STATE OF WISCONSIN
CONTINUING DISCLOSURE
ANNUAL REPORT

FILED PURSUANT TO UNDERTAKINGS PROVIDED TO PERMIT COMPLIANCE WITH SECURITIES EXCHANGE COMMISSION RULE 15C2-12

GENERAL OBLIGATIONS
(Base CUSIPs 977055, 977056, and 97705L)

MASTER LEASE CERTIFICATES OF PARTICIPATION
(Base CUSIP 977087)

TRANSPORTATION REVENUE OBLIGATIONS
(Base CUSIP 977123)

CLEAN WATER REVENUE BONDS
(Base CUSIP 977092)

PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS
(Base CUSIP 977109)

GENERAL FUND ANNUAL APPROPRIATION BONDS
(Base CUSIP 977100)

DECEMBER 23, 2009

JIM DOYLE
GOVERNOR

MICHAEL L. MORGAN
SECRETARY

Division of Executive Budget and Finance
Capital Finance Office
Post Office Box 7864
Madison, WI 53707-7864

TTY (608) 261-6630
www.doa.wi.gov/capitalfinance

WISCONSIN DEPARTMENT OF ADMINISTRATION

FRANK R. HOADLEY
CAPITAL FINANCE DIRECTOR
Telephone: (608) 266-2305
Facsimile: (608) 266-7645
frank.hoadley@wisconsin.gov

December 23, 2009

Thank you for your interest in the State of Wisconsin.

This is the Continuing Disclosure Annual Report for the fiscal year ending June 30, 2009 (**2009 Annual Report**).

The 2009 Annual Report provides information on different securities that the State issues and fulfills the State's continuing disclosure undertakings. These undertakings of the State are intended to help dealers and brokers comply with Rule 15c2-12 under the Securities Exchange Act of 1934. As of this date, the State has filed the 2009 Annual Report with the Municipal Securities Rulemaking Board (**MSRB**) through the MSRB's Electronic Municipal Market Access (**EMMA**) system. EMMA receives, and makes available to the public, continuing disclosure documents and related information that is provided by issuers and obligated persons.

Official Statements for securities that the State issues during the next year may incorporate parts of this 2009 Annual Report by reference.

Organization of the 2009 Annual Report

The 2009 Annual Report is divided into eight parts. The first two parts present general information.

- **Part I** presents the **State's continuing disclosure undertakings**. A Master Agreement on Continuing Disclosure (Amended and Restated July 1, 2009) establishes a general framework. Separate addenda describe the information to be provided for specific types of securities.

- **Part II** presents **general information about the State**, including its operations and financial results. This part includes the General Purpose External Financial Statements portion of the audited Comprehensive Annual Financial Report for the fiscal year ending June 30, 2009. This part also includes the results of the 2008-09 fiscal year and information on the biennial budget for 2009-11.

The remaining parts present information about different types of securities that the State issues.

- **Part III — General obligations (including bonds, commercial paper, and extendible municipal commercial paper)**
- **Part IV — Master lease certificates of participation**
- **Part V — Transportation revenue obligations (including bonds and commercial paper)**
- **Part VI — Clean water revenue bonds**
- **Part VII — Petroleum inspection fee revenue obligations (including bonds and extendible municipal commercial paper)**
- **Part VIII – General fund annual appropriation bonds (including bonds and variable rate notes)**

Please note that certain terms may have different meanings in different parts.

Ratings on the State's Securities

The following chart presents a summary of the long-term ratings currently assigned to different types of securities that the State issues.

Security	Fitch Ratings	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services
General Obligations	AA–	Aa3[1]	AA
Master Lease Certificates of Participation	A+	A1[1]	AA–
Transportation Revenue Bonds	AA	Aa3	AA+
Clean Water Revenue Bonds	AA+	Aa1	AA+
Petroleum Inspection Fee Revenue Bonds	AA–	Aa3	AA
General Fund Annual Appropriation Bonds	A+	A1[1]	AA–

(1) On March 17, 2008, Moody's Investors Services, Inc. changed its rating outlook on the State's general obligations, master lease certificates of participation, and general fund annual appropriation bonds from "stable" to "negative".

How to Get Additional Information

If you are interested in information about securities that the State issues, please contact the Capital Finance Office. *The Capital Finance Office is the only party authorized to speak on the State's behalf about the State's securities.*

The Capital Finance Office maintains a web site that provides access to both disclosure and non disclosure information.

www.doa.wi.gov/capitalfinance

The Capital Finance Office posts to this web site monthly general fund cash flow reports. The Capital Finance Office also posts to this web site all information and material event filings that it makes with each nationally recognized municipal securities information repository.

We welcome your comments or suggestions about the format and content of the 2009 Annual Report. The general telephone number of the Capital Finance Office is (608) 266-2305. The e-mail address is **DOACapitalFinanceOffice@wisconsin.gov.**

Sincerely,

Frank R. Hoadley
Capital Finance Director

SUMMARY OF OUTSTANDING STATE OF WISCONSIN OBLIGATIONS AS OF DECEMBER 15, 2009

	Principal Balance 12/15/2008	Principal Issued 12/15/2008 – 12/15/09	Principal Matured, Redeemed, or Defeased 12/1/2008 – 12/15/09	Principal Balance 12/15/2009
			GENERAL OBLIGATIONS (a)	
Total	**$5,939,381,430**	**$697,120,000**	**$413,708,686**	**$6,222,792,744**
General Purpose Revenue (GPR)	4,154,544,870	432,691,497	284,614,791	4,302,621,576
Self-Amortizing: Veterans	348,105,000	—	69,720,000	278,385,000
Self-Amortizing: Other	1,436,731,559	264,428,503	59,373,895	1,641,786,167
		MASTER LEASE CERTIFICATES OF PARTICIPATION		
Total	**$ 74,135,428**	**$12,886,729**	**$23,150,830**	**$63,871,327**
		TRANSPORTATION REVENUE OBLIGATIONS (a)		
Total	**$1,688,753,000**	**$165,000,000**	**$94,515,000**	**$1,759,238,000**
		CLEAN WATER REVENUE BONDS		
Total	**$ 866,035,000**	**—**	**$60,730,000**	**$805,305,000**
		PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS (a)		
Total	**$ 231,040,000**	**$117,460,000**	**$159,890,000**	**$188,610,000**
		GENERAL FUND ANNUAL APPROPRIATION BONDS (a)		
Total	**$1,857,120,000**	**$1,529,065,000**	**$6,475,000**	**$3,379,710,000**

(a) This table includes variable rate obligations that have been issued by the State. Please see the respective part of this Annual Report for more information on the variable rate obligations issued for each credit.

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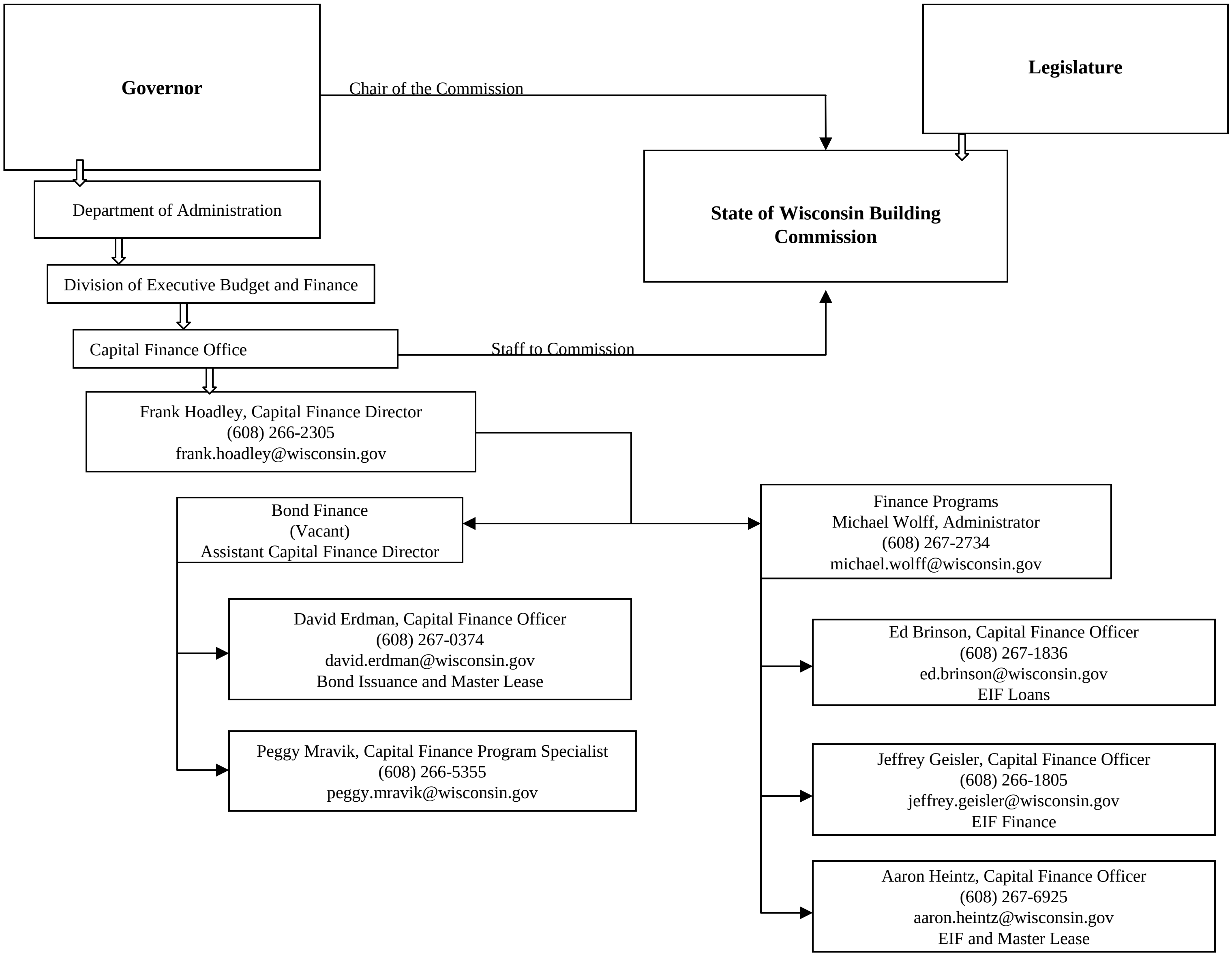
Capital Finance Office Staff (December 23, 2009)



STATE OFFICIALS PARTICIPATING IN ISSUANCE AND SALE OF BONDS AND NOTES

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Jim Doyle, Chairperson	January 2, 2011
Senator Fred A. Risser, Vice-Chairperson	January 6, 2013
Senator Ted Kanavas	January 6, 2013
Senator Jeffrey Plale	January 2, 2011
Representative Spencer Black	January 2, 2011
Representative Gordon Hintz	January 2, 2011
Representative Dean Kaufert	January 2, 2011
Mr. Terry McGuire, Citizen Member	At the pleasure of the Governor
Nonvoting, Advisory Members	
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	——
Mr. Dave Haley, State Chief Architect Department of Administration	——
Building Commission Secretary	
Mr. David W. Helbach, Administrator Division of State Facilities Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration

OTHER PARTICIPANTS

Mr. J.B. Van Hollen State Attorney General	January 2, 2011
Mr. Michael L. Morgan, Secretary Department of Administration	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

Department of Administration
Capital Finance Office
P.O. Box 7864
101 E. Wilson Street, 10th Floor
Madison, WI 53707-7864
Telefax (608) 266-7645
DOACapitalFinanceOffice@wisconsin.gov

Mr. Frank R. Hoadley
Capital Finance Director
(608) 266-2305
frank.hoadley@wisconsin.gov

Mr. Michael D. Wolff
Finance Programs Administrator
(608) 267-2734
michael.wolff@wisconsin.gov

Mr. David R. Erdman
Capital Finance Officer
(608) 267-0374
david.erdman@wisconsin.gov

PART II

GENERAL INFORMATION ABOUT THE STATE OF WISCONSIN

This Part II of the 2009 Annual Report provides general information about the State of Wisconsin **(State)**. It describes the following:

- Revenues
- Expenditures
- Accounting and Financial Reporting
- Budgeting Process and Fiscal Controls
- Results of 2008-09 Fiscal Year
- 2009-11 Biennial State Budget
- General Fund Information
- State Government Organization
- State Obligations
- Statistical Information

APPENDIX A to this Part II of the 2009 Annual Report includes the audited general purpose external financial statements for the fiscal year ending June 30, 2009 and the independent auditor's report that is provided by the State Auditor.

Requests for additional information about the State may be directed as follows:

Contact:	Capital Finance Office Attn: Capital Finance Director
Phone:	(608) 266-2305
Mail:	State of Wisconsin Department of Administration 101 East Wilson Street, FLR 10 P.O. Box 7864 Madison, WI 53707-7864
E-mail:	DOACapitalFinanceOffice@wisconsin.gov
Web site:	www.doa.wi.gov/capitalfinance

The State has independently provided, since July 2001, monthly reports on general fund financial information. These monthly reports are not required by any of the State's undertakings provided to permit compliance with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. These monthly reports are available on the State's Capital Finance Office web site that is listed above and are generally filed as material information notices with the MSRB (and prior to July 1, 2009 with each nationally recognized municipal securities information repository); however, such reports are not incorporated by reference into this Part II of the 2009 Annual Report, and the State is not obligated to continue providing such monthly reports in the future.

This Part II of the 2009 Annual Report presents financial information about the State in various formats. Some financial information is presented on a budgetary basis or an agency recorded basis, while other information is presented on a cash basis. Some financial information relates to the General Fund, while other information relates to all funds. The reader should be aware of these different formats when using the financial information presented within the 2009 Annual Report.

The 2009 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part II of the 2009 Annual Report may differ from those of the same terms used in another part. Any information or resource referred to in this 2009 Annual Report is not part of the 2009 Annual Report unless expressly included.

REVENUES

Revenue Structure

The State raises revenues from diverse sources:

- Various taxes levied by the State
- Federal government payments (see "STATE BUDGET" for discussion on federal economic stimulus payments received by the State)
- Various kinds of fees, licenses, permits, and service charges paid by users of specific services, privileges, or facilities
- Investment income
- Gifts, donations, and contributions

Table II-1 identifies the specific sources of revenue (all funds) and the amounts raised from each source for each of the last five years. There can be no assurance that future receipts will correlate with historical data.

Tax Structure

The State collects a diverse variety of taxes. The most significant taxes are based on individual income and on general sales and use. The following discussion briefly describes certain taxes that appear in Table II-1.

Individual Income Tax

The tax brackets and rates for the 2009 and 2010 tax years are as follows. The 2009-11 biennial budget created a fifth tax bracket, which is the bracket show below for the highest income with the marginal tax rate of 7.75%. The taxable income brackets have been indexed for changes in the consumer price index.

2009 Taxable Income Brackets[a]		2009 Marginal Tax Rate
Single	Married Filing Jointly[b]	
0 to 10,220	0 to 13,620	4.60%
10,220 to 20,440	13,620 to 27,250	6.15
20,440 to 153,280	27,250 to 204,370	6.50
153,280 to 225,000	204,370 to 300,000	6.75
225,000+	300,000	7.75

2010 Taxable Income Brackets[a]		2010 Marginal Tax Rate
Single	Married Filing Jointly[b]	
0 to 10,070	0 to 13,420	4.60%
10,070 to 20,130	13,420 to 26,850	6.15
20,130 to 151,000	26,850 to 201,340	6.50
151,000 to 221,660	201,340 to 295,550	6.75
221,6600+	295,550+	7.75

(a) Taxable income in dollars

(b) Brackets for married filing separately are half of the brackets for married filing jointly.

Table II-1

REVENUES (ALL SOURCES)[a]

	2008-09	2007-08	2006-07	2005-06	2004-05
State Collected Taxes					
Individual Income	$ 6,222,734,631	$ 6,713,681,316	$ 6,573,777,561	$ 6,144,298,451	$ 5,650,109,424
General Sales and Use	4,083,958,633	4,268,045,204	4,158,611,820	4,127,584,502	4,038,715,364
Corporate Franchise and Income	629,523,404	837,807,078	890,056,403	780,320,708	764,053,392
Public Utility	320,395,065	297,467,163	284,959,340	275,104,369	254,437,679
Excise	647,621,004	540,258,780	365,848,384	368,693,206	359,443,539
Inheritance and Gift	20,853,110	158,788,699	121,113,660	108,570,770	112,345,511
Insurance Companies	136,291,544	156,606,088	141,405,453	134,665,536	129,838,587
Motor Fuel	1,013,552,216	1,046,962,146	1,047,149,847	1,045,437,021	1,042,150,611
Forest	93,032,745	89,819,018	87,405,411	84,001,009	81,739,715
Miscellaneous	141,390,558	152,888,679	159,748,328	159,449,623	147,891,451
Subtotal	13,309,352,909	14,262,324,171	13,830,076,207	13,228,125,195	12,580,725,273
Federal Aid					
Medical Assistance	3,942,775,227	3,075,496,190	3,043,708,414	2,885,996,975	2,841,262,571
AFDC/W2	301,726,136	333,240,980	374,577,319	411,227,833	448,154,411
Transportation	975,604,268	827,688,250	779,233,666	773,152,018	755,659,339
Education	2,243,391,257	1,694,591,971	1,621,624,190	1,574,934,049	1,503,395,791
Other	2,011,468,231	1,795,311,711	1,550,011,689	1,535,906,709	1,642,411,725
Subtotal	9,474,965,119	7,726,329,102	7,369,155,278	7,181,217,584	7,190,883,836
Fees					
University of Wisconsin System	1,232,247,037	1,189,573,176	1,104,929,700	1,040,358,601	960,481,330
Other	611,597,812	522,256,257	462,295,973	427,060,300	427,786,023
Subtotal	1,843,844,850	1,711,829,432	1,567,225,673	1,467,418,901	1,388,267,353
Licenses and Permits					
Vehicles and Drivers	497,890,497	433,571,153	388,656,396	358,350,142	352,220,463
Hunting and Fishing	116,593,950	115,131,275	102,848,677	101,375,980	95,320,908
Other	833,185,906	519,392,387	555,460,289	561,072,535	527,761,924
Subtotal	1,447,670,353	1,068,094,815	1,046,965,362	1,020,798,657	975,303,294
Miscellany					
Service Charges	731,084,712	642,584,866	680,620,012	846,656,031	679,698,283
Sales of Products	798,401,411	816,218,495	787,903,733	799,739,375	735,620,836
Investment Income[b]	(14,949,817,996)	(4,432,460,670)	13,879,927,078	8,542,093,790	7,173,240,239
Gifts and Grants	586,570,088	414,079,565	498,194,701	384,897,037	375,899,897
Employee Benefit Contributions [c]	2,826,103,756	2,672,069,440	2,540,833,629	2,672,969,933	2,063,105,741
General Obligation Proceeds	721,041,070	524,288,377	973,119,276	1,197,760,905	734,440,646
Other Revenues	2,529,447,931	2,047,138,313	2,060,407,739	1,779,638,241	2,293,743,096
Subtotal	(6,757,169,029)	2,683,918,386	21,421,006,168	16,223,755,312	14,055,748,739
Summary					
TOTAL NET REVENUE	19,318,664,202	27,452,495,906	45,234,428,688	39,121,315,649	36,190,928,494
Transfers	999,470,444	1,213,609,468	1,029,552,107	812,004,157	828,212,783
Gross Revenue	$ 20,318,134,646	$ 28,666,105,374	$ 46,263,980,795	$ 39,933,319,806	$ 37,019,141,277

(a) The amounts shown are based on statutorily required accounting and not on GAAP. The amounts are unaudited.

(b) The amounts include net pension investment losses of $15,095,373,443 for fiscal year 2008-09 and $4,696,238,376 for 2007-08.

(c) Figures include all State and non-State employer and employee contributions. State contributions for State employees totaled $1,458,671,648 for fiscal year 2008-09, $1,334,524,228 for 2007-08, $1,263,140,598 for 2006-07, $1,406,452,694 for 2005-06, and $823,519,064 for 2004-2005.

Source: Wisconsin Department of Administration

General Sales and Use Tax

A 5% tax is imposed on the sale or use of services and all tangible personal property unless specifically exempted. The most notable exemptions are food, prescription drugs, and motor and heating fuel. In 2009, the State adopted the Streamlined Sales and Use Tax Agreement, which is a multi-state agreement with a goal to simplify and modernize sales and use tax administration and to promote the voluntary collection of sales tax by out-of-state businesses.

Corporate Income and Franchise Taxes

Both the franchise tax measured by net income and the income tax are levied at a rate of 7.9% of corporate net income. The net tax liability is determined by subtracting allowable credits.

Public Utility Taxes

There are two methods used for taxing public utilities. An ad valorem method on property is used for pipeline companies, conservation and regulation companies, association of municipal electric, railroads, and airlines. The State assesses the value of the property, then the average statewide property tax rate is applied to derive the tax. An ad valorem tax on the real and tangible personal property is used for telephone companies.

The gross receipts tax is 3.19% for electric cooperatives and municipal power companies. Private light, heat, and power companies pay a gross receipts license fee at the rates of 0.97% of revenues from gas services, 3.19% of revenues from electric services, and 1.59% of revenues from wholesale electric. Each year's fee is based on revenues collected in the previous year. Revenue received from utilities is deposited to the General Fund; however, revenue from railroads and airlines is deposited in the segregated Transportation Fund. Car line companies, which are businesses that furnish or lease car line equipment to a railroad but do not operate a railroad, are subject to a tax at a rate equal to the State average net tax rate on property, which is deposited into the Transportation Fund.

Excise Taxes

Cigarettes are taxed at the rate of $2.52 cents per pack of 20, moist snuff is taxed at the rate of 100% of the manufacturer's list price, and other tobacco products are taxed at the rate of 71% of the manufacturer's list price, with the tax on cigars capped at $0.50 per cigar. The cigarette and tobacco products taxes are collected from distributors and subjobbers.

Wine is taxed at $0.25 or $0.45 per gallon (or $0.066 or $0.119 per liter), depending on its alcohol content. Liquor is taxed at $3.25 per gallon (or $0.859 per liter). The wine and liquor tax is collected from wholesalers. Beer is taxed at the rate of $2 per barrel, and the tax is paid monthly by brewers.

Estate, Inheritance, and Gift Taxes

For deaths occurring after September 30, 2002 and before January 1, 2008, the State imposed an estate tax in an amount equal to the credit allowed for state inheritance or estate taxes under federal law in effect on December 31, 2000. For deaths occurring on or after January 1, 2008, State estate taxes were based on the federal credit computed under federal law in effect on the date of death, which based on federal law in effect since January 1, 2008 resulted in the current elimination of State estate taxes for deaths occurring on or after January 1, 2008.

Insurance Company Premium Tax

Wisconsin-based life insurance companies pay a tax of 2% of the premiums received less a credit equal to 50% of personal property taxes. Small companies may choose to pay 2.5% of all income except premiums less the personal property tax credit. Nondomestic life insurance companies pay the 2% rate with no personal property tax credit.

Domestic and nondomestic property and casualty insurance companies are taxed 2% on allocated fire insurance premiums received. The 2% tax levied on fire insurance premiums is redistributed to local governments as a "fire department dues" tax. Nondomestic casualty insurance companies are taxed an additional 2.375% on allocated fire insurance premiums received, 2% on all forms of casualty premiums, and 0.5% on ocean marine coverages.

Domestic mortgage guaranty insurance companies pay a tax of 2% of premiums received.

Nondomestic companies are also subject to retaliation and reciprocation. If a nondomestic company's state of domicile assesses a Wisconsin domestic company, in aggregate, a greater amount than these rates, then Wisconsin retaliates. If a nondomestic company's state of domicile assesses a Wisconsin domestic company, in aggregate, a lesser amount than these rates, then Wisconsin reciprocates, subject to a minimum of the 2% "fire department dues," 0.375% for ocean marine and allocated fire insurance premiums, 0% for all forms of casualty premiums, and 2% for life premiums.

Motor Vehicle Fuel Tax

Motor vehicle fuel is taxed at the rate of 30.9 cents per gallon. Prior to April, 2006, the motor vehicle fuel tax was subject to an indexed adjustment using an inflation-only factor based on the Consumer Price Index; however, due to a statutory change, this adjustment no longer occurs. The tax is collected from the wholesaler but is specifically passed through to the user. The revenues are deposited in the Transportation Fund, where they are used primarily for highway purposes.

Forest Tax

The forest tax is the only State tax upon general property. It is a levy on all taxable property in the State. The tax is collected by municipal treasurers and remitted to the State during property tax settlements. After its receipt in the General Fund, it is transferred to the segregated Conservation Fund.

Miscellaneous Taxes

The State collects other miscellaneous taxes and fees, the largest of which is the real estate transfer fee. This fee is assessed at the time of a sale or transfer of real estate and at the rate of 30.0 cents per $100 value.

Tax Credits

Complementing the State's tax structure are tax credits designed to relieve certain taxes. These credits are reflected as expenditures for budgeting purposes. A brief description of the principal tax credits follows.

Homestead Tax Credit

Property tax relief is provided to low-income homeowners and renters through a homestead tax credit. The maximum household income limit is $24,500. The maximum amount of aidable property taxes is $1,450, and the amount of farm acreage on which the property tax is based is 120 acres. For renters, the amount of rent allocated as property tax is 25%, or 20% if heat is included in rent. In the 2008-09 fiscal year, low-income homeowners and renters received $125 million in homestead tax credit relief.

Earned Income Tax Credit

The earned income tax credit provides assistance to lower-income workers. The tax credit supplements the wages and self-employment income of such families. It offsets the impact of the social security tax and increases the incentive to work. As of November 30, 2009, the State was one of 23 states that offered an earned income tax credit. Twenty-one of those states, including the State, offered a refundable earned income tax credit.

The State's earned income tax credit is calculated as a percentage of the federal tax credit. The federal earned income tax credit varies by income and family size. In addition to the federal standards, the State's tax credit varies the percent of the federal credit by the number of children: 4% of the federal credit for one child, 14% for two, and 43% for three or more. The maximum State tax credit in tax year 2008 ranged from $117 for one child, $675 for two children, and $2,074 for three or more children. In the 2008-09 fiscal year, low-income wage earners received $98 million in earned income tax credits.

Farmland Preservation Tax Credit

The farmland preservation program provides property tax relief to farmland owners and encourages local governments to develop farmland preservation policies. The tax credit reduces income tax liability or is rebated if the credit exceeds income tax due. The credit formula is based on household income, the amount of property tax levied by all governments, and the type of land use provisions protecting the farmland (either a preservation agreement or exclusive agricultural zoning). Claimants may receive a tax credit on up to $6,000 of property taxes. The maximum potential credit is $4,200. In the 2008-09 fiscal year, farmland owners received $12 million in farmland preservation tax credits.

School Levy Tax Credit

The school levy tax credit is distributed based on each municipality's share of statewide levies for school purposes and is provided to all classes of taxpayers (residential, commercial, industrial, and others). For property taxes levied in December 2008, $747 million of school levy tax credits was distributed statewide. A new first dollar credit, which offsets the first $3,900 of property taxes on an improved parcel, provided an additional $73 million of property tax relief for property taxes levied in December 2008. These tax credits lowered school property taxes paid by taxpayers by 8.5% of the total gross tax levy for all purposes. The tax credits are paid to counties or municipalities to reduce the amount due from all property taxpayers.

Lottery Property Tax Credit.

The net proceeds of the state lottery are reserved for property tax relief. The lottery property tax credit is paid to counties or municipalities to reduce the amount due from local taxpayers. The lottery property tax credit is paid only for property taxes on primary residences. The total lottery property tax credit was approximately $116 million in December 2008.

School Property Tax Credit

The school property tax credit is equal to 12% of the first $2,500 in property taxes, or rent relating to allocable property taxes, for a maximum credit of $300. In the 2008-09 fiscal year, the school property tax credit totaled $395 million.

Tax Collection Procedure (Delinquencies)

If a taxpayer does not file a valid return when requested, the Department of Revenue may estimate the amount of tax due and send the taxpayer an assessment of the amount owing. The taxpayer has 60 days to appeal the amount owed, and absent an appeal, the account is considered delinquent on the due date. A delinquency also occurs when a taxpayer fails to properly pay taxes on a filed return or under-computes the tax due. In that case, the taxpayer is billed for the shortfall, and there is no appeal process. An assessment can also result from office or field audits. A taxpayer has 60 days to appeal an audit adjustment.

DOR uses a computer system to record payment and collection information for income, franchise, sales, and use taxes. Revenue agents around the state can access the case records for delinquent accounts.

Collection of a delinquent account begins with a notice of overdue tax, which is sent to the taxpayer. This notice informs the taxpayer that failure to pay within 10 days may result in a warrant being filed in the county of residence and other involuntary collection actions that may be taken. The account is assigned to a revenue agent, who may contact the taxpayer to attempt to solicit payment in full or set up an installment payment plan. Records of all collection contacts and actions are maintained in the statewide computer system.

If voluntary payments cannot be arranged, the revenue agent may proceed to a variety of involuntary collection actions, such as attachment of wages, levy, or garnishment of assets. Depending on the circumstances of the account, the Department of Revenue may move directly to an involuntary collection action after the notice of overdue tax is sent. If the amount owed is greater than $5,000, the account will be posted on a DOR web site that identifies delinquent taxpayers. If the delinquent taxpayer has a refund coming from any tax program administered by DOR, the refund is applied to the delinquent balance. Federal tax refunds are also applied to the delinquent balance.

Other actions that may be recommended to resolve a delinquent account include:

- Revocation of a business seller's permit
- Withholding of a business's liquor license
- Denial of a state-issued occupational license
- Referral to a private collection agency

If the revenue agent cannot collect the delinquent taxes, and it is unknown whether the taxpayer has any assets that may be garnished, then a supplemental hearing may be called before the court commissioner in the taxpayer's county of residence, in order to determine the taxpayer's ability to pay. If assets are discovered, the Department of Revenue may request appointment of a receiver to sell the assets. If the taxpayer is without any assets, the proceedings may be stayed and the account periodically reviewed until either the taxpayer has assets to pay or a determination is made to write off the account.

An analysis of the overall delinquency rate for the income, franchise, and sales and use taxes is shown in Table II-28 of "STATISTICAL INFORMATION".

EXPENDITURES

General

State expenditures are categorized under eight functional categories and the general obligation bond program. They are subcategorized by three distinct types of expenditures. The eight functional categories, which are listed in Table II-2, are described later in this Part II of the 2009 Annual Report. See "STATE GOVERNMENT ORGANIZATION; Description of Services Provided by State Government". The three types of expenditures are described below.

- *State Operations.* Direct payments by State agencies to carry out State programs for expenses such as salaries, supplies, services, debt service, and permanent property, including the University of Wisconsin System.
- *Aids to Individuals and Organizations*. Payments from a State fund made directly to, or on behalf of, an individual or private organization (for example, Medicaid, parent choice and charter school programs, or student financial assistance).
- *Local Assistance*. Payments from a State fund to, or on behalf of, local units of government and school districts, including payments associated with State programs administered by local governments and school districts (for example, elementary and secondary school aids, shared revenues, and school levy and first dollar tax credits).

Table II-2 shows the amounts expended (all funds) by function and type for each of the last five years.

General Fund Expenditures

In the 2008-09 fiscal year, about 57% of all general-fund taxes collected by the State were returned to local units of government. The remaining funds were used for aids to individuals and organizations (17%) and state operations and programs, including the University of Wisconsin System (26%). For the 2009-11 biennium, these percentages are expected to be about 55% returned to local units of government, 18% for aids to individuals and organizations, and 27% for state operations and programs, including the University of Wisconsin System.

Table II-2

EXPENDITURES BY FUNCTION AND TYPE (ALL FUNDS)[(a)]

	2008-09	2007-08	2006-07	2005-06	2004-05
Commerce					
State Operations	$ 162,533,607	$ 187,653,993	$ 191,501,974	$ 295,051,390	$ 177,270,715
Aids to Individuals and Organizations	154,196,111	103,744,671	143,445,023	118,049,619	134,274,721
Local Assistance	81,796,002	84,134,604	84,802,058	84,622,827	67,653,798
Subtotal	398,525,720	375,533,268	419,749,055	497,723,836	379,199,233
Education					
State Operations	4,377,769,866	4,233,533,822	4,019,108,540	3,783,691,755	3,680,666,682
Aids to Individuals and Organizations	636,000,157	698,924,143	633,206,998	601,027,490	569,282,647
Local Assistance	6,195,999,965	6,001,123,979	5,954,573,981	5,823,094,342	5,478,892,197
Subtotal	11,209,769,988	10,933,581,944	10,606,889,519	10,207,813,587	9,728,841,526
Environmental Resources					
State Operations	2,466,422,363	2,160,632,869	1,705,817,188	1,860,775,134	1,557,135,085
Aids to Individuals and Organizations	21,396,674	21,858,028	33,438,386	27,226,419	18,632,315
Local Assistance	1,144,909,938	1,174,800,437	1,108,055,130	1,092,290,371	1,111,255,497
Subtotal	3,632,728,976	3,357,291,334	2,847,310,704	2,980,291,924	2,687,022,898
Human Relations and Resources					
State Operations	2,569,901,520	2,517,798,022	2,394,696,169	2,211,919,381	2,338,807,640
Aids to Individuals and Organizations	8,997,219,620	7,731,541,267	7,470,421,798	7,324,304,971	7,236,447,598
Local Assistance	803,642,585	730,956,471	733,922,070	735,653,544	696,794,647
Subtotal	12,370,763,725	10,980,295,760	10,599,040,037	10,271,877,896	10,272,049,886
General Executive					
State Operations	6,405,607,097	6,382,779,221	5,732,317,622	5,394,516,734	5,156,121,321
Aids to Individuals and Organizations	410,146,216	390,323,539	433,449,569	429,604,138	374,960,654
Local Assistance	186,142,107	177,907,683	146,382,522	184,678,416	129,264,670
Subtotal	7,001,895,420	6,951,010,443	6,312,149,713	6,008,799,288	5,660,346,645
Judicial					
State Operations	106,263,715	102,370,371	97,376,449	91,336,070	90,426,703
Local Assistance	24,603,200	24,529,305	24,304,178	24,274,774	24,166,300
Subtotal	130,866,915	126,899,676	121,680,627	115,610,844	114,593,003
Legislative					
State Operations	65,288,990	65,045,988	63,371,991	61,342,707	58,234,658
Subtotal	65,288,990	65,045,988	63,371,991	61,342,707	58,234,658
General					
State Operations	873,302,876	826,058,802	798,270,888	871,018,049	663,012,446
Aids to Individuals and Organizations	290,017,352	269,882,203	244,774,255	244,294,326	242,099,193
Local Assistance	1,834,977,446	1,764,087,991	1,588,904,161	1,626,825,051	1,636,174,533
Subtotal	2,998,297,674	2,860,028,997	2,631,949,304	2,742,137,426	2,541,286,173
General Obligation Bond Program					
State Operations	688,245,655	649,532,375	932,693,348	898,483,799	818,835,725
Subtotal	688,245,655	649,532,375	932,693,348	898,483,799	818,835,725
Summary Totals					
State Operations	17,715,335,688	16,475,873,088	15,935,154,170	15,468,135,019	14,540,510,976
Aids to Individuals and Organizations	10,508,976,131	9,216,273,852	8,958,736,029	8,744,506,963	8,575,697,130
Local Assistance	10,272,071,243	9,957,540,470	9,640,944,100	9,571,439,325	9,144,201,642
GRAND TOTAL	$ 38,496,383,062	$ 36,299,219,785	$ 34,534,834,299	$ 33,784,081,307	$ 32,260,409,747

(a) The amounts shown are based on statutorily required accounting and not on GAAP. The amounts are unaudited.

Source: Wisconsin Department of Administration

ACCOUNTING AND FINANCIAL REPORTING

Statutory Basis

The State accounts for, reports, and budgets its operations as set forth in the Wisconsin Statutes. The Annual Fiscal Report (which is unaudited) must be published each year on or before October 15th. Except as noted in the following paragraph, under statutory accounting, receipts are recorded only at the time money or checks are deposited in the State Treasury, and disbursements are recorded only at the time a check is drawn. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore the amounts reported in a fiscal year.

For budgeting and Wisconsin Constitutional compliance purposes, the State's records are maintained in conformity with statutory requirements. The more important legal provisions are:

- In all cases the date of the contract or order determines the fiscal year in which it is charged unless it is determined that the purpose of the contract or order is to prevent lapsing of appropriations or to otherwise circumvent budgeting intent.
- The current year records must remain open until July 31 to permit departments to certify for payment bills applicable to the year ended June 30 and to deposit revenues applicable to such year, with the following exceptions: (1) amounts withheld for income taxes prior to July 1, and (2) taxes imposed on sales prior to July 1 are deemed to be accrued tax receipts as of the close of the fiscal year, provided such revenue is deposited on or before August 15.
- On July 31 all outstanding encumbrances entered for the previous year must be transferred to the new fiscal year and an equivalent prior year appropriation balance must also be forwarded to the new fiscal year.
- Revenues and expenditures are reported on a net basis. Overcollections refunded are deducted from revenues and current year overpayments made are deducted from expenditures.
- General Fund investments are carried at the lower of cost or par with discounts, premiums, and earnings recorded on an accrual basis.
- Encumbrances are treated as expenditures in the year of initiation.

Generally Accepted Accounting Principles

The State also accounts for and reports on its operations using generally accepted accounting principles (**GAAP**). For the fiscal year ended June 30, 2009 the State has prepared a Comprehensive Annual Financial Report (**CAFR**) in accordance with GAAP. The General Purpose External Financial Statements section of the CAFR for the fiscal year ended June 30, 2009 has been audited and is included as APPENDIX A to this Part II of the 2009 Annual Report.

Financial statements prepared in accordance with GAAP differ from those prepared in accordance with the Wisconsin Statutes. A notable difference pertains to the General Fund balance. The undesignated, unreserved balance for the fiscal year ended June 30, 2009 was $90 million on a budgetary basis. Under GAAP, the total fund balance of the General Fund for the fiscal year ended June 30, 2009 was a deficit of $2.712 billion. The difference results primarily because GAAP recognizes accrued liabilities that are not taken into account under the statutory basis. The single largest accrued liability for the fiscal year ended June 30, 2009 was $874.2 million and related to the State's individual income tax accruals.

BUDGETING PROCESS AND FISCAL CONTROLS

Appropriations are made through the enactment of the State budget. Most of the budget process derives from statutory laws or custom and practice, and thus the process is subject to change.

The State budget is the legislative document that sets the level of authorized state expenditures for the two fiscal years in a biennium and the corresponding level of revenues (primarily taxes) projected to be available to finance those expenditures. A biennium begins on July 1 of each odd-numbered year and ends on June 30 of the subsequent odd-numbered year. The requirement for a state budget is linked directly to the Wisconsin Constitution, which provides that "No money shall be paid out of the treasury except in pursuance of an appropriation by law." The Wisconsin Constitution requires a balanced budget. It also requires that, if final budgetary expenses of any fiscal year exceed available revenues, then the Legislature must take actions to pay the deficiency in the succeeding fiscal year.

Budget Requests from Agencies

The formal budget process begins when the State Budget Office in the State of Wisconsin Department of Administration **(DOA** or **Department of Administration)** issues instructions to State agencies for submission of their budget requests for the next biennium. Larger agencies actually begin their internal processes for development of their budget requests several months prior to the issuance of these instructions.

Pursuant to the Wisconsin Statutes, agency budget requests are to be submitted no later than September 15 of each even-numbered year. Agencies are also required to submit copies of their budget requests to the Legislative Fiscal Bureau **(LFB)** at the same time that copies are delivered to the State Budget Office.

Executive Budget

Pursuant to the Wisconsin Statutes, the Secretary of Administration is required, to provide to the Governor or Governor-Elect and to each member of the next Legislature, by November 20 of each even-numbered year, a compilation of the total amount of each agency's biennial budget request. The Wisconsin Statutes also require that DOR compile and provide, by November 20 of each even-numbered year, information on the actual and estimated revenues for the current and forthcoming biennium. These revenue estimates are used by the Governor as the basis on which total General Fund biennial budget spending levels are recommended. The State Budget Director (who is an appointee of the Secretary of Administration) is involved in the review of agency requests and the development of the Governor's budget recommendations for appropriations. In addition to proposing a biennial budget, the Governor's budget recommendations also include any statutory language changes needed to accomplish the policy initiatives and program or appropriation changes that are part of the Governor's recommendations. A draft bill is prepared by the Legislative Reference Bureau incorporating the Governor's fiscal and statutory recommendations.

The Governor is required to deliver the biennial budget message and executive budget bill or bills to the Legislature on or before the last Tuesday in January of the odd-numbered year. However, upon request of the Governor, a later submission date may be allowed by the Legislature upon passage of a joint resolution. It is common for the Governor to request a later submission date; a late submission date was requested, and allowed, for each of the last ten executive budget bills.

The Wisconsin Statues provide that immediately after delivery of the Governor's budget message, the executive budget bill or bills must be introduced by the Joint Committee on Finance, without change, into one of the two houses of the Legislature. Upon introduction, the bill or bills must be referred to that committee for review. Because of both the complexity of the budget and its significance, committee review of the budget bill is the most extensive and involved review given to any bill in a legislative session.

Legislative Consideration

LFB usually provides initial overview briefings on the budget for the Joint Committee on Finance. The committee holds public hearings on the proposed budget, including both hearings at which agencies present informational briefings and hearings to allow public comment. Other legislative committees may hold meetings, at the discretion of the committee chairperson, to inform committee members of particular aspects of the budget that may affect the substantive interests of the committee.

Upon conclusion of the public hearings, the Joint Committee on Finance commences executive sessions of the Governor's recommended budget. The committee invariably adopts a budget that contains numerous changes to the Governor's recommendations. The form of the committee's budget is usually a substitute amendment to the Governor's budget bill rather than being a separately identified new bill.

The two houses of the Legislature rarely pass identical versions of the budget in their first consideration. There are alternative methods available for achieving resolution of the differences between the two houses on bills. A common method is for one house to seek a committee of conference on the bill wherein a specified number of members from each house are delegated to meet as a bargaining committee with the goal of producing a report reconciling the differences. Another method that has been used from time to time has been to successively pass, between the houses, narrowing amendments dealing only with the points of difference between the respective budgets as initially recommended by the two houses.

While the Wisconsin Statutes require that summary information be compiled by DOR on the actual and estimated revenues for the current and forthcoming biennium and that this summary information be available on November 20th of each even-numbered year, LFB may use its discretion to provide updated revenue estimates at any time for the current and forthcoming biennium.

Governor's Partial Veto Power

The Wisconsin Constitution grants the Governor the power of partial veto for any appropriation bill. This means that rather than having to approve or reject the budget bill in its entirety, the Governor may selectively delete portions of the budget bill. Thus, both language and dollar amounts in a budget bill may be eliminated by the Governor's veto, and dollar amounts may be reduced. The power of the partial veto was reduced by an amendment to the Wisconsin Constitution approved by Wisconsin voters on April 1, 2008. This amendment prohibits the Governor from using the partial veto to create a new sentence by combining parts of two or more sentences.

The budget bill (less any items deleted or reduced by the Governor's partial veto) then becomes the State's fiscal policy document for the next two years. Just as it may do with a Governor's veto of a bill in its entirety, the Legislature may, with a two-thirds vote by each house, override a partial veto and enact the vetoed portion into law. This action may be taken before or after the budget becomes effective.

Continuing Authority

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. Under Wisconsin law an existing appropriation continues in effect until it is amended or repealed. Thus, in the event that a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time as a new one is enacted. Once a newly enacted budget becomes effective, the continuing authority is superseded by the newly enacted appropriations.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. The 2009-11 biennial budget was enacted on June 29, 2009, which was prior to the start of the 2009-10 fiscal year. Prior to that, the last ten biennial budgets of the State were enacted after the start of the biennium, with the 2007-09 biennial budget being enacted on October 26, 2007, which was nearly four months after the start of the 2007-08 fiscal year.

Fiscal Controls

No money shall be paid out of the State Treasury except as appropriated by law. The Wisconsin Statutes require that the Secretary of Administration and the State Treasurer must approve all payments. The Secretary of Administration is also responsible for audit of expenditures prior to disbursement. The Legislative Audit Bureau has postaudit responsibility.

The Department of Administration maintains separate accounts for all appropriations, showing the amounts appropriated, the amounts allotted, the amounts encumbered, the amounts expended, and certain other data necessary for the financial management and control of all State accounts. The Department of Administration also maintains the general ledgers of the General Fund and all other funds of the State.

State law prohibits the enactment of legislation that would cause the estimated General Fund balance to be less than a specified amount or percentage of the general purpose revenue appropriations for that fiscal year. The specified amount for the 2009-10 and 2010-11 fiscal years is $65 million. State law currently requires that the amount remain $65 million each year through the 2012-13 fiscal year, and beginning with the 2013-14 fiscal year, the statutory required reserve should be 2.0% of the general purpose revenue appropriations for that fiscal year.

The budget could move out of balance if estimated revenues are less than anticipated in the budget or if expenditures for open-ended appropriations are greater than anticipated. The Wisconsin Statutes provide that, following the enactment of the budget, if the Secretary of Administration determines that budgeted expenditures will exceed revenues by more than one-half of one percent of general purpose revenues (consisting of general taxes, miscellaneous receipts, and revenues collected by state agencies which lose their identity and are available for appropriation by the Legislature), then no approval of expenditure estimates can occur. Further, the Secretary of Administration must notify the Governor and the Legislature, and the Governor must submit a bill correcting the imbalance. If the Legislature is not in session, then the Governor must call a special session to take up the matter.

The Secretary of Administration also has statutory power to order reductions in the appropriations of state agencies (which represent less than one-fourth of the General Fund budget). The Secretary of Administration may also temporarily reallocate free balances of certain funds to other funds that have insufficient balances and, further, may prorate or defer certain payments in the event current or projected balances are insufficient to meet current obligations. See "GENERAL FUND INFORMATION, General Fund Cash Flow." The Department of Administration may also request, upon making certain determinations and receiving approval of the Legislature's Joint Committee on Finance, the issuance of operating notes by the State of Wisconsin Building Commission (**Commission**).

Budget Stabilization Fund

Statutory provisions require, for each fiscal year, the transfer of 50% of general purpose revenues received over the original budget estimate to the State's Budget Stabilization Fund, provided that the statutory required balance for that fiscal year is maintained. The transfers to the Budget Stabilization Fund, which only occur when general purpose revenues exceed the original budget estimates, are required to continue until the balance in the Budget Stabilization Fund is at least equal to 5% of the estimated expenditures from the General Fund.

Pursuant to this requirement, a transfer of nearly $56 million was made at the end of the 2006-07 fiscal year from the General Fund to the Budget Stabilization Fund (which is a "rainy day fund"). In May, 2008, the entire $57 million balance of the Budget Stabilization Fund was transferred to the General Fund as part of a budget adjustment bill for the 2007-09 biennium (2007 Wisconsin Act 226).

RESULTS OF 2008-09 FISCAL YEAR

Annual Fiscal Report

The Annual Fiscal Report (Budgetary Basis) for the fiscal year ending June 30, 2009 was published October 15, 2009. It reports that the State's actual General Fund tax collections for the 2008-09 fiscal year, on a budgetary basis, were $12.113 billion compared to $13.043 billion for the 2007-08 fiscal year. This is a decrease of $930 million, or 7.1%. The Annual Fiscal Report also reports that the State ended the 2008-09 fiscal year on a statutory and unaudited basis with an undesignated balance of $90 million.

The State issued $800 million of operating notes during the 2008-09 fiscal year. These operating notes matured June 15, 2009.

The Annual Fiscal Report for the fiscal year ended June 30, 2009 is not part of this 2009 Annual Report. A complete copy of the Annual Fiscal Report may be obtained at the following address:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
DOACapitalFinanceOffice@wisconsin.gov
www.doa.wi.gov/capitalfinance

Tables II-4 and II-7 in the section "STATE BUDGET" provide a summary of the results for the 2008-09 fiscal year.

General Fund Tax Collections

The actual General Fund tax collections for the 2008-09 were less than those included in the original budget estimates, but were only $4 million less than LFB projections from May 2009. The following table provides a summary of the actual General Fund tax collections for the 2008-09 fiscal year, along with a summary of prior revisions to General Fund tax revenue estimates that occurred after enactment of the 2007-09 biennial budget (the following table does not include LFB projections from February 2008).

Table II-3
Actual General Fund Tax Revenues Compared to Previous Projections
2008-09 Fiscal Year
(in Millions)

	2008-09 Actual	LFB Projections May 2009	LFB Projections January 2009	DOR Projections November 2008	2007-09 Biennial Budget
Individual Income	$ 6,222.7	$ 6,185.0	$ 6,585.0	$ 6,705.4	$ 7,105.5
Sales and Use	4,084.0	4,130.0	4,025.0	4,097.4	4,479.4
Corp. Income & Franchise	629.5	615.0	650.0	720.0	860.3
Public Utility	320.1	320.7	327.0	309.1	214.4
Excise					
Cigarettes	551.4	558.8	565.0	565.4	531.0
Liquor & Wine	44.1	44.0	44.0	43.5	43.0
Tobacco Products	42.2	41.0	41.5	39.9	41.2
Beer	9.9	10.0	10.0	9.8	9.4
Insurance Company	136.3	140.0	170.0	184.7	144.0
Estate	20.9	21.0	22.0	25.4	25.0
Miscellaneous Taxes	52.1	52.0	55.7	61.7	73.0
TOTAL	$12,113.2	$12,117.5	$12,495.2	$12,762.3	$13,626.2

STATE BUDGET

Budget for 2009-11 Biennium

On June 26, 2009 the Wisconsin legislature adopted a budget bill for the 2009-11 biennium. Governor Doyle signed this bill into law, with some partial vetoes, on June 29, 2009 (2009 Wisconsin Act 28). The following tables includes the actual General Fund condition statement for the 2008-09 fiscal year and the projected General Fund condition statements for the 2009-10 and 2010-11 fiscal years. The following reflects all enacted legislation through and including 2009 Wisconsin Act 28.

Table II-4
General Fund Condition Statement
2008-09, 2009-10, and 2010-11 Fiscal Years
(in Millions)

	Actual 2008-09 Fiscal Year	Budget 2009-10 Fiscal Year	Budget 2010-11 Fiscal Year
Revenues			
Opening Balance	$ 130.7	$ 70.4	$ 368.9
Prior Year Designation of Cont. Balance	27.4	n/a	n/a
Taxes	12,113.1	12,346.2	12,882.3
Department Revenues			
Tribal Gaming	93.9	19.5	22.6
Other	479.3	811.8	790.4
Total Available	12,884.5	13,247.9	14,064.2
Appropriations			
Gross Appropriations	14,069.4	13,423.6	14,104.8
Compensation Reserves	121.3	47.3	96.0
Less: Lapses	(1,435.8)	(591.8)	(411.8)
Net Appropriations	12,754.9	12,879.0	13,789.0
Balances			
Gross Balance	89.6	368.9	275.1
Less: Required Statutory Balance	n/a	(65.0)	(65.0)
Net Balance, June 30	$ 89.6	$ 303.9	$ 210.1

Note: The Opening Balance for the 2009-10 fiscal year reflects the projected 2008-09 ending balance at the time the 2009-11 biennial budget was enacted.

Table II-7 contains detailed information on actual 2008-09 fiscal year General Fund results and on the General Fund budget for the 2009-10 and 2010-11 fiscal years. Additional information on the budget for the 2009-10 and 2010-11 fiscal years may also be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
DOACapitalFinanceOffice@wisconsin.gov

Federal Economic Stimulus Money

The General Fund budget for the 2009-11 biennium currently reflects approximately $1.002 billion and $366 million of federal economic stimulus money that the State has received or expects to receive in the 2009-10 and 2010-11 fiscal years, respectively, as summarized in the following table. This table also includes a summary of federal economic stimulus money the State received in the 2008-09 fiscal year. The federal economic stimulus money included below is only a portion of the federal money the State expects to receive; other amounts are received and expended through other funds of the State, see "STATE BUDGET; Budget Format".

Table II-5
General Fund Use of Certain Federal Economic Stimulus Money
2008-09 Fiscal Year and 2009-11 Biennium[a]
(in Millions)

	2008-09 Fiscal Year	2009-10 Fiscal Year	2010-11 Fiscal Year
Medical Assistance/Senior Care	$ 346.9	$ 605.9	$ 317.0
General School Aids/Education	552.3	236.8	
Shared Revenue		76.1	
Various Other Purposes	3.2	83.2	49.0
Totals	$ 902.4	$ 1,002.0	$ 366.0

[a] The amounts reflect provisions of all legislation through and including 2009 Wisconsin Act 28. The amounts further reflect actions of the Legislature's Joint Committee on Finance subsequent to enactment of 2009 Wisconsin Act 28. The amounts reflect only a portion of the total federal economic stimulus money received, or to be received, by the State.

General Fund Tax Revenue Estimates

On May 11, 2009, LFB released a memorandum that included revised General Fund tax revenue estimates for the 2009-11 biennium, namely, $11.719 billion for the 2009-10 fiscal year and $12.251 billion for the 2010-11 fiscal year. These projections are lower by $573 million and $622 million, respectively, than the General Fund tax revenue projections provided by LFB on January 29, 2009. On May 14, 2009, LFB released a memorandum that included two modifications to the May 11, 2009 estimates, which further reduced the General Fund tax revenue estimates for the 2009-11 biennium by $51 million. Provisions of the 2009-11 biennial budget had an impact on the projected General Fund tax revenues for the 2009-11 biennium.

The following is a summary of the General Fund tax revenue estimates for the 2009-11 biennial budget, reflecting the estimates provided by LFB in May 2009 and the provisions from the 2009-11 biennial budget.

Table II-6
Projected General Fund Tax Revenues
2009-11 Biennium
(in Millions)

	2009-10 Fiscal Year	Projected % Change	2010-11 Fiscal Year	Projected % Change
Individual Income	$ 6,231.0	0.1%	$ 6,432.4	3.2%
Sales and Use	4,089.2	0.1	4,320.7	5.7
Corp. Income & Franchise	717.2	13.9	808.3	12.7
Public Utility	318.2	(0.6)	327.4	2.9
Excise				
Cigarettes	687.6	24.7	684.7	(0.4)
Liquor & Wine	45.8	3.9	47.6	3.9
Tobacco Products	52.3	23.9	55.2	5.5
Beer	10.0	1.0	10.0	0.0
Insurance Company	148.0	8.6	148.0	0.0
Miscellaneous Taxes	47.0	(9.8)	48.0	2.1
TOTAL	$12,346.2	1.9%	$12,882.3	4.3%

Note: The projected percentage change for the 2009-10 fiscal year reflects the percentage change from actual General Fund tax revenues for the 2008-09 fiscal year.

Table II-7
STATE BUDGET–GENERAL FUND

	Actual 2008-09[a]	Budget 2009-10 (2009 Wisconsin Act 28)	Budget 2010-11 (2009 Wisconsin Act 28)
RECEIPTS			
Fund Balance from Prior Year	$ 130,696,000	$ 70,420,400 [b]	$ 368,881,200
Tax Revenue			
State Taxes Deposited to General Fund			
Individual Income	6,222,735,000	6,230,973,000	6,432,371,000
General Sales and Use	4,083,959,000	4,089,220,000	4,320,730,000
Corporate Franchise and Income	629,523,000	717,150,000	808,300,000
Public Utility	320,110,000	318,200,000	327,400,000
Excise			
Cigarette/Tobacco Products	593,575,000	739,880,000 [c]	739,900,000 [c]
Liquor and Wine	44,133,000	45,800,000	47,600,000
Malt Beverage	9,913,000	10,000,000	10,000,000
Inheritance, Estate & Gift	20,853,000 [d]	- [d]	- [d]
Insurance Company	136,291,000	148,000,000	148,000,000
Other	78,329,000	47,000,000	48,000,000
Subtotal	12,139,421,000	12,346,223,000	12,882,301,000
Nontax Revenue			
Departmental Revenue			
Tribal Gaming Revenues[e]	n/a	19,476,600	22,580,300
Other	412,465,000	811,810,300	790,411,400
Program Revenue-Federal	8,411,740,000	8,451,323,200	7,950,453,600
Program Revenue-Other	4,114,620,000	4,250,781,200	4,310,399,600
Subtotal	12,938,825,000	13,533,391,300	13,073,844,900
Total Available	$ 25,208,942,000	$ 25,950,034,700	$ 26,325,027,100
DISBURSEMENTS AND RESERVES			
Commerce	$ 263,080,000	$ 307,224,700	$ 292,866,000
Education	11,130,263,000	11,428,901,400	11,558,214,700
Environmental Resources	327,566,000	330,460,100	341,297,800
Human Relations and Resources	10,361,591,000	10,195,574,700	10,418,320,400
General Executive	844,724,000	1,306,939,400	1,118,318,600
Judicial	130,541,000	136,201,700	136,586,600
Legislative	65,289,000	73,817,900	73,917,600
General Appropriations	2,156,962,000	2,346,576,300	2,426,149,100
Subtotal	25,280,016,000	26,125,696,200	26,365,670,800
Less: (Lapses)	n/a	(591,821,800)	(411,750,200)
Compensation Reserves	n/a	47,279,100	95,962,700
Required Statutory Balance	n/a	65,000,000	65,000,000
Biennial Appropriation Adjustment	n/a	n/a	n/a
Sum Sufficient Reesitmates	n/a	n/a	n/a
Changes in Continuing Balance	(171,237,000)	n/a	n/a
Total Disbursements & Reserves	$ 25,108,779,000	$ 25,646,153,500	$ 26,114,883,300
Fund Balance	$ 100,163,000	$ 303,881,200	$ 210,143,800
Undesignated Balance	$ 89,564,000	$ 368,881,200	$ 275,143,800

(a) The amounts shown are unaudited, rounded to the nearest thousand dollars and are based on statutorily required accounting and not on GAAP.

(b) Reflects projected fund balance for the 2008-09 fiscal year at time the 2009-11 biennial budget was enacted.

(c) Reflects an increase in the cigarette tax of $0.75 per pack and increases in the moist snuff and tobacco products taxes.

(d) State estate taxes are based on the federal credit under federal law. For deaths occurring on or after January 1, 2008, the State estate tax has been eliminated.

(e) Tribal gaming revenues are budgeted separately; however, when the payments are received by the State, they are not specifically reported but rather included within the category entitled "Nontax Revenue - Departmental Revenue".

Sources: Legislative Fiscal Bureau and Department of Administration

Tobacco Settlement Revenues

In 2002 the State sold to the Badger Tobacco Asset Securitization Corporation **(BTASC)**, pursuant to authority granted under Section 16.63 of the Wisconsin Statutes, the right to receive tobacco settlement revenues to be made by the participating cigarette manufacturers under the **Master Settlement Agreement**, which was entered into among the participating cigarette manufacturers and the attorneys general of 46 states and six other U.S. jurisdictions on November 23, 1998 in connection with the settlement of certain smoking-related litigation.

In May 2002, BTASC issued $1.591 billion principal amount of bonds to finance the purchase and to fund necessary reserves, operating costs, and costs of issuance. The proceeds that the State received for selling its right to receive the tobacco settlement revenues have been expended. The bonds issued by BTASC were payable from the tobacco settlement revenues that the State had sold and assigned to BTASC.

On April 8, 2009, the State, acting by and through its Department of Administration, issued $1.529 billion principal amount of general fund annual appropriation bonds to purchase from BTASC the State's right to those such tobacco settlement revenues pursuant to the Master Settlement Agreement. As a result of the State's purchase, all obligations previously issued by BTASC have been defeased. Furthermore, the State's 2009-11 biennial budget includes appropriations for payment of debt service on the general fund annual appropriation bonds issued for this purpose.

BTASC is a special purpose nonstock, nonprofit corporation, organized under the general nonstock corporation law of the State by the Secretary of Administration. A three-member board of directors governs BTASC. The Secretary of Administration appoints all directors. Financial reports and further information may be obtained from BTASC, 101 East Wilson Street, 10th Floor, P.O. Box 7864, Madison, WI 53707-7864. The e-mail address is btasc@btasc.org and the web site address is www.btasc.org. BTASC's web site is not incorporated by reference into this Part II of the 2009 Annual Report.

Potential Effect of Litigation

APPENDIX A to this Part II of the 2009 Annual Report includes the General Purpose External Financial Statements for the fiscal year ended June 30, 2009. The notes to the General Purpose External Financial Statements include a description of various legal proceedings, claims, and tax refunds that may have a potential budgetary effect. The potential budgetary impact of these legal proceedings and claims, and any updates to those proceedings subsequent to June 30, 2009, are outlined below. The following also includes a description of various other legal proceedings, claims, and tax refunds that were not included in the notes to the General Purpose External Financial Statements but may have a potential budgetary effect.

Litigation Regarding Transfer from Injured Patients and Families Compensation Fund

The 2007-09 biennial budget (2007 Wisconsin Act 20) provided for a $200 million transfer from the Injured Patients and Families Compensation Fund to the State's Medical Assistance Trust Fund. This transfer has been completed in the amounts of $72 million and $128 million, respectively, during the 2007-08 and 2008-09 fiscal years. On October 29, 2007, the Wisconsin Medical Society, Inc. filed a suit in Dane County Circuit Court challenging this transfer as unconstitutional. On December 19, 2008, the Dane County Circuit Court granted the State's motion for summary judgment, thus dismissing this case. On March 17, 2009, the Wisconsin Medical Society, Inc. filed an appeal of the dismissal with a Wisconsin court of appeals. On December 10, 2009, the court of appeals sent the case to and asked the Wisconsin Supreme Count to directly decide the appeal. The 2009-11 biennial budget does not provide for appropriations or other means in the event the State should not prevail on this matter.

Taxability of Customized Computer Software

On July 11, 2008, the Wisconsin Supreme Court affirmed a Wisconsin court of appeals' decision that sales of certain customized software are not subject to the State's sales tax (in the case of Wisconsin

Department of Revenue v. Menasha Corporation). The projections of GPR tax revenues provided by LFB in May 2009 reflect the estimated timing and estimate of refunds yet-to-be made in the 2009-11 biennium as a result of this decision. Furthermore, the projections of GPR tax revenues provided by LFB in May 2009 reflect this decision.

Other

The State, its officers, and its employees are defendants in numerous other lawsuits. It is the opinion of the Attorney General that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially impair its financial position. Potential liability for such pending litigation does not constitute a significant impairment of the State's financial position or payment of debt service.

Employment Relations

Of the State's approximately 39,455 full-time equivalency classified civil service employees, approximately 35,233 are employees whose wage rates, fringe benefits, hours of work, and conditions of employment are determined by collective bargaining agreements. An additional 2,204 unclassified employees are also covered by collective bargaining agreements. All the classified employees are either assigned to a collective bargaining unit (as are the represented unclassified employees) or are exempted from bargaining unit coverage due to their "confidential" or "management" designation. Covered employees are assigned to one of 22 bargaining units set up by occupational groupings based on their civil service classification. An exclusive bargaining agent represents 19 of the bargaining units (two of these 19 bargaining units represent unclassified employees). Eighteen of the 19 represented bargaining units are working under extensions of their 2007-2009 collective bargaining agreements, which expired June 30, 2009, and have begun negotiations on 2009-11 agreements. The remaining bargaining unit is working under an extension of its 2005-2007 collective bargaining agreement, which expired June 30, 2007, and is continuing negotiations on its 2007-09 agreement.

The employment of nonrepresented civil service employees is covered by civil service statutes, the administrative code, and the nonrepresented compensation plan.

Each collective bargaining agreement contains a no-strike and no-lockout provision, and state law specifies that it is illegal for a state employee "to engage in, induce, or encourage any employee to engage in a strike or a concerted refusal to work or perform their usual duties as employees." Also, the State and its agencies have established contingency plans to staff and operate the various state agencies, programs, and institutions should an incident occur that could disrupt the delivery of critical state services and necessary agency functions. These plans covering various situations, including strikes and work stoppages, are updated annually.

The budget provides for salary and fringe benefits in an amount that is expected to be sufficient to meet all contractual obligations. The Wisconsin Statutes require the agreements between the State and the individual bargaining units to be two-year contracts that coincide with the State's biennium. Each collective bargaining agreement requires ratification by the members of the respective labor union, approval by the Joint Committee on Employment Relations, passage by both houses of the Legislature, and signature of the Governor.

State Budget Assumptions

Tax revenues for the 2009-11 biennial budget (2009 Wisconsin Act 28) were based on May 11, 2009 estimates from LFB (as modified on May 14, 2009). See "STATE BUDGET". The estimates are based on the State tax structure and on assumptions about basic economic factors and their historical relationships to State tax receipts. Revenue sources other than taxes are estimated in the preparation of the budget. The all-funds budget establishes estimates of these nontax revenues and presumes that an equal amount of expenditures will be made. Any variation from that expected level of revenue will result in a corresponding increase or decrease in expenditures.

State disbursements for the budget are based on assumptions relating to economic and demographic factors, desired levels of services, and the success of expenditure control mechanisms applied by the Secretary of Administration pursuant to statutory authority in controlling disbursements for State operations. Factors that may affect the level of disbursements in the budgets and make the projected levels difficult to maintain include uncertainties relating to the economy of the nation and the State.

Economic Assumptions

The economic forecast underlying the updated projections of General Fund tax revenues provided by LFB on May 11, 2009 (as modified on May 14, 2009) reflected certain projections presented in the May, 2009 national economic forecast by Global Insight, Inc. **(Global Insight)**, which provides national economic forecasts, data base support, and consulting services. Table II-8 contains excerpts from Global Insight's May, 2009 national economic forecast and a summary of information from DOR's Wisconsin Econometric Model **(Model)**.

Wisconsin Econometric Model

The Model is a forecasting tool used for assessing the future of the State's economy, measured primarily by income and employment. The Model provides DOR with information about how the State's economy responds to changes in the national economic conditions and plays a critical role in the revenue estimating process. The Model was first designed in 1976 by a predecessor of Global Insight (Data Resources Inc.). DOR has periodically redesigned the Model to improve its performance and also to correspond to changes in national modeling concepts in the Global Insight macro model of the U.S. economy and to incorporate new data definitions as embodied in the national and regional income accounts.

The Model provides forecasts of the major components of Wisconsin income and employment. Income measures correspond to the measures of State personal income provided by the U.S. Department of Commerce, Bureau of Economic Analysis. Employment measures correspond to the North American Industry Classification System **(NAICS)** as provided by the U.S. Department of Labor, Bureau of Labor Statistics through their current employment statistics program. The Model is a structural model that employs accounting identities and theoretical constructs for predictions on each economic variable. It is driven by a set of variables that are exogenous, or determined outside the Model. These variables include forecasts of both national and State data. The forecast data are used in the Model to generate forecasts of State employment, income, tax revenue, and other economic indicators.

The Model is similar to many economic models in that the economy is described by a set of mathematical equations. There are equations for employment, wages, proprietary income, transfer payments, industrial production, housing permits, and taxes among others. The Model currently consists of 125 equations, 65 of which are econometric regressions.

The equations of the Model are a mixture of definitional equations and stochastic equations. Definitional equations are used to formulate accounting relationships (for example, total employment is the sum of employment for each industry). Stochastic equations are used to specify probability or statistical relationships in which the relation between any two economic measures cannot be defined exactly. Stochastic equations within the Model are determined using regression techniques. Both types of equations rely on an extensive historical database that contains both national and State measures.

Forecasts of economic variables at the national level are required to solve the Model's equations. National forecast data include measures of industry output, factor costs, tax levels and rates, interest rates, inflation, etc. Currently, the Model uses forecasts provided by Global Insight for these national variables.

Other exogenous data come from both federal and State agencies. These data are principally measures of State personal income, employment, population, wages, milk prices, and State tax rates and collections. After the data are compiled into the Model, the system of equations can be simultaneously solved for income, employment, and other economic variables.

DOR maintains the Model through a process of keeping the Model's database up to date and re-examining the Model's equations when historical data are revised significantly. The Model is calibrated to be temporally consistent with current data estimates either by adjusting the equations to accurately reflect current levels or by re-estimating the system of equations.

Updating and revising the Model is necessary to keep the Model's forecasts as reliable as possible. It is believed that if the Model can account for previous changes in income and employment, then it should be able to accurately forecast current levels of income and employment barring any large, unforeseen changes in the structure of the economy.

Table II-8
ECONOMIC FORECASTS

U.S. Economic Forecast

	Calendar Year				
	2008	**2009**	**2010**	**2011**	**2012**
Real GDP and its Components (Amounts in Billions of 2000 Dollars)					
GDP	$11,652.0	$11,249.9	$11,458.7	$11,846.8	$12,292.8
Percent Change	1.1	(3.1)	1.5	3.4	3.8
Consumer Spending	8,272.1	8,237.8	8,384.2	8,562.8	8,766.5
Investment (including inventory)	1,689.1	1,276.3	1,390.9	1,668.5	1,921.7
Real Nonresidential Construction	338.8	266.3	231.7	244.0	279.5
Equipment	1047.0	853.7	911.8	1,067.5	1,212.1
Fixed Residential	359.9	274.3	304.9	392.0	456.6
Change in Inventories	(29.1)	(80.0)	0.2	36.7	52.2
Exports	1,514.1	1,303.1	1,304.1	1,425.3	1,579.5
Goods & Services Imports	1,904.3	1,638.4	1,739.7	1,865.2	1,991.2
Federal Government Purchases	798.2	830.2	838.7	807.7	793.5
State & Local Govt. Purchases	1,273.0	1,252.5	1,248.7	1,242.2	1,245.0
GDP (Current Dollars)	14,264.6	14,017.6	14,339.4	15,017.5	15,797.8
Employment, Unemployment, Wages, and Prices					
Nonfarm Employment (Millions)	137.0	132.0	131.2	133.2	136.3
Percent Change	(0.4)	(3.7)	(0.6)	1.5	2.4
Unemployment Rate (%)	5.8	9.2	10.1	9.5	8.6
Nonfarm Comp. /Hour (% Change)	3.7	4.2	2.7	2.1	2.4
Consumer Price Index (% Change)	3.8	(1.2)	1.5	2.3	2.4
Industrial Production (% Change)	(2.2)	(10.6)	0.8	4.6	5.2

Table II-8—Continued

Money and Interest Rates

Money Supply (M2) (billions)	$7,718.6	$8,391.8	$8,871.3	$9,387.5	$9,899.7
Percent Change	6.7	8.7	5.7	5.8	5.5
Prime Rate	5.1	3.3	3.3	4.7	6.3
3-Month Treasury Bills (rate)	1.4	0.2	0.6	2.2	3.4
10-Year Treasury Note Yield (rate)	3.7	3.0	3.1	3.7	4.5
Aaa Municipal Bond (rate)	4.6	4.6	4.7	5.1	5.4
30-Year Fixed Mortgage (rate)	6.0	4.9	4.9	5.6	6.2

Income, Profits and Savings (Amounts in Billions)

Personal Income	$12,102.7	$12,078.3	$12,294.7	$12,779.2	$13,433.5
Percent Change	3.8	(0.2)	1.8	3.9	5.1
Personal Income ($ 2000)	9,953.4	9,961.6	10,026.3	10,234.2	10,566.3
Percent Change	0.4	0.1	0.6	2.1	3.2
Household Saving Rate	1.8	4.5	3.0	2.2	2.1
Before-Tax Economic Profits	1,476.5	1,222.5	1,329.4	1,521.2	1,613.5

Source: Global Insight, May 2009

Wisconsin Employment Forecast

	Calendar Year				
	2008	**2009**	**2010**	**2011**	**2012**
Annual Industry Detail Average (Thousands of Workers)					
Manufacturing	492.7	438.0	410.9	418.1	436.7
Percent Change	(1.7)	(11.1)	(6.2)	1.7	4.5
Trade, Transportation & Utilities	539.8	522.0	524.9	528.3	537.5
Percent Change	(1.5)	(3.3)	0.6	0.6	1.7
Government	420.4	423.2	423.6	420.4	421.5
Percent Change	1.1	0.7	0.1	(0.8)	0.3
Total Nonfarm	2,870.3	2,760.1	2,752.2	2,800.7	2,864.5
Percent Change	(0.5)	(3.8)	(0.3)	1.8	2.3

Source: Department of Revenue, May 2009

Wisconsin Income Forecast

	Calendar Year				
	2008	**2009**	**2010**	**2011**	**2012**
Components of Personal Income (Amounts in Billions)					
Total Personal Income	$209.999	$208.208	$213.305	$222.099	$233.299
Wages and Salaries	114.038	112.601	115.122	120.016	125.885
Supplements to Wages/Salaries	27.037	24.465	28.630	29.680	30.817
Proprietor's Income	13.028	12.117	12.674	13.360	13.873
Property Income	37.522	34.521	33.629	34.868	37.324
Personal Current Transfer	32.031	34.902	36.834	38.291	40.169
Residence Adjustment	3.909	3.944	4.129	4.408	4.726
Contributions for Govt. Social Ins.	17.632	17.342	17.713	18.525	19.496
Personal Taxes	25.713	23.698	24.044	25.371	27.241
Disposable Personal Income	184.286	184.510	189.260	196.728	206.058

Table II-8—Continued

Related Income Measures (Chained 2000 Dollars)					
Personal Income (billions)	$172.706	$171.815	$173.849	$177.978	$183.774
Percent Change	0.1	(0.5)	1.2	2.4	3.3
Per Capita Income	30,722	30,380	30,558	31,105	31,939
Percent Change	(0.6)	(1.1)	0.6	1.8	2.7
Per Capita Income (current $)	37,356	36,814	37,493	38,815	40,545
Percent Change	2.8	(1.4)	1.8	3.5	4.5
Per Capita Income as % of U.S.	94.3	93.7	94.6	95.2	95.4

Source: Department of Revenue, May 2009

Budget Format

The State prepares two budgets—a general-fund budget and an all-funds budget—as well as subbudgets for each fund.

The general-fund budget includes the money appropriated for the fiscal year from:

- All state-collected general taxes
- Revenues collected by State agencies that are deposited into the General Fund and lose their identity (departmental revenues)
- Various miscellaneous receipts

A portion of these revenues is returned to local governments in the form of shared tax payments and to school districts in the form of general equalization aid payments. Additionally, some of the revenues are used for aids to individuals. The remaining portion constitutes the operating budget for State agencies conducting State-administered programs.

The all-funds budget includes all money appropriated for the fiscal year from:

- All revenues included in the general-fund budget
- Revenues collected by State agencies that are paid into a specific fund (such as the Transportation or Conservation Fund)
- Federal funds that are estimated to be received and either paid into a specific fund (such as the Transportation or Conservation Fund) for a specified program or purpose, or credited to an appropriation to finance a specific program or agency
- Revenues resulting from the contracting of public debt

The all-funds budget assumes that certain categories of revenues are expended in like amounts. These categories include federal funds, revenues paid into specific funds (other than the General Fund) for a specified program or purpose or which are credited to an appropriation to finance a specific program or agency, and proceeds of general obligation debt. In any given fiscal year, there may be a balance at year-end in the funds, specific program, or agency. Because it includes only estimates of federal funds to be received and expended, the all-funds budget may vary during the course of the fiscal year.

Impact of Federal Programs

The State does not typically receive substantial amounts of Federal aid. Any reduction in Federal aid would have a more immediate effect on individuals, local governments, and other service providers than on the State directly. Any reduction would, however, increase the likelihood of the State being asked to increase its support of the affected parties, which could not happen without the Legislature's approval.

Supplemental Appropriations

Even after the budget is adopted, the State may increase appropriations or reduce taxes. However, it has been the State's practice that supplemental appropriations adopted by the Legislature will be within revenue projections for that fiscal period or balanced by reductions in other appropriations.

No legislation directly or indirectly affecting general purpose revenue may be enacted if it would cause the estimated General Fund balance at the end of the fiscal year to be less than the required statutory reserve.

GENERAL FUND INFORMATION

General Fund Cash Flow

Many of the budgetary tables presented thus far in this Part II of the 2009 Annual Report have reported information on a budgetary basis. The following tables present information primarily on a cash basis.

The State has experienced and expects to continue to experience certain periods when the General Fund is in a negative cash position. The Wisconsin Statutes provide certain administrative remedies to deal with these periods. The Secretary of Administration may temporarily reallocate cash in other funds (up to 7% of the general-purpose revenue appropriations then in effect) to the General Fund. This amount is approximately $940 million for the 2009-10 fiscal year. The 2009-11 biennial budget increased the limit of general-purpose revenue appropriations then in effect that can be used for temporary reallocation of cash from 5% to 7%. In addition, the Secretary of Administration may also temporarily reallocate an additional amount of up to 3% of the general-purpose revenue appropriations then in effect (approximately $403 million for the 2009-10 fiscal year) for a period of up to 30 days. In aggregate, the limit on the amount available from temporary reallocations for the 2009-10 fiscal year is $1.343 billion.

The Secretary of Administration may set priorities for payments from the General Fund as well as prorate certain payments. The Wisconsin Statutes provide that all payments shall be in accordance with the following order of preference:

- All direct and indirect payments of principal and interest on State general obligation debt have first priority and may not be prorated or reduced.
- All direct and indirect payments of principal and interest on operating notes have second priority and may not be prorated or reduced.
- All State employee payrolls have third priority and may be prorated or reduced.
- All other payments shall be paid in a priority determined by the Secretary of Administration and may be prorated or reduced. The Secretary of Administration has covenanted to give high priority to payments due under the Master Lease Program and debt service due on the General Fund Annual Appropriation Bonds, pursuant to contracts entered into in connection with the issuance of those obligations.

Table II-9 is presented over two pages and includes the detailed actual cash flow for the 2008-09 fiscal year and the detailed actual cash flow (through November 30, 2009) and projected cash flow (December 1, 2009 through June 30, 2010) for the 2009-10 fiscal year. Table II-10 provides year-to-date receipts and disbursement on a cash basis along with a comparison to estimates for the same period and actual receipts and disbursements for the same period of the previous fiscal year. Table II-11 presents a monthly summary of the General Fund from July 1, 2007 through November 30, 2009 and a projected summary for December 1, 2009 through June 30, 2010.

Operating notes were issued in the 2007-08 fiscal year in the amount of $600 million, in the 2008-09 fiscal year in the amount of $800 million, and to date in the 2009-10 fiscal year in the amount of $800 million. The operating notes for the current fiscal year mature on June 15, 2010.

Tables II-9, II-10, and II-11 should be read in conjunction with other information concerning the State budget set forth elsewhere in this Part II of the 2009 Annual Report, including "BUDGETING PROCESS AND FISCAL CONTROLS", "STATE BUDGET", and "STATE OBLIGATIONS; Operating Notes". As noted above, there has been and will continue to be differences in the amounts shown for the cash-flow basis and the budgetary basis presentations. For example, the cash-flow basis presentation in the following tables includes all tax receipts as revenues and tax refunds as disbursements, while the budgetary basis presentations in Tables II-4 and II-7 include tax revenues that are net of tax refunds.

Monthly projections of cash flow for the 2009-10 fiscal year reflect 2009 Wisconsin Act 2, the 2009-11 biennial budget (2009 Wisconsin Act 28), $1.002 billion of certain federal economic stimulus money the State has received or is expected to receive for its medical assistance program, education, shared revenue, and various other programs, and revised General Fund tax revenue estimates released by LFB on May 11, 2009 (as modified on May 14, 2009).

Unforeseen events or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month and thus may adversely affect the projection of cash flow for the time shown. Additionally, the timing of transactions from month to month may vary from the forecast.

Table II-12 presents the actual cash balances available for temporary reallocation (which has been previously referred to as interfund borrowing) from July 31, 2007 through November 30, 2009 and the projected balances for December 31, 2009 through June 30, 2010.

Tables II-13 and II-14 present recorded revenues deposited into the General Fund and recorded expenditures made from the General Fund, as recorded by State agencies, for the period of July 1, 2009 to November 30, 2009 as compared to the period of July 1, 2008 to November 30, 2008. These tables present information that is based on the revenues and expenditures that are recorded in, or processed through, the State's central accounting system.

FY10 Year-To-Date General Fund Recorded Revenues.

LFB's May 2009 General Fund tax revenue estimates provided an annual change of negative 3.3% in General Fund tax revenue collections between the 2008-09 and 2009-10 fiscal year. However, it cannot be assumed that any annual change also applies to collections year-to-date on either a budgetary or agency recorded basis. For example, the 2009-11 biennial budget (2009 Wisconsin Act 28) includes several General Fund tax increases. However, many of these projected General Fund tax revenue increases (including, but not limited to, changes to capital gains exclusion and an additional top income tax bracket) will not be realized until final tax year 2009 settlements in April, 2010.

Table II-9
ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2008 TO JUNE 30, 2009[(a)]

(Amounts in Thousands)

	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
BALANCES[(a)(b)]												
Beginning Balance	$ 24,835	$ 172,120	$ 464,375	$ 895,808	$ 1,403,014	$ 1,127,538	$ 410,515	$ 1,092,877	$ 806,618	$ (495,304)	$ 25,401	$ 46,102
Ending Balance [(c)]	172,120	464,375	895,808	1,403,014	1,127,538	410,515	1,092,877	806,618	(495,304)	25,401	46,102	(147,352)
Lowest Daily Balance [(c)]	17,165	(74,304)	125,448	395,498	868,079	(238,871)	410,515	779,066	(495,304)	(624,085)	(272,003)	(1,018,864)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 599,419	$ 416,459	$ 852,654	$ 635,921	$ 448,743	$ 530,156	$ 1,006,460	$ 545,149	$ 670,829	$ 998,549	$ 401,364	$ 742,893
Sales & Use	424,497	414,465	400,891	405,299	372,531	327,928	401,249	317,588	294,522	331,356	329,407	366,707
Corporate Income	29,250	34,416	144,769	36,415	25,102	137,104	22,307	23,474	136,888	48,873	23,157	181,269
Public Utility	61	150	1,178	4,977	166,701	115	128	191	4	1,474	160,996	195
Excise	68,383	58,369	61,880	62,978	52,292	50,023	54,133	49,301	49,764	48,873	50,277	55,632
Insurance	712	1,106	37,504	440	1,372	36,557	3,671	18,941	17,457	26,148	643	31,179
Inheritance	12,093	10,971	7,118	3,216	458	453	754	580	650	143	169	464
Subtotal Tax Receipts	$ 1,134,415	$ 935,936	$ 1,505,994	$ 1,149,246	$ 1,067,199	$ 1,082,336	$ 1,488,702	$ 955,224	$ 1,170,114	$ 1,455,416	$ 966,013	$ 1,378,339
NON-TAX RECEIPTS												
Federal[(a)]	$ 563,248	$ 566,365	$ 480,475	$ 697,621	$ 505,320	$ 695,264	$ 617,061	$ 736,395	$ 626,896	$ 978,945	$ 752,133	$ 1,199,101
Other & Transfers	514,783	206,097	514,202	574,653	260,962	248,921	417,508	497,953	431,782	817,033	290,015	610,664
Note Proceeds[(d)]	801,840	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 1,879,871	$ 772,462	$ 994,677	$ 1,272,274	$ 766,282	$ 944,185	$ 1,034,569	$ 1,234,348	$ 1,058,678	$ 1,795,978	$ 1,042,148	$ 1,809,765
TOTAL RECEIPTS	$ 3,014,286	$ 1,708,398	$ 2,500,671	$ 2,421,520	$ 1,833,481	$ 2,026,521	$ 2,523,271	$ 2,189,572	$ 2,228,792	$ 3,251,394	$ 2,008,161	$ 3,188,104
DISBURSEMENTS												
Local Aids	$ 1,172,822	$ 130,313	$ 881,727	$ 181,686	$ 1,026,759	$ 1,344,140	$ 232,877	$ 276,002	$ 1,395,788	$ 144,399	$ 237,762	$ 2,092,430
Income Maintenance	636,352	425,402	352,616	720,279	433,319	506,686	437,842	455,947	446,256	1,166,590	635,765	374,712
Payroll and Related	474,451	427,624	275,539	508,109	287,731	447,779	537,623	394,529	280,478	414,839	383,485	401,305
Tax Refunds	76,352	67,223	47,309	69,728	92,804	127,611	176,175	615,597	496,215	485,844	182,151	82,951
Debt Service	104,317	0	158,589	-	0	-	-	0	358,264	-	12,047	-
Miscellaneous	392,867	365,581	353,458	434,512	268,344	317,328	456,392	538,342	348,045	313,316	330,530	430,160
Note Repayment[(d)]	9,840	-	-	-	-	-	-	195,414	205,668	205,701	205,720	-
TOTAL DISBURSEMENTS	$ 2,867,001	$ 1,416,143	$ 2,069,238	$ 1,914,314	$ 2,108,957	$ 2,743,544	$ 1,840,909	$ 2,475,831	$ 3,530,714	$ 2,730,689	$ 1,987,460	$ 3,381,558

(a) Projections previously included in this table reflected the budget (2007 Wisconsin Act 20), the budget adjustment bill (2007 Wisconsin Act 226), the economic stimulus and budget repair legislation (2009 Wisconsin Act 2), the updated General Fund tax collections provided by LFB on January 29, 2009 (as updated on February 11, 2009), and the State's economic stimulus and budget repair bill for the 2009-09 fiscal year, the 2009-11 biennium (2009 Wisconsin Act 2), the revised General Fund tax revenue estimates included in the May 11, 2009 LFB memorandum, and provisions of 2009 Wisconsin Acts 11 and 23, which collectively authorized the State to use $553 million of federal economic stimulus money received from the U.S. Department of Education. The projections also had reflected approximately $281 million of federal economic stimulus money the State received for its medical assistance program, the assumption that the State will receive approximately $75 million pursuant to the amended gaming compacts with tribal governments, and the additional receipts resulting from lapses and timing of transfers during June 2009. The federal economic stimulus money referenced above is only a portion of such federal money the State received, or expects to receive. This table does not include amounts for temporary reallocation (previously referred to as interfund borrowing).

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds were expected to range from $206 to $350 million during the 2008-09 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds were expected to average approximately $10 million during the 2008-09 fiscal year.

(c) The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund; for the 2008-09 fiscal year the amount available for temporary reallocation was, pursuant to provisions of 2009 Wisconsin Act 11, up to 7% of the general-purpose revenue appropriations then in effect, or approximately $965 million. In addition, the Secretary of Administration may also temporarily reallocate for a period of up to 30 days an additional amount up to 3% of the general-purpose revenue appropriations then in effect, or approximately $414 million for fiscal year 2008-09. If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate and defer certain payments.

(d) Includes $800 million of operating note proceeds issued on July 1, 2008 and impoundment payments made on February 27, 2009, March 31, 2009, April 30, 2009, and May 29, 2009. The February 27, 2009 impoundment payment reflected the premium received on July 1, 2008 and deposited into the Operating Note Redemption Fund.

Table II-9—(Continued)
ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2009 TO NOVEMBER 30, 2009
PROJECTED GENERAL FUND CASH FLOW; DECEMBER 1, 2009 TO JUNE 30, 2010[(a)]

(Amounts In Thousands)

	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010
BALANCES[(a)(b)]												
Beginning Balance	$ (147,352)	$ (209,782)	$ 260,309	$ 497,287	$ 1,217,274	$ 1,231,002	$ 497,760	$ 1,219,074	$ 929,663	$ (504,132)	$ 232,918	$ 657,433
Ending Balance [(c)]	(209,782)	260,309	497,287	1,217,274	1,231,002	497,760	1,219,074	929,663	(504,132)	232,918	657,433	33,659
Lowest Daily Balance [(c)]	(360,039)	(231,168)	207,024	326,671	797,022	(199,287)	464,878	890,178	(504,132)	(684,230)	83,976	(370,238)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 584,331	$ 510,851	$ 643,062	$ 510,233	$ 614,846	$ 551,400	$ 898,500	$ 517,700	$ 507,600	$ 1,133,200	$ 592,800	$ 578,400
Sales & Use	384,080	377,755	373,531	364,188	352,567	321,200	397,100	311,100	288,500	305,600	309,600	334,600
Corporate Income	33,814	25,608	140,812	54,329	65,449	145,400	23,700	24,900	145,100	26,500	17,200	147,100
Public Utility	18	13	77	6,378	170,474	500	700	-	200	2,700	165,900	500
Excise	62,971	58,649	54,576	81,812	67,087	66,000	73,700	59,800	61,900	72,900	67,700	66,800
Insurance	150	1,568	32,229	753	1,685	37,400	2,700	20,300	25,000	29,400	1,400	32,000
Inheritance	236	96	326	164	5,373	-	-	-	-	-	-	-
Subtotal Tax Receipts	$ 1,065,600	$ 974,540	$ 1,244,613	$ 1,017,857	$ 1,277,481	$ 1,121,900	$ 1,396,400	$ 933,800	$ 1,028,300	$ 1,570,300	$ 1,154,600	$ 1,159,400
NON-TAX RECEIPTS												
Federal	$ 808,446	$ 793,084	$ 680,650	$ 576,443	$ 738,467	$ 776,393	$ 691,691	$ 830,620	$ 698,644	$ 912,641	$ 852,753	$ 879,968
Other & Transfers	586,306	173,702	702,693	792,105	338,944	249,100	469,100	538,900	355,100	488,100	280,200	644,277
Note Proceeds[(d)]	807,585	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 2,202,337	$ 966,786	$ 1,383,343	$ 1,368,548	$ 1,077,411	$ 1,025,493	$ 1,160,791	$ 1,369,520	$ 1,053,744	$ 1,400,741	$ 1,132,953	$ 1,524,245
TOTAL RECEIPTS	$ 3,267,937	$ 1,941,326	$ 2,627,956	$ 2,386,405	$ 2,354,892	$ 2,147,393	$ 2,557,191	$ 2,303,320	$ 2,082,044	$ 2,971,041	$ 2,287,553	$ 2,683,645
DISBURSEMENTS												
Local Aids	$ 1,231,927	$ 161,676	$ 876,945	$ 124,811	$ 1,018,143	$ 1,342,870	$ 259,721	$ 304,721	$ 1,378,521	$ 148,621	$ 184,021	$ 1,995,121
Income Maintenance	877,082	616,363	564,447	622,636	610,394	565,965	525,298	484,579	539,701	539,066	413,969	293,611
Payroll and Related	536,684	280,644	325,623	525,134	290,275	439,015	465,977	411,060	404,954	537,172	314,658	377,719
Tax Refunds	62,484	56,397	72,047	94,976	118,210	205,432	120,117	651,100	526,146	459,071	182,417	189,417
Debt Service	212,413	0	99,930	-	64	258.00	-	7,172	104,977	-	92,260	258.00
Miscellaneous	394,192	356,155	451,986	298,861	304,078	327,095	464,763	544,907	356,761	345,284	470,936	451,293
Note Repayment[(d)]	15,585	-	-	-	-	-	-	189,193	204,778	204,778	204,777	-
TOTAL DISBURSEMENTS	$ 3,330,367	$ 1,471,235	$ 2,390,978	$ 1,666,418	$ 2,341,164	$ 2,880,635	$ 1,835,876	$ 2,592,732	$ 3,515,838	$ 2,233,992	$ 1,863,038	$ 3,307,419

(a) The projections in this table reflect 2009 Wisconsin Act 2, budget for the 2009-11 biennium (2009 Wisconsin Act 28), actions of the Legislature's Joint Committee on Finance relating to the certain federal economic stimulus money the State is expected to receive in the fiscal year, and revised General Fund tax revenue estimates included in the May 11, 2009 LFB memorandum (as modified on May 14, 2009). With respect to federal economic stimulus money, this table reflects $1.002 billion of such money the State has received or is expected to receive in the fiscal year ($606 million for medical assistance programs and SeniorCare, $237 million for education aids, $76 million for shared revenues, and $83 million for other various purposes). The federal economic stimulus money discussed above is only a portion of such money that the State has received or expects to receive. This table does not include any temporary reallocations of cash.

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds are expected to range from $220 to $400 million during the 2009-10 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $5 million during the 2009-10 fiscal year.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 7% of the total general-purpose revenue appropriations then in effect with an additional 3% for a period of up to 30 days. The amounts available for temporary reallocation are approximately $940 million and $403 million, respectively, for the 2009-10 fiscal year. If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to

(d) Includes proceeds from $800 million of operating notes issued on July 1, 2009 and impoundment payments due by February 26, 2010, March 31, 2010, April 30, 2010, and May 28, 2010. The February 26, 2010 impoundment payment reflects the premium received on July 1, 2009 and deposited into the Operating Note Redemption Fund.

Table II-10

GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[(a)]
(Cash Basis)
As of November 30, 2009

	FY09 through November 2008	FY10 through November 2009			
	Actual	Actual	Estimate[(b)]	Variance	Adjusted Variance[(c)]
RECEIPTS					
Tax Receipts					
Individual Income	$ 2,953,196	$ 2,863,323	$ 3,016,200	$ (152,877)	$ (152,877)
Sales	2,017,683	1,852,121	1,983,600	(131,479)	(131,479)
Corporate Income	269,952	320,012	286,200	33,812	33,812
Public Utility	173,067	176,960	160,200	16,760	16,760
Excise	303,902	325,095	351,100	(26,005)	(26,005)
Insurance	41,134	36,385	33,500	2,885	2,885
Inheritance	33,856	6,195	-	6,195	6,195
Total Tax Receipts	$ 5,792,790	$ 5,580,091	$ 5,830,800	$ (250,709)	$ (250,709)
Non-Tax Receipts					
Federal	$ 2,813,029	$ 3,597,090	$ 3,129,394	$ 467,696	$ 467,696
Other and Transfers	2,070,697	2,593,750	2,316,300	277,450	277,450
Note Proceeds	801,840	807,585	807,585	-	-
Total Non-Tax Receipts	$ 5,685,566	$ 6,998,425	$ 6,253,279	$ 745,146	$ 745,146
TOTAL RECEIPTS	$ 11,478,356	$ 12,578,516	$ 12,084,079	$ 494,437	$ 494,437
DISBURSEMENTS					
Local Aids	$ 3,393,307	$ 3,413,502	$ 3,551,258	$ 137,756	$ 137,756
Income Maintenance	2,567,968	3,293,255	2,942,714	(350,541)	(350,541)
Payroll & Related	1,973,454	1,958,360	2,012,788	54,428	54,428
Tax Refunds	353,416	404,114	290,100	(114,014)	(114,014)
Debt Service	262,906	312,407	342,361	29,954	29,954
Miscellaneous	1,814,762	1,802,939	1,665,716	(137,223)	(137,223)
Note Repayment	9,840	15,585	15,585	-	-
TOTAL DISBURSEMENTS	$ 10,375,653	$ 11,200,162	$ 10,820,522	$ (379,640)	$ (379,640)
2009-10 FISCAL YEAR VARIANCE YEAR-TO-DATE				$ 114,797	$ 114,797

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.

(b) Projections included in this table reflect 2009 Wisconsin Act 2, the budget for the 2009-11 biennium (2009 Wisconsin Act 28), certain federal economic stimulus money in the amount of $1.002 billion that the State has received or expects to receive in the 2009-10 fiscal year ($606 million for medical assistance programs, $237 million for education aids, $76 million for shared revenue, and $83 million for other various purposes), the revised General Fund tax revenue estimates included in the May 11, 2009 LFB memorandum (as modified on May 14, 2009), and $800 million of operating note proceeds received on July 1, 2009 and the resulting impoundment payments due in February, March, April, and May 2010. The federal economic stimulus money discussed above is only a portion of such funds that the State has received or expects to receive.

(c) Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates cannot be changed, which may result in large variances. This column includes adjustments to the variances to more accurately reflect the variance between the estimated and actual amounts.

Source: Wisconsin Department of Administration

Table II-11

GENERAL FUND MONTHLY CASH POSITION
July 1, 2007 through November 30, 2009 — Actual
December 1, 2009 through June 30, 2010 — Estimated[a]
(Amounts in Thousands)

	Starting Date	Starting Balance	Receipts[c]	Disbursements[c]
2007	July..................	$ 49,149	$ 2,746,602	$ 2,446,001
	August...............	349,750 [d]	1,772,536	1,483,505
	September.........	638,781	2,185,645	2,100,805
	October..............	723,621	2,124,755	1,430,699
	November..........	1,417,677	1,962,257	2,248,605
	December..........	1,131,329 [d]	1,769,558	2,454,032
2008	January..............	446,855	2,699,255	1,782,044
	February............	1,364,066	2,155,175	2,401,752
	March................	1,117,489 [d]	1,953,094	3,283,120
	April..................	(212,537) [d]	2,462,984	1,837,549
	May...................	412,898	1,987,901	1,816,466
	June...................	584,333 [d]	2,614,345	3,173,842
	July..................	24,836	3,014,286	2,867,001
	August...............	172,121 [d]	1,708,398	1,416,143
	September.........	464,376	2,500,671	2,069,238
	October..............	895,809	2,421,520	1,914,314
	November..........	1,403,015	1,833,481	2,108,957
	December..........	1,127,539 [d]	2,026,521	2,743,544
2009	January..............	410,516	2,523,271	1,840,909
	February............	1,092,878	2,189,572	2,475,831
	March................	806,619 [d]	2,228,792	3,530,714
	April..................	(495,303) [d]	3,251,394	2,730,689
	May...................	25,402 [d]	2,008,161	1,987,460
	June...................	46,103 [d]	3,188,104	3,381,558
	July..................	(147,352) [d]	3,267,937	3,330,367
	August...............	(209,782) [d]	1,941,326	1,471,235
	September.........	260,309	2,627,956	2,390,978
	October..............	497,287	2,386,405	1,666,418
	November..........	1,217,274	2,354,892	2,341,164
	December..........	1,231,002 [d]	2,147,393	2,880,635
2010	January..............	497,760	2,557,191	1,835,876
	February............	1,219,076	2,303,320	2,592,732
	March................	929,664 [d]	2,082,044	3,515,838
	April..................	(504,130) [d]	2,971,041	2,233,992
	May...................	232,919	2,287,553	1,863,038
	June...................	657,433 [d]	2,683,645	3,307,419

[a] The General Fund balances presented in this table are not based on generally accepted accounting principles (GAAP).

[b] The projections in this table for the 2009-10 fiscal year reflect 2009 Wisconsin Act 2, the budget for the 2009-11 biennium (2009 Wisconsin Act 28), certain federal economic stimulus money in the amount of $1.002 billion that the State has received or expects to receive in the fiscal year ($606 million for medical assistance programs, $237 million for education aids, $76 million for shared revenue, and $83 million for other various purposes), and the revised General Fund tax revenue estimates included in the May 11, 2009 LFB memorandum (as modified on May 14, 2009). The federal economic stimulus money discussed above is only a portion of such funds that the State has received or expects to receive.

[c] Operating notes were issued for the 2007-08, 2008-09, and 2009-10 fiscal years.

[d] At some period during this month, the General Fund was in a negative cash position. Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund up to 7% of the general purpose revenue appropriations then in effect (approximately $940 million for the 2009-10 fiscal year). In addition, the Secretary of Administration may also temporarily reallocate an additional amount of up to 3% of the general-purpose revenue appropriations then in effect (approximately $403 million for the 2009-10 fiscal year) for a period of up to 30 days. If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate or defer certain payments.

Source: Wisconsin Department of Administration

Table II-12
CASH BALANCES IN FUNDS AVAILABLE FOR TEMPORARY REALLOCATION[a]
July 31, 2007 to November 30, 2009 — Actual
December 31, 2009 to June 30, 2010 — Estimated
(Amounts in Millions)

The following two tables show, on a monthly basis, the cash balances available for temporary reallocation (which has been previously referred to as interfund borrowing). The first table does not include balances in the Local Government Investment Pool **(LGIP)**, and the second table does include such balances. Though amounts in the LGIP are available for temporary reallocation, funds in the LGIP are deposited and withdrawn by local units of government, and thus are outside the control of the State. The monthly average daily balances in the LGIP for the past five years have ranged from a low of $2.2 billion during November 2005 to a high of $4.3 billion in August 2008. The Secretary of Administration may not exercise the authority to make temporary reallocations if doing so would jeopardize the cash flow of any fund or account from which a temporary reallocation would be made.

Available Balances; Does Not Include Balances in the LGIP

Month (Last Day)	2007	2008	2009	2010
January		$ 1,203	$ 1,045	$ 1,045
February		1,265	1,180	1,180
March		1,298	1,124	1,298
April		1,210	1,020	1,211
May		1,166	1,191	1,191
June		1,079	1,167	1,079
July	$ 1,141	910	981	
August	1,204	944	1,064	
September	1,204	1,081	1,233	
October	1,110	906	1,035	
November	1,229	1,011	1,118	
December	1,244	1,072	1,072	

Available Balances; Includes Balances in the LGIP

Month (Last Day)	2007	2008	2009	2010
January		$ 4,943	$ 5,372	$ 5,372
February		5,255	5,543	5,543
March		5,453	5,440	5,453
April		5,273	4,852	5,273
May		5,010	4,632	4,632
June		4,813	4,474	4,813
July	$ 4,862	5,422	5,102	
August	4,383	4,589	4,189	
September	4,264	4,479	4,076	
October	3,900	3,900	3,438	
November	4,017	3,936	3,500	
December	4,141	4,461	4,461	

[a] The amounts shown reflect a reduction in the aggregate cash balances available to the extent any fund had a negative balance and a temporary reallocation was made from such fund.

Source: Department of Administration.

Table II-13

GENERAL FUND RECORDED REVENUES[(a)]
(Agency Recorded Basis)
July 1, 2009 to November 30, 2009 compared with previous year[(b)]

	Annual Fiscal Report Revenues 2007-08 FY[(b)]	Projected Revenues 2008-09 FY[(c)]	Recorded Revenues July 1, 2008 to November 30, 2008[(d)]	Recorded Revenues July 1, 2009 to November 30, 2009[(e)]
Individual Income Tax	$ 6,222,735,000	$ 6,230,973,000	$ 2,499,872,478	$ 2,422,196,583
General Sales and Use Tax	4,083,959,000	4,089,220,000	1,484,361,279	$1,349,041,998
Corporate Franchise and Income Tax	629,523,000	717,150,000	169,499,549	194,784,014
Public Utility Taxes	320,110,000	318,200,000	159,743,861	172,879,583
Excise Taxes	647,621,000	795,680,000	234,088,349	260,944,508
Inheritance Taxes	20,853,000	-	20,566,928	278,603
Insurance Company Taxes	136,291,000	148,000,000	37,865,240	33,712,654
Miscellaneous Taxes	52,059,000	47,000,000	48,205,881	39,722,786
SUBTOTAL..........................	12,113,151,000	12,346,223,000	4,654,203,566	4,473,560,729
Federal and Other Inter-Governmental Revenues[(f)]	8,411,740,000	8,451,323,200	2,839,454,355	3,607,711,001
Dedicated and Other Revenues[(g)]	4,553,355,000	5,082,068,100	1,886,442,627	2,013,948,562
TOTAL..............................	$ 25,078,246,000	$ 25,879,614,300	$ 9,380,100,549	$ 10,095,220,292

(a) The revenues in this table are presented on an agency recorded basis and not a budgetary basis. None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2008-09 fiscal year, dated October 15, 2009.

(c) The projections in this table reflect 2009 Wisconsin Act 2, the budget for the 2009-11 biennium (2009 Wisconsin Act 28), certain federal economic stimulus money in the amount of $1.002 billion that the State has received or expects to receive in the 2009-10 fiscal year ($606 million for medical assistance programs, $237 million for education aids, $76 million for shared revenue, and $83 million for other various purposes), and the revised General Fund tax revenue estimates included in the May 11, 2009 LFB memorandum (as modified on May 14, 2009).

(d) The amounts shown are 2008-09 fiscal year revenues as recorded by all State agencies. There may be differences between the tax revenues shown in this table and those reported by the Department of Revenue from time to time in their monthly general purpose revenue collections report; the Department of Revenue report only includes general purpose revenues or taxes that are actually collected by the Department of Revenue.

(e) The amounts shown are 2009-10 general purpose revenues and program revenue taxes collected across all State agencies. There may be differences between the tax revenues shown in this table and those reported by the Department of Revenue from time to time in their monthly general purpose revenue collections report; the Department of Revenue report only includes general purpose revenues or taxes that are actually collected by the Department of Revenue.

(f) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

(g) Certain transfers between general fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

Source: Wisconsin Department of Administration

Table II-14

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[(a)]
(Agency Recorded Basis)
July 1, 2009 to November 30, 2009 compared with previous year[(b)]

	Annual Fiscal Report Expenditures 2006–07 FY[(b)]	Appropriations 2007–08 FY[(c)]	Recorded Expenditures July 1, 2008 to November 30, 2008[(d)]	Recorded Expenditures July 1, 2009 to November 30, 2009[(e)]
Commerce.................................……..	$ 263,800,000	$ 307,224,700	$ 94,825,317	$ 101,469,276
Education.................................……..	11,130,263,000	11,428,901,400	3,334,834,947	3,228,611,132
Environmental Resources.......……..	327,566,000	330,460,100	111,752,530	65,880,920
Human Relations & Resources ……..	10,361,591,000	10,195,574,700	4,215,696,844	4,676,766,149
General Executive..................……..	844,724,000	1,306,939,400	414,728,119	527,141,723
Judicial..................................……..	130,541,000	136,201,700	56,991,717	57,754,858
Legislative.............................……..	65,289,000	73,817,900	21,221,851	22,574,040
General Appropriations...........……..	2,156,962,000	2,346,576,300	1,780,496,890	1,844,809,364
TOTAL.......…………………	$ 25,280,736,000	$ 26,125,696,200	$ 10,030,548,214	$ 10,525,007,462

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2008-09 fiscal year, dated October 15, 2009.

(c) The estimates in this table reflect 2009 Wisconsin Act 2 and the budget for the 2009-11 biennium (2009 Wisconsin Act 28).

(d) The amounts shown are 2008-09 fiscal year expenditures as recorded by all State agencies.

(e) The amounts shown are 2009-10 fiscal year expenditures as recorded by all State agencies.

Source: Wisconsin Department of Administration

General Fund History

Table II-15 presents the General Fund condition for the previous five years.

Table II-15
COMPARATIVE CONDITION OF THE GENERAL FUND[a]
(As of June 30; Amounts in Thousands)

	2009	2008	2007	2006	2005
ASSETS					
Cash & Investment Pool Shares……….	$ (142,628)	$ 29,559	$ 53,874	$ 9,240	$ (133,959)
Contingent Fund Advances……………	3,123	3,128	3,128	3,077	3,080
Investments…………………………….		255	255	255	255
Receivables					
Accounts Receivable…………………	1,131,883	1,105,242	947,740	992,426	1,074,269
Due from Other Funds………………	289,751	103,115	31,131	143,541	22,014
Inventory………………………………	660	460	327	404	330
Prepayments…………………………	92,088	85,226	75,134	80,028	64,332
Other Assets…………………………	153,098	155,844	2,347	(2)	5
TOTAL ASSETS………………………	$ 1,527,975	$ 1,482,829	$ 1,113,936	$ 1,228,969	$ 1,030,326
LIABILITIES					
Accounts Payable……………………	$ 678,702	$ 531,477	$ 347,758	$ 437,990	$ 541,033
Operating Notes Payable………………	8,000	8,000	6,000		
Due to Other Funds……………………	110,144	118,633	120,299	121,883	37,607
Tax and Other Deposits………………	53,713	60,175	41,986	29,128	33,908
Deferred Revenue……………………	172,343	103,985	20,942	41,493	24,589
TOTAL LIABILITIES…………………	$ 1,022,902	$ 822,270	$ 536,985	$ 630,494	$ 637,137
FUND BALANCE					
Reserves					
Encumbrances & GPR Balances …….	$ 122,067	$ 122,384	$ 124,009	$ 132,679	$ 102,211
Program Revenue Balances…………	420,173	427,751	416,475	430,782	422,653
Total Reserves………………………	$ 542,240	$ 550,135	$ 540,484	$ 563,461	$ 524,864
Unreserved Balance-Undesignated……	(37,167)	110,424	36,467	35,014	(131,675)
TOTAL FUND BALANCE………….	$ 505,073	$ 660,559	$ 576,951	$ 598,475	$ 393,189
TOTAL LIABILITIES AND FUND BALANCE………………….	$ 1,527,975	$ 1,482,829	$ 1,113,936	$ 1,228,969	$ 1,030,326

[a] The amounts shown are based on statutorily required accounting and not GAAP. The amounts are unaudited.

Source: Department of Administration

STATE GOVERNMENT ORGANIZATION

The State is located in the Midwest. The State ranks 20th among the states in population and 25th in land area. Wisconsin attained statehood in 1848, its capital is Madison, and its largest city is Milwaukee. The following is a summary of the general organization of, and services provided by, State government.

General Organization

Executive Branch

The executive branch is under the direction of the Governor. The Governor is the chief executive officer of the State and is assisted by five elected constitutional officers (each elected to a four-year term):

- *Lieutenant Governor*. The Governor and Lieutenant Governor are elected on the same ballot. The Lieutenant Governor serves as Acting Governor during the absence or incapacity of the Governor.

- *Attorney General*. The Attorney General heads the State of Wisconsin Department of Justice, which provides all State agencies with legal advice and counsel.
- *State Treasurer*. The State Treasurer receives and disburses all money of the State Treasury in accordance with law.
- *Secretary of State*. The Secretary of State keeps a record of the official acts of the Legislature and executive agencies.
- *Superintendent of Public Instruction*. The Superintendent of Public Instruction heads the State of Wisconsin Department of Public Instruction, which supervises the operations of and establishes standards for schools throughout the State.

The executive branch consists of 18 departments (including two headed by other constitutional officers) and 12 independent agencies.

Legislative Branch

The legislative branch consists of the Legislature and its subordinate service agencies. The Legislature is bicameral, composed of the Senate and the Assembly. The 33 members of the Senate serve staggered four-year terms, and the 99 members of the Assembly serve identical two-year terms. Both the Senate and the Assembly operate on a committee system. The Legislature's biennial session begins in odd-numbered years on the first Monday in January (or January 3 if the first Monday is January 1 or January 2). By a joint resolution, the biennial session is divided into floor periods interspersed with committee work periods. In odd-numbered years, the Joint Committee on Legislative Organization develops a schedule for the two-year period. The Legislature also meets in special session when so called by the Governor and in extraordinary session when a majority from each branch signs a petition; at these times the Legislature may transact only that business for which the special or extraordinary session is called.

Judicial Branch

The judicial branch consists of:

- *Supreme Court*. The Supreme Court is composed of seven justices who are elected statewide for staggered ten-year terms.
- *Court of Appeals.* The Court of Appeals is composed of 16 judges who are elected district-wide for staggered six-year terms, generally sitting in three-judge panels.
- *Circuit Courts.* There are 69 Circuits (the State's trial courts). Each has one or more branches and judges who are locally elected for six-year terms, and all are administered from ten administrative districts. A recently enacted law provides for an increase in the number of judges over multiple years, with the last branch to be added in calendar year 2010.

The State pays all costs of the Supreme Court and Court of Appeals and certain costs of the Circuit Courts.

Description of Services Provided by State Government

The State provides a wide range of services to its residents and to its local government units. These services are organized for both budgetary and financial reporting of the General Fund into eight functional groupings. Each State agency is categorized into one of these functions. There are some agency activities that fit into more than one function. Listed below is a description of each function, an identification of those State agencies within each function, and a brief summary of the responsibilities of each State agency.

Commerce

The State's involvement in the commerce function is in the regulation of conduct of commercial transactions. The objective is to protect the public as consumers of agricultural and manufactured goods and services and as participants in financial transactions. The State also actively promotes economic development by working with companies seeking to expand or move to the State and broadening markets for State goods and services. These objectives are met in several ways:

- Inspection of raw products and conditions under which they are grown or obtained, including conducting research in areas such as animal or plant diseases, grading of products, and establishing standards for contents of processed foods.
- Licensing of members of various trades and professions whose activities affect the health of individuals, such as doctors and nurses, or whose actions are considered important for public safety, such as architects and engineers.
- Maintaining an orderly market in which to conduct business and specifying methods of fair competition by:
    - regulating the rates that public utilities may charge for their services
    - setting standards for the operation of banks, savings and loan companies, and credit unions to protect depositors
    - regulating the sale of securities and insurance offered for sale in the State
    - approving or disapproving the establishment or discontinuance of transportation routes

Several State agencies participate in the field of commerce:

- *Department of Agriculture, Trade and Consumer Protection* provides consumer protection and regulates the conditions of the growth and processing of food and fair trade practices in general.
- *Department of Regulation and Licensing* supervises a variety of examining boards in various trades and professions.
- *Department of Financial Institutions* regulates securities transactions and supervises banks, credit unions, and savings and loans.
- *Public Service Commission* regulates the rates and services offered by railroads and heat, light, power, and water companies.
- *Department of Commerce* promotes industrial development in the State and coordinates relations between the State and local governments and between the Federal Government and State and local governments.
- *Department of Tourism* promotes the State's many attributes to visitors.

Education

The State views its responsibilities in education to encompass all levels and nearly all types of education and related activities. As a result the State provides significant financial support to primary and secondary schools, technical colleges operated at the local level, assists private higher educational institutions, and operates the University of Wisconsin system.

- *Primary and Secondary Schools.* There were 426 school districts in the State for the 2008-09 school year, which administer the elementary and secondary schools within those districts. There were approximately 860,477 students attending public elementary and secondary schools in the

2008-09 school year. Elementary and secondary schools are operated by district boards, with supervision of the system provided by the Department of Public Instruction.

- *Technical Colleges.* The State is divided into 16 technical college districts. In the 2008-09 academic year, 375,944 full- and part-time students were enrolled in the technical college system. The technical colleges are operated by district boards, with supervision of the system provided by the Technical College System Board.
- *University of Wisconsin System.* The University of Wisconsin System consists of its doctoral campuses in Madison (the largest campus in the State) and Milwaukee as well as 11 other four-year degree-granting institutions and 13 two-year colleges. The system's total enrollment in 2008-09 was 178,537 students.

Other agencies and boards concerned with the education function of the State include the Educational Communications Board (operates the State public radio network, the State public television network, and the State educational television network), the State Historical Society, the Arts Board, and the Higher Educational Aids Board (management and oversight of the State's student financial aid system for residents attending institutions of higher education).

Environmental Resources and Transportation

Two major State agencies, the Department of Transportation and the Department of Natural Resources, are concerned with the development or protection of the land, forest, water, air, and minerals of the State.

The State works with municipalities and industries to treat sewage or industrial wastes to retain the purity of State lakes and streams. Smokestack and automobile exhausts are monitored to prevent air pollution. Parks and forests have been established and are maintained both to preserve unusual phenomena of nature and to provide the public with recreational and educational opportunities. Private forest owners are given incentives to observe scientific conservation practices so that new growth may replace cut timber. Hunting and fishing limits are set, and hunters and fishermen licensed, to preserve the fish and wildlife from extinctive practices. Farming methods that preserve the quality and stability of the soil are encouraged.

Governmental activities for preserving and protecting the State's natural resources are largely the province of the Department of Natural Resources, but the Department of Agriculture, Trade and Consumer Protection is also actively involved.

The State has an elaborate system of highways. It consists of interstate highways financed from federal and State funds and of State highways, county trunk highways, town roads, city and village streets, and park and forest roads. Closely connected with the highway building functions of the State government and the aid granted to local units for streets and highways are the objects for which these roads are built—the motor vehicle and its occupants. While the State is concerned with the building and maintenance of an adequate number of roads of certain standards to meet the traffic demands, it is also very much concerned with the safety and convenience of the people who are using those roads. More than 5.7 million vehicles are currently registered.

The Department of Transportation also gives various forms of driver examination tests when driver licenses are issued or renewed to ensure drivers know the laws, are physically fit to drive, and have the required driving skills. Road building and motor vehicle regulation are also responsibilities of the Department of Transportation, which also has charge of the State's aeronautical activities, the administration of funds to assist mass transit, railroad preservation, and intermodal transportation planning.

Human Relations and Resources

Various State agencies have responsibilities to maximize human growth and development, including health, living standards, safety, and working relationships with each other.

Public health covers the prevention and detection of disease, health education programs, assistance in hospital construction, maintenance of institutions for the care and treatment of the mentally handicapped, the setting of standards of cleanliness of public facilities and safety in construction, and the maintenance of public health records.

Improving living standards for needy, aged, handicapped, and minors in need of assistance is also a goal of the State. Such health and welfare activities are primarily the work of the Department of Health Services, including the State's Badger Care Plus Program, which provides health insurance coverage for all children under the age of 19 (regardless of income) and low-income adults, and a prescription drug program for the elderly. The Board of Aging and Long Term Care make recommendations on programs to benefit the aged and those individuals needing long term care services. The Department of Veterans Affairs operates additional assistance programs for military service veterans.

As a worker, the individual comes in contact with the State in many ways, mostly through the Department of Workforce Development:

- Minimum wages and maximum hours are set by law.
- State worker's compensation provides financial assistance if a worker is injured on the job.
- Unemployment compensation is provided to the worker if the worker's job is lost.
- Employment services are provided by the State (in partnership with the Federal Government) to help a worker find a job or to acquire the skills necessary for employment.
- Investigation of discrimination occurs if a worker suspects employment discrimination based on race, age, gender, creed, or handicap.

The State mediates or arbitrates labor disputes between workers and their employers, which is the task of the Employment Relations Commission. The State's agent in protecting and assisting the worker is the Department of Workforce Development, which is also currently responsible for the State's employment and training services.

The Department of Children and Families began operations in July, 2008. The department focuses exclusively on helping and protecting children and families within the State. It unified more than 30 services that were divided between the-then Department of Health and Family Services and the Department of Workforce Development including, but not limited to, child welfare and the Wisconsin Works (W-2) program.

To promote the general welfare of citizens and insure peaceable relations among them, the State seeks to protect citizens from lawless elements in society by maintaining those conditions of stability and order necessary for a well-functioning society. Law enforcement is largely a local matter, but the State's Department of Corrections is responsible for segregating convicted adult and juvenile criminals in its penal institutions and rehabilitating them for eventual return to society. The Department of Justice furnishes legal services to State agencies and provides technical assistance to local law enforcement agencies. The Office of the State Public Defender makes determinations of indigence and provides legal representation for specified defendants who are unable to afford a private attorney.

The State also provides an armed military force to protect the populace in times of State or national emergencies, natural or man-made, and to supplement the federal armed forces in time of war. These activities come under the jurisdiction of the Department of Military Affairs.

General Executive

The administrative or staff functions that support the direct services provided to Wisconsin residents and local governments are included in this functional group. While each operating agency may conduct some staff functions, some agencies perform staff functions almost exclusively.

- *Department of Administration* duties include budgeting, information technology, data processing, accounting, payroll, financial reporting, processing the receipt and disbursement of monies received or expended by the State, engineering, and facilities management and planning.
- *Office of State Employment Relations* supervises State personnel practices.
- *Government Accountability Board* combines the duties of the previous Ethics Board and State Elections Board, which includes administering a code of ethics for State public officials, overseeing the election processes of the State, administering public funding of campaigns, monitoring candidate expenditures, and keeping election records.
- *Department of Revenue* collects the taxes imposed by Wisconsin Statutes, distributes that part of the revenue that is to be returned to the local units of government, and calculates the equalized value of the property that has been assessed by local government.
- *Department of Employee Trust Funds* manages the State's public employee retirement system.
- *Office of the State Treasurer* serves as custodian of unclaimed property and administers the EdVest Program, which is a Section 529 college savings program.
- *Office of the Secretary of State* keeps and authenticates various state records.
- *State of Wisconsin Investment Board* invests the assets of the Wisconsin Retirement System and various State funds, including by not limited to the State Investment Fund.

Legislative

The legislative function provides for the operation of the State Legislature, its committees, and service agencies.

General Appropriations

The function of general appropriations is assigned those appropriations that do not fit easily into any of the other functions. Most general appropriations are for payments to local governments of taxes collected by the State, whose revenues are shared with local governments, and for other payments intended to relieve local taxes.

The major portion of this reporting area relating to State operations is the funding of any planned adjustments to employee compensation, which is budgeted centrally but transferred to and ultimately paid by each agency.

STATE OF WISCONSIN BUILDING COMMISSION

The Commission supervises all matters relating to the State's issuance of general obligations, revenue obligations, and operating notes. In addition, the Commission also oversees the planning, improvement, major maintenance, and renovation of State facilities.

Limitations in the Wisconsin Constitution severely restricted the issuance of direct State debt until 1969, when the Wisconsin Constitution was amended to authorize the State to borrow money. Chapter 18 of the Wisconsin Statutes delegates powers to the Commission and establishes the procedures for the issuance of debt.

The Commission is composed of eight members. The Governor serves as the chairperson. Each house of the Legislature appoints three members. One citizen member is appointed by the Governor and serves at the Governor's pleasure. State law provides for the two major political parties to be represented in the membership from each house, and one member appointed from each house must be a member of the Legislative State Supported Program Study and Advisory Committee. The members act without liability except for misconduct.

The Department of Administration assists the Commission. The Administrator of the Division of State Facilities, with the concurrence of the Secretary of Administration, serves as the Secretary to the Building Commission. The Secretary of Administration, the head of the engineering function, and the ranking architect in the Department of Administration serve as nonvoting advisory members. Employees of the Division of Executive Budget and Finance serve as the Capital Finance Director and staff responsible for managing the State's various borrowing programs.

The Commission's office is located at the Administration Building, 7th Floor, 101 East Wilson Street, its mailing address is P.O. Box 7866, Madison, Wisconsin 53707-7866, and its telephone number is (608) 266-1855.

STATE OBLIGATIONS

General Obligations

The State, acting through the Commission, may issue general obligation bonds and notes or enter into loans that are secured by the State's full faith, credit, and taxing power. Payments of debt service on State general obligations are paramount to all other obligations of the State. As of December 15, 2009, the State had $6.223 billion of outstanding general obligations.

The State has never defaulted in the punctual payment of principal or interest on any general obligation indebtedness and has never attempted to prevent or delay such required payments. The State has reserved no right to reduce or modify any terms with respect to security or source of payment of general obligation bonds or notes. See Part III of this 2009 Annual Report for additional information on general obligations.

Operating Notes

The Commission may issue operating notes to fund operating expenses upon the request of the Department of Administration if it determines that a deficiency will occur in the funds of the State that will not permit the State to pay its operating expenses in a timely manner. The Governor and the Joint Finance Committee of the Legislature must also approve the request for issuance.

Operating notes may be issued in an amount not exceeding 10% of budgeted appropriations of general purpose and program revenues in the year in which operating notes are issued. Operating notes are not general obligations of the State and are not on parity with State general obligations. The General Fund may be pledged for the repayment of operating notes, and money of the General Fund may be impounded for future payment of principal and interest; however, any such repayment or impoundment must be made subsequent to the payment of the amounts due the Bond Security and Redemption Fund securing the repayment of State general obligation bonds. All payments and impoundments securing the operating notes are also subject to appropriation. Owners of the operating notes have a right to file suit against the State in accordance with procedures established in the Wisconsin Statutes.

The State has issued to date in the 2009-10 fiscal year $800 million of operating notes. These operating notes mature on June 15, 2010.

Master Lease Program

The State, acting by and through the Department of Administration, has entered into a master lease for the purpose of acquiring property (and in limited situations, prepaid service contracts) for State agencies through installment payments. The State's obligation to make lease payments is subject to annual appropriation by the Legislature. The full faith and credit of the State are not pledged to the lease payments; the State is not obligated to levy or pledge any tax to pay the lease payments. The State's obligation to make the lease payments does not constitute debt for purposes of the Wisconsin Constitutional debt limit, and there is no limit to the amount of such obligations that the State can incur. Although an effort is made to use the master lease program for all property acquired by the State through nonappropriation leases, it is possible that state agencies may separately incur such obligations through other lease arrangements. Certificates of participation have been issued that evidence a proportionate interest in certain lease payments to be made by the State. As of December 15, 2009, the outstanding principal amount of the State's obligations under the master lease program was approximately $64 million. See Part IV of this 2009 Annual Report for additional information on master lease certificates of participation.

State Revenue Obligations

Subchapter II of Chapter 18 of the Wisconsin Statutes authorizes the State, acting through the Commission, to issue revenue obligations. Revenue obligations may be in one of the following forms:

- *Enterprise obligations.* Secured by a pledge of revenues or property derived solely from the operation of a program funded by the issuance of the revenue obligations.
- *Special fund obligations.* Secured by a pledge of revenues or property derived from any program or any pledge of revenues.

Any such program to be undertaken or obligations to be issued must be specifically authorized by the Legislature. The resulting obligations are not general obligations of the State.

Revenues pledged to the repayment of revenue obligations are deposited with a trustee for the obligations. Because these revenues are pledged to the owners of revenue obligations, who have a first lien on all such monies, the owners of State general obligations have no claim to the revenues pledged for the repayment of such revenue obligations.

Three such programs have been authorized and are currently outstanding:

- *Transportation revenue bond program.* This program finances a portion of the costs of the State highways and related transportation facilities. The obligations are secured by motor vehicle registration fees and other registration-related fees. The Commission has issued 25 series of bonds (which include refunding bond issues) and two series of commercial paper notes for this program, which were outstanding in the aggregate amount of $1.759 billion as of December 15, 2009. See Part V of this 2009 Annual Report for additional information on transportation revenue obligations.
- *Clean water fund program.* This program makes loans to municipalities in the State for the construction or improvement of their water pollution control facilities. The Commission has issued 18 series of bonds for this program (which include refunding bond issues), which were outstanding in the amount of $805 million as of December 15, 2009. See Part VI of this 2009 Annual Report for additional information on clean water revenue bonds.
- *Petroleum inspection fee revenue obligations program.* This program funds environmental remediation claims submitted under the Petroleum Environmental Cleanup Fund Award Program. Obligations issued for this program are secured by petroleum inspection fees. The Commission has issued five series of bonds (which include refunding bond issues) and two series of extendible municipal commercial paper for this program, which were outstanding in the aggregate amount of $189 million as of December 15, 2009. See Part VII of this 2009 Annual Report for additional information on petroleum inspection fee revenue obligations.

General Fund Annual Appropriation Bonds

The State is authorized to issue general fund annual appropriation bonds (i) to pay the State's unfunded accrued prior service (pension) liability and the State's unfunded accrued liability for sick leave conversion, and (ii) to finance the purchase of tobacco settlement revenues that had been previously sold by the Secretary of Administration. The general fund annual appropriation bonds are not a debt of the State, and the State's obligation to make debt service payments is subject to annual appropriation by the Legislature. The full faith and credit of the State are not pledged, and the State is not obligated to levy or pledge any tax, to make the debt service payments.

The State has issued five series of general fund annual appropriation bonds (which include refunding bond issues) to pay the State's unfunded accrued prior service (pension) liability, determined as of January 1, 2003, and the State's unfunded accrued liability for sick leave conversion, determined as of October 1, 2003. See "STATE OBLIGATIONS; Prior Service Pension Liabilities and Other Post Employment Benefits". The general fund annual appropriation bonds issued for this purpose were outstanding in the aggregate amount of $1.851 billion as of December 15, 2009 and are in the form of taxable bonds and taxable floating rate notes. With respect to the outstanding general fund annual appropriation bonds that are in the form of taxable floating rate notes, the State has hedged nearly all of its variable-rate exposure by entering into interest rate exchange agreements (commonly called swap agreements).

The State has issued one series of general fund annual appropriation bonds to finance the purchase of tobacco settlement revenues that the State previously sold to BTASC. See "STATE BUDGET; Tobacco Settlement Revenues". The general fund annual appropriation bonds issued for this purpose were outstanding in the aggregate amount of $1.529 billion as of December 15, 2009 and in the form of bonds.

See Part VIII of this 2009 Annual Report for additional information on general fund annual appropriation bonds.

Independent Authorities

State law creates and grants to three independent special purpose authorities the power to issue bonds and notes. None of these entities is a department or agency of the State, and none can issue bonds or notes that are legal obligations of the State. By law, the Commission serves as financial advisor for two of these independent authorities in the issuance of their debt.

Wisconsin Housing and Economic Development Authority

The Wisconsin Housing and Economic Development Authority (**WHEDA**) acts as a funding vehicle for the development of housing for low- and moderate-income families and economic development projects. WHEDA is also authorized to administer the State's agricultural production loan guaranty and interest subsidy program.

WHEDA may issue bonds and notes, which are to be general obligations of WHEDA (except for bonds for the housing rehabilitation loan program) unless WHEDA chooses to limit the obligation. The State is expressly not liable on WHEDA obligations. Repayment may be secured by capital reserve funds, which may be created for each bond issue in an amount that is appropriate for the type of projects being funded. Invasion of this reserve triggers a moral obligation pledge on the part of the State and prevents further WHEDA borrowing until the reserve is replenished. In the event a capital reserve fund is not established for a particular bond issue, the moral obligation pledge would not be applicable. WHEDA has borrowing authority for several specific programs:

- *Programs secured by capital reserve fund.* Borrowing authority of $600 million, excluding debt issued to refund other debt, of which $415 million of borrowing authority was available on November 30, 2009.

- *Housing rehabilitation programs.* Borrowing authority of $100 million, of which $100 million of borrowing authority was available on November 30, 2009.
- *Single-family home ownership mortgage loan program.* WHEDA has issued $7.300 billion in such bonds as of November 30, 2009. In the one-year period ending November 30, 2009, no single-family issues were sold.
- *Residential facilities for the elderly and chronically disabled.* Borrowing authority of $99 million, and as of November 30, 2009, WHEDA had sold three bond issues totaling $5 million.
- *Economic development and agriculture loans.* Borrowing authority of $217 million of which, as of November 30, 2009, WHEDA had sold 142 series of bonds for economic development and agriculture totaling $83 million, which are not general obligations of WHEDA, and 56 series of bonds, totaling $92 million, which are general obligations of WHEDA.
- *General programs not secured by capital reserve fund.* Approximately $15 million of obligations issued for this purpose remain outstanding as of November 30, 2009.

WHEDA is directed by a twelve-member board comprising the Secretary of the Department of Administration, the Secretary of the Department of Commerce, two representatives to the Assembly and two State Senators who are appointed in the same manner as the members of standing committees in their respective houses and equally represent the two major political parties, and six public members serving staggered terms, nominated by the Governor and confirmed by the Senate. Financial reports may be obtained from the Wisconsin Housing and Economic Development Authority, P.O. Box 1728, Madison, WI 53701. The phone number is (608) 266-7884, the e-mail address is info@wheda.com, and the web site address is www.wheda.com.

Wisconsin Health and Educational Facilities Authority

The Wisconsin Health and Educational Facilities Authority (**WHEFA**) provides revenue bond financing for hospitals, nursing homes, other health-related organizations, and private educational facilities. It may finance any qualifying capital project and may refinance any qualifying outstanding indebtedness. As of June 30, 2009, WHEFA had outstanding 289 issues totaling approximately $8.258 billion. All bonds are limited obligations of WHEFA, payable only from revenues specified in the documents pertaining to each bond financing and are not State debt. There is no capital reserve fund or authorization for a moral obligation pledge. An annual program and financial report to the Legislature and the Governor is required. The State Auditor is empowered to investigate WHEFA's financial affairs and prescribe methods of accounting. The governance of WHEFA is by a seven-member, staggered-term board nominated by the Governor and confirmed by the Senate. The Governor annually appoints the chairperson. Financial reports may be obtained from Wisconsin Health and Educational Facilities Authority, 18000 West Sarah Lane, Suite 300, Brookfield, WI 53045-5841. The phone number is (262) 792-0466, the e-mail address is info@whefa.com, and the web site address is www.whefa.com.

University of Wisconsin Hospitals and Clinics Authority

The University of Wisconsin Hospitals and Clinics Authority (**UWHCA**) operates the University of Wisconsin hospital and a number of clinics. It provides instruction for medical and other health related professions, students, and sponsors. It also supports medical research and assists health care programs and personnel throughout the State. As of November 30, 2009, UWHCA had outstanding six issues totaling approximately $242 million.

UWHCA may issue bonds and notes payable solely from the funds pledged in the bond resolution or any trust indenture or mortgage or deed of trust that secures the obligations. The State is not liable for the payment of principal or interest on the debt, nor is it liable for the performance of any pledge, mortgage, obligation, or agreement entered into by UWHCA.

UWHCA is directed by an eighteen-member board that consists of the Secretary of the Department of Administration (or a designee), a faculty member of a University of Wisconsin-Madison (**UW**) health professions school (other than the Medical School) appointed by the UW Chancellor, a chairperson of a department of the Medical School appointed by the UW Chancellor, the dean of the Medical School, the UW Chancellor, three members appointed by the Board of Regents, the co-chairs of the Legislature's joint committee on finance (or their designees), six members serving three-year terms nominated by the Governor and confirmed by the Senate, and two nonvoting members from labor organizations that represent UWHCA employees. Financial reports can be obtained from the University of Wisconsin Hospitals and Clinics Authority, Room H5/803, 600 Highland Avenue, Madison, WI 53792-8360. The phone number is (608) 263-8025.

Local Districts

The Legislature has authorized the creation of the following types of local districts, which may be created by one or more local units of government:

- *Exposition center district.* A district is authorized to issue bonds for costs related to an exposition center. If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's reserve funds that secure up to $200 million principal amount of bonds in the event that project revenues and tax revenues received by the district are inadequate to pay debt service on the bonds. To date, one such district has been created (the Wisconsin Center District).
- *Local professional baseball park district.* A district's territory consists of each county with a population of more than 600,000 and all contiguous counties. A district is authorized to issue bonds for costs related to a baseball park. If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's reserve funds that secure up to $160 million principal amount of bonds in the event the project revenues and tax revenues received by the district are inadequate to pay debt service. To date, one such district has been created (the Southeast Wisconsin Professional Baseball Park District).
- *Local professional football park district.* A district's territory consists of any county with a population of more than 150,000 that includes the principal site of a stadium that is the home of a professional football team. A district is authorized to issue revenue bonds for costs related to a football park. If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's reserve funds that secure up to $160 million principal amount of bonds in the event the project revenues and tax revenues received by the district are inadequate to pay debt service. To date, one such district has been created (the Green Bay-Brown County Professional Football Stadium District).

Moral Obligations

In certain situations where the State does not have a legal obligation to make a payment, the Legislature has recognized a moral obligation to make an appropriation for the payment and has expressed its expectation and aspiration that, if ever called upon to do so, it would. These situations and amount of outstanding obligations that are subject to the State's moral obligation include:

- Payments to reserve funds securing certain obligations of WHEDA. Currently there are 8 issues outstanding in the aggregate amount of $395 million that carry a moral obligation of the State.

Name of WHEDA Issue	**Maturity Date**	**Principal Issued**	**Outstanding Balance**
Housing Revenue Bonds			
1998 Series A, B & C	11/1/2032	$ 39,895,000	$ 13,845,000
1999 Series A & B	11/1/2031	41,400,000	23,765,000
2002 Series A-I	5/1/2034	169,160,000	35,785,000
2003 Series A-E	5/1/2044	41,975,000	38,860,000
2005 Series A-F	11/1/2045	179,535,000	165,690,000
2006 Series A-D	5/1/2037	28,580,000	27,535,000
2007 Series A-G	5/1/2042	42,570,000	42,050,000
2008 Series A-G	11/1/2034	56,155,000	47,505,000
Totals			$395,035,000

- In its legislation authorizing the issuance of the petroleum inspection fee revenue obligations, the Legislature, recognizing a moral obligation to do so, expressed its expectation that, if the Legislature were to reduce the rate of the petroleum inspection fee (which has happened) and if the petroleum inspection fee were insufficient to pay debt service on the petroleum inspection fee revenue obligations when due (which has not happened), then the Legislature would make an appropriation from the general fund sufficient to pay such debt service. The petroleum inspection fee revenue obligations are currently outstanding in the principal amount of $189 million.
- Payments to reserve funds securing certain obligations of different types of local districts, subject to the Secretary of Administration's determination that certain conditions have been met. Currently there is one issue from a local district (Wisconsin Center District) that is outstanding in the amount of $126 million that carries a moral obligation of the State. Two other local districts (the Southeast Wisconsin Professional Baseball Park District and the Green Bay-Brown County Professional Football Stadium District) each have authority to issue $160 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. Both districts have issued revenue obligations, but those obligations do not carry the moral obligation of the State.
- Payments to reserve funds securing obligations issued by certain redevelopment authorities, subject to the Secretary of Administration's determination that certain conditions have been met. Currently there are three issues by a redevelopment authority (Redevelopment Authority of the City of Milwaukee) for the Milwaukee Public Schools Neighborhood Schools Initiative that are outstanding in the total amount of $105 million that carry a moral obligation of the State.
- Payments required to be made by municipalities on loans from the Clean Water Fund Program, if so designated by the State. Currently no Clean Water Fund Program loan carries a moral obligation of the State.

Employee Pension Funds

The State's pension obligations are defined by formulas that establish monthly retirement benefits as a function of annual compensation and years of service. The State's current contributions to meet these pension obligations are established first by a yearly actuarial determination of the value of the retirement benefits that have accrued to State employees and will have to be paid out in the future. After deducting the fixed contributions of employees, the State then contributes an amount sufficient to meet the remaining value of the obligations. A description of the Wisconsin Retirement System **(WRS)** and an identification of the State's obligation follows. This is supplemented with additional statistical material in Tables II-16 through II-22.

The actuarial method used to determine the size of the contributions is known as "Frozen Initial Liability" for prior service liability and "Entry Age Normal" for current contributions. Actuarial assumptions that have been adopted in application of this method are shown in Tables II-23, II-24, and II-25.

The Department of Employee Trust Funds administers the pension programs of both the State and local governments, and the State of Wisconsin Investment Board is responsible for investment of all the funds. Although the State provides pension and investment management staff for its own and local government employees, *the State has no financial obligation for payment of any local government contribution.*

WRS covers all full-time employees of the State. The total retirement contribution consists of a member (employee) contribution and an employer contribution. Member contributions for calendar year 2010 are set at the following rates:

- 5.0% of salary for general employees including teachers
- 3.2% for elected officials, judges, and certain other positions in State government
- 5.5% for protective occupation participants who are also covered by Social Security
- 3.9% for protective occupation participants not covered by Social Security

Employer funding of some or all of the member's required contribution is permitted by the Wisconsin Statutes. Currently the entire member contribution of 5% of each State employee's salary is assumed by the State. An additional 1.2% nonrefundable contribution is required from general employees, including teachers.

The employer contribution is actuarially determined each year by an independent actuarial firm. As of December 1, 2009, the calendar year 2010 employer contributions have been established at the following rates:

- 8.6% for protective participants with Social Security
- 11.3% for protective participants without Social Security
- 8.7% for elected officials and judges
- 4.8% for general employees

In addition, the State is also charged 3.9% of its protective payroll for special duty disability coverage.

Monthly benefits upon retirement at normal retirement age (65 for general employees, 62 for elected officials and certain other state positions, and 55 for protective occupation participants) are computed on a formula basis (the formula varies by the particular class of participation). Some inactive members and a small number of currently active employees may have benefits computed on some other basis when they apply for benefits.

Contributions into the Wisconsin Retirement System are invested by the State of Wisconsin Investment Board as provided by law, and are maintained in two separate funds: the Core Retirement Investment Trust and the Variable Retirement Investment Trust. Investments are recorded pursuant to the Wisconsin Statutes as follows:

- The assets of the Core Retirement Trust are carried by a hybrid method providing for the amortization of capital gains and losses as well as deferred items over a five-year period.
- The Variable Retirement Investment Trust assets are recorded at market value with all market adjustments included in current operations.

Except for certain protective occupation employees and a few other minor exceptions, employees under the Wisconsin Retirement System are also covered by Social Security.

Table II-16 provides comparative actuarial balance sheets for the most recent reporting periods. The unfunded accrued liability presented is solely the responsibility of local governments and is not an obligation of the State.

Prior Service Pension Liabilities and Other Post Employment Benefits.

Pension Liabilities in Accompanying Financial Statements

Liabilities of WRS are reported in the accompanying financial statements. While WRS covers most public employers and employees in the State, including local governments, the State and its participants account for 27% of the all participants in the system. WRS tracks unfunded prior service liabilities in separate accounts for each employer. The unfunded prior service liabilities reported in the accompanying financial statements are entirely attributable to other units of government and not to the State of Wisconsin.

Pension and Sick Leave Conversion Benefits

Prior to 2004, the State recognized for accounting and disclosure purposes an unfunded prior service liability for the State's account within WRS. The State also recognized for accounting and disclosure purposes an unfunded prior service liability for sick leave conversion, which permits employees, at retirement, to use the value of unused sick leave to pay for health insurance premiums. Proceeds from the State's issuance of General Fund Annual Appropriation Bonds in calendar year 2003 fully funded both of these prior service liabilities, and the State currently has no prior service liabilities associated with these benefits.

Implied Subsidy of Group Health Insurance-January 1, 2007 Actuarial Valuation

In August 2008, the State released a report presenting the results of an actuarial valuation (as of January 1, 2007) of the State of Wisconsin Retiree Health Program. It provides the information required to be disclosed, pursuant to the requirements of GASB Statement No. 45. The report shows a total unfunded liability for other post employment benefits of $1.473 billion, consisting of a liability in the amount of $935 million for an implicit rate subsidy (previously referred to as implied subsidy of group health insurance) and a liability in the amount of $538 million for a Medicare Part D subsidy, which reflects future subsidy reimbursement payments from the federal government. A complete copy of the report was filed at that time with each nationally recognized municipal securities information repository.

Implied Subsidy of Retiree Life Insurance Program

A Retiree Life Insurance Program may also have an implied subsidy component. The State provides post-retirement life insurance coverage to retired plan participants over the age of 65 at no cost to the employee. An actuarial valuation of this plan as of January 1, 2008 calculated an unfunded liability of approximately $53 million.

Table II-16

WISCONSIN RETIREMENT SYSTEM
ACTUARIAL STATEMENT OF ASSETS AND LIABILITIES
December 31, 2008 (Unaudited)
(Amounts in Millions)

	12/31/2008	12/31/2007	Increase (Decrease)
Assets and Employer Obligations:			
Net Assets			
Cash, Investments & Receivables			
Less: Payables & Suspense Items			
Core Division	$73,119.7	$72,754.8	$ 364.9
Variable Division	4,039.7	7,037.1	(2,997.4)
Totals	77,159.4	79,791.9	(2,632.5)
Obligations of Employers			
Unfunded Accrued Liability	252.6	287.8	(35.2)
TOTAL ASSETS	$77,412.0	$80,079.7	$(2,667.7)
Reserves and Surplus:			
Reserves			
Actuarial Present Value of Projected Benefits Payable to Terminated Vested Participants and Active Members:			
Member Normal Contributions	$15,897.3	$16,627.9	$ (730.6)
Member Additional Contributions	148.0	167.5	(19.5)
Employer Contributions	22,994.1	23,609.2	(615.1)
Total Contributions	$39,039.4	$40,404.6	$(1,365.2)
Actuarial Present Value of Projected Benefits Payable to Current Retirees And Beneficiaries:			
Core Annuities	$36,551.5	$32,877.5	$ 3,674.0
Variable Annuities	4,491.0	4,563.7	(72.7)
TOTAL ANNUITIES	41,042.5	37,441.2	3,601.3
TOTAL RESERVES	$80,081.9	$77,845.8	$ 2,236.1
Surplus			
Core Annuity Reserve Surplus	$ (753.4)	$ 2,172.6	$(2,926.0)
Variable Annuity Reserve Surplus	(1,916.5)	61.3	(1,977.8)
TOTAL SURPLUS	(2,669.9)	2,233.9	(4,903.8)
TOTAL RESERVES AND SURPLUS	$77,412.0	$80,079.7	$(2,667.7)

Notes to Wisconsin Retirement System

All eligible State of Wisconsin employees participate in the Wisconsin Retirement system **(System)**, a cost-sharing multiple-employer public employee retirement system **(PERS)**. The payroll for employees covered by the system for the year ended December 31, 2008 was $3.83 billion.

All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees are required by statute to contribute 5.0% of their salary (2.9% for Executive and Elected Officials, 5.1% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security), to the plan. Participants are also required to make a non-refundable Benefit Adjustment Contribution to the plan. Employers may make these contributions to the plan on behalf of the employees. Employers are required to contribute the remaining amounts necessary to pay the projected cost of future benefits. The total required contribution for the year ended December 31, 2007 was $424 million, which consisted of $199 million or 5.2% of payroll from the employer and $225 million or 5.9% of payroll from employees.

Employees who retire at or after age 65 (55 for protective occupation employees) are entitled to receive a retirement benefit. The benefit is calculated as 1.6% (2.0% for Executives, Elected Officials, and Protective Occupations with social security and 2.5% for protective occupations without social security) of final average earnings for each year of creditable service after December 31, 1999. Service earned before January 1, 2000 accrues benefits at a rate of 1.765% (2.165% for Executives, Elected Officials, and Protective Occupations with social security and 2.665% for protective occupations without social security). Final Average Earnings is the average of the employee" three highest years' earnings. 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 benefit. Benefits are fully vested upon entry into the System.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes.

The System utilizes the "Entry Age Normal with Frozen Initial Liability" actuarial method in establishing employer contribution rates. Under this method, the Unfunded Accrued Actuarial Liability is affected only by the monthly amortization payments, compound interest, the added liability created by new employer units, and any added liabilities caused by changes in benefit provisions. All actuarial gains or losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost. The unfunded accrued actuarial liability 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 affect the unfunded accrued actuarial liability, and the resulting actuarial gains or losses are credited or charged to employer's unfunded liability accounts. The State of Wisconsin, as of December 31, 2008, had no unfunded liability. The total system unfunded liability of $253 million, as of December 31, 2008, is attributable to local governments.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 2008 Comprehensive Annual Financial Report.

The preceding provides a comparative actuarial balance sheet for the most recent reporting periods.

Table II-17

WISCONSIN RETIREMENT SYSTEM
FUNDING RATIO
(Amounts in Thousands)

Year	A Net Real Assets	B Unfunded Actuarial Liability	C Reserve Requirement (A+B)	D Funding Ratio (A÷C)
1999	$ 49,403,700	$ 2,145,800	$ 51,549,500	95.8
2000	51,824,600	2,169,000	53,993,600	96.0
2001	58,024,300	2,110,400	60,134,700	96.5
2002	57,861,900	1,756,900	59,618,800	97.1
2003	62,685,300	526,400	63,211,700	99.2
2004	66,209,400	412,900	66,622,300	99.4
2005	68,615,100	372,500	68,987,500	99.5
2006	73,415,300	320,500	73,735,800	99.6
2007	79,791,900	287,800	80,079,700	99.6
2008	77,159,400	252,600	77,412,000	99.7

Source: Department of Employee Trust Funds

Table II-18

WISCONSIN RETIREMENT SYSTEM
COVERED EMPLOYEES

Year	Active State	Active Local	Retired
1999	66,716	186,582	102,817
2000	68,330	189,710	107,425
2001	70,512	193,371	112,142
2002	71,222	195,128	116,289
2003	71,031	194,119	121,582
2004	70,933	193,667	126,211
2005	70,006	193,116	131,674
2006	70,366	192,490	137,117
2007	71,162	192,219	142,906
2008	72,165	193,556	144,033

Source: Department of Employee Trust Funds

Table II-19

WISCONSIN RETIREMENT SYSTEM
REQUIRED CONTRIBUTIONS BY SOURCE[(a)]
(Amounts in Thousands)

	State		Local		Total	
Year	**Employee**	**Employer**	**Employee**	**Employer**	**Employee**	**Employer**
1999	$ 886	$294,436	$3,564	$863,003	$4,450	$1,157,439
2000	800	305,049	3,543	754,516	4,343	1,059,565
2001	739	283,567	3,467	765,541	4,206	1,049,108
2002	763	315,782	3,679	733,748	4,442	1,049,530
2003	860	304,740	3,871	758,829	4,731	1,063,569
2004	937	324,297	4,106	784,860	5,043	1,109,156
2005	1,038	344,760	4,339	829,156	5,377	1,173,916
2006	1,169	368,020	4,606	863,256	5,775	1,231,276
2007	1,622	393,386	4,934	902,112	6,556	1,295,498
2008	1,748	421,936	5,217	937,406	6,965	1,359,342

(a) Employer contributions include employer pick-up of employee contributions.

Source: Department of Employee Trust Funds

Table II-20

WISCONSIN RETIREMENT SYSTEM
STATE EMPLOYER CONTRIBUTION RATES[(a)]

Employee Classification	Current Service	Prior Service	Total
Protective	8.6%	0.0%	8.6%
Elected	8.7	0.0	8.7
General	4.8	0.0	4.8

(a) Effective January 1, 2010

Source: Department of Employee Trust Funds

Table II-21

WISCONSIN RETIREMENT SYSTEM
REVENUES BY TYPE
(Amounts in Thousands)

	Contributions						
Year	Required Employee	Required Employer[(a)]	Additional Employee	Investment Income	Supplemental	Misc.	Total
1999	$ 505,411	$ 656,478	$ 8,802	$ 9,235,371	$ 6,272	$ 205	$10,412,539
2000	511,661	561,052	10,441	(1,032,185)	5,496	184	56,649
2001	496,012	557,303	5,086	(1,990,408)	4,517	211	(927,279)
2002	513,038	910,181	13,593	(5,880,598)	3,873	184	(4,439,279)
2003	564,754	1,737,816	6,329	12,043,429	3,301	3,563	14,359,192
2004	605,184	645,476	18,236	7,512,872	3,082	191	8,785,131
2005	623,250	603,012	17,468	5,492,548	3,039	173	6,739,490
2006	614,726	653,849	16,891	10,962,280	1,764	127	12,249,637
2007	688,044	646,615	18,462	6,495,914	1,422	401	7,850,858
2008	722,534	684,731	14,139	(22,744,110)	1,160	1,618	(21,319,928)

(a) The amount in 2003 reflects payment made by the State from proceeds of obligations issued to fund the State’s unfunded accrued prior service liability, as of January 1, 2003. Employer contributions include current service and, for employers other than the State, amounts required to reduce their respective unfunded accrued liability over a 40–year amortization period beginning in 1990.

Source: Department of Employee Trust Funds

Table II-22

WISCONSIN RETIREMENT SYSTEM
BENEFIT EXPENDITURES BY TYPE[(a)]
(Amounts in Thousands)

Year	Separations	Death	Annuities	Supplemental[(b)]	Misc.	Total
1999	$ 35,609	$ 13,858	$1,844,479	$ 6,272	$ 12,328	$1,912,546
2000	49,814	25,724	2,237,824	5,496	183,350	2,502,208
2001	40,740	22,308	2,467,690	4,517	15,635	2,550,890
2002	38,470	27,551	2,603,193	3,873	18,667	2,691,754
2003	28,847	32,725	2,627,877	3,301	16,392	2,729,142
2004	24,967	28,028	2,797,263	3,082	13,496	2,866,836
2005	25,221	26,633	3,041,029	3,039	17,859	3,113,781
2006	25,072	37,507	3,195,279	1,764	16,316	3,275,938
2007	24,172	36,874	3,480,104	1.422	17,689	3,560,261
2008	27,375	28,802	3,793,740	1,160	17,970	3,869,047

(a) Amounts include payments from employee additional contributions.

(b) Supplemental benefits were granted to certain employees by the Legislature in 1974. These benefits are paid out of the State General Fund.

Source: Department of Employee Trust Funds

ACTUARIAL ASSUMPTIONS

The following set forth the actuarial assumptions that will be applied in the determination of contribution levels required for the funding of the Wisconsin Retirement System effective January 1, 2007.

Table II-23

WISCONSIN RETIREMENT SYSTEM
SEPARATION BEFORE AGE AND SERVICE RETIREMENT

Select and Ultimate Withdrawal

	% of Active Participants Terminating								
	Protective		Public Schools		University			Others	
Age & Service	With Soc. Sec.	Without Soc. Sec.	Males	Females	Males	Females	Executive &Elected	Males	Females
0	12.0%	5.0%	14.0%	11.0%	20.0%	20.0%	16.0%	21.0%	20.0%
1	6.5	3.0	11.0	9.0	16.0	17.0	14.0	13.0	14.0
2	4.5	2.0	7.0	7.0	13.0	14.0	12.0	9.5	10.0
3	4.1	1.5	5.2	6.0	11.0	12.0	10.0	7.5	8.0
4	3.2	1.4	4.0	5.0	9.0	10.0	9.5	5.5	7.0
5 & over									
25	2.0	0.9	2.0	2.5	3.5	5.5	7.0	3.0	4.0
30	2.0	0.8	1.8	2.2	3.5	5.5	7.0	3.0	3.7
35	1.8	0.8	1.4	1.8	3.5	5.5	7.0	2.6	3.2
40	1.4	0.8	1.2	1.4	3.4	4.7	5.8	2.0	2.7
45	1.2	0.7	1.1	1.2	2.8	3.4	4.7	1.6	2.2
50	1.0	0.7	0.9	1.0	1.9	2.1	4.2	1.3	1.9
55	1.0	0.7	0.9	1.0	1.5	1.6	4.0	1.3	1.8
60	1.0	0.7	0.9	1.0	1.5	1.6	4.0	1.3	1.8

Disability Rates

	% of Active Participants Becoming Disabled							
	Protective		Public Schools		University		Others	
Age	With Soc. Sec.	Without Soc. Sec.	Males	Females	Males	Females	Males	Females
20	0.02%	0.05%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
25	0.02	0.05	0.01	0.01	0.01	0.01	0.01	0.01
30	0.02	0.05	0.01	0.01	0.01	0.01	0.01	0.04
35	0.03	0.06	0.01	0.01	0.01	0.04	0.02	0.05
40	0.05	0.08	0.02	0.02	0.01	0.06	0.05	0.07
45	0.07	0.16	0.05	0.08	0.03	0.05	0.10	0.10
50	0.11	0.92	0.14	0.16	0.05	0.10	0.23	0.15
55	1.73	0.68	0.26	0.23	0.15	0.15	0.43	0.28
60	2.92	0.20	0.43	0.34	0.20	0.23	0.77	0.39

Source: Department of Employee Trust Funds

Table II-24

WISCONSIN RETIREMENT SYSTEM
RETIREMENT PATTERNS

Rates of Retirement for Those Eligible to Retire
(Normal Retirement Pattern)

	% Retiring Next Year								
	General		Public Schools		University		Protective		
Age	Males	Females	Males	Females	Males	Females	With Soc. Sec.	Without Soc. Sec.	Executive & Elected
50							8%	3%	
51							8	3	
52							8	7	
53							30	25	
54							20	30	
55							20	30	
56							18	30	
57	25%	20%	40%	30%	20%	15%	18	35	15%
58	25	20	35	30	15	15	18	30	15
59	25	20	30	30	15	15	18	20	15
60	25	20	30	30	15	15	18	20	15
61	20	20	30	35	17	25	18	20	15
62	35	30	40	40	17	25	20	20	10
63	35	30	40	35	17	20	30	20	10
64	25	25	25	25	17	20	20	20	10
65	25	25	25	30	20	20	30	40	10
66	25	25	25	25	20	20	25	40	20
67	10	15	15	25	20	20	25	40	20
68	10	10	15	20	20	20	25	40	20
69	10	10	20	20	20	20	25	40	20
70	10	10	20	20	20	20	100	100	10
71	10	10	20	20	20	20	100	100	10
72	10	10	20	20	20	20	100	100	10
73	10	10	20	20	20	20	100	100	10
74	10	10	20	20	20	20	100	100	10
75	100	100	100	100	100	100	100	100	100

Source: Department of Employee Trust Funds

Table II-25

WISCONSIN RETIREMENT SYSTEM
OTHER ASSUMPTIONS

Mortality Rates

Active & Retired Life Mortality Rates

Sample Attained Ages	Future Life Expectancy (years) Males	Females
40	40.9	45.3
45	36.2	40.5
50	31.5	35.7
55	27.0	30.9
60	22.7	26.4
65	18.5	22.0
70	14.5	17.8
75	11.0	13.9
80	8.1	10.4
85	5.7	7.4

Salary Scale

% Increases in Salaries Next Year

	Merit					Total			
Age	Other	Teachers	Protective	Executive & Elected	Base (Economy)	Other	Teachers	Protective	Executive & Elected
1	3.5%	3.5%	5.0%	1.2%	4.1%	7.6%	7.6%	9.1%	5.3%
2	3.5	3.5	5.0	1.2	4.1	7.6	7.6	9.1	5.3
3	3.2	3.4	4.4	1.2	4.1	7.3	7.5	8.5	5.3
4	2.9	3.3	3.7	1.2	4.1	7.0	7.4	7.8	5.3
5	2.6	3.2	3.1	1.1	4.1	6.7	7.3	7.2	5.2
10	1.6	2.9	1.6	1.0	4.1	5.7	7.0	5.7	5.1
15	1.3	2.4	1.0	0.9	4.1	5.4	6.5	5.1	5.0
20	1.1	1.9	0.9	0.8	4.1	5.2	6.0	5.0	4.9
25	0.9	1.3	0.7	0.6	4.1	5.0	5.4	4.8	4.7
30	0.7	1.2	0.7	0.4	4.1	4.8	5.3	4.8	4.5

Future Annual Investment Return

For purposes of the above tables, the future annual invested return is assumed to be 7.8%.

For benefit calculation purposes, an assumed benefit rate of 5.0% is used.

Source: Department of Employee Trust Funds

STATE OF WISCONSIN INVESTMENT BOARD

The State of Wisconsin Investment Board (**SWIB**) invests the assets of the State Investment Fund, the Wisconsin Retirement System, and several smaller trust funds established by the State. Overall policy direction for SWIB is established by an independent, nine-member Board of Trustees (**Trustees**). The Trustees establish long-term investment polices, set guidelines for each investment portfolio, and monitor investment performance.

Pursuant to Wisconsin Statutes, the State Investment Fund consists of cash balances of the General Fund, State agencies and departments, and Wisconsin Retirement System reserves. In addition, the State Investment Fund also includes investment deposits from elective participants consisting of over 1,000 municipalities and other public entities, which are accounted for in the LGIP, which is a subset of the State Investment Fund.

The objectives of the State Investment Fund are to provide (in order of priority):

- Safety of principal
- Liquidity
- Reasonable rate of return

This fund includes the cash balances from retirement trust funds while they are pending longer-term investment. This fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The State Investment Fund is strategically managed as a money market fund, but has the ability to have a longer average maturity than a typical money market fund. This strategy is made possible by the mandatory investment of State funds for which the cash-flow requirements can be determined significantly in advance. Because of the role played by the State Investment Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

With regard to investments of the State Investment Fund, the Wisconsin Statutes establish parameters, and the Trustees establish and monitor policies covering:

- Types of assets and the amount that can be acquired
- Delegation of powers to purchase and sell and specific guidelines for various types of investments
- Emergency powers in the event the Trustees are unable to meet
- Guidelines pertaining to use of derivatives, financial futures, and related options

The policies seek to achieve safety of principal and liquidity by attention to quality standards, maturity, and marketability. The policies seek to enhance return through portfolio management that considers, among other things, anticipated changes in interest rates and the yield curve.

SWIB's executive director is appointed by the Trustees. The executive director is responsible for oversight of staff activities and developing and recommending policies for adoption by the Trustees. The portfolio managers and analysts are all responsible for daily investment decisions in their markets. Their activities are monitored by SWIB's chief investment officer, who is appointed by the executive director with participation of the Trustees.

The nine members of the Board of Trustees include:

- The Secretary of Administration or a designee.
- Two members are participants in the Wisconsin Retirement System. One of these is a teacher who is appointed by the Teacher Retirement Board. The other represents non-teacher participants and is appointed by the Wisconsin Retirement Board.
- Six members, called public members, are appointed by the Governor. Of these public members, four are required to have at least ten years of investment experience and one is required to be a non-elected government official from a smaller Local Government Investment Pool participant, with at least ten years of financial experience.

All appointed members serve six-year terms. The Trustees usually meet on a monthly basis.

As a public agency, SWIB is not registered under the Investment Company Act of 1940, the Investment Advisor Act of 1940, or the Commodity Exchange Act. However, a description of LGIP and State Investment Fund risk factors, guidelines, and investment objectives may be obtained from the State of

Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842 . The phone number is (608) 266-2381, the e-mail address is info@swib.state.wi.us, and the web site address is www.swib.state.wi.us.

Table II-26 presents unaudited financial and statistical information for the State Investment Fund. A copy of SWIB's annual report or information on the Local Government Investment Pool and the State Investment Fund may be obtained from SWIB.

Table II-26

STATE INVESTMENT FUND
(As of October 31, 2009; Unaudited)
Holdings Detail Report

	Amortized Cost	Market Value	Percent of Portfolio at Amortized Cost
NOW Accounts	$ 366,425,000	$ 366,425,000	5.5%
U.S. Governments Agencies	3,939,125,051	3,940,296,147	59.4
U.S. Repurchase Agreements	1,767,000,000	1,767,000,000	26.7
U.S. Governments Treasuries	498,792,889	499,196,000	7.5
Certificates of Deposit and Bankers	56,800,000	56,800,000	0.9
Mortgage-Backed	62,574	62,574	0.0
	$6,628,205,514	$6,629,779,721	100.0%

Accrued Gross Income: $1,270,848

Average Maturity for the Last Six Months

Reporting Date	Average Maturity (Days)	Reporting Date	Average Maturity (Days)
10/31/2009	57	7/31/2009	75
9/30/2009	61	6/30/2009	69
8/31/2009	61	5/31/2009	59

Summary of Investment Fund Participants

	Par Amount	Percent of Portfolio
Mandatory Participants		
State of Wisconsin and Agencies	$ 2,795,059,000	37.4%
State of Wisconsin Investment Board	2,278,988,000	30.5
Elective Participants		
Local Government Investment Pool	2,403,218,000	32.1
	$ 7,477,265,000	100.0%

NOTE: The difference between the total of the participants' share ($7,477,265,000) and the amortized cost of the State Investment Fund holdings detail report ($6,628,205,514) is the result of (i) check float (checks written and posted at the Department of Administration that have not cleared the bank) and a timing delay by the State in posting bank receipts that have already been invested by SWIB and (ii) approximately $985 million in cash in the State Investment Fund as of October 31, 2009.

Source: State of Wisconsin Investment Board

STATISTICAL INFORMATION

The following tables present information pertaining to the State's economic condition, including property value, population, income, and employment.

Table II-27
STATE ASSESSMENT
(EQUALIZED VALUE)
OF TAXABLE PROPERTY

Calendar Year	Value of Taxable Property	Rate of Increase (Decrease)
2000	$286,321,491,800	—
2001	312,483,706,600	9.1%
2002	335,326,478,700	7.3
2003	360,710,211,300	7.6
2004	391,187,814,700	8.4
2005	427,933,562,000	9.4
2006	468,983,199,800	9.6
2007	497,920,348,700	6.2
2008	514,393,963,700	3.3
2009	511,911,983,100	(0.5)

Source: Department of Revenue

Table II-28
DELINQUENCY RATE:
INCOME, FRANCHISE, GIFT, SALES, AND USE TAXES

Fiscal Year	Total Revenues Expected (Amounts in Thousands)	Delinquent Balance[a] (Amounts in Thousands)	Delinquent Balance as a Percent of Total Revenues Expected
2000	$10,144,899	$ 644,310	5.08%
2001	9,327,051	665,826	5.78
2002	9,255,488	767,243	6.65
2003	9,264,797	691,613	6.09
2004	9,775,264	679,552	5.99
2005	10,480,113	682,265	5.37
2006	11,049,893	702,961	5.30
2007	11,712,103	794,238	5.45
2008[b]	11,978,322	1,016,825	8.49
2009	10,957,071	1,128,139	10.30

[a] The collectible delinquent balance is generally less than shown. The collectible delinquent balance is determined by decreasing the delinquent balance by various factors to address amounts owed by taxpayers in bankruptcy, amounts owed by deceased taxpayers, amounts owed by defunct corporations, and amounts owed by accounts assigned to field revenue agents.

[b] The delinquent balance increased starting with the 2007-08 fiscal year due to a new integrated audit, processing, and collection system and a change in the way DOR records accruing interest. In the previous system, accruing interest was only posted to the delinquent tax account when a payment or credit was received. In the new system, accruing interest is posted each month to the delinquent accounts.

Source: Department of Revenue

Table II-29
POPULATION TREND

	Wisconsin Total (Amounts in Thousands)	Rank	% Change Wisconsin	% Change U.S.	Population Per Sq. Mile Wisconsin	Population Per Sq. Mile U.S.
1910	2,334	13	12.8	21.0	42.2	26.0
1920	2,632	13	12.8	15.0	47.6	29.9
1930	2,939	13	11.7	16.2	53.7	34.7
1940	3,138	13	6.8	7.3	57.3	37.2
1950	3,435	14	9.5	14.5	62.8	42.6
1960	3,952	15	15.1	18.5	72.6	50.6
1970	4,418	16	11.8	13.3	81.1	57.5
1980	4,706	16	6.5	11.4	86.5	64.0
1990	4,892	16	4.0	9.8	90.1	70.3
2000	5,364	18	9.6	13.2	98.8	79.6
2001	5,404	18	0.8	1.3	99.5	80.6
2002	5,439	20	0.6	1.0	100.2	81.4
2003	5,472	20	0.6	1.0	100.8	82.2
2004	5,504	20	0.6	1.0	101.4	83.0
2005	5,536	20	0.6	1.0	101.9	84.0
2006	5,557	20	0.9	0.9	103.0	85.0
2007	5,602	20	0.8	1.0	103.5	86.4
2008	5,628	20	0.5	0.9	103.9	87.1

Source: Decennial census and land area statistics—2000 Census of Population and Housing, and U.S. Bureau of the Census World Wide Web Site; Tables GCT-T1-R and TM-M2

Table II-30
POPULATION CHARACTERISTICS
(April 2000)

	Wisconsin	U.S.
% Urban	68.3	79.0
% Rural/nonfarm	29.1	19.9
% Rural/farm	2.6	1.1
% Foreign-born	3.6	11.1
Dependency Ratio [a]	1.59	1.62

Years of School Completed
(as % of population age 25 and over)

	Wisconsin	U.S.
Grade School - 8 years	94.6	92.5
High School - 4 years	85.0	80.4
Bachelor's Degree	22.5	24.4

[a] Population age 18-64 years of age divided by population less than 18 years of age and population 65 years of age and older.

Source: 2000 Census of Population and Housing, U.S. Bureau of the Census World Wide Web Site

Table II-31
POPULATION BY AGE GROUP
(2008)

	Wisconsin	U.S.
Under 5	6.4%	6.9%
5-14	12.7	13.2
15-44	40.5	41.4
45-59	22.0	20.7
60 and over	18.3	17.8
Total	100.0	100.0

Source: 2008 Census Population Estimates Table T-6

Table II-32
ESTIMATED PERSONAL INCOME

Year	Wisconsin Total (Amounts in Millions)	Per Capita Wisconsin	Per Capita U.S.	Percentage Wis. To U.S.
1999	$143,589	$26,926	$27,880	96.6%
2000	153,548	28,570	29,845	95.7
2001	158,888	29,392	30,575	96.1
2002	163,273	30,011	30,814	97.4
2003	167,586	30,613	31,487	97.2
2004	176,630	32,063	33,041	97.0
2005	185,821	33,511	34,586	96.8
2006	191,567	34,701	36,276	95.6
2007	203,008	36,241	38,564	94.0
2008	209,999	37,314	39,750	93.9

Source: Bureau of Economic Analysis, U.S. Department of Commerce, World Wide Web Site

Table II-33
MEDIAN INCOME FOR FOUR-PERSON FAMILY

Year[a]	Wisconsin	U.S.	Percentage Wis. To U.S.
1999	$52,986	$51,518	102.8%
2000	57,270	53,350	107.3
2001	58,000	56,061	103.5
2002	63,436	59,981	105.8
2003	66,725	62,228	107.2
2004	65,441	63,278	103.4
2005	66,988	62,732	106.8
2006	69,010	65,093	106.0
2007	71,267	66,111	107.7
2008	71,064	67,019	106.0

[a] Year refers to the time period used for eligibility for the Department of Health and Human Services' Low Income Home Energy Assistance Program (LIHEAP).

Source: U.S. Bureau of the Census for Low Income Home Energy Assistance Program of the U.S. Department of Health and Human Services; World Wide Web Site

Table II-34
DISTRIBUTION OF EARNINGS BY INDUSTRY
(By Place of Work)

	Wisconsin Distribution		U.S. Distribution	
	2007	**2008**	**2007**	**2008**
Farm	0.7%	0.7%	0.3%	0.3%
Nonfarm				
Natural Resources & Mining	0.2	0.2	1.0	1.2
Utilities	0.8	0.8	0.7	0.7
Construction	5.6	5.3	5.8	5.6
Manufacturing	21.5	21.1	11.8	11.3
Wholesale Trade	5.7	5.8	5.8	5.8
Retail Trade	6.5	6.3	6.6	6.4
Transportation & Warehousing	3.5	3.4	3.2	3.2
Information	2.3	2.3	3.3	3.3
Financial Activities & Real Estate	7.6	7.6	9.7	9.4
Professional & Business Services	11.4	11.3	15.8	16.0
Educational & Health Services	13.5	14.0	11.6	12.1
Leisure & Hospitality	3.5	3.5	4.5	4.4
Other Services	3.0	3.1	3.1	3.2
Government	14.3	14.6	16.8	17.2
Total Earnings by Industry	100.0	100.0	100.0	100.0

Note: This table reflects NAICS and items may not total due to rounding.
Source: Bureau of Economic Analysis, U.S. Department of Commerce Table SA07, World Wide Web Site

Table II-35
ESTIMATED EMPLOYEES IN WISCONSIN ON NONAGRICULTURAL PAYROLLS[(a)]
(2008 Annual Average)

	Wisconsin		U.S.	
	(Amounts in Thousands)	**%**	**(Amounts in Thousands)**	**%**
Natural Resources & Mining	18.9	0.5	2,014	1.1
Construction	190.4	5.4	11,151	6.2
Manufacturing	510.1	14.5	14,091	7.9
Retail Trade	393.4	11.2	18,862	10.9
Wholesale Trade	134.1	3.8	6,571	3.7
Transportation, Warehousing & Utilities	133.8	3.8	6,610	3.7
Information	57.6	1.9	3,530	2.0
Financial Activities	310.8	8.8	17,393	9.7
Professional & Business Services	384.9	10.9	25,340	14.2
Educational & Health Services	454.7	12.9	22,470	12.6
Leisure & Hospitality	312.7	8.9	16,175	9.0
Other Services	190.5	5.4	10,329	5.8
Government	432.4	12.3	24,577	13.7
Total	3,524.1	100.0	179,113	100.0

[(a)] Not seasonally adjusted.

Source: Department of Workforce Development

Table II-36
GENERAL STATISTICS OF MANUFACTURING[(a)]

	2000	2006
New Capital Expenditures (millions)..............	$ 4,363.4	$ 3,902.8
Number of Employees (thousands).................	574.9	471.3
Total Payroll (millions)..................................	$ 21,012.9	$ 20,775.3
Number of Production Workers (thousands)	425.6	342.9
Value Added by Manufacturer (millions)........	$ 63,684.4	$ 71,864.9
Value of Shipments (millions)	$131,754.9	$153,782.0

(a) Data for 2000 and 2006 is from census of manufacturers.

Source: U.S. Bureau of the Census; World Wide Web Site

Table II-37
ESTIMATED PRODUCTION WORKERS
IN MANUFACTURING: HOURS AND EARNINGS
(Annual Average)

	Wisconsin			United States		
	2002	2008	% Change	2002	2008	% Change
Weekly Earnings..................	$642.3	$718.2	11.8	$618.8	$724.2	17.0
Weekly Hours	40.5	40.0	(1.2)	40.5	40.8	0.7
Hourly Earnings...................	$ 15.9	$ 18.0	13.2	$ 15.30	$ 17.7	15.7

Source: Department of Workforce Development

Table II-38
TOTAL NEW HOUSING UNITS AUTHORIZED
IN PERMIT–ISSUING PLACES

		% Change	
Year	Wisconsin	Wisconsin	U.S.
1999	35,570	0.4	3.2
2000	34,154	(4.0)	(4.3)
2001	37,773	10.6	2.8
2002	38,208	1.2	6.8
2003	40,884	7.0	8.1
2004	39,992	(2.2)	8.6
2005	35,334	(11.6)	4.1
2006	27,329	(19.8)	(14.6)
2007	21,837	(20.1)	(24.0)
2008	15,509	(29.0)	(35.1)

Source: U.S. Bureau of the Census, World Wide Web Site

Table II-39
UNEMPLOYMENT RATE COMPARISON[a]
By Month 2004 To 2009
By Quarter 2000 To 2003

	2009		2008		2007		2006		2005		2004	
	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.
January	7.7	8.5	5.5	5.4	5.5	5.0	5.1	5.1	5.5	5.7	5.9	6.3
February	8.8	8.9	5.8	5.2	5.8	4.9	5.7	5.1	6.0	5.8	6.2	6.0
March	9.4	9.0	5.6	5.2	5.6	4.5	5.6	4.8	5.6	5.4	6.3	6.0
April	8.8	8.6	4.4	4.8	5.2	4.3	4.9	4.5	4.9	4.9	5.3	5.4
May............	8.7	9.1	4.2	5.2	4.7	4.3	4.5	4.4	4.6	4.9	4.9	5.3
June	9.2	9.7	4.9	5.7	5.1	4.7	4.9	4.8	4.9	5.2	5.3	5.8
July	8.7	9.6	4.8	6.0	4.8	4.9	4.7	5.0	4.7	5.2	4.9	5.7
August	8.4	9.6	4.7	6.1	4.7	4.6	4.5	4.6	4.3	4.9	4.6	5.4
September..	7.7	9.5	4.4	6.0	4.3	4.5	4.2	4.4	4.1	4.8	4.2	5.1
October......	7.6	9.5	4.4	6.1	4.2	4.4	3.9	4.1	3.9	4.6	4.1	5.1
November..			5.2	6.5	4.3	4.5	4.3	4.3	4.4	4.8	4.3	5.2
December ..			5.8	7.1	4.6	4.8	4.5	4.3	4.6	4.6	4.5	5.1
Annual Average ...			4.7	5.8	4.9	4.6	4.7	4.6	4.8	5.1	5.0	5.5

2003 Quarters	Wis.	U.S.	2002 Quarters	Wis.	U.S.
I	6.5	6.4	I	6.2	6.2
II	5.9	6.0	II	5.4	5.7
III	5.3	6.0	III	4.8	5.7
IV	4.8	5.5	IV	4.7	5.6
2001 Quarters	**Wis.**	**U.S.**	**2000 Quarters**	**Wis.**	**U.S.**
I	4.6	4.6	I	3.9	4.4
II	4.3	4.3	II	3.4	3.9
III	4.1	4.8	III	3.2	4.0
IV	4.5	5.2	IV	3.0	3.7

[a] Figures show the percentage of labor force that is unemployed and are *not seasonally adjusted*.

Source: Department of Workforce Development and U.S. Bureau of Labor Standards

APPENDIX A

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

The following material is a reprint of the "General Purpose External Financial Statements" section of the audited CAFR for the fiscal year ended June 30, 2009 The entire CAFR is available from the State Controller's Office, Department of Administration, P.O. Box 7864, Madison, WI 53707-7864. The entire CAFR is also available on the internet at:

www.doa.wi.gov/capitalfinance

{This page number is the last sequential page number of the 2009 Annual Report to be used in this Part II of the 2009 Annual Report. The following uses page numbers from the general purpose external financial statements. The sequential page numbers for the 2009 Annual Report continue in Part III.}

WISCONSIN

General Purpose External Financial Statements

For the fiscal year ended June 30, 2009

STATE OF
WISCONSIN

General Purpose External Financial Statements

For the fiscal year ended June 30, 2009

Jim Doyle, Governor

Department of Administration
Michael L. Morgan, Secretary
Stephen J. Censky, State Controller

Prepared by the State Controller's Office DOA-6082AP (R12/09)

State of Wisconsin

General Purpose External Financial Statements
For the Fiscal Year Ended June 30, 2009

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WISCONSIN DEPARTMENT OF ADMINISTRATION

JIM DOYLE
GOVERNOR
MICHAEL L. MORGAN
SECRETARY
Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842

December 11, 2009

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

We are pleased to submit the General Purpose External Financial Statements of the State of Wisconsin for the fiscal year ended June 30, 2009. They are part of the audited Comprehensive Annual Financial Report and present financial information in conformity with generally accepted accounting principles.

The General Purpose External Financial Statements include management's discussion and analysis (MD&A), the basic financial statements, and required supplementary information (RSI).

- MD&A presents a discussion and analysis of the State's financial performance during the fiscal year.
- The basic financial statements include an overview of the government as a whole (excluding the State's fiduciary activities) as well as detailed information on all governmental, proprietary, and fiduciary fund activity. Notes, which are considered part of the basic financial statements, provide additional information and should be used in conjunction with the financial statements.
- RSI includes information on post-employment health insurance benefits, infrastructure and the budgetary comparison schedule with accompanying notes.

The General Purpose External Financial Statements, as well as the Comprehensive Annual Financial Report, are on file at the office of the State Controller and will benefit users requiring summary information about our State's finances. The Comprehensive Annual Financial Report is available on the Department of Administration's website at: http://www.doa.state.wi.us/debf under the "financial reporting" category.

Sincerely,

Michael L. Morgan
Secretary

Stephen J. Censky, CPA
State Controller

STATE OF WISCONSIN
Legislative Audit Bureau

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

Janice Mueller
State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Legislature The Honorable James Doyle, Governor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Wisconsin's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements for the following: the Wisconsin Department of Transportation Revenue Bond Program and Commercial Paper Program, which represent 12 percent of the liabilities of the governmental activities and 4 percent of the liabilities of the aggregate remaining fund information; the Badger Tobacco Asset Securitization Corporation, which represents 4 percent of the expenditures of the aggregate remaining fund information; the Environmental Improvement Fund, which is a major fund and represents 22 percent of the assets and 18 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 is based upon the audit reports of the Wisconsin Housing and Economic Development Authority, the University of Wisconsin Hospitals and Clinics Authority, and the University of Wisconsin Foundation.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial 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, 2009, 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 20A(3) to the financial statements, the Injured Patients and Families Compensation Fund's loss liabilities are estimates based on recommendations of a consulting actuary. The Injured Patients and Families Compensation Fund's Board of Governors and management believe the estimated loss liabilities are reasonable and represent the most probable estimate of the losses the Fund will pay for the claims incurred to date. However, uncertainties inherent in projecting the frequency and severity of large medical malpractice claims because of the Fund's unlimited liability coverage and extended reporting and settlement periods make it likely that amounts paid will ultimately differ from the reported estimated liabilities. These differences cannot be quantified.

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

In accordance with *Government Auditing Standards*, we have prepared a report dated December 11, 2009, on our consideration of the State's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

LEGISLATIVE AUDIT BUREAU

December 11, 2009 by Janice Mueller

Janice Mueller
State Auditor

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the State of Wisconsin's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended June 30, 2009. 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

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

Government-wide (Tables 2 and 3 on Pages 8 and 9)

- *Net Assets.* The assets of the State of Wisconsin exceeded its liabilities at the close of Fiscal Year 2009 by $11.8 billion (reported as "net assets"). Of this amount, $(8.9) billion was reported as "unrestricted net assets". A positive balance in unrestricted net assets would represent the amount available to be used to meet a government's ongoing obligations to citizens and creditors.
- *Changes in Net Assets.* The State's total net assets decreased by $970.4 million in Fiscal Year 2009. Net assets of governmental activities decreased by $222.2 million or 3.8 percent, while net assets of the business-type activities showed a decrease of $748.2 million or 10.8 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities.* During Fiscal Year 2009, the State's total revenues for governmental activities of $24.5 billion were $0.81 billion more than total expenses (excluding transfers) for governmental activities of $23.7 billion. Of these expenses, $10.7 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled $13.8 billion.

Fund

- *Governmental Funds -- Fund Balances.* As of the close of Fiscal Year 2009, the State's governmental funds reported combined ending fund balances of $(1,857.8) million, a decrease of $387.6 million in comparison with the prior year. Of this total amount, $(3,916.3) million represents the "unreserved fund balances".
- *General Fund -- Fund Balance*. At the end of the current fiscal year, total fund balance was $(2,711.6) million, a change of $(209.1) million from $(2,502.6) million reported in the prior year. The unreserved fund deficit for the General Fund was $(3,121.4) million, or (15.4) percent of total General Fund expenditures.

Additional information regarding individual funds begins on Page 13.

Long-term Debt

- The State's total long-term debt obligations (bonds and notes payable) increased by $380.9 million during the current fiscal year which represents the net difference between new issuances, payments and refundings of outstanding debt. The key factors contributing to this increase are the issuance during the fiscal year of $521.9 million of general obligation bonds, a $1.5 billion increase in annual appropriation bonds, and a $1.3 billion decrease in revenue bond obligations, and the early redemption and refunding of general obligation and revenue bonds. Additional detail regarding these activities begins on Page 18.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

- The *government-wide financial statements* provide a broad view of the State's operations. The statements provide both short-term and long-term information about the State's financial status, which assists in assessing the State's financial condition at the end of the fiscal year.

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

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

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

	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units, reported as follows: • *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. The State's discretely presented component units are discussed in Note 1-B to the financial statements.	These funds report activities of the State that are not proprietary or fiduciary in nature. Most of the basic services provided by the State, which are primarily financed through taxes, intergovernmental revenues, and other nonexchange revenues, are reported as governmental funds. Examples of the State's governmental funds (including the State's three major governmental funds), as reported within their respective fund types, follow: • *General Fund* (a major fund) • *Special Revenue:* -- Transportation (a major fund) • *Debt Service:* -- Bond Security and Redemption • *Capital Projects:* -- Capital Improvement • *Permanent:* -- Common School (a major fund)	The activities the State operates similar to private business. These funds are used to show activities that operate more like those of commercial enterprises. Fees are charged for services provided, both to outside customers and to other units of the State. Examples of the State's proprietary funds, including the State's four major enterprise funds, follow: • *Enterprise:* -- Injured Patients and Families Compensation (a major fund) -- Environmental Improvement (a major fund) -- University of Wisconsin System (a major fund) -- Unemployment Reserve (a major fund) -- Lottery • *Internal services:* -- Technology Services -- Facilities Operations and Maintenance	These funds are used to show assets held by the State as trustee or agent for others and cannot be used to support the State's own programs. Examples of the State's fiduciary funds, as reported within their respective fund types, follow: • *Pension and Other Employee Benefit Trust Funds:* -- Wisconsin Retirement System • *Investment Trust:* -- Local Government Pooled Investment • *Private Purpose Trust:* -- College Savings Program Trust • *Agency:* -- Support Collection Trust
Required financial statements	• 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. • 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.	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Balance sheet • Statement of revenues, expenses and changes in fund equity • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets Because the State can not use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed in the left column.

(Table 1, continued)

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

	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	**Proprietary Funds**	**Fiduciary Funds**
Accounting basis and measurement focus	Accrual accounting and economic resource focus The accrual basis of accounting, which is similar to the methods used by most businesses, takes into account all revenues and expenses associated with the fiscal year even if cash involved has not been received or paid.	Modified accrual accounting and current financial resource focus 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.	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	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
Type of inflow-outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	• Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter	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) post-employment benefits - state health insurance program, (2) 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 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, 2009 were $32.3 billion, while total liabilities were $20.5 billion, resulting in combined net assets (government and business-type activities) of $11.8 billion. The largest component of the State's total net assets, $17.1 billion or approximately 144.9 percent, reflects its investment in capital assets (i.e., land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Approximately $3.6 billion of net assets were restricted by external sources or the State Constitution or Statutes, and were not available to finance the day-to-day operations of the State.

The unrestricted net assets, which, if positive, could be used at the State's discretion, showed a negative balance of $(8.9) billion. Therefore, based on this measurement, no funds were available for discretionary purposes. A contributing factor to the negative balance is that governments recognize a liability on the government-wide statement of net assets as soon as an obligation is incurred. While financing focuses on when a liability will be paid, accounting is primarily concerned with when a liability is incurred. Accordingly, the State recognizes long-term liabilities (such as general obligation debt, compensated absences, and future benefits and loss liabilities – listed in Note 10 to the financial statements) on the statement of net assets. In addition to the effect of reporting long-term liabilities when incurred, the General Fund's total deficit fund balance of $(2.7) billion at year-end, as discussed on Page 13, also contributed to the deficit unrestricted net assets reported in the statement of net assets.

During Fiscal Year 2009, the State issued $521.9 million of general obligation bonds, primarily for the acquisition or improvement of land, water, property, highways, buildings, and equipment. General obligation bonds outstanding at June 30, 2009 totaled $5.4 billion. Outstanding annual appropriation bonds were $3.4 billion at June 30, 2009. In Fiscal Year 2009, appropriation bonds of $1.5 billion were issued to purchase the future right, title and interest in Tobacco Settlement Revenues (TSRs). Outstanding revenue bonds, which are not considered general obligation debt of the State, totaled $2.5 billion at June 30, 2009.

Table 2
Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2009	2008	2009	2008	2009	2008	2009-2008
Current and Other Assets	$ 4,698.8	$ 4,677.3	$ 6,172.1	$ 6,583.0	$ 10,870.9	$ 11,260.2	(3.5) %
Capital Assets	16,842.8	16,211.7	4,628.7	4,401.2	21,471.4	20,612.9	4.2
Total Assets	21,541.6	20,889.0	10,800.8	10,984.2	32,342.4	31,873.2	1.5
Long-term Liabilities	9,707.9	9,245.8	3,267.7	3,334.3	12,975.7	12,580.1	3.1
Other Liabilities	6,175.4	5,762.7	1,360.1	728.7	7,535.4	6,491.4	16.1
Total Liabilities	15,883.3	15,008.5	4,627.8	4,063.0	20,511.1	19,071.5	7.5
Net Assets:							
Invested in Capital Assets Net of Related Debt	13,492.0	12,983.9	3,649.8	3,439.0	17,141.8	16,422.9	4.4
Restricted	1,105.2	1,309.4	2,494.5	3,161.9	3,599.7	4,471.3	(19.5)
Unrestricted (deficit)	(8,939.0)	(8,412.9)	28.8	320.4	(8,910.3)	(8,092.5)	10.1
Total Net Assets	$ 5,658.3	$ 5,880.4	$ 6,173.0	$ 6,921.2	$ 11,831.3	$ 12,801.7	(7.6)

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 $17.2 billion and general revenues of $13.8 billion for total revenues of $31.0 billion during Fiscal Year 2009. Expenses for the State during Fiscal Year 2009 were $32.0 billion. As a result of the excess of expenses over revenues, the total net assets of the State decreased $1.0 billion, net of contributions and transfers.

Table 3
Changes in Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2009	2008	2009	2008	2009	2008	2009-2008
Program Revenues:							
Charges for Goods and Services	$ 1,960.1	$ 1,617.5	$ 5,600.1	$ 5,237.3	$ 7,560.2	$ 6,854.8	10.3 %
Operating Grants and Contributions	7,901.6	6,030.6	743.1	397.9	8,644.6	6,428.5	34.5
Capital Grants and Contributions	862.0	728.2	126.3	70.9	988.3	799.2	23.7
General Revenues:							
Income Taxes	6,809.7	7,405.5	-	-	6,809.7	7,405.5	(8.0)
Sales and Excise Taxes	4,755.2	4,809.3	-	-	4,755.2	4,809.3	(1.1)
Public Utility Taxes	307.6	286.5	-	-	307.6	286.5	7.3
Motor Fuel Taxes	1,001.9	1,037.7	-	-	1,001.9	1,037.7	(3.5)
Other Taxes	425.7	575.3	-	-	425.7	575.3	(26.0)
Other General Revenues	515.5	422.5	8.5	15.5	524.0	437.9	19.7
Total Revenues	24,539.2	22,913.1	6,478.0	5,721.6	31,017.2	28,634.7	8.3
Program Expenses:							
Commerce	298.9	293.3	-	-	298.9	293.3	1.9
Education	6,707.7	6,477.2	-	-	6,707.7	6,477.2	3.6
Transportation	2,069.5	1,911.5	-	-	2,069.5	1,911.5	8.3
Environmental Resources	534.9	487.6	-	-	534.9	487.6	9.7
Human Relations and Resources	10,398.2	9,078.1	-	-	10,398.2	9,078.1	14.5
General Executive	551.4	536.5	-	-	551.4	536.5	2.8
Judicial	130.9	125.8	-	-	130.9	125.8	4.1
Legislative	65.6	65.4	-	-	65.6	65.4	0.4
Tax Relief and Other General Expenditures	1,274.9	1,135.6	-	-	1,274.9	1,135.6	12.3
Intergovernmental - Shared Revenue	1,035.1	1,019.3	-	-	1,035.1	1,019.3	1.5
Interest on Long-term Debt	665.4	500.3	-	-	665.4	500.3	33.0
Injured Patients and Families Compensation	-	-	(58.2)	137.7	(58.2)	137.7	(142.3)
Environmental Improvement	-	-	48.5	43.4	48.5	43.4	11.6
University of Wisconsin System	-	-	4,016.5	3,920.6	4,016.5	3,920.6	2.4
Unemployment Reserve	-	-	2,215.3	950.9	2,215.3	950.9	133.0
Lottery	-	-	465.6	487.7	465.6	487.7	(4.5)
Health insurance (a)	-	-	1,086.5	-	1,086.5	-	
Care and Treatment Facilities (a)	-	-	361.6	-	361.6	-	
Other Business-type (a)	-	-	143.4	1,479.4	143.4	1,479.4	(90.3)
Total Expenses	23,732.5	21,630.5	8,279.1	7,019.8	32,011.6	28,650.3	11.7
Excess (deficiency) before Contributions and Transfers	806.8	1,282.6	(1,801.1)	(1,298.3)	(994.4)	(15.6)	
Contributions to Term and Permanent Endowments	-	-	0.7	1.3	0.7	1.3	
Contributions to Permanent Fund Principal	22.6	19.7	-	-	22.6	19.7	
Transfers	(1,051.6)	(1,002.5)	1,052.2	1,002.5	0.6	-	
Special Items - Sale of Future Tobacco Settlement Revenues	1,518.0	-	-	-	1,518.0	-	
Special Items - Purchase of Future Tobacco Settlement Revenues	(1,518.0)	-	-	-	(1,518.0)	-	
Increase (decrease) in Net Assets	(222.2)	299.9	(748.2)	(294.5)	(970.4)	5.4	
Net Assets - Beginning (Restated)	5,880.4	5,580.6	6,921.2	7,215.7	12,801.7	12,796.3	
Net Assets - Ending	$ 5,658.3	$ 5,880.4	$ 6,173.0	$ 6,921.2	$ 11,831.3	$ 12,801.7	(7.6)

(a) In 2008, Health Insurance and the Care and Treatment Centers were reported with "Other Business-type".

Governmental Activities

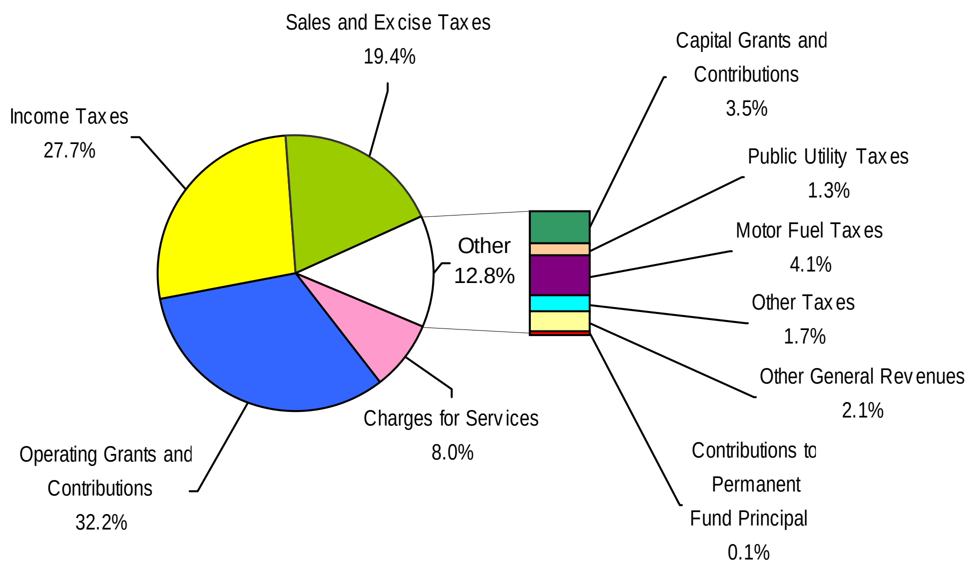
The net assets of governmental activities decreased $0.2 billion in Fiscal Year 2009. Revenues for the governmental activities (including contributions to permanent fund principal) totaled $24.6 billion, while expenses and net transfers totaled $24.8 billion in 2009.

General and program revenues of governmental activities increased $1.6 billion during this fiscal year. Operating grants and contributions increased by $1.9 billion as a result of the enactment of the federal American Recovery and Reinvestment Act (ARRA) of 2009. During the same period, tax revenues declined by $814.2 million which included a reduction of $595.8 million in income tax revenues.

The State's governmental activities program expenses increased $2.1 billion during Fiscal Year 2009. Human relations and resources expenditures increased $1.3 billion. Expenditure increases for the Medical Assistance program and correctional services contributed to this rise. In addition, education expenditures grew $230.5 million, reflecting increased state aid payments to schools.

As shown in Table 4, below, approximately 54.1 percent of revenues from all sources earned came from taxes (sales and excise, income, public utility, motor fuel, and other taxes). Operating grants and contributions represent amounts received from other governments/entities – primarily the federal government. Operating grants and contributions for non-capital purposes provided 32.2 percent of total revenues. Capital grants provided 3.5 percent, charges for services contributed 8.0 percent, and various other revenues provided 2.2 percent of the remaining governmental activity revenue sources.

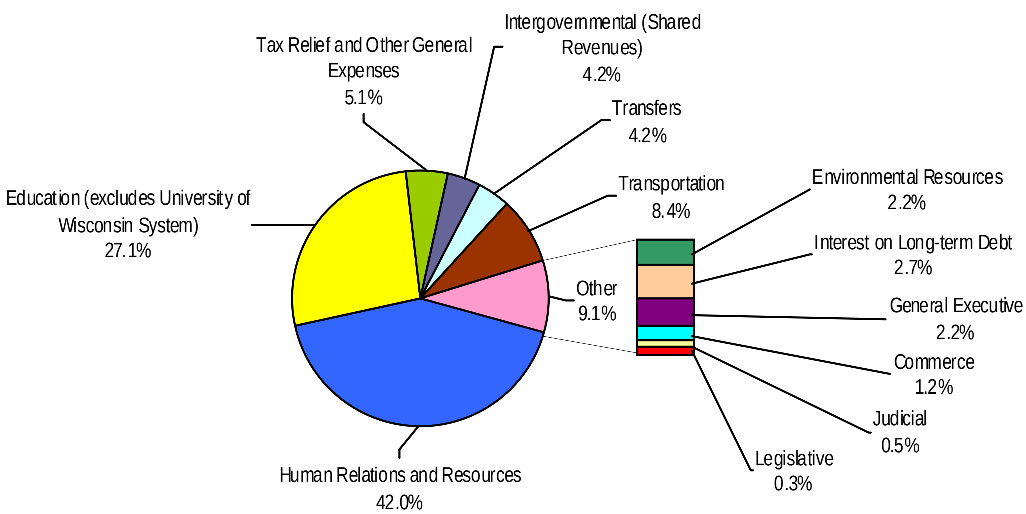
Table 4
Governmental Activities - 2009 Revenues



As shown in Table 5, below, expenses for human relations and resources programs make up the largest portion – 42.0 percent – of total governmental expenses and transfers. Included in this cost function are programs such as Medical Assistance and Temporary Assistance for Needy Families as well as costs for state correctional facilities and services.

Educational expenses, which include various school aids but exclude expenses of the University of Wisconsin System, make up 27.1 percent of total expenses. Tax relief and other general expenses and the municipal and county shared revenue program represent 9.3 percent of the total, while transportation expenses represent 8.4 percent. Net transfers to business-type activities, which include a general purpose revenue subsidy to the University of Wisconsin System, make up 4.2 percent of the total expenses and transfers. The interest on long-term debt and remaining functional expenses total 9.1 percent.

Table 5
Governmental Activities - 2009 Expenses



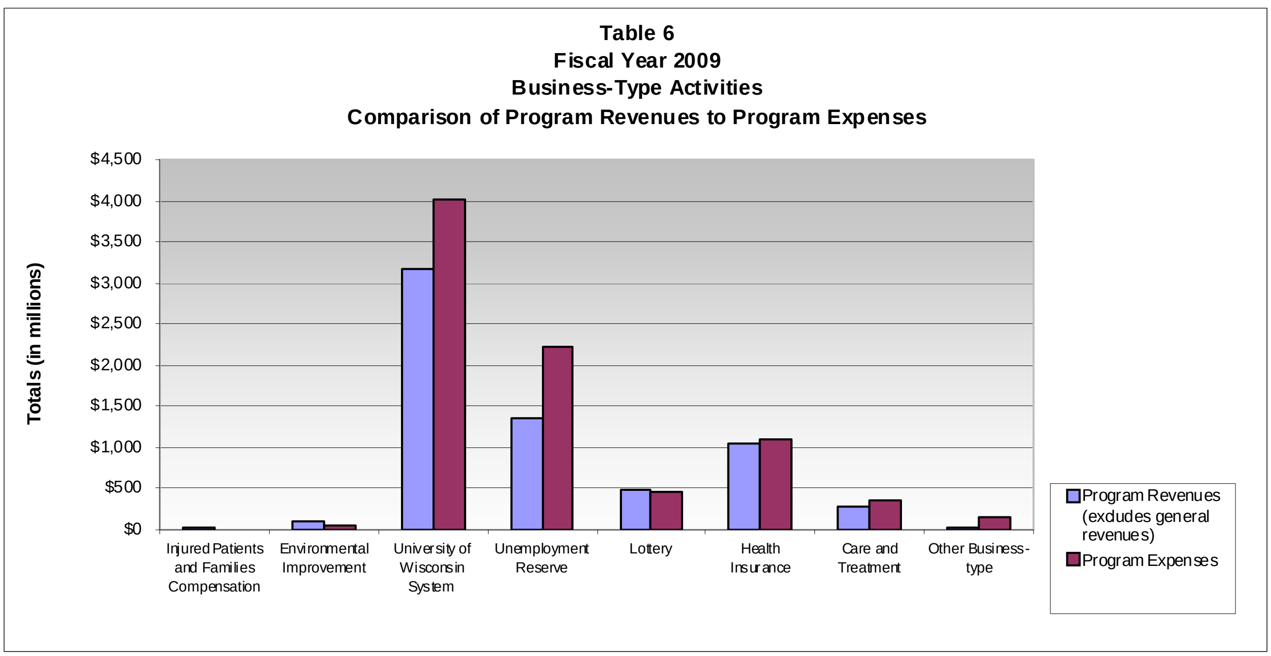
Business-Type Activities

Net assets of the State's business-type activities decreased $748.2 million in Fiscal Year 2009. Total business-type program revenues increased $763.4 million. University of Wisconsin System operating revenues increased $239.7 million due primarily to increases in net student tuition and fees revenue (5.6 percent), federal grants and contracts (11.2 percent), local and private grants and contracts (49.4 percent), and sales and services of auxiliary enterprises (8.3 percent). Unemployment Reserve Fund operating revenues increased $541.1 million due to an increase in federal aid. Participant contributions for non-major funds increased by $100.1 million during Fiscal Year 2009. This increase was primarily the result of increased contributions reported in the Health Insurance Fund.

Program expenses of business-type activities increased $1,259.3 million from Fiscal Year 2008 to 2009. The largest increase in program expenses, $1,264.4 million, related to increased benefit expenses for the Unemployment Reserve Fund. In addition, the University of Wisconsin System program expenses increased by $95.9 million. Offsetting those increases was a $196.8 million reduction in benefit expenses of the Injured Patients and Families Compensation fund.

Revenues of business-type activities totaled $6.5 billion for Fiscal Year 2009. Program revenues consisted of $5.6 billion of charges for services, $743.1 million of operating grants and contributions, and $126.3 million of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal and net transfers totaled $8.5 million, $0.7 million, and $1,052.2 million, respectively. The total expenses for business-type activities were $8.3 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 2009, the State's governmental funds reported a negative combined fund balance of $(1,857.8) million. Funds with significant changes in fund balance are discussed below:

General Fund

The General Fund is the chief operating fund of the State. In Fiscal Year 2009, the downturn in the economy, the receipt of additional funds under ARRA, and the development of new state revenue sources (hospital assessments and tobacco settlement revenues) had a significant impact on the activity reported in the General Fund. At June 30, 2009, the State's General Fund reported a total fund deficit of $(2,711.6) million. The net change in fund balance during Fiscal Year 2009 was $(209.1) million, in contrast to $(108.1) million in Fiscal Year 2008. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

Revenues

Revenues of the General Fund totaled $21,178.0 million in Fiscal Year 2009, an increase of $1,604.2 million from Fiscal Year 2008. Factors contributing to the increase included the following:

- Intergovernmental revenues (i.e., federal assistance) increased $1,917.2 million in Fiscal Year 2009, primarily due to an increase in expenditures that were eligible for federal reimbursement. The most significant changes related to human relations and resources programs (e.g., Medical Assistance), which increased $1,239.8 million and education, which increased by $647.1 million.
- License and permits revenue increased $356.7 million in Fiscal Year 2009. This increase relates primarily to the start of the hospital assessment program which reported revenue of $447.6 million in Fiscal Year 2009.
- Miscellaneous revenue increased $349.2 million in Fiscal Year 2009, primarily due to the receipt of $295.0 million of tobacco settlement revenues, which previously had been received and reported in the Badger Tobacco Asset Securitization Fund. In addition, the Unclaimed Property program recorded a $15.6 million increase in miscellaneous revenues for the current year.
- Charges for Goods and Services revenue decreased $56.3 million in Fiscal Year 2009, primarily because Fiscal Year 2008 revenues included the $60.0 million court settlement of the gaming compact with the Ho-Chunk Nation.
- Revenues from taxes decreased $949.1 million from Fiscal Year 2008 to Fiscal Year 2009. The most significant decrease relates to income tax, which decreased $725.3 million or 9.6 percent from Fiscal Year 2008 collections. Other changes included a precipitous decrease in estate taxes of $137.9 million or 86.8 percent. This reduction is due to statutory provisions that effectively eliminated the estate tax for deaths that occurred on or after January 1, 2008. Finally, sales and excise tax revenues decreased 1.9 percent, or approximately $91.4 million from Fiscal Year 2008 to Fiscal Year 2009.
- Other revenues, such as fines and forfeitures, gifts and donations, and investment income decreased $13.5 million.

Expenditures

Expenditures of the General Fund totaled $20,252.5 million in Fiscal Year 2009, an increase of $1,801.9 million from Fiscal Year 2008. The factors contributing to the increase included the following:

- Human relations and resources expenditures increased substantially ($1,324.2 million) in Fiscal Year 2009. The increases related primarily to additional Medical Assistance payments, particularly increased rate payments to hospitals for services to Medicaid-eligible individuals.
- An increase in education expenditures of $225.6 million largely due to the increase in state and federal assistance to school districts, which boosted school aids by $273.0 million in Fiscal Year 2009.
- Tax relief and other general expenditures increased by $192.3 million, partially due to a budgeted increase in the state property tax credit program of $79.4 million, from $593.0 million in Fiscal Year 2008 to $672.4 million in Fiscal Year 2009.

- Other functional expenditures, including general executive, judicial and commerce, increased by $35.0 million. In addition, intergovernmental expenditures increased $15.8 million, debt service expenditures increased $10.2 million, while capital outlay expenditures decreased by $1.3 million between Fiscal Years 2008 and 2009.

Other Financing Sources and Uses

Other financing sources/uses and increases/decreases totaled a net $383.4 million in Fiscal Year 2009, a change of $1,614.7 million from the prior year. The components of this change included the following:

- In Fiscal Year 2009, the General Fund issued new appropriation bonds to finance the purchase of the rights to receive future tobacco settlement revenues. The amount of debt issued totaled $1,527.7 million.
- Transfers in to the General Fund increased by $148.5 million (from $325.7 million in Fiscal Year 2008 to $474.3 million in Fiscal Year 2009). The majority of this increase relates to the transfer of residual assets from the Badger Tobacco Asset Securitization Fund of $155.1 million.
- Transfers out of the General Fund totaled $1,638.1 million, an increase of $75.0 million from the prior year. The majority of this increase relates to additional general purpose revenue supplements to other funds of $62.6 million.
- Other financing sources/uses and increases/decreases resulted in a net increase to fund balance of $13.6 million from the prior fiscal year.

Special Items

- In Fiscal Year 2009, the State purchased the rights to receive future revenue streams of the tobacco settlement agreement, which decreased fund balance by $1,518.0 million.

As of June 30, 2009, the General Fund reported a deficit of $(3,121.4) million in its unreserved fund balance. This compares to a General Fund unreserved fund deficit of $(2,852.6) million as of June 30, 2008. A deficit unreserved fund balance represents the excess of the liabilities of the General Fund over its assets and reserved fund balance accounts. Reservations of fund balances of governmental funds represent amounts that are not available for appropriation. Examples of fund balance reservations reported in the General Fund include reserves for encumbrances, inventories, prepaid items, and the Budget Stabilization Fund.

General Fund Budgetary Highlights

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

Program	Variance
Federal Aid, Medical Assistance	$ 898.3
Medical Assistance Program Benefits	(239.8)
Public Instruction, Federal Aids; State Allocation	552.3
Public Instruction, Federal Aids; Local Aids	126.1
Food Stamps, Electronic Benefit Transfer	589.8 *

Actual charges to appropriations (expenditures) were $2.7 billion below the final budgeted estimates. The most significant positive variance occurred in the Public Instruction – General Equalization Aids ($654.6 million). This large variance occurred because ARRA funds, in the amount of $552.3 million, were used to supplement these aid payments to school districts.

During the past fiscal year, the budgetary-based fund balance decreased by $155.5 million for the General Fund, in part, because of lower than expected tax collections, but also due to higher expenditures as a result of the economic downturn.

Transportation Fund

In Fiscal Year 2009, the Transportation Fund reported a net increase in fund balance of $109.5 million. This compares to a $37.0 million decrease in fund balance in Fiscal Year 2008. This increase resulted primarily from the following factors:

- The decrease in transfers out of $147.3 million from 2008 to 2009 was the largest contributing factor for the increase. Under 2007 Wisconsin Acts 20 and 226, $155.2 million was transferred to the General Fund in Fiscal Year 2008. This compares to 2007 Wisconsin Act 20 and 2009 Wisconsin Act 2 transfers of $6.8 million in 2009 (a reduction of $148.4 million).

- Revenues of this fund increased $129.3 million, primarily relating to the Fiscal Year 2009 increase in federal funding for the I-94 North-South Freeway Reconstruction and State Highway Rehabilitation projects, as well as an increase in vehicle licensing fees. These increases in revenue were partially offset by an increase in expenditures of $126.9 million. Expenditures totaled $2,344.4 million in Fiscal Year 2009 compared to $2,217.5 million in Fiscal Year 2008.

Capital outlay expenditures funded with general obligation bonds and reported in the Capital Improvement Fund (a capital projects fund) rather than the Transportation Fund, totaled $83.9 million in Fiscal Year 2009, an increase of $55.1 million from Fiscal Year 2008. In addition, capital outlay expenditures of $364.7 million were reported in the Transportation Fund in Fiscal Year 2009, a decrease of $23.1 million from Fiscal Year 2008.

Common School Fund

Common School, a permanent fund, is reported as a major fund for the first time in Fiscal Year 2009. The primary purpose of this fund is to provide low cost loans to municipalities and school districts for public purposes. This fund reported a net increase of $33.0 million in fund balance for the year. This compares to a $34.0 million increase in fund balance in Fiscal Year 2008. Significant changes to the accounts of this fund include:

- Outstanding loans to local governments showed a substantial increase of $80.1 million in Fiscal Year 2009 (from $475.2 million in Fiscal Year 2008 to $555.3 million in the current year). This is a 16.9 percent increase in loans over the prior year.

- Investments of the fund decreased $37.9 million or approximately 38.0 percent in Fiscal Year 2009, from $99.9 million in Fiscal Year 2008 to $62.0 million in Fiscal Year 2009. This reduction was due to a call of outstanding bonds.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Significant changes to balances of proprietary funds from Fiscal Year 2008 to Fiscal Year 2009 include the following:

Unemployment Reserve

- Fund equity of the Unemployment Reserve Fund decreased by $856.8 million during Fiscal Year 2009 from $608.9 million at June 30, 2008 to $(247.9) million at June 30, 2009. Benefit expenses increased from $950.9 million in Fiscal Year 2008 to $2,215.3 million in Fiscal Year 2009, an increase of $1,264.4 million (133.0 percent). The increase in benefits is the result of the unemployment rate increasing from 4.7 percent in June 2008 to 9.2 percent in June 2009. In addition, benefit periods were extended during the current fiscal year from 26 weeks to a possible 79 weeks. Total operating revenues increased by $541.1 million from $754.4 million in Fiscal Year 2008 to $1,295.5 million in Fiscal Year 2009. While federal aid for the unemployment program increased by $558.1 million to $577.0 million, tax receipts decreased by $36.6 million to $635.2 million in Fiscal Year 2009. Law changes that took effect in calendar year 2009, that were intended to strengthen the fund, were insufficient to counter the effects of the significant increase in the unemployment rate. As a result, the Fund depleted its reserves and as of June 30, 2009, had borrowed $435.5 million from the federal government to continue to pay benefits.

Injured Patients and Families Compensation

- Fund equity of the Injured Patients and Families Compensation Fund declined by $47.5 million to a deficit balance of $(109.0) million at June 30, 2009. Benefit expenses decreased $196.8 million to $(61.1) million during Fiscal Year 2009. The decrease was caused largely by an actuarially-determined reduction in the future benefits and loss liability of $121.1 million. The reduction in the future benefits and loss liability is attributed to the Fund releasing reserves from prior years based upon an actuarial analysis which concluded a previous level of conservatism in the liability was not warranted since the Fund uses a 25 percent risk margin. The risk margin is established to ensure that reserves will remain adequate in the event a court decision or law change could adversely affect the amount of future claim payments. Transfers out increased $57.0 million from $71.5 million in Fiscal Year 2008 to $128.5 million in Fiscal Year 2009 pursuant to 2007 Wisconsin Act 20. While operating revenues increased slightly by $0.7 million, investment and interest income dropped by $31.2 million due to a decline in investment balances and market conditions.

University of Wisconsin System

- In Fiscal Year 2009, operating revenues of the University of Wisconsin System increased $239.7 million or approximately 9.2 percent. Revenue was enhanced by an increase in federal grants and contracts of $81.6 million (11.2 percent) and local and private gifts, grants, and contracts, which increased by $62.0 million (49.4 percent). Sales and services of auxiliary enterprises also increased $26.2 million (8.3 percent). Finally, increased student tuition and fees revenue of $49.8 million (5.6 percent) were reported. The net increase in student tuition and fees is primarily due to a 5.5 percent increase in tuition rates approved by the Board of Regents. Fiscal Year 2009 operating expenses increased $198.3 million or 5.1 percent from Fiscal Year 2008. The increase is due primarily to an increase of personal services, supplies and services, and depreciation expenses of $116.0 million, $57.0 million, and $14.6 million, respectively. In addition, expenses for scholarships and fellowships increased by $10.2 million (11.5 percent).

Lottery

- The Lottery Fund reported a decrease in operating revenues of $21.5 million, or 4.3 percent, in Fiscal Year 2009. The decrease is attributable to a decrease in consumer spending associated with the recession and lower than expected Powerball jackpots which, in turn, resulted in lower sales for that game. Operating expenses decreased by $9.4 million or 2.6 percent primarily due to a 2.5 percent decrease in lottery prize awards. The property tax credit, which serves to provide property tax relief through application of net proceeds from the Wisconsin Lottery, totaled $120.8 million in Fiscal Year 2009 in contrast to $133.5 million in Fiscal Year 2008, reflecting a decrease of $12.6 million or 9.5 percent. The amount of the credit is determined and distributed before the end of the fiscal year and based upon the prior year's balance carryover and the current year's estimated performance. Therefore, it is possible that increases or decreases in the property tax credit will differ from the increases and decreases in revenue reported for the current fiscal year.

Environmental Improvement

- The Environmental Improvement Fund issued new revenue bonds of $92.2 million in Fiscal Year 2009, which contributed to a net increase of the fund's liabilities of $29.2 million or approximately 3.6 percent over Fiscal Year 2008. A primary purpose of this fund is to provide loans to local governments for environmental purposes (e.g., clean water projects), therefore loans receivable reported a corresponding increase of $78.3 million or 4.6 percent over Fiscal Year 2008.

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the close of Fiscal Year 2009, the State had $21.5 billion invested in capital assets, net of accumulated depreciation of $3.9 billion. This represents an increase of $944.1 million, or 4.6 percent, from Fiscal Year 2009. Depreciation charges totaled $115.0 million and $201.6 million for governmental and business-type activities, respectively, in Fiscal Year 2009. 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.

Table 7
Capital Assets, Net of Depreciation, as of June 30
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Land and Land Improvements	$ 2,060	$ 1,914	$ 135	$ 127	$ 2,195	$ 2,041
Buildings and Improvements	1,332	1,334	2,899	2,577	4,232	3,911
Library Holdings	82	81	1,088	1,071	1,170	1,152
Machinery and Equipment	299	243	268	262	567	505
Infrastructure	12,219	11,208	-	-	12,219	11,208
Construction in Progress	851	1,346	239	365	1,090	1,711
Totals	$ 16,843	$ 16,126	$ 4,629	$ 4,401	$ 21,471	$ 20,527

The major capital asset additions completed during Fiscal Year 2009 included the:

- Marquette Interchange ($773.2 million),
- Interdisciplinary Center – UW-Madison ($178.8 million),
- University Square Development – UW-Madison ($56.6 million), and
- Business and Economics Building- UW-Whitewater ($37.5 million).

In addition to these completed projects, construction in progress as of June 30, 2009 for governmental and business-type activities totaled $851.3 million and $238.6 million, respectively. A list of construction in progress projects is provided in Note 7.

The State's continuing or proposed major capital projects for Fiscal Year 2009 through 2017 include the:

- Wisconsin Institute for Discovery (2005-2015) – UW-Madison (estimated budget of $150 million),
- Academic Buildings (2008-2010) – UW-La Crosse, Oshkosh, Parkside and Superior (estimated budget of $160.0 million),
- Union South Replacement (2008-2011) – UW-Madison (estimated budget of $85.7 million),
- Davies Center Addition (2008-2011) – UW-Eau Claire (estimated budget of $31.4 million),
- Sand Ridge Secure Treatment Center (2007-2011) Mauston – (estimated budget of $25.0 million),
- Wisconsin Energy Institute – Madison (estimated cost $100 million),
- Wisconsin Institutes for Medical Research – Center Tower – Madison (estimated cost $135 million),
- UW Milwaukee Facilities Master Plan ($240 million over the period for various projects), and
- Renovation and Remodeling of the Charter Street Heating Plant (estimated cost $251 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, 2009 was $5.4 billion, as shown in Table 8. During Fiscal Year 2009, $521.9 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.

In Fiscal Year 2004, the State issued $1.8 billion of annual appropriation bonds to pay the State's unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits. The first payment of principal on these bonds was due in Fiscal Year 2009. In Fiscal Year 2009, the State issued $1.5 billion of annual appropriation bonds to purchase the future right, title, and interest in the Tobacco Settlement Revenues (TSRs) from Badger Tobacco Asset Securitization Corporation (BTASC) as well as pay any issuance expenses.

Chapter 18 of the Wisconsin Statutes authorizes the State to issue revenue obligations. These obligations, which are not general obligation debt of the State, are secured by a pledge of revenues or property derived from the operations of a program funded by the issuance of the obligations. Revenue bonds of the primary government totaled $2.5 billion outstanding at June 30, 2009, as shown in Table 8. These bonds included $1,591.9 million of Transportation Revenue Bonds, $89.4 million of Petroleum Inspection Revenue Bonds, and $829.3 million of Environmental Improvement Revenue 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) 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. In April, 2009, the BTASC deposited securities in an irrevocable trust with an escrow agent to provide for all future debt service payments on its outstanding bonds. As a result of the transaction, $1.3 billion of BTASC bonds outstanding is legally defeased. BTASC will remain active administratively until 2012 when the bonds are scheduled to be paid in full by the trust.

Table 8
Outstanding Debt as of June 30, 2009 and 2008
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
General obligation bonds	$4,244.7	$4,080.9	$1,117.2	$1,154.6	$ 5,361.9	$ 5,235.5
Annual appropriation bonds	3,378.3	1,850.8	--	--	3,378.3	1,850.8
Revenue bonds	1,681.4	2,985.8	829.3	797.9	2,510.7	3,783.7
Totals	$9,304.4	$8,917.5	$1,946.5	$1,952.5	$11,250.9	$10,870.0

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

At June 30, 2009, State of Wisconsin fixed bonds had a rating of Aa3/Negative Outlook from Moody's Investors Services, AA from Standard and Poor's Rating Services, and AA- from Fitch Ratings. Variable notes had a rating of P-1 from Moody's, A-1+ from Standard and Poor's Corporation, and F1+ from Fitch Investors Services, L.P.

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

INFRASTRUCTURE -- MODIFIED APPROACH

The State reports infrastructure (i.e., roads, bridges, and buildings considered an ancillary part of roads) as capital assets. The State has elected to report its infrastructure assets (11,200 centerline miles of roads and 5,000 bridges with a combined value of $12.2 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, 2009, 93.1 percent of the roads and 96.2 percent of bridges were in good or fair condition, consistent with State policies.

For the fiscal year ended June 30, 2009, actual maintenance and preservation costs for the State's road network were $624.4 million, or $23.3 million less than the estimated amount. On that same date, actual maintenance and preservation costs for the State's bridge network were $56.9 million, or $1.0 million more than the estimated amount. In developing estimated costs at the beginning of the fiscal year it is difficult to predict the types of projects that will actually incur costs during the year. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

ECONOMIC FACTORS

In calendar year 2008, the Wisconsin economy was impacted by the national recession.

Wisconsin employment declined slightly in 2008. Wisconsin employment increased 0.9 percent in 2006 and 0.6 percent in 2007, and decreased 0.5 percent in 2008. Wisconsin's employment growth has been similar to the national trend. Nationally, employment increased 1.8 percent in 2006 and 1.1 percent in 2007, and decreased 0.4 percent in 2008.

The changes in employment performance affected income growth. Wisconsin personal income increased 6.4 percent in 2006, 4.3 percent in 2007 and 2.6 percent in 2008. Nationally, income growth was 7.5 percent in 2006, 5.6 percent in 2007 and 2.9 percent in 2008. On a per capita basis, Wisconsin's performance is also similar to the nation's. Per capita income in Wisconsin increased 5.9 percent in 2006, 3.8 percent in 2007 and 2.1 percent in 2008, compared to 6.4 percent, 4.5 percent, and 2.0 percent nationally. Since 2000, Wisconsin's per capita income has moved slightly away from the national average - from 95.7 percent in 2000 to 93.9 percent in 2008.

The national recession continues to impact employment nationally and in Wisconsin. Through October 2009, Wisconsin non-farm employment is down 4.5 percent compared to a year ago. Nationally, employment was down 4.4 percent over the same period. Wisconsin's seasonally adjusted unemployment rate in October 2009 was 8.4 percent compared to 10.2 percent nationally.

Wisconsin's property values reflect the slowing economy. Real property values continued to increase, but at a slower pace in 2008, up 3.3 percent. In 2009, real property values declined 0.5 percent, primarily due to a reduction of 1.3 percent in residential real estate values. Commercial real estate values increased by 2.4 percent in 2009.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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

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

* * * *

State of Wisconsin

Statement of Net Assets
June 30, 2009

(In Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Assets				
Cash and Cash Equivalents	$ 739,534	$ 1,185,351	$ 1,924,884	$ 595,696
Investments	81,704	1,326,283	1,407,987	261,370
Cash and Investments with Other Component Units	-	-	-	216,672
Receivables (net of allowance)	3,559,065	2,987,240	6,546,305	3,159,502
Internal Balances	(392,185)	392,185	-	-
Inventories	41,082	49,664	90,746	8,537
Prepaid Items	291,126	77,757	368,883	6,490
Capital Leases Receivable - Component Units	-	7,671	7,671	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	230,975	125,995	356,971	286,327
Investments	36,210	-	36,210	1,801,126
Other Restricted Assets	2	-	2	4,164
Deferred Charges	81,996	13,610	95,606	11,857
Capital Assets:				
Depreciable	1,535,419	3,168,646	4,704,065	437,303
Nondepreciable:				
Infrastructure	12,218,686	-	12,218,686	-
Other	3,088,656	1,460,020	4,548,676	29,135
Other Assets	29,314	6,361	35,675	114,250
Total Assets	21,541,584	10,800,781	32,342,365	6,932,428
Liabilities				
Accounts Payable and Other Accrued Liabilities	1,287,073	444,624	1,731,697	166,101
Due to Other Governments	2,181,979	111,530	2,293,509	381
Tax Refunds Payable	1,267,089	-	1,267,089	-
Tax and Other Deposits	74,304	19,764	94,068	93,724
Amounts Held in Trust by Component Unit for Other Component Units	-	-	-	213,384
Amounts Held in Trust by Component Unit for Others	-	-	-	13,819
Unearned Revenue	380,029	276,833	656,862	3,195
Interest Payable	103,547	12,333	115,880	44,588
Short-term Notes Payable	881,376	59,418	940,794	-
Advance from Federal Government	-	435,547	435,547	-
Long-term Liabilities:				
Current Portion	555,781	313,464	869,245	105,548
Noncurrent Portion	9,152,151	2,954,256	12,106,407	3,246,376
Total Liabilities	15,883,328	4,627,769	20,511,097	3,887,116
Net Assets				
Invested in Capital Assets, Net of Related Debt	13,492,047	3,649,767	17,141,814	202,953
Restricted for:				
Transportation Programs	18,401	-	18,401	-
Conservation Related	60,331	-	60,331	-
Capital Projects	27,717	-	27,717	-
Debt Service	87,525	-	87,525	-
Environmental Improvement	-	1,468,880	1,468,880	-
Permanent Trusts:				
Expendable	9,824	219,998	229,822	7,366
Nonexpendable	808,410	122,924	931,333	1,169
Future Benefits	-	210,845	210,845	-
Other Purposes	93,034	471,842	564,876	2,364,600
Unrestricted	(8,939,033)	28,756	(8,910,276)	469,224
Total Net Assets	$ 5,658,256	$ 6,173,012	$ 11,831,268	$ 3,045,312

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

Statement of Activities
For the Fiscal Year Ended June 30, 2009

(In Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Primary Government:				
Governmental Activities:				
Commerce	$ 298,908	$ 173,231	$ 63,694	$ -
Education	6,707,734	19,859	1,441,834	-
Transportation	2,069,477	676,871	115,249	853,069
Environmental Resources	534,850	214,277	74,703	1,187
Human Relations and Resources	10,398,237	562,382	6,006,784	7,728
General Executive	551,358	244,988	191,833	-
Judicial	130,916	67,096	832	-
Legislative	65,626	1,831	4	-
Tax Relief and Other General Expenses	1,274,940	(456)	6,664	-
Intergovernmental - Shared Revenue	1,035,050	-	-	-
Interest on Debt	665,367	-	-	-
Total Governmental Activities	23,732,463	1,960,077	7,901,598	861,984
Business-type Activities:				
Injured Patients and Families Compensation	(58,215)	26,346	(3,537)	-
Environmental Improvement	48,486	48,332	57,170	-
University of Wisconsin System	4,016,459	2,845,573	207,556	123,385
Unemployment Reserve	2,215,332	772,779	587,306	-
Lottery	465,555	473,670	142	-
Health Insurance	1,086,541	1,075,758	(33,573)	-
Care and Treatment Facilities	361,588	270,316	582	1,876
Other Business-type	143,393	87,350	(72,597)	1,075
Total Business-type Activities	8,279,139	5,600,124	743,051	126,336
Total Primary Government	$ 32,011,602	$ 7,560,201	$ 8,644,649	$ 988,321
Component Units:				
Housing and Economic Development Authority	$ 342,922	$ 195,893	$ 149,189	$ -
Health Care Liability Insurance Plan	(15,790)	6,048	3,157	-
University Hospitals and Clinics Authority	919,024	957,660	1,320	1,163
University of Wisconsin Foundation	244,223	(492,518)	160,979	-
State Fair Park Exposition Center, Inc.	5,473	4,259	-	-
Total Component Units	$ 1,495,852	$ 671,342	$ 314,645	$ 1,163

General Revenues:
- Dedicated for General Purposes:
  - Income Taxes
  - Sales and Excise Taxes
  - Public Utility Taxes
  - Other Taxes
- Motor Fuel/Other Taxes Dedicated for Transportation
- Other Dedicated Taxes
- Interest and Investment Earnings
- Miscellaneous

Contributions to Term and Permanent Endowments
Contributions to Permanent Fund Principal
Special Item - Sale of Future Tobacco Settlement Revenues
Special Item - Purchase of Future Tobacco Settlement Revenues
Special Item - Loss on Unamortized Bond Insurance Premium
Transfers

Total General Revenues, Contributions, Special Items and Transfers

Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (61,983)		$ (61,983)	
(5,246,040)		(5,246,040)	
(424,288)		(424,288)	
(244,683)		(244,683)	
(3,821,343)		(3,821,343)	
(114,537)		(114,537)	
(62,988)		(62,988)	
(63,792)		(63,792)	
(1,268,732)		(1,268,732)	
(1,035,050)		(1,035,050)	
(665,367)		(665,367)	
(13,008,803)		(13,008,803)	
	$ 81,025	81,025	
	57,017	57,017	
	(839,944)	(839,944)	
	(855,247)	(855,247)	
	8,257	8,257	
	(44,356)	(44,356)	
	(88,814)	(88,814)	
	(127,566)	(127,566)	
-	(1,809,628)	(1,809,628)	
(13,008,803)	(1,809,628)	(14,818,431)	
			$ 2,160
			24,995
			41,119
			(575,762)
			(1,214)
			(508,702)
6,809,733	-	6,809,733	-
4,755,163	-	4,755,163	-
307,552	-	307,552	-
228,403	-	228,403	-
1,001,921	-	1,001,921	-
197,262	-	197,262	-
40,112	8,455	48,567	12,180
475,415	53	475,468	-
-	742	742	22
22,629	-	22,629	-
1,518,000	-	1,518,000	-
(1,518,000)	-	(1,518,000)	-
-	-	-	(2,541)
(1,051,574)	1,052,151	577	-
12,786,616	1,061,401	13,848,017	9,661
(222,186)	(748,227)	(970,414)	(499,041)
5,880,442	6,921,239	12,801,681	3,544,353
$ 5,658,256	$ 6,173,012	$ 11,831,268	$ 3,045,312

State of Wisconsin

Balance Sheet - Governmental Funds
June 30, 2009

(In Thousands)

	General	Transportation	Common School	Nonmajor Governmental	Total Governmental
Assets					
Cash and Cash Equivalents	$ 8,694	$ 315,326	$ 161,210	$ 245,741	$ 730,971
Investments	682	-	61,965	19,057	81,704
Receivables (net of allowance):					
Taxes	1,041,653	93,959	-	32,530	1,168,143
Loans to Local Governments	3,641	-	555,362	21,291	580,294
Other Loans Receivable	21,406	28,160	-	48	49,614
Other Receivables	543,228	8,800	4	34,806	586,838
Due from Other Funds	185,815	40,438	360	143,924	370,537
Due from Component Units	6	-	-	-	6
Interfund Receivables	-	90,405	-	-	90,405
Due from Other Governments	810,585	269,999	8,690	9,916	1,099,190
Inventories	12,520	20,650	-	2,946	36,117
Prepaid Items	269,085	3,749	-	17,535	290,369
Advances to Other Funds	110	-	-	-	110
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	230,975	230,975
Investments	-	-	-	36,210	36,210
Other Restricted Assets	-	-		2	2
Other Assets	29,314	-	-	-	29,314
Total Assets	$ 2,926,739	$ 871,487	$ 787,591	$ 794,982	$ 5,380,799
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 983,183	$ 205,767	$ -	$ 44,129	$ 1,233,079
Due to Other Funds	139,831	34,959	1,392	172,360	348,541
Interfund Payables	444,835	-	-	163	444,997
Due to Other Governments	2,103,944	71,313	-	6,722	2,181,979
Tax Refunds Payable	1,261,488	5,309	-	292	1,267,089
Tax and Other Deposits	63,360	531	-	10,414	74,304
Unearned Revenue	354,825	21,140	-	3,069	379,034
Deferred Revenue	286,900	875	-	8,104	295,879
Interest Payable	-	-	-	39,614	39,614
Advances from Other Funds	-	-	-	2,814	2,814
Short-term Notes Payable	-	-	-	869,530	869,530
Revenue Bonds and Notes Payable	-	-	-	101,745	101,745
Total Liabilities	5,638,364	339,895	1,392	1,258,953	7,238,604
Fund Balances:					
Reserved for Encumbrances	203,904	802,418	-	257,384	1,263,706
Reserved for Inventories	12,520	20,650	-	2,946	36,117
Reserved for Prepaid Items	185,430	3,749	-	17,404	206,583
Reserved for Budget Stabilization Fund	1,466	-	-	-	1,466
Reserved for Restricted Funds	6,325	-	164	19,153	25,642
Reserved for Long-term Receivables	-	-	504,487	20,420	524,907
Reserved for Advances to Other Funds	110	-	-	-	110
Unreserved, Reported In:					
General Fund	(3,121,381)	-	-	-	(3,121,381)
Special Revenue Funds	-	(295,225)	-	(6,823)	(302,048)
Debt Service Funds	-	-	-	78,222	78,222
Capital Projects Funds	-	-	-	(867,803)	(867,803)
Permanent Funds	-	-	281,549	15,126	296,675
Total Fund Balances	(2,711,626)	531,592	786,199	(463,971)	(1,857,805)
Total Liabilities and Fund Balances	$ 2,926,739	$ 871,487	$ 787,591	$ 794,982	$ 5,380,799

(Continued)

Balance Sheet - Governmental Funds
June 30, 2009

(Continued)

		Total Governmental
Reconciliation to the Statement of Net Assets:		
Total Fund Balances from previous page	$	(1,857,805)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Infrastructure		12,218,686
Other Capital Assets		5,282,530
Accumulated Depreciation		(943,411)
Other long-term assets that are not available to pay for current period expenditures and, therefore, are deferred in the funds.		85,735
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.		294,884
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.		(15,482)
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		(1,579,599)
Appropriation Bonds Payable		(3,378,300)
General Obligation Bonds Payable		(4,091,223)
Accrued Interest on Bonds		(63,933)
Capital Leases		(31,813)
Installment Contracts		(475)
Compensated Absences		(143,829)
Pollution Remediation		(15,610)
Claims and Judgments		(1,188)
Other Postemployment Benefits Liability		(100,911)
Net Assets of Governmental Activities as reported on the Statement of Net Assets (See page 23)	$	5,658,256

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, 2009

(In Thousands)

	General	Transportation	Common School	Nonmajor Governmental	Total Governmental
Revenues:					
Taxes	$ 12,049,278	$ 1,002,572	$ -	$ 197,232	$ 13,249,082
Intergovernmental	7,650,646	968,369	5	61,710	8,680,730
Licenses and Permits	628,338	485,935	-	492,560	1,606,833
Charges for Goods and Services	282,478	18,181	20	16,101	316,781
Investment and Interest Income	7,793	3,378	32,259	26,910	70,340
Fines and Forfeitures	37,021	444	22,629	6,688	66,782
Gifts and Donations	8,925	14	-	10,877	19,816
Miscellaneous:					
Tobacco Settlement	294,976	-	-	11,203	306,179
Other	218,508	12,340	685	6,661	238,194
Total Revenues	21,177,963	2,491,234	55,599	829,941	24,554,736
Expenditures:					
Current Operating:					
Commerce	226,549	-	-	75,336	301,885
Education	6,630,190	-	35,300	7,527	6,673,017
Transportation	6,917	1,979,773	-	42,657	2,029,347
Environmental Resources	104,060	-	-	399,351	503,411
Human Relations and Resources	10,264,603	-	-	33,483	10,298,086
General Executive	455,696	-	-	103,566	559,262
Judicial	126,530	-	-	321	126,851
Legislative	63,798	-	-	-	63,798
Tax Relief and Other General Expenditures	1,270,594	-	-	5,288	1,275,882
Capital Outlay	58,300	364,668	984	351,237	775,189
Debt Service:					
Principal	-	-	-	1,812,219	1,812,219
Interest	-	-	-	662,978	662,978
Other Expenditures	10,171	-	-	4,903	15,074
Intergovernmental - Shared Revenue	1,035,050	-	-	-	1,035,050
Total Expenditures	20,252,456	2,344,441	36,284	3,498,866	26,132,047
Excess of Revenues Over (Under) Expenditures	925,507	146,793	19,315	(2,668,925)	(1,577,311)
Other Financing Sources (Uses):					
Long-term Debt Issued	1,527,654	-	-	645,320	2,172,974
Discount on Bonds	-	-	-	(371)	(371)
Premium on Bonds	517	-	-	28,326	28,843
Transfers In	474,284	9,363	15,000	658,363	1,157,010
Transfers Out	(1,638,132)	(54,999)	(1,363)	(502,428)	(2,196,922)
Capital Lease Acquisitions	18,634	1,442	-	-	20,077
Installment Purchase Acquisitions	-	-	-	671	671
Total Other Financing Sources (Uses)	382,957	(44,194)	13,637	829,881	1,182,281
Special Items:					
Sale of Future Tobacco Settlement Revenues	-	-	-	1,518,000	1,518,000
Purchase of Future Tobacco Settlement Revenues	(1,518,000)	-	-	-	(1,518,000)
Net Change in Fund Balances	(209,536)	102,599	32,952	(321,044)	(395,029)
Fund Balances, Beginning of Year	(2,502,575)	422,102	753,248	(142,968)	(1,470,194)
Increase (Decrease) in Reserve for Inventories	486	6,891	-	41	7,418
Fund Balances, End of Year	$ (2,711,626)	$ 531,592	$ 786,199	$ (463,971)	$ (1,857,805)

(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2009

(Continued)

		Total Governmental
Reconciliation to the Statement of Activities:		
Net Change in Fund Balances from previous page	$	(395,029)
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.		7,418
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		770,288
Depreciation Expense		(92,136)
Grants and Contributions (Donated Assets)		2,134
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.		111
In the Statement of Activities, only the gain/(loss) on the sale/disposal of capital assets is reported, while in the governmental funds, any proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold/disposed.		(39,254)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(10,873)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Bonds Issued		(2,172,974)
Repayment of Bond Principal		1,812,219
Bond Premium		(52,825)
Bonds Discount		371
Bond Issuance Costs (Amortization)		2,712
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net decrease (increase) in accrued interest		44,037
Decrease (increase) in Capital Leases		(4,632)
Decrease (increase) in Installment Contracts		(159)
Decrease (increase) in Compensated Absences		(9,101)
Decrease (increase) in Pollution Remediation Liabilities		(14,570)
Decrease (increase) in Claims and Judgments		246
Decrease (increase) in Postemployment Benefit Liabilities		(51,850)
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.		(18,320)
Changes in Net Assets of Governmental Activities as reported on the Statement of Activities (See page 25)	$	(222,186)

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

Balance Sheet
Proprietary Funds
June 30, 2009

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System
Assets			
Current Assets:			
Cash and Cash Equivalents	$ -	$ 215,426	$ 327,027
Investments	65,930	45,552	-
Loans to Local Governments (net of allowance)	-	147,975	-
Other Loans Receivable (net of allowance)	-	-	33,867
Other Receivables (net of allowance)	9,307	927	116,363
Due from Other Funds	-	15	44,659
Due from Component Units	-	-	1,519
Interfund Receivables	-	-	564,536
Due from Other Governments	-	8,606	105,883
Inventories	2	-	40,108
Prepaid Items	7	22	39,257
Advances to Other Funds	-	-	-
Capital Leases Receivable - Component Units	-	-	1,803
Deferred Charges	-	-	7,205
Other Assets	-	-	-
Total Current Assets	75,247	418,523	1,282,227
Noncurrent Assets:			
Investments	569,901	160,350	308,667
Loans to Local Governments (net of allowance)	-	1,645,898	-
Other Loans Receivable (net of allowance)	-	-	165,448
Other Receivables	-	-	5,114
Prepaid Items	-	235	-
Advances to Other Funds	-	-	-
Capital Leases Receivable - Component Units	-	-	5,868
Restricted and Limited Use Assets:			
Cash and Cash Equivalents	-	99,385	-
Deferred Charges	-	3,206	-
Depreciable Capital Assets (net of accumulated depreciation)	-	-	3,006,887
Nondepreciable Capital Assets	-	-	1,446,035
Other Assets	-	-	-
Total Noncurrent Assets	569,901	1,909,075	4,938,019
Total Assets	$ 645,148	$ 2,327,598	$ 6,220,246
Liabilities and Fund Equity			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	$ 397	$ 121	$ 219,732
Due to Other Funds	41	1,326	64,447
Due to Component Units	-	-	2,566
Interfund Payables	76,831	-	-
Due to Other Governments	-	146	3,034
Tax and Other Deposits	-	-	2,053
Unearned Revenue	1,386	-	169,768
Interest Payable	-	3,389	6,027
Short-term Notes Payable	-	-	57,403
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	84,276	-	-
Capital Leases	-	-	5,651
Compensated Absences	11	27	57,596
General Obligation Bonds Payable	-	-	31,312
Revenue Bonds and Notes Payable	-	66,865	-
Total Current Liabilities	162,942	71,875	619,591
Noncurrent Liabilities:			
Accounts Payable and Other Accrued Liabilities	-	-	-
Due to Other Governments	-	959	-
Advance from Federal Government	-	-	-
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	591,131	-	-
Capital Leases	-	-	102,996
Compensated Absences	34	58	61,523
Other Postemployment Benefits	24	18	96,550
General Obligation Bonds Payable	-	-	739,860
Revenue Bonds and Notes Payable	-	762,404	-
Total Noncurrent Liabilities	591,188	763,439	1,000,929
Total Liabilities	754,130	835,314	1,620,520
Fund Equity:			
Invested in Capital Assets, Net of Related Debt	-	-	3,515,700
Restricted for Environmental Improvement	-	1,468,880	-
Restricted for Expendable Trusts	-	-	219,998
Restricted for Nonexpendable Trusts	-	-	122,924
Restricted for Future Benefits	-	-	-
Restricted for Other Purposes	-	-	419,346
Unrestricted	(108,982)	23,404	321,758
Total Fund Equity	(108,982)	1,492,284	4,599,726
Total Liabilities and Fund Equity	$ 645,148	$ 2,327,598	$ 6,220,246

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

Business-type Activities - Enterprise Funds			Governmental Activities -
Unemployment Reserve	Nonmajor Enterprise	Totals	Internal Service Funds
$ -	$ 642,898	$ 1,185,351	$ 8,563
-	13,265	124,748	-
-	316	148,291	-
-	13,231	47,098	-
141,225	94,797	362,620	268
1,228	14,704	60,606	47,736
-	-	1,519	278
-	-	564,536	-
135,881	11,585	261,955	734
-	9,553	49,664	3,970
-	38,185	77,472	758
-	-	0	25
-	-	1,803	-
-	284	7,489	102
-	1,377	1,377	-
278,334	840,195	2,894,527	62,435
-	162,617	1,201,535	-
-	2,149	1,648,047	-
-	271,771	437,219	-
75,283	80	80,477	-
-	50	285	-
-	-	0	2,789
-	-	5,868	-
26,610	-	125,995	-
-	2,914	6,121	512
-	161,758	3,168,646	249,052
-	13,985	1,460,020	35,904
-	4,984	4,984	-
101,893	620,309	8,139,197	288,257
$ 380,228	$ 1,460,504	$ 11,033,724	$ 350,692
$ 81,634	$ 69,525	$ 371,409	$ 23,210
4,551	30,586	100,951	8,197
-	-	2,566	-
-	72,981	149,813	60,131
106,416	976	110,571	80
-	17,711	19,764	-
-	105,680	276,833	-
-	2,916	12,333	1,239
-	2,015	59,418	11,846
-	53,172	137,448	34,470
-	287	5,939	114
-	3,712	61,346	1,228
-	10,553	41,866	9,690
-	-	66,865	-
192,600	370,115	1,417,122	150,205
-	51,059	51,059	-
-	-	959	-
435,547	-	435,547	
-	241,544	832,675	68,649
-	1,175	104,171	336
-	7,439	69,053	2,927
-	13,979	110,571	1,991
-	335,522	1,075,382	143,834
-	-	762,404	-
435,547	650,717	3,441,821	217,737
628,148	1,020,832	4,858,943	367,942
-	134,067	3,649,767	116,056
-	-	1,468,880	-
-	-	219,998	-
-	-	122,924	-
-	210,839	210,839	-
-	52,496	471,842	-
(247,920)	42,271	30,531	(133,306)
(247,920)	439,672	6,174,780	(17,250)
$ 380,228	$ 1,460,504	$ 11,033,724	$ 350,692

Total Fund Equity Reported Above	$ 6,174,780
Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds	(1,768)
Net Assets of Business-type Activities	$ 6,173,012

Statement of Revenues, Expenses, and Changes in Fund Equity - Proprietary Funds
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System
Operating Revenues:			
Charges for Goods and Services	$ 26,346	$ -	$ -
Participant and Employer Contributions	-	-	-
Tuition and Fees	-	-	934,843
Federal Grants and Contracts	-	-	810,636
Local and Private Grants and Contracts	-	-	187,341
Sales and Services of Educational Activities	-	-	279,487
Sales and Services of Auxiliary Enterprises	-	-	340,324
Sales and Services to UW Hospital Authority	-	-	47,491
Investment and Interest Income	-	28,382	-
Interest Income Used as Security for Revenue Bonds	-	19,900	-
Miscellaneous:			
Federal Aid for Unemployment Insurance Program	-	-	-
Reimbursing Financing Revenue	-	-	-
Other	-	50	245,451
Total Operating Revenues	26,346	48,332	2,845,573
Operating Expenses:			
Personal Services	613	4,348	2,740,791
Supplies and Services	598	1,931	1,037,929
Lottery Prize Awards	-	-	-
Scholarships and Fellowships	-	-	99,129
Depreciation	-	-	189,335
Benefit Expense	(61,116)	-	-
Interest Expense	-	39,282	-
Other Expenses	-	-	4,961
Total Operating Expenses	(59,905)	45,561	4,072,145
Operating Income (Loss)	86,251	2,771	(1,226,571)
Nonoperating Revenues (Expenses):			
Operating Grants	-	33,675	-
Investment and Interest Income	(3,537)	2,197	(43,960)
Investment Income Used as Security for Revenue Bonds	-	21,526	-
Gain (Loss) on Disposal of Capital Assets	-	-	(16,395)
Interest Expense	(1,693)	-	(36,972)
Gifts and Donations	-	-	251,516
Miscellaneous Revenues	-	-	-
Other Revenues (Expenses):			
Property Tax Credits	-	-	-
Grants Disbursed	-	(2,925)	-
Other	-	-	111,371
Total Nonoperating Revenues (Expenses)	(5,230)	54,473	265,561
Income (Loss) Before Contributions and Transfers	81,021	57,245	(961,011)
Capital Contributions	-	-	123,385
Additions to Endowments	-	-	742
Transfers In	-	21,085	1,248,841
Transfers Out	(128,513)	(6,089)	(132,299)
Net Change in Fund Equity	(47,492)	72,241	279,658
Total Fund Equity, Beginning of Year	(61,490)	1,420,043	4,320,067
Total Fund Equity, End of Year	$ (108,982)	$ 1,492,284	$ 4,599,726

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

Unemployment Reserve	Nonmajor Enterprise	Totals	Governmental Activities - Internal Service Funds
Business-type Activities - Enterprise Funds			
$ -	$ 795,590	$ 821,936	$ 254,767
635,188	1,090,156	1,725,345	-
-	-	934,843	-
-	-	810,636	-
-	-	187,341	-
-	-	279,487	-
-	-	340,324	-
-	-	47,491	-
-	19,332	47,714	-
-	-	19,900	-
576,934	-	576,934	-
75,305	-	75,305	-
8,074	824	254,399	287
1,295,502	1,905,902	6,121,655	255,054
-	307,484	3,053,236	57,455
-	164,414	1,204,872	147,586
-	279,599	279,599	-
-	-	99,129	-
-	12,233	201,568	22,877
2,215,332	1,138,968	3,293,185	36,241
-	19,646	58,928	-
-	6,608	11,569	-
2,215,332	1,928,953	8,202,086	264,158
(919,830)	(23,051)	(2,080,431)	(9,104)
-	1,285	34,960	-
10,372	(99,282)	(134,209)	60
-	-	21,526	-
-	27	(16,368)	27
-	(2,055)	(40,720)	(7,903)
-	465	251,982	-
54,211	1,505	55,716	6,396
-	(120,849)	(120,849)	-
-	(3,985)	(6,910)	-
-	(2)	111,369	97
64,583	(222,890)	156,497	(1,322)
(855,247)	(245,941)	(1,923,933)	(10,427)
-	2,965	126,350	-
-	-	742	-
614	87,517	1,358,058	7,645
(2,157)	(36,863)	(305,921)	(19,061)
(856,790)	(192,322)	(744,704)	(21,844)
608,869	631,994	6,919,485	4,593
$ (247,920)	$ 439,672	$ 6,174,780	$ (17,250)

Total Net Change in Fund Equity Reported Above	$	(744,704)
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds		(3,523)
Change in Net Assets of Business-Type Activities	$	(748,227)

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Injured Patients and Families Compensation	**Environmental Improvement**	**University of Wisconsin System**
Cash Flows from Operating Activities:			
Cash Receipts from Customers	$ 27,742	$ -	$ -
Cash Payments to Suppliers for Goods and Services	(860)	(2,655)	(1,032,416)
Cash Payments to Employees for Services	(599)	(4,378)	(2,698,899)
Tuition and Fees	-	-	933,075
Grants and Contracts	-	-	1,032,507
Cash Payments for Lottery Prizes	-	-	-
Cash Payments for Loans Originated	-	-	(22,932)
Collection of Loans	-	-	21,296
Interest Income	-	-	-
Cash Payments for Benefits	(59,942)	-	-
Sales and Services of Educational Activities	-	-	277,882
Sales and Services of Auxiliary Enterprises	-	-	338,402
Sales and Services to UW Hospital Authority	-	-	47,207
Scholarships and Fellowships	-	-	(99,129)
Other Operating Revenues	-	50	249,035
Other Operating Expenses	-	-	-
Other Sources of Cash	-	-	-
Net Cash Provided (Used) by Operating Activities	(33,660)	(6,983)	(953,971)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Receipts	-	33,662	-
Grants Disbursed	-	(2,925)	-
Proceeds from Issuance of Debt	-	94,974	-
Repayment of Bonds and Notes	-	(60,730)	-
Interest Payments	(1,693)	(43,415)	-
Property Tax Credit Payments	-	-	-
Noncapital Gifts and Grants	-	-	252,258
Interfund Loans Received	41,493	-	-
Interfund Loans Repaid	-	-	-
Interfund Borrowings to Other Funds	-	-	(112,952)
Interfund Advances Collected	-	-	-
Transfers In	-	21,085	1,169,217
Transfers Out	(128,513)	(6,089)	(132,187)
Student Direct Lending Receipts	-	-	94,319
Student Direct Lending Disbursements	-	-	(94,320)
Other Cash Inflows from Noncapital Financing Activities	-	-	110,264
Other Cash Outflows from Noncapital Financing Activities	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(88,713)	36,563	1,286,599
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Issuance of Debt	-	-	61,906
Capital Contributions	-	-	202,350
Repayment of Bonds and Notes	-	-	(118,877)
Interest Payments	-	-	(88,189)
Transfers In	-	-	-
Capital Lease Obligations	-	-	-
Proceeds from Sale of Capital Assets	-	-	-
Payments for Purchase of Capital Assets	-	-	(407,500)
Other Cash Inflows from Capital Financing Activities	-	-	100,862
Other Cash Outflows from Capital Financing Activities	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(249,448)
Cash Flows from Investing Activities:			
Proceeds from Sale and Maturities of Investment Securities	95,699	126,899	122,791
Purchase of Investment Securities	(7,308)	(142,119)	(142,111)
Cash Payments for Loans Originated	-	(215,215)	-
Collection of Loans	-	136,885	-
Investment and Interest Receipts	33,982	75,749	15,408
Net Cash Provided (Used) by Investing Activities	122,372	(17,801)	(3,912)
Net Increase (Decrease) in Cash and Cash Equivalents	-	11,779	79,269
Cash and Cash Equivalents, Beginning of Year	-	303,032	247,757
Cash and Cash Equivalents, End of Year	$ 0	$ 314,811	$ 327,027

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Unemployment Reserve	Nonmajor Enterprise	Totals	
$ 613,631	$ 1,870,554	$ 2,511,926	$ 240,777
-	(128,617)	(1,164,548)	(138,520)
-	(310,737)	(3,014,614)	(56,325)
-	-	933,075	-
-	-	1,032,507	-
-	(295,242)	(295,242)	-
-	(41,547)	(64,478)	-
-	65,505	86,801	-
-	20,090	20,090	-
(2,211,706)	(1,135,044)	(3,406,692)	(28,122)
-	-	277,882	-
-	-	338,402	-
-	-	47,207	-
-	-	(99,129)	-
646,631	3,883	899,599	27
-	(40,062)	(40,062)	-
-	10,513	10,513	6,746
(951,445)	19,296	(1,926,762)	24,582
-	1,285	34,947	-
-	(4,160)	(7,084)	-
-	-	94,974	-
-	(68,315)	(129,045)	-
-	(18,738)	(63,846)	(4)
-	(117,775)	(117,775)	-
-	-	252,258	-
-	39,508	81,001	14,544
-	(5,692)	(5,692)	(388)
-	-	(112,952)	-
-	-	0	25
-	86,311	1,276,614	6,894
(7,204)	(37,374)	(311,366)	(17,996)
-	-	94,319	-
-	-	(94,320)	-
501,447	664	612,375	-
-	3	3	-
494,243	(124,282)	1,604,410	3,075
-	60	61,966	3,507
-	2,951	205,301	-
-	(2,646)	(121,522)	(12,395)
-	(2,093)	(90,282)	(8,363)
-	1,540	1,540	-
-	(227)	(227)	(10,193)
-	947	947	822
-	(11,638)	(419,138)	(9,081)
-	571	101,433	155
-	(75)	(75)	-
-	(10,610)	(260,058)	(35,548)
-	21,672	367,061	-
-	(25,013)	(316,551)	-
-	(246)	(215,461)	-
-	152	137,037	-
10,372	(99,761)	35,750	-
10,372	(103,196)	7,835	-
(446,830)	(218,792)	(574,574)	(7,890)
446,830	861,690	1,859,309	16,453
$ 0	$ 642,898	$ 1,284,736	$ 8,563

(Continued)

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2009

(Continued)

	Business-type Activities - Enterprise Funds		
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:			
Operating Income (Loss)	$ 86,251	$ 2,771	$ (1,226,571)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	-	189,335
Amortization		(2,680)	-
Provision for Uncollectible Accounts	-	-	-
Operating Income (Investment Income) Classified as Investing Activity	-	(48,282)	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	44,117	-
Miscellaneous Nonoperating Income (Expense)	-	-	-
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	13	122	(19,510)
Decrease (Increase) in Due from Other Funds	-	199	6,785
Decrease (Increase) in Due from Component Units	-	-	(284)
Decrease (Increase) in Due from Other Governments	-	-	789
Decrease (Increase) in Inventories	(1)	-	(2,653)
Decrease (Increase) in Prepaid Items	-	17	(3,029)
Decrease (Increase) in Other Assets	-	-	-
Decrease (Increase) in Deferred Charges	-	(792)	(1,608)
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	52	(21)	4,765
Increase (Decrease) in Due to Other Funds	(313)	(299)	9,435
Increase (Decrease) in Due to Component Units	-	-	1,065
Increase (Decrease) in Due to Other Governments	-	2	(16,729)
Increase (Decrease) in Tax and Other Deposits	-	-	-
Increase (Decrease) in Unearned Revenue	1,382	-	48,080
Increase (Decrease) in Interest Payable	-	(2,155)	-
Increase (Decrease) in Compensated Absences	4	9	6,753
Increase (Decrease) in Postemployment Benefits	11	9	49,407
Increase (Decrease) in Future Benefits and Loss Liabilities	(121,058)	-	-
Total Adjustments	(119,910)	(9,754)	272,601
Net Cash Provided (Used) by Operating Activities	$ (33,660)	$ (6,983)	$ (953,971)
Noncash Investing, Capital and Financing Activities:			
Assets Acquired through Capital Leases	$ -	$ -	$ 1,408
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to Other Funds	-	-	-
Net Change in Unrealized Gains and Losses	(22,100)	-	(58,584)
Other	(873)	-	27,743

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

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Unemployment Reserve	Nonmajor Enterprise	Totals	
$ (919,830)	$ (23,051)	$ (2,080,431)	$ (9,104)
-	12,233	201,568	22,877
-	-	(2,680)	-
4,793	509	5,302	-
-	(257)	(48,540)	-
-	19,646	63,763	-
-	1,872	1,872	6,487
(34,026)	16,398	(37,003)	(109)
(294)	1,346	8,036	(13,509)
-	-	(284)	(278)
(131,696)	(8,366)	(139,273)	(436)
-	(425)	(3,079)	1,046
-	(222)	(3,235)	(40)
-	(450)	(450)	-
-	105	(2,295)	-
26,507	(13,768)	17,536	6,860
2,971	(3,889)	7,905	1,375
-	-	1,065	-
100,130	861	84,264	(15)
-	256	256	-
-	5,805	55,266	-
-	-	(2,155)	-
-	1,058	7,824	318
-	7,332	56,759	994
-	2,305	(118,753)	8,119
(31,614)	42,347	153,669	33,687
$ (951,445)	$ 19,296	$ (1,926,762)	$ 24,582
$ -	$ 70	$ 1,478	$ -
-	8	8	-
-	1,402	(79,282)	-
-	-	26,870	1

Statement of Fiduciary Net Assets
June 30, 2009

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust	Agency
Assets				
Cash and Cash Equivalents	$ 1,854,297	$ 3,337,764	$ 206,350	$ 26,651
Securities Lending Collateral	5,038,829	-	-	-
Prepaid Items	10,495	-	695	-
Receivables (net of allowance):				
Loans Receivable	-	-	69	-
Prior Service Contributions Receivable	241,170	-	-	-
Benefits Overpayment Receivable	3,024	-	-	-
Due from Other Funds	47,512	-	-	2,070
Due from Component Units	3,256	-	-	-
Interfund Receivables	88,642	-	-	-
Due from Other Governments	132,643	-	4,992	-
Due from Employers	-	-	-	208
Interest and Dividends Receivable	188,517	-	-	-
Investment Sales Receivable	1,228,096	-	-	-
Other Receivables	36,081	-	3,342	8,670
Total Receivables	1,968,943	-	8,404	10,949
Investments:				
Fixed Income	17,758,300	-	-	-
Stocks	35,665,473	-	-	-
Limited Partnerships	5,323,131	-	-	-
Preferred Securities	125,770	-	-	-
Convertible Securities	27,454	-	-	-
Mortgages	51,524	-	-	-
Real Estate	390,888	-	-	-
Investments of Private Purpose Trust Funds	-	-	1,718,901	-
Investments of Agency Funds	-	-	-	749
Multi-asset Investments	1,293,142	-	-	-
External Investment Pool	562,765	-	-	-
Total Investments	61,198,446	-	1,718,901	749
Inventories	66	-	-	-
Capital Assets	3	-	3	-
Other Assets	-	-	-	303,128
Total Assets	70,071,079	3,337,764	1,934,353	$ 341,477
Liabilities				
Accounts Payable and Other Accrued Liabilities	65,361	3	70	$ 21,910
Securities Lending Collateral Liability	5,038,829	-	-	-
Annuities Payable	244,853	-	-	-
Advance Contributions	186	-	-	-
Due to Other Funds	70,164	114	249	245
Interfund Payables	88,642	-	-	-
Due to Other Governments	30,817	-	-	-
Tax and Other Deposits	-	-	-	319,321
Future Benefits and Loss Liabilities	-	-	5,509	-
Financial Futures Contracts	6,567	-	-	-
Investment Payable	1,110,741	-	-	-
Unearned Revenue	403	-	-	-
Advances from Other Funds	-	-	110	-
Compensated Absences Payable	2,175,990	-	-	-
Other Postemployment Benefits	588	-	-	-
Total Liabilities	8,833,143	117	5,937	$ 341,477
Net Assets				
Held in Trust for Pension Benefits, Pool Participants and Other Purposes	$ 61,237,935	$ 3,337,647	$ 1,928,416	

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, 2009

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust
Additions			
Contributions:			
Employer Contributions	$ 721,268	$ -	$ -
Employee Contributions	767,368	-	-
Other	-	-	24
Total Contributions	1,488,636	-	24
Deposits	-	11,446,755	261,920
Premiums			160,718
Federal Subsidy			10,406
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	(16,134,968)	-	-
Interest	526,911	-	-
Dividends	617,727	-	-
Securities Lending Income	106,541	-	-
Other	69,511	-	-
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	(414,584)	22,028	(317,800)
Less:			
Investment Expense	(225,687)	(1,233)	(6,336)
Securities Lending Rebates and Fees	(55,170)	-	-
Investment Income Distributed to Other Funds	578,822	-	-
Net Investment Income	(14,930,895)	20,796	(324,136)
Interest on Prior Service Receivable	18,277	-	-
Miscellaneous Income	652	-	1
Total Additions	(13,423,331)	11,467,550	108,933
Deductions			
Retirement Benefits and Refunds:			
Retirement, Disability, and Beneficiary	3,853,905	-	-
Separations	27,620	-	-
Total Retirement Benefits and Refunds	3,881,526	-	-
Distributions	23,797	11,925,317	179,885
Other Benefit Expense	172,720	-	164,219
Unusual Write-off of Receivable	18	-	-
Administrative Expense	23,177	248	11,193
Transfers Out	351	-	6
Total Deductions	4,101,589	11,925,565	355,303
Net Increase (Decrease)	(17,524,920)	(458,015)	(246,370)
Net Assets - Beginning of Year	78,762,855	3,795,662	2,174,786
Net Assets - End of Year	$ 61,237,935	$ 3,337,647	$ 1,928,416

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

Notes To The Financial Statements

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

Blended Component Units

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

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

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

Badger Tobacco Asset Securitization Corporation (BTASC) – A nonstock public corporate entity created under Chapter 181 of the Wisconsin Statutes was created for the purpose of making a one-time purchase of Tobacco Settlement Revenues (TSRs) from the State. In May 2002, BTASC issued bonds to provide sufficient funds for carrying out its purpose. Bonds issued by the BTASC are the sole obligation of the BTASC. The State is not legally liable for payment of principal and interest on these bonds nor is the debt dependent upon any dedicated stream of revenue generated by the State. Directors of the corporation are appointed by the Secretary of Administration for staggered three-year terms. Once appointed, directors can only be removed for cause. At least one of the directors must be determined to be "independent" for federal bankruptcy law purposes. The State appoints the BTASC board and a financial benefit exists. BTASC reports on a fiscal year ended May 31. BTASC is reported as a debt service fund (Badger Tobacco Asset Securitization).

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

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

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

Discretely Presented Component Units

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

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

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

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

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

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

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

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

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

Related Organizations

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

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

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

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.

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

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The State reports the following major funds:

Major Governmental Funds

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

Major Enterprise Funds

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

In addition, the State reports the following fund types:

Governmental Funds

- *Special Revenue Funds* – account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes. Examples include the Conservation Fund and the Petroleum Inspection Fund.
- *Debt Service Funds* – account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- *Capital Projects Funds* – account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- *Permanent Funds* – account for resources that are legally restricted to the extent that only earnings and not principal, may be used for purposes that support the State's programs.

Proprietary Funds

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

Fiduciary Funds

- *Pension and Other Employee Benefit Trust Funds* – account for the Wisconsin Retirement System as well as other employee benefit programs including accumulated sick leave, duty disability, employee reimbursement accounts, life insurance, and retiree life insurance.
- *Investment Trust Funds* – account for the local government investment pool managed by the State Treasurer and the Milwaukee Retirement System.
- *Private-purpose Trust Funds* – account for the State-sponsored college savings programs and the BadgerRx for Individuals Fund.
- *Agency Funds* – account for the assets of liquidated insurance companies to insure payments to claimants, transactions of the retiree health insurance program, assets held by the State for inmates and residents of state facilities, deposits of bank and insurance companies doing business in the state, and the collection and disbursement of court-ordered support payments.

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

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

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

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

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

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

1. Cash and Cash Equivalents

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

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

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

2. Investments

Primary Government

The State may invest in direct obligations of the United States and Canada, securities guaranteed by the United States, certificates of deposit issued by banks in the United States and solvent financial institutions in the State, commercial paper and nonsecured corporate notes and bonds, bankers acceptances, participation agreements, privately placed bonds and mortgages, common and preferred stock and other securities approved by applicable sections of the Wisconsin Statutes, bond resolutions, and various trust indentures (see Note 5 to the financial statements).

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

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

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

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

Component Units

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

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

Investments of the University of Wisconsin Hospitals and Clinics Authority (the Hospital) in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices.

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

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

3. Mortgage and Other Loans

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

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

4. Forestation State Tax

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

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

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

5. Interfund Assets/Liabilities

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

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

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

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

6. Inventories and Prepaid Items

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

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

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

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

7. Capital Assets

Capital assets, which include property, plant, equipment, 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 certain other capital assets including the State Capitol and Executive Residence and associated furnishings, defined as inexhaustible. Generally, estimated useful lives are as follows:

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

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

8. Restricted and Limited Use Assets

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

9. Local Assistance Aids

Municipal and County Shared Revenue Program

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

At June 30, 2009, 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 $487.0 million representing one-half of the total appropriated amount is reported at June 30, 2009 as Due to Other Governments.

State Property Tax Credit Program

At June 30, 2009, 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, 2009.

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, 2009.

The aggregated State Property Tax Credit Program liability of $566.7 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 2009 property tax bills, the State made this payment in March 2009.

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 2009, while the remaining portion represents a prepaid item. The resulting prepaid item reported within the Lottery Fund totals $28.5 million at June 30, 2009.

State Aid for Exempt Computers

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

At June 30, 2009, the State was liable to various local governments and other taxing jurisdictions for unpaid exempt computer aid payments of $52.1 million.

10. Long-term Debt Obligations

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

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

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

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

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

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

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

Sick Leave

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

12. Unearned and Deferred Revenue

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

Unearned revenue of the University of Wisconsin System consists of payments received but not earned at June 30, 2009, primarily for summer session tuition, tuition and room deposits for the next fall term, advance ticket sales for upcoming intercollegiate athletic events, and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement.

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

13. Self-Insurance

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

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

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

Fund Balance Reserves

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

Restricted Net Assets/Fund Equity

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

NOTE 2. DETAILED RECONCILIATION OF THE GOVERNMENT-WIDE AND FUND STATEMENTS

A. Explanation of Differences Between the Balance Sheet – Governmental Funds and the Statement of Net Assets

During the year ended June 30, 2009, 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
Assets:					
Cash and Cash Equivalents	$ 730,971	$ -	$ 8,563	$ -	$ 739,534
Investments	81,704	-	-	-	81,704
Receivables (net of allowance):					
Taxes	1,168,143	-	-	(1,168,143)	-
Loans to Local Governments	580,294	-	-	(580,294)	-
Other Loans Receivable	49,614	-	-	(49,614)	-
Other Receivables	586,838	3,358	1,281	2,967,588	3,559,065
Due from Other Funds	370,537	-	50,550	(421,087)	-
Due from Component Units	6	-	-	(6)	-
Interfund Receivables	90,405	-	-	(90,405)	-
Due from Other Governments	1,099,190	-	-	(1,099,190)	-
Internal Balances	-	-	1,768	(393,953)	(392,185)
Inventories	36,117	995	3,970	-	41,082
Prepaid Items	290,369	-	758	-	291,126
Advances to Other Funds	110	-	-	(110)	-
Restricted Assets:					
Cash and Cash Equivalents	230,975	-	-	-	230,975
Investments	36,210	-	-	-	36,210
Other Restricted Assets	2	-	-	-	2
Deferred Charges	-	81,381	615	-	81,996
Depreciable Capital Assets	-	1,286,368	249,052	-	1,535,419
Infrastructure	-	12,218,686	-	-	12,218,686
Other Non-depreciable Capital Assets	-	3,052,752	35,904	-	3,088,656
Other Assets	29,314	-	-	-	29,314
Total Assets	$ 5,380,799	$ 16,643,540	$ 352,460	$ (835,215)	$ 21,541,584
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 1,233,079	$ -	$ 24,529	$ 29,465	$ 1,287,073
Due to Other Funds	348,541	-	68,328	(416,869)	-
Interfund Payables	444,997	-	-	(444,997)	-
Due to Other Governments	2,181,979	-	-	-	2,181,979
Tax Refunds Payable	1,267,089	-	-	-	1,267,089
Tax and Other Deposits	74,304	-	-	-	74,304
Unearned Revenue/Deferred Revenue	674,912	(294,884)	-	-	380,029
Interest Payable	39,614	63,933	-	-	103,547
Advances from Other Funds	2,814	-	-	(2,814)	-
Short-term Notes Payable	869,530	-	11,846	-	881,376
Long-term Liabilities:					
Current Portion	101,745	408,533	45,502	-	555,781
Noncurrent Portion	-	8,934,414	217,737	-	9,152,151
Total Liabilities	7,238,604	9,111,997	367,942	(835,215)	15,883,328
Fund Balances/Net Assets	(1,857,805)	7,531,542	(15,482)	-	5,658,256
Total Liabilities and Fund Balances/Net Assets	$ 5,380,799	$ 16,643,540	$ 352,460	$ (835,215)	$ 21,541,584

(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, 2009, 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)
Revenues:			
Taxes	$ 13,249,082	$ -	$ -
Income Taxes	-	14,520	-
Sales & Excise Taxes	-	37,832	-
Public Utility Taxes	-	-	-
Other Taxes	-	(778)	-
Motor Fuel (Transportation) Taxes	-	(652)	-
Other Dedicated Taxes	-	30	-
Intergovernmental	8,680,730	-	-
Operating Grants	-	-	750
Capital Grants	-	-	1,384
Licenses and Permits	1,606,833	-	-
Charges for Goods and Services	316,781	2,807	-
Investment and Interest Income	70,340	(21)	-
Fines and Forfeitures/Contributions to Permanent Fund	66,782	-	-
Gifts and Donations	19,816	-	-
Miscellaneous:		(64,612)	(4,703)
Tobacco Settlement	306,179	-	-
Other	238,194	-	-
Total Revenues	24,554,736	(10,873)	(2,568)
Expenditures/Expenses:			
Current Operating:			
Commerce	301,885	2,607	1,017
Education	6,673,017	1,606	3,127
Transportation	2,029,347	5,730	40,942
Environmental Resources	503,411	6,183	10,309
Human Relations and Resources	10,298,086	36,370	61,187
General Executive	559,262	(11,612)	11,592
Judicial	126,851	1,679	2,496
Legislative	63,798	847	918
Tax Relief and Other General Expenditures	1,275,882	-	-
Capital Outlay	775,189	-	(775,189)
Debt Service:			
Principal	1,812,219	-	-
Interest and Other Charges	678,052	1,427	-
Intergovernmental - Shared Revenue	1,035,050	-	-
Total Expenditures/Expenses	26,132,047	44,837	(643,601)
Excess of Revenues Over (Under) Expenditures/Expenses	(1,577,311)	(55,709)	641,033
Other Financing Sources (Uses):			
Net Transfers	(1,039,912)	-	111
Long-term Debt Issued	2,172,974	-	-
Premium/Discount on Bonds	28,472	-	-
Capital Lease Acquisitions	20,077	(20,077)	-
Installment Purchase Acquisitions	671	(671)	-
Total Other Financing Sources (Uses)	1,182,281	(20,748)	111
Net Change in Fund Balance	(395,029)	$ (76,457)	$ 641,144
Change in Reserve for Inventories	7,418		
Net Change for the Year	$ (387,611)		

(1) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," while government-wide statements report revenues when earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, while government-wide statements report using the accrual basis of accounting.

(2) Capital-related adjustments consist of the difference between proceeds for the sales of capital assets and the gain or loss from the sales of capital assets, and from the difference between capital outlay expenditures recorded in the governmental funds and depreciation expense recorded in the government-wide statements.

(3) The adjustment for internal service funds reflects the elimination of these funds from the government-wide statement, which is accomplished by charging/refunding additional amounts to participating governmental activities to completely offset the internal service funds' cost for the year.

Internal Service Funds (3)	Long-term Debt Transactions (4)	Eliminations (5)	Revenue/Expense Reclassifications (6)	Total Amount for Statement of Activities
$ -	$ -	$ -	$ (13,249,082)	$ -
-	-	-	6,795,213	6,809,733
-	-	-	4,717,331	4,755,163
-	-	-	307,552	307,552
-	-	-	229,181	228,403
-	-	-	1,002,572	1,001,921
-	-	-	197,232	197,262
-	-	-	(8,680,730)	-
-	-	30,635	7,870,213	7,901,598
-	-	-	860,600	861,984
-	-	-	(1,606,833)	-
4,474	-	(14,970)	1,650,986	1,960,077
60	-	-	(30,267)	40,112
-	-	-	(44,153)	22,629
-	-	-	(19,816)	-
-	-	-	544,730	475,415
-	-	-	(306,179)	-
-	-	-	(238,194)	-
4,534	-	15,665	357	24,561,850
(785)	-	(5,376)	(440)	298,908
777	-	29,274	(67)	6,707,734
169	204	-	(6,916)	2,069,477
320	14,688	(111)	50	534,850
1,610	(246)	1,361	(131)	10,398,237
1,648	-	(9,484)	(49)	551,358
(108)	-	-	-	130,916
(94)	158	-	-	65,626
(2)	1,795	-	(2,735)	1,274,940
-	-	-	-	-
-	(1,812,219)	-	-	-
7,903	(24,884)	-	2,869	665,367
-	-	-	-	1,035,050
11,437	(1,820,504)	15,665	(7,418)	23,732,463
(6,903)	1,820,504	-	7,774	829,388
(11,417)	-	-	(357)	(1,051,574)
-	(2,172,974)	-	-	-
-	(28,472)	-	-	-
-	-	-	-	-
-	-	-	-	-
(11,417)	(2,201,446)	-	(357)	(1,051,574)
$ (18,320)	$ (380,942)	$ 0	7,418	(222,186)
			(7,418)	-
			$ 0	$ (222,186)

(4) Long-term debt transaction differences consist of bond proceeds and principal repayments reported as other financing sources and expenditures in governmental funds, but as increases and decreases in liabilities in the government-wide statements.

(5) Intra-entity activity within the same function is eliminated to remove the grossing up of both direct expenses and program revenues within that category.

(6) Revenue and expense reclassifications are necessary due to the differing level of detail needed on each of the statements. In addition, the Statement of Activities focuses on program revenue, which has been redefined from the traditional revenue source categories.

NOTE 3. BUDGETARY CONTROL

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

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

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

A. Deficit Fund Balance/Fund Equity

In addition to the General Fund, funds reporting a deficit fund balance, fund equity, or net assets position at June 30, 2009 are (in thousands):

Special Revenue:		
Petroleum Inspection	$	140,555
VendorNet		2,814
Capital Projects:		
Capital Improvement		540,929
Transportation Revenue Bonds		163,868
Enterprise:		
Injured Patients and Families Compensation		108,982
Unemployment Reserve		247,920
Income Continuation Insurance		1,588
Northern Developmental Disabilities Center		10,852
Southern Developmental Disabilities Center		3,231
Life Insurance		309
Internal Service:		
Technology Services		18,984
Risk Management		92,026
Pension and Other Employee Benefit Trust:		
Accumulated Sick Leave		518,468

B. Restricted Net Assets

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, which amends GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* provides guidance in determining when net assets have been restricted to a particular use by the passage of enabling legislation and how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. Net assets restricted (1) by external parties or for constitutional purposes or (2) by enabling legislation were as follows on June 30, 2009 (in thousands):

Governmental Activities:		
Net Assets Restricted by External Parties or for Constitutional Purposes	$	986,022
Net Assets Restricted by Enabling Legislation		119,219
Business-type Activities:		
Net Assets Restricted by External Parties or for Constitutional Purposes		2,285,462
Net Assets Restricted by Enabling Legislation		209,027

NOTE 5. DEPOSITS AND INVESTMENTS

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

A. Deposits

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

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

1. Primary Government

As of June 30, 2009, $458.8 million of the primary government's bank balance of $479.6 million (excluding two bank overdrafts totaling $.29 million in bank accounts that are covered by compensating balances in other accounts) was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	$ 458.8

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Deposits in foreign currency at June 30, 2009 are immaterial. The primary government does not have a formal policy specifically related to foreign currency risk.

The State’s Unemployment Reserve Fund had $26.6 million on deposit with the U.S. Treasury. This amount is presented as Cash and Cash Equivalents and is not included in the carrying amount of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

2. Component Units

The bank balance of deposits of the Wisconsin Housing and Economic Development Authority at June 30, 2009, the Wisconsin Health Care Liability Insurance Plan at December 31, 2008, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2009, the University of Wisconsin Foundation at December 31, 2008, and the State Fair Park Exposition Center, Inc. at December 31, 2008 was $337.2 million.

As of their fiscal year end, $334.0 million of the component units' bank balance of $337.2 million was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	$ 334.0

B. Investments

1. Primary Government

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

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

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

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

For the primary government, except for the various funds discussed later, permitted investments include: direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) for which the payment of the principal and interest are unconditionally guaranteed by the full faith and credit of the United States; bonds or other obligations of any state or the United States of America or of any agency, instrumentality or local governmental unit of any such state including the State of Wisconsin; bonds, debentures, participation certificates, notes or similar evidences of indebtedness of any of the Federal Financing Bank, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; public housing bonds issued by public agencies or municipalities; commercial paper; interest-bearing time deposits, certificates of deposit or other similar banking arrangements; shares of a diversified open-end management investment company; repurchase agreements; common and preferred stock; bankers acceptances; corporate commercial paper; bonds issued by a local district created under Wisconsin Act 229; and investment agreements with a bank, bank holding company, insurance company or other financial institution.

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

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

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

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

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

University of Wisconsin System (UWS)

The University of Wisconsin System (UWS) investment policies and guidelines are governed and authorized by the Board of Regents. The current approved asset allocation policy for long-term funds sets a general target of 24.5 percent marketable equities, 16.5 percent fixed income, 34.0 percent alternatives, and 25.0 percent tactical strategies. The approved asset allocation for intermediate term funds is 15.0 percent marketable equities, 65.0 percent fixed income, 10.0 percent alternatives and 10.0 percent cash. These target allocations were last affirmed/approved in December 2008.

Wisconsin Retirement System (WRS)

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

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

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

Custodial Credit Risk

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

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

At June 30, 2009, the reported amount of investments of the primary government, including the various funds, was $4,137.9 million, of which $388.7 million is reported as cash equivalents and $331.3 million is reported as "Other Assets". The primary government, including the various funds, does not have an investment policy specifically for custodial credit risk, however, at June 30, 2009, the primary government had no custodial credit risk exposure for these investments.

University of Wisconsin System (UWS)

At June 30, 2009, the UWS investments were $336.1 million, of which $27.4 million is reported as cash equivalents. The UWS's investments are registered in the name of the UWS and the UWS does not participate in any securities lending programs through its custodian bank. Investment securities underlying the UWS's investment in shares of external investment pools or funds are in custody at those funds. The shares owned in these external investment pools are registered in the name of the UWS.

Wisconsin Retirement System (WRS)

At June 30, 2009, the WRS investments were $60.6 billion. The WRS does not have a formal policy for custodial credit risk. As of June 30, 2009, the WRS held twelve tri-party repurchase agreements totaling $1.25 billion. The securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of a repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreements is the counterparty, the securities are not held in the WRS's name. They are held in the counterparty's name and held by the counterparty's agent.

Interest Rate Risk

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

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

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

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

At June 30, 2009, the primary government's investments were (in millions):

Primary Government (excluding Badger Tobacco Securitization Corporation, the various funds, UWS, WRS, SIF, and investments in an external investment pool)

Investment Type	Investment Maturities: Less Than 1 Year	1 to 5 Years	6 to 10 years	More Than 10 Years	Fair Value
U.S. Government and U.S. agency holdings	$ 130.5	$ 28.9	$ 21.6	$ 10.0	$ 191.0
State and municipal bonds and notes	1.8	116.7	41.9	66.9	227.3
Corporate bonds and notes	.1	--	--	--	.1
Negotiable certificates of deposit	.7	--	--	--	.7
Repurchase agreements	7.6	--	--	--	7.6
Forward delivery agreements	45.6	--	--	--	45.6
Guaranteed investment agreements	21.8	--	--	--	21.8
Money market funds	230.9	--	--	--	230.9
Mutual funds – open ended	37.3	411.3	1.3	.1	450.0
Total	$ 476.3	$ 556.9	$ 64.8	$ 77.0	$ 1,175.0

External Investment Pool

Investments of the Retiree Life Insurance Fund and the Life Insurance Fund (reported as pension and other employee benefit trust funds) are held in an external investment pool with the investment objective of maintaining levels in its general account sufficient to guarantee principal amounts of reserves. The interest rate exposure of this pool expressed in terms of duration and the weighted average life is 4.3 and 5.4 years respectively.

As of May 31, 2009, the Badger Tobacco Asset Securitization Corporation's investments were as follows (in millions):

Investment	Fair Value	Weighted Average Maturity (Years)
Dreyfus Cash Mgmt 288 Inst'l	$ 10.0	0.09
Federated Tax-free Obligations Fund 15	1.8	0.01
Total Fair Value	$ 11.8	
Portfolio weighted average maturity		0.10

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

As of June 30, 2009, the various funds had interest rate risk statistics as detailed below (in millions):

Various Funds
Duration for Fixed Income Securities (in years)

	LGPIF		SLF		IPFCF		Historical Society		Tuition Trust	
	Fair Value	Duration	Fair Value	WAM	Fair Value	Duration	Fair Value	Duration	Fair Value	Duration
Government/ Agency	$ 8.3	1.97	$ 33.6	16.04	$ 221.3	4.68	$ --	--	$ 6.4	4.65
Corporate	10.6	2.52	51.3	17.06	325.8	5.02	--	--	0.8	4.07
Bond Funds	--	--	--	--	--	--	1.9	5.06	--	--
Total/Average	$ 18.9	2.28	$ 84.9	16.65	$ 547.1	4.88	$ 1.9	5.06	$ 7.2	4.59

University of Wisconsin System (UWS)

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

As of June 30, 2009, the UWS had interest rate risk statistics as detailed below (in millions):

UWS

Fixed Income Sector	Fair Value	Modified Duration
Corporate and other credit	$ 16.9	4.11
Government	2.5	7.42
Collateralized mortgage obligations: U. S. Agencies	8.3	2.92
U.S. private placements	3.2	3.28
Asset backed securities	.8	3.70
Collateralized mortgage obligations: Corporate	4.4	1.91
U.S. Agencies	4.2	4.91
Commercial mortgage backed securities	2.1	3.33
Treasury inflation protected securities	23.9	3.61
Total	$ 66.3	
Fixed Income Commingled		
Seix Advisors High Yield Fund	$ 18.4	4.1

Wisconsin Retirement System (WRS)

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

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

Interest rate risk exposure as of June 30, 2009, stated in terms of modified duration and weighted average maturity, is presented below (in millions):

WRS

Investment Type	Fair Value	Modified Duration (Years)
Asset backed securities	$ 72.2	3.263
Commercial paper	44.3	0.246
Corporate bonds	3,332.9	4.624
Corporate bonds	10.9	N/A
Municipal bonds	4.2	8.342
Government agency	352.7	4.520
Commercial mortgages	51.5	2.701
Private placements	437.5	4.937
Private placements	8.9	N/A
Repurchase agreements	36.0	N/A
Sovereign debt	2,880.3	6.825
Sovereign debt	1.6	N/A
U.S. Treasury securities	3,239.0	7.657
Total	$10,472.0	

Pooled Investments

Pooled Investment	Fair Value	Modified Duration (Years)
Emerging market fixed income	$ 314.2	4.981
Global fixed income	429.1	4.870
Domestic fixed income	6,839.1	5.249
	$ 7,582.4	

Securities Lending Collateral Pool	Fair Value	Weighted Average Maturity (Days)
Asset backed securities	$ 337.0	20
Certificate of deposit	567.0	83
Commercial paper	185.3	61
Corporate bonds	1,486.8	35
Repurchase agreements	1,212.5	4
Pooled investments	1,028.1	14
US Treasury Securities	132.9	153
	$ 4,949.6	

	Fair Value	Modified Duration (Days)
Short-term pooled investments	$ 62.7	36

Credit Quality Risk

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

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

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

As of June 30, 2009, the above mentioned investments for the primary government including the various funds were rated by Standard and Poor's, Moody's Investors Service, and Fitch Ratings and the ratings are presented below using the Standard and Poor's rating scale (in millions):

Primary Government
(excluding the various funds, UWS, WRS and SIF)

Credit Quality Ratings	Fair Value
AAA	$ 197.2
AA	577.4
A	111.9
B	.1
Not Rated	622.5
Total	$ 1,509.1

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

The following schedule displays the credit ratings at June 30, 2009, for the various funds (in millions):

Various Funds

	LGPIF	SLF	IPFCF	Historical Society	Tuition Trust
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
AAA	$ 18.9	$ 34.6	$ 230.5	$ --	$ 6.4
AA	--	8.2	37.8	--	.2
A	--	25.5	162.8	--	.3
BBB	--	14.6	94.0	--	.2
BB	--	1.4	19.2	--	.2
B	--	.6	2.8	--	--
CCC	--	--	--	--	--
Not rated	--	--	--	1.9	--
Totals	$ 18.9	$ 84.9	$ 547.1	$ 1.9	$ 7.3

University of Wisconsin System (UWS)

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the Long Term Fund, fund-level asset allocation constraints limit exposure to below investment grade debt securities to no more than 10.0 percent; for the Intermediate Term Fund, exposure is limited to 6.0 percent. In addition, actively-managed, investment grade fixed income separate accounts must maintain an average portfolio quality of AA by Standard & Poor's and/or Aa by Moody's, and hold only securities rated BBB- by Standard & Poor's and/or Baa3 by Moody's or higher. Credit risk guidelines for all mutual or commingled funds used are carefully reviewed and monitored. As of June 30, 2009, the actively-managed, investment grade fixed income separate accounts held a CIT Group Inc. security in the amount of $115 thousand rated Ba2 by Moody's and BB- by Standard & Poor's and a Windsor Financing, LLC security in the amount of $90 thousand rated Ba3 by Moody's and BB by Standard & Poor's. The CIT Group Inc. security was disposed of on August 3, 2009 and the Windsor Financing, LLC security was disposed of on July 16, 2009.

The following schedule displays the credit rating as provided by Moody's Investor Service on debt securities held as of June 30, 2009 (in millions). Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the AAA rating below although they are considered to be without credit risk.

UWS

Ratings	Fair Value
Aaa	$ 52.6
Aa2	1.6
Aa3	1.1
A1	1.5
A2	5.2
A-3	4.8
Baa1	.9
Baa2	3.7
Baa3	1.3
Ba1	2.5
Ba2	2.5
Ba3	4.4
B1	3.4
B2	2.6
B3	2.3
Caa1	.9
Unrated and Unrated Pooled Cash	29.9
Total	$ 121.2

Wisconsin Retirement System (WRS)

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

The following schedule displays the lowest credit rating available as rated by several nationally recognized statistical rating organizations on debt securities held as of June 30, 2009 (in millions). Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the AAA rating below although they are considered to be without credit risk.

WRS

Ratings	Fair Value
P-1 or A-1	$ 885.2
Aaa or AAA	5,533.2
Aa3 to Aa1 or AA- to AA+	2,083.2
A3 to A1 or A- to A+	2,344.1
Baa3 to Baa1 or BBB- to BBB+	1,046.3
Ba3 to Ba1 or BB- to BB+	415.3
B3 to B1 or B- to B+	271.5
Caa1 to Caa3 or CCC- to CCC+	103.0
Ca1 to Ca3 or CC- to CC+	16.1
C	10.7
D	7.5
Commingled or pooled	8,673.2
Not rated	1,677.5
Total	$ 23,066.8

Concentration of Credit Risk

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

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

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

The primary government's, except for the various funds, largest concentration by a single issuer is the State of Wisconsin Global Certificates with approximately 4.7 percent and State of Wisconsin general obligation bonds with approximately 1.98 percent of investments.

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

Excluding investments issued or explicitly guaranteed by the U.S. Government, as of June 30, 2009, none of the various funds had more than five percent of their total investments in a single issuer.

University of Wisconsin System (UWS)

Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. Actively-managed, fixed income separate accounts are limited to holding no more than 7.0 percent in any one issuer (U.S. Government/Agencies are exempted). Credit concentration guidelines for all mutual or commingled funds used are carefully reviewed and monitored. During fiscal year 2009 and 2008, the largest concentration by a non-U.S. Government/Agency was Wachovia Bank with 0.6 percent and 0.9 percent, respectively, of total Trust Funds assets.

Wisconsin Retirement System (WRS)

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

Foreign Currency Risk

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

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

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

At June 30, 2009, the primary government, except for the various funds, did not own any issues denominated in a foreign currency.

The various fund's investment guidelines do not specifically address foreign currency risk with the exception that SLF only allows investments in U.S. dollar denominated instruments. As of June 30, 2009, the various funds did not own any issues denominated in a foreign currency.

University of Wisconsin System (UWS)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2009, the Long Term and Intermediate Term Funds held equity securities denominated in foreign currencies within pooled investment vehicles only, with market values totaling $76.0 million and $4.2 million, respectively, compared to prior fiscal year amounts of $94.3 million and $1.2 million, respectively. Some of the trades for such foreign positions will not settle in foreign currencies until after the fiscal year end. For the Long Term and Intermediate Term Funds, it is generally expected and desired that foreign currency exposure is not hedged, as this enhances the diversification benefits from non-U.S. investments. Foreign currency management practices and policies for mutual or commingled funds used are carefully reviewed and monitored.

Wisconsin Retirement System (WRS)

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

As of June 30, 2009, the following assets were denominated in the following currencies (in millions):

Currency Exposure by Investment Type

Currency	Cash and Cash Equivalents	Commercial Mortgages	Convert-ible Securities	Stocks	Fixed Income	Financial Futures	Multi-Asset	Preferred Securities	Limited Partnerships	Real Estate	Total
Australian Dollar	6.2	--	--	297.7	121.3	.2	--	--	--	--	425.5
Brazil Real	2.6	--	--	26.7	22.5	--	--	94.7	--	--	146.4
British Pound Sterling	4.0	--	.1	1,300.4	226.1	.1	--	--	97.4	--	1,628.1
Canadian Dollar	4.4	--	--	419.3	102.8	--	--	--	24.2	--	550.6
Columbian Peso	--	--	--	--	9.7	--	--	--	--	--	9.7
Czech Koruna	.2	--	--	9.3	--	--	--	--	--	--	9.5
Danish Krone	1.7	--	--	61.6	25.4	--	--	--	--	--	88.6
Euro Currency Unit	12.7	--	--	2,318.8	1,182.1	1.2	--	20.1	452.9	--	3,987.8
German Mark	--	--	--	--	.1	--	--	--	--	--	.1
Hong Kong Dollar	3.7	--	--	309.8	--	--	--	--	--	--	313.5
Hungarian Forint	.1	--	--	7.1	3.8	--	--	--	--	--	11.0
Iceland Krona	.1	--	--	--	1.5	--	--	--	--	--	1.6
Indian Rupee	2.9	--	--	123.3	--	--	--	--	--	--	126.2
Indonesian Rupian	.2	--	--	9.4	13.7	--	--	--	--	--	23.3
Israeli Shekel	.3	--	--	8.2	--	--	--	--	--	--	8.5
Italian Lira	--	--	--	--	.6	--	--	--	--	--	.6
Japanese Yen	24.3	--	--	1,418.4	860.3	.4	--	--	--	--	2,303.4
Malaysian Ringgit	2.3	--	--	18.6	38.6	--	--	--	--	--	59.5
Mexican New Peso	.3	--	--	48.0	17.5	--	--	--	--	--	65.8
Moroccan Dirham	.1	--	--	2.0	--	--	--	--	--	--	2.1
New Taiwan Dollar	9.1	--	--	164.2	--	--	--	--	--	--	173.4
New Turkish Lira	.2	--	--	34.8	1.8	--	--	--	--	--	36.9
New Zealand Dollar	.4	--	--	.7	8.1	--	--	--	--	--	9.1
Norwegian Krone	.5	--	--	97.1	5.8	--	--	--	--	--	103.4
Philippines Peso	.3	--	--	5.3	--	--	--	--	--	--	5.6
Polish Zloty	.2	--	--	11.7	24.8	--	--	--	--	--	36.7
South African Rand	.7	--	--	41.4	5.7	--	--	--	--	--	47.9
Singapore Dollar	2.8	--	--	84.2	--	--	--	--	--	--	87.0
South Korean Won	1.0	--	--	165.6	--	--	--	3.7	--	--	170.4
Swedish Krona	1.3	--	--	88.9	27.1	--	--	--	.9	--	118.2
Swiss Franc	1.5	--	--	379.2	--	--	--	--	--	--	380.6
Thailand Baht	.7	--	--	40.4	--	--	--	--	--	--	41.1
United States Dollar	441.3	51.5	27.3	28,173.4	15,053.8	(8.4)	1,293.1	7.3	4,747.7	390.9	50,178.0
Uruguayan Peso	--	--	--	--	5.3	--	--	--	--	--	5.3
Total Investments by Currency Exposure	526.3	51.5	27.4	35,665.5	17,758.3	(6.6)	1,293.1	125.8	5,323.1	390.9	61,155.4

Securities Lending Transactions

Wisconsin Retirement System (WRS)

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

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

In accordance with money market mutual fund industry standards, the cash collateral reinvestment pools are valued at amortized cost. The amortized or book value of a fund's assets and underlying fair market value of the assets may differ based on market conditions. The pools' market value relative to its amortized cost is expressed as net asset value (NAV) and is derived by dividing total market value by amortized cost. In Fiscal Year 2009, the securities lending reinvestment pools' NAV fell below the typical money market fund floor value of 99.50 percent. As of June 30, 2009, the U.S. dollar cash collateral reinvestment pools' NAV was 98.43 percent while the foreign reinvestment pool had a NAV of 97.63 percent.

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

The majority of securities loans can be terminated on demand. The average term of the loans is approximately one week, which is shorter than the weighted average maturity of 35 days for investments made with the U.S. dollar cash collateral and the weighted average maturity of 14 days for investments made with foreign cash collateral.

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

Derivative Financial Instruments

Various Funds

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

As of June 30, 2009 the Tuition Trust Fund held interest only strips valued at $6.3 million representing approximately 70.5 percent of portfolio investments.

Wisconsin Retirement System (WRS)

Derivatives offer a very liquid, low cost and effective way to establish or hedge existing portfolio positions. Investment guidelines define allowable derivative activity for each portfolio and are based on the investment objectives which have been established by the Board. Where derivatives are permitted, guidelines stipulate allowable instruments and the manor in which they are to be used. For those portfolios given the authority to utilize derivatives, all derivative issuers or counterparties used must be a recognized exchange or a bank or broker dealer with an actual credit rating of at least: (1) 'A1/P1' or better on short term debt from S&P or Moody's; or (2) 'A' or better on long term debt from S&P or Moody's.

Foreign Currency Forwards and Options – Currency exposure management is permitted through the use of exchange traded currency instruments, and through the use of spot and forward contracts in foreign currencies. Losses may arise from future changes in the value of the underlying currency, or if the counterparties do not perform under the terms of the contract.

Discretionary currency overlay strategies may be employed when currency market conditions suggest such strategies are warranted. Direct currency hedging is permitted to hedge currency exposure back to the U.S. dollar when consistent with the strategy of the portfolio. Cross-currency exposure management to transfer out of an exposed currency and into a benchmark currency is permitted. In certain cases, currencies of non-benchmark countries may be held through the use of forward contracts provided that the notional value of any single non-benchmark currency does not exceed 5 percent of the market value of the portfolio. Losses may arise from future changes in the value of the underlying currency, or if the counterparties do not perform under the terms of the contract.

During Fiscal Year 2009, currency exposure management involved foreign currency spot and forward contracts only. Generally, these contracts are entered into to hedge foreign exchange risk. At June 30, 2009, the fair value of foreign currency forward contract assets totaled $3.3 billion, while the liabilities totaled $3.2 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.

Asset Backed Securities – Asset backed securities are debt securities whose value is derived from payments and prepayments of principal and interest generated from whole loan mortgages, mortgage pass-through securities, credit card receivables, car loans and leases receivables, insurance proceeds receivable, as well as, airline and railroad car loans receivable. In some cases, cash flows are distributed to different investment classes or traunches in accordance with the security's established payment order. Some traunches 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 asset backed securities may be subject to a reduction in interest payments as a result of prepayment of underlying mortgages, leases or loans that 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 anticipated interest payments, thus an increase in fair value of the security. Only high quality, senior traunches, resulting in minimal risks of default and prepayment are held for the WRS. The degree of prepayment risk also varies with the type of underlying assets. Mortgage backed securities tend to have a higher degree of prepayment risk due to the long term nature of the security. At June 30, 2009, mortgage backed securities with a fair value totaling $65.4 million were held for the WRS.

Options – Option contracts give the purchaser of the contract the right to buy (call) or sell (put) the security or index underlying the contract at an agreed upon price on or before the expiration of the option contract. The seller of the contract is subject to market risk, while the purchaser is subject to credit risk and market risk to the extent of the premium paid to enter into the contract. Internal U.S. equity portfolios are allowed to buy put options and sell call options in connection with existing portfolio positions. Call options may be purchased or put options sold on investments that could be held in the portfolio if the options were exercised. Domestic fixed income portfolios are permitted to enter into option contracts for the purpose of adjusting duration, taking or modifying positions, or investing anticipated cash flows. At June 30, 2009, the WRS held no options.

Unfunded Capital Commitments

University of Wisconsin System (UWS)

The UWS has unfunded limited partnership commitments of $30.6 million as of June 30, 2009.

Wisconsin Retirement System (WRS)

The Board has committed to fund various limited partnerships and side-by-side agreements related to its private equity and real estate holdings. Commitments that have not been funded as of June 30, 2009 totaled $5.3 billion.

2. Component Units

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

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

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

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

The Authority's aggregate investments at June 30, 2009 were $731.5 million of which $540.1 million are reported as cash equivalents.

University of Wisconsin Hospital and Clinics Authority – The University of Wisconsin Hospitals and Clinics Authority's (the Hospital) aggregate investments at June 30, 2009 were $288.9 million of which $216.7 million (invested with the University of Wisconsin Foundation, see investment disclosure discussion for the University Wisconsin Foundation) are reported as "Cash and Investments with Other Component Units." The board of directors has authorized management to invest in debt and equity securities.

State Fair Park Exposition Center, Inc. – The aggregate investments at December 31, 2008 were $4.8 million, consisting of $3.8 million of money market funds that are reported as cash equivalents.

Custodial Credit Risk

The component units do not have a formal policy for custodial credit risk. At fiscal year end, the reported amount of investments was $ 808.6 million, of which $543.9 million are reported as cash and cash equivalents.

Interest Rate Risk

It is the component units' policy to comply with the provisions contained within the general resolutions of revenue bond indentures and other program policy investment criteria. For example, investment maturities will coincide with the anticipated debt service payment dates and cash flow obligations associated with the life of bonds outstanding. Market conditions, rates of return, interest rate spreads within and across asset classes, and other factors will influence maturity selection for all funds in excess of those required to meet the projected cash flow obligations. No investment will mature after the final bond maturity of the issue.

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

	Investment Maturities				
Investment Type	**Less Than 1 Year**	**1 to 5 Years**	**6 to 10 years**	**More Than 10 Years**	**Fair Value**
U.S. Government and U.S. agency holdings	$ 77.2	$ 13.9	$ .9	$ 3.1	$ 95.1
Corporate notes and bonds	--	1.7	--	--	1.7
Money market funds	617.1	--	--	--	617.1
Noncollateralized investment contracts	--	28.0	--	--	28.0
Mortgage-backed securities	--	1.4	6.4	14.1	21.9
Collateralized investment contracts	29.6	--	1.2	1.2	32.0
Negotiable certificates of deposit	7.1	5.6	--	--	12.7
Total	$ 731.0	$ 50.6	$ 8.5	$ 18.4	$ 808.5

Credit Quality Risk

The component units have established different investment policies for different investment types that generally include minimum rating requirements. For example, corporate bonds and notes are limited to U.S. domestic corporations having been rated not less than AA category or its equivalent as to investment quality by two or more nationally recognized investment rating firms. At least one rating must be in the top two short- or long-term rating categories and all other ratings must be in the top three rating categories. Further, money market funds are limited to AAA rated money market mutual funds and non-rated funds with portfolios restricted to only those investments specifically authorized by the policy. Money market funds are regulated by the Securities & Exchange Commission and have a dollar weighted-average portfolio maturity of 90 days or less that fully invest dollar-for-dollar all funds without sales commissions or loads. The Authority invests in money market mutual funds whose investment objectives include seeking to maintain a stable net asset value of $1 per share. The Authority may not invest funds under its control in an amount that exceeds 10 percent of total assets of any individual money market mutual fund.

The following table presents the component units' ratings at fiscal year end (in millions):

		Credit Quality Ratings				
Investment Type	**Fair Value**	**AAA**	**AA**	**A**	**BBB**	**Unrated**
Corporate notes and bonds	$ 1.7	$ --	$ 0.7	$ 1.0	$ --	$ --
Money market funds	617.1	540.1	77.0	--	--	--
Noncollateralized investment contracts	28.0	--	28.0	--	--	--
Negotiable certificates of deposit	12.8	--	--	--	--	12.8
Mortgage-backed securities	21.8	21.8	--	--	--	--
Collateralized investment contracts	31.9	--	3.2	22.8	5.9	--

Concentration of Credit Risk

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

Foreign Currency Risk

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

Securities Lending

The Wisconsin Housing and Economic Development Authority's (Authority) Finance committee approved the use of a security-lending program with the trust department of a bank acting as an agent. As of June 30, 2009 the Authority had $20.8 million of securities on loan to broker-dealers for a fee.

Security lending transactions involve the lending of securities to broker-dealers and other entities for collateral, in the form of cash or securities, with the simultaneous agreement to return the collateral for the same securities in the future. The securities custodian is an agent in lending the domestic and international securities for collateral of 102 percent and 105 percent, respectively, of the loaned securities' market value. The lending agent in accordance with contractual investment guidelines, which are designed to insure the safety of principal and obtain a moderate rate of return, reinvests the collateral. The investment guidelines include very high credit quality standards and also allow for a portion of the collateral investments to be invested with short-term securities. The Authority has the following types of securities on loan: U.S. agency securities, U.S. government securities and corporate notes. The Authority receives cash collateral for securities lent. The fair value of the investment securities loaned was $20.8 million as of June 30, 2009, and the fair value of the collateral received was $17.2 million. The Authority may request the bank to terminate any loan of securities for any reason at any time.

As of June 30, 2009, no credit risk exposure to borrowers existed because the amounts owed the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent states that in the event that a borrower fails to return the lent security, the bank will indemnify the Authority for the following amounts: a) The difference between the closing market value of security on the date it should have been returned to the account and the cash collateral substituted for the lent securities, or b) In the case of collateral received in kind, the difference between the closing market value of the security on the date it should have been returned to the account and the closing market value of the collateral in kind on the same date.

The Authority assumes all risk of loss arising out of collateral investment loss and any resulting collateral deficiencies. The bank expressly assumes the risk of loss arising from negligent or fraudulent operations of its securities lending program. The bank operates the securities lending program as a business trust investment pool with open and matched components. In the matched portion of the investment pool, the maturities of the securities lent and collateral are the same. The open portions of the pool maintain a weighted average maturity of the portfolio at approximately 15 days, with a range from one day to 25 days. The open portions of the pool generally have a 15-day mismatch between the portfolio coverage maturity and the open loans. As of June 30, 2009 approximately 100 percent of the securities lent were in the open portion of the investment pool. No restrictions on the amount of the loans exist or can be made. The earnings generated from the securities lending program is reported as other income. During the year ended June 30, 2009, the Authority received $130 thousand of income related to security lending transactions.

Other Component Units

Wisconsin Health Care Liability Insurance Plan (WHCLIP) – Aggregate investments of the WHCLIP were $67.0 million, of which $4.8 million are money market and other highly liquid debt instruments reported as cash equivalents.

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

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

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

The investments of the WHCLIP at December 31, 2008 were $62.2 million consisting of the following (in millions):

Investment Type	Amortized Cost	Estimated Fair Value
U.S. Treasury securities and obligations of the U.S. government corporations and agencies	$ 7.2	$ 9.1
Debt securities issued by foreign governments and corporations	3.0	3.0
Industrial and miscellaneous	21.2	21.0
Public utilities	3.4	3.5
Loan-backed securities	27.4	28.2
Total	$ 62.2	$ 64.8

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

The amortized cost and estimated fair value of bonds at December 31, 2008, by contractual maturity are presented in the table below (in millions):

	Amortized Cost	Estimated Fair Value
1 Year or Less	$ 4.0	$ 4.0
1 to 5 Years	13.8	13.7
6 to 10 Years	13.1	14.3
More Than 10 Years	3.9	4.6
	34.8	36.6
Loan-backed securities	27.4	28.2
Total	$ 62.2	$ 64.8

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

Pass-through securities:	
Guaranteed by GNMA	$ .1
Issued by FNMA and FHLMC	24.2

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

As of December 31, 2008, the WHCLIP did not own any issues denominated in a foreign currency.

University of Wisconsin Foundation (the Foundation) - Aggregate investments of the Foundation are $1,735.7 million.

The following table summarizes the types of investments of the Foundation at December 31, 2008 (in millions):

Investment Type	Fair Value
Bond and debentures	$ 492.7
Stocks	308.7
Bond funds	99.9
Stock funds	19.8
Hedge funds	460.3
Limited partnerships	210.0
Real asset funds	140.7
Other funds	3.6
Total	$ 1,735.7

Custodial Credit Risk

At December 31, 2008, the reported amount of investments was $1,735.7 million. The Foundation had no custodial credit risk exposure for these investments.

Securities Lending

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

The prime considerations of the collateral pool in which the collateral has been reinvested are liquidity and principal preservation. However, given the recent stressed fixed income market environment, and the fact that all of the securities are held in the pool are subject to credit risk, the value of the collateral pool has declined. In addition, certain securities in the pool have defaulted and the collateral backing said securities has been placed in a liquidating trust. While the Foundation is still receiving cash flows from this trust, the value of the collateral comprising the trust has incurred significant mark-to-market price declines. This, in conjunction with the general price declines of other securities held in the collateral pool, leaves the Foundation with an outstanding collateral deficiency liability of approximately $3.5 million as of December 31, 2008. There was no collateral deficiency as of December 31, 2007. The ultimate realized loss will depend on the terminal value of the securities held in the liquidation trust. However, the Foundation feels it is likely a realized loss will be incurred; therefore, a liability of $1.5 million has been recorded as of December 31, 2008.

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

At December 31, 2008 and 2007, the Foundation had equity and fixed income securities with fair values of $25.4 million and $113.0 million, respectively, on loan. The Foundation reflects the collateral received for securities on loan as an asset and its obligation to return the collateral as a liability. As of December 31, 2008 and 2007, an asset of $26.0 million and $117.9 million respectively, and the related liability representing the obligation to return collateral received of $26.0 million and $117.9 million, respectively, are reported.

Income from securities lending for the year ended December 31, 2008 was approximately $375 thousand.

3. State Investment Fund

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

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

Investments are valued at fair value for financial statement purposes and amortized cost for purposes of calculating income to participants. The custodial bank has compiled fair value information for all securities by utilizing third party pricing services. The fair value of investments is determined at the end of each month. Government and agency securities and commercial paper are priced using matrix pricing. This method estimates a security’s fair value by using quoted market prices for securities with similar interest rates, maturities, and credit ratings. Short-term debt investments with remaining maturities of up to 90 days are valued using amortized costs to estimate fair value, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Repurchase agreements and nonnegotiable certificates of deposit are valued at cost because they are nonparticipating contracts that do not capture interest rate changes in their value. In addition, a bond issued by another State agency having a par value of $84.0 thousand is valued at par, which management believes approximates fair value.

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

Custodial Credit Risk

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

At June 30, 2009, the reported amount of investments was $6,525.6 million. The SIF had no custodial credit risk exposure for these investments.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. The weighted average maturity method is used to analyze interest rate risk and investment guidelines mandate that the weighted average maturity for the entire portfolio will not exceed one year. At June 30, 2009, the following table shows the investments by investment type, amount and the weighted average maturities (in millions):

Investment	Fair Value	Weighted Average Maturity (Days)
Bank NOW account deposits	$ 867.9	0
Repurchase agreements	901.0	1
Government and agency	4,557.7	95
Certificates of deposit	198.9	81
Mortgage backed securities	0.1	331
Total	$ 6,525.6	
Portfolio weighted average maturity		69

Credit Quality Risk

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

The following table presents the SIF's ratings as of June 30, 2009 (in millions):

	Ratings	Fair Value	Percent
Bank NOW Account Deposits	NR	$ 867.9	13.3
Repurchase agreements (collateral):			
U.S. government debt	N/A	676.0	10.4
Government sponsored entity U.S agency	AAA/Aaa	225.0	3.4
Federal Home Loan Board	A-1+/P-1	1,410.5	21.6
Federal Home Loan Mortgage Corporation	A-1+/P-1	1,650.4	25.3
Federal National Mortgage Association	A-1+/P-1	1,496.8	22.9
Certificates of deposit:			
Nonnegotiable (Var Wis Banks)	N/R	198.9	3.1
Mortgage backed securities	N/R	0.1	0.0
Totals		$ 6,525.6	100.0%

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer. The SIF's investment guidelines limit concentrations of credit risk by establishing numerous maximum issuer and/or issue exposure limits based on credit rating. These guidelines do not place a limit on maximum exposure for any U.S. treasury or agency securities. As of June 30, 2009 the SIF has more than five percent of its investments in a BB&T NOW account deposit (9.2 percent), FHLB (21.6 percent), FHLMC (25.3 percent), FNMA (22.9 percent), and repurchase agreement collateral consisting of various securities issued by these same three U.S. agencies (3.4 percent). Since the repurchase agreements mature each day, new collateral, consisting of a different blend of U.S. Treasury and agency securities, is assigned each night.

Foreign Currency Risk

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

June 30, 2009 the SIF did not own any issues denominated in foreign currency.

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

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

4. Lottery Investments and Related Future Prize Obligations

Investments of the State Lottery Fund totaling $72.0 million are held to finance grand prizes payable over a 20-year or 25-year period. The investments in prize annuities are debt obligations of the U.S. government and backed by its full faith and credit as to both principal and interest. Liabilities related to the future prize obligations are presented at their present value and included as Accounts Payable and Other Accrued Liabilities. The following is a schedule of future prize obligations (in thousands):

Fiscal Year	Amount
2010	$ 14,564
2011	9,747
2012	7,284
2013	7,350
2014	6,305
Thereafter	45,198
Total future value	90,448
Less: Present value adjustment	(25,137)
Present value of payments	$ 65,311

NOTE 6. RECEIVABLES AND NET REVENUES

A. Receivables

Receivables at June 30, 2009 were as follows (in thousands):

		Loans to	Other Loans Receivable					Due From	Due From	
		Local	Student	Veterans	Mortgage	Other	Other	Other	Component	Total
	Taxes	Governments	Loans	Loans	Loans	Loans	Receivables	Governments	Units	Receivables
Governmental Activities:										
General	$ 1,041,653	$ 3,641	$ -	$ -	$ -	$ 21,406	$ 543,228	$ 810,585	$ 6	$ 2,420,519
Transportation	93,959	-	-	-	-	28,160	8,800	269,999	-	400,918
Common School	-	555,362	-	-	-	-	4	8,690	-	564,056
Nonmajor Governmental	32,530	21,291	-	-	-	48	34,806	9,916	-	98,592
Total Governmental:	1,168,143	580,294	-	-	-	49,614	586,838	1,099,190	6	3,484,085
Government-wide Adjustments:										
Internal Service Funds	-	-	-	-	-	-	268	734	278	1,281
Accrual Adjustments	-	-	-	-	-	-	3,358	-	-	3,358
Fiduciary Receivables	-	-	-	-	-	-	70,341	-	-	70,341
Total – Governmental Activities	$ 1,168,143	$ 580,294	$ 0	$ 0	$ 0	$ 49,614	$ 660,805	$ 1,099,924	$ 285	$ 3,559,065
Related revenue deferral because the receivable does not meet the availability criteria	$ 228,740	$ 0	$ 0	$ 0	$ 0	$ 0	$ 43,892	$ 0	$ 0	$ 272,632
Business-type Activities:										
Current:										
Injured Patients and Families Compensation	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,307	$ -	$ -	$ 9,307
Environmental Improvement	-	147,975	-	-	-	-	927	8,606	-	157,508
University of Wisconsin System	-	-	33,867	-	-	-	116,363	105,883	1,519	257,633
Unemployment Reserve	-	-	-	-	-	-	141,225	135,881	-	277,106
Nonmajor Enterprise	-	316	-	5,439	7,792	-	94,797	11,585	-	119,928
Total Current:	-	148,291	33,867	5,439	7,792	-	362,620	261,955	1,519	821,483
Noncurrent:										
Environmental Improvement	-	1,645,898	-	-	-	-	-	-	-	1,645,898
University of Wisconsin System	-	-	165,448	-	-	-	5,114	-	-	170,562
Unemployment Reserve	-	-	-	-	-	-	75,283	-	-	75,283
Nonmajor Enterprise	-	2,149	-	14,451	253,453	3,868	80	-	-	274,000
Total Noncurrent	-	1,648,047	165,448	14,451	253,453	3,868	80,477	-	-	2,165,743
Government-wide Adjustments:										
Fiduciary Receivables	-	-	-	-	-	-	15	-	-	15
Total – Business-type Activities	$ 0	$ 1,796,338	$ 199,315	$ 19,890	$ 261,244	$ 3,868	$ 443,111	$ 261,955	$ 1,519	$ 2,987,240

B. Net Revenues

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2009, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	$ 90,705
Sales and Services of Auxiliary Enterprises	17,582
Total	$ 108,287

NOTE 7. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2009 was as follows (in thousands):

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 1,849,174	$ 145,656	$ (648)	$ 1,994,182
Buildings and Improvements	160,256	696	-	160,952
Library Holdings	80,722	893	(29)	81,586
Equipment	652	-	-	652
Construction in Progress	1,474,913	567,511	(1,191,141)	851,283
Infrastructure	11,167,846	1,084,654	(33,814)	12,218,686
Total capital assets, not being depreciated	14,733,564	1,799,409	(1,225,632)	15,307,341
Capital assets, being depreciated:				
Land Improvements	116,413	3,958	-	120,371
Buildings and Improvements	1,826,128	48,511	(427)	1,874,212
Equipment	658,873	125,381	(48,726)	735,529
Totals	2,601,414	177,850	(49,153)	2,730,111
Less accumulated depreciation for:				
Land Improvements	48,679	6,274	-	54,953
Buildings and Improvements	654,060	48,948	(295)	702,713
Equipment	420,511	59,788	(43,273)	437,026
Totals	1,123,250	115,010	(43,569)	1,194,692
Total Capital Assets, being depreciated, net	1,478,163	62,840	(5,584)	1,535,419
Governmental activities capital assets, net	$ 16,211,727	$ 1,862,249	$ (1,231,216)	$ 16,842,761
Business-type activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 124,826	$ 8,528	$ (6)	$ 133,347
Library Holdings	1,071,269	23,483	(6,601)	1,088,150
Construction in progress	364,526	154,681	(280,684)	238,523
Total Capital Assets, not being depreciated	1,560,621	186,691	(287,291)	1,460,020
Capital assets, being depreciated:				
Land Improvements	9,492	4	(4)	9,492
Buildings	4,484,244	459,823	(9,929)	4,934,137
Equipment	912,830	82,623	(43,878)	951,574
Totals	5,406,565	542,449	(53,812)	5,895,203
Less accumulated depreciation for:				
Land Improvements	7,577	262	(4)	7,835
Buildings	1,907,949	133,936	(7,114)	2,034,771
Equipment	650,445	67,370	(33,863)	683,952
Totals	2,565,971	201,568	(40,981)	2,726,557
Total Capital Assets, being depreciated, net	2,840,595	340,882	(12,831)	3,168,646
Business-type activities capital assets, net	$ 4,401,215	$ 527,572	$ (300,122)	$ 4,628,666

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of $2,644 thousand at June 30, 2009, with accumulated depreciation totaling $2,641 thousand.

Depreciation Expense

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

Governmental Activities		
Commerce	$	958
Education		3,053
Transportation		9,998
Environmental Resources		10,079
Human Relations and Resources		55,623
General Executive		9,080
Judicial		2,496
Legislative		918
Depreciation on capital assets held by the internal service funds		22,805
Total depreciation expense - governmental activities	$	115,010

Business-type Activities		
University of Wisconsin System	$	189,335
Lottery		41
Veterans Mortgage Loan Repayment		30
Other Business-Type		12,162
Total depreciation expense - business-type activities	$	201,568

Impaired Capital Assets

The University of Wisconsin System reported one asset meeting the definition of a temporarily impaired asset. The University of Wisconsin - Oshkosh's River Commons, net book value of $0.5 million, was idle as of June 30, 2009. A decision was made on October 7, 2009 that the building will be replaced with expected insurance proceeds of $3.1 million within the next two years.

Construction in Progress

Construction in progress of the primary government reported in the government-wide statement of net assets at June 30, 2009 included the following projects (in thousands):

	Allotments	Expended to June 30, 2009	Encumbrances Outstanding	Unencumbered Allotment Balance
Governmental Activities:				
Reported through capital projects funds:				
Interstate 94 North and South Corridor Reconstruction	$ 48,451	$ 48,451	$ -	$ -
Armed Forces Reserve Center	45,599	6,137	528	38,934
State Highway Rehabilitation	19,421	19,421	-	-
Wild Rose Fish Hatchery Phase 2	17,342	14,359	2,413	570
Madison Crime Lab Remodeling	16,030	14,993	57	980
Winnebago Corrections Facility Replacement	13,900	972	284	12,644
Wisconsin Resource Center - Female Treatment Center	11,982	245	440	11,297
Other projects with allotments totaling less than $10 million		65,173		
		169,751		
Other:				
Transportation-related funded through sources other than capital projects		642,039		
Other		39,493		
Total construction in progress – governmental activities		$ 851,283		
Business-type Activities:				
University of Wisconsin System:				
Biochemistry II Building – Madison	112,450	$ 15,843	79,494	17,113
Union South Replacement-Madison	94,800	7,301	1,442	86,057
Institute for Discovery – Madison	50,129	13,697	-	36,432
Academic Building-Oshkosh	48,267	2,379	1,173	44,715
Chazen Museum of Art-Madison	43,799	4,012	27,105	12,682
Jarvis Science Wing Renovation - Stout	42,921	25,064	12,233	5,624
Academic Building – La Crosse	38,500	2,986	26,258	9,256
Residence Hall - Whitewater	36,960	12,374	19,505	5,081
Suite Style Residence Hall-Stevens Point	35,982	995	1,190	33,797
Education Building Renovation-Madison	33,927	8,697	17,757	7,474
Campus Utility Upgrade – Madison	28,823	28,501	157	165
Academic Building – Superior	26,874	1,976	475	24,423
Rothwell Student Center – Superior	24,758	16,470	5,562	2,726
Sterling Hall Renovation – Madison	17,500	9,648	6,470	1,382
Chadbourne & Barnard Hall – Madison	13,724	4,977	7,863	884
Hovlid Hall Renovation-Stout	13,000	1,824	10,068	1,108
Other projects with allotments totaling less than $10 million:				
University of Wisconsin System		71,124		
Other		10,751		
Total construction in progress – business-type activities		$ 238,619		

Certain construction in progress of the University of Wisconsin System as listed above 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 as reported in the financial statements totaled $227.7 million and $10.8 million as of June 30, 2009, respectively.

Component Units

Capital Assets balance of the Wisconsin Housing and Economic Development Authority at June 30, 2009, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2009, the University of Wisconsin Foundation at December 31, 2008, and the State Fair Park Exposition Center, Inc. at December 31, 2008 were as follows (in thousands)

	Amount
Capital Assets, not being depreciated:	
Land and Land Improvements	$ 15,884
Construction in Progress	13,251
Total Capital Assets, not being depreciated	29,135
Capital Assets, being depreciated:	
Buildings	549,579
Equipment	239,825
Totals	789,404
Less accumulated depreciation for:	
Buildings	199,430
Equipment	152,671
Totals	352,101
Total Capital Assets, being depreciated, net	437,303
Component Units Capital Assets, net	$ 466,438

NOTE 8. ENDOWMENTS

Primary Government

University of Wisconsin System

The University of Wisconsin System invests its trust funds, principally gifts and bequests designated as endowments or quasi-endowments, in two of its own investment pools: the Long Term Fund and the Intermediate Term Fund. Benefiting University of Wisconsin System entities receive quarterly distributions from the Long Term Fund, principally endowed assets, based on an annual spending rate applied to a 12-quarter moving average market value of the fund. The annual spending rate is currently 4.0 percent. Distributions from the Intermediate Term Fund, principally quasi-endowments and unspent income distributions, consist of interest earnings distributed quarterly. Spending rate and interest distributions from both of these funds are transferred to the State Investment Fund, pending near-term expenditures. At June 30, 2009, net appreciation of $12.3 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 24.5 percent marketable equities, 16.5 percent fixed income, 34.0 percent alternatives, and 25.0 percent tactical strategies. 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 15.0 percent marketable equities, 65.0 percent fixed income, 10.0 percent alternatives, and 10.0 percent cash.

The fair value of Endowments as of June 30, 2009 was $336.9 million including an unrealized loss of $58.5 million when fair values as of June 30, 2009 are compared to asset acquisition costs. This compares to a fair value as of June 30, 2008 of $398.5 million. The net decrease in fund balance during 2008-09 was $61.6 million.

The book value of Endowments under control of the University of Wisconsin System was $398.5 million as of June 30, 2009 compared to a book value of $420.3 million as of June 30, 2008. 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, 2009, the book value and fair value of principal funds under control of the University of Wisconsin System was (in millions):

Original Contributions and Distributed Net Gains	$ 149.6
Realized Gains – Undistributed	248.9
Book Value	398.5
Unrealized Net Gains/Losses - Undistributed	(61.6)
Fair Value	$ 336.9

On June 30, 2009, the portfolio at market contained 36.7 percent in stocks, 14.4 percent in fixed income obligations, 18.5 percent in alternative assets, 21.6 percent in tactical allocation strategies, and 8.8 percent in short-term investments. The total return on the principal Long Term Fund including capital appreciation was (14.7) percent. The total return on the principal Intermediate Fund including capital appreciation was 2.2 percent. External investment counsel was furnished for funds representing 84.6 percent of market value principal.

Component Unit

University of Wisconsin Foundation

The University of Wisconsin Foundation's (the Foundation) endowment consists of 3,842 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently-restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently-restricted net assets is classified as temporarily-restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UMIFA. In accordance with UMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Asset Composition by Type of Fund as of December 31, 2008 (in millions):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$30.3	$506.5	$645.4	$1,182.2
Board-designated	9.6	22.1	1.8	33.5
Total	$39.9	$528.6	$647.2	$1,215.7

Endowment Related Activities by Type of Fund as of December 31, 2008 (in millions):

	Donor-Restricted	Board-Designated	Total
Investment return:			
Investment income	$61.1	$9.2	$70.3
Net depreciation, realized and unrealized	(413.4)	(60.1)	(473.5)
Total	(352.3)	(50.9)	(403.2)
Appropriation of endowment assets	(31.4)	(.6)	(32.0)
Other Changes:			
Net transfers	(39.1)	(3.5)	(42.6)
Total Change	$(422.8)	$(55.0)	$(477.8)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $186.5 million as of December 31, 2008. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4.75 percent of its endowment fund's average fair value over the prior twelve quarters through the quarter-end preceding the quarter in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3.0 percent to 5.0 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Celebrate Children Foundation, Inc

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

Investment Return Objectives, Risk Parameters and Strategies

The CCF has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5 percent once the assets in the board designated fund reach $5.0 million, while growing the funds if possible. Therefore, the CCF expects its endowment assets, over time, to produce an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

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

Endowment net asset composition as of June 30, 2009:

	Unrestricted	Permanently Restricted	Total
Donor-restricted	$ -	$977,239	$977,239
Board-designated	(121,042)	-	(121,042)
Total	$(121,042)	$977,239	$856,197

Changes in endowment net assets as of June 30, 2009 are:

	Permanently Restricted	Board-Designated	Total
Balance July 1, 2008	$866,589	$27,127	$893,716
Contributions	110,650	-	110,650
Investment return:			
Interest and dividends	-	29,261	29,261
Unrealized loss	-	(9,388)	(9,388)
Realized loss	-	(168,042)	(168,042)
End of Year	$977,239	$(121,042)	$856,197

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances as of or for the year ended June 30, 2009 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, 2009 were as follows (in thousands):

Due from Other Funds: / Due to Other Funds:	General	Trans-portation	Common School	Nonmajor Govern-mental	Injured Patients and Families Compensation	Environ-mental Improve-ment	University of Wisconsin System	Unemploy-ment Reserve	Nonmajor Enterprise	Internal Service	Fiduciary	Total
General	$ -	$ 15,288	$ 1,392	$ 24,708	$ 14	$ 248	$ 45,995	$ 4,551	$ 24,897	$ 2,293	$ 66,429	$ 185,815
Transportation	1,299	-	-	38,840	-	-	269	-	-	30	-	40,438
Common School	216	-	-	144	-	-	-	-	-	-	-	360
Nonmajor Governmental	26,057	14,643	-	96,557	19	1,072	14	-	956	4,605	-	143,924
Environmental Improvement	14	-	-	2	-	-	-	-	-	-	-	15
University of Wisconsin System	42,821	773	-	1,006	-	-	-	-	10	49	-	44,659
Unemployment Reserve	1,228	-	-	-	-	-	-	-	-	-	-	1,228
Nonmajor Enterprise	10,164	52	-	3,164	-	-	-	-	1,154	165	5	14,704
Internal Service	33,195	2,623	-	5,533	4	1	1,669	-	487	413	3,812	47,736
Fiduciary	24,837	1,580	-	2,406	4	5	16,499	-	3,081	642	527	49,582
Total	$ 139,831	$ 34,959	$ 1,392	$ 172,360	$ 41	$ 1,326	$ 64,447	$ 4,551	$ 30,586	$ 8,197	$ 70,772	$ 528,461

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

(1) interfund goods and services were provided and when the payments occurred, and

(2) interfund transfers were accrued and when the liquidations occurred.

B. Due from/to Component Units

Receivables and payables between funds and component units at June 30, 2009 were as follows (in thousands);

	Due from Component Unit				Due from Primary Government	
	General	University of Wisconsin System	Internal Service	Fiduciary	University of Wisconsin Hospitals and Clinics Authority	Total
Due to Primary Government:						
University of Wisconsin Hospitals and Clinics Authority	$ 6	$ 1,519	$ 258	$ 3,256	$ -	$ 5,039
Wisconsin Housing and Economic Development Authority	-	-	21	-	-	21
Due to Component Unit:						
University of Wisconsin System	-	-	-	-	2,566	2,566
Total	$ 6	$ 1,519	$ 278	$ 3,256	$ 2,566	$ 7,626

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, 2009 were as follows (in thousands):

	Interfund Receivables:			
	University of Wisconsin System	Transportation	Fiduciary	Total
Interfund Payables:				
General	$ 354,429	$ 90,405	$ -	$ 444,835
Nonmajor Governmental	163	-	-	163
Injured Patients and Families Compensation	76,831	-	-	76,831
Nonmajor Enterprise	72,981	-	-	72,981
Internal Service	60,131	-	-	60,131
Fiduciary	-	-	88,642	88,642
Total	$ 564,536	$ 90,405	$ 88,642	$ 743,584

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, 2009 were as follows (in thousands):

	Advances to Other Funds (asset):		
	General	Internal Service	Total
Advances from Other Funds (liability):			
Nonmajor Governmental	$ -	$ 2,814	$ 2,814
Fiduciary	110	-	110
Total	$ 110	$ 2,814	$ 2,924

E. Interfund Transfers

Interfund Transfers in and out that occurred during Fiscal Year 2009 were as follows (in thousands):

	Transfers in:									
	General	Transportation	Common School	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Internal Service	Total
Transfers out:										
General	$ -	$ 3,041	$ 15,000	$ 498,802	$ -	$ 1,042,806	$ 614	$ 72,157	$ 5,711	$ 1,638,132
Transportation	8,443	-	-	46,550	-	6	-	-	-	54,999
Common School	1,363	-	-	-	-	-	-	-	-	1,363
Nonmajor Governmental	206,561	6,322	-	53,348	21,085	206,022	-	8,255	836	502,428
Injured Patients and Families Compensation	128,500	-	-	13	-	-	-	-	-	128,513
Environmental Improvement	-	-	-	6,089	-	-	-	-	-	6,089
University of Wisconsin System	86,420	-	-	45,539	-	-	-	-	339	132,299
Unemployment Reserve	2,157	-	-	-	-	-	-	-	-	2,157
Nonmajor Enterprise	24,129	-	-	5,380	-	-	-	7,111	244	36,863
Internal Service	16,711	-	-	1,708	-	8	-	-	634	19,061
Fiduciary	-	-	-	357	-	-	-	-	-	357
Capital Assets Transferred From Proprietary Funds To Governmental Funds	-	-	-	-	-	-	-	(5)	(120)	(125)
Timing Difference due to Different Fiscal Year-ends	-	-	-	577	-	-	-	-	-	577
Total	$ 474,284	$ 9,363	$ 15,000	$ 658,363	$ 21,085	$ 1,248,841	$ 614	$ 87,517	$ 7,645	$ 2,522,712

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

Nonroutine and Other Transfers

In the fiscal year ended June 30, 2009, transfers considered non-routine or inconsistent with the fund making the transfer included the following (in thousands):

Transfers in to the General Fund to address revenue shortfalls:

Funds Reporting the Transfer Out	Amount
Injured Patients and Families	$128,500
Petroleum Inspection	16,891
University Wisconsin System	65,204
Recycling	14,773
Environmental	8,806
Transportation	6,803
Technology Services	7,400
Risk Management	4,000
Financial Services	1,750
Agricultural Chemical Cleanup	1,750
Facilities Operations and Maintenance	1,250
Other funds	2,873

Transfer in to the Veterans Trust Fund to extend the solvency of the fund:

Fund Reporting the Transfer Out	Amount
Homes for Veterans	7,000

NOTE 10. CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2009, the following changes occurred in long-term liabilities (in thousands):

Primary Government

Governmental Activities	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds Payable:					
General Obligation Bonds for Governmental Funds	$ 3,801,899	$ 458,909	$ 289,484	$ 3,971,324	$ 322,065
General Obligation Bonds for Internal Services Funds	155,511	3,461	8,725	150,247	9,690
Annual Appropriation Bonds	1,857,120	1,529,065	6,475	3,379,710	20,020
Revenue Bonds	2,929,310	185,000	1,514,436	1,599,874	108,011
Less Deferred Amounts:					
Issuance Premiums and Discounts	227,531	28,023	9,040	246,514	
Refundings	(49,567)	5,213	(1,074)	(43,280)	
Total Bonds Payable	8,921,804	2,209,671	1,827,085	9,304,390	459,786
Other Liabilities:					
Future Benefits and Loss Liability	95,000	41,508	33,389	103,119	34,470
Capital Leases	37,830	20,077	25,644	32,263	9,693
Installment Contracts	316	671	512	475	475
Compensated Absences	138,565	56,151	46,731	147,984	50,107
Other Postemployment Benefits	50,059	52,844	-	102,903	-
Claims, Judgments and Commitments	1,434	-	246	1,188	-
Pollution Remediation Obligations	1,040	14,570	-	15,610	1,250
Total Governmental Activities Long-term Liabilities	$ 9,246,047	$ 2,395,492	$ 1,933,607	$ 9,707,932	$ 555,781

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 2009. 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.

Business-type Activities	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds Payable:					
General Obligation Bonds	$ 1,136,038	$ 59,505	$ 97,505	$ 1,098,038	$ 41,866
Revenue Bonds	773,825	92,210	60,730	805,305	66,865
Less Deferred Amounts:					
Issuance Premiums and Discounts	62,236	5,470	7,870	59,836	
Refundings	(19,526)	(292)	(3,155)	(16,663)	
Total Bonds Payable	1,952,574	156,893	162,950	1,946,517	108,731
Other Liabilities:					
Future Benefits and Loss Liability	1,088,646	18,925	137,448	970,123	137,448
Capital Leases	116,439	1,910	8,240	110,110	5,939
Compensated Absences	122,576	11,214	3,390	130,399	61,346
Other Postemployment Benefits	53,812	56,759	-	110,571	-
Total Business-type Activities Long-term Liabilities	$ 3,334,046	$ 245,701	$ 312,027	$ 3,267,720	$ 313,464

Component Units

The following table presents the changes in long-term liabilities of the Wisconsin Housing and Economic Development Authority at June 30, 2009, the Wisconsin Health Care Liability Insurance Plan at December 31, 2008, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2009, the University of Wisconsin Foundation at December 31, 2008, and the State Fair Park Exposition Center, Inc. at December 31, 2008:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds and Notes Payable:					
Revenue Bonds and Notes	$ 3,555,778	$ 220,014	$ 564,160	$ 3,211,632	$ 88,941
Future Benefits and Loss Liability	37,122	--	19,510	17,612	4,394
Capital Leases	10,244	--	2,291	7,953	2,076
Compensated Absences	8,059	8,232	7,559	8,732	8,197
Split-interest Agreement	43,143	--	9,922	33,221	--
Other Post Employment Benefits	4,148	3,506	--	7,654	--
Pension Related	71,696	--	6,577	65,119	1,940
Total Component Units Long-term Liabilities	$ 3,730,190	$ 231,752	$ 610,019	$ 3,351,923	$ 105,548

NOTE 11. BONDS, NOTES AND OTHER DEBT OBLIGATIONS

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2009 (in thousands):

Primary Government	
Governmental Activities:	
General Obligation Bonds	$ 4,244,746
Annual Appropriation Bonds	3,378,300
Revenue Bonds:	
Transportation	1,591,971
Petroleum Inspection	89,373
Total Governmental Activities	9,304,390
Business-type Activities:	
General Obligation Bonds:	
University of Wisconsin System	771,172
Other Business-type	346,076
Revenue Bonds:	
Environmental Improvement	829,269
Total Business-type Activities	1,946,517
Total Primary Government	11,250,907
Component Units:	
Wisconsin Housing and Economic Development Authority Revenue Bonds	2,918,578
University of Wisconsin Hospitals And Clinics Authority Revenue Bonds	242,163
State Fair Park Exposition Center, Inc. Revenue Bonds and Notes Payable	40,795
University of Wisconsin Foundation Note Payable	10,096
Total Component Units	3,211,632
Total at June 30, 2009	$14,462,539

A. General Obligation Bonds

Primary Government

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

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

At June 30, 2009, $6,409.1 million of general obligation bonds were authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2009 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
1990	1990 Series D	5/90	7.0	5/10	$ 65,859	$ 4,147
1991	1991 Series B	5/91	6.80 to 6.85	5/11	117,136	13,390
1992	1992 Refunding Issue	3/92	6.25	5/15	448,935	18,270
1993	1992 2;	10/92;	5.125 to 6.5	5/15	423,565	73,485
	1993 1, 2	1/93; 3/93				
1994	1993 Refunding Issues 3, 5, 6;	8/93; 12/93; 10/93	5.2 to 5.35	5/23	502,305	83,140
1998	1997 D;	9/97	5.35 to 7.25	11/28	109,570	19,985
	1998 B and C	5/98; 5/98				
1999	1998 Series 1, E and F;	8/98; 10/98; 10/98	4.8 to 7.25	11/30	274,525	121,660
	1999 Series 1, and B	5/99; 5/99				
2000	1999 C and D; 2000 A	10/99; 11/99; 3/00	5.5 to 7.7	11/30	315,000	20,425
2001	2000 Series B and E;	7/00;11/00;	4.5 to 8.05	11/31	259,030	34,895
	2001 Series A, B, C and D	2/01; 4/01; 6/01; 6/01				
2002	2001 Series 1, E, F;	10/01; 10/01; 10/01;	4.0 to 6.96	5/33	819,545	380,480
	2002 Series 1, A, B, C, D	3/02; 3/02; 3/02; 6/02; 6/02				
2003	2002 Series E, F, G and H;	9/02; 9/02; 10/02; 12/02;	3.2 to 5.25	5/33	415,190	194,020
	2003 Series 1, 2, and A	4/03; 4/03; 5/03				
2004	2003 B, C, and 3;	7/03; 10/03;10/03;	0 to 19.088	5/34	1,305,096	953,101
	2004 1, 2, A, 3 and CWGBC	1/04; 1/04; 3/04; 6/04; 4/04				
2005	2004 Series 4, B, C, D and E;	7/04; 8/04; 8/04; 8/04; 10/04;	3.0 to 5.65	5/35	1,079,440	949,865
	2005 Series 1, A, B and C	2/05; 2/05; 4/05; 4/05				
2006	2005 Series D and E;	8/05; 12/05;	4.0 to 5.25	5/26	662,910	598,085
	2006 Series 1 and A	1/06; 3/06				
2007	2006 Series B, C and D;	7/06; 8/06; 9/06;	4.25 to 5.76	5/37	867,570	855,352
	2007 Series AW, BW and 1;	2/07; 2/07; 2/07;				
	2007 Series A and B	2/07; 6/07				
2008	2007 Series 2,3 and C;	10/07; 10/07;12/07	2.35 to 6.26	5/38	389,315	377,435
	2008 Series 1, A, AW, B and BW	6/08; 4/08;3/08; 5/08; 6/08				
2009	2008 Series C and D	9/08;12/08;	2.0 to 6.2	5/30	521,875	521,875
	2009 Series AW, A and B	1/09;6/09;609				
Total					8,531,866	5,219,610
Premiums/Discounts					--	194,581
Deferred Amount on Refunding					--	(52,198)
Total General Obligation Bonds					$ 8,531,866	$ 5,361,994

As of June 30, 2009, general obligation bond debt service requirements for principal and interest for governmental activities and business - type activities are as follows (in thousands):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2010	$ 311,946	$ 201,247	$ 39,264	$ 54,592
2011	307,471	183,236	40,305	52,648
2012	302,062	168,806	44,635	50,596
2013	294,601	154,780	47,122	48,408
2014	283,306	140,603	46,199	46,095
2015-2019	1,295,368	501,520	284,534	191,861
2020-2024	909,551	225,276	293,118	118,856
2025-2029	392,805	53,459	231,383	47,690
2030-2034	24,462	1,059	58,628	11,472
2035-2039	--	--	12,850	1,229
Total	4,121,571	1,629,986	1,098,038	623,447
Premiums/Discounts	165,758	--	28,823	--
Deferred Amount on Refunding	(42,584)	--	(9,614)	--
Total	$ 4,244,746	$ 1,629,986	$ 1,117,248	$ 623,447

Zero Coupon Bonds

The general obligation bonds of 1990, Series D (Higher Education Series), are zero coupon bonds recorded in the amount of $4.1 million which is the accreted value at June 30, 2009. 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 $13.4 million. The bonds mature on May 1 through the year 2011.

Qualified Build America Bonds

The 2009 general obligation bonds, Series B bonds in the amount of $54.5 million, are “qualified Build America Bonds” pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Code). Based on the credit allowed for “qualified Build America Bonds”, the State has elected to receive from the United States Treasury on each payment date a direct payment in the amount of 35 percent of the interest payable by the State with respect to such date, and the credit will not be allowed to the taxpayers holding the bonds. The interest rates on the bonds range from 5.15 percent to 5.40 percent payable semiannually on May 1 and November 1 beginning with the first interest payment date of November 1, 2009. These bonds are callable at par on May 1, 2019 or any date thereafter. The bonds mature beginning May 1, 2023 through 2030.

B. Annual Appropriation Bonds

2003 Annual Appropriation Bonds

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

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

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

The General Fund Annual Appropriation Refunding Bonds of 2008, Series A (Taxable Fixed Rate) in the outstanding principal amount of $492.9 million ("2008 Series A Bonds"), bear interest a rates from 3.086 percent to 5.238 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1 until their maturity dates.

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

The General Fund Annual Appropriation Bonds of 2008, Series C (Taxable Floating Rate Notes), ("2008 Series C Bonds") in the outstanding principal amount of $207.7 million, bear interest at rates 110 basis points over the one-month LIBOR computed on the basis of a 360-day year and for the number of days actually elapsed, payable monthly on the first business day of the month.

As of June 30, 2009, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2010	$ 13.8	$ 102.3
2011	20.1	101.8
2012	26.9	101.0
2013	286.5	99.8
2014	72.8	86.3
2015 - 2019	486.6	386.9
2020 - 2024	288.6	261.4
2025 - 2029	478.3	133.0
2030 - 2032	177.0	19.4
Total	1,850.6	1,291.9
Unamortized Prem./Discount	(1.8)	--
Total, net	$ 1,848.8	$ 1,291.9

Interest Rate Swaps

The State has entered into interest rate exchange agreements, or swap agreements, to modify interest rates for nearly all of the 2008 Series B bonds and 2008 Series C bonds. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

Objective – In December 2003, the State entered into four interest rate exchange agreements with four different counterparties in order to reduce the interest rate risk in connection with $595.2 million of the Series B (Taxable Auction Rate Certificates) issued in 2003. In June 2005, the State entered into four additional interest rate exchange agreements with three counterparties in order to reduce the interest rate risk on the balance of the Series B (Taxable Auction Rate Certificates) issued in 2003, ($349.7 million). In April and June 2008, the State issued $509 million of annual appropriation refunding bonds as floating rate notes having variable interest rate set every month (2008 Series B Bonds and 2008 Series C Bonds). In conjunction with issuance in April 2008, at its option the State terminated and made corresponding termination payments in the aggregate amount of $40.0 million on some, and a portion of other, interest rate exchange agreements previously entered into in December 2003 and June 2005. As of June 30, 2009, interest rate exchange agreements remain to reduce the interest rate risk in connection with $499 million in floating rate notes.

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

Fair Value – As of June 30, 2009, the aggregate fair value of the interest exchange agreements was negative $90.7 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 three counterparties -- JP Morgan Chase, Citigroup N.A. New York, and UBS AG. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the interest rate exchange agreement. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the interest rate exchange agreements, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the interest rate exchange agreements. The fair value may vary throughout the life of the swap agreements due to any changes in fixed swap interest rates and swap market conditions.

Associated Debt – Using rates as of June 30, 2009, debt service requirements are presented for the 2008 Series B and 2008 Series C bonds that are subject to the interest rate exchange agreements and the net swap payments assuming that interest rates remain the same for their term. As rates vary, interest payments on the floating rate notes and net swap payments will vary.

(in millions)

Fiscal Year Ended June 30	Principal	Interest	Interest Rate Swaps, Net	Totals
2010	$ 2.3	$ 7.4	$ 25.1	$ 34.8
2011	3.4	7.4	25.0	35.8
2012	4.6	7.4	24.8	36.8
2013	5.9	7.3	24.6	37.8
2014	1.1	7.1	24.4	32.7
2015 - 2019	5.5	35.8	121.4	162.6
2020 - 2024	39.9	34.6	117.8	192.3
2025 - 2029	260.8	25.8	88.7	375.3
2030 - 2032	175.2	4.4	15.0	194.6
	$ 498.7	$ 137.2	$ 466.8	$ 1,102.7

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

Credit Risk – As of June 30, 2009, the State was exposed to only a minimal amount of credit risk, as the fair values of all of the four interest rate exchange agreements were negative. Should rates change, the State could have increased exposure in the future. The State has entered into four interest rate agreements with three different counterparties. The lowest rating assigned to these counterparties is, as of June 30, 2009, A1 by Moody's, A+ by Standard & Poor's, and A+ by Fitch Ratings. Under the interest rate exchange agreements and to mitigate the potential for credit risk, if any of the counterparties' credit quality falls below A3 by Moody's Investors Service or A- by either Standard & Poor's or Fitch Ratings, the fair value of the interest rate exchange agreement for that respective counterparty will be fully collateralized by that counterparty. In addition, an event of termination occurs if any of the counterparties' credit quality falls below Baa2 by Moody's investors service or BBB by either Standard & Poor's or Fitch Ratings.

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

Termination Risk – The interest rate exchange agreements may be terminated by the State, upon two business days written notice, designating to the counterparty the termination date. In addition, the State or the counterparties may terminate the interest rate exchange agreements if the other party fails to perform under the terms of the interest rate exchange agreements or if other various events occur. As of June 30, 2009, there have not been any such events. If any interest rate exchange agreement is terminated, the State would be unhedged and exposed to additional interest rate risk on the 2008 Series B bonds and the 2008 Series C bonds. In addition, if the interest rate exchange agreement has a negative fair value at the time of termination, the State would incur a loss and would be required to make a settlement payment to the related counterparty. Actual termination payments, if required to be made, can be made, at the State's discretion, from the Stabilization Fund, or delayed until funds are available in the Subordinated Payment Obligations Fund or until the next biennium when appropriations can be made in the biennial budget for the termination payments.

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

2009 Annual Appropriation Bonds

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

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

As of June 30, 2009, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2010	$ 6.2	$ 92.5
2011	5.8	86.8
2012	5.9	86.6
2013	6.6	86.4
2014	7.5	86.2
2015 - 2019	126.3	418.4
2020 - 2024	173.2	383.3
2025 - 2029	255.1	327.5
2030 - 2034	527.3	224.2
2035 - 2037	415.2	51.6
Total	1,529.1	1,843.5
Unamortized Premium/Discount	.4	-
Total, net	$ 1,529.5	$ 1,843.5

C. Revenue Bonds

Primary Government

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

Transportation Revenue Bonds

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

The Department of Transportation is authorized to issue a total of $3,009.8 million of revenue bonds. Presently, there are fourteen issues of Transportation Revenue Bonds totaling $1,511.1 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, 2009 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2008A	8/08	5.0	7/29	$ 185,000	$ 185,000
2007A	3/07	4.25 to 5.0	7/27	148,710	148,710
20071	3/07	4.35 to 5.0	7/22	206,900	206,900
2005B	9/05	4.0 to 5.0	7/25	158,400	143,965
2005A	3/05	3.0 to 5.25	7/25	235,585	234,565
2004 1	9/04	5.25	7/17	95,905	70,920
2003A	11/03	3.0 to 5.0	7/24	166,230	133,645
2002A	10/02	4.0 to 5.0	7/23	119,785	86,365
2002 1& 2	4/02	4.0 to 5.75	7/15 & 7/19	200,080	110,795
2001A	11/01	4.0 to 5.0	7/22	106,450	56,620
1998A&B	8&10/98	5.25 to 5.5	7/9 & 7/16	169,115	98,400
1993A	9/93	4.7 to 5.0	7/12	116,450	35,250
				1,908,610	1,511,135
Unamortized Premium				--	80,836
Total				$1,908,610	$1,591,971

Petroleum Inspection Fee Revenue Bonds

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

As of June 30, 2009, PIF Bonds outstanding are $89.4 million. Debt service payments are secured by petroleum inspection fees.

The PIF revenue bonds issued and outstanding as of June 30, 2009 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2004-A&1	2/04; 5/04	3.0 to 5.0	7/12	$ 140,470	$ 88,740
Deferred amount on refunding				--	(696)
Unamortized Premium				--	1,329
Total				$ 140,470	$ 89,373

Clean Water Revenue Bonds

The Environmental Improvement Fund (the Fund) provides loans and grants to local municipalities to finance wastewater treatment planning and construction. The Fund is authorized to issue up to $2,363.3 million in Revenue Bonds. At June 30, 2009, there were twelve issues of Revenue Bonds outstanding totaling $829.3 million. These bonds are secured by payments on program loans and earnings of investments.

Bonds issued and outstanding for the Environmental Improvement Fund as of June 30, 2009 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2008-3	12/08	3.0 to 5.5	6/26	$ 92,210	$ 92,210
2008-2	2/08	5.0	6/18	27,335	27,335
2008-1	2/08	4.0 to 5.0	6/28	100,000	97,005
2006-2	11/06	4.0 to 5.0	6/27	100,000	93,800
2006-1	3/06	3.5 to 5.0	6/27	80,000	75,040
2004-2	1/05	3.25 to 5.25	6/20	107,025	102,675
2004-1	3/04	4.0 to 5.0	6/24	116,795	85,150
2002-2	8/02	3.0 to 5.5	6/16	85,575	39,745
2002-1	5/02	4.0 to 5.25	6/23	100,000	51,955
2001-1	4/01	4.5 to 5.25	6/21	70,000	21,385
1998-2	8/99	4.0 to 5.5	6/17	104,360	79,450
1991-1	4/91	5.4 to 6.9	6/11	225,000	39,555
				1,208,300	805,305
Unamortized Premium				--	31,042
Less: Unamortized discount and charge				--	(7,078)
Total, net of discount, charge and premium				$1,208,300	$ 829,269

As of June 30, 2009, revenue bond debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

	Governmental Activities				Business-Type Activities	
	Transportation Revenue Bonds		Petroleum Inspection Fee Revenue Bonds		Clean Water Revenue Bonds	
Fiscal Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 79,395	$ 73,018	$ 22,350	$ 3,622	$ 66,865	$ 40,677
2011	77,195	69,155	23,470	2,507	70,690	37,110
2012	81,200	65,077	24,635	1,366	50,710	33,370
2013	82,930	60,852	18,285	391	51,490	30,839
2014	87,350	56,425	--	--	48,295	28,299
2015-2019	440,970	213,211	--	--	244,745	104,036
2020-2024	466,270	99,417	--	--	191,490	47,656
2025-2029	181,685	17,373	--	--	81,020	8,548
2030-2034	14,140	354	--	--	--	--
Total	1,511,135	654,882	88,740	7,886	805,305	330,535
Unamortized Premium	80,836	--	1,329	--	31,042	--
Unamortized Discount/Charge	--	--	(696)	--	(7,078)	--
Total, net	$ 1,591,971	$ 654,882	$ 89,373	$ 7,886	$ 829,269	$ 330,535

Component Units – Discrete Presentation

Wisconsin Housing and Economic Development Authority

Bonds and notes payable at June 30, 2009 of the Wisconsin Housing and Economic Development Authority (Authority) consisted of the following (in thousands):

Revenue bonds and notes	$ 2,914,574
Special obligation and subordinated Special obligation	7,545
Total	2,922,119
Less: Deferred amount on refunding	(3,541)
Total, net	$ 2,918,578

Authority's Revenue Bonds and Notes

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

The Authority's revenue bonds and notes outstanding at June 30, 2009 consisted of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Housing Revenue Bonds:				
1998 A,B&C	2/98	5.3 to 6.88	2032	$ 14,265
1999 A&B	10/99	5.3 to 6.18	2031	24,935
2002 A,B&C	5/02	4.35 to 5.6	2033	37,440
2003 A&B	12/03	Variable	2034	5,965
2003 C	12/03	3.4 to 5.25	2043	13,400
2003 D&E	12/03	Variable	2044	19,975
2005 A,B&C	12/05	3.2	2035	9,535
2005 D&E	12/05	3.55 to 5.15	2045	39,345
2005 F	12/05	4.31	2030	118,740
2006 A&B	12/06	3.5 to 4.75	2047	18,975
2006 C&D	12/06	Variable	2037	8,805
2007 A&B	12/07	Variable	2042	17,520
2007 C,D&E	12/07	Variable	2038	8,565
2007 F&G	12/07	Variable	2042	16,125
2008 A,B,C,D, E, F&G	6/08	Variable	2033	47,795
				401,385

Home Ownership Revenue Bonds:				
1997 D&E	6/97	5.45 to 5.8	2017	8,460
1998 A,B&C	4/98	5.5	2027	30,460
1998 D&E	6/98	5.35	2028	14,120
1999 C,D&E	4/99	4.65 to 6.17	2029	6,760
1999 F,G&H	7/99	5.65	2024	7,590
2000 A,B&C	3/00	5.7 to 5.8	2022	2,545
2000 D,E&F	6/00	5.75 to 7.91	2029	4,055
2000 F	7/00	Variable	2015	2,780
2000 H	11/00	Variable	2024	8,915
2000 G & H	11/00	7.21	2031	2,390
2001 A,B&C	5/01	4.85 to 6.4	2032	11,670
2002 A&C	2/02	4.375 to 5.5	2032	36,625
2002 B	2/02	Variable	2032	7,305
2002 C	2/02	Variable	2016	6,545
2002 E&G	3/03	3.95 to 4.85	2017	28,800
2002 I	10/02	3.6 to 4.85	2022	16,335
2002 E & F	7/02	Variable	2032	35,750
2002 I	10/02	Variable	2032	34,750
2003 A	4/03	4.95	2024	885
2003 A	4/03	Variable	2033	66,200
2003 B	7/03	Variable	2034	67,265
2003 C	11/03	3.30 to 4.85	2022	2,395
2003 C	11/03	Variable	2034	57,540
2003 D	11/03	Variable	2028	13,350
2004 A	4/04	Variable	2035	79,995
2004 A	4/04	3.40 to 4.2	2012	9,105
2004 C&D	7/04	3.65 to 5.1	2024	15,335
2004 D	7/04	Variable	2035	106,690
2004 E	11/04	Variable	2035	79,055
2005 A	4/05	3.75 to 4.95	2025	18,800
2005 A	4/05	Variable	2036	90,535
2005 C	6/05	Variable	2033	146,985
2005 C	6/05	4.875	2036	32,280
2005 D&E	9/05	Variable	2036	126,660
2006 A&B	1/06	Variable	2037	186,360
2006 C&D	5/06	4.85 to 6.0	2037	220,300
2006 E&F	10/06	4.7 to 5.727	2037	164,005
2007 A&B	4/07	4.65 to 5.75	2038	136,070
2007 B	4/07	Variable	2026	28,785
2007 C&D	4/07	Variable	2038	157,130
2007 C&D	4/07	5.125 to 5.94	2038	50,885
2007 E&F	12/07	4.09 to 6.0	2038	86,800
2007 E&F	12/07	Variable	2038	39,240
2008 A&B	4/07	Variable	2038	104,080
2008 A&B	5/08	5.3 to 5.625	2031	65,155
				2,417,740
Business Development Bonds:				
1995 1-2,4-9	Various	Variable	2015	3,090
				3,090
Multifamily Housing Bonds:				
2006 A&B	7/06	Variable	2036	7,305
2007 A&B	6/07	Variable	2040	11,520
2007 C	8/07	Variable	2048	6,315
2008 A&B	8/08	Variable	2046	13,810
2009 A	6/09	1.5 to3.5	2018	4,115
2009 A	6/09	Variable	2035	15,885
				58,950
Notes Payable	Various	Variable	Various	18,319
Facility Refunding	6/09	Variable	2017	15,300
Authority's Total Revenue Bonds and Notes				$2,914,784

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, 2009 consist of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Home Ownership Revenue Bonds:				
1998 F&G	10/98	4.65 to 5.51	2029	$ 7,545
Total Special Obligation Bonds				$ 7,545

Debt service requirements for principal and interest for the Authority at June 30, 2009 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2010	$ 76,179	$ 77,880
2011	63,690	71,590
2012	64,780	69,550
2013	59,685	67,484
2014	57,910	65,872
2015-2019	354,510	306,204
2020-2024	459,505	253,640
2025-2029	632,040	181,429
2030-2034	708,385	105,450
2035-2039	399,780	31,573
Thereafter	45,655	9,098
Total	2,922,119	1,239,770
Deferred Amount on Refunding	(3,541)	--
Total	$ 2,918,578	$ 1,239,770

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, 2009 the Authority had issued 142 series of such bonds in an aggregate principal amount of $82.6 million for economic projects in Wisconsin.

A Construction Plus line of credit bears interest at the rate of 2.51 percent at June 30, 2009. Both line of credit rates are based on the 30 day Eurodollar rate.

The Authority has entered into various interest rate swap agreements. The agreements provide the Authority with synthetic fixed interest rates on a portion of its debt. During the term of the swap agreements, the Authority expects to effectively pay a fixed rate on the debt. In return, the counterparty pays interest based on a contractually agreed upon variable rate. The Authority will be exposed to variable rates on the outstanding bonds if the counterparty to the swap defaults, the swap is terminated such that the bonds outstanding is greater than the swap notional value or the effective interest rate, determined by the remarketing agent used for bond holder payments, increases over the variable rate index used for calculating the interest received from the counterparty. All interest rate swap agreements at June 30, 2009 are classified as effective. The Authority does not intend to terminate these agreements other than at par and for purposes of maintaining a match between bonds outstanding and the swap notional value prior to their maturity.

Using rates as of June 30, 2009, debt service requirements of the Authority outstanding variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ended	Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ 49,105	$ 16,318	$ 55,525	$ 120,948
2011	52,505	12,156	54,104	118,765
2012	49,625	11,817	51,309	112,751
2013	48,695	11,411	50,614	110,720
2014	59,740	10,769	48,829	119,338
2015 - 2048	1,264,265	115,669	547,494	1,927,428
Totals	$1,523,935	$ 178,140	$ 807,875	$2,509,950

The following table outlines information related to agreements in place as of June 30, 2009 (in thousands):

Program and Bond Issue	Notional Value at 6/30/09	Effective Date	Swap Termination Date	Counterparty Credit Rating	Percent Fixed Rate Paid	Variable Rate/Index Received	Swap Termination Market Value at 6/30/09
Housing Revenue Bonds							
2002	$ 21,920	5/21/2002	11/1/2033	AAA/Aa1	4.68	70% of one month London Interbank Offered Rate (LIBOR)	$ (1,445)
2003 Series D	8,430	1/5/2005	5/1/2044	AA-/Aa1	4.21	65% of one month LIBOR + 25 basis points	(569)
2003 Series E	11,335	1/5/2005	5/1/2043	AA-/Aa1	4.05	63.5% of one month LIBOR + 20 basis points	(745)
2005 Series F	79,055	1/17/2006	11/1/2030	AA-/Aa1	5.21	One month LIBOR	(10,932)
2006 Series C	3,820	12/14/2006	11/1/2016	AA-/Aa1	3.64	SIFMA + 2 Basis Points	(191)
2006 Series D	4,985	12/14/2006	11/1/2016	AA-/Aa1	3.64	SIFMA + 2 Basis Points	(250)
2007 Series A	10,165	12/19/2007	11/1/2016	AA-/Aa1	4.72	SIFMA + 6 Basis Points	(64)
2007 Series B	7,355	12/19/2007	11/01/2016	AA-/Aa1	4.58	SIFMA + 2 Basis Points	(55)
2007 Series F	10,950	12/19/2007	11/01/2016	AA-/Aa1	4.01	SIFMA + 2 Basis Points	(610)
2007 Series G	5,175	12/19/2007	11/01/2016	AA-/Aa1	4.01	SIFMA + 6 Basis Points	(289)
							(15,150)
Multifamily Housing Bonds							
2006 Series A&B	7,305	7/19/2006	10/1/2013	AA-/Aa1	4.21	SIFMA + 2 Basis Points	(580)
2007 Series A	7,580	6/29/2007	10/1/2022	AA-/Aa1	4.43	SIFMA + 6 Basis Points	(755)
2007 Series B	3,940	6/29/2007	10/1/2022	AA-/Aa1	5.9	SIFMA + 2 Basis Points	(814)
2007 Series C	6,315	8/2/2007	10/1/2048	AA-/Aa1	4.33	SIFMA + 2 Basis Points	(585)
2008 Series A	6,870	8/28/2008	10/1/2026	AA-/Aa2	3.86	SIFMA + 7 Basis Points	(351)
2008 Series A	4,415	8/28/2008	10/1/2026	AA-/Aa2	3.89	SIFMA + 7 Basis Points	(226)
2008 Series B	2,525	8/28/2008	10/1/2026	AA-/Aa2	5.08	SIFMA + 7 Basis Points	(328)
							(3,639)
1987 Home Ownership Revenue Bonds							
2002 Series B	7,305	2/6/2002	3/1/2020	AA-/Aa1	5.88	One month LIBOR + 35 Basis Points	(662)
2002 Series C	6,545	2/6/2002	9/1/2012	AA-/Aa1	3.69	67 percent of one month LIBOR	(250)
2002 Series I	34,750	10/17/2002	9/1/2032	A+/Aa2	4.07	70 percent of one month LIBOR	(1,861)
2003 Series B	67,265	7/29/2003	9/1/2034	AA-/Aa1	3.94	65 percent of one month LIBOR + 25 Basis Points	(3,960)
2004 Series A	31,020	4/29/2004	9/1/2022	AA-/Aa1	4.47	SIFMA + 8 basis points	(1,956)
2004 Series A	14,190	4/29/2004	9/1/2012	AA-/Aa1	2.87	65 percent of one month LIBOR + 25 Basis Points	(362)
2004 Series A	34,785	4/29/2004	3/1/2035	AA-/Aa1	4.27	65 percent of one month LIBOR + 25 Basis Points	(2,418)
2005 Series A	90,535	4/12/2005	3/1/2036	AAA/Aa1	3.9	65 percent of one month LIBOR + 25 Basis Points	(4,502)
2005 Series D	81,030	9/29/2005	9/1/2036	AAA/Aa1	3.79	65 percent of one month LIBOR + 25 Basis Points	(3,270)
2007 Series B	28,785	4/10/2007	9/1/2026	AAA/Aa1	5.20	One month LIBOR + 35 Basis Points	(3,033)
2007 Series E	27,980	12/18/2007	9/1/2038	AAA/Aa1	3.96	62 percent of one month LIBOR + 38 Basis Points	(1,895)
2007 Series F	11,260	12/18/2007	9/1/2014	AAA/Aa1	4.43	One month LIBOR	(813)
							(24,982)
1988 Home Ownership Revenue Bonds							
2002 Series E	5,135	7/11/2002	3/1/2011	AA-/Aa1	3.24	70 percent of one month LIBOR	(114)
2002 Series E	23,890	7/11/2002	9/1/2032	AA-/Aa1	4.67	70 percent of one month LIBOR	(156)
2002 Series F	6,725	7/11/2002	9/1/2014	AA-/Aa1	5.20	Three months LIBOR + 40 Basis Points	(354)
2003 Series A	16,905	4/3/2003	9/1/2014	AAA/Aa1	2.98	65 percent one month LIBOR + 25 Basis Points	(520)
2003 Series A	31,375	4/3/2003	9/1/2030	AAA/Aa1	4.26	65 percent one month LIBOR + 25 Basis Points	(173)
2003 Series A	17,920	4/3/2003	9/1/2033	AAA/Aa1	4.17	65 percent one month LIBOR + 25 Basis Points	(43)
2003 Series C	18,935	11/4/2003	3/1/2019	AAA/Aa1	3.32	65 percent one month LIBOR + 25 Basis Points	(755)
2003 Series C	38,605	11/4/2003	3/1/2034	AAA/Aa1	4.17	65 percent one month LIBOR + 25 Basis Points	(1,243)
2004 Series D	106,690	7/27/2004	9/1/2035	AAA/Aa1	3.92	65 percent one month LIBOR + 25 Basis Points	(5,128)
2004 Series E	79,055	7/27/2004	9/1/2035	AA-/Aa1	3.99	65 percent one month LIBOR + 25 Basis Points	(4,672)
2005 Series C	84,295	8/3/2005	3/1/2024	AA-/Aa1	3.34	65 percent one month LIBOR + 25 Basis Points	(1,191)
2005 Series C	62,690	8/3/2005	9/1/2033	AA-/Aa1	4.07	65 percent one month LIBOR + 25 Basis Points	(4,373)
2006 Series A	91,915	1/19/2006	3/1/2029	AA-/Aa1	3.65	65 percent one month LIBOR + 25 Basis Points	(5,187)
2006 Series A	59,020	1/9/2006	9/1/2037	AA-/Aa1	4.27	65 percent one month LIBOR + 25 Basis Points	(2,468)
2007 Series C	23,185	6/28/2007	9/1/2017	AA-/Aa1	4.32	SIFMA + 8 Basis Points	(1,103)
2007 Series C	22,575	6/28/2007	9/1/2023	AA-/Aa1	4.63	SIFMA + 8 Basis Points	(1,520)
2007 Series C	43,420	6/28/2007	9/1/2016	AA-/Aa1	4.11	SIFMA + 8 Basis Points	(2,556)

2007 Series D	23,760	6/28/2007	9/1/2027	AA-/Aa1	6.48	100 percent of one month LIBOR	(2,531)
2007 Series D	25,460	6/28/2007	9/1/2016	AA-/Aa1	5.62	100 percent of one month LIBOR	(2,494)
2007 Series D	18,730	6/28/2007	9/1/2028	AA-/Aa1	6.01	100 percent of one month LIBOR	(3,165)
2008 Series A	34,035	5/15/2008	3/1/2019	AA/Aa2	3.35	SIFMA + 8 Basis Points	(1,358)
2008 Series A	52,025	5/15/2008	9/1/2038	AAA/Aa1	3.86	62 percent of one month LIBOR + 38 Basis Points	(1,802)
							(42,906)
							($86,677)

Swap Valuation -- The swap termination market values presented above were estimated by the Authority's counterparties to the swap agreements using proprietary valuation models based on standard valuation methodology. The market values in the table above represent the termination payments that would have been due had the swaps terminated on June 30, 2009. A positive value represents money due to the Authority by the counterparty upon termination while a negative value represents money payable by the Authority.

Termination Risk -- Counterparties to the Authority's swap agreements have ordinary termination rights that require a settlement payment by the Authority or the counterparty based on the market value of the swap agreement at the time of termination. As of June 30, 2009, no termination events have occurred.

Credit Risk -- The Authority is exposed to credit risk, the risk that the counterparty fails to perform according to its contractual obligations, on all swap agreements. To mitigate this risk, the Authority has entered into swap agreements with highly rated counterparties. As of June 30, 2009, the counterparties in 59 percent of the outstanding swaps were rated AA-/Aa1 and the remaining counterparty was rated AAA/Aa1, AA/Aa2, and A+/Aa2 by Standard and Poor's and Moody's Financial Services, respectively.

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

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

The following swaps expose the Authority to rollover risk:

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

University of Wisconsin Hospitals and Clinics Authority (the Hospital)

In April 1997, the Hospital issued $50.0 million of Variable rate Demand Hospital Revenue Bonds, Series 1997 ("Series 1997 Bonds"). The Series 1997 Bonds had bore interest at weekly rates determined by a remarketing agent. Interest was payable monthly. The effective annual interest rate was 4.30 percent in 2008. In May 2008, the Hospital refunded $50.0 million of outstanding Series 1997 with Fixed Rate Hospital Revenue Refunding Bonds, Series 2008A. The refunding of the Series

1997 Bonds resulted in the recognition of a loss of $422 thousand due to the unamortized insurance premium and recognition of a deferred loss of $270 thousand for other unamortized deferred costs of the Series 1997 Bonds.

In March 2000, the Hospital issued $56.5 million of Hospital Revenue Bonds, Series 2000 ("Series 2000 Bonds"). In September 2005, the Hospital refunded $52.5 million of the outstanding bonds with variable Rate Demand Hospital Revenue Bonds, Series 2005. Principal payments on the remaining Series 2000 Bonds are due semiannually in April 2009 through April 2010. Interest rates range from 5.35 percent to 5.50 percent and interest is payable semiannually on April 1 and October 1 of each year. The effective annual interest rate was 5.7 percent and 6.3 percent in 2009 and 2008, respectively.

In October 2002, the Hospital issued $68.5 million of Hospital Revenue Bonds, Series 2002 (Series 2002 Bonds) consisting of $55.6 million Series 2002A Short-term Adjustable Securities and $12.9 million Series 2002B Fixed Interest Rate Bonds. The bond proceeds are designated to finance qualified capital projects. In July 2008, the Hospital exercised it option to convert the interest rate on the Series 2002A Bonds from auction rates to a weekly variable rate mode, secured by a commercial bank Standby Bond Purchase Agreement. Interest on the Bond Issue Series 2002A was payable at the end of each Rate Period. In March 2009, the Hospital refunded $55.6 million of the outstanding Series 2002A bonds with Variable Rate Demand Revenue Bonds, Series 2009A. The refunding of the Series 2002A bonds resulted in the recognition of a loss of $1.7 million due to the unamortized insurance premium and recognition of a deferred loss of $641 thousand for other unamortized deferred costs of the Series 2002A. Principal payments on the Series 2002B Bonds range from $1.6 million to $1.9 million due annually commencing in April 2010 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 2.5 percent in 2009. The effective annual interest rate of the Series 2002B Bonds was 5.5 percent in 2009.

In October 2002, the Hospital entered into an interest rate swap in order to convert a portion of the Series 2002A Short-term Adjustable Rate Securities to fixed rates. The notional amount of this swap agreement was $21.4 million at June 30, 2009 which matures on April 1, 2022. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.85 percent per annum, payable semiannually, and the Hospital to receive a floating rate of 70.0 percent of one-month LIBOR per annum, payable monthly. As of June 30, 2009 the interest rate received by the Hospital was 1.0 percent. The Hospital will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. The swap exposes the Hospital to basis risk should the relationship between LIBOR and auction rate converge, changing the synthetic rate on the bonds. The Hospital does not intend to terminate this agreement. The fair value of the swap is $(2.1) million at June 30, 2009.

In November 2004, the Hospital issued $60.0 million of Hospital Revenue Bonds, Series 2004 consisting of Short-term Adjustable Rate Securities, Series 2004 ("Series 2004 Bonds"). The bond proceeds were designated to finance qualified capital projects. The interest rates and the interest payment date for the Series 2004 Bonds varied depending on if the bonds were in auction mode, daily mode, weekly mode, or in flexible mode. The effective annual interest rate of the Series 2004 Bonds was 4.60 percent through June 2008. In June 2008, the Hospital refunded $60.0 million of the outstanding Series 2004 with Variable Rate Demand Revenue Refunding Bonds, Series 2008B. The refunding of the Series 2004 Bonds resulted in the recognition of a loss of $1.5 million due to the unamortized insurance premium and recognition of a deferred loss of $464 thousand for other unamortized deferred costs of Series 2004 Bonds.

In November 2004, the Hospital entered into an interest rate swap in order to convert a portion of the Series 1997 Variable Rate Demand Bonds to fixed rates. The notional amount of this swap agreement was $26.8 million at June 30, 2009, which matures on April 1, 2021. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.45 percent per annum, payable semiannually, and the Hospital to receive a floating rate of 70.0 percent of one-month LIBOR per annum, payable monthly. In 2009, the effective interest rate received by the Hospital was 1.0 percent. The Hospital will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. The swap exposes the Hospital to basis risk should the relationship between LIBOR and auction rate converge, changing the synthetic rate on the bonds. The Hospital does not intend to terminate this agreement. The fair value of the swap was $(1.9) million at June 30, 2009.

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

In September 2005, the Hospital entered into an interest rate swap in order to convert the Series 2005 Variable Rate Demand Hospital Revenue Bonds to fixed rates. This swap has been applied to the Series 2009B with the refunding of the Series 2005 Bonds. The notional amount of the swap agreement was $58.1 million at June 30, 2009, which matures on April 1, 2029. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.31 percent per annum, payable monthly, and the Hospital will receive a floating rate of 58.3 percent of one-month LIBOR per annum plus 0.36 percent payable monthly. The effective interest rate received by the Hospital was 1.2 percent in 2009. 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 of the bonds. The Hospital does not intend to terminate this agreement. The fair value of the swap agreement was $(4.3) million at June 30, 2009.

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

In May 2008, the Hospital issued $50.4 million of Fixed Rate Bonds, Series 2008A ("Series 2008A Bonds") through a private placement. The bond proceeds were used to refund $50.0 million of Variable Rate Demand Hospital Revenue Bonds, Series 1997. Principal payments on the Series 2008 A Bonds, ranging from $315 thousand to $5.2 million are due annually in April 2010 through April 2026. Interest is payable semi-annually. In 2009, the effective interest rate was 5.3 percent.

In June 2008, the Hospital issued $61.0 million of Variable Rate Demand Revenue Refunding Bonds, Series 2008B ("2008B Bonds"). The bonds proceeds were used to refund $60.0 million of Hospital Revenue Bonds consisting of Short-term Adjustable Rate Securities, Series 2004. Principal payments on the Series 2008B Bonds, ranging from $9.95 million to $15.275 million are due annually in April 2030 through April 2034. Series 2008B Bonds bear interest at a daily rate determined by a remarketing agent. Interest is payable monthly. In 2009, the effective interest rate was 1.1 percent.

In September 2008, the Hospital entered into an equipment financing agreement with GE Government Finance, Inc., in the amount of $9.3 million. Principal and interest payments are made monthly commencing on November 1, 2008, for seven years. In 2009, the effective interest rate was 4.6 percent.

In March 2009, the Hospital issued $57.1 million of Variable Rate Demand Revenue Refunding Bonds, Series 2009A ("Series 2009A Bonds"), secured by an irrevocable transferable direct-pay letter of credit issued by a commercial bank. The bond proceeds were used to refund $55.6 million of Hospital Revenue Bonds consisting of Short-Term Adjustable Rate Securities, Series 2002A. Principal payments on the Series 2009A Bonds, ranging from $500 thousand to $4.0 million, are due annually in April 2013 through April 2032. Series 2009A Bonds bear interest at a weekly rate determined by a remarketing agent. Interest is payable monthly. In 2009, the effective interest rate was 0.40 percent.

In March 2009, the Hospital issued $59.3 million of Variable Rate Demand Revenue Refunding Bonds, Series 2009B ("Series 2009B Bonds"). The bond proceeds were used to refund $58.1 million of Variable Rate Demand Revenue Refunding Bonds, Series 2005. Principal payments on the Series 2009B Bonds ranging from $55 thousand to $8.2 million, are due annually in April 2010 through April 2029. Series 2009B Bonds bear interest at a weekly rate determined by a remarketing agent. Interest is payable monthly. In 2009, the effective interest rate was 0.40 percent.

In June 2009, the Hospital issued $5.3 million of Fixed Rate Hospital Revenue Bonds, Series 2009C ("Series 2009C Bonds") through a private placement. The bond proceeds were designated to finance qualified capital projects. Principal payments on the Series 2009C Bonds, ranging from $120 thousand to $248 thousand, are due bi-annually beginning in April 2010 through October 2024. Series 2009C Bonds bear interest from June 30, 2009 through October 1, 2012, at the initial fixed rate of 5.07 percent per annum. The interest rate will be reset every three years and is payable bi-annually.

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

The Series 2005 Revenue Bonds with variable interest rates are subject to remarketing provisions that require the Hospital to repurchase the bonds if they cannot be sold to a third party. The Hospital has entered into a standby bond purchase agreement (the "Agreement") with a commercial bank, which expires in 2010, to provide the funding for such repurchases as necessary. In the absence of the Agreement, the Hospital would be required to replace them with similar credit arrangements, convert the related debt from variable to fixed rate debt, or fund required repurchases from available funds. As of and for the year ended June 30, there was no borrowing under the agreement.

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

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

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

Fiscal Year Ended	**Principal**	**Interest**	**Interest Rate Swap, Net**	**Total**
2010	$ 7,003	$ 4,472	$ 1,788	$ 13,263
2011	7,481	4,213	1,754	13,448
2012	7,840	3,923	1,716	13,479
2013	8,190	3,633	1,672	13,495
2014	8,562	3,350	1,611	13,523
2015-2019	41,958	13,724	6,225	61,907
2020-2024	48,274	8,384	2,911	59.569
2025-2029	55,503	2,256	1,110	58,869
2030-2034	72,700	599	--	73,299
Deferred loss on refunding of 2000 Bonds	(6,168)	--	--	(6,168)
Deferred loss on refunding of 1997 Bonds	(256)	--	--	(256)
Deferred loss on refunding of 2004 Bonds	(446)	--	--	(446)
Deferred loss on refunding of 2002A Bonds	(632)	--	--	(632)
Deferred loss on refunding of 2005 Bonds	(416)	--	--	(416)
Premium on 2002B Bonds	241	--	--	241
	$249,834	$ 44,554	$ 18,787	$313,175

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, 2009 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2010	$ 5,201	$ 5,892
2011	5,770	5,694
2012	6,199	5,455
2013	6,903	5,192
2014	7,899	4,907
2015-2019	41,493	19,883
2020-2024	48,172	11,285
2025-2029	55,503	3,365
2030-2034	72,700	599
Total	249,840	62,272
Deferred loss on refunding	(7,918)	--
Premium/Discount	241	--
Total	$ 242,163	$ 62,272

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 until date of maturity. 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 April 15, 2008. The Center refinanced the bonds on July 1, 2007. The refinance locked in a 6.1 percent interest rate, does not require a letter of credit, and requires interest payments to be made on February 1 and August 1 of each year until the bonds are paid off on August 1, 2028. 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, 2008. The outstanding balance on these bonds was $40.8 million as of December 31, 2008.

Debt service requirements for interest for the Center, at December 31, 2008 are as follows (in thousands):

Year Ended	Principal	Interest
2009	$ --	$ 2,488
2010	--	2,488
2011	--	2,488
2012	--	2,489
2013	--	2,489
2014-2018	2,750	12,366
2019-2023	14,755	10,166
2024-2028	23,290	4,430
Total	$ 40,795	$ 39,404

University of Wisconsin Foundation

Long-term debt of the University of Wisconsin Foundation consists of two notes payable to U.S. Bank, N.A. One of the notes is payable in accreting monthly principal installments with a final balloon payment due February 2010. The note is collateralized by certain investments equal to the outstanding loan balance. The outstanding balance as of December 31, 2008 is $2.0 million.

The second note is a mortgage that was assumed in 2004. The note is payable in monthly installments, including interest, with a final balloon payment due September 2009. The outstanding balance as of December 31, 2008 is $8.1 million.

Future maturities of long-term debt as of December 31, 2008 are as follows (in thousands):

Year ended December 31	Total Principal
2009	$ 8,256
2010	1,840
Total	$ 10,096

D. Refundings, Exchanges and Early Extinguishments

Refunding Provisions of GASB Statement No. 23

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

Current Year Refundings/Component Units

Badger Tobacco Asset Securitization Corporation

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

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, 2009, approximately $978.4 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, 2009, revenue bonds outstanding of $256.7 million have been defeased.
- Transportation revenue bonds – At June 30, 2009, revenue bonds outstanding of $509.9 million have been defeased.

Prior Year Refundings/Component Units

Wisconsin Housing and Economic Development Authority

In 1990 the Wisconsin Housing and Economic Development Authority (the Authority) defeased $48.4 million of Insured Mortgage Revenue Bonds, as of June 30, 2009, the remaining outstanding defeased debt is $22.5 million.

University of Wisconsin Hospital and Clinics Authority (the Hospital) - On September 20, 2005, the Hospital issued $59.8 million in Variable Rate Demand Revenue Refunding Bonds, Series 2005 with an initial interest rate of 2.69 percent per annum at the time of issuance to advance refund $52.5 million of outstanding Bond Issue Series 2000 with an interest rate range of 5.6 percent to 5.85 percent. The net proceeds of $58.2 million (after payment of $1.6 million in issuance costs) were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the Fixed Rate Serial and Term Hospital Revenue Bonds, Series 2000 with maturity dates on or after April 1, 2011. As a result, the refunded portion of the Bond Issue Series 2000 is considered to be defeased and the liability for those bonds has been removed from the balance sheet. The amount outstanding related to the defeased portion of the 2000 Series Bond is $52.5 million at June 30, 2009.

Early Extinguishments/Redemptions

Component Units

Wisconsin Housing and Economic Development Authority

During 2009, the Wisconsin Housing and Economic Development Authority (the Authority) redeemed early various outstanding bonds according to the redemption provisions in the bond resolutions. None of these redemptions resulted in extraordinary losses due to the write-off of remaining unamortized deferred debt financing costs.

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

Bond Issue	**Redemptions 2009**
Home Ownership Revenue	
Bond Resolutions:	
1987	$ 76,420
1988	95,480
All Other	84,792
Housing Revenue Bonds	87,585
Multifamily Housing Bonds	100
General Fund	680

E. Short-term Financing

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

General Obligation Commercial Paper Notes

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

The State intends to make annual May 1 payments on the outstanding commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2009, the amount of general obligation commercial paper notes outstanding was $198.6 million which had interest rates ranging from .25 percent to .65 percent and maturities ranging from July 2, 2009 to September 10, 2009.

Short-term debt activity for the year ended June 30, 2009 for the general obligation commercial paper notes was as follows (in millions):

Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
$ 205.2	$ --	$ 6.6	$ 198.6

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. Periodically, additional extendible municipal commercial papers are issued to pay for maturing extendible municipal commercial paper. The State intends to make annual May 1 payments on the outstanding extendible commercial paper that reflect principal amortization of the paper. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2009, the amount of the general obligation extendible municipal commercial paper outstanding was $422.2 million which had interest rates ranging from .2 percent to .75 percent and maturities ranging from July 7, 2009, to November 9, 2009.

Short-term debt activity for the year ended June 30, 2009 for the general obligation extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
$ 435.3	$ --	$ 13.1	$ 422.2

Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper

The State has authorized petroleum inspection fee revenue extendible municipal commercial paper to pay the costs of claims under the Petroleum Environmental Cleanup Fund Award (PECFA) Program. Periodically, additional extendible municipal commercial paper is issued to pay for maturing paper. The State may periodically deposit money into the Junior Subordinate Principal Account, which represents principal payments to be made on the extendible municipal commercial paper. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing paper. At June 30, 2009, the amount of petroleum inspection fee revenue extendible commercial paper outstanding was $142.3 million which had interest rates ranging from .45 percent to .70 percent and maturities ranging from July 7, 2009 to September 1, 2009.

Short-term debt activity for the year ended June 30, 2009 for the petroleum inspection fee revenue extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
$ 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. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes. The State intends to make annual July 1 payments on the commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2009, the amount of transportation revenue commercial paper notes outstanding was $177.6 million which had interest rates ranging from .36 percent to .41 percent and maturities ranging from July 16 to October 6, 2009.

Short-term debt activity for the year ended June 30, 2009 for the transportation revenue commercial paper notes was as follows (in millions):

Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
$ 192.0	$ --	$ 14.4	$ 177.6

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, 2009, the following parity Master Lease certificates were outstanding:

- Master Lease Certificates of Participation of 2006, Series A, in the amount of $36.8 million. This series of Master Lease certificates has interest rates ranging from 4.0 percent to 5.0 percent and matures semi-annually through September 1, 2016.

- Master Lease Certificates of Participation of 2007, Series A (Revolving Credit Agreement – Taxable) in the amount of $16.7 million. This Master Lease certificate evidences the State's obligation to repay advances under a Revolving Credit Agreement, dated June 22, 2007, between U.S. Bank National Association (as trustee), the State of Wisconsin, acting by and through its Department of Administration, as lessee, and Dexia Credit Local. The scheduled termination date under the Revolving Credit Agreement, as amended, is September 1, 2010. This Master Lease certificate shall bear interest at the rates and mature on the dates provided for in the Revolving Credit Agreement. The balance of this Master Lease certificate may include some accrued interest that will be payable at the next semi-annual interest payment date.

- Master Lease Certificates of Participation of 2007, Series B (Revolving Credit Agreement-Tax Exempt) in the amount of $15.2 million. This Master Lease certificate of participation evidences the State’s obligation to repay certain advances under a Revolving Credit Agreement, dated June 22, 2007, between U.S. Bank National Association, as trustee, the State of Wisconsin, acting by and through its Department of Administration, as lessee, and Dexia Credit Local, as amended. The scheduled termination date under the revolving credit agreement is September 1, 2010. This master lease certificate of participation shall bear interest at the rates and mature on the dates provided for in the Revolving Credit Agreement.

The Third Amended and Restated Master Lease 1992-1 provides that certain lease schedules to the facility can be terminated if the State deposits with the Trustee an amount that is equal to the outstanding amount of the lease schedule, or in amounts that are sufficient to purchase investments that mature on dates and in amounts to make the lease payments when due. At June 30, 2009, the State has deposited with the Trustee amounts, that when invested, will terminate lease schedules having an aggregate outstanding amount of $0.8 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, 2009, a liability for arbitrage rebate did not exist.

H. Moral Obligation Debt

Through legislation enacted in 1999, the State authorized the creation of local districts. These districts (Wisconsin Center District, Southeast Wisconsin Professional Baseball Park District, and the Green Bay/Brown County Professional Football Stadium District) are authorized to issue bonds for their respective purpose, and if the State determines that certain conditions are satisfied, the State may have a moral obligation to appropriate moneys to make up deficiencies in the districts' special debt service reserve funds. To date, the Wisconsin Center District has the authority to issue up to $200.0 million and has issued $125.8 million of bonds that are subject to the moral obligation. The two other local districts each have authority to issue $160.0 million of revenue obligations that, subject to the Secretary of Administration's determination that certain conditions have been met, could carry a moral obligation of the State. All of the districts have issued revenue obligations that do not carry the moral obligation of the State.

Through legislation enacted in 1999, the State authorized the issuance of up to $170.0 million principal amount of bonds to finance the development or redevelopment of sites and facilities to be used for public schools. If certain conditions are satisfied, and if a special debt service reserve fund is created for the bonds, the State will provide a moral obligation pledge, which would restore the special debt reserve fund established for the bonds to an amount not to exceed the maximum annual debt service on the bonds. Three bond issues with an aggregate outstanding balance of $104.8 million have been issued that have a special debt service reserve fund secured by the State's moral obligation.

I. Credit Agreements

Primary Government

The State has, as part of the working bank contract, a letter of credit agreement with the US Bank National Association under which the Bank has agreed to provide to the State an open line of credit in the amount of $50.0 million. The agreement provides for advances in anticipation of bond issuance proceeds. As of June 30, 2009, $50.0 million was unused and available.

The State has entered into a credit agreement to provide a line of credit for liquidity support for up to $233.0 million of general obligation commercial paper notes. The line of credit expires in March, 2013, but is subject to renewal as provided for in the credit agreement. The cost of this line of credit is 0.095 percent per year.

Also, the State has entered into a credit agreement to provide a line of credit for liquidity support for its transportation revenue commercial paper program. The amount of the line of credit is $207.0 million. This line of credit expires in April, 2013, but is subject to termination and renewal as provided for in the credit agreement. The cost of this line of credit is 0.100 percent per year.

NOTE 12. LEASE COMMITMENTS AND INSTALLMENT PURCHASES

The State leases office buildings, space, and equipment under a variety of agreements that vary in lease term, many of which are subject to appropriation from the State Legislature to continue the lease commitment. If such funding, i.e., through legislative appropriation, is judged to be assured, and the likelihood of cancellation through exercise of the fiscal funding clause is remote, leases are considered noncancelable and reported as either a capital lease or an operating lease.

A. Capital Leases

Primary Government

Capital lease commitments in the government-wide and proprietary funds statements are reported as liabilities at lease inception. The related assets along with the depreciation are also reported at that time. Lease payments are reported as a reduction of the liability.

For capital leases in governmental funds, "Other Financing Sources - Capital Lease Acquisitions" and expenditures are recorded at lease inception. Lease payments are recorded as expenditures.

The following is an analysis of the gross minimum lease payments along with the present value of the minimum lease payments as of June 30, 2009 for capital leases (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities
2010	$ 11,341	$ 10,863
2011	8,136	10,519
2012	7,437	10,247
2013	5,318	9,995
2014	2,643	9,963
2015 - 2019	2,083	31,958
2020 - 2024	-	25,308
2025 - 2029	-	30,792
2030 - 2034	-	37,463
2035 - 2039	-	17,167
Total minimum future payments	36,958	194,275
Less: Interest	(4,695)	(84,166)
Present value of net minimum lease payments	$ 32,263	$ 110,110

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, 2009 (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities
Land and Land Improvements	$ 376	$ 209
Buildings and Improvements	11,480	147,817
Machinery and Improvements	1,065	8,042
Less: Accumulated Depreciation	(32,276)	(34,349)
Carrying Amount	$ 65,470	$ 121,719

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, 2009 was as follows:

Balance Due	Average Life (Weighted Term)
$68,821,917	2.83195 Years

Component Unit

University of Wisconsin Hospital and Clinics Authority

Under the terms of a lease agreement, the University of Wisconsin Hospitals and Clinics Authority (the Hospital) leases facilities which were occupied by the Hospital as of June, 1996 (see Note 1B to the financial statements). The initial term of the lease is 30 years to be renewed annually with automatic extensions of one additional year on each July 1 until action is taken to stop the extensions. Included in the consideration for the lease is an amount equal to the debt service during the term of the lease agreement on all outstanding bonds issued by the State for the purpose of financing the acquisition, construction or improvement of the leased facilities. The balance at June 30, 2009 for amounts related to this agreement was $7.7 million.

University of Wisconsin Foundation

The University of Wisconsin Foundation (the Foundation) leases computer hardware and software under a capital lease which expires January 2010. The Foundation also leased a copy machine under a capital lease which expired in April 2009.

The following is a schedule by years of future minimum payments under capital leases as of December 31, 2008:

Year ended December 31	Capital Leases
2009	$ 272,608
2010	21,189
2011	-
Total	293,797
Less: Interest	11,837
	$ 281,960

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 2009 were $70.7 million. Of this amount, $70.3 million relates to minimum rental payments stipulated in lease agreements, $351 thousand relates to contingent rentals, and $228 thousand relates to sublease rental payments received. Component unit rental expenses under operating leases were $18.6 million, of which $18.6 million relates to minimum rental payments stipulated in lease agreements.

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

Fiscal Year	Govern-mental Activities	Business-type Activities	Fiduciary Funds	Com-ponent Units
2010	$ 43,715	$ 23,734	$ 131	$ 13,297
2011	36,236	12,143	30	7,205
2012	31,185	7,771	21	3,612
2013	25,468	5,601	8	1,542
2014	19,057	5,044	-	674
2015 - 2019	59,183	24,393	-	1,186
2020 - 2024	13,743	24,957	-	-
2025 - 2029	574	24,333	-	-
2030 - 2034	370	17,820	-	-
2035 - 2039	377	-	-	-
2040 - 2044	307	-	-	-
2045 - 2049	523	-	-	-
Minimum lease payments	$ 230,775	$ 145,796	$ 189	$ 27,516

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, 2009 for installment purchases (in thousands):

Fiscal Year	Governmental Activities
2010	$ 478
2011	-
Total minimum future payments	478
Less: Interest	(4)
Present value of net minimum installment payments	$ 475

NOTE 13. POLLUTION REMEDIATION OBLIGATIONS

Effective Fiscal Year 2009, the State implemented the Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement establishes accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation obligations that are required upon retirement of an asset, such as landfill closure and post closure care and nuclear power plant decommissioning.

Measurement of Obligations

GASB 49 requires the State to calculate pollution remediation obligations using the expected cash flow technique. These estimates are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors. Recoveries from other responsible parties may reduce the State's obligation. In accordance with the standard, if the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability. Under specific circumstances capital assets may be created when pollution remediation is performed. The State has adopted a minimum reporting threshold of $1.0 million. Therefore, only remediation sites with outlays estimated to meet or exceed that amount are reported in the financial statements.

The provisions of GASB Statement 49 require the measurement of pollution remediation obligations as of July 1, 2008. The measurement completed by the State identified obligations of $1.0 million existed as of that date. Therefore, the State's beginning net assets have been reduced by $1.0 million as reported in Note 24.

During fiscal year 2009, the State recognized additional estimated liabilities of $14.6 million. The State did not expend any moneys to clean up sites meeting the reporting threshold at the beginning of FY 2009, therefore, there were no recognized adjustments decreasing the beginning liability. Further, there were no recoveries received from other responsible parties during fiscal year 2009 and none are expected for the identified obligations.

Identified Remediation Obligations:

Pollution remediation liabilities are updated annually and are based on engineering studies and the judgment of agency officials. The following table shows liabilities included in the Statement of Net Assets as of June 30, 2009 (in millions):

Nature and Source of Pollution	Estimated Liability	Estimated Recovery
Contract agreement with EPA to clean up Superfund site of former wood treatment facility	$ 1.0	--
Voluntary commencement by the State to clean up heavy metal contamination of canal near former industrial site	7.5	--
State agreement with EPA to clean up PCB sediments in Milwaukee's Lincoln Park	7.1	--
Total estimated obligations	$15.6	--

In addition to the liability reported in the table above, the State expects to incur estimated costs of $27,000 per year indefinitely to pump and treat contamination at a former chrome plating facility. The State also expects to incur estimated costs of $70,000 per year indefinitely to operate and maintain a closed landfill. Both are Superfund sites and estimated total remediation costs for them cannot be reasonably determined. Therefore, a liability has not been reported in the Statement of Net Assets for either site.

NOTE 14. RETIREMENT PLAN

The Wisconsin Retirement System (WRS) was established and is administered by the State of Wisconsin to provide pension benefits for State and local government public employees. The WRS consists of the Core Retirement Investment Trust, the Variable Retirement Investment Trust, and the Police and Firefighters Trust. Although separated for accounting purposes, the assets of these trust funds can be used to pay benefits for any member of the WRS, and are reported as one pension plan.

The WRS is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information for the year ending December 31, 2007, 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, 2008 will be available at a later date.

Plan Description

The WRS, governed by Chapter 40 of the Wisconsin Statutes, is a cost-sharing multiple-employer defined benefit pension plan. It provides coverage to all eligible State of Wisconsin, local government and other public employees. Any employee of a participating employer who is expected to work at least 600 hours per year (440 hours per year for teachers) for at least one year must be covered by the WRS. As of December 31, 2008, the number of participating employers was:

State Agencies	62
Cities	152
Counties	71
4th Class Cities	36
Villages	254
Towns	227
School Districts	426
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	206
Total Employers	1,462

For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested. Employees who retire at or after age 65 (55 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

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

Accounting Policies and Plan Asset Matters

The financial statements of the WRS have been prepared in accordance with generally accepted accounting principles, using the flow of economic resources measurement focus and a full accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All assets of the WRS are invested by the State of Wisconsin Investment Board. The retirement fund assets consist of shares in the Variable Retirement Investment Trust and the Core Retirement Investment Trust. The Variable Retirement Investment Trust consists primarily of equity securities. The Core Retirement Investment Trust is a balanced investment fund made up of fixed income securities and equity securities. Shares in the Core Retirement Investment Trust are purchased as funds are made available from retirement contributions and investment income, and sold when funds for benefit payments and other expenses are needed.

The assets of the Core and Variable Retirement Investment Trusts are carried at fair value with all market value adjustments recognized in current operations. Investments are revalued monthly to current market value. The resulting valuation gains or losses are recognized as income, although revenue has not been realized through a market-place transaction.

The WRS does not have any investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represent 5.0 percent or more of plan net assets.

State Contributions Required and Contributions Made

Covered State employees in the General/Teacher category are required by statute to contribute 5.0 percent of their salary (3.0 percent for Executives and Elected Officials, 5.0 percent for Protective Occupations with Social Security, and 3.2 percent for Protective Occupations without Social Security) to the plan as of June 30, 2009. Employers may make these contributions to the plan on behalf of employees.

Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. State contributions made for the years ended December 31, 2008, 2007, and 2006 were as follows (in millions):

	2008	2007	2006
Employer current service	$ 196.2	$ 182.9	$ 170.6
Percent of payroll	5.1%	5.1%	5.0%
Employer prior service	$ 3.1	$ 2.8	$ 2.5
Percent of payroll	0.1%	0.1%	0.1%
Employee required	$ 191.2	$ 178.4	$ 169.5
Percent of payroll	5.0%	5.0%	5.0%
Benefit adjustment contributions	$ 33.2	$ 31.0	$ 26.6
Percent of payroll	0.9%	0.9%	0.7%
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, 2009 and 2008, the WRS's unfunded actuarial accrued liability was $0.2 billion and $0.3 billion, respectively. These amounts are presented as Prior Service Contributions Receivable on the financial statements. New prior service liabilities resulting from employers entering the WRS or increasing their prior service coverage are recognized as contributions in the year service is granted and are added to the Prior Service Contributions Receivable. Employer contributions for prior service reduce the receivable. The receivable is increased as of calendar year end with interest at the assumed interest rate of 7.8 percent.

NOTE 15. MILWAUKEE RETIREMENT SYSTEM

The Milwaukee Retirement System (MRS) is reported as an Investment Trust Fund. MRS participants provide assets to the State of Wisconsin, Department of Employee Trust Funds (DETF) for investing in its Core Retirement Investment Trust (CRIT) and the Variable Retirement Investment Trust (VRIT), funds of the Wisconsin Retirement System (WRS). Participation of the MRS in the CRIT and VRIT is described in the DETF Administrative Code, Chapter 10.12. The State of Wisconsin Investment Board (SWIB) manages the CRIT and VRIT with oversight by a Board of Trustees as authorized in Wis. Stat. 25.14 and 25.17. SWIB is not registered with the Securities and Exchange Commission as an investment company.

The investments of the CRIT and VRIT consist of a highly diversified portfolio of securities. Wis. Stat. 25.17(3)(a) allows investments in loans, securities and any other investments as authorized by Wis. Stat. 620.22. Permitted classes of investments include bonds of governmental units or of private corporations, loans secured by mortgages, preferred or common stock, real property and other investments not specifically prohibited by statute.

Investments are revalued monthly to fair value, with unrealized gains and losses reflected in income.

Monthly, the DETF distributes a pro-rata share of the total CRIT and VRIT earnings less administrative expenses to the MRS accounts. The MRS accounts are adjusted to fair value and gains/losses are recorded directly in the accounts per DETF Administrative Code, Chapter 10.12(2).

Neither State statute, a legal provision nor a legally binding guarantee exists to support the value of shares.

Copies of the separately issued financial report that includes financial statements along with the accompanying footnote disclosures and supplementary information for the CRIT and the VRIT may be obtained by writing to:

State of Wisconsin Investment Board
P.O. Box 7842
Madison, Wisconsin 53707-7842

NOTE 16. POSTEMPLOYMENT BENEFITS – STATE HEALTH INSURANCE PROGRAM

Effective Fiscal Year 2008, the State implemented the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefit expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in financial reports of state and local governmental employers.

Plan Description

The State's Health Insurance Program, a cost-sharing multiple employer, defined benefit plan, is an employer-sponsored program (not administered as a trust) offering group medical coverage to eligible employees and retirees of State and participating local government employers. Created under Chapter 40, of the Wisconsin Statutes, the State Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under Wis. Stat. Sections 15.165(2) and 40.03(6). As of January 2007 (most recent actuarial valuation date), there were 55,117 active, and 21,103 retirees and beneficiaries participating in the plan.

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

The Department of Employee Trust Funds issues a publicly available financial report. That report is available at www.etf.wi.gov or may be obtained upon request from:

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

Funding Policy

The health insurance plan is currently funded on a "pay-as-you-go" basis. GASB Statement No. 45 does not require funding of the OPEB expense and the State does not currently intend to prefund the OPEB obligation. Under this plan, retirees contribute premiums directly to the plan either through "out-of-pocket" or from unused accumulated sick leave conversion credits. The value of the sick leave benefit is defined as compensated absences and reported under the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Contribution requirements are established and may be amended by the Group Insurance Board. For retirees that participate in the health insurance plan, premiums, for non-Medicare retirees, are based on an effective rate structure for the health care service provider selected. Rates range from $508.50 to $985.30 for single coverage and $1,267.60 to $2,459.40 for family coverage.

The annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. At December 31, 2008, and 2007, the ARC was $158.7 million and $148.5 million while the employer contributions were $48.8 million and $44.3 million respectively.

Annual OPEB Cost

As of January 1, 2007, (most recent actuarial valuation date) the State's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation were as follows (in thousands):

Year	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$158,699	$48,795	30.8%	$214,068
2008	148,497	44,333	29.9	104,164

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2007 (most recent actuarial valuation date) was as follows (in thousands):

Actuarial accrued liability (AAL)	$1,472,774
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	$1,472,774
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	$2,842,917
UAAL as a percentage of covered payroll	51.8%

The actuarial accrued liability calculation considers the retiree drug subsidy (RDS) provisions of Medicare Part D as a separate transaction. Therefore, the actuarial accrued liability, the annual required contribution of the employer (ARC), and the annual OPEB costs are determined without reduction of RDS payments. At January 1, 2007, (most recent actuarial valuation date) the

Medicare part D portion included in the actuarial accrued liability is $537.7 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2007 actuarial valuation, the entry age normal actuarial costs method (with costs determined as a level dollar amount) was used. Actuarial assumptions included a discount rate of 4.0 percent, determined using an underlying assumption of 3.0 percent for inflation plus 1.0 percent for high quality investments with durations of one year or less, and a 4.1 percent assumed annual payroll growth. The projected annual healthcare cost trend rate is 6.2 percent initially, reduced by decrements to an ultimate rate of 5.0 percent. Other assumptions used, such as mortality, disability and retirement rates for active members, are consistent with an actuarial valuation on the Wisconsin Retirement Plan dated December 31, 2006. In addition, a 30 year, level percent of pay, closed amortization period was used for the initial UAAL, while a 15 year, level percent of pay, closed amortization period was used for any future gains and losses.

Currently, the health insurance plan is not funded by assets held in a separate trust. The discount rate (discussed above) was based on the State's general assets not earmarked for certain uses, such as building funds. The State's general assets are held in short-term fixed income investments. Therefore, the discount rate reflects that type of investment policy.

A Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 17. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The State of Wisconsin, Department of Employee Trust Funds (DETF), administers three postemployment benefit plans other than pension plans – the State Retiree Health Insurance Fund, the Duty Disability Fund, and the Retiree Life Insurance Fund.

Plan Descriptions

State Retiree Health Insurance Fund

The State *Retiree Health Insurance Fund* is a multiple-employer defined benefit OPEB plan offering group health insurance. Disclosures relating to the plan are provided in Note 16 – *Postemployment Benefits of the State Other Than Pensions – Health Insurance Program*.

Duty Disability Fund

The *Duty Disability Fund* is a cost-sharing multiple-employer defined benefit OPEB plan. The plan offers special disability insurance for state and local participants in protective occupations. The plan is self-insured, and risk is shared between the State and local government employers in the plan. The plan is administered under Wis. Stat. Section 40.65. The plan is reported as a pension and other employee benefit trust fund.

Contributions are actuarially determined in accordance with Wis. Stats. Section 40.05 (2)(ar). All contributions are employer paid based on a graduated, experienced-rated formula. During Calendar Year 2008 contribution rates ranged from 1.9 percent to 7.0 percent of covered payroll based on employer experience.

Eligibility for program benefits is based upon whether a duty-related injury or disease is likely to be permanent, which causes a protective occupation participant to retire, accept reduced pay or light duty assignment, or in some cases, that impairs promotional opportunities. Benefits approximate 80 percent of salary (75 percent if partially disabled and not a State Employee), less certain offsets such as; social security, unemployment compensation, worker's compensation and other retirement benefits. Survivor benefits are also offset by certain benefits based on program requirements.

Retiree Life Insurance Fund

The *Retiree Life Insurance Fund* is a cost-sharing multiple-employer defined benefit OPEB plan. The plan provides post-employment life insurance coverage to all eligible employees. The plan is administered under Wis. Stats. Section 40.70. The plan is reported as a pension and other employee benefit trust fund.

Generally, members may enroll during a 30-day enrollment period once they satisfy a six-month waiting period. They may enroll after the initial 30-day enrollment period with evidence of insurability. Members under evidence of insurability enrollment must enroll in group life insurance coverage before age 55 to be eligible for Basic or Supplemental coverage.

Employers are required to pay the following contributions for active members to provide them with basic coverage after age 65. There are no employer contributions for pre-65 annuitant coverage. All contributions are actuarially determined.

	State	Local
50 percent post retirement coverage	28 percent of the employee premium	40 percent of employee premium
25 percent post retirement coverage	N/A	20 percent of employee premium

At retirement, the member must have active group life insurance coverage and satisfy one of the following:

- Wisconsin Retirement System (WRS) coverage prior to January 1, 1989, or
- At least one month of group life insurance coverage in each of five calendar years after 1989 and one of the following:
- Eligible for an immediate WRS benefit, or
- At least 20 years from their WRS creditable service as of January 1, 1990, plus their years of group life insurance coverage after 1989, or
- At least 20 years on the payroll of their last employer.

In addition, terminating members and retirees must continue to pay the employee premiums until age 65 (age 70 if active).

After retirement, basic coverage is continued for life in amounts for the insurance in force before retirement. Additional coverage may be continued until age 65 at 100 percent of the amount of the insurance in force before retirement at the employee's expense, and spouse and dependent coverage benefits is terminated.

Summary of Significant Accounting Policies

Basis of Accounting

The OPEB plans are reported in accordance with GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Method Used to Value Investments

Duty Disability Fund

Investments for the *Duty Disability Fund* are invested in the Core Retirement Investment Trust, which is managed by the State of Wisconsin Investment Board (SWIB). These investments are valued at fair value. Generally, fair value information represents actual bid prices or the quoted yield equivalent at the end of the year for securities of comparable maturity, quality, and type, as obtained from one or more major investment brokers. If quoted market prices are not available, a variety of third-party pricing methods are used, including appraisals, certifications, pricing models, and other methods deemed acceptable by industry standards.

Retiree Life Insurance Fund

Investments for the *Retiree Life Insurance Fund* are held with the insurance carrier (the Company). The Retiree Life Insurance Fund's investment is a share in the investment pool.

Fixed maturity securities, which may be sold prior to maturity, including fixed maturities on loan, are classified as available-for-sale and are carried at fair value. Premiums and discounts are amortized or accreted over the estimated lives of the securities based on the interest yield method.

The Company uses book value as cost for applying the retrospective adjustment method to loan-backed fixed maturity securities purchased. Prepayment assumptions for single class and multi-class mortgage-backed securities were obtained from broker/dealer survey values or internal estimates.

Marketable equity securities are classified as available-for-sale and are carried at fair value. Mutual funds and exchange traded fund investments in select asset classes that are sub-advised are carried at the fair value of the underlying net assets of the funds.

Available-for-sale securities are stated at fair value.

Mortgage loans are carried at amortized cost less any valuation allowances. Premiums and discounts are amortized or accreted over the terms of the mortgage loans based on the effective interest yield method.

Private equity investments in limited partnerships are carried at the amount invested, adjusted to recognize the Company's ownership share of the earnings or losses of the investee after the date of the acquisition, adjusted for any distributions received (equity method accounting).

Investments in partnerships, which represent minority interests owned in certain general agencies, are carried at the amount invested, adjusted to recognize the Company's ownership share of the earnings or losses of the investee after acquisition adjusted for any distributions received (equity method accounting).

Fair values of fixed maturity securities are based on quoted market prices where available. Fair values of marketable equity securities are based on quoted market prices. Fair values of private equity investments are obtained from the financial statement valuations of the underlying fund or independent broker bids. For fixed maturity securities not based on quoted market prices, generally private placement securities, securities that do not trade regularly, and embedded derivatives, an internally developed pricing model using a commercial software application is most often used. The internally developed pricing model is developed by obtaining spreads versus the U.S. Treasury yield for corporate securities with varying weighted average lives and bond ratings.

Real estate is carried at cost less accumulated depreciation.

The Company's derivative instrument holdings are carried at fair value. All derivatives are recorded as non-hedge transactions. Derivative instrument fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using current market assumptions and modeling techniques, which are then compared with quotes from counterparties.

For mortgage-backed securities of high credit quality, excluding interest-only securities, the Company recognizes income using a constant effective yield method based on prepayment assumptions obtained from an outside service provider or upon analyst review of the underlying collateral and the estimated economic life of the securities.

Policy loans are carried at the unpaid principal balance.

Cash and cash equivalents are carried at cost, which approximates fair value. The Company considers all money market funds and commercial paper with original maturity dates of less than three months to be cash equivalents.

Finance receivables that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding unpaid principal balances reduced by any charge-offs.

The Company holds "To-Be-Announced" (TBA) Government National Mortgage Association forward contracts that require the Company to take delivery of a mortgage-backed security at a settlement date in the future. Most of the TBAs are settled at the first available period allowed under the contract. However, the deliveries of some of the Company's TBA securities happen at a later date, thus extending the forward contract date. These securities are reported at fair value as derivative instruments with the changes in fair value reported in net realized investment gains and losses on the consolidated statements of operations.

Required Supplementary Information

Required Supplementary Information about the OPEB plans is presented in the Department of Employee Trust Funds audited financial statements. The December 31, 2008 financial report will be available at a later date.

Separately issued financial reports are available at www.etf.wi.gov and on request from:

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

NOTE 18. PUBLIC ENTITY RISK POOLS ADMINISTERED BY THE DEPARTMENT OF EMPLOYEE TRUST FUNDS

The Department of Employee Trust Funds operates four public entity risk pools: group health insurance, group income continuation insurance, long-term disability insurance, and pharmacy benefits. The information provided in this note applies to the period ending December 31, 2008.

A. Description of Funds

The Health Insurance Fund offers group health insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Approximately 365 local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The fund includes both a self-insured, fee-for-service plan as well as various prepaid plans, primarily Health Maintenance Organizations (HMO's) and a self-insured plan that provides for pharmacy benefits of covered members.

The Income Continuation Insurance Fund offers disability wage continuation insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Approximately 187 local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The plan is self-insured.

The Long-term Disability Insurance Fund offers long-term disability benefits to participants in the Wisconsin Retirement System (WRS). The long-term disability benefits provided by this program are an alternative coverage to that currently provided by the WRS. All new WRS participants on or after October 15, 1992, are eligible only for the long-term disability insurance coverage, while participating employees active prior to October 15, 1992, may elect coverage through WRS or the long-term disability insurance program.

B. Accounting Policies for Risk Pools

Basis of Accounting - All Public Entity Risk Pools are accounted for in enterprise funds using the full accrual basis of accounting and the flow of economic resources measurement focus.

Valuation of Investments - Assets of the Health Insurance Fund Income Continuation Insurance and Long-term Disability Insurance funds are invested in the Core Retirement Investment Trust. Investments are valued at fair value.

Unpaid Claims Liabilities - Claims liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The estimate includes the effects of inflation and other societal and economic factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Unpaid claims liability is presented at face value and is not discounted for health insurance. It is discounted using an interest rate of 7.8 percent for income continuation and long-term disability insurance. The liabilities for income continuation, long-term disability, and health insurance were determined by actuarial methods.

Administrative Expenses - All maintenance expenses are expensed in the period in which they are incurred. Acquisition costs are immaterial and are treated as maintenance expenses. Premium deficiencies are not calculated because acquisition costs are immaterial. Claim adjustment expenses are also immaterial.

Reinsurance - Health insurance plans provided by HMO's and health insurance for local government annuitants are fully insured by outside insurers. All remaining risk is self-insured with no reinsurance coverage.

Risk Transfer - Participating employers are not subject to supplemental assessments in the event of deficiencies. If the assets of the fund were exhausted, participating employers would not be responsible for the fund's liabilities.

Premium Setting - Premiums are established by the Group Insurance Board in consultation with actuaries.

C. Unpaid Claims Liabilities

As discussed in Section B of this Note, each fund establishes a liability for both reported and unreported insured events, which is an estimate of future payments of losses. The following represents changes in those aggregate liabilities for the nonreinsured portion of each fund during Calendar Year 2008 (in millions):

	Health Insurance		Income Continuation Insurance		Long-term Disability Insurance		Pharmacy Benefits	
	2008	2007 *	2008	2007	2008	2007	2008	2007*
Unpaid claims at beginning of the calendar year	$ 3.5**	$ 10.2	$ 68.7	$ 71.3	$ 135.8	$ 108.3	$ (1.1)	$ (6.7)
Incurred claims:								
Provision for insured events of the current calendar year	30.5	41.6	22.4	27.4	31.1	48.1	124.0	116.5
Changes in provision for insured events of prior calendar years	(0.3)	(3.4)	0.5	(14.7)	(7.9)	(6.2)	2.5	0.4
Total incurred claims	30.2	38.2	22.9	12.7	23.2	41.9	126.5	116.9
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	25.7	35.6	5.1	2.5	1.1	1.1	126.3	119.6
Claims and claim adjustment expenses attributable to insured events of prior calendar years	3.1	6.6	9.8	12.8	19.3	13.3	1.4	(8.3)
Total payments	28.8	42.2	14.9	15.3	20.4	14.4	127.7	111.3
Total unpaid claims expenses at end of the calendar year	$ 4.9	$ 6.2	$ 76.7	$ 68.7	$ 138.6	$ 135.8	$ (2.3)***	$ (1.1)***

* Starting in 2006, in accordance with GASB 43,local retiree health is reported separately in an agency fund and is not included with the active health information in this table.
** Due to a prior period adjustment the unpaid claims at the beginning of 2008 do not match the total unpaid claims at the end of 2001.
*** Total unpaid claims at the end of 2008 is the net of $5.5 million in unpaid claims and $7.8 million in rebates due from pharmaceutical companies; total unpaid claims at the end of 2007 is the net of $6.7 million in unpaid claims and $7.8 million in rebates due from pharmaceutical companies.

D. Trend Information

Historical trend information showing revenue and claims development information is presented in the Department of Employee Trust Funds audited financial statements. The separately issued financial report for the year ended December 31, 2007 is available at www.etf.wi.gov and on request from:

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

The December 31, 2008 financial report will be available at a later date.

NOTE 19. SELF-INSURANCE

It is the general policy of the State not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the State believes it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The fund services most claims for risk of loss to which the State is exposed, including damage to State owned property, liability for property damages and injuries to third parties, and worker's compensation. All funds and agencies of the State participate in the Risk Management Fund.

State Property Damage

Property damages to State-owned properties are covered by the State's self-funded property program up to $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 2009, 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, 2009 are estimated to total $9.2 million.

Property Damages and Bodily Injuries to Third Parties

The State is self-funded for third party liability to a level of $4 million per occurrence and purchases insurance in excess of this self-funded retention. The policy limit during Fiscal Year 2009 was $49 million.

The liabilities for property damages and injuries to third parties are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities for the prior fiscal year was the reserves on open claims. The estimate for future benefits and loss liabilities is calculated by an actuary based on the reserves on open claims and prior experience. No liability is reported for environmental impairment liability claims either incurred or incurred but not reported because existing case law makes it unlikely the State would be held liable for material amounts. Because actual claims liabilities depend upon complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Immaterial non-incremental claims adjustment expenses are not included as part of the liability. Claims incurred but not paid as of June 30, 2009 are estimated to total $24.6 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, 2009 are estimated to total $74.7 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):

	2009	2008
Beginning of fiscal year liability	$ 95,000	$ 95,984
Current year claims and changes in estimates	41,508	34,531
Claim payments	(28,089)	(23,815)
	108,419	106,700
Excess insurance reimbursable	(5,300)	(11,700)
Balance at fiscal year-end	$ 103,119	$ 95,000

Settlements have not exceeded coverages for each of the past three fiscal years.

Annuity Contracts

The Risk Management Fund purchased annuity contracts in various claimants' names to satisfy claim liabilities. The likelihood that the fund will be required to make future payments on those claims is remote and, therefore, the fund is considered to have satisfied its primary liability to the claimants. Accordingly, the annuity contracts are not reported in, and the related liabilities are removed from, the fund's balance sheet. The aggregate outstanding amount of liabilities removed from the financial statements at June 30, 2009 is $8.4 million.

NOTE 20. INSURANCE FUNDS

A. Primary Government

1. Local Government Property Insurance Fund

Created by the Legislature in 1911, the purpose of the Local Government Property Insurance Fund is to provide property insurance coverage to tax-supported local government units such as counties, towns, villages, cities, school districts and library boards. Property insured includes government buildings, schools, libraries and motor vehicles. Coverage is available on an optional basis. As of June 30, 2009 the Local Government Property Insurance Fund insured 1,114 local governmental units. The total amount of insurance in force as of June 30, 2009 was $48.1 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, 2009, the fund had $33.6 million of shares in the State Investment Fund which are considered cash equivalents.

Premium - Unearned premium reported as deferred revenue represents the daily pro rata portion of premium written which is applicable to the unexpired terms of the insurance policies in force. Policies are generally written for annual terms.

Unpaid Loss Liabilities - The Local Government Property Insurance Fund establishes the unpaid loss liability titled future benefits and loss liabilities on the financial statements based on estimates of the ultimate cost of losses (including future loss adjustment expenses) that have been reported but not settled, and of losses that have been incurred but not reported. Estimated amounts of excess-of-loss insurance recoverable on unpaid losses are deducted from the liability for unpaid losses. Loss liabilities are recomputed periodically to produce current estimates that reflect recent settlements, loss frequency, and other economic factors. Adjustments to future benefits and loss liabilities are charged or credited to expense in the periods in which they are made.

Policy Acquisition Costs - Since the Local Government Property Insurance Fund has no marketing staff and incurs no sales commissions, acquisition costs are minimal and charged to operations as incurred.

Excess-of-Loss Insurance Coverage - The Local Government Property Insurance Fund purchases excess-of-loss insurance coverage, the operation of which is analogous to “reinsurance,” to reduce its exposure to large losses on all types of insured events. Excess-of-loss insurance permits recovery of a portion of losses from the excess-of-loss insurers, although it does not discharge the primary liability of the fund as direct insurer of the risks reinsured. The fund does not report excess-of-loss insured risks as liabilities unless it is probable that those risks will not be covered by excess-of-loss insurers. As of June 30, 2009 the fund had $425.0 million of per occurrence excess of loss reinsurance in force with a $2.0 million combined single limit retention for each occurrence, and an annual aggregate reinsurance contract with a $22.0 million annual aggregate retention plus a per claim retention of $5 thousand once the aggregate is met, as respects occurrences for the term of the agreement. Premiums ceded to excess-of-loss insurers, which is netted against premium revenue (charges for goods and services in the financial statements), amounted to $4.7 million during the fiscal year. Excess-of-loss and adjusting expense recoveries earned would typically reduce claims paid (benefit expense on the financial statements); however, during the fiscal year the Local Government Property Insurance Fund did not earn any excess-of-loss insurance recoveries, which increased claims paid.

Unpaid Loss Liabilities

As discussed above, the Local Government Property Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related loss expenses. The following represents changes in those aggregate liabilities for the fund during the past two fiscal years (in thousands):

	2009	2008
Unpaid loss liabilities at beginning of the year	$18,118	$16,215
Less: Excess-of-loss insurance recoverable	(5,088)	(6,684)
Net unpaid loss liabilities at beginning of year	13,030	9,531
Incurred losses and loss expenses:		
Provision for insured events of the current year	11,372	21,416
Increase (decrease) in provision for insured events of prior years	254	522
Total incurred losses and loss expenses	11,626	21,938
Payments:		
Losses and loss expenses attributable to insured events of the current year	6,896	9,917
Losses and loss expenses attributable to insured events prior years	10,970	8,522
Total payments	17,866	18,439
Net unpaid loss liabilities at end of year	6,790	13,030
Plus: Excess-of-loss liabilities recoverable	2,716	5,088
Total unpaid loss liabilities at end of year	$9,506	$18,118

Trend Information

Historical trend information showing revenue and claims development information is presented in the Office of the Commissioner of Insurance June 30, 2009 financial statements. Copies of these statements may be requested from:

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

2. State Life Insurance Fund

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

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

The costs of policy issuance and underwriting, all of which vary with, and are primarily related to, the production of new business, have been deferred. These deferred acquisition costs are amortized over a forty year period, considered representative of the life of the contract. The amortization is in proportion to the ratio of annual in-force business to the amount of business issued. Such anticipated in-force business was estimated using similar assumptions to those used for computing liabilities for future policy benefits.

Deferred Acquisition Cost Assumptions

Issue Years	Interest Rate	Lapse Rate	Mortality
1913-1966	3.0%	2.0%	None
1967-1976	3.0	2.0	None
1977-1985	4.0	2.0	None
1986-1994	5.0	2.0	None
1995+	4.0	2.0	None

The State Life Insurance Fund does not pay commissions nor does it incur agent expenses.

Future benefits and loss liabilities have been computed by the net level premium method based upon estimated future investment yield and mortality. The composition of liabilities and the more material assumptions pertinent thereto are presented below (in thousands):

Issue Year	Ordinary Life Insurance in Force	Amount of Policy Liability
1913-1966	$ 10,260	$ 7,558
1967-1976	32,634	16,501
1977-1985	76,535	23,099
1986-1994	51,524	8,251
1995-2008	41,925	4,809
2009+	781	24
	$ 213,659	$ 60,242

Bases of Assumptions

Issue Year	Interest Rate	Mortality
1913-1966	3.0%	American Experience, ANB*
1967-1976	3.0	1958 CSO, ALB, Unisex
1977-1985	4.0	1958 CSO, ALB, Female Setback 3 years
1986-1994	5.0	1980 CSO, ALB, Aggregate
1995-2008	4.0	1980 CSO, ALB, Aggregate
2009+	4.0	2001 CSO, ALB, Aggregate

* Age Next Birthday

All of the State Life Insurance Fund's life insurance in force is participating. This fund is required by statute to maintain surplus at a level between 7 percent and 10 percent of statutory admitted assets as far as practicably possible. All excess surplus is to be returned to the policyholders in the form of policyholder dividends. Policyholder dividends are declared each year in order to achieve the required level of surplus.

The statutory assets at December 31, 2008 were $87.8 million and the statutory capital and surplus was $6.4 million, and the fund equity at June 30, 2009 was $10.4 million.

3. Injured Patients and Families Compensation Fund

The Injured Patients and Families Compensation Fund was created in 1975 for the purpose of providing excess medical malpractice claims exceeding the legal primary insurance limits prescribed in Wis. Stat. Section 655.23(4), or the maximum liability limit for which the health care provided is insured, whichever limit is greater. Management of the Injured Patients and Families Compensation Fund is vested with a 13-member Board of Governors, which is chaired by the Commissioner of Insurance. Most health care providers permanently practicing or operating in the State of Wisconsin are required to pay Injured Patients and Families Compensation Fund operating fees. Risk of loss is retained by the fund.

The Future Benefits and Loss Liability account includes individual case estimates for reported losses and estimates for incurred but not reported losses based upon the projected ultimate losses recommended by a consulting actuary. Individual case estimates of the liability for reported losses and net losses paid from inception of the Injured Patients and Families Compensation Fund are deducted from the projected ultimate loss liabilities to determine the liability for incurred but not reported losses as of June 30, 2009 as follows (in thousands):

Projected ultimate loss liability	$ 1,428,829
Less: Net loss paid from inception	(766,243)
Less: Liability for reported losses	(33,040)
Liability for incurred but not reported losses	$ 629,546

The Future Benefits and Loss Liability account also includes a provision for the estimated future payment of the costs to settle claims. The actuary estimates the ultimate loss adjustment expense (LAE) using data available through September 30 of the fiscal year. The actuary estimates LAE at 18 percent of the estimated unpaid loss liabilities as of June 30, 2009. Since the actuary estimate occurs before the end of the fiscal year and are based on an estimate of the cumulative payments, the percentage used by the actuary in determining LAE will differ slightly from the percentages used in financial statements since actual LAE payments are used for financial reporting. The LAE paid from the inception of the Injured Patients and Families Compensation Fund are deducted from the projected ultimate loss adjustment expenses provision to determine the liability for loss adjustment expenses as of June 30, 2009 as follows (in thousands):

Projected ultimate loss adjustment expense liability	$ 190,160
Less: Loss adjustment expense paid from inception	(65,263)
Liability for loss adjustment expense	$ 124,897

In accordance with Section Ins. 17.27(3), Wis. Adm. Code, the liability for reported losses, liability for incurred but not reported losses, and liability for loss adjustment expense are maintained on a present value basis with the difference from full value being reported as a contra account to these estimated loss liabilities. These estimated loss liabilities are discounted only to the extent that they are matched by cash and invested assets. Using the actuarially determined discount factor of 0.812, which is based on an investment yield assumption of 5.5 percent approved by the Board of Governors, the discounted loss liability would be as follows as of June 30, 2009 (in thousands):

Estimated liability for Incurred But Not Reported (IBNR)	$ 629,546
Estimated liability for reported losses	33,040
Estimated unpaid loss adjustment expense	124,897
Total estimated loss liabilities	787,483
Less: Amount representing interest	(148,047)
Discounted loss liabilities	$ 639,436

Included in the above estimates of loss liabilities, both undiscounted and discounted, is a 25 percent risk margin, which was recommended by the actuary and approved by the Board of Governors.

On behalf of the Fund's Board, the Office of the Commissioner of Insurance contracted for an actuarial audit of the Injured Patients and Families Compensation Fund, which included 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 actuarial audit, which was completed on December 3, 2007, concluded that the Fiscal Year 2008 estimate of the Fund's loss liability was at the high end of a reasonable range when combined with a 25 percent risk margin. The audit included recommendations that were implemented in the Fiscal Year 2009 analysis.

In addition to discounted loss liabilities, the Future Benefit and Loss Liabilities account also includes a future medical expenses liability and a contributions being held liability. The future medical expenses liability consists of those accounts required by Wis. Stat. Sec. 655.015 to be established if a settlement or judgment provides for future medical expense payments in excess of $100,000. The accounts are managed by the Fund and earn a proportionate share of the Fund's interest. Any account balance remaining when a claimant dies reverts back the Fund. The contributions being held liability consists of nonrefundable payments, generally in amounts equal to the primary coverage in effect for related claims, that primary insurers have voluntarily presented to the fund and which are negotiable with the fund in exchange for a release of payment for any future defense costs that may be incurred on the claim. This amount is held as a liability to the Fund until a payment on the claim is made.

The breakdown of Future Benefit and Loss Liabilities, including the portions that are estimated as current and noncurrent as of June 30, 2009 (in thousands), is as follows:

Discounted loss liabilities	$ 639,436
Future medical expense liability	34,971
Contributions being held liability	1,000
Total estimated loss liabilities	675,407
Current portion	(84,276)
Noncurrent portion	$ 591,131

The uncertainties inherent in projecting the frequency and severity of large claims because of the Injured Patients and Families Compensation Fund's unlimited liability coverage and extended reporting and settlement periods makes it likely that the amounts ultimately paid will differ from the recorded estimated loss liabilities. These differences cannot be quantified.

The estimated amounts included in the balance of Future Benefits and Loss Liabilities are continually reviewed and adjusted as the Injured Patients and Families Compensation Fund gains additional experience. Such adjustments are reflected in current operations. Because of the changes in these estimates, the benefit expense for the fiscal year is not necessarily indicative of the loss experience for the year.

The following is a reconciliation of the change in the balance of Future Benefits and Loss Liabilities during FY 2009 (in thousands):

Liability at the beginning of the year	$ 796,465
Incurred claims and related expenses for the current year and the change in estimated amounts for claims incurred in prior years	104,447
Less: current year payments attributable to claims incurred in current and prior years	(225,505)
Liability at the end of the year	$ 675,407

B. Component Units

Wisconsin Health Care Liability Insurance Plan

The Wisconsin Health Care Liability Insurance Plan (the Plan) is a statutory unincorporated association established by rule of the Commissioner of Insurance of the State of Wisconsin as mandated by the State of Wisconsin legislature. The Plan provides health care liability insurance and liability coverages normally incidental to health care liability insurance to eligible health care providers in the State of Wisconsin calling for payment of premium prior to the effective date of the policy. All insurers authorized to write personal injury liability insurance in the State of Wisconsin, with certain minor exceptions, are required to be members of the Plan.

The Plan generates its premium written revenue by selling medical malpractice insurance. Rates are calculated in accordance with generally accepted actuarial principles. The rates are set so that the Plan will be self-supporting. Profit is not the intent of the Plan.

Since the inception of the Plan in 1975, the health care liability coverage limits have increased from $200 thousand per occurrence and $600 thousand annual aggregate to the current limits of $1.0 million per occurrence and $3.0 million annual aggregate. A general liability coverage is also available to participating health care providers with limits of $1.0 million per occurrence and $3.0 million annual aggregate. The Plan is not covered under any reinsurance contracts.

In the event that sufficient funds are not available for the sound financial operation of the Plan, all members shall, on a temporary basis, contribute to the financial needs of the Plan. Members shall participate in the contributions in the proportion of their respective premiums to the aggregate premiums written by all members of the Plan. Such assessments shall be recouped by rate increases applied prospectively. There were no assessments for the year ended December 31, 2008.

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, 2007 and December 31, 2008, are as follows (in thousands):

	2008	2007
Balance at January 1	$ 37,122	$ 29,806
Incurred related to:		
Current year	4,502	10.608
Prior years	(21,877)	(726)
Total Incurred	(17,375)	9,882
Paid related to:		
Current year	108	188
Prior years	2,027	2,378
Total paid	2,135	2,566
Balance at December 31	$ 17,612	$ 37,122

There is inherent uncertainty in medical malpractice claims when establishing the estimates of unpaid losses and unpaid loss adjustment expenses. In 2008 and 2007 the Plan decreased its estimates of unpaid losses and unpaid loss adjustment expenses related to insured events of prior years. These decreases were greater than the estimated losses incurred for the current year, causing negative incurred losses and loss adjustment expenses.

NOTE 21. SPECIAL ITEMS

In April, 2009, the State issued $1.5 billion in general fund annual appropriation bonds to purchase the future right, title, and interest in the Tobacco Settlement Revenues (TSRs) from Badger Tobacco Asset Securitization Corporation (BTASC) as well as pay any issuance expenses. As a result of the transaction, BTASC bonds outstanding as of the State bond issue date were defeased. BTASC will remain active administratively until 2012 when the bonds are scheduled to be paid in full by the trust.

Any gain or loss on the purchase of the TSRs by the State has not been determined because future cash flows from the TSRs are not reasonably estimable due to uncertainty of those TSRs.

NOTE 22. 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, 2009 is presented below (in thousands):

Condensed Balance Sheet

Assets:		
Current Assets	$	129,757
Other Assets		917,007
Total Assets	$	1,046,764
Liabilities:		
Due to Other Funds	$	2,234
Other Current Liabilities (Including Current Portion of Long-term Debt)		70,254
Noncurrent Liabilities		763,363
Total Liabilities		835,851
Fund Equity:		
Restricted		210,913
Total Fund Equity		210,913
Total Liabilities and Fund Equity	$	1,046,764

Condensed Statement of Revenues, Expenses and Changes in Fund Equity

Operating Revenues (Expenses):		
Interest Income used as Security for Revenue Bonds	$	19,900
Interest Expense		(39,282)
Other Operating Expenses		(2,346)
Operating Income (Loss)		(21,728)
Nonoperating Revenues (Expenses):		
Investment Income		21,526
Income (Loss) before Transfers		(202)
Transfers In (Out)		17,700
Change in Fund Equity		17,498
Beginning Fund Equity		193,415
Ending Fund Equity	$	210,913

Condensed Statement of Cash Flows

Net Cash Provided (Used) by :		
Operating Activities	$	(3,313)
Noncapital Financing Activities		8,529
Investing Activities		(8,041)
Net Increase (Decrease)		(2,825)
Beginning Cash and Cash Equivalents		120,870
Ending Cash and Cash Equivalents	$	118,045

NOTE 23. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION

Significant financial data for the State's five discretely presented component units for the year ended December 31, 2008 or June 30, 2009 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority*	Wisconsin Health Care Liability Insurance Plan	University of Wisconsin Hospitals and Clinics Authority	University of Wisconsin Foundation	State Fair Park Exposition Center	Total
Condensed Balance Sheet						
Assets:						
Cash, Investments and Other Assets	$ 3,604,756	$ 67,963	$ 300,739	$ 2,266,575	$ 6,719	$ 6,246,752
Due from Primary Governments	-	-	2,566	-	-	2,566
Cash and Investments with Other Component Units	-	-	216,672	-	-	216,672
Capital Assets, net	16,534	-	410,395	7,523	31,986	466,438
Total Assets	$ 3,621,290	$ 67,963	$ 930,372	$ 2,274,098	$ 38,705	$ 6,932,428
Liabilities:						
Accounts Payable and Other Current Liabilities	$ 174,744	$ 11,243	$ 80,911	$ 47,640	$ 2,210	$ 316,748
Due to Primary Government	21	-	5,039	-	-	5,060
Amounts Held for Other Component Units	-	-	-	213,384	-	213,384
Long-term Liabilities (Current and Noncurrent portions)	2,919,113	17,612	330,763	43,600	40,836	3,351,924
Total Liabilities	3,093,878	28,856	416,713	304,624	43,046	3,887,116
Fund Equity:						
Invested in Capital Assets, Net of Related Debt	1,234	39,107	163,574	7,523	(8,485)	202,953
Restricted	522,725	-	8,535	1,841,875	-	2,373,135
Unrestricted	3,453	-	341,550	120,076	4,144	469,224
Total Fund Equity	527,412	39,107	513,659	1,969,475	(4,341)	3,045,312
Total Liabilities and Fund Equity	$ 3,621,290	$ 67,963	$ 930,372	$ 2,274,098	$ 38,705	$ 6,932,428
Condensed Statement of Revenues, Expenses and Changes in Fund Equity						
Program Expenses:						
Depreciation	$ 8,001	$ -	$ 44,209	$ 427	$ 1,015	$ 53,652
Payments to Primary Government	-	-	-	203,345	-	203,345
Other	334,921	(15,790)	874,815	40,452	4,458	1,238,856
Total Program Expenses:	342,922	(15,790)	919,024	244,223	5,473	1,495,852
Program Revenues:						
Charges for Goods and Services	7,091	6,018	941,856	-	3,952	958,917
Investment and Interest Income	173,514	3,157	-	(493,024)	-	(316,353)
Operating Grants and Contributions	149,189	-	1,320	160,979	-	311,488
Capital Grants and Contributions	-	-	1,163	-	-	1,163
Miscellaneous	15,288	30	15,804	505	307	31,935
Total Program Revenues	345,082	9,205	960,143	(331,539)	4,259	987,151
Net Program Revenue/(Expense)	2,160	24,995	41,119	(575,762)	(1,214)	(508,702)
General Revenues:						
Interest and Investment Earnings	15,556	-	(3,256)	-	(120)	12,180
Loss on Unamortized Bond Insurance Premium			(2,541)			(2,541)
Contributions to Endowments	-	-	22	-	-	22
Change in Fund Equity	17,716	24,995	35,344	(575,762)	(1,334)	(499,041)
Fund Equity, Beginning of Year	509,696	14,112	478,315	2,545,236	(3,007)	3,544,353
Fund Equity, End of Year	$ 527,412	$ 39,107	$ 513,659	$ 1,969,475	$ (4,341)	$ 3,045,312

* The Wisconsin Housing and Economic Development Authority (the Authority) restated historical financial statements for the fiscal year 2008. The Authority adopted GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. The impact on the fiscal year 2008 balance sheet was to increase total assets and liabilities by $100.9 million and $103.0 million, respectively, and decrease total net assets by $2.0 million. The impact on the fiscal year 2008 statement of income and expenses and changes in fund net assets was to decrease investment income by $2.0 million resulting in a $2.0 million decrease in net interest income.

NOTE 24. 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 2008 Comprehensive Annual Financial Report to the beginning-of-year fund balances/fund equity/net assets reported for Fiscal Year 2009 (in thousands):

A. Fund Statements – Governmental Funds

	Major Funds				
	General	Transportation	Common School	Nonmajor Funds	Total Governmental
Fund Balances June 30, 2008 as reported in the 2008 Comprehensive Annual Financial Report	$ (2,502,734)	$ 422,102	$ 753,248	$ (146,588)	$ (1,473,973)
Other adjustments of assets and liabilities as of June 30, 2008	158	-	-	3,620	3,779
Fund Balances July 1, 2008 as restated	$ (2,502,575)	$ 422,102	$ 753,248	$ (142,968)	$ (1,470,194)
Effect of prior period adjustments on the amount of excess revenues and other sources over expenditures and other uses of Fiscal Year 2008	$ 158	$ -	$ -	$ (998)	$ (839)

B. Fund Statements – Proprietary Funds

	Major Funds						
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Funds	Total Enterprise	Internal Service Funds
Fund Equity June 30, 2008 as reported in the 2008 Comprehensive Annual Financial Report	$ (61,490)	$ 1,420,043	$ 4,320,067	$ 608,869	$ 609,912	$ 6,897,402	$ 6,244
Health Insurance Fund correction of information from the third party administrator	-	-	-	-	22,499	22,499	-
Other adjustments of assets and liabilities as of June 30, 2008	-	-	-	-	(417)	(417)	(1,651)
Fund Equity July 1, 2008 as restated	$ (61,490)	$ 1,420,043	$ 4,320,067	$ 608,869	$ 631,994	$ 6,919,485	$ 4,593
Effect of prior period adjustments on the amount of net change in fund equity of Fiscal Year 2008	$ -	$ -	$ -	$ -	$ (426)	$ (426)	$ (1,651)

C. Fund Statements – Fiduciary Funds

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Total Fiduciary
Net Assets June 30, 2008 as reported in the 2008 Comprehensive Annual Financial Report	$ 78,775,655	$ 3,795,662	$ 2,195,055	$ 84,766,371
State Retiree Health Insurance Fund correction of information from the third party administrator	-	-	(20,003)	(20,003)
Local Retiree Life Insurance Fund permanent split between active employees' benefits and other postemployment benefits	(7,774)	-	-	(7,774)
Retiree Life Insurance Fund permanent split between active employees' benefits and other postemployment benefits	(5,031)	-	-	(5,031)
Other adjustments of assets and liabilities as of June 30, 2008	6	-	(267)	(261)
Net Assets July 1, 2008 as restated	$ 78,762,855	$ 3,795,662	$ 2,174,786	$ 84,733,302
Effect of prior period adjustments on the amount of net increase (decrease) in net assets of Fiscal Year 2008	$ 75	$ -	$ (267)	$ (192)

D. Government-wide Statements

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
Net Assets June 30, 2008 as reported in the 2008 Comprehensive Annual Financial Report	$ 5,887,562	$ 6,899,157	$ 12,786,719	$ 3,546,407
Health Insurance Fund correction of information provided by a third party administrator	-	22,499	22,499	-
Department of Revenue error in determining revenue estimates	(98,089)	-	(98,089)	-
Department of Transportation restatement of capital assets and infrastructure	88,178	-	88,178	-
Implementation of GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*	(1,040)	-	(1,040)	-
Other adjustments of assets and liabilities as of June 30, 2008	3,831	(417)	3,414	(2,054)
Net Assets July 1, 2008 as restated	$ 5,880,442	$ 6,921,239	$ 12,801,681	$ 3,544,353
Effect of prior period adjustments on the amount of net increase (decrease) in net assets of Fiscal Year 2008	$ (101,552)	$ (426)	$ (101,978)	$ (2,054)

NOTE 25. 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 $1.1 million on June 30, 2009 reported in the governmental activities, are discussed below:

Other Claims -- Work Injury Supplemental Benefits - The Work Injury Supplemental Benefit Fund, administered by the Department of Workforce Development, provides compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. The liability for annuities to be paid totaled $1.1 million at June 30, 2009.

The U. S. Department of Health and Human Services (U.S. DHHS) determined that the State should refund the federal share of recovered AFDC overpayments. The State of Wisconsin appealed the decision, however in fiscal year 2008 the appeal was denied. A liability for $12.7 million is reported at June 30, 2009, in the General Fund as a "Due to Other Governments".

Other Claims, Judgments, and Contingencies

The State is also named as a party in other legal proceedings where the ultimate disposition and consequence are not presently determinable. The potential liability amount relating to an unfavorable outcome for certain of these proceedings could not be reasonably determined at this time. However, the ultimate dispositions and consequences of any single legal proceeding or all legal proceedings collectively should not have a material adverse effect on the State's financial position.

Federal Share of Billings in Excess of Costs - In September 2006, the U.S. DHHS notified the State that it had determined that the federal share of billings for mainframe, data and voice services provided by the Department of Administration exceeded costs. The U.S. DHHS proposes to collect the billings in excess of costs through several alternative methods. Because a fiscal impact cannot be readily determined and due to uncertainity in predicting an outcome if appeals were to proceed, a liability has not been recorded.

Taxability of Custom Software - On July 11, 2008, the Wisconsin Supreme Court decided in favor of the Menasha Corporation in the case regarding the taxability of custom software. While the actual amount of the liability cannot be reasonably estimated, the State may receive refund claims that could potentially reach up to $135.0 million in tax and interest. A liability for $20.6 million is reported at June 30, 2009, in the General Fund as a tax refund payable.

Transfer from Injured Patients and Families Compensation Fund - 2007 Wisconsin Act 20, which was signed into law October 2007, included a transfer of $200 million from the Injured Patients and Families Compensation Fund. The transfer consisted of $71.5 million, which was transferred in October 2007, and an additional $128.5 million which was transferred in July 2008. Subsequent to the signing of this legislation and the initial transfer, the Wisconsin Medical Society filed a lawsuit on behalf of their members challenging the transfer as unconstitutional. The lawsuit was dismissed in December 2008 and is currently on appeal.

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, 2009 reported as Fund Balance - Reserved for Encumbrances, additional obligations at June 30, 2009 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	$ 377,809
Transportation Revenue Bonds Capital Projects Fund	53,358
Capital Improvement Fund – passenger rail equipment	42,900
General Fund – Department of Commerce programs, including economic and community development programs	23,999
Environmental	3,497

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 $240.2 million as of June 30, 2009. These loan commitments are expected to be met through additional federal grants and proceeds from issuance of revenue obligations.

In addition, the revenue obligation bonds of the Leveraged Loan Program in the Fund are collateralized by a security interest in all the assets of the Leveraged Loan Program. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the Fund's revenue obligation bonds. However, as the loans granted to local units of government are at an interest rate less than the revenue bond rate, the State is obligated by the Fund's General Resolution to fund, at the time each loan is made, a reserve which subsidizes the Leveraged Loan Program in an amount which offsets this interest disparity.

The *Injured Patients and Families Compensation Fund* may be required to purchase an annuity as a result of a claim settlement. Under specific annuity arrangements, the fund may have ultimate responsibility for annuity payments if the annuity company defaults on annuity payments. One of the fund's annuity providers defaulted on $100 thousand in annuity payments through June 30, 2009, which the fund subsequently paid. The annuity provider is currently making the majority of these annuity payments, but the fund continues to make monthly annuity payments to cover defaulted payments. The fund has received reimbursement for these payments, including interest of $93 thousand through June 30, 2009. It is unclear when the annuity provider will be able to make the remaining annuity payments and whether the fund will be able to recover the remaining annuity payments made on the behalf of the annuity provider. The total estimated replacement value of the fund's annuities as of June 30, 2009 was $32.8 million. The replacement value calculation includes only annuities where the Fund remains the owner. Annuities with qualified assignments are no longer included. The fund reserves the right to pursue collection from State guarantee funds.

State Public Deposit Guarantee - As required by Wis. Stat. Sec. 34.08, the State is to make payments to public depositors for proofs of loss (e.g., loss resulting from a bank failure) up to $400 thousand per depositor above the amount of federal insurance. This statutory requirement guarantees that the State will make payments in favor of the public depositor that has submitted a proof of loss. Payments would be made in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions, until the designated appropriation is exhausted. At June 30, 2009, the appropriation available totaled $40.9 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 $1.2 million as of June 30, 2009. 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, 2009, outstanding loan guarantees totaled $43.1 million.

In April 2003, the Authority approved the Neighborhood Business Revitalization Guarantee program. The guarantee program will provide up to $12.0 million in loan guarantees for revitalization in targeted urban commercial communities with populations greater than 35,000. As of June 30, 2009, $9.7 million of loan guarantees had been approved with outstanding loan guarantees of $5.8 million.

NOTE 26. SUBSEQUENT EVENTS

Primary Government

Short-term Debt

Operating Notes – In July 2009, the State issued $800.0 million of operating notes. The proceeds of the notes were to be used within six months to fund local assistance payments to the State's municipalities and school districts, and finance day-to-day operations in anticipation of revenue received later in the fiscal year. The notes were issued because of an imbalance between the timing of payments disbursed and receipts collected. The imbalance exists because a greater percentage of receipts are received in the second half of the fiscal year, primarily January, March and April. The notes will be paid at maturity on June 15, 2010.

Long-term Debt

General Obligation Bonds - In September 2009, the State issued $197.3 million of 2009 Series C general obligation bonds to be used for the acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes. The interest rates ranged from 3.0 percent to 5.0 percent payable semiannually, beginning May 1, 2010. The bonds mature May 1 of the years 2012 through 2022.

In August 2009, the State issued $225.8 million of 2009 Series D general obligation bonds to be used for the acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes. The interest rates ranged from 4.9 percent to 5.9 percent payable semiannually, beginning May 1, 2010. The bonds mature May 1 of the years 2023 through 2040. These bonds are "qualified Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended. The State will receive 35 percent of the interest payable to bondholders from the United States Treasury.

In September, 2009, the state issued $54.3 million of Series 1 general obligation refunding bonds, the proceeds of which were used to refund certain previously issued general obligation bonds. The interest rates range from 2.5 percent to 5.0 percent and are payable semiannually, beginning May 1, 2010. The bonds mature November 1 of the years 2011 through 2016.

Revenue Bonds - In October 2009, the State issued 2009 Series A Transportation Revenue Bonds in the amount of $17.9 million. Fixed interest rates range from 3.5 percent to 4.0 percent, interest is payable semiannually. The bonds are due in various maturities in 2012, with final maturity in 2014. The bonds are being used to finance certain State transportation facilities and highway projects and to pay costs of issuance.

In October 2009, the State issued 2009 Series B taxable Transportation Revenue Bonds in the amount of $147.1 million. The 2009 Series B Bonds are "qualified Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended. The State will receive 35 percent of the interest payable to bondholders from the United States Treasury. Fixed interest rates range from 3.5 percent to 5.8 percent, interest is payable semiannually. The bonds are due in various maturities beginning in 2015, with final maturity in 2030. The bonds are being used to finance certain State transportation facilities and highway projects and to pay costs of issuance.

In October 2009, the State issued 2009 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds in the amount of $117.5 million. Interest rates range from 2.5 percent to 5 percent with interest payments payable semiannually, beginning July 1, 2010. The bonds mature on July 1 of the years 2013 though 2017.

The proceeds of this issue are being used, along with other funds on deposit with the program trustee, to redeem early or fund obligations that were previously issued. In November, 2009, the remaining $19.0 million of outstanding 2004 Series A Petroleum Inspection Fee Revenue Bonds and the remaining $47.4 million of outstanding 2004 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds will be redeemed early at a redemption price of 102 percent. It is also anticipated that $71.2 million of the $142.3 million in outstanding extendible municipal commercial paper will be funded on or before December 11, 2009.

Unemployment Reserve Fund Borrowing

Subsequent to June 30, 2009, the Unemployment Reserve Fund borrowed an additional $337.7 million from the federal government to be able to meet federal requirements to pay unemployment benefits. Through November 30, 2009, the Fund has borrowed a total of $773.2 million. Under the provisions of the Assistance for Unemployed Workers and Struggling Families Act, the Fund will not incur interest on the loan through 2010. However, starting in 2011 the Fund will incur approximately 5.0 percent annual interest on the amount borrowed. If the Fund has a loan balance outstanding on both January 1, 2010, and 2011, the federal government can begin recovering the loan from employers by incrementally reducing the employers' federal unemployment tax credit beginning with the tax due for 2011. The Fund can avoid these credit reductions for employers by voluntarily repaying certain portions of the loan and meeting other federal requirements.

Component Units

Wisconsin Housing and Economic Development Authority (the Authority) – Subsequent to June 30, 2009, the Authority redeemed the following bonds (in thousands):

Program/Bond Resolution	Amount Redeemed
Home Ownership Revenue Bonds:	
1987	$ 65,675
1988	96,925
All Other	4,200
Multifamily Stand Alone Bonds	105
Line of Credit-Mortgage Financing	155
Housing Revenue Bonds	210
Business Development Bonds (various)	55
Facility Refunding Bond	2,635

In addition, the Authority issued $175 thousand of Line of Credit – Mortgage Financing subsequent to June 30, 2009.

Required Supplementary Information

Postemployment Benefits - State Health Insurance Program

The funding progress for the State of Wisconsin Health Insurance Plan is provided below (in thousands):

Actuarial Valuation Date	Actuarial Valuation Of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
1/1/2007	$ 0	$ 1,472,774	$ 1,472,774	0.0%	$ 2,842,917	51.8%

Infrastructure Assets Reported Using the Modified Approach

The State has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the State can demonstrate that these assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The State owns approximately 11,200 centerline miles of roads and 5,000 bridges.

Road Network

Condition assessments are completed on a two-year cycle with the most current results reported for each State road. Numerous measures are used to assess the condition of the State's road network. The State has adopted the International Roughness Index (IRI), as defined by the Federal Highway Administration, as its primary condition measure. IRI is measured on a scale of 0 to 5, with an IRI of 2.69 or greater being defined as a "poor" ride. Roads with a "poor" IRI assessment cause negative impacts for the traveling public by decreasing driver comfort and increasing the damage to vehicles and goods. It is the State's policy to ensure no more than 15 percent of its roads receive a "poor" IRI assessment.

Recent condition assessment results are as follows:

Year Ended June 30	Miles of Road	Percent Rated "Poor"	Established Percent	Variance Favorable/ (Unfavorable)
2009	11,200	6.9	15.0	8.1
2008	11,200	6.9	15.0	8.1
2007	11,200	6.4	15.0	8.6
2006	11,200	5.4	15.0	9.6
2005	11,200	5.8	15.0	9.2
2004	11,200	6.1	15.0	8.9
2003	11,200	4.3	15.0	10.7
2002	11,200	4.6	15.0	10.4

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)
2009	$ 647.7	$ 624.4	$ 23.3
2008	531.8	537.3	(5.5)
2007	501.8	441.6	60.2
2006	495.7	367.5	128.2
2005	366.6	333.8	32.8
2004	450.8	341.1	109.7
2003	420.9	336.7	84.2
2002	470.7	437.6	33.1

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years. Estimated costs for 2005 and actual costs for 2005 through 2008 have been restated from amounts reported in prior years due to an error in classification of costs on a capital project as maintenance/preservation costs.

Bridge Network

Condition assessments are completed on a two-year cycle, with more frequent inspections completed if warranted. The most current assessment results are reported for each State bridge, making the overall assessment a blend of measures completed in the current fiscal year and those completed in the prior year.

The structural condition rating is a broad measure of the condition of a bridge. Each bridge is rated using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings. The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. The NBI uses a 10-point scale for condition codes and appraisal ratings. A bridge is considered "structurally deficient" if any condition code is 4 or less, or if either appraisal code is 2 or less.

"Structurally deficient" bridges cause negative impacts for the public by increasing the likelihood that heavy loads will need to be rerouted to less efficient routes, thus increasing logistic costs for

State businesses. It is the State's policy to ensure no more than 15 percent of its bridges are "structurally deficient".

Recent condition assessment results are as follows:

Year Ended June 30	Number of Bridges	Percent Structurally Deficient	Established Percent	Variance Favorable/ (Unfavorable)
2009	5,000	3.8	15.0	11.2
2008	4,900	4.5	15.0	10.5
2007	4,900	4.1	15.0	10.9
2006	4,900	4.3	15.0	10.7
2005	4,900	5.1	15.0	9.9
2004	4,900	5.4	15.0	9.6
2003	4,900	6.2	15.0	8.8
2002	4,900	7.6	15.0	7.4

Each year the State estimates the costs to maintain and preserve the bridge network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

Year Ended June 30	Estimated Costs (In millions)	Actual Costs (In millions)	Variance (In millions) Favorable/ (Unfavorable)
2009	$ 55.9	$ 56.9	$ (1.0)
2008	61.0	46.2	14.8
2007	36.0	46.9	(10.9)
2006	42.4	31.3	11.1
2005	28.3	38.6	(10.3)
2004	47.8	52.3	(4.5)
2003	46.4	45.7	0.7
2002	33.6	38.4	(4.8)

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. The State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 660,560
Revenues and Transfers (Inflows):			
Taxes	$ 13,312,770	$ 12,551,870	12,139,421
Departmental:			
Tribal Gaming	46,251	93,922	93,946
Other	13,031,505 (A)	13,087,696 (A)	12,844,879
Transfers from:			
Transportation Fund	(A)	(A)	6,803
Nonmajor Funds	(A)	(A)	52,541
Total Revenues and Transfers (Inflows)	26,390,526	25,733,489	25,137,590
Amounts Available for Appropriation			25,798,150
Appropriations (Outflows):			
Commerce	367,746	385,008	251,999
Education	11,388,874	12,264,305	11,163,614
Environmental Resources	366,501	362,724	327,208
Human Relations and Resources	9,532,884	11,301,464	10,329,782
General Executive	1,174,939	1,307,258	850,545
Judicial	129,274	132,410	130,982
Legislative	74,625	69,593	65,289
Tax Relief and Other General	2,190,271	2,152,179	2,151,656
Transfers to:			
Nonmajor Funds	22,000	22,000	22,000
Total Appropriations (Outflows)	$ 25,247,114	$ 27,996,941	25,293,075
Fund Balances, End of Year			505,075
Less Encumbrances Outstanding at June 30, 2009			(531,641)
Fund Balances, End of Year Budgetary Basis			$ (26,567)

Reconciliation of the End of Year, Budgetary Basis, Fund Balance to the Detail Reported in the Annual Fiscal Report:	
General Purpose:	
Designated	$ 10,599
Undesignated	89,564
Total General Purpose	100,163
Program Revenue	(126,730)
Fund Balances, End of Year Budgetary Basis	$ (26,567)

(A) Interfund transfers to the General Fund were budgeted under departmental revenue during Fiscal Year 2009.

Budgetary Comparison Schedule
Transportation Fund
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 315,267
Revenues (Inflows):			
Taxes	$ 1,004,989	$ 1,004,989	1,004,989
Departmental	1,707,468	1,707,468	1,707,468
Total Revenues (Inflows)	2,712,457	2,712,457	2,712,457
Amounts Available for Appropriation			3,027,724
Appropriations and Transfers (Outflows):			
Environmental Resources	3,979,808	4,769,536	2,578,336
General Executive	1,882	1,810	1,610
Tax Relief and Other General	46,058	21,494	22,396
Transfers to:			
General Fund	72	6,803	6,803
Total Appropriations and Transfers (Outflows)	$ 4,027,820	$ 4,799,642	2,609,144
Fund Balances, End of Year			418,581
Less Encumbrances Outstanding at June 30, 2009			(1,408,158)
Fund Balances, End of Year Budgetary Basis			$ (989,577)

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, 2009 is presented below (in thousands):

	General Fund	Transportation Fund
Fund balance June 30, 2009 (budgetary basis – budgetary fund structure):		
General Purpose Revenue – fund balance per budgetary basis *Annual Fiscal Report*		
Undesignated fund balance	$ 89,564	
Designated fund balance	10,599	
Total General Purpose Revenue fund balance	100,163	
Program Revenue – fund balance per budgetary basis *Annual Fiscal Report*	(126,730)	
Fund balance June 30, 2009 (budgetary basis – budgetary fund structure) As reported on the budgetary comparison schedule	(26,567)	$ (989,577)
Reclassifications:		
To eliminate the effect of encumbrances that were reported as expenditures under budgetary reporting (*basis difference*)	531,641	1,408,158
To reclassify activities of the Medical Assistance Trust, Hospital Assessment, Budget Stabilization, and Permanent Endowment Funds (reported as special revenue funds under budgetary reporting) as part of the General Fund (*perspective difference*)	126,959	--
To reclassify activities reported in another GAAP fund type (*perspective differences*):		
Enterprise funds (except for the University of Wisconsin System)	73,214	--
University of Wisconsin System	(568,706)	--
Internal service funds	30,674	--
Fiduciary funds	(5,843)	--
Transportation Revenue Bonds capital project fund	--	3,206
Fund balance June 30, 2009 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	161,373	421,787
Adjustments (*basis differences*):		
To accrue receivables and establish payables for individual income taxes (net)	(874,219)	--
To defer revenues for gross receipts public utility taxes	(231,167)	--
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(478,978)	(10,276)
To adjust expenditures for the municipal and county shared revenue program	(539,161)	--
To adjust expenditures for State property tax credit program	(621,846)	--
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(155,102)	--
To adjust revenues and expenditures for certain major Health Services, and Children and Families human services payments to local governments	(97,831)	--
To recognize the tobacco settlement revenue receivable	143,287	--
To accrue State educational aids payments deferred until the subsequent year	(75,000)	--
To adjust revenues and expenditures for other items (net)	57,018	120,080
Fund balance June 30, 2009 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements	$(2,711,626)	$ 531,592

B. Budgetary Basis of Accounting

The State's biennial budget is prepared using a modified cash basis of accounting. The final budget is primarily a general purpose revenue and expenditure budget. General purpose revenues consist of general taxes and miscellaneous receipts which are paid into the General Fund, lose their identity, and are then available for appropriation by the Legislature. The remaining revenues consist of program revenues, which are credited by law to an appropriation to finance a specified program or State agency, and segregated revenues which are paid into separate identifiable funds.

While State departments and agencies are required to submit estimates of expected revenues for program revenue and segregated revenue categories, these estimates are not formally incorporated into the adopted budget except for revenue estimates of the Lottery Fund. As a result, legally budgeted revenues for these categories are not available and, consequently, actual amounts are reported in the budget column of the Budgetary Comparison Schedules.

Expenditure budgeting differs for the various types of appropriations. For most appropriations, budgeted expenditures equal the amount from the adopted budget plus any subsequent legislative or administrative revisions. Various supplemental appropriations were approved during the year and have been incorporated into the budget figures.

While State statutes prohibit spending beyond budgetary authority, a provision is made to include the value of accounts receivable, inventories and work in process in identifying available revenues. The State also utilizes nonbudget accounts for which no budget is established but expenditures may be incurred. As a result, actual expenditures may exceed budgeted amounts in certain categories.

The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Other variances arise because the State's biennial budget is developed according to the statutory required fund structure which differs extensively from the fund structure used in the GAAP basis financial statements. This difference is primarily caused by the elimination of the University of Wisconsin System, and various fiduciary, proprietary and other governmental fund activity from the statutory General and Transportation funds. In addition, the Medical Assistance Trust, Hospital Assessment, Budget Stabilization and Permanent Endowment Funds, special revenue funds under statutory reporting, are included as part of the General Fund under GAAP reporting. As a consequence of these differences, a reconciliation between budgetary basis and GAAP basis is provided in Note 1-A of the notes to the required supplementary information.

The Budgetary Comparison Schedules for the General and the Transportation Fund present both the original and final appropriated budgets, as well as the actual inflows, outflows, and fund balance on the budgetary basis. The supplementary budget comparison schedule provides this same information (with the exception of the original budget data) for the nonmajor governmental funds with annual budgets. The capital project and debt service funds are excluded from this schedule because no comprehensive budget is approved for these funds. Two special revenue funds, the Wisconsin Public Broadcasting Foundation and the Celebrate Children Foundation, have been excluded from reporting because they are blended component units that are neither budgeted nor included under statutory reporting. Of the permanent funds, only the Historical Society Fund and a portion of the Common School Fund are budgeted.

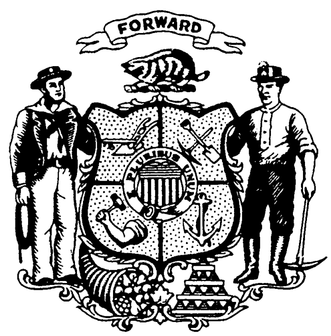
The State's biennial budget was passed in October 2007. This legislation is recognized by State officials as the original budget and is treated as such on the Budgetary Comparison Schedules.

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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