month in which an insured annuitant reaches age 65, premiums are no longer collected and coverage is continued for life. Approximately 13,112 State annuitants currently qualify for coverage without premium. Post retirement life insurance is fully insured by an independent insurance carrier. Premiums are prefunded with employer paid premiums during the employee's active career. The amount of premiums is determined by the insurer. The accrued liability and assets specifically related to post employment benefits could not be determined.

In accordance with Chapter 40, Wisconsin Statutes, the State also provides that employees retiring and beginning an immediate annuity are eligible for conversion of unused sick leave to post retirement health insurance. At the time of eligibility for an immediate annuity or employee's death, that employee's accumulated unused sick leave balance may be converted at the employee's current rate of pay to credits for the payment of health insurance premiums for the employee or the employee's surviving dependents. The program also provides partial matching of sick leave accumulation depending on years of service and employment category. Health insurance premiums are paid on the employee, or employee's dependents behalf, until the sick leave conversion credits are exhausted. At that time, the employee has the option to continue coverage by paying the total cost of the premiums. Approximately 9,044 annuitants are currently receiving health insurance coverage through sick leave conversion credits. Accumulated sick leave conversion is prefunded based on an actuarially determined percentage of payroll. The actuarial valuation is based on the frozen initial liability cost method.

Significant actuarial assumptions include an 7.8 percent assumed interest rate, 4.1 percent assumed annual salary growth, and an average sick leave accumulation of 6.4 days per year for non-University employees and 7.4 days per year for University employees. The assets and reserves of the sick leave conversion program are accounted for in a fiduciary fund. The accrued liability for the post retirement health insurance benefits at December 31, 2003, determined through an actuarial valuation

performed on that date, was \$1,625.0 million. The program's assets on that date were \$1,605.0 million. The unfunded liability was \$20.0 million.

Assets of the life insurance and health insurance benefit programs are valued at fair value.

The State's postemployment life insurance required and actual contributions totaled \$4.6 million during the calendar year ended December 31, 2003.

For that same time period, the State paid required and excess contributions totaling \$813.1 million to fund health insurance and to pay the State's unfunded actuarially accrued liability for health benefits to be paid in the future.

**NOTE 16. 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, protective occupation duty disability insurance and long-term disability insurance. The information provided in this note applies to the period ending December 31, 2003.

**A. Description of Funds**

The Health Insurance Fund offers group health insurance for current and retired employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Approximately 305 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). Also, starting January 1, 2004, a self-insured plan began 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 147 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 Duty Disability Fund offers special disability insurance for State and local Wisconsin Retirement System participants in protective occupations. Participation in the program is mandatory for all Wisconsin Retirement System employers with protective occupation employees. Approximately 476 local employers plus the State currently participate. The plan is self-insured and risk is shared between the State and local portions of the plan.

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 are invested in the State Investment Fund. Assets of the Income Continuation Insurance, Duty Disability and Long-term Disability Insurance funds are invested in the fixed 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 8 percent for income continuation, long-term disability, and duty disability insurance. The liabilities for income continuation, long-term disability, health insurance and duty disability insurance were determined by actuarial methods. The Duty Disability Fund's accounting deficit is being amortized over a twenty-three year period beginning January 1, 2000. Face values are not available.

*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 (Health, Income Continuation Insurance and Long-term Disability Insurance) and the Employee Trust Funds Board (Duty Disability) 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 2003 (in millions):

	Health Insurance		Income Continuation Insurance		Duty Disability		Long-term Disability Insurance	
	2003	2002	2003	2002	2003	2002	2003	2002
Unpaid claims at beginning of the calendar year	\$ 8.1	\$ 12.8	\$58.2	\$57.0	\$320.8	\$318.3	\$43.8	\$34.3
Incurred claims:								
Provision for insured events of the current calendar year	73.2	70.5	23.4	17.1	41.0	30.7	15.9	11.7
Changes in provision for insured events of prior calendar years	(1.1)	(5.4)	(13.2)	(2.8)	0.4	(6.6)	1.3	3.0
Total incurred claims	72.1	65.1	10.2	14.3	41.4	24.1	17.2	14.7
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	65.1	62.5	4.5	3.5	0.3	0.2	0.3	0.0
Claims and claim adjustment expenses attributable to insured events of prior calendar years	6.8	7.3	7.0	9.6	22.7	21.4	6.7	5.2
Total payments	71.9	69.8	11.5	13.1	23.0	21.6	7.0	5.2
Total unpaid claims expenses at end of the calendar year	\$ 8.3	\$ 8.1	\$56.9	\$58.2	\$339.2	\$320.8	\$54.0	\$43.8

**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, 2003 will be available in early Calendar Year 2005. Copies of these and prior years statements may be requested from:

The Department of Employee Trust Funds  
801 West Badger Road  
P.O. Box 7931  
Madison, Wisconsin 53707-7931

**NOTE 17. 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 \$2.5 million per occurrence and \$2.7 million annual aggregate. When claims, which exceed \$25,000 per occurrence, total \$2.7 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 2004, 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, 2004 are estimated to total \$3.5 million.

**Property Damages and Bodily Injuries to Third Parties**

The State is self-funded for third party liability to a level of \$3 million per occurrence and purchases insurance in excess of this self-funded retention. The policy limit during Fiscal Year 2004 was \$50 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. Claims incurred but not paid as of June 30, 2004 are estimated to total \$44.7 million.

**Worker's Compensation**

The Worker's Compensation Program was created by Wisconsin Statutes Chapter 102 to provide benefits to workers injured on the job. All employees of the State are included in the program. An injury is covered under worker's compensation if it is caused by an accident that arose out of and in the course of employment.

The responsibility for claiming compensation is on the employee. A claim must be filed with the program within two years from the date of injury, otherwise the claim is not allowable.

The worker's compensation liability has been determined by an actuary using paid claims and current claims reserves. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by external factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims incurred but not paid as of June 30, 2004 are estimated to total \$62.7 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):

	2004	2003
Beginning of fiscal year liability	\$ 118,265	\$ 111,821
Current year claims and changes in estimates	14,819	30,509
Claim payments	(22,228)	(24,065)
Balance at fiscal year-end	<u>\$ 110,856</u>	<u>\$ 118,265</u>

**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, 2004 is \$4.9 million.



**NOTE 18. INSURANCE FUNDS****Primary Government****A. 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, 2004, the Local Government Property Insurance Fund insured 1,203 local governmental units. The total amount of insurance in force as of June 30, 2004 was \$35.9 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, 2004, the fund had \$24.1 million of shares in the State Investment Fund which are considered cash equivalents and \$8.1 million of high grade, long-term, fixed income obligations.

*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 Claims Liabilities* - The Local Government Property Insurance Fund establishes future benefits and loss liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Claims liabilities are recomputed periodically to produce current estimates that reflect recent settlements, claim 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.

*Premium Deficiency* - Investment income is considered in determining whether a premium deficiency exists. No premium deficiency existed at June 30, 2004.

*Reinsurance* - The Local Government Property Insurance Fund uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits

recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the fund as direct insurer of the risks reinsured. The fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. As of June 30, 2004 the fund had \$240 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 \$18.0 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. Premium ceded to reinsurers during the fiscal year amounted to \$5.7 million. Reinsurance loss and adjusting expense recoveries earned for the year amounted to \$87 thousand.

**Unpaid Claims 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 claim adjustment expenses. The following represents changes in those aggregate liabilities for the fund during the past two fiscal years (in thousands):

	2004	2003
Unpaid claims and claim adjustment expenses at beginning of the year	\$12,178	\$11,773
Less: Reinsurance recoverable	(6,468)	(4,706)
Net unpaid loss liability at beginning of year	<u>5,710</u>	<u>7,067</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	11,118	14,406
Increase (decrease) in provision for insured events of prior years	<u>(595)</u>	<u>446</u>
Total incurred claims and claim adjustment expenses	<u>10,523</u>	<u>14,852</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	7,139	9,040
Claims and claim adjustment expenses attributable to insured events prior years	<u>4,740</u>	<u>7,169</u>
Total payments	<u>11,879</u>	<u>16,209</u>
Net unpaid claims and claim adjustment expenses at end of year	4,354	5,710
Reinsurance recoverable	<u>3,652</u>	<u>6,468</u>
Total unpaid claims and claim adjustment expenses	<u>\$8,006</u>	<u>\$12,178</u>

**Trend Information**

Historical trend information showing revenue and claims development information is presented in the Office of the Commissioner of Insurance June 30, 2004 financial statements. Copies of these statements may be requested from:

Office of the Commissioner of Insurance  
 125 South Webster Street  
 Madison, Wisconsin 53702

**B. State Life Insurance Fund**

The State Life Insurance Fund was created under Chapter 607, Wisconsin Statutes, to offer life insurance to residents of Wisconsin in a manner similar to private insurers. This fund functions much like a mutual life insurance company and is subject to the same regulatory requirements as any life insurance company licensed to operate in Wisconsin.

Premiums are reported as earned when due. Benefits and expenses are associated with earned premiums so as to result in recognition of profits over the life of the contracts. This association is accomplished by means of the provision for liabilities for future benefits and the amortization of acquisition costs.

The 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	\$ 13,011	\$ 8,706
1967-1976	38,058	15,811
1977-1985	83,857	20,816
1986-1994	55,063	6,504
1995+	33,952	2,849
	<u>\$ 223,941</u>	<u>\$ 54,686</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+	4.0	1980 CSO, ALB, Aggregate

\* Age Last Birthday

All of the State Life Insurance Fund's ordinary 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, 2003 were \$79.9 million and the statutory capital and surplus were \$4.7 million, and the capital and surplus at June 30, 2004 was \$5.6 million.

**C. Injured Patients and Families Compensation Fund**

The Injured Patients and Families Compensation Fund was created in 1975 for the purpose of providing excess medical malpractice insurance for health care providers in the state. The Injured Patients and Families Compensation Fund pays that portion of a medical malpractice claim which is in excess of the legal primary insurance limit prescribed under law, or the maximum liability limit for which the health provider is insured, whichever limit is greater. 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. 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, 2004 as follows (in thousands):

Projected ultimate loss liability	\$ 1,394,692
Less: Net loss paid from inception	(559,648)
Less: Liability for reported losses	(33,071)
Liability for incurred but not reported losses	<u>\$ 801,973</u>

The Future Benefits and Loss Liability account also includes a provision for the estimated future payment of the costs to settle claims. These ultimate loss adjustment expenses as of June 30, 2004 are estimated at 6.25 percent of the projected ultimate loss liabilities. The loss reserves are actuarially determined. The loss adjustment expenses 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, 2004 as follows (in thousands):

Projected ultimate loss adjustment expense liability	\$ 87,168
Less: Loss adjustment expense paid from inception	(41,768)
Liability for loss adjustment expense	<u>\$ 45,400</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 liabilities. These differences cannot be quantified.

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 the loss reserve liabilities. The loss reserve liabilities are discounted only to the extent that they are matched by cash and invested assets. If all loss liabilities are discounted, the discounted loss liability would be as follows as of June 30, 2004 (in thousands):

Estimated unpaid loss liabilities	\$ 801,973
Estimated unpaid loss adjustment expense	45,401
Total estimated loss liabilities	<u>847,374</u>
Less: Amount representing interest	<u>(213,948)</u>
Discounted loss liabilities	<u>\$ 633,426</u>

The future benefits and loss liabilities are continually reviewed as adjustments to these liabilities become necessary. 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.

On behalf of the Fund's Board, the Office of the Commissioner of Insurance is in the process of contracting for an actuarial audit of the Injured Patients and Families Compensation Fund, which includes a review by another actuary of the reasonableness of the actuarial methodology and assumptions used in developing estimates of the Fund's loss liabilities. The Board believes the current estimate of the Funds' loss liabilities is a reasonable estimate.

**D. Health Insurance Risk Sharing Plan**

The Health Insurance Risk Sharing Plan Fund was established in 1980 to provide major medical and Medicare supplemental insurance for persons unable to obtain this insurance in the private market or who otherwise qualify for eligibility under Section 149.12, Wis. Stats. The Health Insurance Risk Sharing Plan is funded primarily by premiums paid by insureds of the plan, assessments made to participating insurers and reduction of provider payments rates.

The financial statements of the Health Insurance Risk Sharing Plan fund are prepared in conformity with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board. Premiums are recognized as revenues over the terms of the insurance policies, and a liability for unearned premiums is established to reflect premiums received applicable to subsequent accounting periods.

Participating insurers are assessed every six months, and revenue is recognized in the period covered by the assessments.

The future benefits and loss liabilities include loss reserves reflecting the accumulation of losses reported but not paid prior to the close of the accounting period and estimates of incurred but unreported losses. Loss reserves are actuarially determined and are based on historical patterns of claim payments and represent the estimated ultimate cost of settling claims incurred prior to June 30. Due to the inherent uncertainties in the reserving process, loss reserves as computed may not reflect the actual payments ultimately to be made. The methods for making such estimates and for establishing the resulting reserves are continually reviewed, and any adjustments are reflected in earnings currently.

The following represents changes in the Future Benefits and Loss Liabilities account balances for the prior two fiscal years (in thousands):

	2004	2003
Balance, beginning of year	<u>\$ 15,547</u>	<u>\$ 15,296</u>
Incurred related to:		
Current year	106,787	90,904
Prior years	<u>(2,746)</u>	<u>(3,815)</u>
Total Incurred	<u>104,041</u>	<u>87,089</u>
Paid related to:		
Current year	90,088	76,344
Prior years	11,901	10,494
Total Paid	<u>101,989</u>	<u>86,838</u>
Balance, end of year	<u>\$ 17,599</u>	<u>\$ 15,547</u>

The Future Benefits and Loss Liabilities account also includes a reserve for loss adjustment costs to be incurred in settlement of the claims provided for in the loss reserves.

**Component Units****E. 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, 2003.

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, 2002 and December 31, 2003, are as follows (in thousands):

	2003	2002
Balance at January 1	\$ 51,680	\$ 67,212
Incurred related to:		
Current year	6,739	4,044
Prior years	(12,895)	(18,892)
Total Incurred	(6,156)	(14,848)
Paid related to:		
Current year	40	62
Prior years	1,724	622
Total paid	1,764	684
Balance at December 31	\$ 43,760	\$ 51,680

There is inherent uncertainty in medical malpractice claims when establishing the estimates of unpaid losses and unpaid loss adjustment expenses. In 2003 and 2002, 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 19. 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, 2004 is presented below (in thousands):

**Condensed Balance Sheet**

Assets:	
Current Assets	\$ 143,198
Other Assets	725,706
Total Assets	<u>\$ 868,904</u>
Liabilities:	
Due to Other Funds	\$ 2,028
Other Current Liabilities (Including Current Portion of Long-term Debt)	42,486
Noncurrent Liabilities	654,210
Total Liabilities	<u>698,724</u>
Fund Equity:	
Restricted	170,180
Total Fund Equity	<u>170,180</u>
Total Liabilities and Fund Equity	<u>\$ 868,904</u>

**Condensed Statement of Revenues, Expenses and Changes in Fund Equity**

Operating Revenues (Expenses):	
Loan Interest	\$ 17,144
Interest Expense	(34,527)
Other Operating Expenses	(2,088)
Operating Income (Loss)	<u>(19,471)</u>
Nonoperating Revenues (Expenses):	
Investment Income	3,725
Transfers	20,000
Change in Fund Equity	<u>4,254</u>
Beginning Fund Equity	165,926
Ending Fund Equity	<u>\$ 170,180</u>

**Condensed Statement of Cash Flows**

Net Cash Provided (Used) by :	
Operating Activities	\$ (2,190)
Noncapital Financing Activities	54,569
Investing Activities	(9,126)
Net Increase (Decrease)	<u>43,253</u>
Beginning Cash and Cash Equivalents	102,439
Ending Cash and Cash Equivalents	<u>\$ 145,692</u>

**NOTE 20. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION**

Significant financial data for the State's five discretely presented component units for the year ended December 31, 2003 or June 30, 2004 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, Inc.	Total
<b>Condensed Balance Sheet</b>						
Assets:						
Cash, Investments and Other Assets	\$ 2,462,826	\$ 89,095	\$ 172,438	\$ 1,796,284	\$ 5,881	\$ 4,526,524
Due from Primary Government	--	--	2,548	--	131	2,678
Cash and Investments with Other Component Units	--	--	187,584	--	--	187,584
Capital Assets, Net	19,569	--	242,938	7,818	36,946	307,272
Total Assets	<u>\$ 2,482,395</u>	<u>\$ 89,095</u>	<u>\$ 605,508</u>	<u>\$ 1,804,102</u>	<u>\$ 42,958</u>	<u>\$ 5,024,058</u>
Liabilities:						
Accounts Payable and Other Current Liabilities	\$ 138,315	\$ 35,777	\$ 50,592	\$ 294,099	\$ 890	\$ 519,673
Due to Primary Government	2,399	14	3,451	--	90	5,954
Amounts Held for Other Component Units	--	--	--	172,191	--	172,191
Long-term Liabilities (Current and Noncurrent Portions)	1,959,188	43,760	284,316	2,792	40,924	2,330,982
Total Liabilities	<u>2,099,902</u>	<u>79,551</u>	<u>338,359</u>	<u>469,082</u>	<u>41,905</u>	<u>3,028,799</u>
Fund Equity:						
Invested in Capital Assets, Net of Related Debt	1,180	--	86,374	7,818	(3,343)	92,029
Restricted	217,980	9,544	11,279	1,227,680	--	1,466,484
Unrestricted	163,333	--	169,496	99,521	4,396	436,746
Total Fund Equity	<u>382,493</u>	<u>9,544</u>	<u>267,149</u>	<u>1,335,019</u>	<u>1,053</u>	<u>1,995,259</u>
Total Liabilities and Fund Equity	<u>\$ 2,482,395</u>	<u>\$ 89,095</u>	<u>\$ 605,508</u>	<u>\$ 1,804,102</u>	<u>\$ 42,958</u>	<u>\$ 5,024,058</u>
<b>Condensed Statement of Revenues, Expenses and Changes in Fund Equity</b>						
Program Expenses:						
Depreciation	\$ 5,633	\$ --	\$ 25,262	\$ 313	\$ 1,012	\$ 32,221
Payments to Primary Government	--	--	725	98,587	--	99,312
Other	244,287	11,022	561,250	29,642	4,427	850,627
Total Program Expenses	<u>249,920</u>	<u>11,022</u>	<u>587,237</u>	<u>128,542</u>	<u>5,439</u>	<u>982,160</u>
Program Revenues:						
Charges for Services	3,457	2,676	595,358	--	3,828	605,319
Investment and Interest Income	105,347	7,138	--	236,516	--	349,001
Operating Grants and Contributions	128,724	--	1,006	160,426	--	290,156
Capital Grants and Contributions	--	--	6,028	--	--	6,028
Other	10,496	673	11,567	161	143	23,041
Total Program Revenues	<u>248,024</u>	<u>10,487</u>	<u>613,959</u>	<u>397,103</u>	<u>3,971</u>	<u>1,273,545</u>
Net Program Revenue/(Expense)	(1,896)	(535)	26,722	268,562	(1,468)	291,385
General Revenues:						
Interest and Investment Earnings	26,024	--	13,325	--	--	39,349
Change in Fund Equity	24,128	(535)	40,047	268,562	(1,468)	330,734
Fund Equity, Beginning of Year	358,365	10,080	227,102	1,066,457	2,521	1,664,525
Fund Equity, End of Year	<u>\$ 382,493</u>	<u>\$ 9,544</u>	<u>\$ 267,149</u>	<u>\$ 1,335,019</u>	<u>\$ 1,053</u>	<u>\$ 1,995,259</u>

## NOTE 21. 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 2003 Comprehensive Annual Financial Report to the beginning-of-year fund balances/fund equity/net assets reported for Fiscal Year 2004 (in thousands).

### A. Fund Statements – Governmental Funds

	Major Funds		Nonmajor Funds	Total Governmental
	General	Transportation		
Fund Balances June 30, 2003 as reported in the 2003 Comprehensive Annual Financial Report	\$ (2,242,539)	\$ 386,363	\$ 552,872	\$ (1,303,304)
Adoption of GASB Technical Bulletin No. 2004-1 Tobacco Settlement Recognition and Financial Reporting Entity Issues	-	-	234,812	234,812
Other adjustments of assets and liabilities as of June 30, 2003	3,682	-	7,048	10,730
Fund Balances July 1, 2003 as restated	\$ (2,238,857)	\$ 386,363	\$ 794,732	\$ (1,057,762)
Effect of prior period adjustments on the amount of excess revenues and other sources over expenditures and other uses of Fiscal Year 2003	\$ 5,071	\$ -	\$ 6,835	\$ 11,906

### B. Fund Statements – Proprietary Funds

	Major Funds							Total Enterprise	Internal Service Funds
	Injured Patients and Families Compensation	Environmental Improvement	Veterans Mortgage Loan Repayment	University of Wisconsin System	Unemployment Reserve	Nonmajor Funds			
Fund Equity June 30, 2003 as reported in the 2003 Comprehensive Annual Financial Report	\$ 7,932	\$ 984,052	\$ 66,996	\$ 3,505,961	\$ 1,217,032	\$ 365,965	\$ 6,147,938	\$ (4,539)	
Other adjustments of assets and liabilities as of June 30, 2003	-	-	(1,265)	1,749	(1,227)	590	(153)	1,395	
Fund Equity July 1, 2003 as restated	\$ 7,932	\$ 984,052	\$ 65,731	\$ 3,507,710	\$ 1,215,805	\$ 366,555	\$ 6,147,786	\$ (3,143)	
Effect of prior period adjustments on the amount of net change in fund equity of Fiscal Year 2003	\$ -	\$ -	\$ -	\$ -	\$ (1,227)	\$ 1,098	\$ (129)	\$ (1,529)	



**C. Fund Statements – Fiduciary Funds**

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Total Fiduciary
Net Assets June 30, 2003 as reported in the 2003 Comprehensive Annual Financial Report	\$ 56,244,962	\$ 3,560,178	\$ 893,884	\$ 60,699,024
Other adjustments of assets and liabilities as of June 30, 2003	5	-	(5)	-
Net Assets July 1, 2003 as restated	<u>\$ 56,244,967</u>	<u>\$ 3,560,178</u>	<u>\$ 893,878</u>	<u>\$ 60,699,024</u>
Effect of prior period adjustments on the amount of net increase in net assets of Fiscal Year 2003	\$ -	\$ -	\$ -	-

**D. Government-wide Statements**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Net Assets June 30, 2003 as reported in the 2003 Comprehensive Annual Financial Report	\$ 6,947,758	\$ 6,145,416	\$ 13,093,174	\$ (633,369)
Adoption of GASB Statement No. 39, <i>Determining Whether Certain Organizations Are Component Units</i> , Addition of University of Wisconsin Foundation	-	-	-	1,139,313
Adoption of GASB Technical Bulletin No. 2004-1, <i>Tobacco Settlement Recognition and Financial Reporting Entity Issues</i>	(1,309,976)	-	(1,309,976)	1,309,976
University of Wisconsin Hospital and Clinics Authority Cumulative effect of change in accounting principle for pension liability	-	-	-	(81,061)
Inclusion of State Fair Park Exposition Center as a component unit of the State	-	-	-	2,521
Other adjustments of assets and liabilities of June 30, 2003	10,120	(153)	9,968	-
Net Assets July 1, 2003 as restated	<u>\$ 5,647,902</u>	<u>\$ 6,145,263</u>	<u>\$ 11,793,165</u>	<u>\$ 1,737,381</u>
Effect of prior period adjustments on the amount of net increase in net assets of Fiscal Year 2003	\$ 12,016	\$ (129)	\$ 11,888	-

## NOTE 22. 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 \$2.1 million on June 30, 2004 reported in the governmental activities, are discussed below:

*Litigation* - The Department of Health and Family Services is involved in various legal proceedings where the ultimate disposition is estimated at \$0.5 million.

*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 to the above individuals totaled \$1.6 million at June 30, 2004.

#### 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 impact the State by approximately \$9.6 million. 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, except as noted below.

*Corporate Tax Measured by Interest from U.S. Securities* - In this corporate franchise tax case, American Family Mutual Insurance Company and American Standard Insurance Company sought refunds of taxes paid that were measured by U.S. interest.

Federal law prohibits an income tax on U.S. interest, but allows a non-discriminatory franchise tax measured on U.S. interest. The insurance companies argued that because bonds authorized by the State for housing and development were exempt from State taxes, that the franchise tax was discriminatory. The State had heretofore held that the exemption applied only to direct State taxes and had uniformly included interest on the State authorized bonds in the franchise tax measure. The Wisconsin Tax Appeals Commission and the County Circuit Court upheld the State.

The Court of Appeals, District IV, reversed the decisions. The Supreme Court reversed the Court of Appeals. The taxpayers maintain that the decision is not applicable to 1993 and 1994. The State maintains the principles of the decision are applicable to the subsequent years.

Due to the uncertainty in predicting the outcome, a liability has not been recorded as of June 30, 2004.

*Federal Pension Income* - The 1984-1988 period settlements with approximately 3,200 military retirees and 14,000 civilian retirees, triggered by the United States Supreme Court ruling in Davis v. Michigan Department of the Treasury are essentially completed. The Davis case had held that a state government violates the intergovernmental tax immunity clause when it provided for taxation of federal pension benefits. Subsequent litigation with other retirees on a variety of issues has occurred, with the Department prevailing in all instances. Litigation is still in progress on a limited number of issues. The Department of Revenue is confident that it will continue to prevail on this issue. Because a fiscal impact cannot be readily determined if the State were not to prevail, and due to the uncertainty in predicting the outcome, a liability has not been recorded.

*Environmental Clean-up Actions* - The State is involved in environmental clean-up of property owned by the State that has the potential to cause soil and groundwater contamination. Fourteen sites have soil and/or groundwater contamination associated with underground storage tank releases with an estimated remediation cost of \$2.4 million.

The State is also involved in environmental remediations on five properties that do not involve releases from underground storage tanks, with an estimated cost of \$2.5 million.

**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, 2004 reported as Fund Balance - Reserved for Encumbrances, additional obligations at June 30, 2004 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	\$ 291,527
Transportation Revenue Bonds Capital Projects Fund	41,252
General Fund – Department of Commerce programs, including economic and community development programs	30

*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 \$133.3 million as of June 30, 2004. 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 and the reassignment company default on annuity payments. One of the fund's annuity providers has defaulted on \$600 thousand in annuity payments. The total estimated replacement value of the fund's annuities as of June 30, 2004 was \$140.1 million. 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, 2004, the appropriation available totaled \$31.8 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.

*The Veterans Mortgage Loan Repayment Fund* accounts for the issuance and administration of veterans' first mortgage loans. The loans are made to veterans for the purchase of homes to terms up to 30 years. The loan interest rates are set by the Board of Veterans Affairs. The loans are secured by real estate mortgages. The fund has commitments for loans of \$15.0 million as of June 30, 2004. The loan commitments are expected to be met from current fund assets.

**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, 2004, outstanding loan guarantees totaled \$38.2 million.

**NOTE 23. SUBSEQUENT EVENTS****Primary Government****Long-term Debt**

*State of Wisconsin General Obligation Bonds* – In July 2004, the State issued a \$1.0 million general obligation term bond 2004, Series B to be used to fund veterans home improvement loans. Interest is payable May 1 and November 1, beginning May 1, 2005 with mandatory sinking fund payments beginning November 1, 2005 to the stated maturity date November 1, 2014.

In July 2004, the State issued \$117.2 million of general obligation bonds Series 4 to be used to refund various outstanding general obligation bonds. Interest is payable May 1 and November 1, beginning November 1, 2004, with bonds maturing May 1 of the years 2006 through 2020.

In July 2004, the State issued a \$1.0 million general obligation term bond 2004, Series C to be used to fund veterans home improvement loans. Interest is payable May 1 and November 1, beginning May 1, 2005 with mandatory sinking fund payments beginning November 1, 2005 to the stated maturity date November 1, 2019.

In August 2004, the State issued a \$20.0 million general obligation term bond 2004, Series D to be used to fund veterans primary mortgage home loans. Interest is payable May 1 and November 1, beginning May 1, 2005 with mandatory sinking fund payments beginning November 1, 2005 to the stated maturity date November 1, 2034.

In October 2004, the State issued \$225.0 million of 2004 Series E 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. Interest is payable on May 1 and November 1, beginning May 1, 2005, with bonds maturing May 1, of the years 2006 through 2025.

In October 2004, the Environmental Improvement Fund exchanged \$116.8 million global certificate 1 for \$116.8 global certificate 2. Interest is payable May 1 and November 1, beginning November 1, 2005 with principal installments beginning November 1, 2009 through May 1, 2024.

In November 2004, the State redeemed early \$42.0 million of various outstanding veterans loan general obligation bonds pursuant to the redemption provisions of those bonds. The bonds were redeemed from mortgage prepayments and undisbursed bond proceeds.

*Revenue Bonds* – In September 2004, the Department of Transportation issued \$95.9 million of 2004 Series 1 transportation revenue refunding bonds. The proceeds were deposited in an escrow account to provide for future debt service and redemption of \$97.5 million of various outstanding revenue bonds.

On June 1, 2004, Badger Tobacco Asset Securitization Corporation (BTASC) redeemed \$40.3 million of the 6.125 percent term bonds due June 1, 2027. Pursuant to the indenture, the bonds were redeemed with collections that had been deposited into the Turbo Redemption Account. Subject to conditions outlined in the indenture, turbo term bonds shall be redeemed in whole or in part prior to their stated maturity and on any distribution date from amounts on deposit in the Redemption Account.

**Component Units**

*Wisconsin Housing and Economic Development Authority* – In July 2004, the Authority issued \$150.0 million of the Variable Rate Demand Home Ownership Revenue Bonds, 2004 Series C and D. These bonds were issued under the 1988 Home Ownership Revenue Bond Resolution.

In July 2004, the Authority redeemed the following bonds (in thousands):

Program/Bond Resolution	Amount Redeemed
Housing Revenue Bonds, 1991 Series F, G, H & I	\$ 1,485
Home Ownership Revenue Bonds, 1994 Series C & D	2,150
General Obligation Bonds, 1995 Series 4	120
Home Ownership Revenue Bonds, 1998 Series F & G	2,975

In August 2004, the Authority redeemed the following bonds (in thousands):

Program/Bond Resolution	Amount Redeemed
Housing Revenue Bonds, 1993 Series C	\$ 1,710
Housing Revenue Bonds, 2002 Series A, B & C	2,730

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## **Required Supplementary Information**

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**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 4,900 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)
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

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)
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. Actual costs for the year ended June 30, 2004 reflect a shift from maintenance and preservation projects to capital road construction projects that was not anticipated in the cost estimates. In addition, the State of Wisconsin, Department of Transportation's multi-year budgeting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

**Bridge Network**

Condition assessments are completed on a two-year cycle, with more frequent inspections completed if warranted. The most current assessment results are reported for each State bridge, making the overall assessment a blend of measures completed in the current fiscal year and those completed in the prior year. The State has adopted the National Bridge Inventory (NBI) 10-point rating scale as its primary condition measure. Using the Federal Highway Administration's definition, a bridge is considered "structurally deficient" if it has an NBI score of 4 or less on its deck, superstructure, or substructure. "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".

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Recent condition assessment results are as follows:

<b>Year Ended June 30</b>	<b>Number of Bridges</b>	<b>Percent Structurally Deficient</b>	<b>Established Percent</b>	<b>Variance Favorable/ (Unfavorable)</b>
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

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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:

<b>Year Ended June 30</b>	<b>Estimated Costs (In millions)</b>	<b>Actual Costs (In millions)</b>	<b>Variance (In millions) Favorable/ (Unfavorable)</b>
2004	\$ 47.8	\$ 52.3	\$ (4.5)
2003	46.4	45.7	0.7
2002	33.6	38.4	(4.8)

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Additional bridge maintenance and preservation projects were planned and completed during the year ended June 30, 2004. The State of Wisconsin, Department of Transportation's multi-year budgeting 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, 2004**

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			\$ 336,069
<b>Revenues and Transfers (Inflows):</b>			
Taxes	\$ 10,768,445	\$ 10,690,220	10,759,514
Departmental:			
Tribal Gaming	78,306	80,277	48,012
Other	11,204,484	11,315,162	11,233,416
Transfers from:			
Transportation Fund	103,684	103,684	103,684
Injured Patients and Families Compensation Fund	2	2	2
Nonmajor Funds	30,975	30,975	30,975
Total Revenues and Transfers (Inflows)	<u>22,185,895</u>	<u>22,220,319</u>	<u>22,175,603</u>
Amounts Available for Appropriation			<u>22,511,672</u>
<b>Appropriations (Outflows):</b>			
Commerce	322,491	430,433	281,365
Education	9,366,406	9,690,810	9,313,248
Environmental Resources	267,288	211,692	185,103
Human Relations and Resources	7,979,338	8,622,278	7,931,806
General Executive	654,126	2,272,170	2,106,234
Judicial	110,971	112,778	110,904
Legislative	62,470	59,790	59,304
Tax Relief and Other General	1,688,231	1,679,595	1,673,811
Transfers to:			
Medical Assistance Trust Fund	-	123,500	123,500
Total Appropriations (Outflows)	<u>\$ 20,451,321</u>	<u>\$ 23,203,046</u>	<u>21,785,274</u>
Fund Balances, End of Year			726,398
Less Encumbrances Outstanding at June 30, 2004			<u>(547,835)</u>
Fund Balances, End of Year Budgetary Basis			<u>\$ 178,564</u>

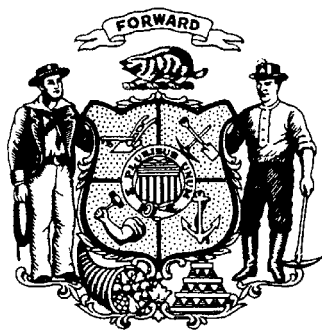
During Fiscal Year 2004, \$59.3 million in expenditures that were incurred in the first year of the biennium (Fiscal Year 2004) were moved to the second year of the biennium (Fiscal Year 2005). This accounting treatment of biennial expenditures was reflected in the State's Fiscal Year 2004 Annual Fiscal Report (budgetary report). The Budgetary Comparison Schedule, above, mirrors the annual budgetary report and, therefore, it displays data on the budgetary basis and not on a basis consistent with generally accepted accounting principles.

State of Wisconsin

**Budgetary Comparison Schedule  
Transportation Fund  
For the Fiscal Year Ended June 30, 2004**

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			\$ 402,071
<b>Revenues (Inflows):</b>			
Taxes	\$ 959,594	\$ 959,594	959,594
Departmental	1,336,400	1,336,400	1,336,400
Total Revenues (Inflows)	2,295,994	2,295,994	2,295,994
Amounts Available for Appropriation			2,698,065
<b>Appropriations and Transfers (Outflows):</b>			
Commerce	91	97	97
Education	40,000	40,000	40,000
Environmental Resources	2,947,784	3,323,162	1,929,512
General Executive	4,179	2,318	2,240
Tax Relief and Other General	248,938	248,941	248,941
Transfers to:			
General Fund	103,684	103,684	103,684
Total Appropriations and Transfers (Outflows)	\$ 3,344,675	\$ 3,718,202	2,324,474
Fund Balances, End of Year			373,591
Less Encumbrances Outstanding at June 30, 2004			(1,103,793)
Fund Balances, End of Year Budgetary Basis			\$ (730,203)



**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, 2004 is presented below (in thousands):

	General Fund	Transportation Fund
Fund balance June 30, 2004 (budgetary basis – budgetary fund structure)		
As reported on the budgetary comparison schedule	\$ 178,564	\$ (730,203)
Reclassifications:		
To eliminate the effect of encumbrances that were reported as expenditures under budgetary reporting (basis difference)	547,835	1,103,793
To reclassify activities reported in another GAAP fund type (perspective differences):		
Enterprise funds (except for the University of Wisconsin System)	14,752	--
University of Wisconsin System	(236,013)	--
Internal service funds	(10,650)	--
Fiduciary funds	(45,894)	--
Transportation Revenue Bonds debt service fund	--	1,965
Fund balance June 30, 2004 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	448,593	375,556
Adjustments (basis differences):		
To adjust expenditures for the municipal and county shared revenue program	(453,881)	--
To adjust expenditures for State property tax credit program	(354,704)	--
To accrue receivables and establish payables for individual income taxes (net)	(742,362)	--
To defer revenues for gross receipts public utility taxes	(170,157)	--
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(294,597)	(9,614)
To accrue unpaid Medicaid claims to providers (net of receivable from federal government)	(121,119)	--
To adjust expenditures/revenues for certain major Health and Family Services and Workforce Development human services payments to local governments	(169,151)	--
To accrue State educational aids payments deferred until the subsequent year	(75,000)	--
To adjust revenues and expenditures for other items (net)	1,271	(17,936)
Fund balance June 30, 2004 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements	\$(1,931,108)	\$ 348,006

## 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. Consequently, 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. A special revenue fund, the Wisconsin Public Broadcasting Foundation, has also been excluded from reporting because it is a blended component unit that is neither budgeted nor included under statutory reporting. Of the permanent funds, only the Historical Society Fund and a portion of the Common School Fund are budgeted.

The State's biennial budget was passed in July 2003. 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:

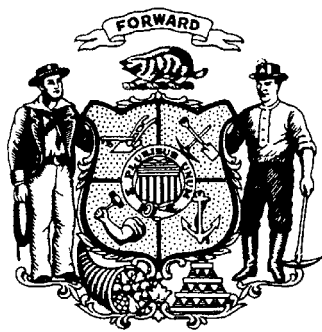
- 
- *Continuing* - unexpended balances automatically forward to ensuing years until fully depleted or repealed by subsequent action of the Legislature.
  - *Annual*:
    - *General Purpose Revenue* - unencumbered balances lapse at year end.
    - *Program Revenue* - unexpended cash balances may be forwarded 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 **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 **Wisconsin Health Education Loan Repayment Fund** accounts for administrative expenditures related to issuing Health Education Loan bonds. These expenditures are funded from trustee transfers.

The **Waste Management Fund** accounts for the closure and long-term care of approved landfills from fees imposed on landfill operators.

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 **Election Administration Fund** accounts for federal and State moneys provided to develop, administer and manage a statewide voter registration system allowing 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 **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.

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 **Medical Assistance Trust Fund** accounts for moneys received from the Medical Assistance (MA) program via Intergovernmental Transfers. The moneys are used to fund MA eligible activities.

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 **Tobacco Control Fund** accounts for a portion of the moneys received from the settlement of the lawsuit between several states, including Wisconsin, and the tobacco companies. The moneys are used to fund health care related costs including grants for tobacco prevention, research, and intervention.

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 **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 **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 **State Capitol Restoration Fund** accounts for moneys from private donations used to offset the costs of restoration work at the State Capitol.

(Continued)



# Nonmajor Governmental Funds

(Continued)

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 **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 **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 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 **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 **Budget Stabilization Fund** accounts for moneys reserved to provide State revenue stability during periods of below-normal economic activity when actual State revenues are lower than estimated revenues.

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 **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.

**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.

(Continued)

# Nonmajor Governmental Funds

(Continued)

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 (TSRs) 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 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 **Energy Efficiency Fund** accounts for improvements on heating plants and loans to State agencies for energy efficiency projects. Revenues are primarily derived from utility rebates, utility matching funds, savings from improvements to heating costs and General Fund supported borrowing.

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 **Agricultural College Fund** accounts for federal land grant revenues used as public purpose loans for municipalities and school districts.

The **Common School Fund** accounts for revenues received from the sale of federally granted land, fines and forfeitures from penal law breaches, 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 aid local school districts and to cover administrative costs incurred by the Public Lands Commission.

The **Normal School 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 **University Fund** accounts for federal land grant revenues used for public loans to municipalities and school districts.

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 **Benevolent Fund** accounts for investment income used for the care, custody and education of residents committed to the Lincoln Hills School.

State of Wisconsin

**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2004**

(In Thousands)

	Special Revenue Funds					
	Conservation	Heritage State Parks and Forests	Wisconsin Health Education Loan Repayment	Waste Management	Wisconsin Election Campaign	Investment and Local Impact
<b>Assets</b>						
Cash and Cash Equivalents	\$ 42,372	\$ 1,173	\$ 8	\$ 11,656	\$ 529	\$ 173
Investments	-	-	-	-	-	-
Receivables (net of allowance):						
Taxes	24,622	-	-	-	-	-
Loans to Local Governments	-	-	-	-	-	-
Other Receivables	2,021	-	16	-	-	-
Due from Other Funds	12,375	2	-	-	-	-
Due from Other Governments	7,944	-	-	-	-	-
Inventories	2,261	-	-	-	-	-
Prepaid Items	1,697	-	1	-	-	-
Advances to Other Funds	-	-	-	-	-	-
Restricted and Limited Use Assets:						
Cash and Cash Equivalents	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Other Restricted Assets	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 93,292</b>	<b>\$ 1,175</b>	<b>\$ 26</b>	<b>\$ 11,656</b>	<b>\$ 529</b>	<b>\$ 173</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts Payable and Other						
Accrued Liabilities	\$ 11,383	\$ -	\$ 2	\$ -	\$ 6	\$ -
Due to Other Funds	15,767	-	8	-	-	-
Interfund Payables	-	-	-	-	-	-
Due to Other Governments	12,567	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-	-
Tax and Other Deposits	909	-	-	5,164	-	-
Deferred Revenue	4,489	-	-	-	-	-
Interest Payable	-	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-	-
Short-term Notes Payable	-	-	-	-	-	-
Revenue Bonds and Notes Payable	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>45,114</b>	<b>-</b>	<b>10</b>	<b>5,164</b>	<b>6</b>	<b>-</b>
Fund Balances:						
Reserved for						
Encumbrances	14,910	-	-	5	-	-
Reserved for Inventories	2,261	-	-	-	-	-
Reserved for Prepaid Items	1,697	-	1	-	-	-
Reserved for Restricted Funds	257	-	-	-	-	-
Reserved for Long-term Receivables	-	-	-	-	-	-
Reserved for Advances to Other Funds	-	-	-	-	-	-
Unreserved:						
Undesignated	29,054	1,175	14	6,488	523	173
<b>Total Fund Balance</b>	<b>48,178</b>	<b>1,175</b>	<b>16</b>	<b>6,492</b>	<b>523</b>	<b>173</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 93,292</b>	<b>\$ 1,175</b>	<b>\$ 26</b>	<b>\$ 11,656</b>	<b>\$ 529</b>	<b>\$ 173</b>

**Special Revenue Funds**

<b>Election Administration</b>	<b>Industrial Building Construction Loan</b>	<b>Self-insured Employers Liability</b>	<b>Medical Assistance Trust</b>	<b>Work Injury Supplemental Benefit</b>	<b>Tobacco Control</b>	<b>Uninsured Employers</b>
\$ 6,519	\$ 345	\$ 263	\$ -	\$ 5,492	\$ 801	10,543
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	29	2,213	-	9,291
5	-	-	23,711	10	10	-
-	-	-	-	-	-	-
3	-	-	27,526	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<b>\$ 6,527</b>	<b>\$ 345</b>	<b>\$ 263</b>	<b>\$ 51,266</b>	<b>\$ 7,716</b>	<b>\$ 811</b>	<b>19,834</b>
\$ 38	\$ -	\$ -	\$ 8,266	\$ 906	\$ -	121
10	-	-	19,901	-	29	1
-	-	-	199,409	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	3,738
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
48	-	-	227,576	906	29	3,860
66	-	-	-	-	-	-
-	-	-	-	-	-	-
3	-	-	27,526	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,410	345	263	(203,837)	6,810	782	15,974
6,479	345	263	(176,310)	6,810	782	15,974
<b>\$ 6,527</b>	<b>\$ 345</b>	<b>\$ 263</b>	<b>\$ 51,266</b>	<b>\$ 7,716</b>	<b>\$ 811</b>	<b>19,834</b>

(Continued)

**Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2004**

(Continued)

	<b>Special Revenue Funds</b>					
	<b>Utility Public Benefits</b>	<b>Mediation</b>	<b>State Capitol Restoration</b>	<b>Agricultural Chemical Cleanup</b>	<b>Agrichemical Management</b>	<b>Agricultural Producer Security</b>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 32,124	\$ 6	\$ 5	\$ 581	\$ 3,220	\$ 4,929
Investments	-	-	-	-	-	-
Receivables (net of allowance):						
Taxes	-	-	-	-	-	-
Loans to Local Governments	-	-	-	-	-	-
Other Receivables	3,384	-	-	-	1	3
Due from Other Funds	385	73	-	3	46	46
Due from Other Governments	-	-	-	-	-	-
Inventories	-	-	-	-	20	-
Prepaid Items	5	6	-	-	37	9
Advances to Other Funds	-	-	-	-	750	-
Restricted and Limited Use Assets:						
Cash and Cash Equivalents	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Other Restricted Assets	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 35,899</b>	<b>\$ 85</b>	<b>\$ 5</b>	<b>\$ 584</b>	<b>\$ 4,073</b>	<b>\$ 4,987</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts Payable and Other						
Accrued Liabilities	\$ 4,600	\$ 14	\$ -	\$ -	\$ 126	\$ 37
Due to Other Funds	83	8	-	-	1,497	30
Interfund Payables	-	-	-	-	-	-
Due to Other Governments	256	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-	-
Tax and Other Deposits	-	-	-	-	-	-
Deferred Revenue	389	-	-	-	-	-
Interest Payable	-	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-	750
Short-term Notes Payable	-	-	-	-	-	-
Revenue Bonds and Notes Payable	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>5,327</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>1,623</b>	<b>817</b>
<b>Fund Balances:</b>						
Reserved for						
Encumbrances	1,092	-	-	-	24	-
Reserved for Inventories	-	-	-	-	20	-
Reserved for Prepaid Items	5	6	-	-	37	9
Reserved for Restricted Funds	-	-	-	-	-	-
Reserved for Long-term Receivables	-	-	-	-	-	-
Reserved for Advances to Other Funds	-	-	-	-	750	-
Unreserved:						
Undesignated	29,474	57	5	584	1,620	4,160
<b>Total Fund Balance</b>	<b>30,571</b>	<b>63</b>	<b>5</b>	<b>584</b>	<b>2,451</b>	<b>4,170</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 35,899</b>	<b>\$ 85</b>	<b>\$ 5</b>	<b>\$ 584</b>	<b>\$ 4,073</b>	<b>\$ 4,987</b>

Historical Legacy Trust	History Preservation Partnership Trust	Petroleum Inspection	Environmental	Dry Cleaner Environmental Response	Recycling	VendorNet
\$ 61	\$ 349	\$ 50,582	\$ 27,817	\$ 2,848	\$ 7,651	-
-	-	-	-	-	-	-
-	-	-	-	-	1,390	-
-	89	2,672	3,374	36	5,330	-
-	279	13,612	6,079	29	5,128	20
-	-	-	594	-	871	-
-	-	-	4	-	-	-
-	14	119	170	-	13,192	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 61	\$ 730	\$ 66,986	\$ 38,038	\$ 2,914	\$ 33,561	20
\$ -	\$ 220	\$ 83,733	\$ 1,666	\$ 783	\$ 127	-
-	127	23,260	3,528	25	7,174	20
-	-	-	-	-	-	-
-	-	327	3,599	-	31	-
-	-	-	-	-	391	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,964
-	-	142,300	-	-	-	-
-	-	-	-	-	-	-
-	347	249,620	8,793	808	7,722	2,984
-	11	137	12,148	-	453	-
-	-	-	4	-	-	-
-	14	119	170	-	13,192	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
61	358	(182,891)	16,922	2,105	12,194	(2,964)
61	383	(182,634)	29,245	2,106	25,839	(2,964)
\$ 61	\$ 730	\$ 66,986	\$ 38,038	\$ 2,914	\$ 33,561	20

(Continued)

**Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2004**

(Continued)

	Special Revenue Funds					Total Special Revenue Funds
	Universal Service	Budget Stabilization	Wisconsin Public Broadcasting Foundation	Children's Trust		
<b>Assets</b>						
Cash and Cash Equivalents	\$ 6,919	\$ 5	\$ 2,501	\$ 418		219,890
Investments	-	-	4,188	-		4,188
Receivables (net of allowance):						
Taxes	-	-	-	-		26,012
Loans to Local Governments	-	-	-	-		-
Other Receivables	1,525	-	7	-		29,992
Due from Other Funds	192	27	4	10		62,032
Due from Other Governments	-	-	-	-		9,424
Inventories	-	-	-	-		2,285
Prepaid Items	-	-	-	-		42,780
Advances to Other Funds	-	-	-	-		750
Restricted and Limited Use Assets:						
Cash and Cash Equivalents	-	-	-	-		-
Investments	-	-	-	-		-
Other Restricted Assets	-	-	-	-		-
Other Assets	-	-	1,046	-		1,046
<b>Total Assets</b>	<b>\$ 8,636</b>	<b>\$ 32</b>	<b>\$ 7,747</b>	<b>\$ 428</b>		<b>398,398</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts Payable and Other Accrued Liabilities	\$ 1,356	\$ -	\$ 101	\$ -		113,484
Due to Other Funds	486	-	261	-		72,213
Interfund Payables	-	-	-	-		199,409
Due to Other Governments	-	-	6	-		16,785
Tax Refunds Payable	-	-	-	-		391
Tax and Other Deposits	-	-	-	-		6,073
Deferred Revenue	-	-	-	-		8,616
Interest Payable	-	-	-	-		-
Advances from Other Funds	-	-	-	-		3,714
Short-term Notes Payable	-	-	-	-		142,300
Revenue Bonds and Notes Payable	-	-	-	-		-
<b>Total Liabilities</b>	<b>1,841</b>	<b>-</b>	<b>368</b>	<b>-</b>		<b>562,987</b>
<b>Fund Balances:</b>						
Reserved for						
Encumbrances	2,464	-	-	-		31,311
Reserved for Inventories	-	-	-	-		2,285
Reserved for Prepaid Items	-	-	-	-		42,780
Reserved for Restricted Funds	-	-	-	-		257
Reserved for Long-term Receivables	-	-	-	-		-
Reserved for Advances to Other Funds	-	-	-	-		750
Unreserved:						
Undesignated	4,330	32	7,379	428		(241,972)
<b>Total Fund Balance</b>	<b>6,795</b>	<b>32</b>	<b>7,379</b>	<b>428</b>		<b>(164,588)</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 8,636</b>	<b>\$ 32</b>	<b>\$ 7,747</b>	<b>\$ 428</b>		<b>398,398</b>

Debt Service Funds						
Bond Security and Redemption	Annual Appropriation Bonds	Badger Tobacco Asset Securitization	Petroleum Inspection Revenue Bonds	Transportation Revenue Bonds	Total Debt Service Funds	
\$ 45,088	\$ -	\$ -	\$ 18,676	\$ -	\$ 63,763	
-	-	-	4,095	-	4,095	
-	-	-	-	-	-	
-	-	54,816	1	-	54,817	
2,519	-	-	-	-	2,519	
-	-	-	-	-	-	
-	-	207	-	-	207	
-	-	-	-	-	-	
-	-	137,438	-	21,774	159,212	
-	248,562	137,135	-	93,205	478,901	
-	-	119	-	847	966	
-	-	-	-	-	-	
<b>\$ 47,607</b>	<b>\$ 248,562</b>	<b>\$ 329,715</b>	<b>\$ 22,771</b>	<b>\$ 115,825</b>	<b>\$ 764,480</b>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
8,633	-	-	-	9	8,642	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	54,837	-	-	54,837	
-	-	-	5,616	36,138	41,754	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	12,735	57,885	70,620	
8,633	-	54,837	18,351	94,032	175,853	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	207	-	-	207	
-	-	273,933	-	-	273,933	
-	-	-	-	-	-	
-	-	-	-	-	-	
38,974	248,562	738	4,420	21,793	314,488	
38,974	248,562	274,878	4,420	21,793	588,627	
<b>\$ 47,607</b>	<b>\$ 248,562</b>	<b>\$ 329,715</b>	<b>\$ 22,771</b>	<b>\$ 115,825</b>	<b>\$ 764,480</b>	

(Continued)



**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2004**

(Continued)

	<b>Capital Projects Funds</b>					
	<b>Building Trust</b>	<b>Energy Efficiency</b>	<b>Capital Improvement</b>	<b>Transportation Revenue Bonds</b>		<b>Total Capital Projects Funds</b>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 28,830	\$ -	\$ 169,285	\$ -		198,115
Investments	-	-	-	-		-
Receivables (net of allowance):						
Taxes	-	-	-	-		-
Loans to Local Governments	-	-	-	-		-
Other Receivables	-	-	1	-		1
Due from Other Funds	1,807	-	1,641	9		3,457
Due from Other Governments	-	-	-	-		-
Inventories	-	-	-	-		-
Prepaid Items	-	-	-	-		-
Advances to Other Funds	-	-	-	-		-
Restricted and Limited Use Assets:						
Cash and Cash Equivalents	-	-	-	143,780		143,780
Investments	-	-	-	-		-
Other Restricted Assets	-	-	-	42		42
Other Assets	-	-	-	-		-
<b>Total Assets</b>	<b>\$ 30,637</b>	<b>\$ 0</b>	<b>\$ 170,927</b>	<b>\$ 143,831</b>		<b>\$ 345,395</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts Payable and Other						
Accrued Liabilities	\$ 1,260	\$ -	\$ 4,473	\$ -		5,733
Due to Other Funds	64	-	27,155	27,647		54,866
Interfund Payables	-	-	-	-		-
Due to Other Governments	-	-	1,433	-		1,433
Tax Refunds Payable	-	-	-	-		-
Tax and Other Deposits	-	-	-	-		-
Deferred Revenue	-	-	-	-		-
Interest Payable	-	-	-	-		-
Advances from Other Funds	-	-	-	-		-
Short-term Notes Payable	-	-	340,124	125,828		465,952
Revenue Bonds and Notes Payable	-	-	-	-		-
<b>Total Liabilities</b>	<b>1,324</b>	<b>-</b>	<b>373,185</b>	<b>153,475</b>		<b>527,984</b>
<b>Fund Balances:</b>						
Reserved for						
Encumbrances	14,293	-	72,892	93,551		180,736
Reserved for Inventories	-	-	-	-		-
Reserved for Prepaid Items	-	-	-	-		-
Reserved for Restricted Funds	-	-	-	-		-
Reserved for Long-term						
Receivables	-	-	-	-		-
Reserved for Advances to						
Other Funds	-	-	-	-		-
Unreserved:						
Undesignated	15,021	-	(275,150)	(103,196)		(363,325)
<b>Total Fund Balance</b>	<b>29,313</b>	<b>-</b>	<b>(202,258)</b>	<b>(9,645)</b>		<b>(182,589)</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 30,637</b>	<b>\$ 0</b>	<b>\$ 170,927</b>	<b>\$ 143,831</b>		<b>\$ 345,395</b>

Permanent Funds								Total Nonmajor Governmental Funds
Agricultural College	Common School	Normal School	University	Historical Society	Benevolent	Total Permanent Funds		
\$ 305	\$ 144,603	\$ 1,119	\$ 234	\$ 161	\$ 14	\$ 146,436	\$ 628,203	
-	130,735	-	-	10,650	-	141,385	149,668	
-	-	-	-	-	-	-	26,012	
-	314,401	18,736	-	-	-	333,137	333,137	
-	-	-	-	-	-	-	84,810	
-	2,330	-	-	1	-	2,331	70,339	
-	6,515	-	-	-	-	6,515	15,939	
-	-	-	-	-	-	-	2,285	
-	-	-	-	1	-	1	42,988	
-	-	-	-	-	-	-	750	
-	-	-	-	-	-	-	302,992	
-	-	-	-	-	-	-	478,901	
-	-	-	-	-	-	-	1,008	
-	-	-	-	-	-	-	1,046	
<b>\$ 305</b>	<b>\$ 598,584</b>	<b>\$ 19,855</b>	<b>\$ 234</b>	<b>\$ 10,813</b>	<b>\$ 14</b>	<b>\$ 629,805</b>	<b>\$ 2,138,078</b>	
\$ -	\$ 300	\$ -	\$ -	\$ 26	\$ -	\$ 326	\$ 119,544	
-	1,446	-	-	113	-	1,559	137,280	
-	-	-	-	-	-	-	199,409	
-	27,496	-	-	-	-	27,496	45,714	
-	-	-	-	-	-	-	391	
-	10	54	-	-	-	64	6,137	
-	-	-	-	-	-	-	63,453	
-	-	-	-	-	-	-	41,754	
-	-	-	-	-	-	-	3,714	
-	-	-	-	-	-	-	608,252	
-	-	-	-	-	-	-	70,620	
-	29,252	54	-	139	-	29,445	1,296,268	
-	-	-	-	-	-	-	212,047	
-	-	-	-	-	-	-	2,285	
-	-	-	-	1	-	1	42,988	
-	-	-	-	-	-	-	274,190	
-	301,156	15,264	-	-	-	316,420	316,420	
-	-	-	-	-	-	-	750	
305	268,176	4,537	234	10,673	14	283,939	(6,870)	
305	569,332	19,801	234	10,674	14	600,360	841,810	
<b>\$ 305</b>	<b>\$ 598,584</b>	<b>\$ 19,855</b>	<b>\$ 234</b>	<b>\$ 10,813</b>	<b>\$ 14</b>	<b>\$ 629,805</b>	<b>\$ 2,138,078</b>	

State of Wisconsin

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2004**

(In Thousands)

	Special Revenue Funds					
	Conservation	Heritage State Parks and Forests	Wisconsin Health Education Loan Repayment	Waste Management	Wisconsin Election Campaign	Investment and Local Impact
<b>Revenues:</b>						
Taxes	\$ 76,050	\$ -	\$ -	\$ -	\$ -	-
Intergovernmental	26,152	-	-	-	-	-
Licenses and Permits	91,839	-	-	-	-	-
Charges for Goods and Services	8,940	-	50	-	-	-
Investment and Interest Income	169	12	-	58	4	5
Fines and Forfeitures	360	-	-	14	-	-
Gifts and Donations	1,580	-	-	-	-	-
Other Revenues	395	17	-	-	1	-
Intergovernmental Transfer	-	-	-	-	-	-
Tobacco Settlement	-	-	-	-	-	-
<b>Total Revenues</b>	<b>205,486</b>	<b>29</b>	<b>50</b>	<b>72</b>	<b>5</b>	<b>5</b>
<b>Expenditures:</b>						
Current:						
Commerce	-	-	-	-	-	-
Education	-	-	50	-	-	-
Transportation	-	-	-	-	-	-
Environmental Resources	194,886	32	-	14	-	-
Human Relations and Resources	-	-	-	-	-	-
General Executive	-	-	-	-	11	-
Judicial	-	-	-	-	-	-
Tax Relief and Other General Expenditures	-	-	-	-	-	-
Capital Outlay	8,052	-	-	-	-	-
Debt Service - Principal	-	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>202,938</b>	<b>32</b>	<b>50</b>	<b>14</b>	<b>11</b>	<b>-</b>
Excess of Revenues Over (Under) Expenditures	2,547	(2)	-	58	(6)	5
<b>Other Financing Sources (Uses):</b>						
Long-term Debt Issued	-	-	-	-	-	-
Long-term Debt Issued - Refunding Bonds	-	-	-	-	-	-
Payments to Refunding Bond Escrow Agent	-	-	-	-	-	-
Premium on Bonds	-	-	-	-	-	-
Transfers In	21,380	-	-	-	192	-
Transfers Out	(16,994)	-	-	-	-	-
Installment Purchase Acquisitions	106	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>4,492</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>192</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	7,040	(2)	-	58	186	5
Fund Balances, Beginning of Year	41,302	1,177	16	6,434	338	168
Increase (Decrease) in Reserve for Inventories	(164)	-	-	-	-	-
<b>Fund Balances, End of Year</b>	<b>\$ 48,178</b>	<b>\$ 1,175</b>	<b>\$ 16</b>	<b>\$ 6,492</b>	<b>\$ 523</b>	<b>\$ 173</b>

Special Revenue Funds						
Election Administration	Industrial Building Construction Loan	Self-insured Employers Liability	Medical Assistance Trust	Work Injury Supplemental Benefit	Tobacco Control	Uninsured Employers
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,026	-	-	-	-	-	-
-	-	-	34,551	4,709	-	202
-	-	-	-	-	-	-
71	3	3	1,607	54	22	104
-	-	-	-	-	-	3,348
-	-	-	-	-	-	-
-	135	1	-	40	-	737
-	-	-	95,000	-	-	-
-	-	-	-	-	-	-
7,097	138	3	131,158	4,804	22	4,391
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	789,693	2,650	111	2,391
632	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
632	-	-	789,693	2,650	111	2,391
6,464	138	3	(658,535)	2,153	(89)	2,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	176,286	-	111	-
-	-	-	-	-	(1,321)	-
-	-	-	-	-	-	-
-	-	-	176,286	-	(1,210)	-
6,464	138	3	(482,249)	2,153	(1,299)	2,000
14	207	260	305,939	4,656	2,081	13,974
-	-	-	-	-	-	-
\$ 6,479	\$ 345	\$ 263	\$ (176,310)	\$ 6,810	\$ 782	\$ 15,974

(Continued)

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2004**

(Continued)

	Special Revenue Funds					
	Utility Public Benefits	Mediation	State Capitol Restoration	Agricultural Chemical Cleanup	Agrichemical Management	Agricultural Producer Security
<b>Revenues:</b>						
Taxes	\$ -	\$ 73	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Licenses and Permits	108,474	211	-	2,963	5,740	2,072
Charges for Goods and Services	-	-	-	-	-	53
Investment and Interest Income	281	1	-	21	18	46
Fines and Forfeitures	-	-	-	-	-	28
Gifts and Donations	2	-	-	-	-	-
Other Revenues	-	1	5	-	3	7
Intergovernmental Transfer	-	-	-	-	-	-
Tobacco Settlement	-	-	-	-	-	-
<b>Total Revenues</b>	<b>108,757</b>	<b>286</b>	<b>5</b>	<b>2,984</b>	<b>5,760</b>	<b>2,206</b>
<b>Expenditures:</b>						
Current:						
Commerce	-	-	-	2,600	5,368	911
Education	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Environmental Resources	-	-	-	-	-	-
Human Relations and Resources	-	-	-	-	-	-
General Executive	84,849	-	-	-	-	-
Judicial	-	357	-	-	-	-
Tax Relief and Other General Expenditures	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service - Principal	-	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>84,849</b>	<b>357</b>	<b>-</b>	<b>2,600</b>	<b>5,368</b>	<b>911</b>
Excess of Revenues Over (Under) Expenditures	23,909	(71)	5	384	393	1,296
<b>Other Financing Sources (Uses):</b>						
Long-term Debt Issued	-	-	-	-	-	-
Long-term Debt Issued - Refunding Bonds	-	-	-	-	-	-
Payments to Refunding Bond Escrow Agent	-	-	-	-	-	-
Premium on Bonds	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	(17,614)	(3)	-	-	(173)	(11)
Installment Purchase Acquisitions	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(17,614)</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>(173)</b>	<b>(11)</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	6,294	(74)	5	384	220	1,284
Fund Balances, Beginning of Year	24,277	137	-	200	2,231	2,885
Increase (Decrease) in Reserve for Inventories	-	-	-	-	-	-
<b>Fund Balances, End of Year</b>	<b>\$ 30,571</b>	<b>\$ 63</b>	<b>\$ 5</b>	<b>\$ 584</b>	<b>\$ 2,451</b>	<b>\$ 4,170</b>

**Special Revenue Funds**

	<b>Historical Legacy Trust</b>	<b>History Preservation Partnership Trust</b>	<b>Petroleum Inspection</b>	<b>Environmental</b>	<b>Dry Cleaner Environmental Response</b>	<b>Recycling</b>	<b>VendorNet</b>
\$	-	\$ -	96,499	\$ -	\$ -	18,094	\$ -
	-	-	-	1,633	-	-	-
	-	-	91	22,471	1,013	22,199	-
	-	1,335	41	1	-	-	-
	1	-	170	334	31	123	-
	-	-	-	4,319	-	-	-
	-	-	-	-	-	-	-
	-	-	8	18	-	28	20
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	<b>1</b>	<b>1,335</b>	<b>96,810</b>	<b>28,775</b>	<b>1,044</b>	<b>40,443</b>	<b>20</b>
	-	-	-	-	-	-	-
	-	1,249	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	44,384	31,908	1,541	29,205	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	153	3,215	-	12	-
	-	-	-	-	-	-	-
	-	-	1,368	-	-	-	-
	-	-	-	-	-	-	-
	-	1,249	45,906	35,123	1,541	29,217	-
	<b>1</b>	<b>86</b>	<b>50,904</b>	<b>(6,348)</b>	<b>(496)</b>	<b>11,226</b>	<b>20</b>
	-	-	45,000	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	1,337	-	-	-	-
	-	300	-	12,643	-	-	-
	-	(3)	(23,029)	(4,552)	(5)	(7,794)	-
	-	-	-	19	-	-	-
	-	297	23,309	8,110	(5)	(7,794)	-
	1	383	74,213	1,763	(501)	3,432	20
	61	-	(256,847)	27,481	2,607	22,407	(2,984)
	-	-	-	1	-	-	-
<b>\$</b>	<b>61</b>	<b>\$ 383</b>	<b>\$ (182,634)</b>	<b>\$ 29,245</b>	<b>\$ 2,106</b>	<b>\$ 25,839</b>	<b>\$ (2,964)</b>

(Continued)

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2004**

(Continued)

	Special Revenue Funds				Total Special Revenue Funds
	Universal Service	Budget Stabilization	Wisconsin Public Broadcasting Foundation	Children's Trust	
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	190,716
Intergovernmental	-	-	-	-	34,811
Licenses and Permits	25,562	-	-	-	322,097
Charges for Goods and Services	-	-	43	-	10,463
Investment and Interest Income	39	-	739	3	3,918
Fines and Forfeitures	-	-	-	-	8,068
Gifts and Donations	-	1	8,978	151	10,712
Other Revenues	-	28	-	-	1,444
Intergovernmental Transfer	-	-	-	-	95,000
Tobacco Settlement	-	-	-	-	-
<b>Total Revenues</b>	<b>25,601</b>	<b>30</b>	<b>9,760</b>	<b>155</b>	<b>677,231</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Commerce	22,172	-	-	-	31,051
Education	-	-	1,635	-	2,935
Transportation	-	-	-	-	-
Environmental Resources	-	-	-	-	301,969
Human Relations and Resources	-	-	-	33	794,879
General Executive	-	-	-	-	85,492
Judicial	-	-	-	-	357
Tax Relief and Other General Expenditures	-	-	-	-	-
Capital Outlay	-	-	-	-	11,432
Debt Service - Principal	-	-	-	-	-
Debt Service - Interest	-	-	-	-	1,368
Other Expenditures	-	-	-	-	-
<b>Total Expenditures</b>	<b>22,172</b>	<b>-</b>	<b>1,635</b>	<b>33</b>	<b>1,229,483</b>
Excess of Revenues Over (Under) Expenditures	3,429	30	8,124	122	(552,251)
<b>Other Financing Sources (Uses):</b>					
Long-term Debt Issued	-	-	-	-	45,000
Long-term Debt Issued - Refunding Bonds	-	-	-	-	-
Payments to Refunding Bond Escrow Agent	-	-	-	-	-
Premium on Bonds	-	-	-	-	1,337
Transfers In	-	-	-	1	210,913
Transfers Out	(829)	-	(6,059)	-	(78,388)
Installment Purchase Acquisitions	-	-	-	-	125
<b>Total Other Financing Sources (Uses)</b>	<b>(829)</b>	<b>-</b>	<b>(6,059)</b>	<b>1</b>	<b>178,988</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,600	30	2,066	123	(373,264)
Fund Balances, Beginning of Year	4,195	3	5,313	305	208,838
Increase (Decrease) in Reserve for Inventories	-	-	-	-	(163)
<b>Fund Balances, End of Year</b>	<b>\$ 6,795</b>	<b>\$ 32</b>	<b>\$ 7,379</b>	<b>\$ 428</b>	<b>\$ (164,588)</b>

<b>Debt Service Funds</b>					
<b>Bond Security and Redemption</b>	<b>Annual Appropriation Bonds</b>	<b>Badger Tobacco Asset Securitization</b>	<b>Petroleum Inspection Revenue Bonds</b>	<b>Transportation Revenue Bonds</b>	<b>Total Debt Service Funds</b>
\$ -	\$ -	\$ -	22,908	\$ -	22,908
-	-	-	-	-	-
-	-	-	-	112,706	112,706
-	-	-	-	-	-
778	(177)	7,895	9	758	9,264
-	-	-	-	-	-
40	-	-	-	-	40
-	-	-	-	-	-
-	-	130,110	-	-	130,110
818	(177)	138,005	22,917	113,464	275,028
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,201	296	-	-	1,497
-	-	-	-	-	-
55,738	-	-	12,735	57,885	126,358
144,783	34,037	97,643	10,519	62,554	349,536
4,769	1,691	-	-	-	6,460
205,289	36,930	97,939	23,254	120,439	483,851
(204,471)	(37,107)	40,066	(337)	(6,975)	(208,823)
-	285,669	-	-	9,093	294,762
429,188	-	-	95,470	-	524,658
(432,972)	-	-	(101,965)	-	(534,937)
71,642	-	-	9,370	14,545	95,556
339,320	-	-	-	-	339,320
(175,818)	-	-	-	(5,550)	(181,368)
-	-	-	-	-	-
231,360	285,669	-	2,874	18,088	537,991
26,889	248,562	40,066	2,537	11,113	329,168
12,085	-	234,812	1,883	10,680	259,460
-	-	-	-	-	-
\$ 38,974	\$ 248,562	\$ 274,878	\$ 4,420	\$ 21,793	\$ 588,627

(Continued)



**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2004**

(Continued)

	<b>Capital Projects Funds</b>				
	<b>Building Trust</b>	<b>Energy Efficiency</b>	<b>Capital Improvement</b>	<b>Transportation Revenue Bonds</b>	<b>Total Capital Projects Funds</b>
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	-
Intergovernmental	10,417	-	-	-	10,418
Licenses and Permits	-	-	-	320	320
Charges for Goods and Services	-	-	-	-	-
Investment and Interest Income	418	-	1,446	1,302	3,166
Fines and Forfeitures	-	-	-	-	-
Gifts and Donations	2	-	-	-	2
Other Revenues	36	-	-	-	36
Intergovernmental Transfer	-	-	-	-	-
Tobacco Settlement	-	-	-	-	-
<b>Total Revenues</b>	<b>10,873</b>	<b>-</b>	<b>1,446</b>	<b>1,622</b>	<b>13,941</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Commerce	1	-	6,239	-	6,240
Education	5	-	471	-	475
Transportation	615	-	164,964	19,754	185,333
Environmental Resources	958	-	33,359	-	34,317
Human Relations and Resources	851	-	2,313	-	3,164
General Executive	78	-	2,140	-	2,218
Judicial	-	-	-	-	-
Tax Relief and Other General Expenditures	62	-	3,265	-	3,328
Capital Outlay	15,415	-	172,767	163,672	351,854
Debt Service - Principal	-	-	-	-	-
Debt Service - Interest	-	-	3,426	-	3,426
Other Expenditures	-	-	121	1,483	1,604
<b>Total Expenditures</b>	<b>17,984</b>	<b>-</b>	<b>389,065</b>	<b>184,909</b>	<b>591,958</b>
Excess of Revenues Over (Under) Expenditures	(7,111)	-	(387,619)	(183,287)	(578,017)
<b>Other Financing Sources (Uses):</b>					
Long-term Debt Issued	-	-	462,051	240,907	702,958
Long-term Debt Issued - Refunding Bonds	-	-	-	-	-
Payments to Refunding Bond Escrow Agent	-	-	-	-	-
Premium on Bonds	-	-	-	1,320	1,320
Transfers In	9,905	-	185,765	5,550	201,220
Transfers Out	(557)	(500)	(275,513)	(3,673)	(280,243)
Installment Purchase Acquisitions	-	-	979	-	979
<b>Total Other Financing Sources (Uses)</b>	<b>9,348</b>	<b>(500)</b>	<b>373,282</b>	<b>244,105</b>	<b>626,234</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,237	(500)	(14,337)	60,818	48,218
Fund Balances, Beginning of Year	27,077	500	(187,921)	(70,463)	(230,807)
Increase (Decrease) in Reserve for Inventories	-	-	-	-	-
<b>Fund Balances, End of Year</b>	<b>\$ 29,313</b>	<b>\$ 0</b>	<b>\$ (202,258)</b>	<b>\$ (9,645)</b>	<b>\$ (182,589)</b>

**Permanent Funds**

	<b>Agricultural College</b>	<b>Common School</b>	<b>Normal School</b>	<b>University</b>	<b>Historical Society</b>	<b>Benevolent</b>	<b>Total Permanent Funds</b>	<b>Total Nonmajor Governmental Funds</b>
\$	-	\$	-	\$	-	\$	-	213,624
	-	58	-	-	-	-	58	45,286
	-	-	-	-	-	-	-	435,123
	-	26	372	-	11	-	409	10,872
	-	22,922	17	-	1,253	-	24,193	40,541
	-	22,005	-	-	-	-	22,005	30,074
	-	-	-	-	3	-	3	10,718
	-	1	1	-	-	-	1	1,521
	-	-	-	-	-	-	-	95,000
	-	-	-	-	-	-	-	130,110
	-	45,012	389	-	1,267	-	46,668	1,012,869
	-	-	-	-	-	-	-	37,290
	-	20,251	-	-	411	-	20,663	24,073
	-	-	-	-	-	-	-	185,333
	-	-	-	-	-	-	-	336,286
	-	-	-	-	-	-	-	798,043
	-	-	-	-	-	-	-	87,710
	-	-	-	-	-	-	-	357
	-	-	-	-	-	-	-	4,825
	-	-	-	-	42	-	42	363,328
	-	-	-	-	-	-	-	126,358
	-	-	-	-	-	-	-	354,330
	-	-	-	-	-	-	-	8,064
	-	20,251	-	-	453	-	20,704	2,325,996
	-	24,761	389	-	814	-	25,964	(1,313,127)
	-	-	-	-	-	-	-	1,042,719
	-	-	-	-	-	-	-	524,658
	-	-	-	-	-	-	-	(534,937)
	-	-	-	-	-	-	-	98,214
	-	20,005	-	-	-	-	20,005	771,459
	-	(2,824)	-	-	(27)	-	(2,850)	(542,849)
	-	-	-	-	-	-	-	1,104
	-	17,181	-	-	(27)	-	17,155	1,360,367
	-	41,942	389	-	787	-	43,119	47,240
	305	527,390	19,411	234	9,887	14	557,241	794,732
	-	-	-	-	-	-	-	(163)
<b>\$</b>	<b>305</b>	<b>\$ 569,332</b>	<b>\$ 19,801</b>	<b>\$ 234</b>	<b>\$ 10,674</b>	<b>\$ 14</b>	<b>\$ 600,360</b>	<b>\$ 841,810</b>

*State of Wisconsin*

**Budgetary Comparison Schedule  
Nonmajor Budgeted Governmental Funds  
For the Fiscal Year Ended June 30, 2004**

(In Thousands)

	Special Revenue					
	Conservation		Heritage State Parks and Forests		Wisconsin Health Education Loan Repayment	
	Budget	Actual	Budget	Actual	Budget	Actual
Unexpended Budgetary Fund Balance, Beginning of Year		\$ 50,172		\$ 1,177		\$ 16
<b>Revenues (Inflows):</b>						
Taxes	\$ 76,800	76,800	\$ -	-	\$ -	-
Budgeted Transfers from:						
General Fund	-	-	-	-	-	-
Departmental	157,275	157,275	29	29	50	50
Total Revenues	234,075	234,075	29	29	50	50
Amounts Available for Appropriation		284,247		1,206		66
<b>Appropriations and Transfers (Outflows):</b>						
Commerce	1,781	1,491	-	-	-	-
Education	974	325	-	-	77	51
Environmental Resources	295,842	228,446	32	32	-	-
Human Relations and Resources	319	239	-	-	-	-
General Executive	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Tax Relief and Other General	26	26	-	-	-	-
Budgeted Transfers to:						
General Fund	56	56	-	-	-	-
Total Appropriations and Transfers	\$ 298,998	230,583	\$ 32	32	\$ 77	51
Fund Balances						
End of Year		53,664		1,175		16
Less Encumbrances						
Outstanding at June 30, 2004		(25,628)		-		-
Fund Balances, End of Year Budgetary Basis	\$	28,036	\$	1,175	\$	16

Special Revenue									
Waste Management		Wisconsin Election Campaign		Investment and Local Impact		Election Administration		Industrial Building Construction Loan	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	\$ 6,448		\$ 343		\$ 168		\$ 14		\$ 207
\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
-	-	-	-	-	-	-	-	-	-
70	70	197	197	5	5	7,097	7,097	138	138
70	70	197	197	5	5	7,097	7,097	138	138
	<u>6,518</u>		<u>540</u>		<u>173</u>		<u>7,111</u>		<u>345</u>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
27	14	-	-	-	-	-	-	-	-
-	-	100	11	-	-	1,142	632	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
\$ 27	14	\$ 100	11	\$ -	-	\$ 1,142	632	\$ -	-
	6,504		529		173		6,479		345
	<u>(5)</u>		<u>-</u>		<u>-</u>		<u>(66)</u>		<u>-</u>
<u>\$ 6,500</u>		<u>\$ 529</u>		<u>\$ 173</u>		<u>\$ 6,413</u>		<u>\$ 345</u>	

(Continued)

**Budgetary Comparison Schedule  
Nonmajor Budgeted Governmental Funds  
For the Fiscal Year Ended June 30, 2004**

(Continued)

	Special Revenue					
	Self-insured Employers Liability		Medical Assistance Trust		Work Injury Supplemental Benefit	
	Budget	Actual	Budget	Actual	Budget	Actual
Unexpended Budgetary Fund Balance, Beginning of Year		\$ 260		\$ 327,329		\$ 4,336
<b>Revenues (Inflows):</b>						
Taxes	\$ -	-	\$ -	-	\$ -	-
Budgeted Transfers from:						
General Fund	-	-	123,500	123,500	-	-
Departmental	3	3	183,481	183,481	3,910	3,910
Total Revenues	3	3	306,981	306,981	3,910	3,910
Amounts Available for Appropriation		263		634,310		8,246
<b>Appropriations and Transfers (Outflows):</b>						
Commerce	-	-	-	-	-	-
Education	-	-	-	-	-	-
Environmental Resources	-	-	-	-	-	-
Human Relations and Resources	125	-	829,953	829,953	2,900	2,773
General Executive	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Tax Relief and Other General	-	-	-	-	-	-
Budgeted Transfers to: General Fund	-	-	-	-	-	-
Total Appropriations and Transfers	\$ 125	-	\$ 829,953	829,953	\$ 2,900	2,773
Fund Balances, End of Year		263		(195,642)		5,472
Less Encumbrances Outstanding at June 30, 2004		-		-		-
Fund Balances, End of Year Budgetary Basis		\$ 263		\$ (195,642)		\$ 5,472

Special Revenue									
Tobacco Control		Uninsured Employers		Utility Public Benefits		Mediation		State Capital Restoration	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	\$ 4,221		\$ 9,818		\$ 25,719		\$ 135	\$ -	\$ -
\$ -	-	\$ -	-	\$ -	-	\$ 3	3	-	-
-	-	-	-	-	-	-	-	-	-
22	22	3,144	3,144	108,477	108,477	212	212	5	5
22	22	3,144	3,144	108,477	108,477	215	215	5	5
	<u>4,243</u>		<u>12,962</u>		<u>134,196</u>		<u>350</u>	-	<u>5</u>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
3,627	3,461	2,438	2,438	-	-	-	-	-	-
-	-	-	-	94,479	85,438	-	-	-	-
-	-	-	-	-	-	714	357	-	-
-	-	5	5	17,600	17,600	-	-	-	-
-	-	-	-	-	-	2	2	-	-
\$ 3,627	3,461	\$ 2,443	2,443	\$ 112,079	103,038	\$ 715	358	\$ -	-
	782		10,518		31,158		(8)		5
	<u>-</u>		<u>-</u>		<u>(1,237)</u>		<u>-</u>		<u>-</u>
<u>\$ 782</u>		<u>\$ 10,518</u>		<u>\$ 29,921</u>		<u>\$ (8)</u>		<u>\$ 5</u>	

(Continued)

**Budgetary Comparison Schedule  
Nonmajor Budgeted Governmental Funds  
For the Fiscal Year Ended June 30, 2004**

(Continued)

	Special Revenue					
	Agricultural Chemical Cleanup		Agrichemical Management		Agricultural Producer Security	
	Budget	Actual	Budget	Actual	Budget	Actual
Unexpended Budgetary Fund Balance, Beginning of Year		\$ 200		\$ 2,224		\$ 2,805
<b>Revenues (Inflows):</b>						
Taxes	\$ -	-	\$ -	-	\$ -	-
Budgeted Transfers from:						
General Fund	-	-	-	-	-	-
Departmental	2,984	2,984	5,760	5,760	2,284	2,284
Total Revenues	2,984	2,984	5,760	5,760	2,284	2,284
Amounts Available for Appropriation		3,184		7,984		5,089
<b>Appropriations and Transfers (Outflows):</b>						
Commerce	6,372	2,600	5,551	5,399	1,082	922
Education	-	-	-	-	-	-
Environmental Resources	-	-	-	-	-	-
Human Relations and Resources	-	-	-	-	-	-
General Executive	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Tax Relief and Other General	-	-	-	-	-	-
Budgeted Transfers to:						
General Fund	-	-	116	116	-	-
Total Appropriations and Transfers	\$ 6,372	2,600	\$ 5,667	5,515	\$ 1,082	922
Fund Balances						
End of Year		584		2,469		4,167
Less Encumbrances						
Outstanding at June 30, 2004		-		(24)		-
Fund Balances, End of Year Budgetary Basis	\$	584	\$	2,444	\$	4,167

Special Revenue									
Historical Legacy Trust		History Preservation Partnership Trust		Petroleum Inspection		Environmental		Dry Cleaner Environmental Response	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	\$ 61		\$ -		\$ 18,608		\$ 28,081		\$ 2,573
\$ -	-	\$ -	-	\$ 92,563	92,563	\$ -	-	\$ -	-
-	-	-	-	-	-	-	-	-	-
1	1	1,588	1,588	43,500	43,500	40,518	40,518	1,043	1,043
1	1	1,588	1,588	136,063	136,063	40,518	40,518	1,043	1,043
	<u>61</u>		<u>1,588</u>		<u>154,672</u>		<u>68,599</u>		<u>3,617</u>
-	-	-	-	102,082	101,916	22,810	11,679	-	-
-	-	1,471	1,223	-	-	230	78	-	-
-	-	-	-	4,778	4,569	29,947	23,631	710	707
-	-	-	-	466	466	412	402	-	-
-	-	-	-	178	160	-	-	58	57
-	-	-	-	-	-	-	-	-	-
-	-	-	-	352	352	-	-	-	-
-	-	-	-	20,954	20,954	2,558	2,558	-	-
\$ -	-	\$ 1,471	1,223	\$ 128,810	128,418	\$ 55,958	38,348	\$ 768	764
	61		365		26,254		30,251		2,853
	<u>-</u>		<u>(11)</u>		<u>(145)</u>		<u>(18,843)</u>		<u>-</u>
	<u>\$ 61</u>		<u>\$ 354</u>		<u>\$ 26,109</u>		<u>\$ 11,408</u>		<u>\$ 2,853</u>

(Continued)

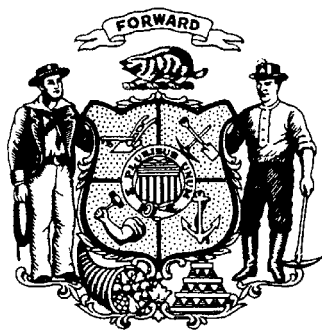


**Budgetary Comparison Schedule  
Nonmajor Budgeted Governmental Funds  
For the Fiscal Year Ended June 30, 2004**

(Continued)

	Special Revenue					
	Recycling		VendorNet		Universal Service	
	Budget	Actual	Budget	Actual	Budget	Actual
Unexpended Budgetary Fund Balance, Beginning of Year		\$ 3,565		\$ (2,984)		\$ 1,767
<b>Revenues (Inflows):</b>						
Taxes	25,543	25,543	\$ -	- \$	-	-
Budgeted Transfers from:						
General Fund	-	-	-	-	-	-
Departmental	20,050	20,050	20	20	26,491	26,491
Total Revenues	45,593	45,593	20	20	26,491	26,491
Amounts Available for Appropriation		49,158		(2,964)		28,259
<b>Appropriations and Transfers (Outflows):</b>						
Commerce	710	523	-	-	5,671	4,837
Education	492	486	-	-	5,054	4,759
Environmental Resources	29,822	28,229	-	-	-	-
Human Relations and Resources	307	307	-	-	-	-
General Executive	253	201	90	-	12,687	12,687
Judicial	-	-	-	-	-	-
Tax Relief and Other General	2	2	-	-	-	-
Budgeted Transfers to:						
General Fund	7,274	7,274	-	-	-	-
Total Appropriations and Transfers	38,860	37,020	\$ 90	- \$	23,411	22,282
Fund Balances, End of Year		12,137		(2,964)		5,977
Less Encumbrances Outstanding at June 30, 2004		(453)		-		(834)
Fund Balances, End of Year Budgetary Basis		\$ 11,684		\$ (2,964)		\$ 5,142

Special Revenue				Permanent			
Budget Stabilization		Children's Trust		Common School		Historical Society	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	\$ 3		\$ 305		\$ 521,018		\$ 9,887
\$ -	-	\$ -	-	\$ -	-	\$ -	-
-	-	-	-	-	-	-	-
30	30	156	156	60,465	60,465	1,267	1,267
30	30	156	156	60,465	60,465	1,267	1,267
	<u>32</u>		<u>461</u>		<u>581,483</u>		<u>11,154</u>
-	-	-	-	-	-	-	-
-	-	-	-	26,000	20,251	693	480
-	-	-	-	-	-	-	-
-	-	78	33	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	-	\$ 78	33	\$ 26,000	20,251	\$ 693	480
	32		428		561,232		10,674
	<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
	<u>\$ 32</u>		<u>\$ 428</u>		<u>\$ 561,232</u>		<u>\$ 10,674</u>



# 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 **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 **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 **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 **Northern Developmental Disabilities Center Fund**, the **Central Developmental Disabilities Center Fund** and the **Southern Developmental Disabilities Center Fund** 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 **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 **Lottery Fund** accounts for State managed lottery activities used to provide property tax relief to taxpayers. Revenues, which are derived from ticket sales, are used to pay winners, commissions to retailers, operating expenses and property tax relief.

The **Health Insurance Risk Sharing Plan Fund** provides major medical and Medicare supplemental coverage for residents who are unable to obtain health insurance coverage in the private market. This service is funded by premiums paid by insureds of the Plan, assessments of health insurers doing business in the

State, reduction of health care provider payments, and general purpose revenue from the State.

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 **Income Continuation Insurance Fund** accounts for long-term and short-term disability benefits (up to 75 percent of gross salary) for employees of the State and of participating local public employers and operates on a self-insured basis. This fund also accounts for the collection of contributions and investment activity providing funding for the benefits.

The **Duty Disability Fund** accounts for the compensation of protective category employees of the State Retirement System for duty-related disabilities, as well as the collection of contributions and investment activity providing funding for the benefits.

The **Long-term Disability Insurance Fund** accounts for long-term disability benefits paid to State Retirement System participants, as well as the collection of contributions and investment activity providing 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 and retired 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 **Wisconsin Education Revenue Bonds Fund** accounts for bond proceeds to provide health education loans to fulltime medical and dental students at qualifying universities or colleges.

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.

**Combining Balance Sheet - Nonmajor Enterprise Funds**

**June 30, 2004**

(In Thousands)

	State Fair Park	Homes for Veterans	Mendota Mental Health Institute	Winnebago Mental Health Institute	Northern Developmental Disabilities Center
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 61	\$ 5,432	\$ 3,801	\$ 191	\$ 258
Investments	-	-	-	6	-
Receivables (net of allowance):					
Loans Receivable	-	-	-	-	-
Other Receivables	2,593	6,148	5,446	5,651	2,971
Due from Other Funds	1	15	1,906	711	2,584
Due from Other Governments	-	3,036	-	-	-
Inventories	44	1,085	341	471	93
Prepaid Items	1,452	591	536	582	610
Total Current Assets	4,151	16,308	12,030	7,612	6,517
Noncurrent Assets:					
Investments	-	-	-	-	-
Receivables (net of allowance):					
Loans Receivable	-	-	-	-	-
Deferred Charges	191	19	-	-	-
Capital Assets (net of accumulated depreciation)	39,404	26,712	17,542	13,515	6,171
Nondepreciable Capital Assets	23,161	4,884	787	880	73
Other Assets	-	-	-	-	-
Total Noncurrent Assets	62,755	31,615	18,328	14,395	6,244
Total Assets	\$ 66,906	\$ 47,923	\$ 30,358	\$ 22,008	\$ 12,761
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable and Other Accrued Liabilities	\$ 1,676	\$ 2,116	\$ 2,133	\$ 1,948	\$ 753
Due to Other Funds	1,047	6,391	5,252	5,868	5,744
Interfund Payables	5,721	-	-	-	-
Due to Other Governments	-	134	69	39	-
Tax and Other Deposits	75	30	-	-	-
Deferred Revenue	3,899	-	11	-	-
Interest Payable	302	31	-	-	-
Short-term Notes Payable	1,321	269	-	-	-
Current Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	-	-	-	-	-
Compensated Absences	80	578	741	605	270
Capital Leases	71	-	39	34	-
General Obligation Bonds Payable	1,664	161	-	-	-
Total Current Liabilities	15,854	9,711	8,246	8,495	6,768
Noncurrent Liabilities:					
Accounts Payable and Other Accrued Liabilities	-	-	-	-	-
Noncurrent Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	-	-	-	-	-
Compensated Absences	57	488	961	768	360
Capital Leases	9	-	426	453	-
General Obligation Bonds Payable	34,628	3,838	-	-	-
Total Noncurrent Liabilities	34,694	4,326	1,388	1,221	360
Total Liabilities	50,548	14,036	9,634	9,716	7,128
<b>Fund Equity</b>					
Invested in Capital Assets, Net of Related Debt	25,063	27,347	17,863	13,908	6,244
Restricted for Future Benefits	-	-	-	-	-
Restricted for Other Purposes	-	-	-	-	-
Unrestricted	(8,705)	6,539	2,862	(1,616)	(611)
Total Fund Equity	16,358	33,887	20,724	12,292	5,633
Total Liabilities and Fund Equity	\$ 66,906	\$ 47,923	\$ 30,358	\$ 22,008	\$ 12,761

Central Developmental Disabilities Center	Southern Developmental Disabilities Center	Institutional Farm Operations	Correctional Canteen Operations	Lottery	Health Insurance Risk Sharing Plan	Local Government Property Insurance
\$ 4,559	\$ 4,454	\$ -	\$ 1,204	\$ 36,970	\$ 49,825	\$ 24,113
-	-	-	-	16,384	-	-
-	-	-	-	-	-	-
4,037	2,270	602	191	5,578	1,222	3,090
130	428	28	-	1,958	743	-
-	-	-	-	-	-	1,063
240	271	2,311	1,024	1,218	-	-
686	522	8	17	29,377	31	-
9,652	7,945	2,950	2,437	91,486	51,820	28,266
-	-	-	-	112,020	-	8,105
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,900	9,390	5,090	29	115	-	-
393	73	1,636	-	-	-	-
-	-	-	-	5,799	-	-
12,293	9,463	6,726	29	117,934	-	8,105
\$ 21,946	\$ 17,408	\$ 9,676	\$ 2,467	\$ 209,419	\$ 51,820	\$ 36,371
\$ 2,141	\$ 1,470	\$ 183	\$ 256	\$ 27,439	\$ 670	\$ 811
5,185	4,088	200	70	9,326	73	2
-	-	3,250	-	-	-	-
-	-	9	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	429	16,565	6,702
-	-	3	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	17,599	4,354
778	291	32	5	147	6	-
-	57	79	-	-	-	-
-	-	-	-	-	-	-
8,103	5,906	3,755	332	37,340	34,913	11,870
-	-	-	-	99,415	-	-
-	-	-	-	-	-	-
1,389	490	65	-	173	8	-
-	768	325	-	-	-	-
-	-	-	-	-	-	-
1,389	1,258	390	-	99,588	8	-
9,492	7,165	4,145	332	136,928	34,922	11,870
12,293	8,638	6,321	29	115	-	-
-	-	-	-	-	5,380	24,501
-	-	-	-	72,376	-	-
160	1,605	(790)	2,105	-	11,519	-
12,453	10,243	5,531	2,134	72,491	16,898	24,501
\$ 21,946	\$ 17,408	\$ 9,676	\$ 2,467	\$ 209,419	\$ 51,820	\$ 36,371

(Continued)

**Combining Balance Sheet - Nonmajor Enterprise Funds**  
**June 30, 2004**

(Continued)

	State Life Insurance	Income Continuation Insurance	Duty Disability	Long-term Disability Insurance
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 3,697	\$ 81,875	\$ 164,967	\$ 253,072
Investments	-	-	-	-
Receivables (net of allowance):				
Loans Receivable	-	-	-	-
Other Receivables	1,162	2,093	149	65
Due from Other Funds	-	404	-	-
Due from Other Governments	-	-	-	-
Inventories	-	-	-	-
Prepaid Items	5	-	-	-
Total Current Assets	<u>4,864</u>	<u>84,372</u>	<u>165,116</u>	<u>253,137</u>
Noncurrent Assets:				
Investments	72,663	-	-	-
Receivables (net of allowance):				
Loans Receivable	3,687	-	-	-
Deferred Charges	617	-	-	-
Capital Assets (net of accumulated depreciation)	110	-	-	-
Nondepreciable Capital Assets	-	-	-	-
Other Assets	-	-	-	-
Total Noncurrent Assets	<u>77,076</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 81,941</u>	<u>\$ 84,372</u>	<u>\$ 165,116</u>	<u>\$ 253,137</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable and Other Accrued Liabilities	\$ 775	\$ 138	\$ 1,998	\$ 67
Due to Other Funds	9	40	17	3
Interfund Payables	-	-	-	-
Due to Other Governments	1	-	-	-
Tax and Other Deposits	15,512	-	-	-
Deferred Revenue	-	106	-	-
Interest Payable	-	-	-	-
Short-term Notes Payable	-	-	-	-
Current Portion of Long-term Liabilities:				
Future Benefits and Loss Liabilities	4,097	12,050	22,272	7,978
Compensated Absences	2	-	-	-
Capital Leases	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Current Liabilities	<u>20,396</u>	<u>12,333</u>	<u>24,287</u>	<u>8,047</u>
Noncurrent Liabilities:				
Accounts Payable and Other Accrued Liabilities	-	-	-	-
Noncurrent Portion of Long-term Liabilities:				
Future Benefits and Loss Liabilities	55,940	44,819	316,950	45,973
Compensated Absences	4	-	-	-
Capital Leases	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Noncurrent Liabilities	<u>55,944</u>	<u>44,819</u>	<u>316,950</u>	<u>45,973</u>
Total Liabilities	<u>76,339</u>	<u>57,153</u>	<u>341,237</u>	<u>54,021</u>
<b>Fund Equity</b>				
Invested in Capital Assets, Net of Related Debt	110	-	-	-
Restricted for Future Benefits	5,492	27,219	(176,121)	199,116
Restricted for Other Purposes	-	-	-	-
Unrestricted	-	-	-	-
Total Fund Equity	<u>5,602</u>	<u>27,219</u>	<u>(176,121)</u>	<u>199,116</u>
Total Liabilities and Fund Equity	<u>\$ 81,941</u>	<u>\$ 84,372</u>	<u>\$ 165,116</u>	<u>\$ 253,137</u>

	Health Insurance	Veterans Trust	Wisconsin Education Revenue Bonds	Transportation Infrastructure Loan	Total All Nonmajor Funds
\$	83,564	\$ 29,540	\$ 847	\$ 793	749,224
	-	-	-	-	16,390
	-	7,968	321	450	8,739
	8	452	-	-	43,729
	86	308	-	-	9,301
	-	-	-	-	4,099
	-	58	-	-	7,156
	57,068	127	-	-	91,614
	140,725	38,452	1,168	1,243	930,252
	-	-	-	-	192,788
	-	49,888	547	1,107	55,228
	-	2	-	-	828
	-	8,252	-	-	138,230
	-	1,581	-	-	33,468
	-	-	-	-	5,799
	-	59,723	547	1,107	426,341
\$	140,725	\$ 98,175	\$ 1,715	\$ 2,350	1,356,593
\$	2,329	\$ 810	\$ 365	\$ -	48,079
	267	259	-	-	43,841
	-	-	-	-	8,971
	-	5	-	-	257
	-	49	-	-	15,667
	69,312	-	-	-	97,025
	-	8	-	-	344
	-	7	-	-	1,596
	18,653	-	-	-	87,003
	-	94	-	-	3,629
	-	-	-	-	280
	-	54	-	-	1,879
	90,561	1,286	365	-	308,570
	-	-	-	-	99,415
	-	-	-	-	463,682
	-	127	-	-	4,891
	-	-	-	-	1,981
	-	888	-	-	39,354
	-	1,015	-	-	609,324
	90,561	2,302	365	-	917,894
	-	8,886	-	-	126,818
	50,164	-	-	-	135,751
	-	-	-	-	72,376
	-	86,987	1,350	2,350	103,754
	50,164	95,873	1,350	2,350	438,699
\$	140,725	\$ 98,175	\$ 1,715	\$ 2,350	1,356,593



**Combining Statement of Revenues, Expenses, and Changes in Fund Equity - Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2004**

(In Thousands)

	State Fair Park	Homes for Veterans	Mendota Mental Health Institute	Winnebago Mental Health Institute	Northern Developmental Disabilities Center
<b>Operating Revenues:</b>					
Charges for Goods and Services	\$ 18,542	\$ 48,479	\$ 23,480	\$ 24,154	\$ 30,178
Participant and Employer Contributions	-	-	-	-	-
Investment and Interest Income	-	1	-	-	-
Other Income	12	-	-	-	-
<b>Total Operating Revenues</b>	<b>18,555</b>	<b>48,480</b>	<b>23,480</b>	<b>24,154</b>	<b>30,178</b>
<b>Operating Expenses:</b>					
Personal Services	4,568	39,292	42,542	37,492	22,495
Supplies and Services	13,289	10,027	9,693	8,771	4,558
Lottery Prize Awards	-	-	-	-	-
Depreciation	2,816	1,762	1,196	888	866
Benefit Expense	-	-	-	-	-
Interest Expense	6	-	-	-	-
Other Expenses	594	-	-	-	-
<b>Total Operating Expenses</b>	<b>21,273</b>	<b>51,081</b>	<b>53,431</b>	<b>47,151</b>	<b>27,919</b>
<b>Operating Income (Loss)</b>	<b>(2,719)</b>	<b>(2,601)</b>	<b>(29,951)</b>	<b>(22,997)</b>	<b>2,259</b>
<b>Nonoperating Revenues (Expenses):</b>					
Operating Grants	-	42	248	135	-
Investment and Interest Income	14	-	-	-	3
Gain (Loss) on Disposal of Capital Assets	11	(3)	-	(3)	15
Interest Expense	(1,635)	(138)	(25)	(19)	-
Other Revenues	-	274	435	499	253
Other Expenses:					
Property Tax Credits	-	-	-	-	-
Grants Disbursed	-	(66)	-	-	-
Other	-	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(1,610)</b>	<b>109</b>	<b>658</b>	<b>613</b>	<b>271</b>
<b>Income (Loss) before Transfers</b>	<b>(4,329)</b>	<b>(2,493)</b>	<b>(29,293)</b>	<b>(22,384)</b>	<b>2,531</b>
Capital Contributions	-	1,566	-	-	-
Transfers In	3,075	550	30,057	22,271	2,486
Transfers Out	(662)	(2,382)	(1,467)	(1,792)	(4,932)
<b>Net Change in Fund Equity</b>	<b>(1,915)</b>	<b>(2,759)</b>	<b>(703)</b>	<b>(1,905)</b>	<b>85</b>
Total Fund Equity, Beginning of Year	18,273	36,645	21,427	14,197	5,548
<b>Total Fund Equity, End of Year</b>	<b>\$ 16,358</b>	<b>\$ 33,887</b>	<b>\$ 20,724</b>	<b>\$ 12,292</b>	<b>\$ 5,633</b>

Central Developmental Disabilities Center	Southern Developmental Disabilities Center	Institutional Farm Operations	Correctional Canteen Operations	Lottery	Health Insurance Risk Sharing Plan	Local Government Property Insurance
\$ 65,398	\$ 47,036	\$ 4,582	\$ 11,187	\$ 482,920	\$ 115,977	20,945
-	-	-	-	-	-	-
-	-	-	-	-	-	256
-	-	-	51	303	-	-
65,398	47,036	4,582	11,238	483,224	115,977	21,200
45,504	32,491	1,532	840	6,002	347	108
12,635	10,880	3,892	10,283	61,573	4,713	1,255
-	-	-	-	275,179	-	-
1,059	1,101	347	1	63	-	-
-	-	-	-	-	103,881	10,523
-	-	-	-	-	-	-
-	-	-	87	125	92	76
59,198	44,472	5,771	11,211	342,943	109,033	11,962
6,200	2,564	(1,189)	27	140,281	6,943	9,239
82	-	-	-	-	-	-
-	-	-	-	(10,134)	406	-
8	1	(11)	-	-	-	-
-	(40)	(14)	-	(1)	-	-
38	265	5	-	-	-	-
-	-	-	-	(115,319)	-	-
-	-	-	-	-	-	-
-	(117)	-	(3)	-	-	-
128	109	(20)	(3)	(125,453)	406	-
6,328	2,673	(1,209)	24	14,827	7,350	9,239
-	-	-	-	-	-	-
1,212	412	1,321	601	1,277	-	-
(3,908)	(3,403)	(309)	(680)	(11,908)	(5)	(2)
3,632	(318)	(198)	(55)	4,196	7,344	9,236
8,821	10,561	5,729	2,189	68,295	9,554	15,265
\$ 12,453	\$ 10,243	\$ 5,531	\$ 2,134	\$ 72,491	\$ 16,898	\$ 24,501

(Continued)

**Combining Statement of Revenues, Expenses, and Changes in Fund Equity - Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2004**

(Continued)

	State Life Insurance	Income Continuation Insurance	Duty Disability	Long-term Disability Insurance
<b>Operating Revenues:</b>				
Charges for Goods and Services	\$ 2,072	\$ 2	\$ -	1
Participant and Employer Contributions	-	10,668	40,385	-
Investment and Interest Income	(2,100)	10,733	22,623	40,103
Other Income	7	-	10	2
Total Operating Revenues	(21)	21,404	63,019	40,106
<b>Operating Expenses:</b>				
Personal Services	247	-	-	-
Supplies and Services	210	1,532	-	763
Lottery Prize Awards	-	-	-	-
Depreciation	39	-	-	-
Benefit Expense	4,028	10,305	41,623	17,922
Interest Expense	692	-	-	-
Other Expenses	2,687	556	(49)	(113)
Total Operating Expenses	7,904	12,392	41,574	18,572
Operating Income (Loss)	(7,925)	9,012	21,445	21,535
<b>Nonoperating Revenues (Expenses):</b>				
Operating Grants	-	-	-	-
Investment and Interest Income	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	-	-	-	-
Interest Expense	-	-	-	-
Other Revenues	-	-	-	-
Other Expenses:				
Property Tax Credits	-	-	-	-
Grants Disbursed	-	-	-	-
Other	-	-	-	-
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) before Transfers	(7,925)	9,012	21,445	21,535
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(6)	-	-	-
Net Change in Fund Equity	(7,931)	9,012	21,445	21,535
Total Fund Equity, Beginning of Year	13,533	18,207	(197,566)	177,581
Total Fund Equity, End of Year	\$ 5,602	\$ 27,219	\$ (176,121)	\$ 199,116

	Health Insurance	Veterans Trust	Wisconsin Education Revenue Bonds	Transportation Infrastructure Loan	Total All Nonmajor Funds
\$	4	\$ 191	\$ -	\$ -	895,148
	874,356	-	-	-	925,409
	1,113	3,753	97	117	76,697
	2	-	-	-	388
	875,475	3,944	97	117	1,897,642
	-	4,862	-	-	238,323
	6,594	2,055	58	-	162,779
	-	-	-	-	275,179
	-	586	-	-	10,724
	843,722	-	-	-	1,032,005
	-	-	-	-	698
	3,701	206	15	-	7,976
	854,017	7,709	73	-	1,727,685
	21,457	(3,765)	24	117	169,957
	-	174	-	30	712
	-	305	9	6	(9,391)
	-	(2)	-	-	16
	-	(46)	-	-	(1,918)
	-	31	-	-	1,800
	-	-	-	-	(115,319)
	-	(7,106)	-	-	(7,172)
	-	-	-	-	(120)
	-	(6,644)	9	36	(131,391)
	21,457	(10,409)	33	153	38,566
	-	1,335	-	-	2,901
	-	31	-	-	63,295
	-	(159)	(1,000)	-	(32,617)
	21,457	(9,202)	(967)	153	72,144
	28,707	105,075	2,317	2,197	366,555
\$	50,164	\$ 95,873	\$ 1,350	\$ 2,350	438,699

## Combining Statement of Cash Flows - Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2004

(In Thousands)

	State Fair Park	Homes for Veterans	Mendota Mental Health Institute	Winnebago Mental Health Institute	Northern Developmental Disabilities Center
<b>Cash Flows from Operating Activities:</b>					
Cash Receipts from Customers	\$ 20,867	\$ 56,740	\$ 22,551	\$ 26,074	\$ 32,929
Cash Payments to Suppliers for Goods and Services	(19,293)	(10,654)	(10,290)	(8,248)	(4,729)
Cash Payments to Employees for Services	(4,533)	(39,253)	(41,394)	(39,589)	(20,450)
Cash Payments for Lottery Prizes	-	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-	-
Collection of Loans	-	-	-	-	-
Interest Income	-	1	-	-	-
Cash Payments for Benefits	-	-	-	-	-
Other Operating Revenues	12	-	-	-	-
Other Operating Expenses	(600)	-	-	-	-
Other Sources of Cash	-	274	3,392	3,833	415
Other Uses of Cash	-	-	-	-	-
Net Cash Provided (Used) by Operating Activities	(3,547)	7,108	(25,741)	(17,932)	8,166
<b>Cash Flows from Noncapital Financing Activities:</b>					
Operating Grants Receipts	-	42	215	140	-
Grants for Loans to Governments	-	-	-	-	-
Grants Disbursed	-	(66)	-	-	-
Interest Payments	-	-	-	-	-
Property Tax Credit Payments	-	-	-	-	-
Interfund Loans Received	5,751	-	-	-	-
Interfund Loans Repaid	-	-	-	(2,587)	(5,680)
Transfers In	3,075	(31)	30,097	22,283	2,486
Transfers Out	(662)	(2,384)	(1,467)	(823)	(4,932)
Other Cash Inflows from Noncapital Financing Activities	-	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	8,164	(2,438)	28,845	19,013	(8,126)
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from Issuance of Long-term Debt	-	689	-	-	-
Capital Contributions	-	1,566	-	-	-
Repayment of Long-term Debt	(1,394)	(88)	-	-	-
Interest Payments	(1,646)	(176)	(25)	(19)	-
Capital Lease Obligations	(97)	(41)	(80)	(33)	-
Proceeds from Sale of Capital Assets	11	-	-	-	216
Payments for Purchase of Capital Assets	(1,721)	(4,536)	(1,091)	(905)	(20)
Other Cash Inflows from Capital Financing Activities	-	158	-	-	-
Other Cash Outflows from Capital Financing Activities	-	(44)	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,847)	(2,472)	(1,196)	(957)	196
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Sale and Maturities of Investment Securities	-	-	-	4	-
Purchase of Investment Securities	-	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-	-
Collection of Loans	-	-	-	-	-
Investment and Interest Receipts	14	-	-	-	3
Net Cash Provided (Used) by Investing Activities	14	-	-	4	3
Net Increase (Decrease) in Cash and Cash Equivalents	(216)	2,198	1,908	128	238
Cash and Cash Equivalents, Beginning of Year	276	3,235	1,893	63	20
Cash and Cash Equivalents, End of Year	\$ 61	\$ 5,432	\$ 3,801	\$ 191	\$ 258

	Central Developmental Disabilities Center	Southern Developmental Disabilities Center	Institutional Farm Operations	Correctional Canteen Operations	Lottery	Health Insurance Risk Sharing Plan	Local Government Property Insurance
\$	77,285	\$ 52,951	\$ 4,365	\$ 11,132	\$ 481,829	\$ 118,216	22,550
	(12,278)	(11,291)	(2,889)	(10,232)	(28,137)	(4,816)	(1,220)
	(45,250)	(32,359)	(1,519)	(901)	(5,883)	(337)	(108)
	-	-	-	-	(289,528)	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	(103,812)	(13,288)
	-	-	-	52	-	-	-
	-	-	-	(88)	(31,430)	(97)	(73)
	38	1,035	213	-	-	-	-
	-	-	(128)	-	-	-	-
	19,794	10,337	41	(37)	126,851	9,153	7,861
	82	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	(118,357)	-	-
	-	-	-	-	-	-	-
	(11,496)	(5,410)	(401)	-	-	-	-
	1,212	412	1,321	601	1,185	-	-
	(3,908)	(616)	(309)	(664)	(15,576)	-	(2)
	-	-	-	-	-	-	-
	(14,110)	(5,614)	611	(63)	(132,748)	-	(2)
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	(40)	(15)	-	-	-	-
	-	(55)	(79)	-	-	-	-
	-	1	-	-	-	-	-
	(1,130)	(192)	(456)	(20)	-	-	-
	-	-	-	38	-	-	-
	-	-	(102)	-	-	-	-
	(1,130)	(287)	(652)	18	-	-	-
	-	-	-	-	18,520	-	3,750
	-	-	-	-	(1,722)	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	616	406	877
	-	-	-	-	17,414	406	4,627
	4,555	4,437	-	(82)	11,518	9,560	12,485
	4	17	-	1,286	25,453	40,265	11,628
\$	4,559	\$ 4,454	\$ -	\$ 1,204	\$ 36,970	\$ 49,825	\$ 24,113

(Continued)

## Combining Statement of Cash Flows - Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2004

(Continued)

	State Life Insurance	Income Continuation Insurance	Duty Disability	Long-term Disability Insurance
<b>Cash Flows from Operating Activities:</b>				
Cash Receipts from Customers	\$ 2,073	\$ 10,679	\$ 40,385	\$ -
Cash Payments to Suppliers for Goods and Services	(157)	(1,973)	-	(607)
Cash Payments to Employees for Services	(222)	-	-	-
Cash Payments for Lottery Prizes	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-
Collection of Loans	-	-	-	-
Interest Income	-	-	-	-
Cash Payments for Benefits	(2,556)	(12,743)	(23,182)	(8,326)
Other Operating Revenues	7	-	-	-
Other Operating Expenses	(1,061)	-	-	-
Other Sources of Cash	-	2	-	-
Other Uses of Cash	-	-	-	-
Net Cash Provided (Used) by Operating Activities	(1,916)	(4,035)	17,203	(8,933)
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Grants Receipts	-	-	-	-
Grants for Loans to Governments	-	-	-	-
Grants Disbursed	-	-	-	-
Interest Payments	(692)	-	-	-
Property Tax Credit Payments	-	-	-	-
Interfund Loans Received	-	-	-	-
Interfund Loans Repaid	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(6)	-	-	-
Other Cash Inflows from Noncapital Financing Activities	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(698)	-	-	-
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from Issuance of Long-term Debt	-	-	-	-
Capital Contributions	-	-	-	-
Repayment of Long-term Debt	-	-	-	-
Interest Payments	-	-	-	-
Capital Lease Obligations	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Payments for Purchase of Capital Assets	(37)	-	-	-
Other Cash Inflows from Capital Financing Activities	-	-	-	-
Other Cash Outflows from Capital Financing Activities	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(37)	-	-	-
<b>Cash Flows from Investing Activities:</b>				
Proceeds from Sale and Maturities of Investment Securities	10,528	-	-	-
Purchase of Investment Securities	(11,713)	-	-	-
Cash Payments for Loans Originated	(165)	-	-	-
Collection of Loans	200	-	-	-
Investment and Interest Receipts	3,702	10,733	22,623	40,107
Net Cash Provided (Used) by Investing Activities	2,552	10,733	22,623	40,107
Net Increase (Decrease) in Cash and Cash Equivalents	(99)	6,699	39,826	31,174
Cash and Cash Equivalents, Beginning of Year	3,797	75,177	125,141	221,897
Cash and Cash Equivalents, End of Year	\$ 3,697	\$ 81,875	\$ 164,967	\$ 253,072

	Health Insurance	Veterans Trust	Wisconsin Education Revenue Bonds	Transportation Infrastructure Loan	Total All Nonmajor Funds
\$	875,459	\$ 191	\$ -	\$ -	1,856,277
	(2,344)	(1,736)	(58)	-	(130,952)
	(3,701)	(4,795)	-	-	(240,295)
	-	-	-	-	(289,528)
	-	(11,744)	-	-	(11,744)
	-	17,128	503	243	17,874
	-	3,824	97	104	4,025
	(832,683)	-	-	-	(996,591)
	2	-	-	-	74
	-	(233)	(15)	-	(33,596)
	4	-	-	-	9,206
	-	-	-	-	(128)
	36,736	2,635	527	346	184,620
	-	174	-	-	653
	-	-	-	30	30
	-	(7,361)	-	-	(7,426)
	-	-	-	-	(692)
	-	-	-	-	(118,357)
	-	-	-	-	5,751
	-	-	-	-	(25,574)
	-	-	-	-	62,642
	-	(159)	(1,000)	-	(32,509)
	-	31	-	-	31
	-	(7,315)	(1,000)	30	(115,452)
	-	17	-	-	706
	-	1,335	-	-	2,901
	-	(59)	-	-	(1,541)
	-	(47)	-	-	(1,968)
	-	-	-	-	(385)
	-	10	-	-	237
	-	(1,359)	-	-	(11,466)
	-	31	-	-	227
	-	(12)	-	-	(158)
	-	(83)	-	-	(11,447)
	-	-	-	-	32,802
	-	-	-	-	(13,435)
	-	-	-	-	(165)
	-	-	-	-	200
	1,113	305	9	6	80,515
	1,113	305	9	6	99,917
	37,850	(4,458)	(464)	382	157,639
	45,714	33,997	1,311	411	591,585
\$	83,564	\$ 29,540	\$ 847	\$ 793	749,224

(Continued)



**Combining Statement of Cash Flows - Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2004**

(Continued)

	State Fair Park	Homes for Veterans	Mendota Mental Health Institute	Winnebago Mental Health Institute	Northern Developmental Disabilities Center
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:</b>					
Operating Income (Loss)	\$ (2,719)	\$ (2,601)	\$ (29,951)	\$ (22,997)	\$ 2,259
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	2,816	1,762	1,196	888	866
Provision for Uncollectible Accounts	-	-	-	-	-
Operating Income (Investment Income) Classified as Investing Activity	-	-	-	-	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	-	-	-	-
Miscellaneous Nonoperating Income (Expense)	-	274	435	499	251
Changes in Assets and Liabilities:					
Decrease (Increase) in Receivables	316	3,966	(815)	(1,640)	(148)
Decrease (Increase) in Due from Other Funds	(1)	85	600	1,901	2,894
Decrease (Increase) in Due from Other Governments	-	4,210	-	-	-
Decrease (Increase) in Inventories	7	(271)	(16)	61	104
Decrease (Increase) in Prepaid Items	(1,343)	(57)	(57)	(34)	(88)
Decrease (Increase) in Other Assets	-	-	-	-	-
Decrease (Increase) in Deferred Charges	-	-	-	-	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(3,040)	(295)	245	83	(127)
Increase (Decrease) in Compensated Absences	34	90	291	45	(120)
Increase (Decrease) in Due to Other Funds	(1,628)	(127)	2,260	3,222	2,281
Increase (Decrease) in Due to Component Units	-	-	-	-	-
Increase (Decrease) in Due to Other Governments	-	68	69	39	(6)
Increase (Decrease) in Tax and Other Deposits	8	4	-	-	-
Increase (Decrease) in Deferred Revenue	2,001	-	2	-	-
Increase (Decrease) in Future Benefits and Loss Liabilities	-	-	-	-	-
Total Adjustments	(828)	9,709	4,211	5,066	5,906
Net Cash Provided (Used) by Operating Activities	\$ (3,547)	\$ 7,108	\$ (25,741)	\$ (17,932)	\$ 8,166

**Noncash Investing, Capital and  
Financing Activities:**

Capital Leases (Initial Year):					
Fair Market Value	\$ -	\$ 250	\$ -	\$ -	\$ -
Current Year Cash Receipts (Payments)	-	(43)	-	-	-
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to other Funds					
	-	583	-	-	-
Net change in unrealized gains and losses					
	-	-	-	-	-
Other					
	-	-	-	-	50

	Central Developmental Disabilities Center	Southern Developmental Disabilities Center	Institutional Farm Operations	Correctional Canteen Operations	Lottery	Health Insurance Risk Sharing Plan	Local Government Property Insurance
\$	6,200	\$ 2,564	\$ (1,189)	\$ 27	\$ 140,281	\$ 6,943	\$ 9,239
	1,059	1,101	347	1	63	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	(256)
	-	-	-	-	-	-	-
	49	253	85	(3)	-	(5)	-
	1,797	1,616	(217)	(56)	642	70	(1,409)
	10,085	6,832	1	1	1	(324)	-
	-	-	-	-	-	-	2,040
	(32)	16	895	10	(178)	-	-
	(65)	(50)	(1)	(2)	208	52	-
	-	-	-	-	2,256	-	-
	-	-	-	-	-	-	-
	236	387	(27)	(8)	(15,811)	(2,631)	(135)
	94	99	5	(3)	48	1	-
	383	(2,481)	133	(4)	(11)	40	-
	(11)	-	-	-	-	-	-
	-	-	9	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	(649)	2,956	(262)
	-	-	-	-	-	2,052	(1,356)
	13,594	7,773	1,230	(64)	(13,429)	2,210	(1,378)
\$	19,794	\$ 10,337	\$ 41	\$ (37)	\$ 126,851	\$ 9,153	\$ 7,861

\$	-	\$ -	209	\$ -	\$ -	\$ -	-
	-	-	(45)	-	-	-	-
	-	(425)	-	(71)	-	-	-
	-	-	-	-	(10,894)	-	(543)
	-	-	(11)	-	-	-	-

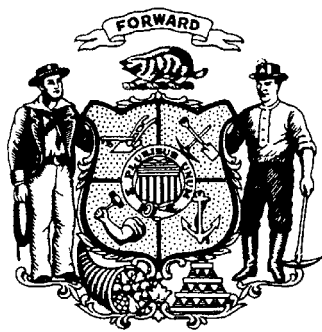
**Combining Statement of Cash Flows - Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2004**

(Continued)

	State Life Insurance	Income Continuation Insurance	Duty Disability	Long-term Disability Insurance
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:</b>				
Operating Income (Loss)	\$ (7,925)	\$ 9,012	\$ 21,445	\$ 21,535
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	39	-	-	-
Provision for Uncollectible Accounts	-	-	-	-
Operating Income (Investment Income) Classified as Investing Activity	2,100	(10,733)	(22,623)	(40,103)
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	692	-	-	-
Miscellaneous Nonoperating Income (Expense)	-	-	-	-
Changes in Assets and Liabilities:				
Decrease (Increase) in Receivables	1	(377)	(16)	(12)
Decrease (Increase) in Due from Other Funds	-	12	-	-
Decrease (Increase) in Due from Other Governments	-	-	-	-
Decrease (Increase) in Inventories	-	-	-	-
Decrease (Increase) in Prepaid Items	21	-	-	-
Decrease (Increase) in Other Assets	-	-	-	-
Decrease (Increase) in Deferred Charges	14	-	-	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	52	(544)	71	(470)
Increase (Decrease) in Compensated Absences	4	-	-	-
Increase (Decrease) in Due to Other Funds	-	(23)	(59)	(27)
Increase (Decrease) in Due to Component Units	-	-	-	-
Increase (Decrease) in Due to Other Governments	-	-	-	-
Increase (Decrease) in Tax and Other Deposits	1,613	-	-	-
Increase (Decrease) in Deferred Revenue	-	(2)	-	-
Increase (Decrease) in Future Benefits and Loss Liabilities	1,472	(1,381)	18,386	10,145
Total Adjustments	6,008	(13,047)	(4,242)	(30,467)
Net Cash Provided (Used) by Operating Activities	\$ (1,916)	\$ (4,035)	\$ 17,203	\$ (8,933)
<b>Noncash Investing, Capital and Financing Activities:</b>				
Capital Leases (Initial Year):				
Fair Market Value	\$ -	\$ -	\$ -	-
Current Year Cash Receipts (Payments)	-	-	-	-
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to other Funds	-	-	-	-
Net change in unrealized gains and losses	(5,729)	-	-	-
Other	-	-	-	-

	Health Insurance	Veterans Trust	Wisconsin Education Revenue Bonds	Transportation Infrastructure Loan	Total All Nonmajor Funds
\$	21,457	\$ (3,765)	24	\$ 117	169,957
	-	586	-	-	10,724
	-	(55)	-	-	(55)
	(1,113)	-	-	-	(72,729)
	-	-	-	-	692
	-	-	-	-	1,837
	2	4,707	503	229	9,159
	74	780	-	-	22,940
	-	-	-	-	6,250
	-	2	-	-	600
	4,349	(6)	-	-	2,927
	-	-	-	-	2,256
	-	-	-	-	14
	756	345	-	-	(20,911)
	-	37	-	-	625
	(102)	49	-	-	3,906
	-	-	-	-	(11)
	-	3	-	-	183
	-	(47)	-	-	1,578
	1,030	-	-	-	5,076
	10,283	-	-	-	39,602
	15,279	6,400	503	229	14,663
\$	36,736	\$ 2,635	527	\$ 346	184,620

\$	-	\$ -	-	\$ -	459
	-	-	-	-	(88)
	-	-	-	-	87
	-	-	-	-	(17,166)
	-	-	-	-	39



# 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, 2004**

(In Thousands)

	Technology Services	Fleet Services	Financial Services
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 19,332	\$ -	-
Receivables (net of allowance):			
Other Receivables	57	-	-
Due from Other Funds	12,484	1,866	3,618
Due from Component Units	72	124	-
Due from Other Governments	116	32	-
Inventories	1,596	70	-
Prepaid Items	12,326	35	26
Deferred Charges	-	-	-
Total Current Assets	45,983	2,128	3,644
Noncurrent Assets:			
Prepaid Items	6,368	-	-
Advances to Other Funds	2,964	-	-
Deferred Charges	-	-	-
Capital Assets (net of accumulated depreciation)	7,094	30,143	33
Nondepreciable Capital Assets	-	-	-
Total Noncurrent Assets	16,425	30,143	33
Total Assets	\$ 62,408	\$ 32,271	\$ 3,678
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	\$ 4,946	\$ 645	\$ 169
Due to Other Funds	727	438	791
Interfund Payables	-	31,758	904
Due to Other Governments	-	9	-
Deferred Revenue	5,043	-	-
Interest Payable	224	-	-
Short-term Notes Payable	-	-	-
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	-	-	-
Installment Contract Payable	236	-	-
Compensated Absences	437	54	81
General Obligation Bonds Payable	-	-	-
Total Current Liabilities	11,613	32,904	1,946
Noncurrent Liabilities:			
Accounts Payable and Other Accrued Liabilities	11,086	-	-
Deferred Revenue	1,231	-	-
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	-	239	-
Installment Contract Payable	236	-	-
Compensated Absences	929	49	283
General Obligation Bonds Payable	-	-	-
Total Noncurrent Liabilities	13,481	288	283
Total Liabilities	25,095	33,192	2,229
<b>Fund Equity</b>			
Invested in Capital Assets, Net of Related Debt	6,622	29,905	33
Unrestricted	30,691	(30,826)	1,415
Total Fund Equity	37,314	(921)	1,449
Total Liabilities and Fund Equity	\$ 62,408	\$ 32,271	\$ 3,678

	Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
\$	6,651	\$ 1,070	\$ 2,738	\$ 29,791
	25	-	14	96
	14,957	768	2,871	36,564
	-	-	3	199
	90	-	29	267
	1,161	-	4,337	7,164
	142	16	141	12,686
	844	-	1	845
	23,870	1,854	10,133	87,611
	-	-	-	6,368
	-	-	-	2,964
	-	-	6	6
	228,645	45	4,719	270,679
	29,450	-	34	29,484
	258,095	45	4,759	309,502
\$	281,965	\$ 1,899	\$ 14,892	\$ 397,113
\$	2,595	\$ 282	\$ 854	\$ 9,492
	1,615	31	366	3,968
	-	-	-	32,663
	66	-	1	77
	-	-	-	5,043
	1,425	-	14	1,663
	28,129	-	15	28,144
	-	25,385	-	25,385
	-	-	54	54
	-	-	-	236
	320	22	117	1,032
	7,735	-	99	7,835
	41,886	25,720	1,521	115,591
	-	-	-	11,086
	-	-	-	1,231
	-	85,471	-	85,471
	-	-	250	489
	-	-	-	236
	384	21	98	1,765
	162,137	-	1,070	163,207
	162,522	85,491	1,418	263,484
	204,408	111,211	2,939	379,075
	60,937	45	3,265	100,807
	16,620	(109,358)	8,688	(82,770)
	77,557	(109,313)	11,953	18,038
\$	281,965	\$ 1,899	\$ 14,892	\$ 397,113



**Combining Statement of Revenues, Expenses, and Changes in  
Fund Equity - Internal Service Funds  
For the Fiscal Year Ended June 30, 2004**

(In Thousands)

	Technology Services	Fleet Services	Financial Services
<b>Operating Revenues:</b>			
Charges for Goods and Services	\$ 125,121	\$ 14,238	\$ 9,132
Other Income	990	295	-
Total Operating Revenues	126,111	14,533	9,132
<b>Operating Expenses:</b>			
Personal Services	17,004	2,373	2,986
Supplies and Services	82,209	7,103	4,237
Depreciation	6,583	5,335	259
Benefit Expense	-	-	-
Total Operating Expenses	105,796	14,811	7,482
Operating Income (Loss)	20,316	(279)	1,650
<b>Nonoperating Revenues (Expenses):</b>			
Investment and Interest Income	6	-	-
Gain (Loss) on Disposal of Capital Assets	-	(104)	-
Interest Expense	(910)	(12)	-
Other Revenues	100	-	5
Total Nonoperating Revenues (Expenses)	(803)	(116)	5
Net Income (Loss)	19,512	(394)	1,655
Transfers In	33	584	10
Transfers Out	(3,453)	(297)	(1,483)
Net Change in Fund Equity	16,092	(107)	182
Total Fund Equity, Beginning	21,221	(814)	1,267
Total Fund Equity, Ending	\$ 37,314	\$ (921)	\$ 1,449

	<b>Facilities Operations and Maintenance</b>	<b>Risk Management</b>	<b>Badger State Industries</b>	<b>Totals</b>
\$	51,905 \$	27,192 \$	18,864 \$	246,452
	6	-	-	1,291
	51,911	27,192	18,864	247,743
	15,410	1,237	6,445	45,455
	17,554	4,051	14,056	129,210
	8,781	56	445	21,459
	-	14,627	-	14,627
	41,746	19,972	20,946	210,752
	10,165	7,220	(2,082)	36,991
	38	-	1	46
	(111)	-	10	(205)
	(8,676)	-	(40)	(9,637)
	1,030	18	-	1,153
	(7,719)	18	(28)	(8,644)
	2,446	7,238	(2,110)	28,347
	6,250	-	878	7,755
	(9,559)	(24)	(105)	(14,921)
	(863)	7,214	(1,337)	21,181
	78,419	(116,526)	13,290	(3,143)
\$	77,557 \$	(109,313) \$	11,953 \$	18,038

**Combining Statement of Cash Flows - Internal Service Funds  
For the Fiscal Year Ended June 30, 2004**

(In Thousands)

	Technology Services	Fleet Services	Financial Services
<b>Cash Flows from Operating Activities:</b>			
Cash Receipts from Customers	\$ 126,586	\$ 14,192	\$ 5,909
Cash Payments to Suppliers for Goods and Services	(85,758)	(7,105)	(3,663)
Cash Payments to Employees for Services	(16,813)	(2,370)	(2,999)
Cash Payments for Benefits	-	-	-
Other Operating Revenues	990	295	-
Other Sources of Cash	100	-	909
Net Cash Provided (Used) by Operating Activities	25,106	5,012	155
<b>Cash Flows from Noncapital Financing Activities:</b>			
Interfund Loans Repaid	-	(6,088)	-
Interfund Advances Collected	20	-	-
Transfers In	-	584	-
Transfers Out	(3,453)	(296)	(1,483)
Net Cash Provided (Used) by Noncapital Financing Activities	(3,433)	(5,800)	(1,483)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from Issuance of Long-term Debt	-	-	-
Repayment of Long-term Debt	-	-	-
Repayment of Short-term Notes	-	-	-
Interest Payments	(1,061)	(12)	-
Capital Lease Obligations	(5,021)	(39)	-
Proceeds from Sale of Capital Assets	-	1,295	-
Payments for Purchase of Capital Assets	(4,344)	(456)	-
Other Cash Outflows from Capital Financing Activities	(538)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,964)	788	-
<b>Cash Flows from Investing Activities:</b>			
Investment and Interest Receipts	6	-	-
Net Cash Flows from Investing Activities	6	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	10,715	-	(1,328)
Cash and Cash Equivalents, Beginning of Year	8,617	-	1,328
Cash and Cash Equivalents, End of Year	\$ 19,332	\$ 0	\$ 0

	Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
\$	52,423 \$	26,433 \$	19,117 \$	244,659
	(18,787)	(4,427)	(14,211)	(133,951)
	(15,330)	(1,234)	(6,374)	(45,120)
	-	(22,036)	-	(22,036)
	6	-	-	1,291
	367	18	-	1,394
	18,679	(1,246)	(1,468)	46,237
	-	-	-	(6,088)
	-	-	-	20
	6,492	(24)	878	7,930
	(9,446)	-	(105)	(14,783)
	(2,954)	(24)	773	(12,921)
	4,896	-	(92)	4,805
	(7,086)	-	-	(7,086)
	(3,031)	-	-	(3,031)
	(8,044)	-	(17)	(9,133)
	-	-	(54)	(5,114)
	1,972	-	-	3,267
	(10,349)	-	(1,161)	(16,310)
	-	-	-	(538)
	(21,640)	-	(1,323)	(33,140)
	38	-	1	45
	38	-	1	45
	(5,878)	(1,271)	(2,017)	222
	12,528	2,340	4,755	29,570
\$	6,651 \$	1,070 \$	2,738 \$	29,791

(Continued)

**Combining Statement of Cash Flows - Internal Service Funds  
For the Fiscal Year Ended June 30, 2004**

(Continued)

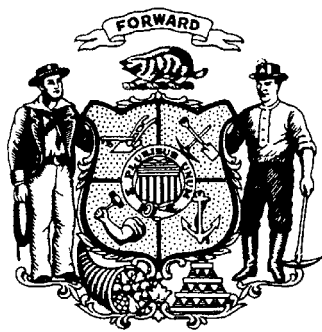
	Technology Services	Fleet Services	Financial Services
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 20,316	\$ (279)	\$ 1,650
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	6,583	5,335	259
Miscellaneous Nonoperating Income (Expense)	100	-	5
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	(33)	-	-
Decrease (Increase) in Due from Other Funds	1,419	(36)	(3,224)
Decrease (Increase) in Due from Component Units	9	(14)	-
Decrease (Increase) in Due from Other Governments	70	5	-
Decrease (Increase) in Inventories	(1,100)	(11)	-
Decrease (Increase) in Prepaid Items	7,507	(7)	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(6,007)	(79)	14
Increase (Decrease) in Compensated Absences	110	6	5
Increase (Decrease) in Due to Other Funds	(4)	89	1,445
Increase (Decrease) in Due to Component Units	-	-	-
Increase (Decrease) in Due to Other Governments	(3)	1	-
Increase (Decrease) in Deferred Revenue	(3,861)	-	-
Increase (Decrease) in Future Benefits and Loss Liabilities	-	-	-
Total Adjustments	4,790	5,290	(1,495)
Net Cash Provided (Used) by Operating Activities	\$ 25,106	\$ 5,012	\$ 155

**Noncash Investing, Capital and Financing Activities:**

Contributions/Transfer In (Out) of Noncash Assets and Liabilities			
from/to Other Funds	\$ 33	\$ (1)	\$ 10
Other	-	-	-

	Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
\$	10,165 \$	7,220 \$	(2,082) \$	36,991
	8,781	56	445	21,459
	776	18	-	899
	11	-	313	291
	516	(759)	(11)	(2,095)
	56	-	(2)	48
	(65)	-	(12)	(2)
	125	-	(77)	(1,062)
	(4)	(1)	(12)	7,484
	(713)	(374)	266	(6,893)
	13	3	9	146
	(960)	-	(302)	268
	-	-	(3)	(3)
	(23)	-	1	(24)
	-	-	-	(3,861)
	-	(7,409)	-	(7,409)
	8,514	(8,467)	614	9,246
\$	18,679 \$	(1,246) \$	(1,468) \$	46,237

\$	- \$	- \$	- \$	42
	-	-	10	10



# 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 purchases of post-retirement health insurance on behalf of State employees and their beneficiaries to the extent the employees had accumulated unused sick leave at the time of retirement.

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 **Life Insurance Fund** accounts for transactions related to the collection and payment of premiums for State and local participating employees' group life insurance contracts with a life insurance carrier.

The **Deferred Compensation Plan Fund** accounts for the collection of voluntary payroll deferrals and rollovers from IRAs and other qualified plans, the investment of assets, and distributions to employees of the State and participating local governments.

**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.

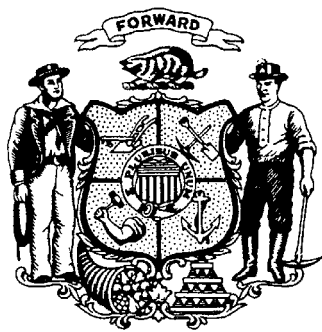
The **Unclaimed Property Program Fund** accounts for unclaimed stocks, bank accounts, insurance proceeds, utility deposits and uncashed checks which are deposited with the State after five years of abandonment. Upon an unsuccessful attempt to locate the owner, the funds are deposited in the Common School Fund where they are loaned to local governments. These funds may be claimed at any time by the owners or their heirs.

The **Tuition Trust Fund** accounts for the program that allows participants to invest in order to meet the cost of future tuition expenses.

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.

(Continued)





# Fiduciary Funds

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(Continued)

**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 **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, 2004

(In Thousands)

	Wisconsin Retirement System	Accumulated Sick Leave
<b>Assets</b>		
Cash and Cash Equivalents	\$ -	\$ 1,123,344
Securities Lending Collateral	5,053,059	-
Prepaid Items	2,491	19
Receivables (net of allowance):		
Prior Service Contributions Receivable	469,306	-
Benefits Overpayment Receivable	2,312	-
Due from Other Funds	38,377	-
Due from Component Units	2,276	-
Interfund Receivables	-	489,329
Due from Other Governments	90,563	-
Interest and Dividends Receivable	183,001	-
Investment Sales Receivable	368,437	-
Other Receivables	2,342	-
Total Receivables	1,156,612	489,329
Investments:		
Fixed Income	16,500,477	-
Stocks	43,081,043	-
Limited Partnerships	2,529,989	-
Mortgages	593,064	-
Real Estate	417,080	-
Financial Futures Contracts	88	-
Multi-asset Investments	336,814	-
Total Investments	63,458,557	-
Capital Assets	9	-
Total Assets	69,670,728	1,612,692
<b>Liabilities</b>		
Accounts Payable and Other Accrued Liabilities	37,884	1
Securities Lending Collateral Liability	5,053,059	-
Annuities Payable	197,142	-
Advance Contributions	289	-
Due to Other Funds	31,061	10
Interfund Payables	489,125	-
Due to Other Governments	24,023	-
Investment Payable	744,480	-
Deferred Revenue	-	-
Compensated Absences Payable	-	1,624,942
Total Liabilities	6,577,063	1,624,952
<b>Net Assets</b>		
Held in Trust for Pension Benefits and Other Purposes	\$ 63,093,665	\$ (12,261)

Reimbursed Employee Expense		Life Insurance		Deferred Compensation		Totals
\$	3,230	\$	413	\$	1,486	\$ 1,128,473
	-		-		-	5,053,059
	355		2,177		-	5,042
	-		-		-	469,306
	-		-		-	2,312
	465		1		-	38,843
	-		-		-	2,276
	-		-		-	489,329
	-		-		-	90,563
	-		-		-	183,001
	-		-		-	368,437
	-		-		243	2,584
	465		1		243	1,646,649
	-		-		-	16,500,477
	-		-		-	43,081,043
	-		-		-	2,529,989
	-		-		-	593,064
	-		-		-	417,080
	-		-		-	88
	-		-		1,430,869	1,767,683
	-		-		1,430,869	64,889,426
	-		-		-	9
	4,050		2,590		1,432,598	72,722,658
	3,624		-		-	41,509
	-		-		-	5,053,059
	-		-		-	197,142
	-		-		-	289
	85		101		15	31,272
	-		-		203	489,329
	-		-		-	24,023
	-		-		-	744,480
	-		2,177		-	2,177
	-		-		-	1,624,942
	3,710		2,278		218	8,208,222
\$	341	\$	312	\$	1,432,380	\$ 64,514,436

**Combining Statement of Changes in Fiduciary Net Assets - Pension and Other  
Employee Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2004**

(In Thousands)

	Wisconsin Retirement System		Accumulated Sick Leave
<b>Additions</b>			
Contributions:			
Employer Contributions	\$ 487,964	\$	840,183
Employee Contributions	582,499		-
Total Contributions	1,070,463		840,183
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	8,498,783		-
Interest	548,335		-
Dividends	304,237		-
Securities Lending Income	46,074		-
Other	97,994		-
Investment Income of Investment, Private Purpose and Other Employee Trust Funds	-		219,910
Less:			
Investment Expense	(146,551)		-
Securities Lending Rebates and Fees	(37,329)		-
Investment Income Distributed to Other Funds	(306,119)		-
Net Investment Income	9,005,424		219,910
Interest on Prior Service Receivable	36,119		-
Miscellaneous Income:			
Other	803		-
Total Additions	10,112,811		1,060,093
<b>Deductions</b>			
Benefits and Refunds:			
Retirement, Disability, and Beneficiary Separations	2,744,709		-
	23,777		-
Total Benefits and Refunds	2,768,486		-
Distributions	-		-
Insurance Premiums	-		383,986
Unusual Write-off of Receivable	(159)		-
Administrative Expense	14,208		58
Miscellaneous Expense	5		-
Interfund Transfer Out	488		-
Total Deductions	2,783,029		384,043
Net Increase (Decrease)	7,329,782		676,050
Net Assets - Beginning of Year	55,763,883		(688,311)
Net Assets - End of Year	\$ 63,093,665	\$	(12,261)

	Reimbursed Employee Expense		Life Insurance		Deferred Compensation		Totals
\$	-	\$	5,581	\$	-	\$	1,333,728
	21,489		31,674		123,032		758,694
	21,489		37,254		123,032		2,092,422
	-		-		-		8,498,783
	-		-		-		548,335
	-		-		-		304,237
	-		-		-		46,074
	-		-		-		97,994
	49		15		196,157		416,130
	-		-		-		(146,551)
	-		-		-		(37,329)
	-		-		-		(306,119)
	49		15		196,157		9,421,555
	-		-		-		36,119
	-		629		948		2,380
	21,538		37,898		320,137		11,552,476
	-		-		-		2,744,709
	-		-		-		23,777
	-		-		-		2,768,486
	20,830		-		53,702		74,533
	-		37,254		-		421,240
	-		-		-		(159)
	801		624		2,723		18,415
	-		-		-		5
	-		-		-		488
	21,632		37,878		56,425		3,283,007
	(94)		19		263,712		8,269,469
	434		293		1,168,668		56,244,967
\$	341	\$	312	\$	1,432,380	\$	64,514,436

**Combining Statement of Fiduciary Net Assets - Investment Trust Funds  
June 30, 2004**

(In Thousands)

	<b>Local Government Pooled Investment</b>	<b>Milwaukee Retirement System</b>	<b>Totals</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,482,191	\$ 91,070	\$ 2,573,261
Interfund Receivables	627,765	-	627,765
Total Assets	3,109,956	91,070	3,201,026
<b>Liabilities</b>			
Due to Other Funds	16	-	16
Total Liabilities	16	-	16
<b>Net Assets</b>			
Held in Trust for Pool Participants and Other Purposes	\$ 3,109,940	\$ 91,070	\$ 3,201,010

## Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Funds For the Fiscal Year Ended June 30, 2004

(In Thousands)

	Local Government Pooled Investment	Milwaukee Retirement System	Totals
<b>Additions</b>			
Deposits	\$ 11,229,530	\$ 15,200	\$ 11,244,730
Investment Income	35,504	12,874	48,379
Less: Investment Expense	(1,290)	-	(1,290)
Net Investment Income	34,214	12,874	47,089
Total Additions	11,263,745	28,074	11,291,819
<b>Deductions</b>			
Distributions	11,644,600	6,170	11,650,770
Administrative Expense	218	-	218
Total Deductions	11,644,817	6,170	11,650,987
Net Increase (Decrease)	(381,073)	21,904	(359,168)
Net Assets - Beginning of Year	3,491,012	69,166	3,560,178
Net Assets - End of Year	\$ 3,109,940	\$ 91,070	\$ 3,201,010



**Combining Statement of Fiduciary Net Assets - Private-Purpose Trust Funds  
June 30, 2004**

(In Thousands)

	Unclaimed Property Program	Tuition Trust	College Savings Program Trust	Totals
<b>Assets</b>				
Cash and Cash Equivalents	\$ 28,209	\$ 334	\$ 4,500	\$ 33,042
Prepaid Items	6	-	1	7
Receivables (net of allowance):				
Other Receivables	-	60	121	181
Total Receivables	-	60	121	181
Investments:				
Investments of Private Purpose Trust Funds	-	11,365	1,186,425	1,197,790
Total Investments	-	11,365	1,186,425	1,197,790
Other Assets	37,315	-	-	37,315
Total Assets	65,529	11,759	1,191,047	1,268,335
<b>Liabilities</b>				
Accounts Payable	105	1	16	122
Due to Other Funds	12	-	3	15
Total Liabilities	116	1	20	137
<b>Net Assets</b>				
Held in Trust	\$ 65,413	\$ 11,757	\$ 1,191,028	\$ 1,268,198

**Combining Statement of Changes in Fiduciary Net Assets -  
Private-Purpose Trust Funds  
For the Fiscal Year Ended June 30, 2004**

(In Thousands)

	Unclaimed Property Program	Tuition Trust	College Savings Program Trust	Totals
<b>Additions</b>				
Deposits	\$ -	\$ 114	\$ 350,905	\$ 351,020
Investment Income	-	(301)	138,644	138,343
Less:				
Investment Expense	-	-	(6,468)	(6,468)
Net Investment Income	-	(301)	132,175	131,875
Miscellaneous Income				
Escheat Additions	81,026	-	-	81,026
Total Miscellaneous Income	81,026	-	-	81,026
Total Additions	81,026	(186)	483,081	563,921
<b>Deductions</b>				
Distributions	11,260	1,383	146,275	158,918
Administrative Expense	8,357	63	2,227	10,646
Transfers Out	20,026	-	11	20,036
Total Deductions	39,642	1,446	148,513	189,601
Net Increase (Decrease)	41,383	(1,632)	334,568	374,320
Net Assets - Beginning of Year	24,029	13,389	856,460	893,878
Net Assets - End of Year	\$ 65,413	\$ 11,757	\$ 1,191,028	\$ 1,268,198

**Combining Statement of Fiduciary Net Assets - Agency Funds  
June 30, 2004**

(In Thousands)

	Insurance Company Liquidation Account	Inmate and Resident	Bank and Insurance Company Deposits	Support Collection Trust	Totals
<b>Assets</b>					
Cash and Cash Equivalents	\$ 25,112	\$ 9,846	\$ -	\$ 40,752	\$ 75,711
Receivables (net of allowance):					
Due from Other Funds	-	459	-	147	606
Other Receivables	-	302	-	4,929	5,231
Total Receivables	-	761	-	5,076	5,837
Investments	-	743	-	-	743
Other Assets	-	-	279,836	-	279,836
Total Assets	\$ 25,112	\$ 11,349	\$ 279,836	\$ 45,828	\$ 362,126
<b>Liabilities</b>					
Accounts Payable	\$ 25,112	\$ 4	\$ -	\$ 40,372	\$ 65,488
Due to Other Funds	-	245	-	5,456	5,701
Tax and Other Deposits	-	11,100	279,836	-	290,937
Total Liabilities	\$ 25,112	\$ 11,349	\$ 279,836	\$ 45,828	\$ 362,126

**Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Fiscal Year Ended June 30, 2004**

(In Thousands)

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Insurance Company Liquidation Account</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 36,761	\$ 373	\$ 12,022	\$ 25,112
Total Assets	<u>\$ 36,761</u>	<u>\$ 373</u>	<u>\$ 12,022</u>	<u>\$ 25,112</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 36,761	\$ 373	\$ 12,022	\$ 25,112
Total Liabilities	<u>\$ 36,761</u>	<u>\$ 373</u>	<u>\$ 12,022</u>	<u>\$ 25,112</u>
<b>Inmate and Resident</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 8,659	\$ 89,366	\$ 88,179	\$ 9,846
Investments	797	297	352	743
Receivables (net of allowance):				
Other Receivables	232	5,312	5,243	302
Due from Other Funds	644	8,342	8,528	459
Total Assets	<u>\$ 10,333</u>	<u>\$ 103,317</u>	<u>\$ 102,301</u>	<u>\$ 11,349</u>
<b>Liabilities:</b>				
Accounts Payable and Other Accrued Liabilities	\$ 1	\$ 25	\$ 21	\$ 4
Due to Other Funds	265	9,283	9,303	245
Tax and Other Deposits	10,067	66,556	65,523	11,100
Total Liabilities	<u>\$ 10,333</u>	<u>\$ 75,863</u>	<u>\$ 74,847</u>	<u>\$ 11,349</u>
<b>Bank and Insurance Company Deposits</b>				
<b>Assets:</b>				
Other Assets:				
Assets Held in Custody for Others	\$ 278,789	\$ 90,883	\$ 89,836	\$ 279,836
Total Assets	<u>\$ 278,789</u>	<u>\$ 90,883</u>	<u>\$ 89,836</u>	<u>\$ 279,836</u>
<b>Liabilities:</b>				
Tax and Other Deposits	\$ 278,789	\$ 90,883	\$ 89,836	\$ 279,836
Total Liabilities	<u>\$ 278,789</u>	<u>\$ 90,883</u>	<u>\$ 89,836</u>	<u>\$ 279,836</u>

(Continued)

**Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Fiscal Year Ended June 30, 2004**

(Continued)

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Support Collection Trust</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 39,989	\$ 1,979,811	\$ 1,979,048	\$ 40,752
Receivables (net of allowance):				
Other Receivables	1,610	7,524	4,205	4,929
Due from Other Funds	288	4,901	5,042	147
<b>Total Assets</b>	<b>\$ 41,887</b>	<b>\$ 1,992,236</b>	<b>\$ 1,988,295</b>	<b>\$ 45,828</b>
<b>Liabilities:</b>				
Accounts Payable and Other				
Accrued Liabilities	\$ 37,197	\$ 46,091	\$ 42,916	\$ 40,372
Due to Other Funds	4,690	11,401	10,635	5,456
<b>Total Liabilities</b>	<b>\$ 41,887</b>	<b>\$ 57,492</b>	<b>\$ 53,551</b>	<b>\$ 45,828</b>
<b>Total - All Agency Funds</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 85,410	\$ 2,069,549	\$ 2,079,248	\$ 75,711
Investments	797	297	352	743
Receivables (net of allowance):				
Other Receivables	1,842	12,836	9,448	5,231
Due from Other Funds	932	13,243	13,570	606
Other Assets:				
Assets Held in Custody for Others	278,789	90,883	89,836	279,836
<b>Total Assets</b>	<b>\$ 367,771</b>	<b>\$ 2,186,809</b>	<b>\$ 2,192,454</b>	<b>\$ 362,126</b>
<b>Liabilities:</b>				
Accounts Payable and Other				
Accrued Liabilities	\$ 73,959	\$ 46,488	\$ 54,958	\$ 65,488
Due to Other Funds	4,955	20,684	19,938	5,701
Tax and Other Deposits	288,856	157,440	155,359	290,937
<b>Total Liabilities</b>	<b>\$ 367,771</b>	<b>\$ 224,612</b>	<b>\$ 230,256</b>	<b>\$ 362,126</b>

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# STATISTICAL SECTION

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**Revenues by Source and Expenditures by Function -  
All Governmental Fund Types**

For the Last Ten Fiscal Years

(In Thousands)

	2004	2003	2002	2001	2000
Revenues and Proceeds from					
Sale of Bonds:					
Taxes	\$ 11,913,325	\$ 11,270,818	\$ 11,050,658	\$ 10,984,512	\$ 11,974,334
Intergovernmental	6,118,198	5,984,658	5,509,834	5,102,944	4,375,513
Licenses and Permits	1,016,729	891,260	855,093	775,022	731,668
Charges for Goods and Services	269,649	247,519	224,066	268,347	239,050
Investment and Interest Income	47,654	48,838	45,562	98,244	97,682
Fines and Forfeitures	68,737	55,834	55,392	-	-
Gifts and Donations	13,006	14,342	38,087	24,271	14,601
Long-term Debt Issued	2,551,901	506,524	529,649	281,631	451,886
Premium/Discount on Bonds	95,357	31,640	60,247	-	-
Other Revenues:					
Intergovernmental Transfer	95,000	598,580	969,886	637,000	-
Tobacco Settlement	130,110	153,923	1,431,218	124,389	167,362
Other	210,335	139,531	166,569	246,823	207,002
<b>Total Revenues and Other Sources</b>	<b>\$ 22,530,001</b>	<b>\$ 19,943,467</b>	<b>\$ 20,936,261</b>	<b>\$ 18,543,183</b>	<b>\$ 18,259,098</b>
Expenditures:					
Current:					
Commerce	\$ 284,930	\$ 226,182	\$ 198,291	\$ 205,802	\$ 205,008
Education	5,726,586	5,649,280	5,417,136	5,201,596	4,900,287
Transportation	1,653,448	1,519,266	1,664,161	1,170,663	1,765,534
Environmental Resources	439,734	464,479	528,699	729,456	530,586
Human Relations and Resources	7,966,656	8,113,457	7,957,774	6,945,336	5,889,413
General Executive	451,469	490,846	442,938	440,513	410,603
Judicial	107,423	104,930	103,069	102,634	103,216
Legislative	58,301	60,175	61,989	61,658	60,424
Tax Relief and Other General Expenditures:					
Employee Benefit Liability	1,487,574	-	-	-	-
Other	812,498	845,130	822,650	770,035	1,440,464
Intergovernmental	1,058,182	1,107,958	1,095,991	1,072,576	1,073,434
Capital Outlay	672,955	691,586	669,704	1,042,881	230,151
Debt Service	507,503	497,188	383,098	338,540	316,889
<b>Total Expenditures</b>	<b>\$ 21,227,259</b>	<b>\$ 19,770,477</b>	<b>\$ 19,345,500</b>	<b>\$ 18,081,690</b>	<b>\$ 16,926,009</b>

In 2002 through 2004 governmental fund types include the activities of the general fund, special revenue funds, capital project funds, debt service funds and permanent funds. Beginning in 2001, certain capital purchases formerly reported with functional expenditures are included in capital outlay.

SOURCE: Wisconsin Department of Administration

	1999		1998		1997		1996		1995
\$	11,158,516	\$	10,218,307	\$	9,662,514	\$	8,974,484	\$	8,587,733
	3,813,275		3,704,247		3,587,981		3,555,666		3,171,714
	687,766		631,870		584,825		684,330		635,731
	217,145		193,964		282,612		158,432		131,804
	95,089		85,647		70,150		65,004		64,198
	-		-		-		-		-
	14,885		5,461		3,177		5,940		3,908
	249,007		160,470		80,535		344,334		277,203
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	133,405		149,400		86,453		73,724		58,538
\$	16,369,088	\$	15,149,366	\$	14,358,247	\$	13,861,914	\$	12,930,829

\$	194,893	\$	181,559	\$	183,581	\$	161,923	\$	146,571
	4,542,339		4,397,970		4,125,946		3,283,511		3,005,096
	1,601,962		1,468,365		1,418,262		1,343,563		1,303,450
	476,985		552,423		588,714		507,420		499,482
	5,323,054		5,116,259		4,906,367		5,033,062		4,635,202
	333,034		308,736		325,433		246,561		246,086
	95,705		91,450		87,525		82,505		71,981
	62,789		55,144		53,277		50,165		50,732
	-		-		-		-		-
	831,526		725,316		694,871		574,771		616,891
	1,008,617		1,008,572		1,008,590		1,010,618		992,437
	164,360		143,467		170,693		153,809		190,307
	308,103		295,848		285,157		270,555		257,649
\$	14,943,367	\$	14,345,109	\$	13,848,416	\$	12,718,463	\$	12,015,884



*State of Wisconsin*

**Assessed and Equalized Value of Taxable Property**

For the Last Ten Years

(In Thousands)

Year (A)	Real Property		Personal Property		Total		Ratio of Total Assessed Value To Total Equalized Value
	Assessed Value (B)	Equalized Value	Assessed Value (B)	Equalized Value	Assessed Value (B)	Equalized Value	
2003	\$ 316,714,032	\$ 351,117,098	\$ 8,851,153	\$ 9,593,114	\$ 325,565,185	\$ 360,710,212	90%
2002	294,556,690	325,577,878	9,098,710	9,748,601	303,655,400	335,326,479	91
2001	271,139,540	302,795,906	8,901,978	9,687,800	280,041,518	312,483,706	90
2000	250,964,857	277,213,707	8,538,646	9,107,785	259,503,503	286,321,492	91
1999	232,669,301	258,023,890	8,031,429	8,543,624	240,700,730	266,567,514	90
1998	217,599,762	238,769,117	9,694,739	10,225,798	227,294,501	248,994,915	91
1997	201,938,959	223,570,764	8,956,300	9,503,469	210,895,259	233,074,233	90
1996	186,902,000	207,896,469	8,473,140	9,047,289	195,375,140	216,943,759	90
1995	173,908,997	192,505,594	8,394,885	9,032,516	182,303,882	201,538,109	90
1994	159,967,395	176,376,443	7,999,884	8,618,423	167,967,279	184,994,866	91

(A) Represents values certified to the Department of Revenue on August 15 of each year. Assessed values for 2004 are not yet available.

(B) Municipalities assess property for tax purposes at different percentages of market value. Each community's assessment percentage is multiplied by the State-established market value of manufacturing property to determine the local assessed value of such property.

SOURCE: Wisconsin Department of Revenue

*State of Wisconsin*

**State Forestation Tax**

For the Last Ten Years

(In Thousands)

Year	Total Equalized Value (A)	State Forestation Tax Levy (B)	State Forestation Tax Collections
2004	\$ 391,187,815	\$ 78,238	\$ 72,124
2003	360,710,211	72,142	67,070
2002	335,326,479	67,065	62,495
2001	312,483,706	62,497	57,362
2000	286,321,492	57,264	53,310
1999	266,567,514	53,314	49,814
1998	248,994,915	49,799	44,252
1997	233,074,233	46,615	42,661
1996	216,943,759	43,389	39,104
1995	201,538,109	40,308	36,335

(A) Represents values certified to the Department of Revenue on August 15 of each year.

(B) Tax levy equals two-tenths of one mill for each dollar of the equalized value certified by the Department of Revenue.

SOURCES: Wisconsin Department of Administration, Division of Executive Budget and Finance  
 Wisconsin Department of Revenue  
 Wisconsin Office of the State Treasurer

## Legal Debt Margin

For the Last Ten Calendar Years

(In Thousands)

Calendar Year	Annual Debt Limit	Actual Borrowing (A)	Legal Debt Margin	Legal Debt Margin as a Percentage of Debt Limit
2004 (B)	\$ 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
2000	2,147,411	538,795	1,608,616	74.9
1999	1,999,256	482,360	1,516,896	75.9
1998	1,867,462	475,485	1,391,977	74.5
1997	1,748,057	404,310	1,343,747	76.9
1996	1,627,078	353,295	1,273,783	78.3
1995	1,511,536	368,322	1,143,214	75.6

Wis. Stat. Sec. 18.05 limits the amount of public debt contracted in any calendar year to the lesser of:

(a) Three-fourths of one percent of the aggregate value of taxable property;

or

(b) Five percent of aggregate value of taxable property

Less: Net indebtedness at January 1

(A) Consists of bonds issued less refundings.

(B) Debt issued through October 21, 2004.

SOURCE: Wisconsin Department of Administration

*State of Wisconsin*

**Ratio of Net General Obligation Bonded Debt and Notes to Assessed Value and Net General Obligation Bonded Debt and Notes Per Capita**

For the Last Ten Fiscal Years

(In Thousands)

Year	Population	Assessed Value (A)	Gross Bonded Debt (B)	General Obligation Bonded Debt and Commercial Paper			Ratio To Assessed Value (Percent)	Per Capita
				Debt Service Moneys Available (C)	Payable From Proprietary Fund Revenues (D)	Net Bonded Debt (E)		
2003	5,472	\$ 325,565,185	\$ 4,321,327	\$ 12,085	\$ 913,452	\$ 3,395,790	1.04	\$ 621
2002	5,441	303,655,400	4,303,825	9,621	996,238	3,297,966	1.09	606
2001	5,402	280,041,518	4,028,006	4,493	911,054	3,112,459	1.11	576
2000	5,364	259,503,503	3,691,996	222	881,199	2,810,575	1.08	524
1999	5,250	240,700,730	3,540,251	2,425	880,666	2,657,160	1.10	506
1998	5,224	227,294,501	3,409,269	2,892	818,277	2,588,100	1.14	495
1997	5,170	210,895,259	3,176,955	2,242	673,715	2,500,998	1.19	484
1996	5,146	195,375,140	3,085,526	9,201	635,930	2,440,395	1.25	474
1995	5,113	182,303,882	2,986,486	16	624,355	2,362,115	1.30	462
1994	5,075	167,967,279	2,870,941	3,902	578,608	2,288,431	1.36	451

(A) Current values certified on August 15. Assessed values for 2004 are not yet available.

(B) Includes gross general obligation bonded debt for all fund types. 1997-2000 restated for general obligation commercial paper.

(C) Represents moneys available in Debt Service Fund reserved for retirement of general obligation bonded debt restated for prior period adjustments.

(D) Prior to fiscal year 2002, the UW was considered a discrete presentation and not included in proprietary funds.

(E) Excludes general obligation bonds expected to be repaid from revenues of three proprietary funds; includes general obligation bonds reported for the University of Wisconsin System.

SOURCES: Wisconsin Department of Administration, Wisconsin Department of Revenue  
U.S. Department of Commerce, Bureau of Census

*State of Wisconsin*

**Ratio of Annual Debt Service for General Bonded Debt to Total Governmental Expenditures**

For the Last Ten Fiscal Years

(In Thousands)

Year	Debt Service Principal	Debt Service Interest	Total Debt Service	Total Governmental Expenditures	Ratio (Percent)
2004	\$ 55,738	\$ 144,783	\$ 200,521	\$ 21,227,259	0.94
2003	211,779	149,299	361,078	19,770,477	1.83
2002	123,692	137,599	261,291	19,345,500	1.35
2001	140,206	93,099	233,305	18,081,690	1.29
2000	140,675	86,892	227,567	16,926,009	1.34
1999	136,357	87,931	224,288	14,943,367	1.50
1998	128,159	90,015	218,174	14,345,109	1.52
1997	124,877	89,106	213,983	13,848,416	1.55
1996	119,540	91,103	210,643	12,718,463	1.66
1995	113,280	91,817	205,097	12,015,884	1.71

Years prior to 2002 were not restated for GASB 34.

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	Revenue Bond Coverage
				Principal	Interest		
2004	\$ 417,029	\$ 55	\$ 416,974	\$ 46,870	\$ 57,083	\$ 103,953	4.01
2003	321,934	71	321,863	38,115	52,738	90,853	3.54
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
2000	313,155	66	313,089	30,860	41,063	71,923	4.35
1999	295,938	49	295,889	30,750	47,063	77,813	3.80
1998	282,850	56	282,794	29,710	45,733	75,443	3.75
1997	257,590	80	257,510	25,385	52,982	78,367	3.29
1996	249,339	37	249,302	21,590	46,421	68,011	3.67
1995	247,819	33	247,786	19,080	44,837	63,917	3.88

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, \$1,316.3 million outstanding at June 30, 2004, are secured by a pledge of the registration fees collected under Wis. Stat. Sec. 341.25 and investments.

(A) Includes revenues from Wis. Stat. Sec. 341.25 registration 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.

(B) Includes administrative operating expenses.

SOURCE: Wisconsin Department of Transportation

*State of Wisconsin***Wisconsin Housing and Economic Development Authority Revenue Bonds  
Home Ownership Revenue Bonds**

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (A)	Direct Operating Expenses (B)	Net Revenues	Debt Service		Total Debt Service	Revenue Bond Coverage (C)
				Principal	Interest		
2004	\$ 418,843	\$ 9,437	\$ 409,406	\$ 422,310	\$ 59,809	\$ 482,119	0.85
2003	633,445	8,158	625,287	528,825	78,782	607,607	1.03
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
2000	250,352	8,379	241,973	217,333	90,506	307,839	0.79
1999	392,684	8,947	383,737	305,265	94,414	399,679	0.96
1998	298,596	8,627	289,969	213,512	96,940	310,452	0.92
1997	222,298	8,229	214,069	126,974	91,441	218,415	0.97
1996	236,521	7,823	228,698	117,311	86,571	203,882	1.12
1995	178,760	7,082	171,678	171,421	78,769	250,190	0.69 (D)

(A) Includes mortgage payments received.

(B) Includes administrative and general costs, mortgage insurance premiums, and lender service fees.

(C) 1997 thru 2004 include gains/losses due to the increases/decreases in fair market value of investments as a result of the implementation of GASB 31. The Revenue Bond Coverage excludes these amounts.

(D) \$79.3 million of mortgage prepayments on hand at the end of fiscal year 1994 were used to redeem Home Ownership Revenue Bonds in fiscal year 1995.

SOURCE: Wisconsin Housing and Economic Development Authority

*State of Wisconsin***Wisconsin Housing and Economic Development Authority Revenue Bonds  
Housing Revenue Bonds**

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (A)	Direct Operating Expenses (B)	Net Revenues	Debt Service		Total Debt Service	Revenue Bond Coverage (C)
				Principal	Interest		
2004	\$ 70,811	\$ 4,099	\$ 66,712	\$ 35,175	\$ 22,942	\$ 58,117	1.15
2003	66,740	3,772	62,968	119,420	24,162	143,582	0.44
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
2000	58,054	4,139	53,915	35,279	26,176	61,455	0.88
1999	59,653	4,211	55,442	18,387	27,384	45,771	1.21
1998	67,721	5,107	62,614	12,822	25,803	38,625	1.48
1997	62,229	4,278	57,951	12,439	26,586	39,025	1.38
1996	50,625	4,320	46,305	11,818	27,962	39,780	1.16
1995	47,686	6,194	41,492	8,463	28,101	36,564	1.13

(A) Includes mortgage payments received.

(B) Includes administrative and general costs, mortgage insurance premiums, and lender service fees.

(C) 1997 thru 2004 include gains/losses due to the increases/decreases in fair market value of investments as a result of the implementation of GASB 31. The Revenue Bond Coverage excludes these amounts.

SOURCE: Wisconsin Housing and Economic Development Authority

*State of Wisconsin***Wisconsin Housing and Economic Development Authority Revenue Bonds  
Housing Rehabilitation and Home Improvement Revenue Bonds**

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (A)	Direct Operating Expenses (B)	Net Revenues	Debt Service			Revenue Bond Coverage (C)
				Principal	Interest	Total Debt Service	
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
2000	2,765	122	2,643	6,125	145	6,270	0.43 (D)
1999	5,038	255	4,783	1,465	484	1,949	2.44
1998	5,199	556	4,643	550	600	1,150	4.09
1997	5,746	646	5,100	13,061	895	13,956	0.35 (E)
1996	6,654	565	6,089	2,025	1,494	3,519	1.73
1995	6,780	581	6,199	495	1,372	1,867	3.32

(A) Includes mortgage payments received.

(B) Includes administrative and general costs, mortgage insurance premiums, and lender service fees.

(C) 1997 thru 2004 include gains/losses due to the increases/decreases in fair market value of investments as a result of the implementation of GASB 31. The Revenue Bond Coverage excludes these amounts.

(D) Remainder of bonds redeemed in Fiscal Year 2000.

(E) Includes a scheduled redemption of \$4,881,000 of Housing and Rehabilitation Loan Revenue Bonds and \$6,025,000 of scheduled redemptions of Home Improvement Revenue Bonds.

SOURCE: Wisconsin Housing and Economic Development Authority

*State of Wisconsin***Wisconsin Housing and Economic Development Authority Revenue Bonds  
Business Development Revenue Bonds**

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (A)	Operating Expenses (B)	Net Revenues	Debt Service			Revenue Bond Coverage
				Principal	Interest	Total Debt Service	
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
2000	11,854	12	11,842	10,905	968	11,873	1.00
1999	11,240	15	11,225	9,030	2,163	11,193	1.00
1998	11,264	25	11,239	8,495	2,800	11,295	1.00
1997	9,778	190	9,588	6,470	3,200	9,670	0.99
1996	9,769	50	9,719	6,370	3,275	9,645	1.01
1995	9,465	26	9,439	6,310	3,094	9,404	1.00

(A) Includes mortgage payments received.

(B) Includes administrative and general costs, mortgage insurance premiums, and lender service fees.

SOURCE: Wisconsin Housing and Economic Development Authority

*State of Wisconsin*

**Wisconsin Housing and Economic Development Authority Revenue Bonds  
Single Family Drawdown Revenue Bonds**

For the Last Six Fiscal Years

(In Thousands)

Year (A)	Gross Revenues	Operating Expenses	Net Revenues	Debt Service		Total Debt Service	Revenue Bond Coverage
				Principal	Interest		
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
2000	64,936	5	64,931	57,345	7,382	64,727	1.00
1999	94,695	3	94,692	91,090	3,602	94,692	1.00

(A) Fiscal year 1999 was the first year of this program.

SOURCE: Wisconsin Housing and Economic Development Authority

*State of Wisconsin*

**Environmental Improvement Fund Bonds**

For the Last Ten Fiscal Years

(In Thousands)

Year	Gross Revenues (A)	Operating Expenses (B)	Net Revenues	Debt Service		Total Debt Service	Revenue Bond Coverage
				Principal	Interest		
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
2000	58,747	1,497	57,250	23,530	30,905	54,435	1.05
1999	54,177	1,675	52,502	24,200	26,651	50,851	1.03
1998	48,124	1,322	46,802	14,270	26,192	40,462	1.16
1997	41,128	1,491	39,637	13,560	22,692	36,252	1.09
1996	38,100	966	37,134	10,100	17,193	27,293	1.36
1995	31,233	1,582	29,651	8,045	17,632	25,677	1.15

(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 Obligations Debt Service Coverage**

For Last Five Fiscal Years

(In Thousands)

Year (A)	Fees Remitted to the Trustees (B)	Debt Service			Revenue Bond Coverage
		Principal	Interest	Total Debt Service	
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
2000	32,503	-	-	-	n/a (C)

(A) This program began on March 2, 2000

(B) Includes Petroleum Inspection Fees remitted by the State of Wisconsin to the Program Trustee for the four-month period March 2000 through June 2000. In contrast, the fees collected by the State of Wisconsin for the 12-month period ended June 30, 2000, totalled \$111,563,668.

(C) The debt service coverage ratio is not applicable for FY 1999-2000 since there was no debt service paid prior to July 1, 2000. However, the ratio of remitted fees to debt service payments to be made on July 1, 2000, is 6.56: the \$32,502,522 in fees remitted to the Trustee, divided by the \$4,952,336 of debt service payments.

SOURCE: Wisconsin Department of Commerce



**Local Government Property Insurance Fund  
Ten-Year Claims Development Information**

Fiscal and Policy Year Ended June 30

(In Thousands)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1. Premium and investment revenues:										
Earned	\$ 9,982	\$ 10,347	\$ 10,633	\$ 11,241	\$ 11,396	\$ 11,801	\$ 13,578	\$ 14,518	\$ 18,190	\$ 26,920
Ceded	1,460	1,359	1,678	1,875	1,023	1,055	2,258	2,815	4,602	5,710
Net Earned	8,522	8,988	8,955	9,366	10,373	10,746	11,320	11,706	13,588	21,210
2. Loss expenses										
	211	112	266	447	604	449	369	273	307	530
3. Estimated incurred claims and allocated expense, end of policy year										
Direct incurred	4,427	9,402	8,431	16,828	12,543	16,134	14,125	14,837	18,589	11,118
Ceded	2,300	1,600	1,328	8,515	4,127	7,881	1,075	979	4,183	-
Net Incurred	4,427	7,802	7,103	8,313	8,416	8,253	13,050	13,858	14,406	11,118
4. Paid (cumulative) as of:										
End of policy year	2,489	3,376	4,005	4,561	4,206	4,866	5,060	7,278	9,040	7,138
One year later	4,493	6,956	5,880	7,979	7,452	7,344	12,333	13,669	12,431	
Two years later	4,604	6,667	6,361	8,173	7,714	8,088	13,459	14,814		
Three years later	4,604	6,763	6,385	8,620	7,714	7,741	13,492			
Four years later	4,604	6,763	6,460	8,620	7,714	7,760				
Five years later	4,604	6,809	6,460	8,620	7,714					
Six years later	4,604	6,809	6,460	8,620						
Seven years later	4,604	6,809	6,460							
Eight years later	4,604	6,809								
Nine years later	4,604									

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 10 rows shows the cumulative amounts paid as of the end of successive years for each policy year.

(Continued)

**Local Government Property Insurance Fund  
Ten-Year Claims Development Information**

Fiscal and Policy Year Ended June 30

(Continued)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
5. Reestimated ceded losses and expenses:	\$ -	\$ 2,150	\$ 1,020	\$ 8,339	\$ 3,544	\$ 8,752	\$ 632	\$ 316	\$ 4,633	-
6. Reestimated incurred claims and expense:										
End of policy year	4,427	7,802	7,103	8,313	8,416	8,253	13,050	13,858	14,406	11,118
One year later	4,674	7,095	6,357	8,180	7,785	7,692	12,773	14,014	12,722	
Two years later	4,604	6,801	6,393	8,620	7,714	8,135	13,459	14,898		
Three years later	4,604	6,763	6,460	8,620	7,714	7,741	13,492			
Four years later	4,604	6,763	6,460	8,620	7,714	7,760				
Five years later	4,604	6,809	6,460	8,620	7,714					
Six years later	4,604	6,809	6,460	8,620						
Seven years later	4,604	6,809	6,460							
Eight years later	4,604	6,809								
Nine years later	4,604									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	177	(993)	(643)	307	(702)	(493)	442	1,040	(1,684)	-

(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 10 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.

## Health Insurance Risk Pool Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31

(In Millions)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
1. Net earned required contributions and investment revenues	\$ 66.2	\$ 64.9	\$ 59.9	\$ 54.4	\$ 54.8	\$ 59.4	\$ 64.5	\$ 77.6	\$ 83.8	\$ 85.1
2. Unallocated expenses	2.7	2.4	2.7	2.7	2.9	3.6	3.7	4.8	3.9	5.7
3. Estimated incurred claims as of the end of the policy year	61.6	65.8	54.9	55.5	58.5	64.8	69.9	73.7	70.5	73.2
4. Paid (cumulative) as of:										
End of policy year	50.3	53.6	46.1	45.8	42.4	51.6	55.9	61.1	62.5	65.1
One year later	62.2	64.3	55.1	53.8	55.0	62.6	64.4	68.2	69.3	
Two years later	62.5	64.6	55.4	54.0	55.4	62.7	64.6	68.3		
Three years later	62.5	64.6	55.4	54.0	55.4	62.7	64.6			
Four years later	62.5	64.6	55.4	54.0	55.4	62.7				
Five years later	62.5	64.6	55.4	54.0	55.4					
Six years later	62.5	64.6	55.4	54.0						
Seven years later	62.5	64.6	55.4							
Eight years later	62.5	64.6								
Nine years later	62.5									
5. Reestimated incurred claims:										
End of policy year	61.6	65.8	54.9	55.5	58.5	64.8	69.9	73.7	70.5	73.2
One year later	62.2	64.5	54.3	54.1	55.3	62.8	64.7	68.3	69.5	
Two years later	62.5	64.6	55.4	54.0	55.4	62.7	64.6	68.3		
Three years later	62.5	64.6	55.4	54.0	55.4	62.7	64.6			
Four years later	62.5	64.6	55.4	54.0	55.4	62.7				
Five years later	62.5	64.6	55.4	54.0	55.4					
Six years later	62.5	64.6	55.4	54.0						
Seven years later	62.5	64.6	55.4							
Eight years later	62.5	64.6								
Nine years later	62.5									
6. Increase (decrease) in estimated incurred claims from end of policy year	0.9	(1.2)	0.5	(1.5)	(3.1)	(2.1)	(5.3)	(5.4)	(1.0)	-

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.

## Income Continuation Insurance Risk Pool Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31

(In Millions)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
1. Net earned required contributions and investment revenues	\$ 0.1	\$ 11.8	\$ 11.4	\$ 17.0	\$ 17.0	\$ 19.5	\$ 8.2	\$ 7.9	\$ 3.7	\$ 25.5
2. Unallocated expenses	0.7	0.8	0.9	1.1	1.2	1.5	0.8	1.9	1.7	1.9
3. Estimated incurred claims as of the end of the policy year	17.2	19.4	18.7	19.1	19.3	17.3	21.4	28.9	17.1	23.4
4. Paid (cumulative) as of:										
End of policy year	1.9	2.7	2.4	2.5	2.5	2.4	3.2	5.5	3.5	4.5
One year later	3.9	5.1	4.6	5.4	4.5	4.6	6.4	10.0	7.7	
Two years later	4.5	5.8	5.2	5.7	4.8	5.3	8.0	12.1		
Three years later	4.9	6.2	5.5	6.1	5.2	6.0	9.0			
Four years later	5.1	6.4	5.8	6.5	5.5	6.6				
Five years later	5.3	6.7	6.1	6.8	5.8					
Six years later	5.6	7.1	6.4	7.1						
Seven years later	5.8	7.4	6.8							
Eight years later	6.1	7.8								
Nine years later	6.4									
5. Reestimated incurred claims:										
End of policy year	17.2	19.4	18.7	19.1	19.3	17.3	21.4	28.9	17.1	23.4
One year later	10.9	12.8	12.1	12.1	9.8	9.8	18.0	20.4	15.8	
Two years later	8.8	10.9	9.3	9.3	8.2	10.2	16.3	18.9		
Three years later	7.9	10.0	9.9	8.7	7.4	11.5	14.3			
Four years later	7.3	9.5	9.2	8.3	12.4	10.1				
Five years later	8.0	9.9	8.2	8.7	7.4					
Six years later	7.7	9.3	8.0	8.8						
Seven years later	7.5	9.2	8.7							
Eight years later	8.0	9.4								
Nine years later	7.7									
6. Increase (decrease) in estimated incurred claims from end of policy year	(9.5)	(10.0)	(10.0)	(10.3)	(11.9)	(7.2)	(7.1)	(10.0)	(1.3)	-

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.

## Duty Disability Insurance Risk Pool

### Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31

(In Millions)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
1. Net earned required contributions and investment revenues	\$ 16.2	\$ 22.0	\$ 23.7	\$ 27.0	\$ 32.8	\$ 38.9	\$ 31.3	\$ 32.4	\$ 25.8	\$ 68.3
2. Unallocated expenses	0.2	0.2	0.4	0.1	0.2	0.6	0.2	0.3	0.4	0.1
3. Estimated incurred claims as of the end of the policy year	5.1	4.8	15.5	14.1	16.9	21.7	27.6	35.4	30.7	41.0
4. Paid (cumulative) as of:										
End of policy year	-	-	0.1	0.1	0.1	0.1	0.2	0.3	0.2	0.3
One year later	0.4	1.1	0.4	0.5	0.6	0.8	0.8	1.0	0.8	
Two years later	1.4	2.5	0.8	1.1	1.2	1.6	1.6	1.8		
Three years later	2.5	4.0	1.4	1.7	1.9	2.4	2.5			
Four years later	3.7	5.6	2.0	2.3	2.6	3.3				
Five years later	5.0	7.2	2.5	2.9	3.4					
Six years later	6.2	8.9	3.2	3.5						
Seven years later	7.5	10.7	3.9							
Eight years later	8.8	12.7								
Nine years later	10.1									
5. Reestimated incurred claims:										
End of policy year	5.1	4.8	15.5	14.1	16.9	21.7	27.6	35.4	30.7	41.0
One year later	6.1	8.8	5.8	8.2	9.5	7.6	6.2	9.2	11.5	
Two years later	10.2	10.5	8.3	12.6	16.6	13.5	8.5	11.7		
Three years later	12.9	13.6	9.8	14.5	18.9	15.7	9.9			
Four years later	14.5	17.7	11.5	15.0	19.6	18.1				
Five years later	17.9	19.6	13.0	15.1	20.9					
Six years later	19.4	22.1	13.5	15.7						
Seven years later	21.4	23.2	14.2							
Eight years later	23.0	25.6								
Nine years later	24.3									
6. Increase (decrease) in estimated incurred claims from end of policy year	19.2	20.8	(1.3)	1.6	4.0	(3.6)	(17.7)	(23.7)	(19.2)	-

The table above illustrates how the Duty Disability 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.

**Long-term Disability Insurance Risk Pool  
Ten-Year Claims Development Information**

Calendar and Policy Year Ended December 31

(In Millions)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
1. Net earned required contributions and investment revenues	\$ 30.8	\$ 47.8	\$ 36.1	\$ 38.9	\$ 37.7	\$ 36.1	\$ (3.0)	\$ (6.9)	\$ (22.9)	52.5
2. Unallocated expenses	0.2	0.2	0.2	0.2	0.4	0.6	0.3	1.0	0.8	0.7
3. Estimated incurred claims as of the end of the policy year	3.3	5.4	4.5	4.5	7.7	9.1	9.4	10.0	11.7	15.9
4. Paid (cumulative) as of:										
End of policy year	-	0.1	0.1	0.1	0.1	0.1	0.2	0.5	-	0.3
One year later	0.4	0.5	0.7	0.4	0.8	0.6	0.8	1.0	1.1	
Two years later	0.8	0.9	1.4	0.9	1.6	1.3	1.5	2.0		
Three years later	1.2	1.3	2.0	1.4	2.1	2.3	2.6			
Four years later	1.6	1.6	2.5	1.8	2.9	3.2				
Five years later	2.0	1.9	3.0	2.3	3.6					
Six years later	2.3	2.2	3.7	2.7						
Seven years later	2.6	2.5	4.2							
Eight years later	2.9	2.8								
Nine years later	3.1									
5. Reestimated incurred claims:										
End of policy year	3.3	5.4	4.5	4.5	7.7	9.1	9.4	10.0	11.7	15.9
One year later	2.5	3.4	4.3	2.5	5.1	6.1	4.9	8.7	8.4	
Two years later	3.2	3.9	5.4	3.6	6.8	8.2	7.2	8.3		
Three years later	3.7	4.1	6.1	3.7	6.0	7.8	8.5			
Four years later	4.1	4.1	5.7	4.2	8.0	9.9				
Five years later	4.3	3.7	5.9	4.2	7.5					
Six years later	4.5	4.7	6.5	4.9						
Seven years later	4.5	4.0	6.5							
Eight years later	4.1	4.5								
Nine years later	4.2									
6. Increase (decrease) in estimated incurred claims from end of policy year	0.9	(0.9)	2.0	0.4	(0.2)	0.8	(0.9)	(1.7)	(3.3)	-

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.

*State of Wisconsin*

**Bank Deposits**

For the Last Ten Fiscal Years

(In Thousands)

Year	State Chartered Banks	Nationally Chartered Banks	State Chartered Savings And Loans (A)
2004	\$ 51,812,520	\$ 15,767,889	\$ 3,258,269
2003	47,733,076	15,709,867	3,198,243
2002	46,836,527	14,697,466	3,210,761
2001	42,675,366	14,320,141	4,965,368
2000	44,709,945	9,917,244	6,329,295
1999	45,943,028	15,797,789	10,798,405
1998	41,578,232	14,192,053	7,428,791
1997	37,949,640	13,640,277	9,334,442
1996	30,807,941	17,113,236	8,651,268
1995	26,363,116	19,235,764	8,557,009

(A) Includes Savings Banks

SOURCES: Wisconsin Department of Financial Institutions

*State of Wisconsin*

**Unemployment Data**

For the Last Ten Years

Year	Population (Thousands)	Unemployment Rate	
		Wisconsin	U.S.
2003	5,472	5.6	6.0
2002	5,441	5.5	5.8
2001	5,402	4.6	4.8
2000	5,364	3.5	4.0
1999	5,250	3.0	4.2
1998	5,224	3.4	4.5
1997	5,170	3.7	4.9
1996	5,147	3.5	5.4
1995	5,113	3.7	5.6
1994	5,075	4.7	6.1

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis  
Wisconsin Department of Workforce Development  
2004 data is not available.

*State of Wisconsin*

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**Personal Income**

For the Last Ten Years

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<b>Calendar Year</b>	<b>Personal Income (Millions)</b>	<b>Percentage Change From Previous Year</b>	<b>Dollars per Capita</b>	<b>Percentage of National Average</b>
2003	\$ 168,128	3.1	\$ 30,723	97.7
2002	163,118	2.8	29,987	97.4
2001	158,654	3.3	29,352	96.0
2000	153,548	6.9	28,573	95.7
1999	143,589	4.6	26,926	96.6
1998	137,256	5.8	26,284	96.6
1997	129,697	6.4	24,941	96.2
1996	121,864	5.1	23,554	95.6
1995	115,960	8.3	22,573	95.8
1994	107,063	5.8	21,012	95.3

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Information for 2004 is not yet available.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis

*State of Wisconsin*

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**Disposable Personal Income**

For the Last Ten Years

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<b>Calendar Year</b>	<b>Disposable Personal Income (Millions)</b>	<b>Percentage Change From Previous Year</b>	<b>Dollars per Capita</b>	<b>Percentage of National Average</b>
2003	\$ 149,368	3.9	\$ 27,295	97.4
2002	143,737	5.2	26,424	97.3
2001	136,626	3.8	25,277	96.3
2000	131,663	8.3	24,500	96.2
1999	121,619	4.5	22,806	96.1
1998	116,334	5.2	22,277	95.9
1997	110,546	5.8	21,258	95.3
1996	104,491	4.2	20,196	94.5
1995	100,255	9.1	19,516	94.7
1994	91,904	5.4	18,037	93.8

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Information for 2004 is not yet available.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis



*State of Wisconsin*

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**Kindergarten through Grade 12  
Enrollment Statistics**

For the Last Ten Years

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<b>Year</b>	<b>Public</b>	<b>Private</b>	<b>Total</b>
2004	853,363	124,248	977,611
2003	855,139	129,132	984,271
2002	854,688	133,279	987,967
2001	855,725	151,472	1,007,197
2000	875,038	135,638	1,010,676
1999	859,387	135,039	994,426
1998	881,248	147,344	1,028,592
1997	859,469	138,658	998,127
1996	852,130	137,212	989,342
1995	860,686	148,002	1,008,688

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SOURCE: Wisconsin Department of Public Instruction, Division for Management and Budget, Educational Information Services

*State of Wisconsin*

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**Total New Housing Units Authorized in Permit-Issuing Places**

For the Last Ten Years

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<b>Calendar Year</b>	<b>Wisconsin</b>	<b>Percent Change</b>	
		<b>Wisconsin</b>	<b>U.S.</b>
2003	40,884	7.0	8.1
2002	38,208	1.2	6.8
2001	37,773	10.6	2.8
2000	34,154	(4.0)	(4.3)
1999	35,570	0.4	3.2
1998	35,436	11.0	11.9
1997	31,925	(4.1)	1.1
1996	33,296	2.8	7.0
1995	32,403	(6.4)	(2.8)
1994	34,619	7.8	14.4

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Information for 2004 is not yet available.

SOURCE: U.S. Bureau of the Census, "Construction Reports C40 Housing Authorized by Building Permits and Public Contracts"

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## State of Wisconsin's Largest Employers (Over 1000 Employees)

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Rank	Employer Name	Type of Industry
1	Wal-Mart Associates Inc.	General Merchandise Stores
2	Menard Inc.	Building Materials and Garden Supplies
3	Kohl's Department Stores Inc.	General Merchandise Stores
4	Kohler Co.	Fabricated Metal Products
5	Division of Target Corporation	General Merchandise Stores
6	Shopko Stores Inc.	General Merchandise Stores
7	Land's End Inc.	Catalog and Mail Order Houses
8	Walgreen Company Illinois	Pharmaceutical Stores
9	Marshfield Clinic	Health Services
10	Quad/Graphics Inc.	Printing and Publishing
11	United Parcel Service Inc.	Trucking and Warehousing
12	Gunderson Lutheran Administrative	Health Services
13	Aurora Health Care Metro, Inc.	Health Services
14	Columbia St. Mary's Group	Health Services
15	Wisconsin Hospitality Group LL	Hospitality
16	Thedacare, Inc.	Health Services
17	We Energies	Power Company
18	U.S. Bank National Assn.	Banking
19	Aurora Medical Group Inc.	Health Services
20	Kwik Trip Inc.	Convenience Stores and Truck Stops
21	Rockwell Automation Inc.	Industrial Automation
22	Stora Enso North America Corp.	Paper and Allied Products
23	Northwestern Mutual Life Insurance	Insurance
24	Medical College of Wisconsin Inc.	Medical Schools and Medical Centers
25	Pick N Save Mega Foods	Groceries and Related Products

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Note: Employee data as of March 2004

SOURCE: Wisconsin Department of Workforce Development

## Employment Trends in Wisconsin

For the Last Ten Years

(In Thousands)

Year (A)	Civilian Labor Force (B)	Unemployment	Percent of Work Force (C)	Total Employment (D)	Nonfarm Wage and Salary Employment (E)	Manufacturing (F)
2003	3,078.3	173.5	5.6%	2,904.7	2,778.9	506.4
2002	3,024.8	166.6	5.5	2,858.2	2,782.4	528.3
2001	3,032.1	137.1	4.5	2,895.0	2,813.9	560.3
2000	2,968.1	105.4	3.6	2,862.7	2,784.0	594.1
1999	2,889.8	88.0	3.0	2,801.8	2,718.0	594.8
1998	2,952.0	99.4	3.4	2,852.6	2,655.8	593.2
1997	2,949.4	108.4	3.7	2,841.1	2,600.6	579.2
1996	2,927.3	103.3	3.5	2,824.0	2,558.6	567.6
1995	2,843.9	105.4	3.7	2,738.5	2,490.7	566.6
1994	2,800.1	132.0	4.7	2,668.0	2,412.7	546.1

(A) All data are estimates which are revised monthly and annually. Data may not be strictly comparable for various years due to changes in categories. Calendar year information for 2004 is not yet available.

(B) The civilian labor force includes both the employed and unemployed, age 16 and over, excluding current military personnel and institutionalized individuals.

(C) Percentages are not seasonally adjusted.

(D) Includes workers involved in labor disputes.

(E) Nonfarm wage and salary employment and manufacturing employment are based upon NAICS coding structure, replacing the SIC structure.

(F) Unadjusted total.

SOURCE: Wisconsin Department of Workforce Development

**Estimated Employees in Wisconsin on Nonagricultural Payrolls (A), 2003**

	Wisconsin		United States	
	(Thousands)	Percent	(Thousands)	Percent
Natural Resources and Mining	3.8	0.1%	571	0.4%
Construction	123.5	4.4	6,722	5.2
Manufacturing	506.4	18.2	14,525	11.2
Wholesale Trade	113.0	4.1	5,606	4.3
Retail Trade	319.0	11.5	14,912	11.5
Utilities	11.6	0.4	581	0.4
Transportation and Warehousing	94.6	3.4	4,177	3.2
Information	49.7	1.8	3,198	2.5
Finance and Insurance	129.8	4.7	5,921	4.6
Real Estate, Rental and Leasing	27.9	1.0	2,054	1.6
Professional, Science and Technical Services	89.0	3.2	6,624	5.1
Management of Companies	37.6	1.4	1,676	1.3
Administrative and Waste Services	118.2	4.3	7,698	5.9
Educational Services	46.1	1.7	2,689	2.1
Health Care and Social Assistance	320.5	11.5	13,888	10.7
Arts, Entertainment and Recreation	35.5	1.3	1,801	1.4
Accommodation and Food	209.5	7.5	10,324	7.9
Other Services, Excluding Public	131.3	4.7	5,393	4.2
Government	411.8	14.8	21,575	16.6
Total	2,778.9	100.0	129,931	100.0

(A) Not seasonally adjusted. Calendar year information for 2004 is not yet available.

Note: This table excludes agriculture, forestry and fisheries employees. All employment data is based upon NAICS coding structure, replacing the SIC structure.

SOURCES: Wisconsin Department of Workforce Development  
 U.S. Department of Labor, Bureau of Labor Statistics

**How Wisconsin Ranks Among the States In Agriculture, 2002**

Commodity	Rank Among States	Units	Wisconsin 2002 Production (In Thousands)	Percent of U.S. Production	U.S. 2002 Production (In Thousands)	Leading State
<b>Dairy</b>						
Milk Production	2	Lbs.	22,074,000	13.0	169,758,000	California
Butter	2	Lbs.	342,503	25.3	1,355,148	California
Total Cheese (excluding cottage)	1	Lbs.	2,235,639	26.0	8,599,049	Wisconsin
American	1	Lbs.	858,272	23.1	3,709,015	Wisconsin
Swiss	2	Lbs.	37,823	14.9	254,096	Ohio
Limburger	1	Lbs.	651	100.0	651	Wisconsin
Brick and Muenster	1	Lbs.	62,873	70.1	89,711	Wisconsin
Mozzarella	1	Lbs.	748,012	26.6	2,813,712	Wisconsin
Italian	1	Lbs.	972,261	27.7	3,506,478	Wisconsin
Cottage Cheese						
4% or more milkfat	12	Lbs.	10,007	2.7	372,399	New York
Less than 4% milkfat	6	Lbs.	12,072	3.2	374,296	New York
Whey products						
Dry whey	1	Lbs.	321,586	28.8	1,115,772	Wisconsin
<b>Livestock</b>						
All cattle and calves (A)	9	Head	3,300	3.4	96,106	Texas
Milk cows (A)	2	Head	1,265	13.8	9,152	California
Hogs and pigs, all (B)	17	Head	520	0.9	58,943	Iowa
Sheep (A)	20	Head	80	1.3	6,350	Texas
Equine (C)	22 (E)	Head	120	2.3	5,317	Texas
Chickens (B)	21	Head	5,600	1.3	438,948	Iowa
Broilers	19	Head	33,800	0.4	8,364,700	Georgia
Trout, sold 12" or longer	7	Lbs.	554	1.0	54,451	Idaho
Mink pelts	1	Pelts	685	26.3	2,600	Wisconsin
Honey	8	Lbs.	6,650	3.9	171,140	California
Eggs	19	Eggs	1,158,000	1.3	86,698,000	Iowa
<b>Crops</b>						
Corn for grain	6	Bushels	391,500	4.3	9,007,659	Iowa
Corn for silage	1	Tons	11,680	11.1	104,979	Wisconsin
Oats	2	Bushels	15,000	12.6	119,132	Minnesota
Soybeans	12	Bushels	66,880	2.5	2,729,709	Iowa
Wheat, all	24	Bushels	10,771	0.7	1,616,441	Kansas
Barley	18	Bushels	1,800	0.8	226,873	North Dakota
Hay (dry only), all	10	Tons	5,340	3.5	150,962	Texas
Potatoes, all	3	Cwt.	31,125	6.7	463,214	Idaho
Tobacco	11	Lbs.	3,815	0.4	880,734	North Carolina
Dry edible beans	17	Cwt.	137	0.5	29,974	North Dakota
Cherries, tart	4	Lbs.	4,000	6.4	62,500	Washington
Apples	12	Lbs.	58,000	0.7	8,592,100	Washington
Strawberries	8	Cwt.	43	0.2	19,702	California
Maple syrup (D)	4	Gals.	76	6.1	1,239	Vermont
Cranberries	1	Bbl.	3,208	56.4	5,684	Wisconsin
Mint for oil	5	Lbs.	433	4.9	8760	Washington
Carrots, all	2	Tons	108.8	27.5	396	Washington
Onions	14	Cwt.	532	0.8	67,365	California
Cabbage for fresh market	9	Cwt.	900.0	3.7	24,415	California
Sweet corn for fresh market	14	Cwt.	473.0	1.8	26,430	Florida
Sweet corn for processing	3	Tons	596.1	19.3	3,084	Washington
Green peas for processing	3	Tons	67.2	19.4	347	Minnesota
Snap beans for processing	1	Tons	317.1	38.1	831	Wisconsin
Cucumbers for pickles	5	Tons	31.8	5.2	617	Michigan

(A) January 1, 2003 inventory. (B) December 1, 2002 inventory. (C) January 1, 1999 inventory. (D) Data for 2003. (E) Tied with Oregon.

SOURCE: Wisconsin Department of Agriculture, Agricultural Statistics Service

Miscellaneous Data

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Date Wisconsin Became Part of United States.....	1783
Inception as a State (30th State).....	1848
Form of Government.....	Legislative-Executive-Judicial
Capital.....	Madison

State Symbols

Flower.....	Wood Violet
Tree.....	Sugar Maple
Wildlife Animal.....	White-tailed Deer
Animal.....	Badger
Fish.....	Muskellunge
Bird.....	Robin

Total Area.....	35.8 Million Acres
Land Area.....	34.8 Million Acres
Water Area.....	1.0 Million Acres
Miles of State Highways.....	11,753 Miles

Higher Education (Students)

University of Wisconsin System.....	160,635
University of Wisconsin Extension.....	176,795
Private.....	55,835
Vocational/Technical Colleges.....	451,271

Recreation

Number of State Parks.....	44
Number of State Forests.....	12
Number of State Trails.....	25
Number of Historic Sites.....	8
Number of Recreational Areas.....	5

Permanent Classified State Employees.....	41,344
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SOURCE: Wisconsin Blue Book, 2003-2004

## **Acknowledgments**

The Comprehensive Annual Financial Report was prepared by the Department of Administration, Division of Executive Budget and Finance, State Controller's Office, Financial Reporting Section:

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