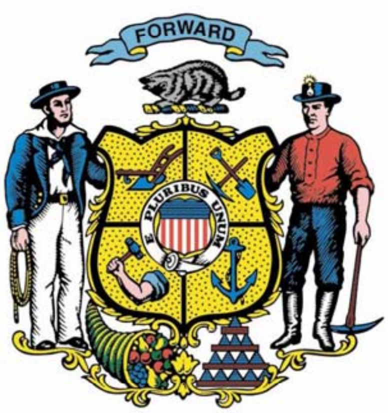
WISCONSIN

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended June 30, 2007

STATE OF
WISCONSIN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2007

Jim Doyle, Governor

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

Prepared by the State Controller's Office

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DOA-6082P (R12/07)

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

Table of Contents

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

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INTRODUCTORY SECTION

JIM DOYLE
GOVERNOR

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SECRETARY

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WISCONSIN DEPARTMENT OF ADMINISTRATION

December 14, 2007

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the State of Wisconsin for the fiscal year ended June 30, 2007.

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

This report has been prepared in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). To report the State's financial activity, the State's budgetary funds are grouped into the fund types required by GAAP. As a result, the State's 61 budgetary funds have been expanded into 92 individual GAAP funds. The most significant change has been to reclassify certain activities from the budgetary General Fund and present them in proprietary and fiduciary fund types more appropriate for the financial reporting of transactions related to commercial and trust activities. Note 1-C to the financial statements includes a more detailed discussion of the generic GAAP fund types.

Independent Audit

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

Management Discussion and Analysis

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

PROFILE OF THE STATE

The State of Wisconsin was admitted to the Union as the 30th state in 1848. Wisconsin, situated between Lake Michigan to the east and the Mississippi River to the west, covers 54,310 square miles and serves a population of 5.5 million.

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

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

Component Units

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

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

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

Budgetary Process

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

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

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

Wisconsin Retirement System and Accumulated Sick Leave Conversion Credits Program

The Wisconsin Retirement System (WRS) is a pension plan administered by the Department of Employee Trust Funds (DETF). The WRS provides coverage to all eligible employees of the State of Wisconsin and other participating local units of government. The most current actuarial valuations of this pension plan indicated that the WRS was funded at 99.6 percent of liabilities for the 542,558 participants of the WRS. The State's contribution to WRS represents approximately 28.9 percent of total contributions required of all participating entities.

The Accumulated Sick Leave Conversion Credits (ASLCC) benefit program, reported in a fiduciary fund and also administered by DETF, allows employees at the time of their retirement to convert the value of their accumulated unused sick leave into an account to be used to pay for post-retirement health insurance. The actuarial value-based funded ratio of this program was 99.1% as of December 31, 2006 (the date of the most recent valuation).

A review of benefits is continuing to determine if other liabilities concerning retirees should be reported.

ECONOMIC CONDITION AND OUTLOOK

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

- Wisconsin's unemployment rate is slightly higher than the national rate.
- Since the 2000 census, the State's population growth ranks fourth in the Midwest states as more people relocate to Wisconsin.
- With 90.6 percent of its population covered, Wisconsin has the fourth highest health insurance coverage rate in the country.
- Wisconsin's median household income, $48,874, is the nineteenth highest in the country, 1.4 percent above the national average.

Looking ahead, Wisconsin's expansion should continue. With modest expansion in services, finance and utilities, total nonfarm employment should increase by 0.4 percent in 2007 and by 0.8 percent in 2008. Nationally, nonfarm employment should increase by 1.3 percent in 2007 and by 0.7 percent in 2008.

The expansion of employment should strengthen Wisconsin's personal income growth. Total personal income should grow by 5.6 percent in 2007 and by 4.2 percent in 2008. This is slightly below projected national growth over the two-year period of 6.5 percent in 2007 and 4.8 percent in 2008.

MAJOR INITIATIVES

Economic Development. In Fiscal Year 2007, the State invested $1 million in the operation of the Wisconsin Entrepreneurs Network. The network is a cooperative effort that leverages both public and private resources to offer services to small businesses, which includes business planning assistance, access to capital and financial assistance, and assistance with intellectual property and technology transfer issues.

The State also encouraged private investment in entrepreneurial activities by creating the Angel Investment and Early Stage Seed Investment tax credit programs, which became effective for tax years beginning after January 1, 2005. Through the programs, individuals and businesses are eligible for tax credits equal to a portion of the investment made in qualified new business ventures. In 2005, $1.3 million in tax credits were provided, resulting from $9.8 million in qualified investments. In calendar year 2006, there were 68 companies certified as qualified new business ventures and $15.4 million in eligible investments made.

In 2007, the State continued to support the tax relief measures and regulatory changes that were enacted in previous years. The enactment of the single-factor sales apportionment of income for corporate and franchise taxes is projected to reduce corporate tax burdens by $38.3 million when it is fully implemented in 2008. In addition, a tax credit for dairy modernization offers support for capital investment on dairy farms and livestock operations, and provided $12.5 million of tax relief to farmers in tax year 2005. An additional $29.45 million of tax credit was carried forward to be claimed in subsequent tax years. In addition, as an example of regulatory changes, the average time it took in 2006 for people to receive their waterway and wetland permit decision was 22 days from the time the applicant supplied the DNR with the complete information required to make a decision, down from 43 days in 2002.

In 2007 Wisconsin continued to grow the State's $20 billion dairy industry through the Value Added Dairy Initiative. To date this program has awarded 224 grants for dairy modernization, grazing and organic transition totaling $117 million. These grant projects have resulted in investments of $37.5 million and the creation or retention of 675 jobs.

In addition, the State has continued its efforts to expand existing businesses, attract new companies to Wisconsin and provide support to entrepreneurs looking to start a business in this State. Major tools used in these efforts are the Wisconsin Development Fund and the development zone programs. The State awarded $11.6 million during Fiscal Year 2007 from the Wisconsin Development Fund, primarily through the major economic development program, customized labor training grants, and technology development grants and loans. To date, 677 businesses have been designated under the community and Enterprise Development Zone programs, resulting in more than 135,300 jobs created or retained and leveraging more than $5.34 billion in private investment. The Technology Zone program certified 91 high-technology businesses as eligible to receive approximately $20 million in tax credits. These credits leveraged more than $610 million in private investment and the firms involved created and retained more than 17,900 jobs in Wisconsin. The Agricultural Development Zone program certified 25 businesses as eligible to receive $3,233,500 in tax credits. These credits leveraged more than $67.6 million in private investment and the firms involved created or retained more than 2,200 jobs in Wisconsin.

In 2006, the State created several new economic development programs, including the Enterprise Zones Job Credit program, the Airport Development Zone program, the Expansion of Broadband Internet Service program, and the Film Production Activities program. The Enterprise Zones Job Credit program authorizes the Department of Commerce to designate up to ten zones in which certified businesses may claim tax credits. Each zone may not exceed 50 acres and may exist for up to 12 years. Under the Airport Development Zone program, the Department of Commerce may designate zones to exist for up to seven years and may allocate up to $3 million in tax credits to each zone, up to a total of $9 million in credits for all zones. The State continues to encourage the expansion of broadband Internet service through tax incentives. The incentives are targeted to the purchase and installation of equipment that will increase the availability of broadband Internet service in areas of the State that are either not currently served or that are served by only one broadband provider. The total amount of the credits and exemptions that may be claimed is $7.5 million. The State also created the Film Production Activities program to increase film production-related activities through a variety of tax credits.

The State also offers a variety of programs that target minority and rural business development as well as community-based economic development. In Fiscal Year 2007, the State awarded $2.25 million, which leveraged additional investments of over $20 million. Also in 2006, the State created a women-owned business certification program to assist businesses that are majority owned and controlled by a woman or women in competing for federal contracts. The first 206 women-owned businesses were certified in Fiscal Year 2007. In addition, $1.2 million was provided in 2007 to manufacturing extension programs, allowing these organizations to help manufacturers modernize, remain competitive and create new jobs in Wisconsin. State investment in the manufacturing extension programs illustrates Wisconsin's continued commitment to help manufacturers grow and remain a driving force in Wisconsin's economy.

Travelers spent nearly $13 billion in Wisconsin during 2006, an increase of 7.3% over 2005. Travel spending includes all spending within the State both for leisure as well as business meetings and conventions. In fiscal year 2007, the State continued its promotional commitment to growing travel to and within the State by investing $11.4 million in marketing and public relations activities within Wisconsin and its core markets of Chicago, the Twin Cities and Michigan. The State has historically been a most popular Great Lakes and Midwest destination for leisure travelers.

The State has made a strong commitment to further advance establishing Wisconsin’s leadership position in the Travel Green initiative with a focus on both the wealth of our natural resources and providing guidance to the industry on sustainable business practices.

Transportation. The State continued to make significant investments in transportation infrastructure through expansion in highway capacity and reconstruction of existing highways and bridges. In 2007, 632 miles of State Trunk Highway and local highways were improved and 213 deficient state and local bridges were rehabilitated or replaced. Also, in Fiscal Year 2007 the State contributed over $30 million to complete the majority of the work on the Marquette Interchange and begin preliminary work on the I-94 North-South Corridor. In all, more than $704 million in construction projects on state and local road systems was contracted through the Wisconsin Department of Transportation.

Wisconsin also distributes State transportation user fee revenues to local governments for transportation infrastructure improvements and transit operating assistance. In Fiscal Year 2007, $571.2 million was transferred to local governments for these purposes.

Environment. Wisconsin continued to streamline and improve regulatory processes while strengthening environmental protection. Through implementation of innovative programs such as Green Tier, which seeks to reduce regulatory overhead while encouraging companies to exceed environmental standards, and the development of a streamlined air emissions permit program, Wisconsin took steps to make it easier for businesses of all sizes to comply with state and federal regulations.

Wisconsin's Warren Knowles-Gaylord Nelson Stewardship Program and its successor, the Warren Knowles-Gaylord Nelson Stewardship 2000 Program, underscore the State's role as a national leader in environmental preservation and enhancement. The original Stewardship Program committed $250 million through the sale of general obligation bonds and the use of federal grant monies for various resource development and land protection activities, including acquisition of State park lands, protection of urban rivers and assistance to local parks. The Stewardship 2000 Program commits $572 million over 10 years through the sale of general obligation bonds to continue the State's efforts to protect and enhance Wisconsin's abundant natural resources. During Fiscal Year 2007, the State used $23.4 million in Stewardship 2000 Program financing to acquire over 10,700 acres of public recreational land through acquisition and recreational easements.

In addition to land acquisition through the Stewardship programs, Wisconsin's efforts to protect and enhance its natural resources include partnerships with individual landowners. In November 2001, the State entered into an agreement with the U.S. Department of Agriculture for the authority to enroll up to 100,000 acres of Wisconsin farmland in the Conservation Reserve Enhancement Program. The federal government will provide up to $200 million for the program, which will be matched by the State with up to $40 million from the sale of general obligation bonds. Landowners participating in the program receive an upfront payment from the State and annual payments from the federal government to install and maintain riparian buffers, wetlands and other practices that reduce polluted runoff or, in certain areas, improve habitat for grassland birds. Landowners may receive a larger upfront payment if they transfer to the State an easement to permanently maintain the practices. As of June 30, 2007, 38,059 acres had been enrolled in the program, and total payments to landowners amounted to almost $10.6 million.

During Fiscal Year 2007, Wisconsin continued to lead in sustainable forestry practices by having independent, third-party reviewers monitor the sustainable management of county, state and nearly 2 million acres of privately-owned forestland. This additional layer of review ensures that Wisconsin's forests will continue to provide ecological, social and economic benefits long into the future. The $20 billion forest products industry is an integral part of Wisconsin's economy, and sound management practices aid in Wisconsin's ability to remain competitive in the global marketplace.

The first instance of chronic wasting disease in Wisconsin’s deer herd was discovered in February 2002. Since then, over 129,000 deer have been sampled across the State, with 864 testing positive for the disease. Hunting of white-tailed deer contributes an estimated $1 billion to Wisconsin's economy annually. The large economic and social significance of deer to Wisconsin warrants the $32.4 million investment the State has made to deal with the disease over the last six years. The Department of Natural Resources is in the process of leading a statewide dialogue to develop future chronic wasting disease management actions. Through continued vigilance and herd management, it is hoped that the State can control the extent and prevalence of the disease and ensure successful deer hunts for years to come.

Wisconsin's Environmental Improvement Fund program provides financial assistance to municipalities for the planning, design and construction of wastewater treatment and drinking water treatment facilities. The program also provides assistance for brownfields remediation projects. Most communities applying for assistance receive subsidized loans, although some wastewater projects are eligible for partial grants through a hardship component of the program. Funding is provided from a State-matched federal capitalization grant and through State revenue and general obligation bonds. In Fiscal Year 2007, the Environmental Improvement Fund made awards to municipalities amounting to $180 million, bringing the total amount of loans and grants awarded by the program to $2.88 billion since its inception in 1991.

The Petroleum Environmental Cleanup Fund Award program (PECFA) assists owners of leaking petroleum storage tanks with environmental remediation costs and has provided $1.47 billion for cleanups at 12,476 locations (11,133 now closed) since 1988. Efforts to minimize claim payment backlogs and improve site closure methodologies have streamlined the program while protecting the environment and public health.

In addition to the PECFA program, Wisconsin has made a strong effort to reclaim contaminated properties, or brownfields. In Fiscal Year 2007, the brownfields site assessment grant program provided $1.7 million to 32 communities across the State to jump-start investigation and redevelopment of brownfield sites. After eight rounds of applications, 372 grants totaling $11.7 million have been awarded. Since June 1998, the Blight Elimination and Brownfield Redevelopment program has awarded $57.9 million to 146 projects for the redevelopment of brownfields where clean-up will have a significant economic as well as environmental impact. The completion of these projects will return 1,325 acres of abandoned or under-used environmentally contaminated sites to productive use, increasing taxable property values by over $1 billion and creating over 6,030 new jobs.

Wisconsin has historically been a national leader in recycling. Since its inception as one of the nation's first and foremost programs in support of community recycling, over $421 million has been provided to municipalities to help defray the cost of operating effective recycling programs. In addition, the State has provided funds for innovative recycling and waste reduction projects, including $1.9 million annually for the Recycling Efficiency Incentive Grants program. The program rewards municipalities for efficiencies achieved through consolidation of and cooperative agreements between local recycling services.

Human Resources. Several Medical Assistance programs were expanded during Fiscal Year 2007, focused primarily on managed care programs for SSI-eligible seniors and recipients with disabilities and community-based care for recipients with long-term care needs. The Department of Health and Family Services is completing planning for a statewide expansion of Family Care managed long-term care programs, organized by coalitions of county and private non-profit organizations working together to expand and improve long-term care services in the community.

The modest growth in health care costs for the Medical Assistance programs is the result of overall health care cost increases and continued to be well below the growth rates experienced in the private sector. The Department of Health and Family Services was able to control costs through continued and expanded management of pharmacy expenditures, especially through supplemental rebates and the use of preferred drug lists.

As projected, enrollment grew at a modest but steady pace in the Medicaid and BadgerCare programs. By the end of Fiscal Year 2007, Medicaid enrollment was 656,000 recipients and BadgerCare enrollment was 99,000 recipients. SeniorCare enrollment dropped by 12 percent to 97,000 recipients by the end of Fiscal Year 2007 following a 28 percent increase in Fiscal Year 2006 due to seniors' uncertainty about the implementation of the new Medicare Part D pharmacy benefit.

In Fiscal Year 2007, the Department of Health and Family Services continued to protect the State's most vulnerable and medically fragile children. Over 686 adoptions were finalized for children with special needs. In Milwaukee County, the department's unique subsidized guardianship program allowed over 130 foster children to live in permanent homes, most frequently with relatives. The department also expanded services to over 2,500 children with long-term care needs, including autism, under the Children's Long-Term Care Medicaid waivers. The waivers provide an array of flexible support services to families and children, including intensive in-home therapy.

Education. State aids and tax credits provided to support 2006-2007 school year costs for elementary and secondary education totaled $5.9 billion. As part of this state aid commitment, general and categorical aids to school districts increased by $135.3 million in Fiscal Year 2007, an increase of 2.6 percent. The school levy tax credit, which reduces individual taxpayers' local property tax liability, increased by $123.7 million in Fiscal Year 2007, an increase of 26.4 percent. This was the largest single year school levy credit increase since Fiscal Year 1997, when the State first committed to funding two-thirds of school costs. These increases helped raise the State's share of school costs from 65.3 percent in Fiscal Year 2006 to 66.1 percent in Fiscal Year 2007.

In addition, the 2005-07 biennial budget bill increased the low revenue ceiling by $300 (3.7 percent) per pupil for the 2006-07 school year, from $8,100 per pupil to $8,400. The low revenue ceiling provides low-spending school districts with more spending flexibility to ensure that their students can continue to receive quality educational services. The increase for the 2006-07 school year benefited 94 of the State's lowest spending school districts. Wisconsin's tradition of promoting equity in financing public schools continues to keep the State at or near the top of national rankings of state financing systems for public education.

The Governor's commitment to significantly increase State financial aid to University of Wisconsin students through the Wisconsin Higher Education Grant, Lawton and Advanced Opportunity programs remained strong in Fiscal Year 2007. Over the biennium a combined $38 million (25.1 percent) increase in awards over the previous biennium enhanced much-needed grant support to help keep higher education affordable for low-income students in Wisconsin. The Governor's continued commitment to financial aid for University of Wisconsin students, combined with maintaining low-to-moderate tuition levels for resident undergraduate students has helped rank Wisconsin among the top 10 states in the overall affordability of higher education.

In addition, the University of Wisconsin continues to be among the world leaders in cutting edge research. The National Science Foundation's recently released annual *Survey of Research and Development Expenditures at Universities and Colleges* ranked the Madison campus second in the nation overall and first among public universities in total federal research and development funds for fiscal year 2006. This position will be strengthened by the construction of the Wisconsin Institute for Discovery, which will build on Wisconsin's long history of collaborative, interdisciplinary research in the biological and health sciences. While construction of the Institute will not be completed until 2010, an important step was taken in Fiscal Year 2007 with the establishment of the Stem Cell and Regenerative Medicine Center, which will provide a bridge for all researchers on the Madison campus involved in stem cell research.

AWARDS AND ACKNOWLEDGEMENTS

Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the State of Wisconsin for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. This is the 11th year the State has received this award. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

Acknowledgements

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

Sincerely,

Michael L. Morgan
Secretary

Stephen J. Censky, CPA
State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Wisconsin

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

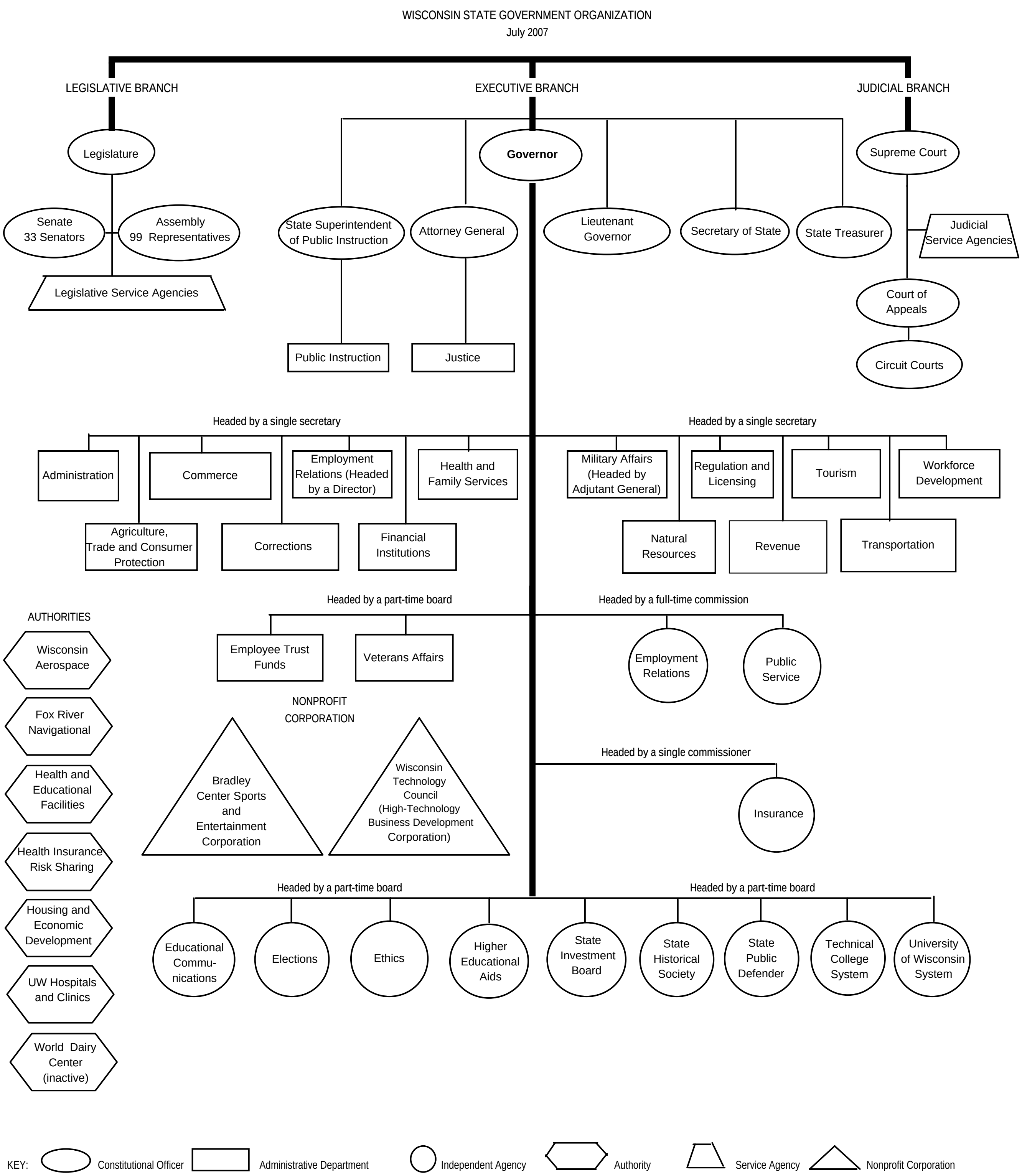
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Organizational Chart



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

Source: Wisconsin Blue Book 2007 - 2008

Principal State Officials

As of June 30, 2007:

EXECUTIVE

Jim Doyle
Governor

Barbara Lawton
Lieutenant Governor

Douglas J. La Follette
Secretary of State

Dawn Marie Sass
State Treasurer

J. B. Van Hollen
Attorney General

Elizabeth Burmaster
State Superintendent of Public Instruction

LEGISLATIVE

Fred Risser
President of the State Senate

Michael Huebsch
Speaker of the Assembly

JUDICIAL

Shirley S. Abrahamson
Chief Justice of the Supreme Court

FINANCIAL SECTION

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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, 2007, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Wisconsin's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the following financial statements: the Wisconsin Department of Transportation Revenue Bond Program and Commercial Paper Program, which represent 12 percent of the liabilities of the governmental activities and 3 percent of the expenditures of the aggregate remaining fund information; the Badger Tobacco Asset Securitization Fund, which represents 10 percent of the liabilities of the governmental activities; the Environmental Improvement Fund, which is a major fund and represents 19 percent of the assets and 20 percent of the liabilities of the business-type activities; and the College Savings Program Trust, which represents 2 percent of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts audited by others, are based solely upon their reports. In addition, we did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors. Our opinion on the aggregate discretely presented component units, insofar as it relates to the amounts audited by others, is based upon the reports of the Wisconsin Housing and Economic Development Authority, the University of Wisconsin Hospitals and Clinics Authority, and the University of Wisconsin Foundation.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements 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, 2007, 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 21 to the financial statements, the State implemented accounting changes related to the Department of Employee Trust Funds' administration of certain other postemployment benefit (OPEB) plans. Governmental Accounting Standards Board (GASB) Statement Number 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* addresses financial statement and note disclosure requirements for reporting by administrators of OPEB plan assets. As provided for in GASB Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the State plans to implement accounting changes and additional note disclosures for its fiscal year 2007-08 financial statements related to the State's OPEB expense/expenditures and any related liabilities or assets.

As discussed in Note 18A(3) to the financial statements, the Injured Patients and Families Compensation Fund's projected ultimate loss liability is an estimate based on recommendations of a consulting actuary. The Injured Patients and Families Compensation Fund Board of Governors believes that the estimated loss liability is reasonable and adequate to cover the cost of claims incurred to date. However, uncertainties inherent in projecting the frequency and severity of large medical malpractice claims because of the Fund's unlimited liability coverage, and extended reporting and settlement periods, make it likely that amounts paid will ultimately differ from the recorded estimated liabilities. These differences cannot be quantified.

Management's discussion and analysis, the infrastructure narrative, and the budgetary comparison schedule with related notes as listed in the table of contents are not required parts of the basic financial statements of the State of Wisconsin but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining statements and schedules in the supplementary information section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the State of Wisconsin. The combining statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have prepared a report dated December 14, 2007, on our consideration of the State's internal control over financial reporting; 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 14, 2007 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, 2007. It should be read in conjunction with the transmittal letter located at the front of this CAFR, and the State's financial statements, which follow this part of the CAFR.

FINANCIAL HIGHLIGHTS -- PRIMARY GOVERNMENT

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

- *Net Assets.* The assets of the State of Wisconsin exceeded its liabilities at the close of Fiscal Year 2007 by $12.6 billion (reported as "net assets"). Of this amount, $(7.7) 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 increased by $0.6 billion in Fiscal Year 2007. Net assets of governmental activities increased by $191.5 million or 3.6 percent, while net assets of the business-type activities showed an increase of $402.2 million or 5.9 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities.* During Fiscal Year 2007, the State's total revenues for governmental activities of $22.2 billion were $1.3 billion more than total expenses (excluding transfers) for governmental activities of $20.9 billion. Of these expenses, $8.0 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled $14.2 billion.

Fund

- *Governmental Funds -- Fund Balances.* As of the close of Fiscal Year 2007, the State's governmental funds reported combined ending fund balances of $(1,337.9) million, a decrease of $370.1 million in comparison with the prior year. Of this total amount, $(3.4) billion represents the "unreserved fund balances".
- *General Fund -- Fund Balance*. At the end of the current fiscal year, the unreserved fund deficit for the General Fund was $(2.9) billion, or (16.1) percent of total General Fund expenditures.

Additional information regarding individual funds begins on Page 27.

Long-term Debt

- The State's total long-term debt obligations (bonds and notes payable) increased by $290.4 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 $867.6 million of general obligation bonds and $455.6 million of revenue bond obligations, and the early redemptions and refundings of general obligation and revenue bonds. Additional detail regarding these activities begins on Page 31.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this CAFR consists of four parts: (1) **management's discussion and analysis** (this section), (2) **basic financial statements**, (3) additional **required supplementary information,** and (4) optional **other supplementary information.** Parts (2), (3), and (4) are briefly described on the following 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 two 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	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) condition and maintenance data regarding the State's infrastructure, and (2) a budgetary comparison schedule of the General and the Transportation funds, including reconciliations between the statutory and GAAP fund balances at fiscal year-end.

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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

Net Assets

As presented in Table 2, total assets of the State on June 30, 2007 were $31.6 billion, while total liabilities were $19.0 billion, resulting in combined net assets (government and business-type activities) of $12.6 billion. The largest component of the State's total net assets, $15.5 billion or approximately 122.8 percent, reflects its investment in capital assets (i.e., land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Approximately $4.8 billion of net assets were restricted by external sources or the State Constitution or Statutes, and were not available to finance the day-to-day operations of the State.

The unrestricted net assets, which, if positive, could be used at the State's discretion, showed a negative balance of $(7.7) 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 $(2.4) billion at year-end, as discussed on Page 27, also contributed to the deficit unrestricted net assets reported in the statement of net assets.

During Fiscal Year 2007, the State issued $0.9 billion of general obligation bonds, primarily for the acquisition or improvement of land, water, property, highways, buildings, and equipment, the refunding of certain outstanding bonds, and the funding of veterans loan programs. General obligation bonds outstanding at June 30, 2007 totaled $5.2 billion. Outstanding appropriation bonds, issued in Fiscal Year 2004 to pay the State's unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits, were $1.8 billion at June 30, 2007. Outstanding revenue bonds, which are not considered general obligation debt of the State, were $3.9 billion at June 30, 2007.

Table 2
Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2007	**2006**	**2007 (a)**	**2006**	**2007**	**2006**	**2007-2006**
Current and Other Assets	$ 5,073.8	$ 5,027.0	$ 6,778.8	$ 6,679.8	$ 11,852.6	$ 11,706.8	1.2 %
Capital Assets	15,573.0	14,981.4	4,176.2	3,806.7	19,749.2	18,788.2	5.1
Total Assets	20,646.8	20,008.4	10,955.0	10,486.5	31,601.8	30,495.0	3.6
Long-term Liabilities	9,277.7	9,265.5	3,074.4	3,052.5	12,352.2	12,318.0	0.3
Other Liabilities	5,931.2	5,496.5	695.0	715.2	6,626.2	6,211.7	6.7
Total Liabilities	15,208.9	14,762.0	3,769.5	3,767.7	18,978.4	18,529.8	2.4
Net Assets:							
Invested in Capital Assets Net of Related Debt	12,275.6	12,272.2	3,225.1	3,243.6	15,500.8	15,515.8	(0.1)
Restricted	1,331.1	1,218.0	3,503.3	3,336.8	4,834.4	4,554.8	6.1
Unrestricted (deficit)	(8,168.9)	(8,243.8)	457.1	138.4	(7,711.8)	(8,105.4)	4.9
Total Net Assets	$ 5,437.9	$ 5,246.4	$ 7,185.5	$ 6,718.8	$ 12,623.4	$ 11,965.2	5.5

(a) In 2007, the State adopted GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. As a result, the Duty Disability Fund and a portion of the Health Insurance Fund were reclassified to fiduciary funds. The related net assets reclassified at July 1, 2006 were $(119) million and $31 million, respectively. In addition, the State created the Health Insurance Risk Sharing Plan Authority for the activities formerly reported in the Health Insurance Risk Sharing Plan enterprise fund. The net assets of this fund, reclassifed at the beginning of Fiscal Year 2007, totaled $23.4 million on June 30, 2006.

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 $13.5 billion and general revenues of $14.4 billion for total revenues of $28.0 billion during Fiscal Year 2007. Expenses for the State during Fiscal Year 2007 were $27.4 billion. As a result of the excess of revenues over expenses, the total net assets of the State increased $0.6 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
	2007	2006	2007 (a)	2006	2007	2006	2007-2006
Program Revenues:							
Charges for Goods and Services	$ 1,472.8	$ 1,518.6	$ 5,028.8	$ 5,310.7	$ 6,501.6	$ 6,829.3	(4.8) %
Operating Grants and Contributions	5,819.8	5,724.1	389.0	332.4	6,208.8	6,056.4	2.5
Capital Grants and Contributions	717.8	600.7	112.8	35.7	830.5	636.4	30.5
General Revenues:							
Income Taxes	7,365.4	6,867.0	-	-	7,365.4	6,867.0	7.3
Sales and Excise Taxes	4,517.6	4,489.7	-	-	4,517.6	4,489.7	0.6
Public Utility Taxes	271.2	250.1	-	-	271.2	250.1	8.5
Motor Fuel Taxes	1,020.8	990.7	-	-	1,020.8	990.7	3.0
Other Taxes	565.6	565.3	-	-	565.6	565.3	0.1
Other General Revenues	485.0	456.3	213.9	58.8	698.9	515.1	35.7
Total Revenues	22,236.0	21,462.4	5,744.4	5,737.6	27,980.4	27,200.0	2.9
Program Expenses:							
Commerce	289.5	267.2	-	-	289.5	267.2	8.3
Education	6,413.1	6,270.2	-	-	6,413.1	6,270.2	2.3
Transportation	1,850.6	1,776.5	-	-	1,850.6	1,776.5	4.2
Environmental Resources	471.8	467.0	-	-	471.8	467.0	1.0
Human Relations and Resources	8,698.9	8,437.5	-	-	8,698.9	8,437.5	3.1
General Executive	540.3	542.0	-	-	540.3	542.0	(0.3)
Judicial	120.0	114.9	-	-	120.0	114.9	4.5
Legislative	62.5	59.9	-	-	62.5	59.9	4.2
Tax Relief and Other General Expenditures	956.7	857.9	-	-	956.7	857.9	11.5
Intergovernmental - Shared Revenue	1,016.3	1,016.7	-	-	1,016.3	1,016.7	0.0
Interest on Long-term Debt	479.4	477.5	-	-	479.4	477.5	0.4
Injured Patients and Families Compensation	-	-	57.9	(2.3)	57.9	(2.3)	2609.1
Environmental Improvement	-	-	42.7	42.8	42.7	42.8	(0.2)
University of Wisconsin System	-	-	3,663.1	3,519.7	3,663.1	3,519.7	4.1
Unemployment Reserve	-	-	882.6	821.1	882.6	821.1	7.5
Lottery	-	-	494.6	481.3	494.6	481.3	2.8
Other Business-type	-	-	1,367.9	1,602.9	1,367.9	1,602.9	(14.7)
Total Expenses	20,899.0	20,287.3	6,508.8	6,465.5	27,407.8	26,752.8	2.4
Excess (deficiency) before Contributions and Transfers	1,337.0	1,175.2	(764.4)	(728.0)	572.5	447.2	28.0
Contributions to Term and Permanent Endowments	-	-	3.1	0.2	3.1	0.2	1197.5
Contributions to Permanent Fund Principal	18.0	21.6	-	-	18.0	21.6	(16.7)
Transfers	(1,163.5)	(1,022.9)	1,163.5	1,022.9	-	-	
Increase (decrease) in Net Assets	191.5	173.9	402.2	295.2	593.6	469.1	26.6
Net Assets - Beginning (Restated)	5,246.4	5,072.5	6,783.3	6,423.6	12,029.8	11,496.2	4.6
Net Assets - Ending	$ 5,437.9	$ 5,246.4	$ 7,185.5	$ 6,718.8	$ 12,623.4	$ 11,965.2	5.5

(a) In 2007, the State adopted GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. As a result, the Duty Disability Fund and a portion of the Health Insurance Fund were reclassified to fiduciary funds. The related net assets reclassified at July 1, 2006 were $(119) million and $31 million, respectively. In addition, the State created the Health Insurance Risk Sharing Plan Authority for the activities formerly reported in the Health Insurance Risk Sharing Plan enterprise fund. The net assets of this fund, reclassifed at the beginning of Fiscal Year 2007, totaled $23.4 million on June 30, 2006.

Governmental Activities

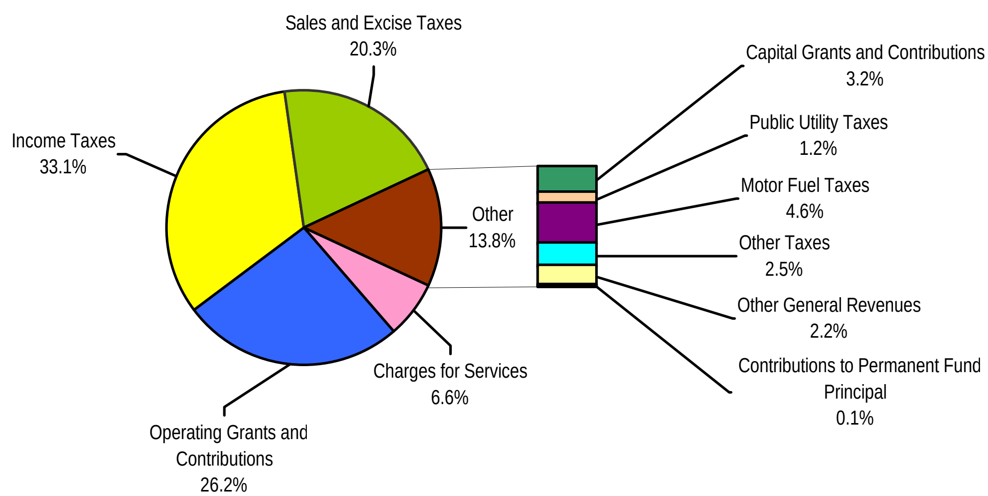
The net assets of governmental activities increased $0.2 billion in Fiscal Year 2007. Revenues for the governmental activities (including Contributions to Permanent Fund Principal) totaled $22.3 billion, while expenses and net transfers totaled $22.1 billion in 2007.

General and program revenues of governmental activities increased $773.6 million during this fiscal year. The largest increase, $577.9 million, relates to tax revenues and largely was the result of an increase in income tax revenues due to the growth in employment and wages in the State.

The State's governmental activities program expenses increased $611.8 million during Fiscal Year 2007. Human Relations and Resources expenditures increased $261.5 million. Expenditures for programs such as medical assistance and correctional services contributed to this change. Fiscal Year 2007 Education expenditures grew $142.9 million, reflecting increased state aid payments to schools.

As shown in Table 4, below, approximately 61.7 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, which represent amounts received from other governments/entities – primarily the federal government – for non-capital purposes provided 26.2 percent of total revenues. Charges for services contributed 6.6 percent, and various other revenues provided 5.5 percent of the remaining governmental activity revenue sources.

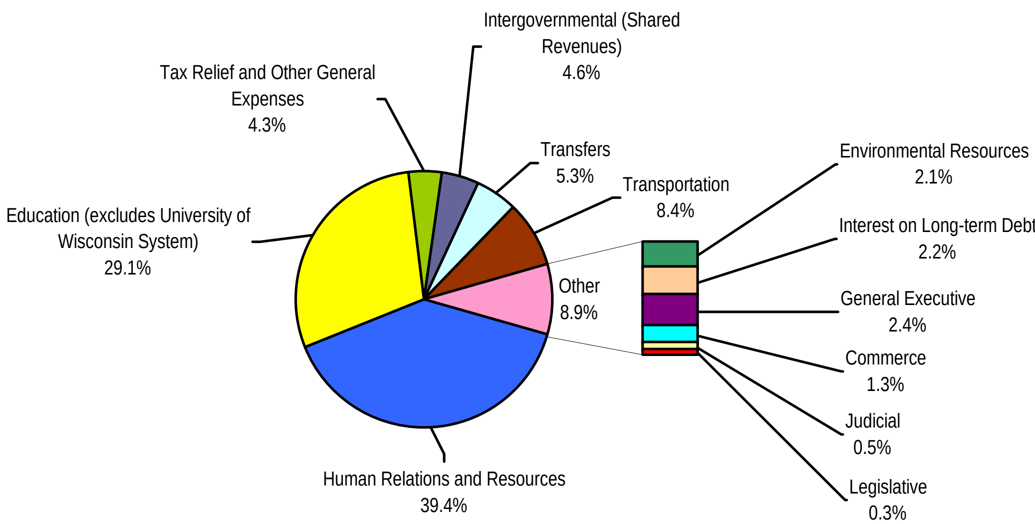
Table 4
Governmental Activities - 2007 Revenues



As shown in Table 5, below, expenses for Human Relations and Resources programs make up the largest portion – 39.4 percent – of total governmental expenses and transfers. Included in this function are various programs such as Medical Assistance, the prison system, and the temporary assistance for needy families "TANF" program.

Educational expenses, which include various school aids but exclude expenses of the University of Wisconsin System, make up 29.1 percent. Tax Relief and Other General Expenses and the municipal and county shared revenue program represent 8.9 percent of the total, while Transportation expenses represent 8.4 percent. Net transfers to business-type activities, which include a general purpose revenue "GPR" subsidy to the University of Wisconsin System, make up 5.3 percent of the total expenses/transfers. The interest on long-term debt and remaining functional expenses total 8.9 percent.

Table 5
Governmental Activities - 2007 Expenses



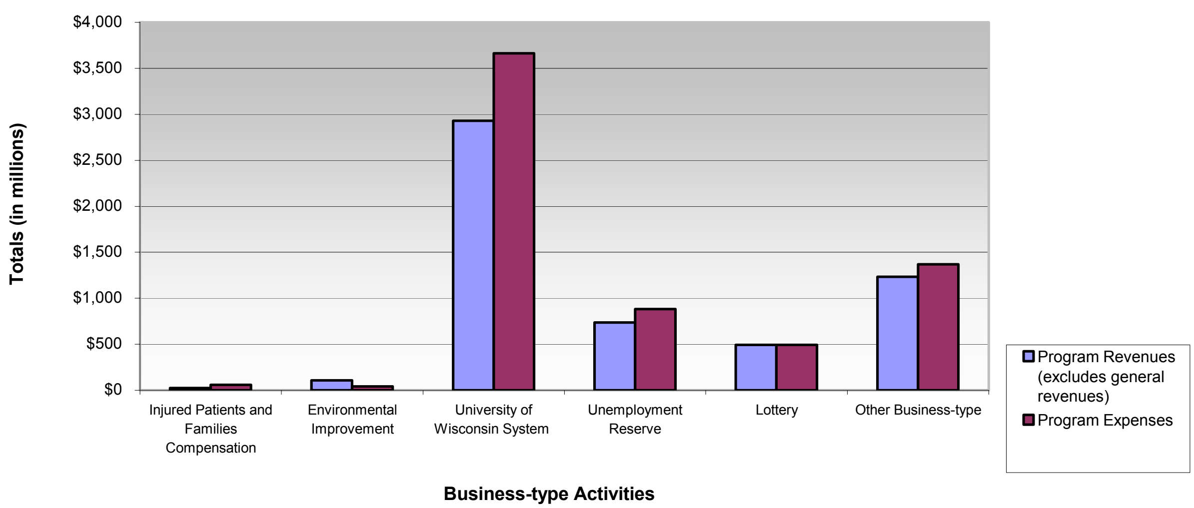
Business-Type Activities

Net assets of the State's business-type activities increased $402.2 million in Fiscal Year 2007. Total business-type program revenues decreased $148.2 million. A significant portion of this decrease was due to the reclassification of the duty disability program and a portion of the health insurance program from the business-type activities to fiduciary funds as a result of the implementation of GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and the removal of the Health Insurance Risk Sharing Plan, which became a related organization in Fiscal Year 2007. The resulting decrease was offset in part by increases in other program revenues, such as an increase in University of Wisconsin System program revenues due primarily to a 6.8 percent increase in tuition rates. Program expenses of business-type activities increased $43.3 million from Fiscal Year 2006 to 2007. The largest increase in program expenses, $143.4 million, related to the University of Wisconsin System. However, like the program revenues, the change in total program expenses from the prior year was impacted by the removal of the duty disability, health insurance, and health insurance risk sharing plan programs from the business-type activities in 2007.

Revenues of business-type activities totaled $5.7 billion for Fiscal Year 2007. The program revenues consisted of $5.0 billion of charges for services, $0.4 billion of operating grants and contributions, and $112.8 million of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal, and net transfers totaled $213.9 million, $3.1 million, and $1,163.5 million, respectively. The total expenses for business-type activities were $6.5 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.

Table 6
Fiscal Year 2007
Business-type Activities
Comparison of Program Revenues to Program Expenses



FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds

At the end of Fiscal Year 2007, the State's governmental funds reported a negative combined fund balance of $(1,337.9) million. Funds with significant changes in fund balance are discussed below:

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2007, the State's General Fund reported a total fund deficit of $(2,444.1) million. The net change in fund balance during Fiscal Year 2007 was $(295.3) million, in contrast to $(7.5) million in Fiscal Year 2006. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

Revenues

Revenues of the General Fund totaled $18,942.3 million in Fiscal Year 2007, an increase of $703.5 million from Fiscal Year 2006. Factors contributing to the increase included the following:

- Revenues from taxes increased $552.8 million from Fiscal Year 2006 to Fiscal Year 2007. The most significant increase related to individual income tax withholdings, which increased $332.6 million or 5.6 percent, and estimated individual income tax payments, which increased $90.4 million or 8.8 percent. These increases were due to the growth in employment and wages in the State during that period. In addition, sales tax collections increased 0.6 percent, or approximately $26.8 million from Fiscal Year 2006 to Fiscal Year 2007. Further, corporate taxes increased approximately 17.7 percent, or $126.9 million from Fiscal Year 2006 to Fiscal Year 2007. This increase is consistent with growth in corporate profits during this period.

- Intergovernmental revenues (e.g., federal assistance) increased $197.3 million in Fiscal Year 2007, primarily due to an increase in expenditures that were eligible for Federal reimbursement. The most significant changes related to intergovernmental revenues for human relations and resources programs, which increased $204.4 million, while those covering environmental programs decreased $6.6 million.

- Charges for goods and services decreased $56.8 million in Fiscal Year 2007. The majority of this change, $(67.2) million, resulted from a reduction in collections from the tribal gaming operations in the State.

- Other revenues, such as investment income, and fines and forfeitures, increased $10.3 million.

Expenditures

Expenditures of the General Fund totaled $17,765.5 million in Fiscal Year 2007, an increase of $745.8 million from Fiscal Year 2006. The factors contributing to the increase included the following:

- An increase in education expenditures of $145.2 million primarily resulted from an increase in State assistance to school districts (school aids) of $142.3 in Fiscal Year 2007.

- An increase in human relations and resources expenditures of $458.8 million, including an additional $417.5 million of medical assistance payments, some of which previously had been paid out of the Medical Assistance Trust Fund. Wisconsin, along with other states, continues to struggle with increasing Medical Assistance costs.

- Tax relief expenditures increased by $99.9 million, primarily due to a budgeted increase in the state property tax credit program of $94.3 million, from $353.4 million in Fiscal Year 2006 to $447.7 million in Fiscal Year 2007.

- Other functional expenditures, including environmental resources, judicial, and legislative increased by $30.8 million. In addition, capital outlay expenditures grew by $11.2 million between Fiscal Years 2006 and 2007.

Other Financing Sources and Uses

Other financing sources/uses and increases/decreases totaled a net $(1,472.1) million in Fiscal Year 2007, a change of $(245.5) million from the prior year. The components of this change included the following:

- Transfers in of the General Fund decreased by $301.2 million to $212.6 million in Fiscal Year 2007.

  The majority of the decrease relates to the reduction of statutory lapses to the General Fund as required by 2005 Wisconsin Act 25. In Fiscal Year 2006, statutory mandated transfers from the Transportation, Utility Public Benefits, Petroleum Inspection, Environmental and Recycling funds totaled $390.8 million. In contrast, in Fiscal Year 2007 these funds transferred $138.2 million to the General Fund, a reduction of $252.6 million.

- Transfers out of the General Fund totaled $1,694.2 million, a decrease of $49.2 million from the prior year.

  The major reason for this change is the decrease in transfers to the Medical Assistance Trust Fund (a reduction of $175.6 million in Fiscal Year 2007). This large decrease is partially offset by increases to the Annual Appropriation Bonds Fund of $58.6 million, the Common School Fund of $32.5 million, and General Purpose Revenue supplements to other funds of $25.0 million.

- Other financing sources/uses and other increases/decreases resulted in a net increase to fund balance of $6.5 million from the prior fiscal year.

As of June 30, 2007, the General Fund reported a deficit of $(2,863.8) million in its "Unreserved" Fund Balance. This compares to a General Fund Unreserved Fund Deficit of $(2,506.9) million as of June 30, 2006. 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 $1.3 billion increase in appropriations). This was due primarily to the fact that several of the State's programs and various transfers (including Food Stamps and the transfer to the Budget Stabilization Fund - see the items denoted with *, below) are not included in the original budget. In addition, numerous adjustments to spending estimates were needed as the year progressed because of changing circumstances (spending needs can change dramatically over a one-year period). The largest variances incurred in the following appropriations (in millions):

Program	Variance
Department of Public Instruction Federal Aids; Local Aids	$ 74.3
UW-System General Program Operations – Doctoral Universities	58.3
UW-System Gifts and Donations – General	76.0
UW-System Federal Aid – Special Projects	54.6
General Program Operations – Adult Correctional Services	127.3
Medical Assistance Program Benefits	(87.8)
Food Stamps, Electronic Benefit Transfer	360.0 *
GPR Funds General Program Supplement	(69.4)
Transfer to Budget Stabilization Fund	55.6 *

Actual charges to appropriations (expenditures) were $1.5 billion below the final budgeted estimates. One of the most significant positive variances occurred in Department of Public Instruction General Equalization Aids ($90.8 million).

During the past fiscal year the budgetary-based fund balance decreased by $21.5 million for the General Fund, primarily due to the statutorily required transfer of $55.6 million to the Budget Stabilization Fund.

Transportation Fund

In Fiscal Year 2007, the Transportation Fund reported a net change in fund balance of $70.2 million as compared to $(26.1) million in Fiscal Year 2006, an increase of $96.4 million. This increase resulted primarily from the following factors:

- The decrease in transfers out of $235.3 million from 2006 to 2007 was the largest contributing factor for the increase. Under 2005 Wisconsin Act 25, $88.7 million was transferred to the General Fund in Fiscal Year 2007 compared to $338.4 million transferred in 2006 (a change of $249.8 million).

- This decrease in transfers out was partially offset by an increase in expenditures of $160.6 million. Expenditures totaled $2,020.5 million in Fiscal Year 2007 compared to $1,859.9 million in Fiscal Year 2006.

Transportation maintenance and capital outlay expenditures, which are funded with general obligation bonds and reported in the Capital Improvement Fund (a capital projects fund) rather than the Transportation Fund, totaled $182.1 million in Fiscal Year 2007, a decrease of $21.9 million from Fiscal Year 2006.

Medical Assistance Trust Fund

The Medical Assistance Trust Fund, which was created to account for revenues received under the intergovernmental transfers program, ended the year with a fund balance of $2.7 million. Revenues in this fund decreased by $1.8 million in the past year, from $29.6 million in Fiscal Year 2006 to $27.8 million in Fiscal Year 2007. Expenditures decreased by $225.8 million, due to the shift of a portion of Medical Assistance costs back to the General Fund. The reduction of expenditures in Fiscal Year 2007 has been partially matched by a corresponding decrease in transfers from the General Fund ($303.4 million in Fiscal Year 2006 compared to $127.8 million in Fiscal Year 2007, a decrease of $175.6 million).

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 2006 to Fiscal Year 2007 include the following:

- The Environmental Improvement Fund issued new revenue bonds of $100.0 million in Fiscal Year 2007, which contributed to a net increase of the fund's liabilities of $54.5 million or approximately 7.8 percent over Fiscal Year 2006. Given that a primary purpose of this fund is to provide loans to local governments for environmental purposes (e.g., clean water projects), loans receivable reported a corresponding increase of $73.1 million or 4.9 percent over Fiscal Year 2006.

- In Fiscal Year 2007, the University of Wisconsin System's Tuition and Fees revenue increased $63.5 million or 8.2 percent, due primarily to a 6.8 percent increase in tuition. Fiscal Year 2007 operating expenses increased $128.8 million or 3.7 percent from Fiscal Year 2006, due primarily to a 4.2 percent increase in personal services that includes health insurance increases and pay plan adjustments.

- The fund equity of the Unemployment Reserve Fund decreased by $111.1 million during Fiscal Year 2007 to $783.9 million at June 30, 2007. Although there was no significant change in the overall economy during the past year, benefit expenses increased 7.5 percent and tax receipts decreased by 3.6 percent. The Wisconsin Unemployment Insurance Advisory Council is reviewing the solvency of the Fund and is considering various alternative law changes to recommend for future improvement.

- Due to the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, a portion of the Health Insurance Fund, which accounts for group health insurance provided to State employees and employees of other participating governments, was reclassified to an agency fund beginning with Fiscal Year 2007. Therefore, the Health Insurance Fund's revenues and expenses, as well as its fund balance, decreased from Fiscal Year 2006.

- The Lottery Fund reported a decrease in operating revenues of $16.1 million, or 3.2 percent, in Fiscal Year 2007. This decrease was attributed primarily to lower online Lottery ticket sales from the previous year. The property tax credit, which serves to provide property tax relief through application of net proceeds from the Wisconsin Lottery, totaled $138.7 million in Fiscal Year 2007 in contrast to $122.1 million in 2006, reflecting an increase of 13.6 percent.

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the close of Fiscal Year 2007, the State had $19.7 billion invested in capital assets, net of accumulated depreciation of $3.5 billion. This represents an increase of $961.0 million, or 5.1 percent, from Fiscal Year 2006. Depreciation charges totaled $112.2 million and $176.1 million for governmental and business-type activities, respectively, in Fiscal Year 2007. 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	
	2007	2006	2007	2006	2007	2006
Land and Land Improvements	$ 1,776	$ 1,651	$ 124	$ 120	$ 1,900	$ 1,771
Buildings and Improvements	1,304	1,323	2,409	2,042	3,712	3,365
Library Holdings	80	79	1,053	1,037	1,132	1,115
Machinery and Equipment	245	233	270	261	516	494
Infrastructure	11,027	10,727	-	-	11,027	10,727
Construction in Progress	1,141	968	321	347	1,461	1,315
Totals	$ 15,573	$ 14,981	$ 4,176	$ 3,807	$ 19,749	$ 18,788

The major capital asset additions completed during Fiscal Year 2007 included the:
- Microbiological Science Building – Madison ($118.2 million),
- Mechanical Engineering Remodeling and Addition – Madison ($37 million)
- Student Center – River Falls ($27.2 million), and
- Home-skilled nursing Facility – Southern Wisconsin Center ($17.2 million).

In addition to these completed projects, construction in progress as of June 30, 2007 for governmental and business type activities totaled $1,140.5 million and $320.9 million, respectively. (For business type activities, certain construction in progress for the University of Wisconsin System is reported within various other categories of capital assets.) A list of construction in progress projects is provided in Note 7.

The State's continuing or proposed major capital projects for Fiscal Year 2007 through 2016 include the:

- Wisconsin Institute for Discovery (2005-2015) – Madison (estimated budget of $150 million),
- Jarvis Science Wing renovation and addition (2005-2008) – Stout (estimated budget of $40.6 million),
- University Square Development (2005-2009) – Madison (estimated budget of $56.8 million),
- Tri-State initiative (2005-2009) – Various locations (estimated budget of $50.6 million), and
- Business & Economics building (2005-2009) – Whitewater (estimated budget of $41.0 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, 2007 was $5.2 billion, as shown in Table 8.

During Fiscal Year 2007, $867.6 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, to refund current outstanding bonds and the funding of veterans loan programs.

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 is due in Fiscal Year 2009.

Chapter 18 of the Wisconsin Statutes authorizes the State to issue revenue obligations. These obligations, which are not general obligation debt of the State, are secured by a pledge of revenues or property derived from the operations of a program funded by the issuance of the obligations. Revenue bonds of the primary government totaled $3.9 billion outstanding at June 30, 2007, as shown in Table 8. These bonds included $1,566.8 million of Transportation Revenue Bonds, $132.2 million of Petroleum Inspection Revenue Bonds, $746.2 million of Environmental Improvement Revenue Bonds, and $1,436.1 million of Badger Tobacco Asset Securitization Corporation bonds.

Based on the application of the criteria contained in GASB Statement No. 14, as amended by GASB Statement No. 39 and clarified by GASB Technical Bulletin No. 2004-1, the Badger Tobacco Asset Securitization Corporation (BTASC) 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.

Table 8
Outstanding Debt as of June 30, 2007 and 2006
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
General obligation bonds	$ 4,066.3	$ 4,042.0	$ 1,122.3	$ 896.3	$ 5,188.6	$ 4,938.3
Annual appropriation bonds	1,792.7	1,792.4	--	--	1,792.7	1,792.5
Revenue bonds	3,135.1	3,150.6	746.2	690.9	3,881.3	3,841.5
Totals	$ 8,994.1	$ 8,985.0	$ 1,868.5	$ 1,587.2	$ 10,862.6	$ 10,572.2

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, 2007, State of Wisconsin fixed bonds had a rating of Aa3 from Moody's Investors Services, AA- from Standard and Poor's Corporation, and AA- from Fitch Investors Service, L.P. Variable notes had a rating of P-1 from Moody's, A-1+ from Standard and Poor's Corporation, and F-1+ from Fitch Investors Services, L.P.

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

INFRASTRUCTURE -- MODIFIED APPROACH

The State reports infrastructure (i.e., roads, bridges, and buildings considered an ancillary part of roads) as capital assets. The State has elected to report its infrastructure assets (11,200 centerline miles of roads and 4,900 bridges with a combined value of $11.0 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, 2007, 93.6 percent of the roads and 95.9 percent of bridges were in good or fair condition, consistent with State policies.

For the fiscal year ended June 30, 2007, actual maintenance and preservation costs for the State's road network were $458.6 million, or $43.2 million less than the estimated amount. On that same date, actual maintenance and preservation costs for the State's bridge network were $46.9 million, or $10.9 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 2006, the Wisconsin economy continued its economic expansion.

Wisconsin employment continues to grow. Wisconsin employment increased 1.15 percent in 2004, 1.25 percent in 2005 and 0.65 percent in 2006. Wisconsin has participated in the national recovery. Nationally, employment increased 1.10 percent in 2004, 1.73 percent in 2005 and 1.85 percent in 2006.

The improved employment performance led to gains in income growth. Wisconsin personal income increased 3.9 percent in 2004, 4.1 percent in 2005 and 5.3 percent in 2006. Nationally, income growth was 5.9 percent in 2005 and 6.6 percent in 2006. On a per capita basis, Wisconsin's performance is closer to the nation's. Per capita income in Wisconsin increased 3.6 percent in 2005 and 4.7 percent in 2006 compared to 4.9 percent and 5.6 percent nationally. Since 2000, Wisconsin's per capita income has fallen away from the national average from 95.7 percent in 2000 to 94.3 percent in 2006.

Wisconsin's employment continues to expand. Through September 2007, Wisconsin non-farm employment is up 0.54 percent compared to a year ago. Nationally, employment was up 1.17 percent over the same period. Wisconsin's unemployment rate in September was 5.2 percent compared to 4.7 percent nationally.

Wisconsin's property values reflect an expanding economy. Real property values increased significantly in 2006 and 2007, up 9.6 percent and 6.2 percent, respectively. Commercial and residential real estate have increased at similar rates in these years.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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

* * * *

Basic Financial Statements

Statement of Net Assets
June 30, 2007

(In Thousands)

	Primary Government Governmental Activities	Primary Government Business-Type Activities	Primary Government Totals	Component Units
Assets				
Cash and Cash Equivalents	$ 838,701	$ 2,583,028	$ 3,421,729	$ 321,057
Investments	133,278	1,460,827	1,594,105	1,263,615
Cash and Investments with Other Component Units	-	-	-	254,222
Receivables (net of allowance)	2,981,557	2,514,261	5,495,818	3,076,805
Internal Balances	14,976	(14,976)	-	-
Inventories	48,193	44,654	92,847	7,205
Prepaid Items	320,230	74,794	395,024	3,671
Capital Leases Receivable - Component Units	-	11,972	11,972	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	393,727	84,821	478,548	175,033
Investments	195,755	-	195,755	1,642,813
Cash and Investments with Other Component Units	-	-	-	14,432
Other Restricted Assets	1,297	-	1,297	3,626
Deferred Charges	91,278	13,912	105,190	14,923
Capital Assets:				
Depreciable	1,440,869	2,681,072	4,121,941	339,467
Nondepreciable:				
Infrastructure	11,027,101	-	11,027,101	-
Other	3,105,036	1,495,130	4,600,166	89,416
Other Assets	54,808	5,479	60,286	50,088
Total Assets	20,646,805	10,954,976	31,601,780	7,256,375
Liabilities				
Accounts Payable and Other Accrued Liabilities	1,319,620	344,145	1,663,765	128,684
Due to Other Governments	1,884,201	15,438	1,899,639	-
Tax Refunds Payable	1,196,318	-	1,196,318	-
Tax and Other Deposits	59,548	19,131	78,678	90,775
Amounts Held in Trust by Component Unit for Other Component Units	-	-	-	205,339
Amounts Held in Trust by Component Unit for Others	-	-	-	15,174
Unearned Revenue	426,284	223,742	650,026	2,836
Interest Payable	118,884	12,514	131,397	37,546
Short-term Notes Payable	926,326	80,078	1,006,404	-
Long-term Liabilities:				
Current Portion	492,598	271,762	764,359	97,356
Noncurrent Portion	8,785,129	2,802,675	11,587,805	3,348,878
Total Liabilities	15,208,906	3,769,484	18,978,390	3,926,588
Net Assets				
Invested in Capital Assets, Net of Related Debt	12,275,649	3,225,114	15,500,763	134,549
Restricted for:				
Transportation Programs	117,767	-	117,767	-
Capital Projects	24,314	-	24,314	-
Debt Service	330,303	-	330,303	-
Unemployment Compensation	-	783,852	783,852	-
Environmental Improvement	-	1,291,658	1,291,658	-
Permanent Trusts:				
Expendable	15,433	249,682	265,116	17,467
Nonexpendable	739,288	162,513	901,800	1,521,191
Future Benefits	-	505,645	505,645	28,410
Other Purposes	103,997	509,939	613,936	1,163,358
Unrestricted	(8,168,852)	457,089	(7,711,763)	464,812
Total Net Assets	$ 5,437,898	$ 7,185,492	$ 12,623,390	$ 3,329,787

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

State of Wisconsin

Statement of Activities
For the Fiscal Year Ended June 30, 2007

(In Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Commerce	$ 289,452	$ 196,564	$ 73,169	$ -
Education	6,413,120	21,614	784,475	-
Transportation	1,850,586	515,046	96,315	708,013
Environmental Resources	471,767	190,149	61,281	6,510
Human Relations and Resources	8,698,915	233,679	4,628,011	3,235
General Executive	540,268	248,221	150,853	-
Judicial	119,991	61,698	428	-
Legislative	62,457	1,733	-	-
Tax Relief and Other General Expenses	956,749	4,121	25,232	-
Intergovernmental - Shared Revenue	1,016,313	-	-	-
Interest on Debt	479,402	-	-	-
Total Governmental Activities	20,899,020	1,472,826	5,819,764	717,758
Business-type Activities:				
Injured Patients and Families Compensation	57,873	24,265	-	-
Environmental Improvement	42,671	43,845	65,353	-
University of Wisconsin System	3,663,119	2,515,487	304,297	111,219
Unemployment Reserve	882,622	719,517	18,283	-
Lottery	494,640	493,104	-	-
Other Business-type	1,367,885	1,232,540	1,070	1,554
Total Business-type Activities	6,508,809	5,028,759	389,004	112,773
Total Primary Government	$ 27,407,829	$ 6,501,584	$ 6,208,768	$ 830,531
Component Units:				
Housing and Economic Development Authority	$ 305,155	$ 168,263	$ 140,780	$ -
Health Care Liability Insurance Plan	54	5,996	-	-
University Hospitals and Clinics Authority	768,991	802,468	1,213	3,614
University of Wisconsin Foundation	176,339	232,620	160,912	-
State Fair Park Exposition Center, Inc.	5,465	4,482	-	-
Total Component Units	$ 1,256,004	$ 1,213,829	$ 302,905	$ 3,614

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

Contributions to Term and Permanent Endowments

Contributions to Permanent Fund Principal

Transfers

Total General Revenues, Contributions, and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
	$ (19,719)		$ (19,719)	
	(5,607,032)		(5,607,032)	
	(531,211)		(531,211)	
	(213,826)		(213,826)	
	(3,833,989)		(3,833,989)	
	(141,194)		(141,194)	
	(57,865)		(57,865)	
	(60,725)		(60,725)	
	(927,395)		(927,395)	
	(1,016,313)		(1,016,313)	
	(479,402)		(479,402)	
	(12,888,672)		(12,888,672)	
		$ (33,608)	(33,608)	
		66,528	66,528	
		(732,115)	(732,115)	
		(144,821)	(144,821)	
		(1,536)	(1,536)	
		(132,721)	(132,721)	
	-	(978,273)	(978,273)	
	(12,888,672)	(978,273)	(13,866,945)	
				$ 3,888
				5,942
				38,304
				217,192
				(982)
				264,344
	7,365,400	-	7,365,400	-
	4,517,594	-	4,517,594	-
	271,222	-	271,222	-
	366,139	-	366,139	-
	1,020,793	-	1,020,793	-
	199,444	-	199,444	-
	80,472	213,850	294,323	57,096
	404,566	8	404,573	-
	-	3,054	3,054	129
	18,039	-	18,039	-
	(1,163,529)	1,163,529	-	-
	13,080,141	1,380,441	14,460,582	57,225
	191,469	402,168	593,637	321,570
	5,246,429	6,783,324	12,029,753	3,008,217
	$ 5,437,898	$ 7,185,492	$ 12,623,390	$ 3,329,787

Balance Sheet - Governmental Funds
June 30, 2007

(In Thousands)

	General	Transportation	Nonmajor Governmental	Total Governmental
Assets				
Cash and Cash Equivalents	$ 4,563	$ 333,562	$ 478,493	$ 816,618
Investments	981	-	132,297	133,278
Receivables (net of allowance):				
Taxes	1,119,388	102,903	32,055	1,254,347
Loans to Local Governments	8,623	-	495,840	504,463
Other Loans Receivable	19,243	25,839	75	45,158
Other Receivables	178,429	7,925	89,789	276,143
Due from Other Funds	147,147	29,675	70,658	247,479
Due from Other Governments	623,038	203,986	27,547	854,570
Inventories	12,886	18,858	3,105	34,849
Prepaid Items	301,542	3,255	14,749	319,546
Advances to Other Funds	85	-	-	85
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	-	-	393,727	393,727
Investments	-	-	195,755	195,755
Other Restricted Assets	-	-	1,297	1,297
Other Assets	54,808	-	-	54,808
Total Assets	$ 2,470,734	$ 726,002	$ 1,935,387	$ 5,132,123
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 659,875	$ 132,128	$ 67,195	$ 859,197
Due to Other Funds	132,987	38,214	68,238	239,440
Interfund Payables	357,376	-	27,085	384,461
Due to Other Governments	1,800,570	76,705	6,926	1,884,201
Tax Refunds Payable	1,192,097	4,094	127	1,196,318
Tax and Other Deposits	50,364	595	8,589	59,548
Deferred Revenue	721,606	15,189	66,746	803,541
Interest Payable	-	-	38,333	38,333
Advances from Other Funds	-	-	2,864	2,864
Short-term Notes Payable	-	-	906,826	906,826
Revenue Bonds and Notes Payable	-	-	95,335	95,335
Total Liabilities	4,914,876	266,924	1,288,263	6,470,063
Fund Balances:				
Reserved for Encumbrances	167,139	612,990	231,126	1,011,255
Reserved for Inventories	12,886	18,858	3,105	34,849
Reserved for Prepaid Items	180,853	3,255	14,749	198,857
Reserved for Budget Stabilization Fund	56,395	-	-	56,395
Reserved for Restricted Funds	2,322	-	278,048	280,370
Reserved for Long-term Receivables	-	-	457,787	457,787
Reserved for Advances to Other Funds	85	-	-	85
Unreserved, Reported In:				
General Fund	(2,863,822)	-	-	(2,863,822)
Special Revenue Funds	-	(176,025)	17,033	(158,992)
Debt Service Funds	-	-	62,612	62,612
Capital Projects Funds	-	-	(718,729)	(718,729)
Permanent Funds	-	-	301,394	301,394
Total Fund Balances	(2,444,142)	459,078	647,124	(1,337,940)
Total Liabilities and Fund Balances	$ 2,470,734	$ 726,002	$ 1,935,387	$ 5,132,123

(Continued)

Balance Sheet - Governmental Funds
June 30, 2007

(Continued)

		Total Governmental
Reconciliation to the Statement of Net Assets:		
Total Fund Balances from previous page	$	(1,337,940)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Infrastructure		11,027,101
Other Capital Assets		5,067,356
Accumulated Depreciation		(818,903)
Other long-term assets that are not available to pay for current period expenditures and, therefore, are deferred in the funds.		100,952
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.		377,257
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.		8,696
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Revenue Bonds Payable		(3,039,759)
Appropriation Bonds Payable		(1,792,686)
General Obligation Bonds Payable		(3,907,010)
Accrued Interest on Bonds		(80,551)
Capital Leases		(23,600)
Installment Contracts		(451)
Compensated Absences		(128,073)
Claims and Judgments		(14,491)
Net Assets of Governmental Activities as reported on the Statement of Net Assets (See page 37)	$	5,437,898

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, 2007

(In Thousands)

	General	Transportation	Nonmajor Governmental	Total Governmental
Revenues:				
Taxes	$ 12,524,052	$ 1,020,543	$ 198,760	$ 13,743,355
Intergovernmental	5,582,282	804,809	40,933	6,428,024
Licenses and Permits	240,713	339,598	560,806	1,141,117
Charges for Goods and Services	271,809	19,920	15,720	307,449
Investment and Interest Income	19,020	13,789	83,314	116,123
Fines and Forfeitures	38,279	353	19,345	57,976
Gifts and Donations	8,459	-	10,422	18,881
Other Revenues:				
Tobacco Settlement	-	-	125,908	125,908
Other	257,684	12,905	9,001	279,590
Total Revenues	18,942,299	2,211,916	1,064,208	22,218,423
Expenditures:				
Current Operating:				
Commerce	235,825	-	59,036	294,861
Education	6,341,685	-	43,866	6,385,551
Transportation	4,978	1,736,115	26,173	1,767,266
Environmental Resources	103,869	-	358,632	462,502
Human Relations and Resources	8,468,291	-	152,296	8,620,586
General Executive	425,639	-	136,934	562,573
Judicial	116,946	-	343	117,289
Legislative	61,949	-	-	61,949
Tax Relief and Other General Expenditures	945,475	-	10,321	955,796
Intergovernmental - Shared Revenue	1,016,313	-	-	1,016,313
Debt Service:				
Principal	-	-	407,677	407,677
Interest	-	-	489,910	489,910
Other Expenditures	-	-	3,487	3,487
Capital Outlay	44,548	284,366	430,866	759,780
Total Expenditures	17,765,519	2,020,481	2,119,540	21,905,540
Excess of Revenues Over (Under) Expenditures	1,176,780	191,435	(1,055,332)	312,883
Other Financing Sources (Uses):				
Long-term Debt Issued	-	-	454,408	454,408
Long-term Debt Issued - Refunding Bonds	-	-	436,193	436,193
Payments to Refunding Bond Escrow Agent	-	-	(472,849)	(472,849)
Premium on Bonds	-	-	48,898	48,898
Transfers In	212,601	8,852	805,275	1,026,728
Transfers Out	(1,694,218)	(133,818)	(364,630)	(2,192,666)
Capital Lease Acquisitions	8,941	3,772	-	12,712
Installment Purchase Acquisitions	-	-	653	653
Total Other Financing Sources (Uses)	(1,472,677)	(121,194)	907,947	(685,924)
Net Change in Fund Balances	(295,897)	70,241	(147,385)	(373,041)
Fund Balances, Beginning of Year	(2,148,843)	387,227	793,731	(967,885)
Increase (Decrease) in Reserve for Inventories	598	1,610	778	2,986
Fund Balances, End of Year	$ (2,444,142)	$ 459,078	$ 647,124	$ (1,337,940)

(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2007

(Continued)

		Total Governmental
Reconciliation to the Statement of Activities:		
Net Change in Fund Balances from previous page	$	(373,041)
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.		2,986
Repayment of bond principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.		407,677
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		758,679
Depreciation Expense		(82,233)
Grants and Contributions (Donated Assets)		7,235
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.		(362)
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.		(82,610)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		5,741
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.		
Bonds Issued		(890,600)
Payments to Refunding Bond Escrow Agent		472,849
Bond Premium		(48,898)
Bond Issuance Costs		988
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		21,876
Decrease (increase) in Capital Leases		980
Decrease (increase) in Installment Contracts		(21)
Decrease (increase) in Compensated Absences		(2,536)
Decrease (increase) in Claims and Judgments		(1,062)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		(6,179)
Changes in Net Assets of Governmental Activities as reported on the Statement of Activities (See page 39)	$	191,469

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

State of Wisconsin

Balance Sheet
Proprietary Funds
June 30, 2007

(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	$ 41,417	$ 241,042	$ 745,084
Investments	34,250	37,808	-
Loans to Local Governments (net of allowance)	-	118,498	-
Other Loans Receivable (net of allowance)	-	-	34,385
Other Receivables (net of allowance)	9,592	387	128,618
Due from Other Funds	-	92	35,353
Due from Component Units	-	-	2,972
Due from Other Governments	-	8,663	77,573
Inventories	3	-	36,837
Prepaid Items	6	22	31,394
Advances to Other Funds	-	-	-
Capital Leases Receivable - Component Units	-	-	2,254
Deferred Charges	-	-	7,061
Other Assets	-	-	-
Total Current Assets	85,268	406,512	1,101,533
Noncurrent Assets:			
Investments	713,220	131,518	371,735
Loans to Local Governments (net of allowance)	-	1,446,970	-
Other Loans Receivable (net of allowance)	-	-	158,485
Other Receivables	-	-	5,840
Prepaid Items	-	269	-
Advances to Other Funds	-	-	-
Capital Leases Receivable - Component Units	-	-	9,718
Restricted and Limited Use Assets:			
Cash and Cash Equivalents	-	84,821	-
Deferred Charges	-	2,493	-
Depreciable Capital Assets (net of accumulated depreciation)	-	-	2,509,628
Nondepreciable Capital Assets	-	-	1,485,092
Other Assets	-	-	-
Total Noncurrent Assets	713,220	1,666,070	4,540,497
Total Assets	$ 798,489	$ 2,072,582	$ 5,642,030
Liabilities and Fund Equity			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	$ 389	$ 106	$ 134,103
Due to Other Funds	245	1,301	58,488
Due to Component Units	-	-	2,442
Interfund Payables	-	-	-
Due to Other Governments	-	82	7,085
Tax and Other Deposits	-	-	2,041
Deferred Revenue	1,407	-	147,285
Interest Payable	-	3,086	5,815
Short-term Notes Payable	-	-	72,808
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	58,852	-	-
Capital Leases	-	-	4,863
Compensated Absences	14	40	55,614
General Obligation Bonds Payable	-	-	25,852
Revenue Bonds and Notes Payable	-	54,985	-
Total Current Liabilities	60,907	59,601	516,395
Noncurrent Liabilities:			
Accounts Payable and Other Accrued Liabilities	-	-	-
Due to Other Governments	-	761	-
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	643,147	-	-
Capital Leases	-	-	114,371
Compensated Absences	27	46	53,109
General Obligation Bonds Payable	-	-	683,890
Revenue Bonds and Notes Payable	-	691,196	-
Total Noncurrent Liabilities	643,173	692,003	851,371
Total Liabilities	704,080	751,604	1,367,766
Fund Equity:			
Invested in Capital Assets, Net of Related Debt	-	-	3,092,935
Restricted for Unemployment Compensation	-	-	-
Restricted for Environmental Improvement	-	1,291,658	-
Restricted for Expendable Trusts	-	-	249,682
Restricted for Nonexpendable Trusts	-	-	162,513
Restricted for Future Benefits	94,409	-	-
Restricted for Other Purposes	-	-	447,672
Unrestricted	-	29,321	321,462
Total Fund Equity	94,409	1,320,978	4,274,264
Total Liabilities and Fund Equity	$ 798,489	$ 2,072,582	$ 5,642,030

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	
$ 651,191	$ 904,294	$ 2,583,028	$ 22,083
-	16,616	88,674	-
-	264	118,762	-
-	14,790	49,175	-
143,509	51,300	333,406	84
272	16,272	51,988	31,183
-	-	2,972	126
3,906	9,450	99,592	179
-	7,814	44,654	6,235
-	42,985	74,407	684
-	-	-	25
-	-	2,254	-
-	321	7,382	791
-	1,261	1,261	-
798,878	1,065,367	3,457,558	61,389
-	155,679	1,372,153	-
-	2,101	1,449,070	-
-	279,975	438,460	-
16,338	-	22,178	-
-	118	387	-
-	-	-	2,839
-	-	9,718	-
-	-	84,821	-
-	4,038	6,531	5
-	171,444	2,681,072	270,017
-	10,038	1,495,130	27,436
-	4,218	4,218	-
16,338	627,611	7,563,737	300,296
$ 815,217	$ 1,692,978	$ 11,021,295	$ 361,685
$ 22,036	$ 56,229	$ 212,862	$ 8,694
4,165	32,032	96,231	4,299
-	-	2,442	-
-	30,332	30,332	25,037
5,164	2,345	14,676	13,631
-	17,090	19,131	-
-	75,050	223,742	-
-	3,612	12,514	1,705
-	7,271	80,078	19,499
-	52,684	111,536	21,241
-	312	5,176	8,673
-	3,131	58,799	1,104
-	15,415	41,267	8,824
-	-	54,985	-
31,365	295,502	963,770	112,708
-	72,295	72,295	103
-	-	761	-
-	211,878	855,024	74,743
-	1,637	116,008	8,935
-	6,195	59,376	2,351
-	397,180	1,081,071	150,452
-	-	691,196	-
-	689,184	2,875,731	236,584
31,365	984,686	3,839,501	349,292
-	132,179	3,225,114	101,807
783,852	-	783,852	-
-	-	1,291,658	-
-	-	249,682	-
-	-	162,513	-
-	411,231	505,640	-
-	62,267	509,939	-
-	102,615	453,397	(89,413)
783,852	708,292	7,181,794	12,393
$ 815,217	$ 1,692,978	$ 11,021,295	$ 361,685

Total Fund Equity Reported Above	$ 7,181,794
Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds	3,697
Net Assets of Business-type Activities	$ 7,185,492

Statement of Revenues, Expenses, and Changes in Fund Equity - Proprietary Funds
For the Fiscal Year Ended June 30, 2007

(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	$ 24,119	$ -	$ -
Participant and Employer Contributions	-	-	-
Tuition and Fees	-	-	836,341
Federal Grants and Contracts	-	-	741,621
Local and Private Grants and Contracts	-	-	119,455
Sales and Services of Educational Activities	-	-	253,642
Sales and Services of Auxiliary Enterprises	-	-	286,015
Sales and Services to UW Hospital Authority	-	-	45,931
Investment and Interest Income	-	25,452	-
Interest Income Used as Security for Revenue Bonds	-	18,347	-
Other Income:			
Federal Aid for Unemployment Insurance Program	-	-	-
Reimbursing Financing Revenue	-	-	-
Other	-	46	226,653
Total Operating Revenues	24,119	43,845	2,509,656
Operating Expenses:			
Personal Services	580	3,824	2,460,383
Supplies and Services	666	1,158	909,552
Lottery Prize Awards	-	-	-
Scholarships and Fellowships	-	-	82,526
Depreciation	-	-	163,677
Benefit Expense	56,625	-	-
Interest Expense	-	36,163	-
Other Expenses	-	-	4,823
Total Operating Expenses	57,871	41,145	3,620,962
Operating Income (Loss)	(33,752)	2,701	(1,111,305)
Nonoperating Revenues (Expenses):			
Operating Grants	-	41,235	-
Investment and Interest Income	68,164	8,886	73,460
Investment Income Used as Security for Revenue Bonds	-	15,835	-
Gain (Loss) on Disposal of Capital Assets	-	-	(8,128)
Interest Expense	-	-	(30,284)
Gifts and Donations	-	-	244,906
Other Revenues	145	-	5,831
Other Expenses:			
Property Tax Credits	-	-	-
Grants Disbursed	-	(1,526)	-
Federal Settlement	-	-	-
Other	-	-	-
Total Nonoperating Revenues (Expenses)	68,309	64,430	285,786
Income (Loss) Before Contributions and Transfers	34,558	67,131	(825,519)
Capital Contributions	-	-	111,219
Additions to Endowments	-	-	3,054
Transfers In	-	28,545	1,142,583
Transfers Out	(10)	(6,088)	(48,784)
Net Change in Fund Equity	34,547	89,588	382,553
Total Fund Equity, Beginning of Year	59,861	1,231,390	3,891,711
Total Fund Equity, End of Year	$ 94,409	$ 1,320,978	$ 4,274,264

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	
$ -	$ 782,543	$ 806,662	$ 242,671
655,188	920,158	1,575,347	-
-	-	836,341	-
-	-	741,621	-
-	-	119,455	-
-	-	253,642	-
-	-	286,015	-
-	-	45,931	-
-	17,956	43,408	-
-	-	18,347	-
18,283	-	18,283	-
59,545	-	59,545	-
4,784	691	232,174	214
737,801	1,721,349	5,036,770	242,885
-	266,407	2,731,194	52,699
-	154,072	1,065,448	136,212
-	292,046	292,046	-
-	-	82,526	-
-	12,468	176,145	29,926
882,622	959,073	1,898,319	17,697
-	20,980	57,143	-
-	7,732	12,555	-
882,622	1,712,778	6,315,376	236,534
(144,821)	8,571	(1,278,606)	6,351
-	1,046	42,281	-
33,401	97,614	281,524	144
-	-	15,835	-
-	(821)	(8,949)	(613)
-	(2,046)	(32,330)	(8,883)
-	24	244,931	-
-	4,295	10,272	1,902
-	(138,744)	(138,744)	-
-	(5,869)	(7,395)	-
-	-	-	(13,574)
-	(524)	(524)	72
33,401	(45,025)	406,901	(20,953)
(111,420)	(36,454)	(871,705)	(14,602)
-	1,554	112,773	-
-	-	3,054	-
305	77,807	1,249,240	7,732
-	(30,829)	(85,711)	(4,794)
(111,115)	12,078	407,651	(11,663)
894,967	696,214	6,774,143	24,056
$ 783,852	$ 708,292	$ 7,181,794	$ 12,393

Total Net Change in Fund Equity Reported Above	$ 407,651
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds	(5,484)
Change in Net Assets of Business-Type Activities	$ 402,168

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2007

(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	$ 24,262	$ -	$ -
Cash Payments to Suppliers for Goods and Services	(424)	(898)	(949,615)
Cash Payments to Employees for Services	(572)	(3,723)	(2,478,135)
Tuition and Fees	-	-	835,316
Grants and Contracts	-	-	889,784
Cash Payments for Lottery Prizes	-	-	-
Cash Payments for Loans Originated	-	-	(41,562)
Collection of Loans	-	-	36,522
Interest Income	-	-	-
Cash Payments for Benefits	(39,594)	-	-
Sales and Services of Educational Activities	-	-	250,235
Sales and Services of Auxiliary Enterprises	-	-	294,044
Sales and Services to UW Hospital Authority	-	-	47,829
Scholarships and Fellowships	-	-	(82,526)
Other Operating Revenues	-	4	229,691
Other Operating Expenses	-	-	-
Other Sources of Cash	145	-	-
Other Uses of Cash	-	-	-
Net Cash Provided (Used) by Operating Activities	(16,182)	(4,618)	(968,417)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Receipts	-	40,969	-
Grants Disbursed	-	(1,526)	-
Proceeds from Issuance of Debt	-	104,149	-
Repayment of Bonds and Notes	-	(47,085)	-
Interest Payments	-	(38,242)	-
Property Tax Credit Payments	-	-	-
Noncapital Gifts and Grants	-	-	247,960
Interfund Loans Received	-	-	-
Interfund Loans Repaid	-	-	-
Interfund Advances Collected	-	-	-
Transfers In	-	28,545	1,040,434
Transfers Out	(10)	(6,088)	(36,013)
Student Direct Lending Receipts	-	-	166,976
Student Direct Lending Disbursements	-	-	(166,952)
Other Cash Inflows from Noncapital Financing Activities	-	-	4,867
Other Cash Outflows from Noncapital Financing Activities	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(10)	80,722	1,257,273
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Issuance of Debt	-	-	443,609
Capital Contributions	-	-	118,725
Repayment of Bonds and Notes	-	-	(112,813)
Interest Payments	-	-	(78,512)
Capital Lease Obligations	-	-	-
Proceeds from Sale of Capital Assets	-	-	-
Payments for Purchase of Capital Assets	-	-	(454,697)
Other Cash Inflows from Capital Financing Activities	-	-	-
Other Cash Outflows from Capital Financing Activities	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(83,689)
Cash Flows from Investing Activities:			
Proceeds from Sale and Maturities of Investment Securities	208,335	75,615	189,536
Purchase of Investment Securities	(197,811)	(103,615)	(208,418)
Cash Payments for Loans Originated	-	(191,123)	-
Collection of Loans	-	118,060	-
Investment and Interest Receipts	33,069	81,792	27,680
Net Cash Provided (Used) by Investing Activities	43,593	(19,270)	8,798
Net Increase (Decrease) in Cash and Cash Equivalents	27,401	56,834	213,965
Cash and Cash Equivalents, Beginning of Year	14,016	269,029	531,119
Cash and Cash Equivalents, End of Year	$ 41,417	$ 325,863	$ 745,084

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Unemployment Reserve	Nonmajor Enterprise	Totals	
$ 663,179	$ 1,764,269	$ 2,451,711	$ 236,676
-	(116,530)	(1,067,467)	(144,099)
-	(275,638)	(2,758,068)	(53,099)
-	-	835,316	-
-	-	889,784	-
-	(304,094)	(304,094)	-
-	(45,843)	(87,405)	-
-	43,286	79,808	-
-	18,130	18,130	-
(881,727)	(878,845)	(1,800,165)	(21,875)
-	-	250,235	-
-	-	294,044	-
-	-	47,829	-
-	-	(82,526)	-
82,462	7,035	319,191	-
-	(40,280)	(40,280)	-
-	8,761	8,906	2,092
-	-	-	(549)
(136,086)	180,251	(945,051)	19,146
-	1,037	42,005	-
-	(5,309)	(6,836)	-
-	68,130	172,279	-
-	(71,195)	(118,280)	-
-	(20,011)	(58,253)	(7)
-	(144,592)	(144,592)	-
-	-	247,960	-
-	9,782	9,782	5,579
-	(2,912)	(2,912)	(3,608)
-	-	-	25
-	75,151	1,144,129	7,286
(4,232)	(31,879)	(78,223)	(4,775)
-	-	166,976	-
-	-	(166,952)	-
-	1,392	6,259	119
-	(746)	(746)	-
(4,232)	(121,154)	1,212,597	4,619
-	10,179	453,788	16,012
-	1,554	120,279	-
-	(8,980)	(121,793)	(10,461)
-	(2,020)	(80,532)	(8,192)
-	(280)	(280)	(4,653)
-	4,150	4,150	267
-	(14,472)	(469,169)	(21,280)
-	1,002	1,002	-
-	(163)	(163)	(236)
-	(9,029)	(92,718)	(28,543)
-	22,411	495,897	-
-	(4,658)	(514,501)	-
-	(252)	(191,374)	-
-	871	118,932	-
33,401	97,767	273,709	143
33,401	116,140	182,662	143
(106,917)	166,208	357,490	(4,634)
758,109	738,086	2,310,359	26,717
$ 651,191	$ 904,294	$ 2,667,849	$ 22,083

(Continued)

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2007

(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)	$ (33,752)	$ 2,701	$ (1,111,305)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	-	163,677
Amortization	-	(1,538)	-
Provision for Uncollectible Accounts	-	-	-
Operating Income (Investment Income) Classified as Investing Activity	-	(43,799)	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	38,301	-
Miscellaneous Nonoperating Income (Expense)	145	-	19,048
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	(116)	-	18,248
Decrease (Increase) in Due from Other Funds	-	(2,512)	(8,477)
Decrease (Increase) in Due from Component Units	-	-	2,430
Decrease (Increase) in Due from Other Governments	-	-	7,411
Decrease (Increase) in Inventories	-	-	(2,573)
Decrease (Increase) in Prepaid Items	2	15	(2,355)
Decrease (Increase) in Other Assets	-	-	-
Decrease (Increase) in Deferred Charges	-	-	(1,242)
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	83	10	17,119
Increase (Decrease) in Compensated Absences	6	3	10,144
Increase (Decrease) in Due to Other Funds	160	2,761	(67,464)
Increase (Decrease) in Due to Component Units	-	-	899
Increase (Decrease) in Due to Other Governments	-	41	398
Increase (Decrease) in Tax and Other Deposits	-	-	-
Increase (Decrease) in Deferred Revenue	259	-	(14,373)
Increase (Decrease) in Interest Payable	-	(601)	-
Increase (Decrease) in Future Benefits and Loss Liabilities	17,031	-	-
Total Adjustments	17,570	(7,318)	142,889
Net Cash Provided (Used) by Operating Activities	$ (16,182)	$ (4,618)	$ (968,417)
Noncash Investing, Capital and Financing Activities:			
Assets Acquired through Capital Leases	$ -	$ -	$ 79,572
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to Other Funds	-	-	-
Net Change in Unrealized Gains and Losses	(7,263)	-	29,654
Other	(954)	-	5,482

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	
$ (144,821)	$ 8,571	$ (1,278,606)	$ 6,351
-	12,468	176,145	29,926
-	-	(1,538)	-
1,184	(93)	1,091	-
-	(253)	(44,052)	-
-	20,980	59,281	-
-	3,795	22,988	1,329
8,087	4,670	30,889	107
72	62,548	51,630	(6,155)
-	-	2,430	(123)
(629)	9,172	15,954	174
-	483	(2,091)	4
-	63,886	61,548	(33)
-	522	522	-
-	131	(1,112)	-
(415)	(14,163)	2,633	(3,899)
-	(676)	9,477	(330)
167	(3,064)	(67,439)	(4,017)
-	-	899	-
270	1,320	2,029	(11)
-	170	170	-
-	(8,719)	(22,833)	-
-	-	(601)	-
-	18,504	35,535	(4,178)
8,735	171,679	333,555	12,795
$ (136,086)	$ 180,251	$ (945,051)	$ 19,146
$ -	$ -	$ 79,572	$ 10,093
-	478	478	446
-	17	22,409	-
-	(6)	4,522	427

Statement of Fiduciary Net Assets
June 30, 2007

(In Thousands)

		Pension and Other Employee Benefit Trust		Investment Trust		Private-Purpose Trust		Agency
Assets								
Cash and Cash Equivalents	$	1,231,112	$	2,968,275	$	113,428	$	87,736
Securities Lending Collateral		7,405,234		-		-		-
Prepaid Items		9,397		-		1		564
Receivables (net of allowance):								
Loans Receivable		-		-		44		-
Prior Service Contributions Receivable		305,771		-		-		-
Benefits Overpayment Receivable		2,753		-		-		-
Due from Other Funds		52,339		-		-		926
Due from Component Units		2,197		-		-		-
Interfund Receivables		1,341,864		439,830		-		-
Due from Other Governments		125,411		-		-		8,016
Financial Futures Contracts		1,718		-		-		-
Interest and Dividends Receivable		190,115		-		-		-
Investment Sales Receivable		187,294		-		-		-
Other Receivables		294		-		103		7,471
Total Receivables		2,209,757		439,830		148		16,413
Investments:								
Fixed Income		22,517,169		-		-		-
Stocks		56,908,048		-		-		-
Limited Partnerships		4,787,914		-		-		-
Preferred Securities		164,080		-		-		-
Convertible Securities		48,610		-		-		-
Mortgages		180,641		-		-		-
Real Estate		505,485		-		-		-
Investments of Private Purpose Trust Funds		-		-		2,048,164		-
Investments of Agency Funds		-		-		-		755
Multi-asset Investments		899,621		-		-		-
External Investment Pool		542,081		-		-		-
Total Investments		86,553,650		-		2,048,164		755
Inventories		96		-		-		-
Capital Assets		43		-		6		-
Other Assets		-		-		-		298,936
Total Assets		97,409,290		3,408,105		2,161,748	$	404,404
Liabilities								
Accounts Payable and Other Accrued Liabilities		62,560		-		56	$	90,741
Securities Lending Collateral Liability		7,405,234		-		-		-
Annuities Payable		242,560		-		-		-
Advance Contributions		225		-		-		-
Due to Other Funds		43,618		126		7		195
Interfund Payables		1,341,864		-		-		-
Due to Other Governments		29,924		-		-		-
Tax and Other Deposits		1,334		-		-		313,468
Investment Payable		329,302		-		-		-
Deferred Revenue		2,563		-		-		-
Advances from Other Funds		-		-		85		-
Compensated Absences Payable		1,960,014		-		-		-
Total Liabilities		11,419,197		126		149	$	404,404
Net Assets								
Held in Trust for Pension Benefits, Pool Participants and Other Purposes	$	85,990,092	$	3,407,979	$	2,161,599		

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, 2007

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust
Additions			
Contributions:			
Employer Contributions	$ 692,483	$ -	$ -
Employee Contributions	743,814	-	-
Other	-	-	25
Total Contributions	1,436,297	-	25
Deposits	-	9,763,516	321,192
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	12,571,963	-	-
Interest	622,337	-	-
Dividends	487,049	-	-
Securities Lending Income	365,830	-	-
Other	97,793	-	-
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	419,098	181,998	286,241
Less:			
Investment Expense	(214,532)	(2,320)	(7,612)
Securities Lending Rebates and Fees	(353,208)	-	-
Investment Income Distributed to Other Funds	(478,522)	-	-
Net Investment Income	13,517,809	179,678	278,629
Interest on Prior Service Receivable	23,193	-	-
Miscellaneous Income			
Other	828	-	-
Total Miscellaneous Income	828	-	-
Total Additions	14,978,127	9,943,194	599,846
Deductions			
Retirement Benefits and Refunds:			
Retirement, Disability, and Beneficiary	3,368,131	-	-
Separations	25,182	-	-
Total Retirement Benefits and Refunds	3,393,313	-	-
Distributions	23,145	9,467,833	159,009
Other Benefit Expense	300,929	-	-
Unusual Write-off of Receivable	6	-	-
Administrative Expense	20,668	263	8,777
Transfers Out	163	-	4
Total Deductions	3,738,225	9,468,095	167,790
Net Increase (Decrease)	11,239,902	475,098	432,056
Net Assets - Beginning of Year	74,750,190	2,932,881	1,729,543
Net Assets - End of Year	$ 85,990,092	$ 3,407,979	$ 2,161,599

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

Index

Page

Summary of Significant Accounting Policies

Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements

Stewardship and Compliance

Detailed Disclosures Regarding Assets and Revenues

Page

Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

Other Note Disclosures

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; and administering statewide projects or other programs that the Child Abuse and Neglect Prevention Board has contracted with the CCF to administer. The Child Abuse and Neglect Prevention Board (a 20 member Board attached to the State Department of Health and Family Services) 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.

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.

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

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

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

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

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

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

The State reports the following major funds:

Major Governmental Funds

- *General Fund* – the primary operating fund of the State, accounts for all financial transactions except those required to be accounted for in another fund.

- *Transportation Fund* – 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.

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; or investment and interest earnings from various loan and insurance funds/component units, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions. General revenues consist of taxes and all other revenues that do not meet the definition of program revenues. Special items, if any, are significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence.

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

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

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

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

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

1. Cash and Cash Equivalents

Cash balances of most funds are deposited with the 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 stock are carried at cost since no independent quotation is available to price these securities. Further, certain investment agreements are reported on a cost basis because the State cannot readily determine whether these agreements meet the definition of interest-earning investment contracts as defined by GASB Statement No. 31. However, the impact on the financial statements is immaterial.

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

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

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

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

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

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

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

3. Mortgage and Other Loans

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

Mortgage loans of the Veterans Mortgage Loan Repayment Fund and the Veterans Trust Fund programs, business-type activities, are stated at the outstanding loan balance with origination fees and associated costs deferred and recognized over a fifteen year period using the straight-line method.

4. Forestation State Tax

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

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

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

5. Interfund Assets/Liabilities

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

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

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

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

6. Inventories and Prepaid Items

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

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

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

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

7. Capital Assets

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

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

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

Exhaustible capital assets of the primary government and the component units generally are depreciated on the straight-line method over the asset's useful life. Select buildings of the University of Wisconsin System are depreciated using the componentized method over the estimated useful life of the related assets. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units. There is no depreciation recorded for land, construction in process, infrastructure and other capital assets defined as inexhaustible. 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, 2007, 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 $476.0 million representing one-half of the total appropriated amount is reported at June 30, 2007 as Due to Other Governments.

State Property Tax Credit Program

At June 30, 2007, 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, 2007.

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, 2007.

The aggregated State Property Tax Credit Program liability of $447.7 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 2007 property tax bills, the State made this payment in March 2007.

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 2007, while the remaining portion represents a prepaid item. The resulting prepaid item reported within the Lottery Fund totals $35.4 million at June 30, 2007.

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, 2007, the State was liable to various local governments and other taxing jurisdictions for unpaid exempt computer aid payments of $46.3 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 2002, except for the annual appropriation bonds that are amortized ratably over the life of the obligations to which they relate. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

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

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

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

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

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

Debt issuance costs of the State Fair Park Exposition Center, Inc., a 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. Compensatory time accumulates for eligible employees for hours worked in excess of forty hours per week. 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. Deferred Revenue

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

Deferred revenues of the University of Wisconsin System consist of payments received but not earned at June 30, 2007, primarily for summer session tuition, tuition and room deposits for the next fall term, advance ticket sales for upcoming intercollegiate athletic events, and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement.

13. Self-Insurance

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

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

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

Fund Balance Reserves

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

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, 2007, 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	$ 816,618	$ -	$ 22,083	$ -	$ 838,701
Investments	133,278	-	-	-	133,278
Receivables (net of allowance):					
Taxes	1,254,347	-	-	(1,254,347)	-
Loans to Local Governments	504,463	-	-	(504,463)	-
Other Loans Receivable	45,158	-	-	(45,158)	-
Other Receivables	276,143	3,361	389	2,701,664	2,981,557
Due from Other Funds	247,479	-	34,047	(281,526)	-
Due from Other Governments	854,570	-	-	(854,570)	-
Internal Balances	-	-	(3,697)	18,673	14,976
Inventories	34,849	7,109	6,235	-	48,193
Prepaid Items	319,546	-	684	-	320,230
Advances to Other Funds	85	-	-	(85)	-
Restricted Assets:					
Cash and Cash Equivalents	393,727	-	-	-	393,727
Investments	195,755	-	-	-	195,755
Other Restricted Assets	1,297	-	-	-	1,297
Deferred Charges	-	90,482	796	-	91,278
Depreciable Capital Assets	-	1,170,853	270,017	-	1,440,869
Infrastructure	-	11,027,101	-	-	11,027,101
Other Non-depreciable Capital Assets	-	3,077,600	27,436	-	3,105,036
Other Assets	54,808	-	-	-	54,808
Total Assets	$ 5,132,123	$ 15,376,506	$ 357,988	$ (219,812)	$ 20,646,805
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 859,197	$ -	$ 24,133	$ 436,289	$ 1,319,620
Due to Other Funds	239,440	-	29,337	(268,777)	-
Interfund Payables	384,461	-	-	(384,461)	-
Due to Other Governments	1,884,201	-	-	-	1,884,201
Tax Refunds Payable	1,196,318	-	-	-	1,196,318
Tax and Other Deposits	59,548	-	-	-	59,548
Deferred Revenue/Unearned Revenue	803,541	(377,257)	-	-	426,284
Interest Payable	38,333	80,551	-	-	118,884
Advances from Other Funds	2,864	-	-	(2,864)	-
Short-term Notes Payable	906,826	-	19,499	-	926,326
Long-term Liabilities:					
Current Portion	95,335	357,421	39,842	-	492,598
Noncurrent Portion	-	8,548,648	236,481	-	8,785,129
Total Liabilities	6,470,063	8,609,363	349,292	(219,812)	15,208,906
Fund Balances/Net Assets	(1,337,940)	6,767,142	8,696	-	5,437,898
Total Liabilities and Fund Balances/Net Assets	$ 5,132,123	$ 15,376,506	$ 357,988	$ (219,812)	$ 20,646,805

(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, 2007, 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	$ 13,743,355	$ -	$ -
Income Taxes	-	(7,898)	-
Sales & Excise Taxes	-	4,119	-
Public Utility Taxes	-	-	-
Other Taxes	-	81	-
Motor Fuel (Transportation) Taxes	-	251	-
Other Dedicated Taxes	-	684	-
Intergovernmental	6,428,024	-	-
Operating Grants	-	-	625
Capital Grants	-	-	6,583
Licenses and Permits	1,141,117	-	-
Charges for Goods and Services	307,449	3,772	-
Investment and Interest Income	116,123	-	-
Fines and Forfeitures/Contributions to Permanent Fund	57,976	-	-
Gifts and Donations	18,881	-	-
Other Revenues:		4,731	(5,831)
Tobacco Settlement	125,908	-	-
Other	279,590	-	-
Total Revenues	22,218,423	5,741	1,377
Expenditures/Expenses:			
Current Operating:			
Commerce	294,861	(1,020)	1,275
Education	6,385,551	(77)	2,951
Transportation	1,767,266	(1,240)	84,102
Environmental Resources	462,502	463	9,717
Human Relations and Resources	8,620,586	(3,295)	49,023
General Executive	562,573	(7,003)	8,995
Judicial	117,289	1,731	3,107
Legislative	61,949	(825)	916
Tax Relief and Other General Expenditures	955,796	-	-
Intergovernmental - Shared Revenue	1,016,313	-	-
Debt Service:			
Principal	407,677	-	-
Interest and Other Charges	493,397	1,141	-
Capital Outlay	759,780	-	(759,780)
Total Expenditures/Expenses	21,905,540	(10,125)	(599,694)
Excess of Revenues Over (Under) Expenditures/Expenses	312,883	15,866	601,071
Other Financing Sources (Uses):			
Net Transfers	(1,165,939)	-	(362)
Long-term Debt Issued	890,600	-	-
Premium/Discount on Bonds	48,898	-	-
Payments to Refunding Bond Escrow Agent	(472,849)	-	-
Capital Lease Acquisitions	12,712	(12,712)	-
Installment Purchase Acquisitions	653	(653)	-
Total Other Financing Sources (Uses)	(685,924)	(13,366)	(362)
Net Change in Fund Balance	(373,041)	$ 2,500	$ 600,709
Change in Reserve for Inventories	2,986		
Net Change for the Year	$ (370,055)		

(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
$ -	$ -	$ -	$ (13,743,355)	$ -
-	-	-	7,373,298	7,365,400
-	-	-	4,513,475	4,517,594
-	-	-	271,222	271,222
-	-	-	366,058	366,139
-	-	-	1,020,543	1,020,793
-	-	-	198,760	199,444
-	-	-	(6,428,024)	-
-	-	47,617	5,771,522	5,819,764
-	-	-	711,175	717,758
-	-	-	(1,141,117)	-
12,284	-	(31,735)	1,181,056	1,472,826
144	-	-	(35,795)	80,472
-	-	-	(39,937)	18,039
-	-	-	(18,881)	-
-	-	-	405,666	404,566
-	-	-	(125,908)	-
-	-	-	(279,590)	-
12,428	-	15,881	167	22,254,018
(572)	-	(4,842)	(250)	289,452
3,229	-	21,983	(517)	6,413,120
1,807	273	-	(1,621)	1,850,586
(277)	265	(37)	(866)	471,767
5,695	1,062	25,633	211	8,698,915
2,839	-	(26,857)	(280)	540,268
(103)	(2,033)	-	-	119,991
48	369	-	-	62,457
(2)	1,087	-	(132)	956,749
-	-	-	-	1,016,313
-	(407,677)	-	-	-
8,883	(24,489)	-	470	479,402
-	-	-	-	-
21,546	(431,142)	15,881	(2,986)	20,899,020
(9,118)	431,142	-	3,153	1,354,998
2,939	-	-	(167)	(1,163,529)
-	(890,600)	-	-	-
-	(48,898)	-	-	-
-	472,849	-	-	-
-	-	-	-	-
-	-	-	-	-
2,939	(466,649)	-	(167)	(1,163,529)
$ (6,179)	$ (35,506)	$ 0	2,986	191,469
			(2,986)	-
			$ 0	$ 191,469

(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, 2007 are (in thousands):

Special Revenue:		
Petroleum Inspection	$	145,846
Dry Cleaner Environmental Response		90
VendorNet		2,864
Capital Projects:		
Capital Improvement		516,197
Transportation Revenue Bonds		86,622
Enterprise:		
Northern Developmental Disabilities Center		3,272
Internal Service:		
Risk Management		84,753

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, 2007 (in thousands):

Governmental Activities:		
Net Assets Restricted by External Parties or for Constitutional Purposes	$	1,263,110
Net Assets Restricted by Enabling Legislation		67,991
Business-type Activities:		
Net Assets Restricted by External Parties or for Constitutional Purposes		3,079,721
Net Assets Restricted by Enabling Legislation		423,568

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, 2007, $285.9 million of the primary government's bank balance of $295.8 million (excluding two bank overdrafts totaling $25.2 million in two bank accounts that are covered by compensating balances in other accounts) was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	$	285.9

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, 2007 are immaterial. The primary government does not have a formal policy specifically related to foreign currency risk.

The State’s Unemployment Reserve Fund had $658.3 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, 2007, the Wisconsin Health Care Liability Insurance Plan at December 31, 2006, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2007, the University of Wisconsin Foundation at December 31, 2006, and the State Fair Park Exposition Center, Inc. at December 31, 2006 was $227.5 million.

As of their fiscal year end, $224.9 million of the component units' bank balance of $227.5 million was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	$	224.9

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 30 percent marketable equities, 14 percent fixed income, 31 percent alternatives, and 25 percent tactical strategies. The approved asset allocation for intermediate term funds is 100 percent intermediate maturity, investment-grade fixed income.

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. 25.17(3)(a) allows investments in loans, securities and any other investments as authorized by Wis. Stat. Sec. 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 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, 2007, the reported amount of investments of the primary government, including the various funds, was $4,887.6 million, of which $524.8 million is reported as cash equivalents and $353.7 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, 2007, the primary government had no custodial credit risk exposure for these investments.

University of Wisconsin System (UWS)

At June 30, 2007, the UWS reported investments of $410.9 million, of which $39.2 million is reported as cash equivalents. No custodial credit risk exposure existed for these investments.

Wisconsin Retirement System (WRS)

At June 30, 2007, the WRS investments were $86,011.6 million. The WRS does not have a formal policy for custodial credit risk. As of June 30, 2007, the WRS held 11 tri-party repurchase agreements totaling $1,001.1 million. The securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of a repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreements is the counterparty, the securities are not held in the WRS’s name. They are held in the counterparty’s name and held by the counterparty’s agent.

Interest Rate Risk

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

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

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

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

At June 30, 2007, 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	$ 128.1	$ 43.6	$ 22.2	$ 17.8	$ 211.7
State and municipal bonds and notes	2.0	88.3	40.6	111.1	242.0
Repurchase agreements	7.6	--	--	--	7.6
Forward delivery agreements	37.8	--	--	--	37.8
Guaranteed investment contracts	28.1	--	--	--	28.1
Money market funds	269.2	--	--	--	269.2
Mutual funds – open ended	37.9	46.9	532.8	--	617.6
Total	$ 510.6	$ 178.8	$ 595.6	$ 128.9	$ 1,414.0

External Invetsment 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 average remaining life is 4.8 and 7 to 8 years, respectively.

As of May 31, 2007, the Badger Tobacco Asset Securitization Corporation's investments were as follows (in millions):

Investment	Fair Value	Weighted Average Maturity (Years)
JPM Prime Moneymarket Fd 829 Inst	$ 130.1	0.10
ABN AMRO	68.6	0.13
ANZ National	68.6	0.13
Federated Tax-free Obligations Fund 15	0.8	0.00
Total Fair Value	$ 268.1	
Portfolio weighted average maturity		0.12

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, 2007, 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	$ --	--	$ 33.9	16.40	$ 242.0	4.48	$ --	--	$ 7.0	4.95
Corporate	--	--	44.9	18.06	367.9	5.79	--	--	1.0	4.87
Bond Funds	--	--	--	--	--	--	2.5	5.08	--	--
Total/Average	$ 0	--	$ 78.8	17.35	$ 609.9	5.27	$ 2.5	5.08	$ 8.0	4.94

University of Wisconsin System (UWS)

The UWS uses the option adjusted duration method to analyze interest rate risk. The UWS's investment guidelines mandate that individual fixed income manager portfolios must maintain an effective modified duration within one year of the effective modified duration of the index. As of June 30, 2007, all investment managers were in compliance with the effective modified duration guideline.

As of June 30, 2007, the UWS had interest rate risk statistics as detailed below (in millions):

UWS

Fixed Income Sector	Fair Value	Option Adjusted Duration
Corporate and other credit	$ 10.3	3.18
U.S. Government mortgages	19.3	3.49
Government	17.2	5.87
Commercial mortgage backed securities	4.1	1.97
Collateralized mortgage obligations: U. S. Agencies	4.5	2.83
U.S. private placements	2.7	2.79
Asset backed securities	1.0	3.12
Collateralized mortgage obligations: Corporate	.5	2.29
Treasury inflation protected securities	11.0	6.15
Total	$ 70.6	

As of June 30, 2007, the University of Wisconsin System's Long Term Fund had an aggregated modified duration of 3.33 while the Lehman Aggregate benchmark had an aggregated modified duration of 4.9. As of June 30, 2007, the University of Wisconsin System's Intermediate Term Fund had an aggregated modified duration of 3.97 while the Lehman Government/Credit Intermediate benchmark had an aggregated modified duration of 3.76.

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, 2007, 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	$ 8.5	1.92
Certificates of deposit	23.0	0.51
Commercial paper	161.1	0.12
Corporate bonds	2,499.5	5.08
Corporate bonds	16.0	N/A
Municipal bonds	4.2	9.33
Government agency	884.8	2.94
Commercial mortgages	180.6	2.66
Private placements	471.0	5.15
Repurchase agreements	112.3	0.01
Sovereign debt	3,552.7	5.65
Sovereign debt	3.2	N/A
U.S. Treasury securities	3,186.0	8.58
Total	$11,102.9	

Pooled Investments

Pooled Investment	Fair Value	Modified Duration (Years)
Emerging market fixed income	$ 493.0	6.2345
Global fixed income	1,218.9	5.8105
Domestic fixed income	10,274.4	4.8372
	$ 11,986.3	

Securities Lending Collateral Pool	Fair Value	Weighted Average Maturity (Days)
Asset backed securities	$ 939.7	39
Certificate of deposit	194.0	47
Commercial paper	916.5	26
Corporate bonds	2,807.5	48
Repurchase agreements	888.7	2
Pooled investments	925.2	41
	$ 6,671.6	

	Fair Value	Weighted Average Maturity (Days)
Short term pooled investments	$ 340.5	50

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, 2007, 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	$ 585.8
AA	654.7
A	21.5
Not Rated	715.8
Total	$ 1,977.8

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 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, 2007, 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	$ --	$ 35.9	$ 268.9	$ --	$ 7.2
AA	--	9.4	78.0	--	.2
A	--	21.7	155.9	--	.2
BBB	--	9.2	84.9	--	.2
BB	--	--	9.9	--	.1
B	--	.8	4.4	--	--
CCC	--	.8	7.9	--	.1
Not rated	--	1.0	--	2.5	--
Totals	$ 0	$ 78.8	$ 609.9	$ 2.5	$ 8.0

University of Wisconsin System (UWS)

The UWS's investment guidelines prohibit security transactions that involve a counterparty rated below AA by Standard & Poor's and/or Aa by Moody's. In addition, all securities in that individual manager's portfolio must have a minimum quality rating of investment grade of BBB- by Standard & Poor's and/or Baa3 by Moody's with an average portfolio quality of at least AA as rated by Standard & Poor's and/or Aa by Moody's.

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, 2007 (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	$ 60.2
AA+	.5
AA	.9
AA-	1.2
A+	1.4
A	1.6
A-	1.4
BBB+	1.1
BBB	.8
BBB-	1.6
Unrated Pooled Cash	39.2
Total	$ 109.9

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, 2007 (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 of A-1	$ 1,266.5
AAA	7,795.8
AA	2,749.9
A	1,930.8
BBB	672.4
BB	389.8
B	311.6
CCC	92.8
CC	4.5
C	5.0
D	8.3
Commingled or pooled	13,251.9
Not rated	1,622.0
Total	$ 30,101.3

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 2.7 percent and the State of Wisconsin's general obligation bonds with approximately 1.6 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.

As of June 30, 2007, none of the various funds had more than five percent of their total investments in a single issuer.

University of Wisconsin System (UWS)

The UWS's investment guidelines prohibit more than 7 percent of the fund be invested in the securities of any one issuer, unless the issue is U.S. Government guaranteed, or an issue of an agency of the U.S. government. The UWS's largest concentration by issuer is Citigroup with .5 percent of total trust fund 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, 2007, 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, 2007, the various funds did not own any issues denominated in a foreign currency.

University of Wisconsin System (UWS)

As of June 30, 2007, the UWS held equity securities denominated in foreign currencies within pooled investment vehicles only, with market values totaling $116.0 million. Some of the trades for such foreign positions will not settle in foreign currencies until after the fiscal year end. Foreign currency forward exchange contracts are often used to manage the risk related to fluctuations in currency exchange rates between the time of purchase or sale and the actual settlement of foreign currencies. The UWS's foreign pooled investment managers also use foreign exchange forwards and futures to manage longer term currency risk exposures. Counterparty risk in foreign exchange forwards and futures instruments is negligible.

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, 2007, the following assets were denominated in the following currencies (in millions):

Currency Exposure by Investment Type

Currency	Cash and Cash Equivalents	Convertible Securities	Equity	Fixed Income	Preferred Securities	Limited Partnerships	Mortgage	Real Estate	Multi Asset	Total Exposure by Currency
Argentina Peso	0.4	--	--	0.7	--	--	--	--	--	1.1
Australian Dollar	5.1	--	362.7	109.4	--	--	--	--	--	477.2
Brazil Real	0.9	--	4.7	50.4	112.4	--	--	--	--	168.4
British Pound Sterling	19.0	--	1,761.7	395.6	--	124.1	--	--	--	2,300.4
Canadian Dollar	9.1	--	448.5	109.1	--	30.9	--	--	--	597.6
Columbian Peso	--	--	--	12.5	--	--	--	--	--	12.5
Danish Krone	0.3	--	39.2	26.0	--	--	--	--	--	65.5
Euro Currency Unit	40.6	--	2,966.8	1,340.1	36.4	260.4	--	--	--	4,644.3
German Mark	--	--	--	0.2	--	--	--	--	--	0.2
Hong Kong Dollar	3.9	--	137.0	--	--	--	--	--	--	140.9
Hungarian Forint	0.4	--	16.0	--	--	--	--	--	--	16.4
Iceland Krona	--	--	--	3.0	--	--	--	--	--	3.0
Indian Rupee	1.0	--	18.6	--	--	--	--	--	--	19.6
Indonesian Rupian	--	--	2.0	33.3	--	--	--	--	--	35.3
Israeli Shekel	0.4	--	33.0	--	--	--	--	--	--	33.4
Italian Lira	--	--	--	1.3	--	--	--	--	--	1.3
Japanese Yen	25.4	--	1,768.9	812.6	--	--	--	--	--	2,606.9
Malaysian Ringgit	0.5	--	9.3	55.8	--	--	--	--	--	65.6
Mexican New Peso	2.5	--	47.1	61.0	--	--	--	--	--	110.6
Taiwan Dollar	2.3	--	187.0	--	--	--	--	--	--	189.3
Turkish Lira	1.0	--	46.3	10.7	--	--	--	--	--	58.0
New Zealand Dollar	0.6	--	3.4	59.1	--	--	--	--	--	63.1
Norwegian Krone	1.4	--	73.9	6.3	--	--	--	--	--	81.6
Peruvian Nuevo Sol	0.2	--	--	4.4	--	--	--	--	--	4.5
Philippines Peso	0.2	--	7.3	--	--	--	--	--	--	7.4
Polish Zloty	--	--	6.5	67.3	--	--	--	--	--	73.8
South African Rand	0.9	--	36.4	36.7	--	--	--	--	--	74.0
Singapore Dollar	2.9	--	73.6	57.6	--	--	--	--	--	134.1
South Korean Won	--	--	185.2	9.1	11.5	--	--	--	--	205.8
Swedish Krona	5.5	--	143.6	113.7	--	--	--	--	--	262.8
Swiss Franc	4.9	--	443.1	--	--	--	--	--	--	448.0
Thailand Baht	--	--	42.4	--	--	--	--	--	--	42.4
Uruguayan Peso	--	--	--	5.0	--	--	--	--	--	5.0
Total Foreign Currency Exposure	129.5	--	8,864.2	3,381.1	160.3	415.4	--	--	--	12,950.5
United States Dollar	1,662.7	48.6	48,043.9	19,136.0	3.8	4,372.5	180.6	567.7	899.7	74,915.4
Total Investments by Currency Exposure	1,792.2	48.6	56,908.1	22,517.1	164.1	4,787.9	180.6	567.7	899.7	87,865.9

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.

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 32 days for investments made with the U.S. dollar cash collateral and the weighted average maturity of 41 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, 2007 the Tuition Trust Fund held interest only strips valued at $6.9 million representing approximately 72.0 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) 'B/C' or better from Fitch; (2) 'A1/P1' or better on short term debt from S&P or Moody's; or (3) '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. 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. 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 2007, 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, 2007, the fair value of foreign currency forward contract assets totaled $3.7 billion, while the liabilities totaled $3.7 billion.

Futures Contracts – A financial futures contract is an exchange traded agreement to buy or sell a financial instrument at an agreed upon price and time in the future. Upon entering into a futures contract, collateral is deposited with the broker in accordance with the initial margin requirements of the broker. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin. Losses may arise from future changes in the value of the underlying instrument, or if the counterparties do not perform under the terms of the contract.

Investment guidelines allow external fixed income portfolio managers to manage interest rate exposure, adjust duration and manage anticipated cash flows through the use of exchange-traded interest rate instruments. Guidelines stipulate that derivatives are not to be used to establish a leverage position. As of June 30, 2007, the Board was invested in exchange-traded interest rate futures contracts with a net exposure of a negative $889.8 million at June 30, 2007.

Externally managed equity portfolios are permitted by investment guidelines to use exchange-traded equity index futures contracts to equitize cash holdings provided these positions do not exceed 5 percent of the fair value of the portfolio. Some international equity managers are allowed to invest in equity futures and options provided the equity equivalent value of the equity futures and optioned equities does not exceed 20 percent of the total assets in the portfolio. The net equity futures exposure as of June 30, 2007 was $36.9 million.

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, 2007, mortgage backed securities with a fair value totaling $404.6 million were held for the WRS.

Credit Default Swaps – Certain fixed income portfolios are permitted to manage credit exposures through the use of credit default swaps. A credit default swap (CDS) is an over-the-counter contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party who, in exchange for periodic fees, agrees to make payments in the event of a default or other predetermined credit event. This agreement effectively introduces credit exposure to the seller's portfolio without actually holding the bond, basket of investments, or bond index. One of the main advantages of CDS is that it allows for exposure to credit risk while limiting exposure to other risks such as interest rate, currency, and call risk, that often come with a typical bond. Losses may arise in the event of the bond issuer's bankruptcy or failure to make a coupon payment, or if the counterparties do not perform under the terms of the contract. Liquidity in the cash bond market may also affect performance of these instruments, if the contract is structured to have a physical, rather than a cash settlement.

As with other over-the-counter derivative products, investment guidelines required counterparties be a recognized exchange or bank or broker dealer with an actual credit rating of at least: (1) 'B/C' or better from Fitch; (2) 'A1/P1' or better on short term debt from S&P or Moody's; or (3) 'A' or better on long term debt from S&P or Moody's.

As of June 30, 2007, one externally managed portfolio held CDS positions. Because this manager holds the view that a specific credit market will improve, they entered into agreement to sell protection in the third quarter of Fiscal Year 2007. As a result, periodic payments are received based upon the negotiated deal spread. Under the terms of the contracts, the Board would assume coupon and/or principal payments to the counterparty in the event of a default. These contracts have a total notional value of $5.6 million and mature in 2012, although they can be effectively nullified by entering into a reverse agreement at an earlier date, at the manager's discretion.

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. Generally, external international equity managers are allowed to invest in futures and options as long as the equity equivalent value of the equity futures and options equities do not exceed 20 percent of total portfolio assets. In addition, most fixed income portfolios are permitted to enter into option contracts to manage interest rate exposure. At June 30, 2007, the WRS held no options.

Unfunded Capital Commitments

University of Wisconsin System (UWS)

The UWS has unfunded limited partnership commitments of $23.4 million as of June 30, 2007.

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, 2007 totaled $4.2 billion.

2. Component Units

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

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

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

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

The Authority's aggregate investments at June 30, 2007 were $798.2 million of which $264.5 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, 2007 were $271.3 million of which $268.6 million (invested with the University of Wisconsin Foundation, see subsequent 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. In addition, the Hospital reported $2.6 million of investments in highly liquid short-term securities.

State Fair Park Exposition Center, Inc. – The aggregate investments at December 31, 2006 were $3.8 million, consisting of $3.3 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 $804.6 million. Of this amount, $256.3 million were securities held by the counterparty but in the State's name.

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	$ 35.4	$ 82.4	$ 10.1	$ 3.8	$ 131.7
Corporate notes and bonds	2.7	2.7	--	--	5.4
Money market funds	270.8	--	--	--	270.8
Noncollateralized investment contracts	76.0	180.3	--	--	256.3
Mortgage-backed securities	--	2.5	0.1	--	2.6
Collateralized investment contracts	123.5	--	--	--	123.5
Negotiable certificates of deposit	13.1	1.1	--	--	14.2
Total	$ 521.5	$ 269.0	$ 10.2	$ 3.8	$ 804.5

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 must be regulated by the Securities and Exchange Commission and must consist of Government securities or other dollar-denominated permitted investments. Securities purchased by money market funds must be rated by at least one nationally recognized rating agency in the top two short-term rating categories or must be guaranteed by an entity with such ratings. Any other ratings must be in the top three rating categories. The following table presents the component units' ratings at fiscal year end (in millions):

		Credit Quality Ratings			
Investment Type	**Fair Value**	**AAA**	**AA**	**A**	**Unrated**
Corporate notes and bonds	$ 5.4	$ --	$ 2.7	$ 2.7	$ --
Money market funds	270.9	264.5	6.4	--	--
Noncollateralized investment contracts	256.3	--	256.3	--	--
Negotiable certificates of deposit	14.2	--	--	--	14.2
Mortgage-backed securities	2.7	--	--	--	2.7
Collateralized investment contracts	123.5	--	123.5	--	--

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. 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, 2007 the Authority had $99.2 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 has received the following types of collateral for the securities lent: cash, government securities or irrevocable letters of credit. The fair value of the investment securities loaned was $99.2 million as of June 30, 2007, and the fair value of the collateral received was $99.2 million. The Authority may request the bank to terminate any loan of securities for any reason at any time.

As of June 30, 2007, 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, 2007 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, 2007 the Authority received $45 thousand of income related to security lending transactions.

Other Component Units

Wisconsin Health Care Liability Insurance Plan (WHCLIP) – Aggregate investments of the WHCLIP were $75.4 million, of which $9.3 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, 2006 were $66.1 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	$ 17.4	$ 18.2
Debt securities issued by foreign governments and corporations	2.0	2.0
Industrial and miscellaneous	23.7	24.0
Public utilities	1.5	1.5
Loan-backed securities	21.5	21.4
Total	$ 66.1	$ 67.1

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, 2006, by contractual maturity are presented in the table below (in millions):

	Amortized Cost	Estimated Fair Value
1 Year or Less	$ 7.0	$ 7.0
1 to 5 Years	25.1	24.7
6 to 10 Years	8.6	9.4
More Than 10 Years	3.9	4.6
	44.6	45.7
Loan-backed securities	21.5	21.4
Total	$ 66.1	$ 67.1

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	20.6
Privately issued	.5

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

As of December 31, 2006, the WHCLIP did not own any issues denominated in a foreign currency.

University of Wisconsin Foundation (the Foundation) - Aggregate investments of the Foundation are $2,303.5 million. In addition, the Foundation includes $155.1 million of highly liquid short-term instruments in cash equivalents.

The following table summarizes the types of investments of the Foundation at December 31, 2006 (in millions):

Investment Type	Fair Value
U.S. government and agency holdings	$ 18.2
Stocks	353.8
Corporate notes and bonds	309.3
Money market funds	.6
Mutual funds	971.0
International equities	508.1
Limited partnerships	142.5
Total	$ 2,303.5

The Foundation's interests in alternative investments, which consist of non-marketable limited partnerships, hedge funds, and real assets have a market value of $142.5 million, $360.9 million, and $90.0 million, respectively, at December 31, 2006. The market value of these interests represent 59 non-marketable limited partnerships, 58 hedge funds, and 25 real assets at December 31, 2006.

Pooled funds and unitrusts carry investments in the University of Wisconsin Foundation Collective Bond Fund at cost on the date the units are purchased. Cost per unit is determined by the market value of the principal in the funds on the date of unit transactions. The cost and market value of University of Wisconsin Foundation Collective Bond Fund investments are as follow at December 31, 2006 (in millions):

	Cost	Market Value
Cash and Money Market Funds	$ .6	$ .6
Bonds and Debentures	9.4	9.5
Federal Agencies	4.2	4.2
U.S. Government Securities	3.5	3.5
Total	$ 17.7	$ 17.8

Custodial Credit Risk

At December 31, 2006, the reported amount of investments was $2,303.5 million. The Foundation had no custodial credit risk exposure for these investments.

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. The Board may approve other prudent investments and has granted derivatives authority, subject to review and approval of the Investment Committee, limited to positions in financial futures, forwards, options and swaps and only if the purpose is to hedge existing positions, to adjust portfolio duration within statutory guidelines, or otherwise to reduce the interest rate risk to which the Board is subjected in the normal course of business. Interest only and principal only securities, inverse floaters, and off balance sheet synthetic derivatives are not permitted.

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 $0.3 million 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, 2007, the reported amount of investments was $6,464.1 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, 2007, the following table shows the investments by investment type, amount and the weighted average maturities (in millions):

Investment	Fair Value	Weighted Average Maturity (Days)
Repurchase agreements	$ 2,011.0	2
Government and agency	3,155.3	46
Commercial paper	730.5	33
Certificates of deposit	517.0	116
Yankee/Euro issues	50.0	37
Mortgage backed securities	0.3	697
Total	$ 6,464.1	
Portfolio weighted average maturity		36

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, 2007 (in millions):

	Ratings	Fair Value	Percent
Repurchase agreements (collateral):			
U.S. government debt	AAA/Aaa	$ 1,508.2	23.3%
Government sponsored entity U.S agency	AAA/Aaa	502.8	7.8
Federal Home Loan Board	A-1+/P-1	917.1	14.2
Federal Home Loan Mortgage Corporation	A-1+/P-1	1,184.0	18.3
Federal National Mortgage Association	A-1+/P-1	1,054.3	16.3
Commercial paper	A-1+/P-1	705.6	10.9
Commercial paper	A-1/P-1	24.9	0.4
Certificates of deposit:			
Nonnegotiable (Var Wis Banks)	N/R	467.0	7.2
Negotiable	A-1+/P-1	50.0	0.8
Yankee	A-1+/P-1	50.0	0.8
Mortgage backed securities	N/R	0.2	0.0
Totals		$ 6,464.1	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. agency. As of June 30, 2007 the SIF has more than five percent of its investments in FHLB (14.2 percent), FHLMC (18.3 percent), FNMA (16.3 percent), and repurchase agreement collateral consisting of various securities issued by these same three U.S. agencies (7.8 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, 2007 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 $93.4 million are held to finance grand prizes payable over a 20-year or 25-year period. The investments in prize annuities are debt obligations of the U.S. government and backed by its full faith and credit as to both principal and interest. Liabilities related to the future prize obligations are presented at their present value and included as Accounts Payable and Other Accrued Liabilities. The following is a schedule of future prize obligations (in thousands):

Fiscal Year	Amount
2008	$ 16,979
2009	16,974
2010	14,564
2011	9,747
2012	7,284
Thereafter	58,854
Total future value	124,402
Less: Present value adjustment	(35,537)
Present value of payments	$ 88,865

NOTE 6. RECEIVABLES AND NET REVENUES

A. Receivables

Receivables at June 30, 2007 were as follows (in thousands):

	Taxes	Loans to Local Governments	Other Loans Receivable: Student Loans	Other Loans Receivable: Veterans Loans	Other Loans Receivable: Mortgage Loans	Other Loans Receivable: Other Loans	Other Receivables	Due From Other Governments	Due From Component Units	Total Receivables
Governmental Activities:										
General	$ 1,119,388	$ 8,623	$ -	$ -	$ -	$ 19,243	$ 178,429	$ 623,038	$ -	$ 1,948,722
Transportation	102,903	-	-	-	-	25,839	7,925	203,986	-	340,652
Nonmajor Governmental	32,055	495,840	-	-	-	75	89,789	27,547	-	645,307
Total Governmental:	1,254,347	504,463	-	-	-	45,158	276,143	854,570	-	2,934,681
Government-wide Adjustments:										
Internal Service Funds	-	-	-	-	-	-	84	179	126	389
Accrual Adjustments	-	-	-	-	-	-	3,361	-	-	3,361
Fiduciary Receivables	-	-	-	-	-	-	43,126	-	-	43,126
Total – Governmental Activities	$ 1,254,347	$ 504,463	$ 0	$ 0	$ 0	$ 45,158	$ 322,714	$ 854,749	$ 126	$ 2,981,557
Related revenue deferral because the receivable does not meet the availability criteria	$ 288,509	$ 0	$ 0	$ 0	$ 0	$ 0	$ 95,857	$ 0	$ 0	$ 384,366
Business-type Activities:										
Current:										
Injured Patients and Families Compensation	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,592	$ -	$ -	$ 9,592
Environmental Improvement	-	118,498	-	-	-	-	387	8,663	-	127,548
University of Wisconsin System	-	-	34,385	-	-	-	128,618	77,573	2,972	243,549
Unemployment Reserve	-	-	-	-	-	-	143,509	3,906	-	147,415
Nonmajor Enterprise	-	264	-	6,078	8,712	-	51,300	9,450	-	75,804
Total Current:	-	118,762	34,385	6,078	8,712	-	333,406	99,592	2,972	603,908
Noncurrent:										
Environmental Improvement	-	1,446,970	-	-	-	-	-	-	-	1,446,970
University of Wisconsin System	-	-	158,485	-	-	-	5,840	-	-	164,325
Unemployment Reserve	-	-	-	-	-	-	16,338	-	-	16,338
Nonmajor Enterprise	-	2,101	-	24,100	252,786	3,090	-	-	-	282,076
Total Noncurrent	-	1,449,070	158,485	24,100	252,786	3,090	22,178	-	-	1,909,709
Government-wide Adjustments:										
Fiduciary Receivables	-	-	-	-	-	-	645	-	-	645
Total – Business-type Activities	$ 0	$ 1,567,833	$ 192,870	$ 30,178	$ 261,498	$ 3,090	$ 356,229	$ 99,592	$ 2,972	$ 2,514,261

B. Net Revenues

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2007, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	$ 80,560
Sales and Services of Auxiliary Enterprises	14,284
Total	$ 94,844

NOTE 7. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2007 was as follows (in thousands):

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 1,598,443	$ 128,301	$ (1,473)	$ 1,725,271
Buildings and Improvements	157,651	1,142	-	158,793
Library Holdings	78,850	986	(13)	79,823
Equipment	642	-	-	642
Construction in Progress	968,345	172,982	(820)	1,140,507
Infrastructure	10,727,026	377,477	(77,403)	11,027,101
Total capital assets, not being depreciated	13,530,957	680,888	(79,708)	14,132,137
Capital assets, being depreciated:				
Land Improvements	89,690	4,423	-	94,112
Buildings and Improvements	1,726,279	24,759	(230)	1,750,807
Equipment	596,846	77,225	(24,545)	649,526
Totals	2,412,814	106,407	(24,776)	2,494,445
Less accumulated depreciation for:				
Land Improvements	37,251	5,708	-	42,959
Buildings and Improvements	560,601	45,312	(171)	605,742
Equipment	364,469	61,174	(20,768)	404,875
Totals	962,322	112,193	(20,939)	1,053,576
Total Capital Assets, being depreciated, net	1,450,492	(5,786)	(3,837)	1,440,869
Governmental activities capital assets, net	$ 14,981,450	$ 675,102	$ (83,545)	$ 15,573,006
Business-type activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 117,477	$ 4,389	$ (299)	$ 121,567
Library Holdings	1,036,636	22,199	(6,177)	1,052,658
Construction in progress	346,823	225,156	(251,074)	320,905
Total Capital Assets, not being depreciated	1,500,936	251,744	(257,550)	1,495,130
Capital assets, being depreciated:				
Land Improvements	9,532	19	(236)	9,314
Buildings	3,729,716	271,388	196,995	4,198,098
Equipment	816,699	71,643	(15,698)	872,644
Totals	4,555,946	343,049	181,060	5,080,056
Less accumulated depreciation for:				
Land Improvements	6,827	491	(236)	7,083
Buildings	1,687,582	112,091	(10,178)	1,789,496
Equipment	555,739	63,562	(16,896)	602,406
Totals	2,250,149	176,145	(27,310)	2,398,984
Total Capital Assets, being depreciated, net	2,305,798	166,904	208,370	2,681,072
Business-type activities capital assets, net	$ 3,806,734	$ 418,648	$ (49,180)	$ 4,176,202

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of $2,760 thousand at June 30, 2007, with accumulated depreciation totaling $2,711 thousand.

Depreciation Expense

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

Governmental Activities

Commerce	$	1,188
Education		2,885
Transportation		9,101
Environmental Resources		9,549
Human Relations and Resources		45,386
General Executive		8,748
Judicial		3,107
Legislative		902
Depreciation on capital assets held by the internal service funds		31,329
Total depreciation expense - governmental activities	$	112,193

Business-type Activities

University of Wisconsin System	$	163,677
Lottery		44
Veterans Mortgage Loan Repayment		15
Other Business-Type		12,409
Total depreciation expense - business-type activities	$	176,145

Construction in Progress

Construction in progress of the primary government reported in the government-wide statement of net assets at June 30, 2007 included the following projects (in thousands):

	Allotments	Expended to June 30, 2007	Encumbrances Outstanding	Unencumbered Allotment Balance
Governmental Activities:				
Reported through capital projects funds:				
State Highway Rehabilitations and Marquette Interchange	$ 320,877	$ 320,877	$ --	$ --
Wild Rose Fish Hatchery	24,300	13,703	1,379	9,218
Winnebago Corrections Facility Replacement	13,900	313	555	13,032
Madison Crime Lab Remodeling	11,159	10,485	--	674
Other projects with allotments totaling less than $10 million		50,852		
		396,230		
Other:				
Transportation-related funded through sources other than capital projects		713,913		
Other		30,365		
Total construction in progress – governmental activities		$ 1,140,508		
Business-type Activities:				
University of Wisconsin System:				
Interdisciplinary Center – Madison	144,680	$ 75,482	63,913	5,285
Institute for Discovery – Madison	119,025	7	--	119,018
Business and Economics Building – Whitewater	42,273	3,018	31,391	7,864
Grainger Hall Addition – Madison	41,091	16,572	16,059	8,460
Dayton Street Residence Hall – Madison	35,900	30,843	3,286	1,771
Phoenix Sports Center – Green Bay	32,825	30,047	2,599	179
Campus Utility Upgrade – Madison	28,688	3,928	22,729	2,031
Ullsvik Center Remodeling – Platteville	25,670	16,558	6,167	2,945
Student Union Expansion – Parkside	25,191	4,733	16,892	3,566
University Center Upgrade – Stevens Point	24,422	21,812	2,846	(236)
Rothwell Student Center – Superior	21,093	695	45	20,353
Student Recreation/Wellness Center – Oshkosh	21,000	15,215	1,709	4,076
Conner Center Addition – Whitewater	20,249	14,215	5,621	413
University Square Development – Madison	17,060	7,939	8,166	955
Taylor Hall Renovation – Oshkosh	12,261	11,943	--	318
Other projects with allotments totaling less than $10 million:				
University of Wisconsin System		70,747		
Other		6,815		
Total construction in progress – business-type activities		$ 330,569		

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 $314.1 million and $6.8 million as of June 30, 2007, respectively.

Component Units

Capital Assets balance of the Wisconsin Housing and Economic Development Authority at June 30, 2007, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2007, the University of Wisconsin Foundation at December 31, 2006, and the State Fair Park Exposition Center, Inc. at December 31, 2006 were as follows (in thousands)

		Amount
Capital Assets, not being depreciated:		
Land and Land Improvements	$	12,689
Construction in Progress		76,727
Total Capital Assets, not being depreciated		89,416
Capital Assets, being depreciated:		
Buildings		424,222
Equipment		198,247
Totals		622,469
Less accumulated depreciation for:		
Buildings		161,818
Equipment		121,184
Totals		283,002
Total Capital Assets, being depreciated, net		339,468
Component Units Capital Assets, net	$	428,883

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. Effective since the final quarter of Fiscal Year 2005, a spending rate of 4.0 percent was applied. 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, 2007, net appreciation of $10.5 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 30 percent marketable equities, 14 percent fixed income, 31 percent alternatives, and 25 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 100 percent intermediate maturity, investment-grade fixed income.

The fair value of Endowments as of June 30, 2007 was $420.3 million including unrealized gain of $29.6 million when fair values as of June 30, 2007 are compared to asset acquisition costs. This compares to a fair value as of June 30, 2006 of $366.1 million. The net increase in fund balance during 2006-07 was $54.2 million.

The book value of Endowments under control of the University of Wisconsin System was $366.1 million as of June 30, 2007 compared to a book value of $344.2 million as of June 30, 2006. 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, 2007, 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	$ 143.4
Realized Gains – Undistributed	222.7
Book Value	366.1
Unrealized Net Gains/Losses - Undistributed	54.2
Fair Value	$ 420.3

On June 30, 2007, the portfolio at market contained 50.3 percent in stocks, 7.0 percent in fixed income obligations, 15.0 percent in alternative assets, 17.3 percent in tactical allocation strategies, and 10.4 percent in short-term investments. The total return on the principal Long Term Fund including capital appreciation was 21.0 percent. The total return on the principal Intermediate Fund including capital appreciation was 6.2 percent. External investment counsel was furnished for funds representing 89.6 percent of market-value principal.

Component Unit

University of Wisconsin Foundation

At December 31, 2006 there were 3,511 funds pooled in an endowment fund for investment purposes. Generally, principal of the funds is to be kept intact with income from investments being distributed according to the wishes of the donor. For certain funds, principal is also available for distribution.

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

For the fiscal year ended December 31, 2006, the endowment fund accounts reported cash and money market funds of $123.4 million and investments with a fair value of $1,444.4 million. This compares to a fair value for investments as of December 31, 2005 of $1,296.9 million. The asset allocation for endowment assets at December 31, 2006 is 36.3 percent in domestic equities, 16.3 percent in international equities, 26.4 percent in alternative investment managers, 8.6 percent in fixed income, 10.5 percent in real assets and 1.9 percent in cash.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances as of or for the year ended June 30, 2007 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, 2007 were as follows (in thousands):

	Due to Other Funds:			
	General	Transportation	Nonmajor Governmental	Injured Patients and Families Compensation
Due from Other Funds:				
General	$ -	$ 16,930	$ 20,833	$ 215
Transportation	1,370	-	28,022	-
Nonmajor Governmental	50,688	14,927	3,426	19
Environmental Improvement	92	-	-	-
University of Wisconsin System	32,413	1,079	1,763	-
Unemployment Reserve	272	-	-	-
Nonmajor Enterprise	10,264	46	4,715	-
Internal Service	15,460	3,775	7,156	6
Fiduciary	22,428	1,458	2,323	4
Total	$ 132,987	$ 38,214	$ 68,238	$ 245

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

(1) interfund goods and services were provided and when the payments occurred, and

(2) interfund transfers were accrued and when the liquidations occurred.

Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Internal Service	Fiduciary	Total
$ 56	$ 32,837	$ 4,165	$ 29,289	$ 2,853	$ 39,967	$ 147,147
-	283	-	-	-	-	29,675
1,129	38	-	14	416	-	70,658
-	-	-	-	-	-	92
1	-	-	3	94	-	35,353
-	-	-	-	-	-	272
-	-	-	560	41	645	16,272
109	811	-	479	313	3,073	31,183
6	24,519	-	1,685	582	260	53,265
$ 1,301	$ 58,488	$ 4,165	$ 32,032	$ 4,299	$ 43,946	$ 383,916

B. Due from/to Component Units

Receivables and payables between funds and component units at June 30, 2007 were as follows (in thousands);

	Due from Component Unit			Due from Primary Government		
	University of Wisconsin System	Internal Service	Fiduciary	University of Wisconsin Hospitals and Clinics Authority	Timing Differences	Total
Due to Primary Government:						
Wisconsin Housing and Economic Development Authority	$ -	$ 20	$ -	$ -	$ -	$ 20
University of Wisconsin Hospitals and Clinics Authority	2,972	106	2,197	-	-	5,275
State Fair Park Exposition, Center Inc.	-	-	-	-	33	33
Due to Component Unit:						
University of Wisconsin System	-	-	-	2,443	-	2,443
Total	$ 2,972	$ 126	$ 2,197	$ 2,443	$ 33	$ 7,771

Receivables and liabilities between the primary government and the discretely presented component unit do not agree because the State Fair Park Exposition Center, Inc. has a December 31 fiscal year end.

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, 2007 were as follows (in thousands):

	Interfund Receivables
	Fiduciary
Interfund Payables:	
General	$ 357,376
Nonmajor Governmental	27,085
Nonmajor Enterprise	30,332
Internal Service	25,037
Fiduciary	1,341,864
Total	$ 1,781,694

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, 2007 were as follows (in thousands):

	Advances to Other Funds (asset):		
	General	Internal Service	Total
Advances from Other Funds (liability):			
Nonmajor Governmental	$ -	$ 2,864	$ 2,864
Fiduciary	85	-	85
Total	$ 85	$ 2,864	$ 2,949

E. Interfund Transfers

Interfund Transfers in and out that occurred during Fiscal Year 2007 were as follows (in thousands):

Transfers out:	Transfers in: General	Transportation	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Internal Service	Total
General	$ -	$ 2,395	$ 678,694	$ -	$ 945,403	$ 305	$ 61,538	$ 5,883	$ 1,694,218
Transportation	96,795	-	36,993	-	30	-	-	-	133,818
Nonmajor Governmental	68,344	6,439	49,627	28,545	197,089	-	14,208	379	364,630
Injured Patients and Families Compensation	3	-	7	-	-	-	-	-	10
Environmental Improvement	43	-	6,045	-	-	-	-	-	6,088
University of Wisconsin System	19,723	-	29,032	-	-	-	-	29	48,784
Nonmajor Enterprise	25,129	-	3,233	-	-	-	2,145	323	30,829
Internal Service	2,563	18	1,478	-	62	-	1	673	4,794
Fiduciary	1	-	166	-	-	-	-	-	167
Noncurrent Assets Transferred Between Proprietary Funds and Governmental Funds	-	-	-	-	-	-	(85)	446	362
Total	$ 212,601	$ 8,852	$ 805,275	$ 28,545	$ 1,142,583	$ 305	$ 77,807	$ 7,732	$ 2,283,700

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, 2007, transfers considered non-routine or inconsistent with the fund making the transfer included the following (in thousands):

Funds Reporting the Transfer	Amount
Transfers to the General Fund from other funds to address revenue shortfalls:	
Transportation	$88,682
Recycling	12,500
Utility Public Benefit	16,949
Petroleum Inspection	20,087
Other funds	2,422
Transfers to the General Fund from other funds to reflect savings related to the issuance of the annual appropriation bonds, which were issued to pay the unfunded pension liability and unfunded accumulated unused sick leave:	
Transportation	1,136
University of Wisconsin System	9,382
Other funds	2,067

Continued

Funds Reporting the Transfer	Amount
Transfers to the General Fund for the Accountability, Consolidation, Efficiency (ACE) initiative:	
Transportation	$ 4,542
Other	1,778
Transfers to the Medical Assistance Trust Fund from the General Fund	127,805

NOTE 10. CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2007, the following changes occurred in long-term liabilities (in thousands):

Primary Government

Governmental Activities	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Bonds Payable:					
General Obligation Bonds for Governmental Funds	$ 3,758,137	$ 534,990	$ 507,683	$ 3,785,444	$ 268,529
General Obligation Bonds for Internal Services Funds	158,706	18,404	21,503	155,606	8,352
Annual Appropriation Bonds	1,794,850	-	-	1,794,850	-
Revenue Bonds	3,096,740	355,610	380,105	3,072,245	114,524
Less Deferred Amounts:					
Issuance Premiums and Discounts	233,194	49,364	40,484	242,075	
Refundings	(56,532)	(6,068)	(6,446)	(56,154)	
Total Bonds Payable	8,985,095	952,300	943,330	8,994,066	391,405
Other Liabilities:					
Future Benefits and Loss Liability	100,161	17,638	21,815	95,984	21,241
Capital Leases	36,840	22,805	18,437	41,208	16,709
Installment Contracts	666	653	868	451	372
Compensated Absences	129,322	57,209	55,002	131,528	45,475
Claims, Judgments and Commitments	13,429	1,062	-	14,491	-
Total Governmental Activities Long-term Liabilities	$ 9,265,513	$ 1,051,667	$ 1,039,452	$ 9,277,728	$ 475,202

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 2007. 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, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Bonds Payable:					
General Obligation Bonds	$ 883,109	$ 314,198	$ 93,196	$ 1,104,111	$ 39,221
Revenue Bonds	676,660	100,000	47,085	729,575	54,985
Less Deferred Amounts:					
Issuance Premiums and Discounts	50,591	15,196	9,882	55,905	
Refundings	(23,220)	(1,442)	(3,589)	(21,072)	
Total Bonds Payable	1,587,140	427,953	146,574	1,868,518	94,206
Other Liabilities:					
Future Benefits and Loss Liability	927,982	174,008	135,430	966,560	111,536
Capital Leases	47,686	119,235	45,737	121,183	5,176
Compensated Absences	108,940	13,793	4,558	118,175	58,799
Total Business-type Activities Long-term Liabilities	$ 2,671,748	$ 734,988	$ 332,300	$ 3,074,437	$ 269,717

Component Units

The following table presents the changes in long-term liabilities of the Wisconsin Housing and Economic Development Authority at June 30, 2007, the Wisconsin Health Care Liability Insurance Plan at December 31, 2006, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2007, the University of Wisconsin Foundation at December 31, 2006, and the State Fair Park Exposition Center, Inc. at December 31, 2006:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Bonds and Notes Payable:					
Revenue Bonds and Notes	$ 2,853,892	$ 899,856	$ 428,738	$ 3,325,010	$ 77,468
Future Benefits and Loss Liability	32,167	--	2,361	29,806	9,617
Capital Leases	14,760	--	2,788	11,972	2,254
Compensated Absences	5,882	6,049	5,386	6,545	6,049
Pension Related	78,331	--	5,430	72,901	1,968
Total Component Units Long-term Liabilities	$ 2,985,032	$ 905,905	$ 444,703	$ 3,446,234	$ 97,356

NOTE 11. BONDS, NOTES AND OTHER DEBT OBLIGATIONS

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2007 (in thousands):

Primary Government	
Governmental Activities:	
General Obligation Bonds	$ 4,066,287
Annual Appropriation Bonds	1,792,686
Revenue Bonds:	
Transportation	1,566,842
Petroleum Inspection	132,189
Badger Tobacco Asset Securitization Corporation	1,436,063
Total Governmental Activities	8,994,067
Business-type Activities:	
General Obligation Bonds:	
University of Wisconsin System	709,742
Other Business-type	412,596
Revenue Bonds:	
Environmental Improvement	746,181
Total Business-type Activities	1,868,519
Total Primary Government	10,862,586
Component Units:	
Wisconsin Housing and Economic Development Authority Revenue Bonds	3,040,952
University of Wisconsin Hospitals And Clinics Authority Revenue Bonds	231,767
State Fair Park Exposition Center, Inc. Revenue Bonds and Notes Payable	40,795
University of Wisconsin Foundation Note Payable	11,496
Total Component Units	3,325,010
Total at June 30, 2007	$14,187,596

A. General Obligation Bonds

Primary Government

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

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

At June 30, 2007, $2,364.6 million of general obligation bonds were authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2007 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	$ 11,629
1991	1991 Series B	5/91	6.80 to 6.85	5/11	117,136	25,102
1992	1992 Refunding Issue	3/92	6.25	5/15	448,935	62,190
1993	1992 2;	10/92;	5.0 to 6.5	5/15	423,565	147,155
	1993 1, 2	1/93; 3/93				
1994	1993 Refunding Issues 3, 5, 6;	8/93; 12/93;	5.125 to 6.2	5/24	515,830	162,495
	1994 Refunding Issue 2	10/93; 3/94				
1995	1994 Series 3 and C;	9/94; 9/94;	5.8 to 6.65	5/25	100,400	5,230
	1995 Series B and 1	2/95; 2/95				
1996	1995 Series 2;	10/95;	5.75 to 6.2	11/24	87,850	8,720
	1996 Series B	5/96				
1997	1996 D;	10/96;	5.75 to 6.0	5/27	75,000	6,490
	1997 1 and A	3/97; 3/97				
1998	1997 B, C and D;	7/97; 9/97; 9/97;	4.5 to 7.25	11/28	411,765	57,290
	1998 A, B and C	3/98; 5/98; 5/98				
1999	1998 Series 1, 2, D, E and F;	8/98; 9/98; 9/98; 10/98;	4.0 to 7.25	11/30	590,675	217,070
	1999 Series 1, A and B	10/98; 5/99; 2/99; 5/99				
2000	1999 C and D; 2000 A	10/99; 11/99; 3/00	5.0 to 7.7	11/30	315,000	45,145
2001	2000 Series B and E;	7/00;11/00;	4.5 to 8.05	11/31	259,030	54,680
	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	440,730
	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;	2.85 to 5.25	5/33	415,190	230,485
	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	1,061,385
	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	995,950
	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	645,845
	2006 Series 1 and A	1/06; 3/06				
2007	2006 Series B, C and D;	7/07; 8/06; 8/06;	4.25 to 5.76	5/37	867,570	867,570
	2007 Series AW, BW and I;	2/07; 2/07; 2/07;				
	2007 Series A and B	2/07; 6/07				
Total					8,560,451	5,045,161
Premiums/Discounts					--	209,154
Deferred Amount on Refunding					--	(65,691)
Total General Obligation Bonds					$ 8,560,451	$ 5,188,624

As of June 30, 2007, 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
2008	$ 276,882	$ 210,589	$ 39,221	$ 56,570
2009	288,829	193,997	40,420	53,683
2010	291,949	165,240	40,926	51,676
2011	286,481	147,036	40,510	49,603
2012	273,032	133,548	43,345	47,544
2013-2017	1,219,338	478,767	242,744	203,503
2018-2022	908,282	215,653	268,764	138,977
2023-2027	396,257	45,765	286,911	69,440
2028-2032	--	--	67,145	18,426
2033-2037	--	--	34,125	3,830
Total	3,941,050	1,590,595	1,104,111	693,252
Premiums/Discounts	179,332	--	29,822	--
Deferred Amount on Refunding	(54,095)	--	(11,596)	--
Total	$ 4,066,287	$ 1,590,595	$ 1,122,337	$ 693,252

Zero Coupon Bonds

The general obligation bonds of 1990, Series D (Higher Education Series), are zero coupon bonds recorded in the amount of $11.6 million which is the accreted value at June 30, 2007. 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 $25.1 million. The bonds mature on May 1 through the year 2011.

B. 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.

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 amount of $850.0 million ("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 Bonds, Series B (Taxable Auction Rate Certificates), in the amount of $944.9 million, are multimodal bonds issued in multiple subseries, as taxable Auction Rate Certificates ("Series B Bonds" or "ARCs"). Interest on the Series B Bonds is variable and is computed on the basis of a 360-day year and for the number of days actually elapsed.

As of June 30, 2007, the debt service requirements for principal and interest on these bonds are as follows (in thousands):

Fiscal Year Ended June 30	Principal	Interest
2008	$ --	$ 94,471
2009	6,100	94,424
2010	10,850	94,105
2011	16,050	93,561
2012	21,800	92,773
2013 - 2017	369,880	399,431
2018 - 2022	281,620	345,096
2023 - 2027	684,950	225,142
2028 - 2032	403,600	60,823
Total	1,794,850	1,499,826
Unamortized Premium/Discount	(2,164)	--
Total, net	$ 1,792,686	$ 1,499,826

Interest Rate Swaps

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

Objective – In December 2003, the State issued annual appropriation bonds in the amount of $1.8 billion. Of this amount, $944.9 million was issued as taxable auction rate certificates (ARCs) in nine sub-series and having variable interest rates set every respective 28 days at an auction. The State entered into four interest rate exchange agreements with four different counterparties in order to reduce the interest rate risk in connection with $595.2 million of ARCs. 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 ARCs ($349.7 million).

Terms – All of the ARCs are subject to the interest rate exchange agreements. The ARCs mature and a related notional amount of the related interest rate exchange agreements decline from May 1, 2009 through 2032. Based on the interest rate exchange agreements, the State owes to the counterparties an amount calculated at fixed rates ranging from 4.523 percent to 5.47 percent and the counterparties owe the State interest an amount based on a variable rate, which is the one-month LIBOR. The net amount is paid monthly.

Fair Value – As of June 30, 2007, the aggregate fair value of the interest exchange agreements was $51.5 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 five counterparties -- JP Morgan Chase, Citibank N.A. New York, UBS AG, Bear Stearns Financial Products, and Morgan Stanley Bank. 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 valued 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. Based on those parameters, and swap market conditions prevailing on the June 30, 2007 valuation date, the third party consultant calculated the estimate market value. The valuations of derivative transactions provided by the third party consultant are indicative values based on mid-market levels as of the close of business on the date for which they are provided. The fair value may vary throughout the life of the swap agreements due to any changes in fixed swap interest rates and swap market conditions.

Associated Debt – Using rates as of June 30, 2007, debt service requirements are presented for the ARCs that are subject to the interest rate exchange agreements and the net swap payments assuming that interest rates remain the same for their term. As rates vary, interest payments on the ARCs and net swap payments will vary.

(in thousands)

Fiscal Year Ended June 30	Principal	Interest	Interest Rate Swaps, Net	Totals
2008	$ --	$ 50,623	$ (2,332)	$ 48,291
2009	6,100	50,432	(2,186)	54,346
2010	10,850	50,064	(2,134)	58,780
2011	16,050	49,439	(2,046)	63,443
2012	21,800	48,664	(2,053)	68,411
2013 - 2017	48,050	229,890	(7,886)	270,054
2018 - 2022	103,000	219,621	(6,435)	316,186
2023 - 2027	335,400	168,015	52	503,466
2028 - 2032	403,600	59,528	730	463,858
	$ 944,850	$ 926,276	$ (24,290)	$ 1,846,835

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 ARCs until their maturity. Although the interest rate is synthetically fixed under the interest rate exchange agreements, interest payments on the ARCs subject to the interest rate exchange agreements and net swap payments will vary as interest rates vary.

Credit Risk – As of June 30, 2007, the State was exposed to credit risk in the amount of the aggregate fair value of the interest rate exchange agreements. The State has entered into eight interest rate agreements with five different counterparties. The lowest rating assigned to these counterparties is, as of June 30, 2007, Aa3 by Moody's, A+ by Standard & Poor's, and AA- by Fitch Ratings (which only assigns a rating for four of the five counterparties). Under the interest rate exchange agreements and to mitigate the potential for credit risk, if any of the counterparties' credit quality falls below A3 by Moody's Investors Service or A- by either Standard & Poor's or Fitch Ratings, the fair value of the interest rate exchange agreement for that respective counterparty will be fully collateralized by that counterparty. In addition, an event of termination occurs if any of the counterparties' credit quality falls below Baa2 by Moody's investors service 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 ARCs) as the relationship between the one-month LIBOR and the ARCs vary, which changes the synthetic rate on the bonds. As of June 30, 2007, the one-month LIBOR was 5.33 percent and the interest rate on the ARCs was 5.27 percent. This current positive variance effectively reduces the nominal synthetic fixed interest rate paid by the State on the interest rate exchange agreements. The relationship between the one-month LIBOR and ARCs will vary over time and any variation will result in a de facto adjustment to the nominal synthetic fixed interest rates.

Termination Risk – The interest rate exchange agreements may be terminated by the State, upon two business days written notice, designating to the counterparty the termination date. The State or the counterparties may terminate the interest rate exchange agreements if the other party fails to perform under the terms of the interest rate exchange agreements or if other various events occur. If any interest rate exchange agreement is terminated, the State would be unhedged and exposed to additional interest rate risk on the related ARCs. In addition, if the interest rate exchange agreement has a negative fair value at the time of termination, the State would incur a loss and would be required to make a settlement payment to the related counterparty. Actual termination payments, if required to be made, can be made, at the State's discretion, from the Stabilization Fund, or delayed until funds are available in the Subordinated Payment Obligations Fund or until the next biennium when appropriations can be made in the biennial budget for the termination payments. To further mitigate the risk of an involuntary termination event, the State has also purchased a swap insurance policy from a financial guaranty insurance company that was rated Aaa by Moody's and AAA by Standard & Poor's and Fitch. The State's regularly scheduled net payment obligations under six of the eight interest rate exchange agreements are insured subject to the terms and conditions of the policy.

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

C. Revenue Bonds

Primary Government

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

Transportation Revenue Bonds

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

The Department of Transportation is authorized to issue a total of $2,708.3 million of revenue bonds. Presently, there are twelve issues of Transportation Revenue Bonds totaling $1,566.8 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, 2007 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
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	158,400
2005A	3/05	3.0 to 5.25	7/25	235,585	235,255
2004 1	9/04	5.0 to 5.25	7/17	95,905	87,725
2003A	11/03	3.0 to 5.0	7/24	166,230	150,730
2002A	10/02	3.0 to 5.0	7/23	119,785	100,715
2002 1& 2	4/02	3.625 to 5.75	7/15 & 7/19	200,080	133,130
2001A	11/01	4.0 to 5.0	7/22	106,450	78,955
1998A&B	8&10/98	4.25 to 5.5	7/9 & 7/16	169,115	119,010
1993A	9/93	4.7 to 5.0	7/12	116,450	62,065
				1,723,610	1,481,595
Unamortized Premium				--	85,247
Total				$1,723,610	$1,566,842

Petroleum Inspection Fee Revenue Bonds

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

Presently, PIF Bonds outstanding are $132.2 million. Debt service payments are secured by petroleum inspection fees.

The PIF revenue bonds issued and outstanding as of June 30, 2007 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	$ 130,290
Deferred amount on refunding				--	(2,059)
Unamortized Premium				--	3,958
Total				$ 140,470	$ 132,189

Clean Water Revenue Bonds

The Environmental Improvement Fund (the Fund) provides loans and grants to local municipalities to finance wastewater treatment planning and construction. The Fund is authorized to issue up to $1,616.0 million in Revenue Bonds. At June 30, 2007, there were eleven issues of Revenue Bonds outstanding totaling $746.2 million. These bonds are secured by payments on program loans and earnings of investments.

Bonds issued and outstanding for the Fund as of June 30, 2007 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2006-2	11/06	4.0 to 5.0	6/27	$ 100,000	$ 100,000
2006-1	3/06	3.5 to 5.0	6/27	80,000	80,000
2004-2	1/05	3.25 to 5.25	6/20	107,025	107,025
2004-1	3/04	4.0 to 5.0	6/24	116,795	109,645
2002-2	8/02	3.0 to 5.5	6/16	85,575	59,260
2002-1	5/02	4.0 to 5.25	6/23	100,000	59,305
2001-1	4/01	4.5 to 5.25	6/21	70,000	36,100
1999-1	9/99	5.0 to 5.75	6/20	80,000	6,910
1998-2	8/99	4.0 to 5.5	6/17	104,360	90,400
1998-1	1/98	4.0 to 5.0	6/18	90,000	23,485
1991-1	4/91	6.875	6/11	225,000	57,445
				1,158,755	729,575
Unamortized Premium				--	26,167
Less: Unamortized discount and charge				--	(9,561)
Total, net of discount, charge and premium				$1,158,755	$ 746,181

As of June 30, 2007, 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
2008	$ 75,065	$ 68,146	$ 20,270	$ 5,671	$ 54,985	$ 37,036
2009	80,395	67,601	21,280	4,686	57,735	34,506
2010	79,395	63,768	22,350	3,622	60,760	31,377
2011	71,600	60,045	23,470	2,507	64,310	28,054
2012	75,325	56,254	24,635	1,366	44,030	24,601
2013-2017	401,515	219,066	18,285	391	205,850	90,119
2018-2022	432,805	115,665	--	--	156,785	42,434
2023-2027	247,155	23,173	--	--	85,120	10,775
2028-2032	18,340	390	--	--	--	--
Total	1,481,595	674,108	130,290	18,243	729,575	298,902
Unamortized Premium	85,247	--	3,958	--	26,167	--
Unamortized Discount/Charge	--	--	(2,059)	--	(9,561)	--
Total, net	$ 1,566,842	$ 674,108	$ 132,189	$ 18,243	$ 746,181	$ 298,902

Component Units – Blended Presentation

Badger Tobacco Asset Securitization Corporation

In May 2002, the Badger Tobacco Asset Securitization Corporation (BTASC) (a blended component unit – debt service fund) issued $1.6 billion of bonds for the purpose of making a one-time purchase of Tobacco Settlement Revenue (TSRs) from the State. Interest on the bonds is due on June 1 and December 1. These bonds are revenue obligations of the BTASC secured by, and payable solely and only out of, the moneys, assets or revenues pledged by the BTASC.

Debt service requirements for principal and interest for the BTASC at May 31, 2007 were as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2008	$ 12,485	$ 89,370
2009	31,220	88,261
2010	33,565	86,642
2011	35,070	84,838
2012	32,770	82,932
2013-2017	196,570	382,303
2018-2022	244,335	315,933
2023-2027	370,320	224,243
2028-2032	452,815	107,864
2033	51,210	1,632
Total	1,460,360	1,464,018
Unamortized Premium/Discount	(24,297)	--
Total	$ 1,436,063	$ 1,464,018

Component Units – Discrete Presentation

Wisconsin Housing and Economic Development Authority

Bonds and notes payable at June 30, 2007 of the Wisconsin Housing and Economic Development Authority (Authority) consisted of the following (in thousands):

Revenue bonds and notes	$ 2,973,398
Special obligation and subordinated Special obligation	72,503
Total	3,045,901
Less: Deferred amount on refunding	(4,949)
Total, net	$ 3,040,952

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, 2007 consisted of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Housing Revenue Bonds:				
1998 A,B&C	2/98	4.75 to 6.88	2032	$ 22,975
1999 A&B	10/99	5.1 to 6.18	2031	32,790
2000 A&B	9/00	Variable	2032	9,950
2002 A,B&C	5/02	3.9 to 5.6	2033	70,160
2002 D,E,F,G&I	5/02	Variable	2034	31,190
2002 H	5/02	Variable	2033	23,315
2003 A&B	12/03	Variable	2034	6,180
2003 C	12/03	2.75 to 5.25	2043	13,810
2003 D&E	12/03	Variable	2044	20,175
2005 A,B&C	12/05	3.2	2035	9,775
2005 D&E	12/05	3.55 to 5.15	2035	41,265
2005 F	12/05	4.31	2030	123,770
2006 A&B	12/06	3.65 to 4.75	2037	19,450
2006 C&D	12/06	Variable	2030	9,130
				433,935
Home Ownership Revenue Bonds:				
1996 A&B	3/96	5.6 to 5.7	2015	1,565
1996 E&F	11/96	5.4 to 5.9	2016	3,360
1997 A,B&C	4/97	5.5 to 5.7	2010	4,280
1997 D&E	6/97	5.25 to 5.8	2017	13,190
1997 G,H&I	11/97	5.15 to 5.35	2017	3,275
1998 A,B&C	4/98	4.75 to 5.5	2027	39,720
1998 D&E	6/98	5.35	2028	18,025
1999 C,D&E	4/99	4.45 to 6.17	2029	11,905
1999 F,G&H	7/99	5.25 to 7.07	2027	12,430
2000 A,B&C	3/00	5.5 to 5.8	2030	6,005
2000 D,E&F	6/00	5.75 to 7.91	2029	9,195
2000 F	7/00	Variable	2015	3,605
2000 G&H	11/00	7.21	2031	4,575
2000 H	11/00	Variable	2024	9,485
2001 A,B&C	5/01	4.85 to 6.4	2032	15,360
2002 A&C	2/02	3.9 to 5.5	2032	45,445
2002 B	2/02	Variable	2032	10,595
2002 C	2/02	Variable	2016	12,100
2002 E&G	3/03	3.5 to 4.85	2022	40,890
2002 I	10/02	3.05 to 4.85	2032	26,230
2002 E & F	7/02	Variable	2032	46,625
2002 I	10/02	Variable	2032	39,040

(Continued)

Series/ Issue	Date	Rates	Maturity Through	Outstanding
2003 A	4/03	2.55 to 4.95	2024	11,075
2003 A	4/03	Variable	2033	72,215
2003 B	7/03	Variable	2034	85,285
2003 C	11/03	2.65 to 4.85	2024	13,155
2003 C	11/03	Variable	2034	59,335
2003 D	11/03	Variable	2028	17,505
2004 A	4/04	Variable	2035	95,800
2004 A	4/04	2.65 to 4.2	2014	15,130
2004 B	4/04	Variable	2035	5,615
2004 C&D	7/04	3.35 to 5.1	2024	26,525
2004 D	7/04	Variable	2035	110,135
2004 E	11/04	Variable	2035	90,875
2005 A	4/05	3.25 to 4.95	2025	25,220
2005 A	4/05	Variable	2036	91,085
2005 B	4/05	Variable	2035	10,420
2005 C	6/05	Variable	2033	161,595
2005 C	6/05	4.875	2036	33,695
2005 D&E	9/05	2.83 to 4.875	2036	143,370
2006 A&B	1/06	3.07 to 4.32	2037	198,260
2006 C&D	5/06	4.85 to 6.0	2037	245,135
2006 E&F	10/06	4.7 to 5.727	2037	179,895
2007 A&B	4/07	4.7 to 5.75	2038	151,215
2007 B	4/07	Variable	2026	28,785
2007 C&D	4/07	Variable	2038	165,815
2007 C&D	4/07	3.82 to 6.06	2038	59,185
				2,473,225
Business Development Bonds:				
1989 3	Various	7.75	2014	775
1995 1-2,4-9	Various	Variable	2015	4,070
				4,845
Multifamily Housing Bonds:				
2006 A&B	7/06	Variable	2036	7,500
2007 A&B	6/07	Variable	2040	11,520
				19,020
Notes Payable	Various	Variable	2021	42,373
Authority's Total Revenue Bonds and Notes				$ 2,973,398

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, 2007 consist of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Home Ownership Revenue Bonds:				
1998 F&G	10/98	4.4 to 5.51	2029	$ 13,490
Single Family Drawdown Revenue Bonds:				
2006-1	4/06	Variable	2011	59,013
Total Special Obligation Bonds				$ 72,503

Debt service requirements for principal and interest for the Authority at June 30, 2007 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2008	$ 75,075	$ 133,623
2009	64,515	133,787
2010	87,403	131,071
2011	126,028	127,524
2012	66,145	122,367
2013-2017	336,945	565,286
2018-2022	444,135	475,199
2023-2027	569,900	358,864
2028-2032	671,825	218,734
2033-2037	541,390	76,258
Thereafter	62,540	5,233
Total	3,045,901	2,347,946
Deferred Amount on Refunding	(4,949)	--
Total	$ 3,040,952	$ 2,347,946

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, 2007, the Authority had issued 142 series of such bonds in an aggregate principal amount of $82.6 million for economic projects in Wisconsin.

The commercial paper obligations are issued for terms of one to 270 days. These obligations bear interest at various rates, which are 3.9 percent and 3.4 to 3.8 percent at June 30, 2007 and June 30, 2006 respectively. The obligations are backed by a line of credit agreement which is renewable annually and bears interest at variable rates, based on an index defined in the agreement. The Authority has entered into various line of credit agreements. A WAHA, LLC. line of credit bears interest at the rate of 5.54 percent at June 30, 2007, while a Construction Plus line of credit bears interest at the rate of 5.51 percent at June 30, 2007. 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, 2007 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, 2007, 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
2008	$ 41,860	$ 58,972	$ 2,141	$ 102,973
2009	48,225	57,176	2,948	108,349
2010	53,210	56,090	2,200	111,500
2011	56,035	53,011	3,120	112,166
2012	53,005	50,634	3,311	106,950
2013 - 2044	1,241,215	585,027	50,709	1,876,951
Totals	$1,493,550	$ 860,910	$ 64,429	$2,418,889

The following table outlines information related to agreements in place as of June 30, 2007 (in thousands):

Program and Bond Issue	Notional Value at 6/30/06	Effective Date	Swap Termination Date	Counterparty Credit Rating	Percent Fixed Rate Paid	Variable Rate/Index Received	Swap Termination Market Value at 6/30/07
Housing Revenue Bonds							
2002 Series H	$ 23,315	5/21/2002	11/1/2033	AAA	4.68	70% of one month London Interbank Offered Rate (LIBOR)	$ (253)
2003 Series D	8,595	1/5/2005	5/1/2044	AAA	4.21	65% of one month LIBOR + 25 basis points	63
2003 Series E	11,580	1/5/2005	5/1/2043	AAA	4.05	63.5% of one month LIBOR + 20 basis points	89
2005 Series F	82,855	1/17/2006	11/1/2030	AAA	5.21	One month LIBOR	2,969
2006 Series C	3,960	12/14/2006	11/1/2016	AAA	3.64	BMA + 2 basis points	84
2006 Series D	5,170	12/14/2006	11/1/2016	AAA	3.64	BMA + 2 basis points	110
							3,062
Multifamily Housing Bonds							
2006 Series A&B	7,500	7/19/2006	10/1/2013	AAA	4.21	BMA + 2 basis points	(120)
2007 Series A	7,580	6/29/2007	10/1/2022	AAA	4.43	BMA + 6 basis points	(156)
2007 Series B	3,940	6/27/2007	10/1/2022	AAA	5.9	BMA + 2 basis points	(96)
							(372)
1987 Home Ownership Revenue Bonds							
2002 Series B	10,595	2/6/2002	3/1/2020	AAA	5.88	One month LIBOR + 35 basis points	7
2002 Series C	12,100	2/6/2002	9/1/2012	AAA	3.69	67 percent of one month LIBOR	(38)
2002 Series I	4,020	10/17/2002	3/1/2008	AA+	2.33	70 percent of one month LIBOR	41
2002 Series I	35,020	10/17/2002	9/1/2032	AA+	4.07	70 percent of one month LIBOR	1,067
2003 Series B	85,285	7/29/2003	9/1/2034	AAA	3.94	65 percent of one month LIBOR +25 basis points	1,103
2004 Series A	31,020	4/29/2004	9/1/2022	AAA	4.47	BMA + 8 basis points	(388)
2004 Series A	24,030	4/29/2004	9/1/2012	AAA	2.87	65 percent of one month LIBOR + 25 basis points	439
2004 Series A	40,750	4/29/2004	3/1/2035	AAA	4.27	65 percent of one month LIBOR + 25 basis points	302
2005 Series A	91,085	4/12/2005	3/1/2036	AAA	4.03	65 percent of one month LIBOR + 25 basis points	550
2005 Series D	81,275	9/29/2005	9/1/2036	AAA	3.9	65 percent of one month LIBOR + 25 basis points	1,503
2007 Series B	28,785	4/10/2007	9/1/2029	AAA	5.195	One month LIBOR + 35 basis points	966
							5,552
1988 Home Ownership Revenue Bonds							
2002 Series E	11,375	7/11/2002	3/1/2011	AAA	3.24	70 percent of one month LIBOR	81
2002 Series E	23,890	7/11/2002	9/1/2032	AAA	4.67	70 percent of one month LIBOR	28
2002 Series F	11,360	7/11/2002	9/1/2014	AAA	5.20	Three months LIBOR + 40 basis points	180
2003 Series A	22,920	4/3/2003	9/1/2014	AAA	2.98	65 percent one month LIBOR + 25 basis points	573
2003 Series A	31,375	4/3/2003	9/1/2030	AAA	4.26	65 percent one month LIBOR + 25 basis points	636
2003 Series A	17,920	4/3/2003	9/1/2033	AAA	4.17	65 percent one month LIBOR + 25 basis points	554
2003 Series C	20,730	11/4/2003	3/1/2019	AAA	3.32	65 percent one month LIBOR + 25 basis points	478
2003 Series C	38,605	11/4/2003	3/1/2034	AAA	4.3	65 percent one month LIBOR + 25 basis points	210
2004 Series D	110,135	7/27/2004	9/1/2035	AAA	4.04	65 percent one month LIBOR + 25 basis points	483
2004 Series E	90,875	7/27/2004	9/1/2035	AAA	3.99	65 percent one month LIBOR + 25 basis points	781
2005 Series C	98,905	8/3/2005	3/1/2024	AAA	3.34	BMA + 8 basis points until 3/1/06, then 65 percent one month LIBOR + 25 basis points	2,927
2003 Series C	62,690	8/3/2005	9/1/2033	AAA	4.07	BMA + 8 basis points until 3/1/06, then 65 percent one month LIBOR + 25 basis points	1,706
2006 Series A	100,075	1/9/2006	3/1/2029	AAA	3.65	65 percent of one month LIBOR + 25 basis points	2,187
2006 Series A	59,020	1/9/2006	3/1/2037	AAA	4.27	65 percent of one month LIBOR + 25 basis points	744
2007 Series C	26,500	6/28/2007	9/1/2007	AAA	4.32	BMA + 8 basis points	(261)
2007 Series C	22,575	6/28/2007	9/1/2023	AAA	4.63	BMA + 8 basis points	(452)
2007 Series C	46,805	6/28/2007	9/1/2016	AAA	4.11	BMA + 8 basis points	(430)
2007 Series D	23,760	6/28/2007	9/1/2027	AAA	6.48	100 percent of one month LIBOR	(532)
2007 Series D	27,445	6/28/2007	9/1/2016	AAA	5.62	100 percent of one month LIBOR	(288)
2007 Series D	18,730	6/28/2007	9/1/2028	AAA	6.01	100 percent of one month LIBOR	(407)
							9,198
							$ 17,440

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, 2007. 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, 2007, 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, 2007, the counterparties in 92 percent of the outstanding swaps were rated AAA/Aaa and the remaining counterparty was rated AA+/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 (BMA) 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 2002 Series D	9/1/2022	9/1/2006
1987 HORB 2002 Series I	3/1/2025	3/1/2008
1987 HORB 2002 Series J	9/1/2032	9/1/2006
1987 HORB 2004 Series A	9/1/2028	9/1/2012
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 C	9/1/2034	9/1/2016
1988 HORB 2007 Series C	3/1/2038	9/1/2028
1974 HRB 2006 Series C&D	5/1/2037	11/1/2016
2006 MHB 2006 Series A&B	10/1/2036	10/1/2013
2006 MHB 2007 Series A&B	10/1/2040	10/1/2022

University of Wisconsin Hospitals and Clinics Authority

In April 1997, the University of Wisconsin Hospitals and Clinics Authority (the Hospital) issued $50.0 million of Variable Rate Demand Hospital Revenue Bonds, Series 1997. Principal payments on the Series 1997 Bonds are due annually commencing in April 2010 through April 2026. Interest is payable monthly. The effective annual estimated interest rate was 3.7 percent in 2007.

In March 2000, the Hospital issued $56.5 million of Hospital Revenue Bonds Series 2000. Principal payments are due annually commencing in April 2008 through April 2010. Interest rates range from 5.35 percent to 5.5 percent and interest is payable semiannually on April 1 and October 1 each year beginning October 1, 2000. The effective annual interest rate was 5.7 percent in 2007.

The Series 1997 Bonds, Series 2000 Bonds, Series 2002 Bonds, Series 2004 Bonds and Series 2005 Bonds are collateralized by a security interest in substantially all of the Hospital's revenue. The borrowing agreements contain various covenants and restrictions including compliance with the terms and conditions of the lease agreement (Note 1-B) and provisions limiting the amount of additional indebtedness which may be incurred. The borrowing agreements also require the establishment and maintenance of certain funds under the control of a trustee.

In October 2002, the Hospital issued $68.5 million of Hospital Revenue Bonds, Series 2002 (Series 2002 Bonds) consisting of $55.6 million Series 2002A Short-term Adjustable Securities and $12.9 million Series 2002B Fixed Interest Rate Bonds. The bond proceeds are designated to finance qualified capital projects. Principal payments on the Series 2002A Bonds range from $500 thousand to $3.9 million due annually commencing in April 2013 through 2032. The interest rates and the interest payment dates for the Series 2002A Bonds vary depending on if the bonds are in auction mode, daily mode, weekly mode, or in flexible mode beginning November 29, 2002. Principal payments on the Series 2002B Bonds range from $1.5 million to $1.9 million due annually commencing in April 2008 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 3.7 percent in 2007. The effective annual interest rate of the Series 2002B Bonds was 5.7 percent in 2007.

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, 2007 which matures on April 1, 2022. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.85 percent per annum, payable semiannually, and the Hospital to receive a floating rate of 70 percent of one-month LIBOR per annum, payable monthly. As of June 30, 2007 the interest rate received by the Hospital was 3.8 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 $62,276 at June 30, 2007.

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 are designated to finance qualified capital projects. Principal payments on the Series 2004 Bonds range from $9.7 million to $15.1 million due annually commencing in April 2030 through 2034. The interest rates and the interest payment date for the Series 2004 Bonds vary depending on if the bonds are in auction mode, daily mode, weekly mode, or in flexible mode. The effective annual interest rate of the Series 2004 Bonds was 3.7 percent in 2007.

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, 2007, 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 percent of one-month LIBOR per annum, payable monthly. In 2007, the effective interest rate received by the Hospital was 3.7 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 $792,569 at June 30, 2007.

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 $480,000 to $8.1 million are due annually in April 2008 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 3.7 percent in 2007.

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. The notional amount of the swap agreement was $59.1 million at June 30, 2007, 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 3.5 percent in 2007. 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 2005 swap agreement of $1.8 million at June 30, 2007.

The Series 1997 Revenue Bonds and 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 standby bond purchase agreements (the “Agreements”) with a commercial bank, which expire in 2008 and 2010, to provide the funding for such repurchases as necessary. In the absence of the Agreements, 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, 2007 there were no borrowings under the Agreements.

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

Fiscal Year Ended	Principal	Interest	Interest Rate Swap, Net	Total
2008	$ 5,214	$ 10,023	$ (135)	$ 15,102
2009	5,357	9,748	(134)	14,971
2010	5,638	9,462	(133)	14,967
2011	5,926	9,186	(129)	14,983
2012	6,701	8,901	(125)	15,477
2013-2017	36,992	39,959	(537)	76,414
2018-2022	42,759	32,336	(326)	74,769
2023-2027	50,935	23,341	(182)	74,094
2028-2032	60,815	12,508	(12)	73,311
2033-2035	29,825	1,685	--	31,510
Deferred loss on refunding	(6,793)	--	--	(6,793)
Premium on 2002B Bonds	370	--	--	370
	$243,739	$ 157,149	$ (1,713)	$399,175

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

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

Debt service requirements for principal and interest for the Hospital's revenue bonds at June 30, 2007 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2008	$ 2,960	$ 9,293
2009	3,310	9,135
2010	3,835	8,960
2011	4,215	8,783
2012	5,060	8,592
2013-2017	34,635	39,201
2018-2022	42,600	31,985
2023-2027	50,935	23,159
2028-2032	60,815	12,495
2033-2034	29,825	1,686
Total	238,190	153,289
Deferred loss on refunding	(6,793)	--
Premium/Discount	370	--
Total	$ 231,767	$ 153,289

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, 2005. The letter of credit was renewed effective April 15, 2005 through April 15, 2008. 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, 2006. The outstanding balance on these bonds was $40.8 million as of December 31, 2006.

Debt service requirements for interest for the Center, at December 31, 2006 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2007	$ --	$ 2,488
2008	--	2,488
2009	--	2,488
2010	--	2,488
2011	--	2,489
2012-2016	--	12,423
2017-2021	9,955	11,528
2022-2026	20,690	7,031
2027-2028	10,150	938
Total	$ 40,795	$ 44,361

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, 2006 was $2.4 million.

The second note is a mortgage that was assumed in April 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, 2006, is $9.1 million.

Future maturities of long-term debt as of December 31, 2006 are as follows (in thousands):

Year ended December 31	Total Principal
2007	$ 661
2008	699
2009	8,281
2010	1,855
Total	$ 11,496

D. Refundings, Exchanges and Early Extinguishments

Refunding Provisions of GASB Statement No. 23

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

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

Current Year Refundings/General Obligation Bonds

In February 2007, the State issued $299.0 million of general obligation refunding bonds (2007 Series 1), the proceeds of which were deposited in an escrow account to provide for future debt service payments and redemption of $308.1 million of various general obligation bonds outstanding at the time of the refunding. As a result of the refunding, the bonds are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by $13.2 million and an economic gain of $12.6 million.

In August 2006, the State issued $61.7 million of general obligation refunding bonds (2006 Series C), the proceeds of which were used for the redemption of $61.0 million of Extendible Municipal Commercial Paper (EMCP), (2005 Series A) outstanding at the time of the refunding. As a result of the refunding, EMCP (2005 Series A) were paid in full and the associated liability removed from the financial statements.

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, 2007, approximately $1.2 billion of general obligation bond principal have been defeased.

Current Year Refundings/Revenue Bonds

In March 2007, the State issued $206.9 million of transportation revenue refunding bonds (2007 Series 1), the proceeds of which were deposited in an escrow account to provide for future debt service payments and redemption of $212.6 million of various transportation revenue bonds outstanding at the time. As a result of the refunding, the bonds are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by $9.2 million and an economic gain of $9.0 million.

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, 2007, revenue bonds outstanding of $279.7 million have been defeased.

- Transportation revenue bonds – At June 30, 2007, revenue bonds outstanding of $516.6 million have been defeased.

Refundings -- Component Units

Wisconsin Housing and Economic Development Authority

The Wisconsin Housing and Economic Development Authority (the Authority) defeased Insured Mortgage Revenue Bonds payable aggregating $48.4 million and sold the related Insured Mortgage Loan portfolio on March 1, 1990. As of June 30, 2007, the remaining outstanding defeased debt was $26.1 million.

Early Extinguishments/Redemptions

Revenue Bonds

In July 2006, the State redeemed the 2001 Series A Petroleum Inspection Fee Revenue Bonds each in the par amount of $15.0 million, and due in July 2007 and July 2008. In August 2006, the State redeemed the last remaining maturity of the 2000 Series A Petroleum Inspection Fee Revenue Bonds, in the par amount of $7.9 million, and due July 2012. The early redemption will result in a decrease in total debt service (interest) payments of $4.8 million.

Component Units

Badger Tobacco Asset Securitization Corporation

On December 2006 and June 2007, the Trustee in aggregate redeemed $12.5 million in serial maturities and $33.4 million of the turbo term bonds due June 2027.

Wisconsin Housing and Economic Development Authority

During 2007, 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 2007
Home Ownership Revenue	
Bond Resolutions:	
1987	$ 41,635
1988	53,180
All Other	32,907
Housing Revenue Bonds	12,480
General funds	590

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, 2007, the amount of general obligation commercial paper notes outstanding was $213.2 million which had interest rates ranging from 3.5 percent to 3.82 percent and maturities ranging from July 2, 2007 to October 5, 2007.

Short-term debt activity for the year ended June 30, 2007 for the general obligation commercial paper notes was as follows (in millions):

Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
$ 100.1	$ 123.5	$ 10.4	$ 213.2

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, 2007, the amount of the general obligation extendible municipal commercial paper outstanding was $452.2 million which had interest rates ranging from 3.67 percent to 3.80 percent and maturities ranging from July 6, 2007, to October 5, 2007.

Short-term debt activity for the year ended June 30, 2007 for the general obligation extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
$ 468.7	$ 96.2	$ 112.7	$ 452.2

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, 2007, the amount of petroleum inspection fee revenue extendible commercial paper outstanding was $142.3 million which had interest rates ranging from 3.72 percent to 3.78 percent and maturities ranging from August 6, 2007 to August 9, 2007.

Short-term debt activity for the year ended June 30, 2007 for the petroleum inspection fee revenue extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
$ 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, 2007, the amount of transportation revenue commercial paper notes outstanding was $198.8 million which had interest rates ranging from 3.62 percent to 3.70 percent and maturities ranging from July 10, 2007 to November 7, 2007.

Short-term debt activity for the year ended June 30, 2007 for the transportation revenue commercial paper notes was as follows (in millions):

Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
$ 113.9	$ 91.3	$ 6.4	$ 198.8

F. Certificates of Participation

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by State agencies. This facility is the Third Amended and Restated Master Lease 1992-1. Pursuant to the terms and conditions of this agreement, the trustee for the facility issues parity Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. A common pool of collateral ratably secures all Master Lease certificates. Title in the property and service items purchased under the facility remains with the State and the State grants to the Trustee, for the benefit of all Master Lease certificate holders, a first security interest in the leased items. At June 30, 2007, the following parity Master Lease certificates were outstanding:

- Master Lease Certificates of Participation of 2000, Series A, in the amount of $0.2 million. This series of Master Lease certificates has an interest rate of 4.75 percent and matures on September 1, 2007.

- Master Lease Certificates of Participation of 2002, Series A, in the amount of $0.9 million. This series of Master Lease certificates has an interest rate of 3.75 percent and matures on September 1, 2007.

- Master Lease Certificates of Participation of 2002, Series D, in the amount of $1.7 million. This series of Master Lease certificates has an interest rate of 5.0 percent and matures on September 1, 2007.

- Master Lease Certificates of Participation of 2006, Series A, in the amount of $65.2 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 $20.8 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 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.

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, 2007, the State has deposited with the Trustee amounts, that when invested, will terminate lease schedules having an aggregate outstanding amount of $0.6 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, 2007, a liability of $.5 million was recorded for the State arbitrage rebate.

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 $109.5 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, 2007, $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, 2007 for capital leases (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities
2008	$ 18,734	$ 10,099
2009	16,504	9,775
2010	4,851	9,650
2011	2,270	9,428
2012	1,994	9,343
2013 - 2017	766	41,173
2018 - 2022	-	23,463
2023 - 2027	-	28,468
2028 - 2032	-	34,636
2033 - 2037	-	33,039
Total minimum future payments	45,119	209,074
Less: Interest	(3,911)	(87,891)
Present value of net minimum lease payments	$ 41,208	$ 121,183

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, 2007 (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities
Land and Land Improvements	$ 376	$ 209
Buildings and Improvements	1,000	145,234
Machinery and Improvements	90,721	12,681
Less: Accumulated Depreciation	(36,072)	(27,280)
Carrying Amount	$ 56,025	$ 130,844

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, 2007 was as follows:

Balance Due	Average Life (Weighted Term)
$88,304,733	2.8693 Years

Component Unit

Under the terms of a lease agreement, the University of Wisconsin Hospitals and Clinics Authority (the Hospital) leases facilities which were occupied by the Hospital as of June, 1996 (see Note 1B to the financial statements). The initial term of the lease is 30 years to be renewed annually with automatic extensions of one additional year on each July 1 until action is taken to stop the extensions. Included in the consideration for the lease is an amount equal to the debt service during the term of the lease agreement on all outstanding bonds issued by the State for the purpose of financing the acquisition, construction or improvement of the leased facilities. The balance at June 30, 2007 for amounts related to this agreement was $12.0 million.

B. Operating Leases

Operating leases, those leases not recorded as capital leases as required by FASB Statement No. 13, are not recorded in the statement of net assets. These leases contain various renewal options, the effect of which are reflected in the minimum lease payments only if it is considered that the option will be exercised. Certain other operating leases contain escalation clauses and contingent rentals which are not included in the calculation of the future minimum lease payments. The State has adopted the operating lease scheduled rent increase provisions of FASB Statement No. 13. Operating lease expenditures/expenses are recognized as incurred or paid over the lease term.

Governmental and business-type activities and fiduciary funds rental expenses under operating leases for Fiscal Year 2007 were $78.5 million. Of this amount, $78.3 million relates to minimum rental payments stipulated in lease agreements, $263 thousand relates to contingent rentals, and $408 thousand relates to sublease rental payments received. Component unit rental expenses under operating leases were $13.7 million, of which $13.7 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	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
2008	$ 44,942	$ 21,581	$ 95	$ 11,623
2009	38,108	13,523	38	9,698
2010	32,009	10,927	4	6,516
2011	27,680	7,619	-	4,752
2012	24,361	5,852	-	3,078
2013 - 2017	66,381	23,187	-	7,071
2018 - 2022	18,492	20,838	-	-
2023 - 2027	2,885	22,560	-	-
2028 - 2032	120	27,016	-	-
2033 - 2037	72	-	-	-
2038 - 2042	83	-	-	-
2043 -2047	279	-	-	-
Minimum lease payments	$ 255,410	$ 153,104	$ 136	$ 42,737

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, 2007 for installment purchases (in thousands):

Fiscal Year	Governmental Activities
2008	$ 381
2009	77
Total minimum future payments	457
Less: Interest	(6)
Present value of net minimum installment payments	$ 451

NOTE 13. RETIREMENT PLAN

The Wisconsin Retirement System (WRS) was established and is administered by the State of Wisconsin to provide pension benefits for State and local government public employees. The WRS consists of the 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, 2005, 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, 2006 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, 2006, the number of participating employers was:

State Agencies	58
Cities	152
Counties	71
4th Class Cities	34
Villages	240
Towns	223
School Districts	427
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	192
Total Employers	1,425

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, 5.1 percent for Protective Occupations with Social Security, and 3.4 percent for Protective Occupations without Social Security) to the plan as of June 30, 2007. 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, 2006, 2005, and 2004 were as follows (in millions):

	2006	2005	2004
Employer current service	$ 170.6	$ 159.2	$ 149.2
Percent of payroll	5.0%	4.9%	4.7%
Employer prior service	$ 2.5	$ 2.2	$ 2.0
Percent of payroll	0.1%	0.1%	0.1%
Employee required	$ 169.5	$ 161.6	$ 157.2
Percent of payroll	5.0%	5.0%	4.9%
Benefit adjustment contributions	$ 26.6	$ 22.8	$ 16.8
Percent of payroll	0.7%	0.7%	0.5%
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, 2007 and 2006, the WRS's unfunded actuarial accrued liability was $0.3 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 14. 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) allow investments in loans, securities and any other investments as authorized by Wis. Stat. 620.22. Permitted classes of investments include bonds of governmental units or of private corporations, loans secured by mortgages, preferred or common stock, real property and other investments not specifically prohibited by statute.

Investments are revalued monthly to fair value, with unrealized gains and losses reflected in income.

Monthly, the DETF distributes a pro-rata share of the total 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 15. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS ADMINISTERED BY THE DEPARTMENT OF EMPLOYEE TRUST FUNDS

The State of Wisconsin, Department of Employee Trust Funds (DETF), administers three postemployment benefit plans other than pension plans – the Duty Disability Fund, the Retiree Life Insurance Fund, and the Retiree Health Insurance Fund. The Retiree Health Insurance Fund contains certain non-OPEB components relating to post-Medicare pharmacy and health insurance benefits.

Plan Descriptions

The *Duty Disability Fund* is a cost-sharing multiple-employer defined benefit OPEB plan. The State and 494 local employers currently participate. The plan is reported as an other employee benefit trust fund.

The *Retiree Health Insurance Fund* contains a cost-sharing multiple-employer defined benefit OPEB plan. The State and 336 local employers currently participate. The plan is reported as an agency fund.

The *Retiree Life Insurance Fund* is a cost-sharing multiple-employer defined benefit OPEB plan. The State and 674 local employers currently participate. The plan is reported as an other employee benefit trust fund.

Contributions

The Duty Disability Fund, the Retiree Life Insurance Fund, and the Retiree Health Insurance Fund do not have any long-term contracts for contributions.

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 Health Insurance Fund

Investments for the *Retiree Health Insurance Fund* are invested in the State Investment Fund, which is managed by SWIB. Investments are valued at fair value for financial statement purposes and amortized cost for purposes of calculating income to participants. The custodial bank has compiled fair value information for all securities by utilizing third party pricing services. Government and agency securities and commercial paper are priced using matrix pricing. This method estimates a security's fair value by using quoted market prices for securities with similar interest rates, maturities, and credit ratings. Repurchase agreements and certificates of deposit are valued at cost because they are nonparticipating contracts that do not capture interest rate changes in their value.

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. Impairments are determined by specific identification. A mortgage loan is considered impaired if it is probable that amounts due for principal and interest will not be collected in accordance with the contractual terms. Impaired mortgage loans are valued at the present value of expected future cash flows discounted at the loan's effective interest rate, or the fair value of the underlying collateral, if the loan is collateral dependent.

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 and an allowance for estimated losses.

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.

For interest-only securities and mortgage-backed securities not of high credit quality, the Company recognizes the excess of all cash flows, including estimated prepayments, attributable to the security estimated at the acquisition date over the initial investment using the effective yield method with adjustments made as a result of subsequent cash flow information recorded prospectively. If the fair value of the security has declined below its carrying amount, the Company will write the security down to fair value if the decline is deemed other-than-temporary.

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, 2006 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 16. PUBLIC ENTITY RISK POOLS ADMINISTERED BY THE DEPARTMENT OF EMPLOYEE TRUST FUNDS

The Department of Employee Trust Funds operates four public entity risk pools: group health insurance, group income continuation insurance, long-term disability insurance, and pharmacy benefits. The information provided in this note applies to the period ending December 31, 2006.

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 325 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 165 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 are invested in the State Investment Fund. Assets of the 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 2006 (in millions):

	Health Insurance		Income Continuation Insurance		Long-term Disability Insurance		Pharmacy Benefits	
	2006 *	2005	2006	2005	2006	2005	2006 *	2005
Unpaid claims at beginning of the calendar year	$ 7.8	$ 9.6	$ 67.1	$ 60.7	$ 90.3	$ 71.3	$ (8.2)	$ (4.3)
Incurred claims:								
Provision for insured events of the current calendar year	72.0	73.6	29.1	31.6	34.6	30.6	144.9	160.6
Changes in provision for insured events of prior calendar years	0.1	(2.3)	(8.7)	(11.3)	(2.3)	(0.1)	(1.0)	1.7
Total incurred claims	72.1	71.3	20.4	20.3	32.3	30.5	143.9	162.3
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	62.1	65.8	4.4	5.1	1.1	0.7	153.6	168.8
Claims and claim adjustment expenses attributable to insured events of prior calendar years	7.9	7.3	11.8	8.8	13.2	10.8	(9.2)	(2.6)
Total payments	70.0	73.1	16.2	13.9	14.3	11.5	144.4	166.2
Total unpaid claims expenses at end of the calendar year	$ 9.9	$ 7.8	$ 71.3	$ 67.1	$ 108.3	$ 90.3	$ (8.7)*	$ (8.2) **

* Starting in 2006, in accordance with GASB 43, retiree health is reported separately in an agency fund and is not included with the active health information in this table.

** Total unpaid claims at the end of 2006 is the net of $8.8 million in unpaid claims and $17.5 million in rebates due from pharmaceutical companies; total unpaid claims at the end of 2005 is the net of $10.0 million in unpaid claims and $18.2 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, 2005 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, 2006 financial report will be available at a later date.

NOTE 17. SELF-INSURANCE

It is the general policy of the State not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the State believes it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The fund services most claims for risk of loss to which the State is exposed, including damage to State owned property, liability for property damages and injuries to third parties, and worker's compensation. All funds and agencies of the State participate in the Risk Management Fund.

State Property Damage

Property damages to State-owned properties are covered by the State's self-funded property program up to $2.5 million per occurrence and $2.7 million annual aggregate. When claims, which exceed $25,000 per occurrence, total $2.7 million, the State's private insurance becomes available. Losses to property occurring after the threshold are first subject to a $25,000 deductible. The amount of loss in excess of $25,000 is covered by the State's private insurance company. During Fiscal Year 2007, 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, 2007 are estimated to total $2.8 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 2007 was $50 million.

The liabilities for property damages and injuries to third parties are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities for the prior fiscal year was the reserves on open claims. The estimate for future benefits and loss liabilities is calculated by an actuary based on the reserves on open claims and prior experience. No liability is reported for environmental impairment liability claims either incurred or incurred but not reported because existing case law makes it unlikely the State would be held liable for material amounts. Because actual claims liabilities depend upon complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims incurred but not paid as of June 30, 2007 are estimated to total $25.3 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, 2007 are estimated to total $67.8 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):

	2007	2006
Beginning of fiscal year liability	$ 100,161	$ 113,165
Current year claims and changes in estimates	17,638	7,370
Claim payments	(21,815)	(20,374)
Balance at fiscal year-end	$ 95,984	$ 100,161

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, 2007 is $8.7 million.

NOTE 18. 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, 2007, the Local Government Property Insurance Fund insured 1,147 local governmental units. The total amount of insurance in force as of June 30, 2007 was $42.8 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, 2007, the fund had $54.7 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 Claims Liabilities - The Local Government Property Insurance Fund establishes the unpaid claim liability titled future benefits and loss liabilities on the financial statements based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Claims liabilities are recomputed periodically to produce current estimates that reflect recent settlements, claim frequency, and other economic factors. Adjustments to future benefits and loss liabilities are charged or credited to expense in the periods in which they are made.

Policy Acquisition Costs - Since the Local Government Property Insurance Fund has no marketing staff and incurs no sales commissions, acquisition costs are minimal and charged to operations as incurred.

Reinsurance - The Local Government Property Insurance Fund uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the fund as direct insurer of the risks reinsured. The fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. As of June 30, 2007 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 $18.0 million annual aggregate retention plus a per claim retention of $5 thousand once the aggregate is met, as respects occurrences for the term of the agreement. Premiums ceded to reinsurers, which is netted against premium revenue (charges for sales and services in the financial statements), amounted to $4.1 million during the fiscal year. Reinsurance loss and adjusting expense recoveries earned, which reduces claims paid (benefit expense on the financial statements), amounted to $6.1 million during the fiscal year.

Unpaid Claims Liabilities

As discussed above, the Local Government Property Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the fund during the past two fiscal years (in thousands):

	2007	2006
Unpaid claims and claim adjustment expenses at beginning of the year	$9,619	$4,077
Less: Reinsurance recoverable	(912)	(265)
Net unpaid loss liability at beginning of year	8,707	3,812
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	16,260	15,652
Increase (decrease) in provision for insured events of prior years	959	1,741
Total incurred claims and claim adjustment expenses	17,219	17,393
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	7,855	8,790
Claims and claim adjustment expenses attributable to insured events prior years	8,540	3,708
Total payments	16,395	12,498
Net unpaid claims and claim adjustment expenses at end of year	9,532	8,707
Reinsurance recoverable	6,684	912
Total unpaid claims and claim adjustment expenses	$16,215	$9,619

Trend Information

Historical trend information showing revenue and claims development information is presented in the Office of the Commissioner of Insurance June 30, 2007 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	$ 11,291	$ 8,073
1967-1976	34,579	16,389
1977-1985	79,869	22,359
1986-1994	53,075	7,641
1995+	40,086	4,039
	$ 218,900	$ 58,501

Bases of Assumptions

Issue Year	Interest Rate	Mortality
1913-1966	3.0%	American Experience, ANB*
1967-1976	3.0	1958 CSO, ALB, Unisex
1977-1985	4.0	1958 CSO, ALB, Female Setback 3 years
1986-1994	5.0	1980 CSO, ALB, Aggregate
1995+	4.0	1980 CSO, ALB, Aggregate

* Age Next Birthday

All of the State Life Insurance Fund's ordinary life insurance in force is participating. This fund is required by statute to maintain surplus at a level between 7 percent and 10 percent of statutory admitted assets as far as practicably possible. All excess surplus is to be returned to the policyholders in the form of policyholder dividends. Policyholder dividends are declared each year in order to achieve the required level of surplus.

The statutory assets at December 31, 2006 were $84.8 million and the statutory capital and surplus were $4.9 million, and the capital and surplus at June 30, 2007 was $6.5 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 insurance for health care providers in the state. The Injured Patients and Families Compensation Fund pays that portion of a medical malpractice claim which is in excess of the legal primary insurance limit prescribed under law, or the maximum liability limit for which the health provider is insured, whichever limit is greater. Most health care providers permanently practicing or operating in the State of Wisconsin are required to pay Injured Patients and Families Compensation Fund operating fees. Risk of loss is retained by the fund.

The Future Benefits and Loss Liability account includes individual case estimates for reported losses and estimates for incurred but not reported losses based upon the projected ultimate losses. Individual case estimates of the liability for reported losses and net losses paid from inception of the Injured Patients and Families Compensation Fund are deducted from the projected ultimate loss liabilities to determine the liability for incurred but not reported losses as of June 30, 2007 as follows (in thousands):

Projected ultimate loss liability	$ 1,412,981
Less: Net loss paid from inception	(649,899)
Less: Liability for reported losses	(49,119)
Liability for incurred but not reported losses	$ 713,963

The Future Benefits and Loss Liability account also includes a provision for the estimated future payment of the costs to settle claims. These ultimate loss adjustment expenses as of June 30, 2007 are estimated at 20.0 percent of the projected ultimate loss liabilities. The loss reserves are actuarially determined. The loss adjustment expenses paid from the inception of the Injured Patients and Families Compensation Fund are deducted from the projected ultimate loss adjustment expenses provision to determine the liability for loss adjustment expenses as of June 30, 2007 as follows (in thousands):

Projected ultimate loss adjustment expense liability	$ 210,978
Less: Loss adjustment expense paid from inception	(54,189)
Liability for loss adjustment expense	$ 156,789

The uncertainties inherent in projecting the frequency and severity of large claims because of the Injured Patients and Families Compensation Fund's unlimited liability coverage, and extended reporting and settlement periods, makes it likely that the amounts ultimately paid will differ from the recorded estimated liabilities. These differences cannot be quantified.

The liability for reported losses, liability for incurred but not reported losses, and liability for loss adjustment expense are maintained on a present value basis with the difference from full value being reported as a contra account to the loss reserve liabilities. The loss reserve liabilities are discounted only to the extent that they are matched by cash and invested assets. If all loss liabilities are discounted, the discounted loss liability would be as follows as of June 30, 2007 (in thousands):

Estimated liability for Incurred But Not Reported (IBNR)	$ 713,963
Estimated liability for reported losses	49,119
Estimated unpaid loss adjustment expense	156,789
Total estimated loss liabilities	919,871
Adjustment for future medical expenses liability and contributions held	8,927
Less: Amount representing interest	(226,799)
Discounted loss liabilities	$ 701,999

The future benefits and loss liabilities are continually reviewed as adjustments to these liabilities become necessary. Such adjustments are reflected in current operations. Because of the changes in these estimates, the benefit expense for the fiscal year is not necessarily indicative of the loss experience for the year.

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, 2006.

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, 2005 and December 31, 2006, are as follows (in thousands):

	2006	2005
Balance at January 1	$ 32,167	$ 33,901
Incurred related to:		
Current year	9,786	10,900
Prior years	(10,866)	(12,319)
Total Incurred	(1,080)	(1,419)
Paid related to:		
Current year	169	75
Prior years	1,112	240
Total paid	1,281	315
Balance at December 31	$ 29,806	$ 32,167

There is inherent uncertainty in medical malpractice claims when establishing the estimates of unpaid losses and unpaid loss adjustment expenses. In 2004, 2005, and 2006, the Plan decreased its estimates of unpaid losses and unpaid loss adjustment expenses related to insured events of prior years. These decreases were greater than the estimated losses incurred for the current year, causing negative incurred losses and loss adjustment expenses.

NOTE 19. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA

Primary Government

The State issues revenue bonds to finance the Leveraged Loan Program, which is accounted for as part of the Environmental Improvement Fund. Investors in those bonds rely solely on the revenue generated within the Leveraged Loan Program. Assets of this program are used primarily for loans for Wisconsin municipal waste water projects. Condensed financial statement information of the Leveraged Loan Program as of and for the year ended June 30, 2007 is presented below (in thousands):

Condensed Balance Sheet

Assets:		
Current Assets	$	121,276
Other Assets		803,247
Total Assets	$	924,523
Liabilities:		
Due to Other Funds	$	4,643
Other Current Liabilities (Including Current Portion of Long-term Debt)		58,112
Noncurrent Liabilities		691,958
Total Liabilities		754,713
Fund Equity:		
Restricted		169,810
Total Fund Equity		169,810
Total Liabilities and Fund Equity	$	924,523

Condensed Statement of Revenues, Expenses and Changes in Fund Equity

Operating Revenues (Expenses):		
Loan Interest	$	18,347
Interest Expense		(36,163)
Other Operating Expenses		(2,416)
Operating Income (Loss)		(20,231)
Nonoperating Revenues (Expenses):		
Investment Income		15,835
Income (Loss) before Transfers		(4,397)
Transfers In		20,000
Change in Fund Equity		15,603
Beginning Fund Equity		154,207
Ending Fund Equity	$	169,810

Condensed Statement of Cash Flows

Net Cash Provided (Used) by :		
Operating Activities	$	(200)
Noncapital Financing Activities		38,822
Investing Activities		(22,812)
Net Increase (Decrease)		15,810
Beginning Cash and Cash Equivalents		98,574
Ending Cash and Cash Equivalents	$	114,384

NOTE 20. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION

Significant financial data for the State's five discretely presented component units for the year ended December 31, 2006 or June 30, 2007 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	$ 3,657,569	$ 76,551	$ 210,715	$ 2,605,729	$ 5,830	$ 6,556,395
Due from Primary Governments	-	-	2,443	-	-	2,443
Cash and Investments with Other Component Units	-	-	268,654	-	-	268,654
Capital Assets, net	17,612	-	369,991	7,311	33,969	428,883
Total Assets	$ 3,675,181	$ 76,551	$ 851,803	$ 2,613,040	$ 39,800	$ 7,256,375
Liabilities:						
Accounts Payable and Other Current Liabilities	$ 156,572	$ 18,335	$ 75,698	$ 17,889	$ 1,194	$ 269,687
Due to Primary Government	20	-	5,275	-	33	5,328
Amounts Held for Other Component Units	-	-	-	205,339	-	205,339
Long-term Liabilities (Current and Noncurrent portions)	3,041,448	29,806	322,651	11,496	40,833	3,446,234
Total Liabilities	3,198,040	48,141	403,623	234,723	42,060	3,926,588
Fund Equity:						
Invested in Capital Assets, Net of Related Debt	2,197	-	131,486	7,311	(6,445)	134,549
Restricted	469,316	28,410	18,547	2,214,153	-	2,730,425
Unrestricted	5,628	-	298,147	156,853	4,184	464,812
Total Fund Equity	477,141	28,410	448,180	2,378,317	(2,261)	3,329,787
Total Liabilities and Fund Equity	$ 3,675,181	$ 76,551	$ 851,803	$ 2,613,040	$ 39,800	$ 7,256,375
Condensed Statement of Revenues, Expenses and Changes in Fund Equity						
Program Expenses:						
Depreciation	$ 6,456	$ -	$ 33,146	$ 289	$ 1,036	$ 40,927
Payments to Primary Government	-	-	2,055	143,292	-	145,347
Other	298,699	54	733,790	32,758	4,429	1,069,730
Total Program Expenses:	305,155	54	768,991	176,339	5,465	1,256,004
Program Revenues:						
Charges for Goods and Services	4,740	5,961	785,597	-	4,085	800,383
Investment and Interest Income	150,916	-	-	232,617	-	383,533
Operating Grants and Contributions	140,780	-	1,213	160,912	-	302,905
Capital Grants and Contributions	-	-	3,614	-	-	3,614
Other	12,607	35	16,871	3	397	29,913
Total Program Revenues	309,043	5,996	807,295	393,531	4,482	1,520,348
Net Program Revenue/(Expense)	3,888	5,942	38,304	217,192	(982)	264,344
General Revenues:						
Interest and Investment Earnings	31,661	3,638	21,760	-	38	57,096
Contributions to Endowments	-	-	129	-	-	129
Change in Fund Equity	35,549	9,580	60,193	217,192	(945)	321,570
Fund Equity, Beginning of Year	441,592	18,830	387,987	2,161,125	(1,316)	3,008,217
Fund Equity, End of Year	$ 477,141	$ 28,410	$ 448,180	$ 2,378,317	$ (2,261)	$ 3,329,787

NOTE 21. RESTATEMENTS OF BEGINNING FUND BALANCES/FUND EQUITY/NET ASSETS AND OTHER CHANGES

During Fiscal Year 2007, the State implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. As a result of the implementation of this statement, which establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans, fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required.

The reconciliations that follow summarize restatements of the end-of-year fund balance/fund equity/net assets as reported in the 2006 Comprehensive Annual Financial Report to the beginning-of-year fund balances/fund equity/net assets reported for Fiscal Year 2007 (in thousands):

A. Fund Statements – Governmental Funds

	Major Funds			
	General	Transportation	Nonmajor Funds	Total Governmental
Fund Balances June 30, 2006 as reported in the 2006 Comprehensive Annual Financial Report	$ (2,150,474)	$ 387,227	$ 794,350	$ (968,897)
Fund structure reclassification:				
Budget Stabilization reclassified to General Fund	638	-	(638)	-
Other adjustments of assets and liabilities as of June 30, 2006	993	-	19	1,012
Fund Balances July 1, 2006 as restated	$ (2,148,843)	$ 387,227	$ 793,731	$ (967,885)
Effect of prior period adjustments on the amount of excess revenues and other sources over expenditures and other uses of Fiscal Year 2006	$ 993	$ -	$ -	$ 993

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, 2006 as reported in the 2006 Comprehensive Annual Financial Report	$ 59,861	$ 1,231,390	$ 3,891,754	$ 894,967	$ 633,314	$ 6,711,286	$ 24,107
Fund structure reclassifications:							
Adoption of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*							
-- Duty Disability Fund	-	-	-	-	118,987	118,987	-
-- Health Insurance Fund	-	-	-	-	(31,064)	(31,064)	-
Creation of Health Insurance Risk Sharing Plan Authority considered a related organization	-	-	-	-	(23,402)	(23,402)	-
Other adjustments of assets and liabilities as of June 30, 2006	-	-	(42)	-	(1,623)	(1,665)	(51)
Fund Equity July 1, 2006 as restated	$ 59,861	$ 1,231,390	$ 3,891,711	$ 894,967	$ 696,214	$ 6,774,143	$ 24,056
Effect of prior period adjustments on the amount of net change in fund equity of Fiscal Year 2006	$ -	$ -	$ -	$ -	$ (1,621)	$ (1,621)	$ (6)

C. Fund Statements – Fiduciary Funds

		Pension and Other Employee Benefit Trust		Investment Trust		Private Purpose Trust		Total Fiduciary
Net Assets June 30, 2006 as reported in the 2006 Comprehensive Annual Financial Report	$	73,982,969	$	2,932,881	$	1,729,543	$	78,645,393
Fund structure reclassification/restatement:								
Adoption of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*								
-- Duty Disability Fund		243,307		-		-		243,307
-- Retiree Life Insurance Fund		519,682		-		-		519,682
-- Life Insurance Fund		4,232		-		-		4,232
Net Assets July 1, 2006 as restated	$	74,750,190	$	2,932,881	$	1,729,543	$	79,412,614
Effect of prior period adjustments on the amount of net increase in net assets of Fiscal Year 2006	$	-	$	-	$	-	$	-

D. Government-wide Statements

	Primary Government							
		Governmental Activities		Business-type Activities		Totals		Component Units
Net Assets June 30, 2006 as reported in the 2006 Comprehensive Annual Financial Report	$	5,270,855	$	6,720,467	$	11,991,322	$	3,008,217
Fund structure reclassifications:								
Adoption of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*								
-- Duty Disability Fund		-		118,987		118,987		-
-- Health Insurance Fund		-		(31,064)		(31,064)		-
Creation of Health Insurance Risk Sharing Plan Authority considered a related organization		-		(23,402)		(23,402)		-
Department of Transportation restatement of capital assets		(22,319)		-		(22,319)		-
Other adjustments of assets and liabilities as of June 30, 2006		(2,107)		(1,665)		(3,772)		-
Net Assets July 1, 2006 as restated	$	5,246,429	$	6,783,324	$	12,029,753	$	3,008,217
Effect of prior period adjustments on the amount of net increase in net assets of Fiscal Year 2006	$	423	$	(1,621)	$	(1,198)	$	-

NOTE 22. LITIGATION, CONTINGENCIES AND COMMITMENTS

A. Litigation and Contingencies

The State is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations.

Claims and Judgments Reported in Governmental Activities

The State accrues liabilities related to legal proceedings, if a loss is probable and reasonably estimable. Such losses, totaling $14.4 million on June 30, 2007 reported in the governmental activities, are discussed below:

Litigation -- The Department of Health and Family Services is involved in various legal proceedings where the ultimate disposition is estimated at $0.2 million.

Other Claims -- Work Injury Supplemental Benefits - The Work Injury Supplemental Benefit Fund, administered by the Department of Workforce Development, provides compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. The liability for annuities to be paid to the above individuals totaled $1.3 million at June 30, 2007.

In addition, the U. S. Department of Health and Human Services (U.S. DHHS) determined that the Department of Workforce Development should refund the federal share of recovered AFDC overpayments. However, the State of Wisconsin has appealed the decision of the U.S. DHHS. A liability for $12.9 million is reported at June 30, 2007.

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. Department of Health and Human Services (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. In October 2007, the State forwarded payment of $13.5 million to the U.S. DHHS. A liability of $13.5 million is reported at June 30, 2007 in the Technology Services internal service fund.

Taxability of Custom Software -- The Department of Revenue is currently engaged in litigation with Menasha Corporation. Menasha sought a sales and use tax refund of $342,000, arguing that its 1995 purchase of enterprise software was a tax-exempt purchase of custom software. The Tax Appeals Commission granted the taxpayer's claim, the Dane County Circuit Court reversed that decision, and the Wisconsin Court of Appeals reversed the circuit court. The matter is now pending before the Wisconsin Supreme Court. If the Department is unsuccessful, the legal effect of the decision may exempt a broad category of software. The Department of Revenue is confident that it will prevail on this issue. The potential liability amount for an unfavorable outcome for this proceeding could impact the State by approximately $277 million. Because of the uncertainty in predicting the outcome, a liability has not been recorded.

Environmental Clean-up Actions - The State is involved in environmental clean-up of property owned by the State that has the potential to cause soil and groundwater contamination. Six sites have soil and/or groundwater contamination associated with underground storage tank releases with an estimated remediation cost of $0.3 million.

The State is also involved in environmental remediations on six properties that do not involve releases from underground storage tanks, with an estimated cost of $1.9 million.

B. Commitments

Primary Government

In addition to legal proceedings, the State is party to commitments which normally occur in governmental operations.

In addition to the amount of encumbrances outstanding at June 30, 2007 reported as Fund Balance - Reserved for Encumbrances, additional obligations at June 30, 2007 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	$ 298,665
Transportation Revenue Bonds Capital Projects Fund	36,274
Environmental	8,362
Wireless 911 Fund	26,998
General Fund – Department of Commerce programs, including economic and community development programs	23,463

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 $176.7 million as of June 30, 2007. These loan commitments are expected to be met through additional federal grants and proceeds from issuance of revenue obligations.

In addition, the revenue obligation bonds of the Leveraged Loan Program in the Fund are collateralized by a security interest in all the assets of the Leveraged Loan Program. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the Fund's revenue obligation bonds. However, as the loans granted to local units of government are at an interest rate less than the revenue bond rate, the State is obligated by the Fund's General Resolution to fund, at the time each loan is made, a reserve which subsidizes the Leveraged Loan Program in an amount which offsets this interest disparity.

The *Injured Patients and Families Compensation Fund* may be required to purchase an annuity as a result of a claim settlement. Under specific annuity arrangements, the fund may have ultimate responsibility for annuity payments if the annuity company and the reassignment company default on annuity payments. One of the fund's annuity providers defaulted on $97 thousand in annuity payments through June 30, 2007, 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 $61 thousand through June 30, 2007. 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, 2007 was $161.8 million. The fund reserves the right to pursue collection from State guarantee funds.

State Public Deposit Guarantee - As required by Wis. Stat. Sec. 34.08, the State is to make payments to public depositors for proofs of loss (e.g., loss resulting from a bank failure) up to $400 thousand per depositor above the amount of federal insurance. This statutory requirement guarantees that the State will make payments in favor of the public depositor that has submitted a proof of loss. Payments would be made in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions, until the designated appropriation is exhausted. At June 30, 2007, the appropriation available totaled $37.0 million. Losses become fixed as of the date of the loss. A public depositor experiencing a loss must assign its interest in the deposit, to the extent of the amount paid, to the Department of Financial Institutions. Any recovery made by the Department of Financial Institutions under the assignment is to be repaid to the appropriation. The possibility of a material loss resulting from payments to and recovery from public depositors is remote.

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 $4.0 million as of June 30, 2007. 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, 2007, outstanding loan guarantees totaled $34.1 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, 2007, $8.2 million of loan guarantees had been approved with outstanding loan guarantees of $4.8 million.

NOTE 23. SUBSEQUENT EVENTS

Primary Government

Short-term Debt

Operating Notes – In July 2007, the State issued $600.0 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 16, 2008.

Long-term Debt

General Obligation Bonds – In October 2007, the State issued $20.1 million of general obligation bonds 2007, Series 2 and 3 that resulted in making available like amount of funds for making veterans primary mortgage home loans. The interest rates range from 3.50 percent to 5.00 percent and are payable semiannually, beginning May 1, 2008. The bonds mature May 1 of the years 2008 through November 1, 2027.

In December 2007, the State issued $154.9 million of 2007 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 rate is 5.00 percent for each maturity and is payable semiannually beginning May 1, 2008. The bonds mature May 1 of the years 2009 through 2028.

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 consists of $71.5 million, which was transferred in October 2007, and an additional $128.5 million to be transferred in Fiscal Year 2009. 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.

Component Units

Wisconsin Housing and Economic Development Authority – In August 2007, the Authority issued $6.3 million of variable rate demand home multifamily revenue bonds, 2007 Series C. The bonds, issued under the multifamily housing bond general resolution, are general obligations of the Authority. The Series bonds are rated Aa3 and VMIG-1 by Moody's Investor Service. In addition, the Authority issued $27.5 million of single family drawdown revenue bonds 1991-1, $2.7 million on the line of credit -- mortgage financing, and $11.0 million of commercial paper.

Subsequent to June 30, 2007, the Authority redeemed the following bonds (in thousands):

Program/Bond Resolution	Amount Redeeme
Home Ownership Revenue Bonds:	
1987	$ 21.2
1988	26.9
Other	0.9


FORWARD

Required Supplementary Information

Infrastructure Assets Reported Using the Modified Approach

The State has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the State can demonstrate that these assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The State owns approximately 11,200 centerline miles of roads and 4,900 bridges.

Road Network

Condition assessments are completed on a two-year cycle with the most current results reported for each State road. Numerous measures are used to assess the condition of the State's road network. The State has adopted the International Roughness Index (IRI), as defined by the Federal Highway Administration, as its primary condition measure. IRI is measured on a scale of 0 to 5, with an IRI of 2.69 or greater being defined as a "poor" ride. Roads with a "poor" IRI assessment cause negative impacts for the traveling public by decreasing driver comfort and increasing the damage to vehicles and goods. It is the State's policy to ensure no more than 15 percent of its roads receive a "poor" IRI assessment.

Recent condition assessment results are as follows:

Year Ended June 30	Miles of Road	Percent Rated "Poor"	Established Percent	Variance Favorable/ (Unfavorable)
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)
2007	$ 501.8	$ 458.6	$ 43.2
2006	495.7	425.9	69.8
2005	478.6	372.3	106.4
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.

Bridge Network

Condition assessments are completed on a two-year cycle, with more frequent inspections completed if warranted. The most current assessment results are reported for each State bridge, making the overall assessment a blend of measures completed in the current fiscal year and those completed in the prior year. The State has adopted the National Bridge Inventory (NBI) 10-point rating scale as its primary condition measure. Using the Federal Highway Administration's definition, a bridge is considered "structurally deficient" if it has an NBI score of 4 or less on its deck, superstructure, or substructure. "Structurally deficient" bridges cause negative impacts for the public by increasing the likelihood that heavy loads will need to be rerouted to less efficient routes, thus increasing logistic costs for State businesses. It is the State's policy to ensure no more than 15 percent of its bridges are "structurally deficient".

Recent condition assessment results are as follows:

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

State of Wisconsin

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2007

(In Thousands)

	Original Budget		Final Budget		Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year					$ 598,475
Revenues and Transfers (Inflows):					
Taxes	$ 12,579,888		$ 12,562,488		12,637,885
Departmental:					
Tribal Gaming	86,349		75,570		22,056
Other	10,651,851	(A)	10,665,702	(A)	10,463,483
Transfers from:					
Transportation Fund	(A)		(A)		93,224
Nonmajor Funds	(A)		(A)		35,822
Total Revenues and Transfers (Inflows)	23,318,088		23,303,759		23,252,469
Amounts Available for Appropriation					23,850,944
Appropriations (Outflows):					
Commerce	351,900		393,632		267,798
Education	10,544,721		10,951,201		10,542,843
Environmental Resources	348,442		355,325		326,425
Human Relations and Resources	9,221,071		9,936,719		9,314,823
General Executive	946,422		1,044,686		747,644
Judicial	113,465		122,584		121,332
Legislative	67,323		67,709		63,372
Tax Relief and Other General	1,901,075		1,807,170		1,807,627
Transfers to:					
Nonmajor Funds	-		82,129		82,129
Total Appropriations (Outflows)	$ 23,494,418		$ 24,761,155		23,273,994
Fund Balances, End of Year					576,950
Less Encumbrances Outstanding at June 30, 2007					(533,661)
Fund Balances, End of Year Budgetary Basis					$ 43,289

Reconciliation of the End of Year, Budgetary Basis, Fund Balance to the Detail Reported in the Annual Fiscal Report:	
General Purpose:	
Designated	$ 6,823
Undesignated	66,288
Total General Purpose	73,111
Program Revenue	(29,822)
Fund Balances, End of Year Budgetary Basis	$ 43,289

(A) Interfund transfers to the General Fund were budgeted under departmental revenue during Fiscal Year 2007.

State of Wisconsin

Budgetary Comparison Schedule
Transportation Fund
For the Fiscal Year Ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 305,126
Revenues (Inflows):			
Taxes	$ 1,028,785	$ 1,028,785	1,028,785
Departmental	1,380,290	1,380,290	1,380,290
Total Revenues (Inflows)	2,409,075	2,409,075	2,409,075
Amounts Available for Appropriation			2,714,200
Appropriations and Transfers (Outflows):			
Environmental Resources	3,661,452	3,837,584	2,200,316
General Executive	2,402	2,438	1,893
Tax Relief and Other General	21,014	21,773	22,640
Transfers to:			
General Fund	93,224	93,224	93,224
Total Appropriations and Transfers (Outflows)	$ 3,778,091	$ 3,955,018	2,318,073
Fund Balances, End of Year			396,128
Less Encumbrances Outstanding at June 30, 2007			(1,096,632)
Fund Balances, End of Year Budgetary Basis			$ (700,504)

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, 2007 is presented below (in thousands):

	General Fund	Transportation Fund
Fund balance June 30, 2007 (budgetary basis – budgetary fund structure):		
General Purpose Revenue – fund balance per budgetary basis *Annual Fiscal Report*		
Undesignated fund balance	$ 66,288	
Designated fund balance	6,823	
Total General Purpose Revenue fund balance	73,111	
Program Revenue – fund balance per budgetary basis *Annual Fiscal Report*	(29,822)	
Fund balance June 30, 2007 (budgetary basis – budgetary fund structure) As reported on the budgetary comparison schedule	43,289	$ (700,504)
Reclassifications:		
To eliminate the effect of encumbrances that were reported as expenditures under budgetary reporting (basis difference)	533,661	1,096,632
To reclassify activities of the Budget Stabilization Fund (a special revenue fund under budgetary reporting) as part of the General Fund (perspective difference)	56,395	
To reclassify activities reported in another GAAP fund type (perspective differences):		
Enterprise funds (except for the University of Wisconsin System)	18,276	--
University of Wisconsin System	(411,228)	--
Internal service funds	(7,786)	--
Fiduciary funds	(1,724)	--
Transportation Revenue Bonds capital project fund	--	3,957
Fund balance June 30, 2007 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	230,882	400,085
Adjustments (basis differences):		
To accrue receivables and establish payables for individual income taxes (net)	(873,459)	--
To defer revenues for gross receipts public utility taxes	(207,650)	--
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(340,302)	(9,831)
To adjust expenditures for the municipal and county shared revenue program	(522,272)	--
To adjust expenditures for State property tax credit program	(447,692)	--
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(155,075)	--
To adjust revenues and expenditures for certain major Health and Family Services and Workforce Development human services payments to local governments	(66,153)	
To accrue State educational aids payments deferred until the subsequent year	(75,000)	--
To adjust revenues and expenditures for other items (net)	12,578	68,825
Fund balance June 30, 2007 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements	$(2,444,142)	$ 459,078

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 Budget Stabilization Fund, a special revenue fund under statutory reporting, is 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 July 2005. 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.

Supplementary Information

Nonmajor Governmental Funds

SPECIAL REVENUE: Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specified purpose. The State's special revenue funds are described below:

The **Conservation Fund** accounts for the management of the State's fish, wildlife, parks and other natural resources with funds provided from hunting and fishing licenses, recreational fees and forestry taxes.

The **Election Administration Fund** accounts for federal and State moneys provided to develop, administer and manage a statewide voter registration system; enabling all qualified electors, including those with disabilities, the opportunity to vote while maintaining uniform standards within the voting process and safeguarding the vote of all electors.

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

The **Utility Public Benefits Fund** accounts for voluntary contributions and public benefits fees collected from customers by utilities to assist in funding low income assistance grants and energy conservation and efficiency grants.

The **Petroleum Inspection Fund** accounts for revenues received from inspection fees on petroleum products shipped into Wisconsin and proceeds received from revenue bonds. These resources are used for petroleum inspection programs, environmental cleanup awards, clean air and water administration and other environmental programs in the State.

The **Wisconsin Public Broadcasting Foundation Fund** accounts for financial resources generated to support the activities of the Educational Communications Board. The primary revenue sources of the fund are from gifts, grants and contributions.

The **Other Environmental Special Revenue Funds**, in conjunction with the Conservation Fund, account for resources used to provide for the preservation of the State's parks, forests and environment, and includes the following:

- The **Heritage State Parks and Forests Fund** accounts for the funding for operations and maintenance of State parks, southern State forests, and recreation areas either by making partial matching grants to "friends groups" or by accepting expenditure transfers from park and forest programs in the Conservation Fund.

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

- The **Environmental Fund** accounts for the development and enforcement of groundwater standards, as well as assistance in the emergency response, investigation and clean up of contaminated sites. This assistance is funded by fees on activities or substances which may contaminate groundwater and fees for solid waste tipping, pesticide licenses and oil inspections.

- The **Dry Cleaner Environmental Response Fund** accounts for the financial assistance for the remediation of environmental contamination caused by the spillage of dry cleaning solvents. Revenues used to fund this program are dry cleaning facility license and solvent fees.

- The **Recycling Fund** accounts for the moneys from the recycling surcharge tax and recycling fees, used to reduce the amount of solid waste disposed of in landfills and incinerators.

The **Other Special Revenue Funds** account for resources that must be used for specific purposes and include the following:

- The **Wisconsin Health Education Loan Repayment Fund** accounts for administrative expenditures related to issuing Health Education Loan bonds. These expenditures are funded from trustee transfers.

- The **Wisconsin Election Campaign Fund** accounts for taxpayer donated funding for political candidates. The donations are intended to replace special interest funds.

- The **Investment and Local Impact Fund** accounts for grants and loans to municipalities where metalliferous minerals exist to offset the negative effects of mining projects. These grants and loans are funded with taxes which have been imposed on mining activities.

(Continued)

Nonmajor Governmental Funds

(Continued)

- The **Industrial Building Construction Loan Fund** accounts for economic development grants and loans for the construction of industrial buildings. These grants and loans are funded primarily with investment income.

- The **Celebrate Children Foundation Fund** is a publicly supported not-for-profit corporation dedicated to obtaining and investing resources in quality childhood and family development experiences to ensure an environment in which all Wisconsin children become healthy and productive citizens. This fund is supported primarily by the transfer of license plate fee contributions.

- The **Self-insured Employers Liability Fund** establishes a reserve to cover claims for employees of employers who have become insolvent. These employers were previously determined to be exempt from the requirement to carry accident or death insurance. The reserve is also used to cover the cost of insurance carrier or insurance service organization used to process, investigate, and pay valid claims from the injured employees.

- The **Work Injury Supplemental Benefit Fund** accounts for compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. This compensation is provided with funds collected from State employers and insurance carriers.

- The **Workers Compensation Fund** accounts for the expenditures related to administering the worker's compensation laws in Wisconsin. These expenditures are funded by annual assessments of insurers and self-insured employers doing business in the State.

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

- The **Uninsured Employers Fund** accounts for the administration of insurance enforcement activities and compensation to injured employees of uninsured employers. The revenue is primarily provided by funds collected from uninsured employers.

- The **Mediation Fund** accounts for the resolution of disputes regarding medical malpractice. Dispute filing fees and fees charged to health care providers are the primary revenue sources.

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

- The **Agricultural Chemical Cleanup Fund** accounts for the portion of the costs responsible persons pay to clean up fertilizer and pesticide spills and historical handling areas. Fertilizer and pesticide licenses and registration fees primarily provide the revenue.

- The **Agrichemical Management Fund** accounts for the regulation and enforcement of pesticide, feed and fertilizer industries. The revenue is generated by licenses and fees assessed to these industries.

- The **Agricultural Producer Security Fund** accounts for the program to secure payments to producers. This fund is supported primarily with fees, surcharges, assessments, reimbursements and bond proceeds of surety bonds.

- The **Historical Legacy Trust Fund** accounts for moneys to commemorate the 200th anniversary of statehood. Gifts, grants, and bequests generate the revenue. Also, all moneys received by the State Sesquicentennial Commission after September 30, 1998 are reported in this fund.

- The **History Preservation Partnership Trust Fund** accounts for moneys received from admissions, sales, and other receipts of the Historical Society. The fund is supported primarily by program revenues from daily receipts, site deposits and other generated income from goods and services.

- The **Wireless 911 Fund** accounts for moneys received from surcharges on wireless telephone customers. The moneys generated by this surcharge will be used to provide grants to wireless providers and local governments to devise a system to provide wireless 911 emergency telephone service.

- The **VendorNet Fund** accounts for revenues, primarily subscription fees from vendors, used to carry out information technology development projects, including paying for costs associated with technology-related equipment, software and support.

- The **Universal Service Fund** accounts for various programs that ensure that all State residents receive essential telecommunication services at reasonable prices and that they have access to certain advanced telecommunications service capabilities. Assessment of entities in the telecommunications industry is the primary source of revenues.

(Continued)

- The **Children's Trust Fund** accounts for the program which provides information and encourages the development of child abuse and neglect prevention programs. This fund is supported primarily with investment income and moneys received as contributions, grants, gifts and bequests.

DEBT SERVICE: Debt service funds account for the accumulation of resources for, and the payment of, principal, interest and related costs of general long-term obligations.

The **Bond Security and Redemption Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of, general obligation bond debt.

The **Annual Appropriation Bonds Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of, the appropriation obligations issued in Fiscal Year 2004 to pay the State's unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits.

The **Badger Tobacco Asset Securitization Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of bonds issued by the Badger Tobacco Asset Securitization Corporation (BTASC) in Fiscal Year 2002 for the purpose of making a one-time purchase of Tobacco Settlement Revenues from the State. These bonds are revenue obligations of the BTASC secured by, and payable solely and only out of, the moneys, assets or revenues pledged by the BTASC.

The **Petroleum Inspection Revenue Bonds Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of, petroleum inspection fee revenue bond obligations.

The **Transportation Revenue Bonds Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of, transportation revenue bond obligations.

CAPITAL PROJECTS: Capital projects funds account for financial resources used for the acquisition, construction, renovation or repair of major capital facilities (other than those financed by proprietary funds and trust funds). The State's capital projects funds are described below:

The **Building Trust Fund** accounts for repair projects of major capital facilities which are funded primarily through General Fund and agency transfers.

The **Capital Improvement Fund** accounts for revenues from general obligation bond proceeds, General Fund transfers and investment pool interest earnings which are primarily used for the acquisition or construction of major capital facilities and for repair and maintenance projects.

The **Transportation Revenue Bonds Fund** accounts for the accumulation of financing resources for the construction, maintenance, and repair of certain major highway projects and administrative facilities.

PERMANENT: Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used to support the State's programs.

The **Common School Fund** accounts for revenues received from the sale of federally granted land, fines and forfeitures from penal law breaches, and the disposal of escheated property. These moneys are used for public purpose loans to municipalities and school districts. Earnings of this fund are distributed to aid local school districts and to cover administrative costs incurred by the Public Lands Commission.

The **Historical Society Fund** accounts for investment income and donations received by the Wisconsin Historical Society to assist in the operations of the State's archives, research and library services, museums, historic preservation, and executive and administrative services.

The **Other Permanent Funds** account for various resources that are legally restricted to the extent that only earnings may be used to support the State's programs, and include the following:

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

- The **Normal School Fund** accounts for public purpose loans to municipalities and school districts. These loans are financed with revenues derived from the sale of federally granted land and timber. The interest generated from this fund is used to support and maintain State universities.

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

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

Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2007

(In Thousands)

	Special Revenue Funds				
	Conservation	Election Administration	Medical Assistance Trust	Utility Public Benefits	Petroleum Inspection
Assets					
Cash and Cash Equivalents	$ 34,341	$ 15,782	$ -	$ 32,794	$ 20,594
Investments	-	-	-	-	-
Receivables (net of allowance):					
Taxes	28,937	-	-	-	-
Loans to Local Governments	5,597	-	-	-	-
Other Loans Receivable	75	-	-	-	-
Other Receivables	1,056	-	43	7,621	1
Due from Other Funds	8,938	13	34,605	76	13,217
Due from Other Governments	18,264	1	-	-	-
Inventories	3,080	-	-	-	-
Prepaid Items	1,963	9	-	6	117
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Other Restricted Assets	-	-	-	-	-
Total Assets	$ 102,252	$ 15,806	$ 34,649	$ 40,497	$ 33,930
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 12,378	$ 127	$ -	$ 7,785	$ 34,336
Due to Other Funds	12,123	703	4,900	577	2,900
Interfund Payables	-	-	27,084	-	-
Due to Other Governments	4,980	424	-	210	240
Tax Refunds Payable	-	-	-	-	-
Tax and Other Deposits	1,574	-	-	-	-
Deferred Revenue	4,852	-	-	32	-
Interest Payable	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Short-term Notes Payable	-	-	-	-	142,300
Revenue Bonds and Notes Payable	-	-	-	-	-
Total Liabilities	35,907	1,254	31,984	8,605	179,776
Fund Balances:					
Reserved for Encumbrances	27,395	1,771	-	1,328	646
Reserved for Inventories	3,080	-	-	-	-
Reserved for Prepaid Items	1,963	9	-	6	117
Reserved for Restricted Funds	279	8,445	-	-	-
Reserved for Long-term Receivables	5,466	-	-	-	-
Unreserved:					
Undesignated	28,161	4,327	2,665	30,557	(146,610)
Total Fund Balance	66,345	14,553	2,665	31,892	(145,846)
Total Liabilities and Fund Balance	$ 102,252	$ 15,806	$ 34,649	$ 40,497	$ 33,930

Special Revenue Funds				Debt Service Funds		
Wisconsin Public Broadcasting Foundation	Other Environmental Special Revenue	Other Special Revenue	Total Special Revenue Funds	Bond Security and Redemption	Annual Appropriation Bonds	Badger Tobacco Asset Securitization
$ 1,446	$ 48,659	$ 89,210	$ 242,827	$ 18,154	$ -	$ -
9,482	-	-	9,482	-	-	-
-	3,118	-	32,055	-	-	-
-	-	-	5,597	-	-	-
-	-	-	75	-	-	-
224	7,551	18,545	35,041	-	-	54,236
-	10,694	657	68,200	-	-	-
-	800	23	19,089	-	-	-
8	-	15	3,105	-	-	-
22	12,408	76	14,601	-	-	144
-	-	-	-	-	-	130,671
-	-	-	-	-	34,684	137,436
-	-	-	-	-	-	256
$ 11,182	$ 83,231	$ 108,527	$ 430,073	$ 18,154	$ 34,684	$ 322,744
$ 54	$ 1,929	$ 3,671	$ 60,281	$ -	$ -	$ -
286	4,061	3,271	28,822	10,717	-	-
-	-	1	27,085	-	-	-
-	1,064	7	6,925	-	-	-
-	127	-	127	-	-	-
-	7,002	-	8,576	-	-	-
209	523	6,872	12,489	-	-	54,257
-	-	-	-	-	-	-
-	-	2,864	2,864	-	-	-
-	-	-	142,300	-	-	-
-	-	-	-	-	-	-
549	14,706	16,688	289,468	10,717	-	54,257
-	21,477	38,281	90,898	-	-	-
8	-	15	3,105	-	-	-
22	12,408	76	14,601	-	-	144
28	-	749	9,502	-	-	267,547
-	-	-	5,466	-	-	-
10,574	34,640	52,718	17,033	7,437	34,684	795
10,633	68,525	91,839	140,605	7,437	34,684	268,487
$ 11,182	$ 83,231	$ 108,527	$ 430,073	$ 18,154	$ 34,684	$ 322,744

(Continued)

Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2007

(Continued)

	Debt Service Funds			Capital Projects Funds	
	Petroleum Inspection Revenue Bonds	**Transportation Revenue Bonds**	**Total Debt Service Funds**	**Building Trust**	**Capital Improvement**
Assets					
Cash and Cash Equivalents	$ -	$ -	$ 18,154	$ 25,292	$ 58,678
Investments	-	-	-	-	-
Receivables (net of allowance):					
Taxes	-	-	-	-	-
Loans to Local Governments	-	-	-	-	-
Other Loans Receivable	-	-	-	-	-
Other Receivables	-	-	54,236	489	9
Due from Other Funds	-	-	-	1,268	175
Due from Other Governments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid Items	-	-	144	-	-
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	2,244	126,674	259,588	-	-
Investments	23,636	-	195,755	-	-
Other Restricted Assets	443	376	1,075	-	-
Total Assets	$ 26,323	$ 127,049	$ 528,954	$ 27,049	$ 58,862
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ -	$ -	$ -	$ 2,571	$ 4,324
Due to Other Funds	-	9	10,726	164	4,966
Interfund Payables	-	-	-	-	-
Due to Other Governments	-	-	-	-	1
Tax Refunds Payable	-	-	-	-	-
Tax and Other Deposits	-	-	-	-	-
Deferred Revenue	-	-	54,257	-	-
Interest Payable	3,076	35,257	38,333	-	-
Advances from Other Funds	-	-	-	-	-
Short-term Notes Payable	-	-	-	-	565,768
Revenue Bonds and Notes Payable	20,270	75,065	95,335	-	-
Total Liabilities	23,346	110,331	198,651	2,735	575,059
Fund Balances:					
Reserved for Encumbrances	-	-	-	6,309	53,337
Reserved for Inventories	-	-	-	-	-
Reserved for Prepaid Items	-	-	144	-	-
Reserved for Restricted Funds	-	-	267,547	-	-
Reserved for Long-term Receivables	-	-	-	-	-
Unreserved:					
Undesignated	2,977	16,718	62,612	18,004	(569,535)
Total Fund Balance	2,977	16,718	330,303	24,314	(516,197)
Total Liabilities and Fund Balance	$ 26,323	$ 127,049	$ 528,954	$ 27,049	$ 58,862

Capital Projects Funds		Permanent Funds				
Transportation Revenue Bonds	Total Capital Projects Funds	Common School	Historical Society	Other Permanent	Total Permanent Funds	Total Nonmajor Governmental Funds
$ -	$ 83,970	$ 131,742	$ 220	$ 1,580	$ 133,542	$ 478,493
-	-	105,645	12,455	4,715	122,815	132,297
-	-	-	-	-	-	32,055
-	-	473,751	-	16,492	490,243	495,840
-	-	-	-	-	-	75
-	498	-	14	-	14	89,789
9	1,452	971	29	6	1,006	70,658
-	-	8,458	-	-	8,458	27,547
-	-	-	-	-	-	3,105
-	-	-	3	-	3	14,749
134,138	134,138	-	-	-	-	393,727
-	-	-	-	-	-	195,755
222	222	-	-	-	-	1,297
$ 134,369	$ 220,280	$ 720,566	$ 12,721	$ 22,793	$ 756,080	$ 1,935,387
$ -	$ 6,895	$ -	$ 19	$ -	$ 19	$ 67,195
22,233	27,364	1,322	5	-	1,327	68,238
-	-	-	-	-	-	27,085
-	1	-	-	-	-	6,926
-	-	-	-	-	-	127
-	-	-	-	13	13	8,589
-	-	-	-	-	-	66,746
-	-	-	-	-	-	38,333
-	-	-	-	-	-	2,864
198,758	764,526	-	-	-	-	906,826
-	-	-	-	-	-	95,335
220,991	798,786	1,322	24	13	1,359	1,288,263
80,576	140,223	-	5	-	5	231,126
-	-	-	-	-	-	3,105
-	-	-	3	-	3	14,749
-	-	20	-	979	999	278,048
-	-	440,375	-	11,946	452,321	457,787
(167,198)	(718,729)	278,850	12,689	9,854	301,394	(337,691)
(86,622)	(578,506)	719,245	12,697	22,779	754,721	647,124
$ 134,369	$ 220,280	$ 720,566	$ 12,721	$ 22,793	$ 756,080	$ 1,935,387

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007

(In Thousands)

	Special Revenue Funds				
	Conservation	Election Administration	Medical Assistance Trust	Utility Public Benefits	Petroleum Inspection
Revenues:					
Taxes	$ 88,581	$ -	$ -	$ -	$ 59,359
Intergovernmental	31,511	25	-	-	-
Licenses and Permits	104,229	-	27,921	139,422	129
Charges for Goods and Services	11,993	-	-	-	79
Investment and Interest Income	1,961	1,444	(160)	1,643	1,467
Fines and Forfeitures	518	-	-	-	-
Gifts and Donations	1,256	-	-	-	-
Other Revenues					
Tobacco Settlement	-	-	-	-	-
Other	2,161	85	-	1	24
Total Revenues	242,211	1,554	27,761	141,066	61,059
Expenditures:					
Current:					
Commerce	-	-	-	-	-
Education	-	-	-	-	-
Transportation	-	-	-	-	-
Environmental Resources	232,817	-	-	-	30,457
Human Relations and Resources	-	-	127,253	-	-
General Executive	-	22,922	-	112,888	-
Judicial	-	-	-	-	-
Tax Relief and Other General Expenditures	-	-	-	-	-
Capital Outlay	10,884	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	5,093
Other Expenditures	-	-	-	-	-
Total Expenditures	243,701	22,922	127,253	112,888	35,550
Excess of Revenues Over (Under) Expenditures	(1,490)	(21,368)	(99,492)	28,177	25,509
Other Financing Sources (Uses):					
Long-term Debt Issued	-	-	-	-	-
Long-term Debt Issued - Refunding Bonds	-	-	-	-	
Payments to Refunding Bond Escrow Agent	-	-	-	-	
Premium on Bonds	-	-	-	-	-
Transfers In	23,180	-	127,805	-	-
Transfers Out	(31,628)	(13)	-	(18,014)	(28,502)
Installment Purchase Acquisitions	-	-	-	-	-
Total Other Financing Sources (Uses)	(8,448)	(13)	127,805	(18,014)	(28,502)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(9,938)	(21,381)	28,313	10,163	(2,993)
Fund Balances, Beginning of Year	75,498	35,933	(25,648)	21,728	(142,853)
Increase (Decrease) in Reserve for Inventories	785	-	-	-	(1)
Fund Balances, End of Year	$ 66,345	$ 14,553	$ 2,665	$ 31,892	$ (145,846)

Special Revenue Funds				Debt Service Funds		
Wisconsin Public Broadcasting Foundation	Other Environmental Special Revenue	Other Special Revenue	Total Special Revenue Funds	Bond Security and Redemption	Annual Appropriation Bonds	Badger Tobacco Asset Securitization
$ -	$ 24,495	$ 2	$ 172,437	$ -	$ -	$ -
-	751	-	32,288	-	-	-
-	43,689	92,732	408,123	-	-	-
206	-	3,221	15,499	-	-	-
965	2,893	4,160	14,372	2,519	7,296	9,600
-	(257)	1,047	1,307	-	-	-
8,970	-	70	10,297	-	-	-
-	-	-	-	-	-	125,908
-	114	2,130	4,516	-	-	-
10,142	71,686	103,362	658,841	2,519	7,296	135,508
-	-	55,169	55,169	-	-	-
1,775	-	2,714	4,490	-	-	-
-	-	-	-	-	-	-
-	62,947	-	326,221	-	-	-
-	-	19,671	146,925	-	-	-
-	-	266	136,076	-	-	-
-	-	343	343	-	-	-
-	-	-	-	-	2,456	221
-	1,369	-	12,253	-	-	-
-	-	-	-	274,187	-	38,155
-	-	-	5,093	196,278	96,323	91,061
-	-	-	-	1,570	-	-
1,775	64,316	78,165	686,570	472,035	98,779	129,438
8,367	7,369	25,198	(27,730)	(469,516)	(91,483)	6,070
-	-	-	-	-	-	-
-	-	-	-	229,293	-	-
-	-	-	-	(250,834)	-	-
-	-	-	-	31,976	-	-
-	12,488	1,206	164,680	438,156	58,613	-
(7,338)	(18,884)	(3,291)	(107,670)	(4,124)	(4,023)	-
-	-	-	-	-	-	-
(7,338)	(6,396)	(2,085)	57,009	444,467	54,590	-
1,029	973	23,113	29,279	(25,048)	(36,893)	6,070
9,601	67,551	68,737	110,548	32,485	71,577	262,417
3	-	(10)	778	-	-	-
$ 10,633	$ 68,525	$ 91,839	$ 140,605	$ 7,437	$ 34,684	$ 268,487

(Continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007

(Continued)

	Debt Service Funds			Capital Projects Funds	
	Petroleum Inspection Revenue Bonds	Transportation Revenue Bonds	Total Debt Service Funds	Building Trust	Capital Improvement
Revenues:					
Taxes	$ 26,323	$ -	$ 26,323	$ -	$ -
Intergovernmental	-	-	-	8,645	-
Licenses and Permits	-	152,390	152,390	-	-
Charges for Goods and Services	-	-	-	-	-
Investment and Interest Income	659	4,149	24,223	1,238	4,513
Fines and Forfeitures	-	-	-	-	-
Gifts and Donations	-	-	-	123	-
Other Revenues					
Tobacco Settlement	-	-	125,908	-	-
Other	160	-	160	1,290	-
Total Revenues	27,142	156,539	329,004	11,296	4,513
Expenditures:					
Current:					
Commerce	-	-	-	-	3,866
Education	-	-	-	188	9,760
Transportation	-	-	-	1,254	14,436
Environmental Resources	-	-	-	5,457	26,954
Human Relations and Resources	-	-	-	717	4,654
General Executive	-	-	-	820	38
Judicial	-	-	-	-	-
Tax Relief and Other General Expenditures	-	38	2,716	154	7,125
Capital Outlay	-	-	-	17,611	264,857
Debt Service:					
Principal	20,270	75,065	407,677	-	-
Interest	6,152	74,271	464,085	-	20,732
Other Expenditures	-	677	2,247	-	208
Total Expenditures	26,422	150,051	876,725	26,201	352,631
Excess of Revenues Over (Under) Expenditures	720	6,488	(547,721)	(14,905)	(348,118)
Other Financing Sources (Uses):					
Long-term Debt Issued	-	-	-	-	305,698
Long-term Debt Issued - Refunding Bonds	-	206,600	435,892	-	-
Payments to Refunding Bond Escrow Agent	-	(222,015)	(472,849)	-	-
Premium on Bonds	-	16,092	48,069	-	-
Transfers In	-	-	496,769	8,811	78,555
Transfers Out	-	(6,425)	(14,571)	(4,648)	(233,883)
Installment Purchase Acquisitions	-	-	-	-	653
Total Other Financing Sources (Uses)	-	(5,748)	493,309	4,163	151,023
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	720	740	(54,411)	(10,741)	(197,095)
Fund Balances, Beginning of Year	2,257	15,978	384,714	35,055	(319,102)
Increase (Decrease) in Reserve for Inventories	-	-	-	-	-
Fund Balances, End of Year	$ 2,977	$ 16,718	$ 330,303	$ 24,314	$ (516,197)

Capital Projects Funds		Permanent Funds				
Transportation Revenue Bonds	Total Capital Projects Funds	Common School	Historical Society	Other Permanent	Total Permanent Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 198,760
-	8,645	-	-	-	-	40,933
293	293	-	-	-	-	560,806
-	-	-	10	210	221	15,720
3,172	8,923	33,934	1,861	-	35,795	83,314
-	-	18,037	-	-	18,037	19,345
-	123	-	2	-	2	10,422
-	-	-	-	-	-	125,908
-	1,290	22	-	3,014	3,036	9,001
3,465	19,274	51,993	1,872	3,224	57,090	1,064,208
-	3,866	-	-	-	-	59,036
-	9,948	29,000	429	-	29,429	43,866
10,482	26,173	-	-	-	-	26,173
-	32,411	-	-	-	-	358,632
-	5,371	-	-	-	-	152,296
-	857	-	-	-	-	136,934
-	-	-	-	-	-	343
326	7,605	-	-	-	-	10,321
134,107	416,575	-	3	2,035	2,038	430,866
-	-	-	-	-	-	407,677
-	20,732	-	-	-	-	489,910
1,032	1,240	-	-	-	-	3,487
145,946	524,778	29,000	432	2,035	31,467	2,119,540
(142,481)	(505,504)	22,993	1,440	1,190	25,623	(1,055,332)
148,710	454,408	-	-	-	-	454,408
300	300	-	-	-	-	436,193
-	-	-	-	-	-	(472,849)
829	829	-	-	-	-	48,898
6,425	93,791	50,000	35	-	50,035	805,275
(2,568)	(241,098)	(1,262)	(28)	-	(1,290)	(364,630)
-	653	-	-	-	-	653
153,697	308,883	48,738	7	-	48,745	907,947
11,216	(196,621)	71,731	1,447	1,190	74,368	(147,385)
(97,838)	(381,885)	647,514	11,250	21,590	680,354	793,731
-	-	-	-	-	-	778
$ (86,622)	$ (578,506)	$ 719,245	$ 12,697	$ 22,779	$ 754,721	$ 647,124

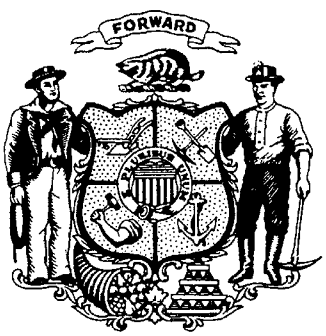
State of Wisconsin

Budgetary Comparison Schedule
Nonmajor Budgeted Governmental Funds
For the Fiscal Year Ended June 30, 2007

(In Thousands)

	Special Revenue							
	Conservation		Election Administration		Medical Assistance Trust		Utility Public Benefits	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Unexpended Budgetary Fund Balances, Beginning of Year		$ 66,028		$ 35,886		$ (25,745)		$ 16,129
Revenues (Inflows):								
Taxes	$ 87,405	87,405	$ -	-	$ -	-	$ -	-
Budgeted Transfers from:								
General Fund	-	-	-	-	127,805	127,805	-	-
Nonmajor Fund	-	-	-	-	-	-	-	-
Departmental	184,682	184,682	1,601	1,601	27,599	27,599	139,474	139,474
Total Revenues	272,088	272,088	1,601	1,601	155,404	155,404	139,474	139,474
Amounts Available for Appropriation		338,116		37,487		129,659		155,603
Appropriations and Transfers (Outflows):								
Commerce	1,546	1,529	-	-	-	-	-	-
Education	1,185	489	-	-	-	-	-	-
Environmental Resources	360,873	284,271	-	-	-	-	-	-
Human Relations and Resources	500	4	-	-	134,870	127,253	10,187	10,186
General Executive	-	-	27,040	22,934	-	-	111,370	100,777
Judicial	-	-	-	-	-	-	-	-
Tax Relief and Other General	12	174	-	-	-	-	-	-
Budgeted Transfers to:								
General Fund	4	4	-	-	-	-	16,949	16,949
Nonmajor Fund	-	-	-	-	-	-	-	-
Total Appropriations and Transfers	$ 364,119	286,471	$ 27,040	22,934	$ 134,870	127,253	$ 138,506	127,913
Fund Balances End of Year		51,644		14,553		2,405		27,691
Less Encumbrances Outstanding at June 30, 2007		(32,296)		(1,771)		-		(15,045)
Fund Balances, End of Year Budgetary Basis		$ 19,348		$ 12,782		$ 2,405		$ 12,645

Special Revenue						Permanent			
Petroleum Inspection		Other Environmental Special Revenue		Other Special Revenue		Common School		Historical Society	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	$ 27,263		$ 46,808		$ 57,925		$ 637,761		$ 11,250
$ 52,472	52,472	$ 23,527	23,527	$ 2	2	$ -	-	$ -	-
-	-	-	-	-	-	50,000	50,000	-	-
-	-	-	-	-	-	-	-	-	-
1,790	1,790	61,280	61,280	103,128	103,128	51,190	51,190	1,907	1,907
54,262	54,262	84,807	84,807	103,130	103,130	101,190	101,190	1,907	1,907
	81,525		131,615		161,055		738,951		13,157
66,793	32,198	31,350	12,648	103,499	31,426	-	-	-	-
-	-	798	572	10,208	9,090	29,000	29,000	482	460
5,247	4,989	72,615	56,643	-	-	-	-	-	-
6,146	1,288	607	607	20,763	19,520	-	-	-	-
190	183	277	262	24,994	17,780	-	-	-	-
-	-	-	-	729	349	-	-	-	-
7,015	7,015	1	1	-	-	-	-	-	-
20,259	20,259	13,631	13,631	1,928	1,928	-	-	-	-
-	-	-	-	669	669	-	-	-	-
$ 105,648	65,931	$ 119,280	84,365	$ 162,790	80,762	$ 29,000	29,000	$ 482	460
	15,593		47,251		80,293		709,951		12,697
	(809)		(30,985)		(65,392)		-		(5)
	$ 14,784		$ 16,265		$ 14,902		$ 709,951		$ 12,692


FORWARD

Nonmajor Enterprise Funds

ENTERPRISE: Enterprise funds account for business-like State activities that provide goods and/or services to the public and are financed primarily through user charges. The State's enterprise funds are described below:

The **State Fair Park Fund** accounts for the annual State Fair, and various year round major sports events, agricultural and industrial expositions, and other programs of civic interest. Its revenues are derived from admissions, fees, rents and sales, with no contributions from the State.

The **Homes For Veterans Fund** accounts for nursing home and assisted living facilities for veterans and their spouses. The costs associated with providing this care are funded by private pay charges, the U.S. Department of Veterans Affairs and Medical Assistance.

The **Mendota Mental Health Institute Fund** and the **Winnebago Mental Health Institute Fund** account for the diagnosis, care and treatment of individuals with mental and emotional disturbances. The services are provided with funds collected from third parties and contributions from the State.

The **Northern Developmental Disabilities Center Fund**, the **Central Developmental Disabilities Center Fund** and the **Southern Developmental Disabilities Center Fund** account for services provided to developmentally disabled citizens with the goal of ultimately returning such persons to the community if possible. These services are provided with funds collected from third parties and contributions from the State.

The **Institutional Farm Operations Fund** accounts for the revenues and expenses associated with employing inmates in agricultural and other work activities. The associated costs are funded from farm product sales and a General Fund supplement.

The **Correctional Canteen Operations Fund** accounts for the program which provides goods for the education, recreation, and convenience of inmates. Charges made to inmates are the primary source of funds for these activities.

The **Lottery Fund** accounts for State managed lottery activities used to provide property tax relief to taxpayers. Revenues, which are derived from ticket sales, are used to pay winners, commissions to retailers, operating expenses and property tax relief.

The **Local Government Property Insurance Fund** accounts for property insurance coverage provided to local governments. This insurance is financed with premiums collected from policyholders and income on investments.

The **State Life Insurance Fund** accounts for the program to provide State sponsored life insurance to residents in a manner consistent with private insurers. This insurance is financed with premiums collected from policyholders and investment earnings.

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

The **Long-term Disability Insurance Fund** accounts for long-term disability benefits paid to State Retirement System participants, as well as the collection of contributions and investment activity providing funding for the benefits.

The **Health Insurance Fund** accounts for group health insurance plans provided on a self-insured, fee for service basis or prepaid basis to current employees of the State and of participating local public employers.

The **Veterans Trust Fund** accounts for various programs for veterans, including loans and grants to individuals and organizations and the operations of the State Veterans Museum. Revenues to finance this program are primarily derived from veteran loan payments and investment income.

The **Veterans Mortgage Loan Repayment Fund** accounts for the issuance and administration of veterans' first mortgage loans. Funding sources are primarily derived from bond proceeds, mortgage payments, and investment income.

The **Transportation Infrastructure Loan Fund** accounts for the development of innovative financing mechanisms that will more effectively use federal financial transportation resources. Federal Highway Administration funds, and interest from the fund balance and from loan recipients, are the primary revenues for this fund.

Combining Balance Sheet - Nonmajor Enterprise Funds
June 30, 2007

(In Thousands)

	State Fair Park	Homes for Veterans	Mendota Mental Health Institute	Winnebago Mental Health Institute
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 121	$ 17,551	$ 180	$ 36
Investments	-	-	-	-
Receivables (net of allowance):				
Loans Receivable	-	-	-	-
Other Receivables	2,153	564	4,845	6,824
Due from Other Funds	4,692	22	3,114	3,478
Due from Other Governments	-	8,240	232	7
Inventories	40	1,080	281	529
Prepaid Items	156	826	617	639
Deferred Charges	-	-	-	-
Other Assets	-	-	-	-
Total Current Assets	7,161	28,283	9,268	11,513
Noncurrent Assets:				
Investments	-	-	-	-
Receivables (net of allowance):				
Loans Receivable	-	-	-	-
Prepaid Items	-	-	-	-
Deferred Charges	144	39	-	-
Depreciable Capital Assets (net of accumulated depreciation)	47,109	53,859	20,953	12,238
Nondepreciable Capital Assets	999	3,023	1,329	1,297
Other Assets	-	-	-	-
Total Noncurrent Assets	48,252	56,920	22,282	13,535
Total Assets	$ 55,413	$ 85,203	$ 31,550	$ 25,048
Liabilities				
Current Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 607	$ 3,574	$ 3,146	$ 2,629
Due to Other Funds	190	2,048	3,797	3,921
Interfund Payables	8,601	-	-	4,838
Due to Other Governments	-	108	471	1,233
Tax and Other Deposits	140	19	-	-
Deferred Revenue	3,050	-	10	-
Interest Payable	287	89	-	-
Short-term Notes Payable	769	2,054	-	-
Current Portion of Long-term Liabilities:				
Future Benefits and Loss Liabilities	-	-	-	-
Compensated Absences	56	542	617	563
Capital Leases	91	-	46	37
General Obligation Bonds Payable	1,798	201	-	-
Total Current Liabilities	15,590	8,636	8,086	13,222
Noncurrent Liabilities:				
Accounts Payable and Other Accrued Liabilities	-	-	-	-
Noncurrent Portion of Long-term Liabilities:				
Future Benefits and Loss Liabilities	-	-	-	-
Compensated Absences	69	720	1,249	937
Capital Leases	328	-	328	335
General Obligation Bonds Payable	31,157	10,775	-	-
Total Noncurrent Liabilities	31,554	11,495	1,577	1,272
Total Liabilities	47,144	20,131	9,663	14,494
Fund Equity				
Invested in Capital Assets, Net of Related Debt	14,108	43,889	21,908	13,162
Restricted for Future Benefits	-	-	-	-
Restricted for Other Purposes	-	-	-	-
Unrestricted	(5,839)	21,183	(21)	(2,608)
Total Fund Equity	8,269	65,072	21,886	10,555
Total Liabilities and Fund Equity	$ 55,413	$ 85,203	$ 31,550	$ 25,048

Northern Developmental Disabilities Center	Central Developmental Disabilities Center	Southern Developmental Disabilities Center	Institutional Farm Operations	Correctional Canteen Operations	Lottery
$ 11	$ 9	$ 1	$ -	$ 1,278	$ 41,440
-	-	-	-	-	16,616
-	-	-	-	-	-
1,788	7,373	6,357	527	200	1,787
2,694	66	454	32	6	508
-	-	-	-	-	-
91	345	192	3,079	882	1,264
137	765	550	109	22	35,751
-	-	-	-	-	-
-	-	-	-	-	1,261
4,721	8,558	7,554	3,748	2,387	98,629
-	-	-	-	-	76,805
-	-	-	-	-	-
-	-	-	-	-	118
-	-	-	-	-	-
4,269	11,934	6,853	4,980	36	141
154	558	1,022	1,380	-	-
-	-	-	-	-	3,833
4,423	12,492	7,875	6,360	36	80,897
$ 9,144	$ 21,050	$ 15,429	$ 10,108	$ 2,423	$ 179,526
$ 363	$ 3,275	$ 1,731	$ 377	$ 249	$ 36,544
1,543	5,616	3,949	565	54	9,961
10,235	990	4,583	1,084	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	454
-	-	-	2	-	-
-	-	-	-	-	-
-	-	-	-	-	-
73	649	250	39	5	149
-	-	54	83	-	-
-	-	-	-	-	-
12,215	10,531	10,568	2,150	308	47,109
-	-	-	-	-	72,295
-	-	-	-	-	-
201	1,639	611	80	3	286
-	-	585	60	-	-
-	-	-	-	-	-
201	1,639	1,196	140	3	72,581
12,416	12,170	11,764	2,290	311	119,690
4,423	12,492	7,236	6,216	36	141
-	-	-	-	-	-
-	-	-	-	-	59,695
(7,695)	(3,612)	(3,571)	1,601	2,076	-
(3,272)	8,880	3,665	7,818	2,112	59,836
$ 9,144	$ 21,050	$ 15,429	$ 10,108	$ 2,423	$ 179,526

(Continued)

Combining Balance Sheet - Nonmajor Enterprise Funds
June 30, 2007

(Continued)

	Local Government Property Insurance	State Life Insurance	Income Continuation Insurance	Long-term Disability Insurance
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 54,735	$ 2,163	$ 98,904	$ 329,062
Investments	-	-	-	-
Receivables (net of allowance):				
Loans Receivable	-	-	-	-
Other Receivables	342	1,233	2,810	83
Due from Other Funds	-	-	476	-
Due from Other Governments	971	-	-	-
Inventories	-	-	-	-
Prepaid Items	-	4	-	-
Deferred Charges	-	-	-	-
Other Assets	-	-	-	-
Total Current Assets	56,047	3,400	102,190	329,145
Noncurrent Assets:				
Investments	-	78,874	-	-
Receivables (net of allowance):				
Loans Receivable	-	3,090	-	-
Prepaid Items	-	-	-	-
Deferred Charges	-	560	-	-
Depreciable Capital Assets (net of accumulated depreciation)	-	111	-	-
Nondepreciable Capital Assets	-	-	-	-
Other Assets	-	-	-	-
Total Noncurrent Assets	-	82,634	-	-
Total Assets	$ 56,047	$ 86,034	$ 102,190	$ 329,145
Liabilities				
Current Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 478	$ 673	$ 188	$ 85
Due to Other Funds	2	11	-	-
Interfund Payables	-	-	-	-
Due to Other Governments	-	-	-	-
Tax and Other Deposits	-	16,923	-	-
Deferred Revenue	5,095	-	133	-
Interest Payable	-	-	-	-
Short-term Notes Payable	-	-	-	-
Current Portion of Long-term Liabilities:				
Future Benefits and Loss Liabilities	9,532	1,962	13,810	13,846
Compensated Absences	6	-	-	-
Capital Leases	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Current Liabilities	15,113	19,569	14,130	13,931
Noncurrent Liabilities:				
Accounts Payable and Other Accrued Liabilities	-	-	-	-
Noncurrent Portion of Long-term Liabilities:				
Future Benefits and Loss Liabilities	-	59,911	57,525	94,441
Compensated Absences	14	5	-	-
Capital Leases	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Noncurrent Liabilities	14	59,917	57,525	94,441
Total Liabilities	15,127	79,485	71,656	108,372
Fund Equity				
Invested in Capital Assets, Net of Related Debt	-	111	-	-
Restricted for Future Benefits	40,921	6,438	30,534	220,773
Restricted for Other Purposes	-	-	-	-
Unrestricted	-	-	-	-
Total Fund Equity	40,921	6,549	30,534	220,773
Total Liabilities and Fund Equity	$ 56,047	$ 86,034	$ 102,190	$ 329,145

Health Insurance	Veterans Trust	Veterans Mortgage Loan Repayment	Transportation Infrastructure Loan	Total All Nonmajor Funds
$ 176,632	$ 27,869	$ 154,097	$ 206	$ 904,294
-	-	-	-	16,616
-	6,607	8,183	264	15,054
12,354	116	1,945	-	51,300
639	91	-	-	16,272
-	-	-	-	9,450
-	31	-	-	7,814
3,210	126	72	-	42,985
-	1	320	-	321
-	-	-	-	1,261
192,835	34,840	164,617	471	1,065,367
-	-	-	-	155,679
-	28,789	248,097	2,101	282,076
-	-	-	-	118
-	3	3,292	-	4,038
-	8,933	29	-	171,444
-	277	-	-	10,038
-	-	385	-	4,218
-	38,002	251,803	2,101	627,611
$ 192,835	$ 72,842	$ 416,420	$ 2,571	$ 1,692,978
$ 420	$ 1,270	$ 621	$ -	$ 56,229
7	177	189	-	32,032
-	-	-	-	30,332
-	14	520	-	2,345
-	8	-	-	17,090
66,307	-	1	-	75,050
-	6	3,228	-	3,612
-	2	4,445	-	7,271
13,535	-	-	-	52,684
-	98	83	-	3,131
-	-	-	-	312
-	65	13,350	-	15,415
80,269	1,640	22,436	-	295,502
-	-	-	-	72,295
-	-	-	-	211,878
-	136	245	-	6,195
-	-	-	-	1,637
-	718	354,530	-	397,180
-	854	354,775	-	689,184
80,269	2,494	377,211	-	984,686
-	8,428	29	-	132,179
112,565	-	-	-	411,231
-	-	-	2,571	62,267
-	61,920	39,180	-	102,615
112,565	70,348	39,209	2,571	708,292
$ 192,835	$ 72,842	$ 416,420	$ 2,571	$ 1,692,978

State of Wisconsin

Combining Statement of Revenues, Expenses, and Changes in Fund Equity - Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2007

(In Thousands)

	State Fair Park	Homes for Veterans	Mendota Mental Health Institute	Winnebago Mental Health Institute
Operating Revenues:				
Charges for Goods and Services	$ 18,031	$ 67,365	$ 25,813	$ 28,219
Participant and Employer Contributions	-	-	-	-
Investment and Interest Income	-	-	-	-
Other Income	120	-	-	-
Total Operating Revenues	18,151	67,365	25,813	28,219
Operating Expenses:				
Personal Services	4,955	53,785	51,537	44,647
Supplies and Services	7,232	13,942	12,131	9,903
Lottery Prize Awards	-	-	-	-
Depreciation	3,316	2,816	1,360	867
Benefit Expense	-	-	-	-
Interest Expense	-	-	-	-
Other Expenses	2	116	-	-
Total Operating Expenses	15,505	70,659	65,029	55,416
Operating Income (Loss)	2,645	(3,294)	(39,216)	(27,197)
Nonoperating Revenues (Expenses):				
Operating Grants	-	45	151	130
Investment and Interest Income	17	10	1	1
Gain (Loss) on Disposal of Capital Assets	(598)	(3)	8	(192)
Interest Expense	(1,455)	(509)	(13)	(8)
Gifts and Donations	17	-	-	7
Other Revenues	-	519	852	346
Other Expenses:				
Property Tax Credits	-	-	-	-
Grants Disbursed	-	(41)	-	-
Other	-	-	-	-
Total Nonoperating Revenues (Expenses)	(2,018)	22	998	284
Income (Loss) before Transfers	627	(3,272)	(38,218)	(26,914)
Capital Contributions	-	1,510	-	-
Transfers In	1,771	1,222	41,309	25,714
Transfers Out	(129)	(2,471)	(1,522)	(1,432)
Net Change in Fund Equity	2,269	(3,010)	1,569	(2,632)
Total Fund Equity, Beginning of Year	6,000	68,082	20,317	13,187
Total Fund Equity, End of Year	$ 8,269	$ 65,072	$ 21,886	$ 10,555

Northern Developmental Disabilities Center	Central Developmental Disabilities Center	Southern Developmental Disabilities Center	Institutional Farm Operations	Correctional Canteen Operations	Lottery
$ 8,814	$ 64,278	$ 42,190	$ 4,576	$ 10,482	$ 492,784
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	244	320
8,814	64,278	42,190	4,576	10,726	493,104
8,088	50,037	35,655	1,799	1,084	5,976
2,043	12,788	8,417	3,036	9,728	57,771
-	-	-	-	-	292,046
557	1,462	939	382	4	44
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	10	37
10,687	64,287	45,011	5,217	10,826	355,874
(1,873)	(9)	(2,822)	(641)	(100)	137,231
-	50	-	-	-	-
18	-	-	-	-	3,561
(1)	(25)	(1)	(9)	-	-
-	-	(17)	(8)	-	-
-	-	-	-	-	-
540	130	1,698	17	-	-
-	-	-	-	-	(138,744)
-	-	-	-	-	-
-	-	(14)	-	(12)	-
557	155	1,665	-	(12)	(135,183)
(1,317)	146	(1,156)	(642)	(112)	2,047
-	-	-	-	-	-
383	527	1,943	1,305	783	321
(1,509)	(3,668)	(3,050)	(623)	(691)	(15,593)
(2,443)	(2,995)	(2,263)	41	(20)	(13,225)
(829)	11,875	5,928	7,777	2,132	73,060
$ (3,272)	$ 8,880	$ 3,665	$ 7,818	$ 2,112	$ 59,836

(Continued)

State of Wisconsin

Combining Statement of Revenues, Expenses, and Changes in Fund Equity - Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2007

(Continued)

	Local Government Property Insurance	State Life Insurance	Income Continuation Insurance	Long-term Disability Insurance
Operating Revenues:				
Charges for Goods and Services	$ 17,643	$ 2,153	$ -	$ -
Participant and Employer Contributions	-	-	12,183	-
Investment and Interest Income	-	253	-	-
Other Income	-	7	-	-
Total Operating Revenues	17,643	2,412	12,183	-
Operating Expenses:				
Personal Services	114	301	-	-
Supplies and Services	1,221	229	1,856	898
Lottery Prize Awards	-	-	-	-
Depreciation	-	28	-	-
Benefit Expense	17,219	2,840	19,241	33,904
Interest Expense	-	514	-	-
Other Expenses	43	2,910	627	263
Total Operating Expenses	18,597	6,823	21,725	35,065
Operating Income (Loss)	(955)	(4,411)	(9,542)	(35,065)
Nonoperating Revenues (Expenses):				
Operating Grants	-	-	-	-
Investment and Interest Income	2,950	5,481	14,844	54,039
Gain (Loss) on Disposal of Capital Assets	-	-	-	-
Interest Expense	-	-	-	-
Gifts and Donations	-	-	-	-
Other Revenues	-	-	-	-
Other Expenses:				
Property Tax Credits	-	-	-	-
Grants Disbursed	-	-	-	-
Other	-	-	-	-
Total Nonoperating Revenues (Expenses)	2,950	5,481	14,844	54,040
Income (Loss) before Transfers	1,995	1,070	5,303	18,975
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(2)	(4)	-	-
Net Change in Fund Equity	1,994	1,066	5,303	18,975
Total Fund Equity, Beginning of Year	38,927	5,483	25,232	201,798
Total Fund Equity, End of Year	$ 40,921	$ 6,549	$ 30,534	$ 220,773

Health Insurance	Veterans Trust	Veterans Mortgage Loan Repayment	Transportation Infrastructure Loan	Total All Nonmajor Funds
$ 8	$ 188	$ -	$ -	$ 782,543
907,976	-	-	-	920,158
-	2,306	15,346	52	17,956
1	-	-	-	691
907,984	2,494	15,346	52	1,721,349
-	4,667	3,762	-	266,407
9,835	2,151	889	-	154,072
-	-	-	-	292,046
-	677	15	-	12,468
885,868	-	-	-	959,073
-	-	20,466	-	20,980
2,550	103	1,072	-	7,732
898,253	7,598	26,205	-	1,712,778
9,731	(5,104)	(10,859)	52	8,571
-	670	-	-	1,046
7,513	1,497	7,665	16	97,614
-	-	-	-	(821)
-	(36)	-	-	(2,046)
-	-	-	-	24
-	183	10	-	4,295
-	-	-	-	(138,744)
-	(5,378)	(449)	-	(5,869)
-	-	(499)	-	(524)
7,513	(3,063)	6,727	16	(45,025)
17,245	(8,167)	(4,132)	69	(36,454)
-	44	-	-	1,554
-	2,456	72	-	77,807
-	(69)	(67)	-	(30,829)
17,245	(5,736)	(4,127)	69	12,078
95,320	76,084	43,336	2,503	696,214
$ 112,565	$ 70,348	$ 39,209	$ 2,571	$ 708,292

Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2007

(In Thousands)

	State Fair Park	Homes for Veterans	Mendota Mental Health Institute	Winnebago Mental Health Institute
Cash Flows from Operating Activities:				
Cash Receipts from Customers	$ 11,597	$ 73,296	$ 26,993	$ 27,508
Cash Payments to Suppliers for Goods and Services	(7,740)	(13,967)	(12,244)	(9,999)
Cash Payments to Employees for Services	(4,917)	(54,352)	(51,281)	(45,199)
Cash Payments for Lottery Prizes	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-
Collection of Loans	-	-	-	-
Interest Income	-	-	-	-
Cash Payments for Benefits	-	-	-	-
Other Operating Revenues	120	-	-	-
Other Operating Expenses	-	-	-	-
Other Sources of Cash	-	519	3,217	2,968
Net Cash Provided (Used) by Operating Activities	(941)	5,496	(33,315)	(24,723)
Cash Flows from Noncapital Financing Activities:				
Operating Grants Receipts	17	45	153	129
Grants Disbursed	-	(41)	-	-
Proceeds from Issuance of Debt	-	-	-	-
Repayment of Bonds and Notes	-	-	-	-
Interest Payments	-	-	-	-
Property Tax Credit Payments	-	-	-	-
Interfund Loans Received	-	-	-	2,390
Interfund Loans Repaid	(1,476)	-	(950)	-
Transfers In	1,771	906	41,229	25,649
Transfers Out	(129)	(2,476)	(1,736)	(2,050)
Other Cash Inflows from Noncapital Financing Activities	-	-	-	-
Other Cash Outflows from Noncapital Financing Activities: Other	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	183	(1,567)	38,696	26,119
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Issuance of Debt	7,104	3,075	-	-
Capital Contributions	-	1,510	-	-
Repayment of Bonds and Notes	(8,921)	-	-	-
Interest Payments	(1,442)	(491)	(20)	(17)
Capital Lease Obligations	(108)	-	(53)	(36)
Proceeds from Sale of Capital Assets	4,139	-	-	-
Payments for Purchase of Capital Assets	-	(5,730)	(5,182)	(1,340)
Other Cash Inflows from Capital Financing Activities	-	317	-	4
Other Cash Outflows from Capital Financing Activities	28	(191)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	801	(1,509)	(5,255)	(1,389)
Cash Flows from Investing Activities:				
Proceeds from Sale and Maturities of Investment Securities	-	-	-	-
Purchase of Investment Securities	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-
Collection of Loans	-	-	-	-
Investment and Interest Receipts	17	10	1	1
Net Cash Provided (Used) by Investing Activities	17	10	1	1
Net Increase (Decrease) in Cash and Cash Equivalents	60	2,431	127	7
Cash and Cash Equivalents, Beginning of Year	61	15,119	53	29
Cash and Cash Equivalents, End of Year	$ 121	$ 17,551	$ 180	$ 36

Northern Developmental Disabilities Center	Central Developmental Disabilities Center	Southern Developmental Disabilities Center	Institutional Farm Operations	Correctional Canteen Operations	Lottery
$ 8,983	$ 64,262	$ 40,352	$ 4,992	$ 10,456	$ 492,175
(993)	(10,673)	(9,464)	(3,073)	(9,787)	(22,989)
(9,119)	(52,800)	(35,662)	(1,797)	(1,147)	(6,155)
-	-	-	-	-	(304,094)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,777	-
-	-	-	-	(2,540)	(33,808)
415	167	1,467	-	-	-
(715)	956	(3,307)	122	(240)	125,128
-	22	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(144,592)
1,818	990	4,583	-	-	-
-	-	-	(487)	-	-
383	527	1,943	1,305	778	661
(1,281)	(3,668)	(2,714)	(622)	(692)	(16,370)
-	-	-	-	-	-
-	-	-	-	-	-
920	(2,128)	3,812	196	86	(160,301)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(10)	-	-
-	-	-	(82)	-	-
-	2	9	-	-	-
(235)	(322)	(1,148)	(225)	-	(7)
-	-	-	-	-	-
-	-	-	-	-	-
(235)	(320)	(1,140)	(318)	-	(7)
-	-	-	-	-	16,814
-	-	-	-	-	(918)
-	-	-	-	-	-
-	-	-	-	-	-
18	-	-	-	-	4,384
18	-	-	-	-	20,280
(12)	(1,492)	(635)	-	(155)	(14,899)
23	1,502	636	-	1,433	56,339
$ 11	$ 9	$ 1	$ 0	$ 1,278	$ 41,440

(Continued)

Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2007

(Continued)

	Local Government Property Insurance	State Life Insurance	Income Continuation Insurance	Long-term Disability Insurance
Cash Flows from Operating Activities:				
Cash Receipts from Customers	$ 16,963	$ 2,147	$ 12,077	$ -
Cash Payments to Suppliers for Goods and Services	(1,405)	(182)	(2,662)	(1,272)
Cash Payments to Employees for Services	(114)	(307)	-	-
Cash Payments for Lottery Prizes	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-
Collection of Loans	-	-	-	-
Interest Income	-	-	-	-
Cash Payments for Benefits	(16,737)	(1,716)	(15,148)	(15,976)
Other Operating Revenues	-	7	-	-
Other Operating Expenses	(43)	(2,748)	-	-
Other Sources of Cash	-	-	-	-
Net Cash Provided (Used) by Operating Activities	(1,336)	(2,799)	(5,732)	(17,248)
Cash Flows from Noncapital Financing Activities:				
Operating Grants Receipts	-	-	-	-
Grants Disbursed	-	-	-	-
Proceeds from Issuance of Debt	-	-	-	-
Repayment of Bonds and Notes	-	-	-	-
Interest Payments	-	(514)	-	-
Property Tax Credit Payments	-	-	-	-
Interfund Loans Received	-	-	-	-
Interfund Loans Repaid	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(2)	(4)	-	-
Other Cash Inflows from Noncapital Financing Activities	-	-	-	-
Other Cash Outflows from Noncapital Financing Activities:				
Other	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(2)	(518)	-	-
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Issuance of Debt	-	-	-	-
Capital Contributions	-	-	-	-
Repayment of Bonds and Notes	-	-	-	-
Interest Payments	-	-	-	-
Capital Lease Obligations	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Payments for Purchase of Capital Assets	-	(23)	-	-
Other Cash Inflows from Capital Financing Activities	-	-	-	-
Other Cash Outflows from Capital Financing Activities	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(23)	-	-
Cash Flows from Investing Activities:				
Proceeds from Sale and Maturities of Investment Securities	4,000	1,597	-	-
Purchase of Investment Securities	-	(3,739)	-	-
Cash Payments for Loans Originated	-	(252)	-	-
Collection of Loans	-	871	-	-
Investment and Interest Receipts	2,939	4,833	14,844	54,039
Net Cash Provided (Used) by Investing Activities	6,939	3,310	14,844	54,039
Net Increase (Decrease) in Cash and Cash Equivalents	5,602	(31)	9,112	36,791
Cash and Cash Equivalents, Beginning of Year	49,133	2,193	89,792	292,271
Cash and Cash Equivalents, End of Year	$ 54,735	$ 2,163	$ 98,904	$ 329,062

Health Insurance	Veterans Trust	Veterans Mortgage Loan Repayment	Transportation Infrastructure Loan	Total All Nonmajor Funds
$ 972,282	$ 188	$ -	$ -	$ 1,764,269
(7,032)	(2,137)	(911)	-	(116,530)
(4,213)	(4,727)	(3,847)	-	(275,638)
-	-	-	-	(304,094)
-	(5,841)	(39,453)	(550)	(45,843)
-	9,849	32,994	443	43,286
-	2,421	15,628	80	18,130
(829,269)	-	-	-	(878,845)
4,131	-	-	-	7,035
-	(166)	(976)	-	(40,280)
8	-	-	-	8,761
135,907	(412)	3,437	(26)	180,251
-	670	-	-	1,037
-	(4,826)	(442)	-	(5,309)
-	-	68,130	-	68,130
-	-	(71,195)	-	(71,195)
-	-	(19,497)	-	(20,011)
-	-	-	-	(144,592)
-	-	-	-	9,782
-	-	-	-	(2,912)
-	-	-	-	75,151
-	(69)	(67)	-	(31,879)
-	1,382	10	-	1,392
-	-	(746)	-	(746)
-	(2,843)	(23,807)	-	(121,154)
-	-	-	-	10,179
-	44	-	-	1,554
-	(59)	-	-	(8,980)
-	(40)	-	-	(2,020)
-	-	-	-	(280)
-	-	-	-	4,150
-	(255)	(4)	-	(14,472)
-	680	-	-	1,002
-	-	-	-	(163)
-	369	(4)	-	(9,029)
-	-	-	-	22,411
-	-	-	-	(4,658)
-	-	-	-	(252)
-	-	-	-	871
7,513	1,497	7,654	16	97,767
7,513	1,497	7,654	16	116,140
143,421	(1,389)	(12,719)	(10)	166,208
33,211	29,258	166,816	216	738,086
$ 176,632	$ 27,869	$ 154,097	$ 206	$ 904,294

(Continued)

Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2007

(Continued)

	State Fair Park	Homes for Veterans	Mendota Mental Health Institute	Winnebago Mental Health Institute
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:				
Operating Income (Loss)	$ 2,645	$ (3,294)	$ (39,216)	$ (27,197)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	3,316	2,816	1,360	867
Provision for Uncollectible Accounts	2	(26)	-	-
Operating Income (Investment Income) Classified as Investing Activity	-	-	-	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	-	-	-
Miscellaneous Nonoperating Income (Expense)	-	519	852	353
Changes in Assets and Liabilities:				
Decrease (Increase) in Receivables	(1,331)	333	2,818	2,450
Decrease (Increase) in Due from Other Funds	(4,690)	474	(83)	(2,298)
Decrease (Increase) in Due from Other Governments	-	5,266	-	-
Decrease (Increase) in Inventories	86	(90)	209	46
Decrease (Increase) in Prepaid Items	45	(140)	(48)	(50)
Decrease (Increase) in Other Assets	-	-	-	-
Decrease (Increase) in Deferred Charges	-	-	-	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(628)	519	659	338
Increase (Decrease) in Compensated Absences	(11)	(190)	(142)	(256)
Increase (Decrease) in Due to Other Funds	39	(783)	279	(208)
Increase (Decrease) in Due to Other Governments	-	84	-	1,233
Increase (Decrease) in Tax and Other Deposits	29	8	-	-
Increase (Decrease) in Deferred Revenue	(442)	-	(2)	-
Increase (Decrease) in Future Benefits and Loss Liabilities	-	-	-	-
Total Adjustments	(3,586)	8,791	5,901	2,474
Net Cash Provided (Used) by Operating Activities	$ (941)	$ 5,496	$ (33,315)	$ (24,723)
Noncash Investing, Capital and Financing Activities:				
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to Other Funds	$ -	$ 5	$ 1	$ (208)
Net Change in Unrealized Gains and Losses	-	-	-	-
Other	-	-	-	-

Northern Developmental Disabilities Center	Central Developmental Disabilities Center	Southern Developmental Disabilities Center	Institutional Farm Operations	Correctional Canteen Operations	Lottery
$ (1,873)	$ (9)	$ (2,822)	$ (641)	$ (100)	$ 137,231
557	1,462	939	382	4	44
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
314	167	1,601	-	(12)	-
2,719	(163)	(1,849)	241	(32)	(758)
(2,612)	136	-	174	(6)	4
-	-	-	-	-	-
36	(62)	45	(41)	(18)	269
(4)	(70)	5	(7)	1	722
-	-	-	-	-	589
-	-	-	-	-	-
43	(448)	(1,301)	206	(80)	(12,463)
(45)	(146)	121	4	(1)	46
151	89	(46)	(197)	3	(158)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(397)
-	-	-	-	-	-
1,159	965	(486)	763	(140)	(12,102)
$ (715)	$ 956	$ (3,307)	$ 122	$ (240)	$ 125,128
$ 251	$ -	$ 363	$ -	$ (57)	$ -
-	-	-	-	-	(896)
3	-	-	(9)	-	-

(Continued)

Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2007

(Continued)

	Local Government Property Insurance	State Life Insurance	Income Continuation Insurance	Long-term Disability Insurance
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:				
Operating Income (Loss)	$ (955)	$ (4,411)	$ (9,542)	$ (35,065)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	-	28	-	-
Provision for Uncollectible Accounts	-	-	-	-
Operating Income (Investment Income) Classified as Investing Activity	-	(253)	-	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	514	-	-
Miscellaneous Nonoperating Income (Expense)	-	-	-	-
Changes in Assets and Liabilities:				
Decrease (Increase) in Receivables	(342)	(6)	(155)	(70)
Decrease (Increase) in Due from Other Funds	-	-	(113)	-
Decrease (Increase) in Due from Other Governments	(224)	-	-	-
Decrease (Increase) in Inventories	-	-	-	-
Decrease (Increase) in Prepaid Items	-	1	-	-
Decrease (Increase) in Other Assets	-	-	-	-
Decrease (Increase) in Deferred Charges	-	30	-	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	66	47	41	13
Increase (Decrease) in Compensated Absences	2	(2)	-	-
Increase (Decrease) in Due to Other Funds	(4)	(5)	(219)	(112)
Increase (Decrease) in Due to Other Governments	-	-	-	-
Increase (Decrease) in Tax and Other Deposits	-	133	-	-
Increase (Decrease) in Deferred Revenue	(703)	-	7	-
Increase (Decrease) in Future Benefits and Loss Liabilities	824	1,124	4,249	17,985
Total Adjustments	(381)	1,612	3,809	17,817
Net Cash Provided (Used) by Operating Activities	$ (1,336)	$ (2,799)	$ (5,732)	$ (17,248)
Noncash Investing, Capital and Financing Activities:				
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to Other Funds	$ -	$ -	$ -	$ -
Net Change in Unrealized Gains and Losses	33	881	-	-
Other	-	-	-	-

	Health Insurance	Veterans Trust	Veterans Mortgage Loan Repayment	Transportation Infrastructure Loan	Total All Nonmajor Funds
	$ 9,731	$ (5,104)	$ (10,859)	$ 52	$ 8,571
	-	677	15	-	12,468
	-	(65)	(4)	-	(93)
	-	-	-	-	(253)
	-	-	20,466	-	20,980
	-	-	-	-	3,795
	2,802	4,097	(6,007)	(79)	4,670
	71,477	83	1	-	62,548
	4,130	-	-	-	9,172
	-	3	-	-	483
	63,435	(4)	-	-	63,886
	-	-	(67)	-	522
	-	-	101	-	131
	(1,158)	(5)	(12)	-	(14,163)
	-	(7)	(48)	-	(676)
	(1,663)	(89)	(139)	-	(3,064)
	-	1	2	-	1,320
	-	1	(1)	-	170
	(7,171)	-	(10)	-	(8,719)
	(5,677)	-	-	-	18,504
	126,176	4,692	14,295	(79)	171,679
	$ 135,907	$ (412)	$ 3,437	$ (26)	$ 180,251
	$ -	$ 123	$ -	$ -	$ 478
	-	-	-	-	17
	-	-	-	-	(6)

Internal Service Funds

INTERNAL SERVICE: Internal service funds account for the operations of State agencies which render services to other State agencies, institutions, or other governmental units on a cost-reimbursement basis. The State's internal service funds are described below:

The **Technology Services Fund** accounts for computer and telephone services provided to State and local governmental agencies and school systems. The moneys to finance these services come from computing service charges and telephone and data network charges.

The **Fleet Services Fund** accounts for the costs associated with providing vehicle and aircraft services to State agencies. Moneys to finance these services come from user fees and the sale of used vehicles.

The **Financial Services Fund** accounts for the costs associated with providing accounting, auditing, payroll and other financial services to State agencies. Moneys to finance these services come from State agency user fees.

The **Facilities Operations and Maintenance Fund** accounts for the costs of operating State-owned facilities including utilities, heat, protective services, custodial and maintenance services and minor repair projects. The moneys to finance these costs are supplied from rents charged for facility and parking use and a general purpose revenue supplement for maintenance of the capitol and executive residence.

The **Risk Management Fund** accounts for the costs of losses for damage to property owned by agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, and workers' compensation costs for State employees. Moneys to finance these costs come from charges to State agencies.

The **Badger State Industries Fund** accounts for the program which gives inmates work experience in manufacturing goods and providing services. The sale of goods and services provides the moneys necessary to run the program.

Combining Balance Sheet - Internal Service Funds
June 30, 2007

(In Thousands)

	Technology Services	Fleet Services	Financial Services
Assets			
Current Assets:			
Cash and Cash Equivalents	$ -	$ -	$ 4,795
Receivables (net of allowance):			
Other Receivables	22	-	-
Due from Other Funds	17,016	1,534	5
Due from Component Units	18	108	-
Due from Other Governments	51	35	-
Inventories	754	44	-
Prepaid Items	367	32	37
Advances to Other Funds	25	-	-
Deferred Charges	-	-	-
Total Current Assets	18,252	1,754	4,837
Noncurrent Assets:			
Advances to Other Funds	2,839	-	-
Deferred Charges	-	-	-
Depreciable Capital Assets (net of accumulated depreciation)	28,492	19,756	2
Nondepreciable Capital Assets	-	-	-
Total Noncurrent Assets	31,330	19,756	2
Total Assets	$ 49,583	$ 21,510	$ 4,839
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	$ 3,598	$ 828	$ 130
Due to Other Funds	1,070	129	218
Interfund Payables	5,579	19,209	-
Due to Other Governments	13,547	12	-
Interest Payable	377	-	-
Short-term Notes Payable	-	-	-
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	8,169	44	-
Compensated Absences	514	69	93
General Obligation Bonds Payable	-	-	-
Total Current Liabilities	32,855	20,292	441
Noncurrent Liabilities:			
Accounts Payable and Other Accrued Liabilities	-	-	-
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	8,439	70	-
Compensated Absences	1,092	78	378
General Obligation Bonds Payable	-	-	-
Total Noncurrent Liabilities	9,531	148	378
Total Liabilities	42,386	20,440	818
Fund Equity			
Invested in Capital Assets, Net of Related Debt	11,787	19,642	2
Unrestricted	(4,590)	(18,572)	4,019
Total Fund Equity	7,197	1,070	4,021
Total Liabilities and Fund Equity	$ 49,583	$ 21,510	$ 4,839

Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
$ 5,813	$ 11,471	$ 4	$ 22,083
4	-	59	84
10,802	14	1,810	31,183
-	-	-	126
19	-	74	179
1,146	-	4,291	6,235
149	20	79	684
-	-	-	25
790	-	1	791
18,724	11,505	6,317	61,389
-	-	-	2,839
-	-	5	5
216,516	-	5,251	270,017
27,395	-	41	27,436
243,911	-	5,297	300,296
$ 262,635	$ 11,505	$ 11,614	$ 361,685
$ 3,027	$ 179	$ 932	$ 8,694
1,761	29	1,091	4,299
-	-	249	25,037
72	-	1	13,631
1,316	-	12	1,705
19,490	-	9	19,499
-	21,241	-	21,241
438	-	22	8,673
309	18	102	1,104
8,793	-	31	8,824
35,205	21,466	2,450	112,708
-	-	103	103
-	74,743	-	74,743
225	-	202	8,935
611	49	142	2,351
149,502	-	950	150,452
150,338	74,792	1,397	236,584
185,543	96,258	3,847	349,292
66,254	-	4,122	101,807
10,838	(84,753)	3,646	(89,413)
77,091	(84,753)	7,767	12,393
$ 262,635	$ 11,505	$ 11,614	$ 361,685

Combining Statement of Revenues, Expenses, and Changes in Fund Equity - Internal Service Funds
For the Fiscal Year Ended June 30, 2007

(In Thousands)

	Technology Services	Fleet Services	Financial Services
Operating Revenues:			
Charges for Goods and Services	$ 122,121	$ 14,881	$ 8,637
Other Income	-	210	-
Total Operating Revenues	122,121	15,091	8,637
Operating Expenses:			
Personal Services	24,097	2,403	3,602
Supplies and Services	89,933	8,499	3,567
Depreciation	16,975	3,032	2
Benefit Expense	-	-	-
Total Operating Expenses	131,004	13,935	7,172
Operating Income (Loss)	(8,883)	1,157	1,465
Nonoperating Revenues (Expenses):			
Investment and Interest Income	7	-	-
Gain (Loss) on Disposal of Capital Assets	(475)	(121)	-
Interest Expense	(720)	(6)	-
Other Revenues	1,773	-	5
Other Expenses:			
Federal Settlement	(13,545)	-	(29)
Other	-	-	-
Total Nonoperating Revenues (Expenses)	(12,960)	(127)	(25)
Net Income (Loss)	(21,843)	1,030	1,441
Transfers In	467	458	-
Transfers Out	(740)	(88)	(59)
Net Change in Fund Equity	(22,117)	1,401	1,382
Total Fund Equity, Beginning	29,314	(331)	2,639
Total Fund Equity, Ending	$ 7,197	$ 1,070	$ 4,021

Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
$ 51,656	$ 30,067	$ 15,309	$ 242,671
4	-	-	214
51,660	30,067	15,309	242,885
15,725	1,346	5,526	52,699
19,462	4,023	10,727	136,212
9,459	-	457	29,926
-	17,697	-	17,697
44,646	23,067	16,710	236,534
7,014	7,000	(1,402)	6,351
136	-	1	144
-	-	(17)	(613)
(8,104)	-	(54)	(8,883)
91	33	-	1,902
-	-	-	(13,574)
72	-	-	72
(7,804)	33	(70)	(20,953)
(790)	7,032	(1,471)	(14,602)
5,940	-	867	7,732
(2,933)	(83)	(891)	(4,794)
2,217	6,949	(1,495)	(11,663)
74,874	(91,702)	9,263	24,056
$ 77,091	$ (84,753)	$ 7,767	$ 12,393

Combining Statement of Cash Flows - Internal Service Funds
For the Fiscal Year Ended June 30, 2007

(In Thousands)

	Technology Services	Fleet Services	Financial Services
Cash Flows from Operating Activities:			
Cash Receipts from Customers	$ 118,359	$ 14,907	$ 8,679 $
Cash Payments to Suppliers for Goods and Services	(97,934)	(8,292)	(4,033)
Cash Payments to Employees for Services	(24,460)	(2,407)	(3,569)
Cash Payments for Benefits	-	-	-
Other Sources of Cash	1,773	210	5
Other Uses of Cash	-	-	(29)
Net Cash Provided (Used) by Operating Activities	(2,262)	4,418	1,053
Cash Flows from Noncapital Financing Activities:			
Interest Payments	(7)	-	-
Interfund Loans Received	5,579	-	-
Interfund Loans Repaid	-	(3,566)	-
Interfund Advances Collected	25	-	-
Transfers In	20	458	-
Transfers Out	(740)	(88)	(59)
Other Cash Inflows from Noncapital Financing Activities	119	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	4,996	(3,196)	(59)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Issuance of Debt	10,093	-	-
Repayment of Bonds and Notes	-	-	-
Interest Payments	(364)	(5)	-
Capital Lease Obligations	(4,144)	(45)	-
Proceeds from Sale of Capital Assets	-	267	-
Payments for Purchase of Capital Assets	(16,863)	(1,439)	-
Other Cash Outflows from Capital Financing Activities	(236)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(11,514)	(1,222)	-
Cash Flows from Investing Activities:			
Investment and Interest Receipts	7	-	-
Net Cash Flows from Investing Activities	7	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(8,773)	-	994
Cash and Cash Equivalents, Beginning of Year	8,773	-	3,801
Cash and Cash Equivalents, End of Year	$ 0	$ 0	$ 4,795 $

Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
48,862 $	30,069 $	15,800 $	236,676
(19,883)	(4,026)	(9,930)	(144,099)
(15,767)	(1,349)	(5,548)	(53,099)
-	(21,875)	-	(21,875)
72	33	-	2,092
(520)	-	-	(549)
12,764	2,852	322	19,146
-	-	-	(7)
-	-	-	5,579
-	-	(41)	(3,608)
-	-	-	25
5,940	-	867	7,286
(2,914)	(83)	(891)	(4,775)
-	-	-	119
3,027	(84)	(65)	4,619
5,919	-	-	16,012
(10,406)	-	(55)	(10,461)
(7,768)	-	(55)	(8,192)
(442)	-	(22)	(4,653)
-	-	-	267
(2,853)	-	(125)	(21,280)
-	-	-	(236)
(15,551)	-	(257)	(28,543)
136	-	-	143
136	-	-	143
376	2,768	-	(4,634)
5,437	8,703	4	26,717
5,813 $	11,471 $	4 $	22,083

(Continued)

Combining Statement of Cash Flows - Internal Service Funds
For the Fiscal Year Ended June 30, 2007

(Continued)

	Technology Services	Fleet Services	Financial Services
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (8,883)	$ 1,157	$ 1,465 $
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	16,975	3,032	2
Miscellaneous Nonoperating Income (Expense)	1,773	-	(24)
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	46	86	-
Decrease (Increase) in Due from Other Funds	(3,940)	43	42
Decrease (Increase) in Due from Component Units	(18)	(105)	-
Decrease (Increase) in Due from Other Governments	150	2	-
Decrease (Increase) in Inventories	168	17	-
Decrease (Increase) in Prepaid Items	(5)	(1)	(7)
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(4,111)	202	(41)
Increase (Decrease) in Compensated Absences	(298)	1	39
Increase (Decrease) in Due to Other Funds	(4,114)	(9)	(424)
Increase (Decrease) in Due to Other Governments	(3)	(6)	-
Increase (Decrease) in Future Benefits and Loss Liabilities	-	-	-
Total Adjustments	6,621	3,261	(412)
Net Cash Provided (Used) by Operating Activities	$ (2,262)	$ 4,418	$ 1,053 $
Noncash Investing, Capital and Financing Activities:			
Assets Acquired through Capital Leases	$ 10,093	$ -	$ - $
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to Other Funds	446	-	-
Other	-	-	-

Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
7,014 $	7,000 $	(1,402) $	6,351
9,459	-	457	29,926
(452)	33	-	1,329
-	-	(25)	107
(2,818)	2	516	(6,155)
-	-	-	(123)
24	-	(1)	174
-	-	(181)	4
(9)	(3)	(8)	(33)
(233)	-	283	(3,899)
(52)	(1)	(20)	(330)
(170)	(1)	702	(4,017)
-	-	-	(11)
-	(4,178)	-	(4,178)
5,750	(4,148)	1,723	12,795
12,764 $	2,852 $	322 $	19,146
- $	- $	- $	10,093
-	-	-	446
443	-	(17)	427

Fiduciary Funds

FIDUCIARY: Fiduciary funds are maintained to account for assets held by the State acting in the capacity as a trustee or agent. The State's fiduciary funds, consisting of pension and other employee benefit trust, investment trust, private-purpose trust, and agency funds, are described below:

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS: Pension and other employee benefit trust funds are used to report resources that are required to be held in trust for members and beneficiaries of the public employee retirement system or other employee benefit plans.

The **Wisconsin Retirement System Fund** accounts for the collection of employee and employer contributions, the investment of assets, and the payment of retirement, disability, and death benefits to current and former employees of the State and participating local Wisconsin governments and their beneficiaries.

The **Accumulated Sick Leave Fund** accounts for the collection of employer contributions, the investment of assets, and termination payments of employees' unused sick leave balances at the time they retire.

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

The **Reimbursed Employee Expense Fund** accounts for the collection of voluntary payroll deferrals, the investment of assets, and the reimbursement of qualifying medical, dependent care, and transportation expenses of State employees, in compliance with Internal Revenue Code Sections 132 and 425.

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

The **Retiree Life Insurance Fund** accounts for transactions related to the accumulation of employers premiums for State and local participating employees' for postretirement life insurance coverage to retired participants over the age of 65.

INVESTMENT TRUST FUNDS: Investment trust funds account for assets invested on a commingled basis by the State on behalf of other governmental entities. The State's investment trust funds are described below:

The **Local Government Pooled Investment Fund** was established to enable local governments in the State to voluntarily invest any idle local moneys. The sources of this fund are local government investment deposits and their share of the investment earnings of the fund. Deductions occur as withdrawals are requested by local governments.

The **Milwaukee Retirement System Fund** accounts for funds of the Milwaukee Public Schools invested as part of the fixed and variable investment trusts of the Wisconsin Retirement System.

PRIVATE-PURPOSE TRUST: Private-purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

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

The **BadgerRx for Individuals Fund** accounts for the program that, through the leveraged bargaining powers established by the State for employee health insurance, provides discounts and rebates on prescription drugs to participating individuals in the State.

The **College Savings Program Trust Fund** accounts for the program that allows participants to invest in a college savings account to cover tuition, fees and the costs of room and board, books, supplies and equipment required for the enrollment or attendance of a beneficiary at an eligible educational institution.

AGENCY FUNDS: Agency funds report those assets for which the State acts solely in a custodial capacity. The State's agency funds are described below:

The **Insurance Company Liquidation Account Fund** accounts for the assets of insurance companies that are liquidated. These assets are used to pay claims and administrative costs associated with the liquidation.

The **Retiree Health Insurance Fund** accounts for transactions related to the accumulation of premiums for group health insurance plans provided on a self-insured, fee for service basis or prepaid basis to retired employees of the State and of participating local public employers.

The **Inmate and Resident Fund** accounts for the assets of inmates and residents in State institutions.

The **Bank and Insurance Company Deposits Fund** accounts for the statutorily required deposits of securities with the State by banks and insurance companies doing business in the State.

The **Support Collection Trust Fund** accounts for the centralized receipt and disbursement of court ordered temporary or permanent maintenance, child support or family support and related fees.

State of Wisconsin

Combining Statement of Fiduciary Net Assets - Pension and Other Employee Benefit Trust Funds
June 30, 2007

(In Thousands)

	Wisconsin Retirement System	Accumulated Sick Leave	Duty Disability	Reimbursed Employee Expense	Life Insurance	Retiree Life Insurance	Totals
Assets							
Cash and Cash Equivalents	$ -	$ 914,922	$ 311,313	$ 4,877	$ -	$ -	$ 1,231,112
Securities Lending Collateral	7,405,234	-	-	-	-	-	7,405,234
Prepaid Items	6,485	-	-	350	2,563	-	9,397
Receivables (net of allowance):							
Prior Service Contributions Receivable	305,771	-	-	-	-	-	305,771
Benefits Overpayment Receivable	2,753	-	-	-	-	-	2,753
Due from Other Funds	51,926	-	-	407	6	-	52,339
Due from Component Units	2,197	-	-	-	-	-	2,197
Interfund Receivables	-	1,341,864	-	-	-	-	1,341,864
Due from Other Governments	125,411	-	-	-	-	-	125,411
Financial Futures Contracts	1,718	-	-	-	-	-	1,718
Interest and Dividends Receivable	190,115	-	-	-	-	-	190,115
Investment Sales Receivable	187,294	-	-	-	-	-	187,294
Other Receivables	165	-	129	-	-	-	294
Total Receivables	867,351	1,341,864	129	407	6	-	2,209,757
Investments:							
Fixed Income	22,517,169	-	-	-	-	-	22,517,169
Stocks	56,908,048	-	-	-	-	-	56,908,048
Limited Partnerships	4,787,914	-	-	-	-	-	4,787,914
Preferred Securities	164,080	-	-	-	-	-	164,080
Convertible Securities	48,610	-	-	-	-	-	48,610
Mortgages	180,641	-	-	-	-	-	180,641
Real Estate	505,485	-	-	-	-	-	505,485
Multi-asset Investments	899,621	-	-	-	-	-	899,621
External Investment Pool	-	-	-	-	4,232	537,849	542,081
Total Investments	86,011,569	-	-	-	4,232	537,849	86,553,650
Inventories	96	-	-	-	-	-	96
Capital Assets	43	-	-	-	-	-	43
Total Assets	94,290,778	2,256,786	311,442	5,634	6,801	537,849	97,409,290
Liabilities							
Accounts Payable and Other Accrued Liabilities	56,401	-	2,209	3,949	-	-	62,560
Securities Lending Collateral Liability	7,405,234	-	-	-	-	-	7,405,234
Annuities Payable	242,560	-	-	-	-	-	242,560
Advance Contributions	225	-	-	-	-	-	225
Due to Other Funds	43,560	-	-	44	13	-	43,618
Interfund Payables	1,341,646	-	-	-	218	-	1,341,864
Due to Other Governments	29,924	-	-	-	-	-	29,924
Tax and Other Deposits	1,334	-	-	-	-	-	1,334
Investment Payable	329,302	-	-	-	-	-	329,302
Deferred Revenue	-	-	-	-	2,563	-	2,563
Compensated Absences Payable	-	1,960,014	-	-	-	-	1,960,014
Total Liabilities	9,450,187	1,960,014	2,209	3,994	2,794	-	11,419,197
Net Assets							
Held in Trust for Pension Benefits and Other Purposes	$ 84,840,591	$ 296,772	$ 309,233	$ 1,641	$ 4,007	$ 537,849	$ 85,990,092

State of Wisconsin

Combining Statement of Changes in Fiduciary Net Assets - Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2007

(In Thousands)

	Wisconsin Retirement System	Accumulated Sick Leave	Duty Disability	Reimbursed Employee Expense	Life Insurance	Retiree Life Insurance	Totals
Additions							
Contributions:							
Employer Contributions	$ 594,735	$ 45,445	$ 46,205	$ -	$ 3,170	$ 2,928	$ 692,483
Employee Contributions	681,858	-	-	24,588	37,369	-	743,814
Total Contributions	1,276,592	45,445	46,205	24,588	40,539	2,928	1,436,297
Investment Income:							
Net Appreciation (Depreciation) in Fair Value of Investments	12,571,963	-	-	-	-	-	12,571,963
Interest	622,337	-	-	-	-	-	622,337
Dividends	487,049	-	-	-	-	-	487,049
Securities Lending Income	365,830	-	-	-	-	-	365,830
Other	97,793	-	-	-	-	-	97,793
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	-	342,155	46,477	291	33	30,142	419,098
Less:							
Investment Expense	(214,532)	-	-	-	-	-	(214,532)
Securities Lending Rebates and Fees	(353,208)	-	-	-	-	-	(353,208)
Investment Income Distributed to Other Funds	(478,522)	-	-	-	-	-	(478,522)
Net Investment Income	13,098,711	342,155	46,477	291	33	30,142	13,517,809
Interest on Prior Service Receivable	23,193	-	-	-	-	-	23,193
Miscellaneous Income	265	-	(5)	24	544	-	828
Total Additions	14,398,761	387,599	92,677	24,903	41,117	33,070	14,978,127
Deductions							
Retirement Benefits and Refunds:							
Retirement, Disability, and Beneficiary	3,368,131	-	-	-	-	-	3,368,131
Separations	25,182	-	-	-	-	-	25,182
Total Retirement Benefits and Refunds	3,393,313	-	-	-	-	-	3,393,313
Distributions	-	-	-	23,145	-	-	23,145
Other Benefit Expense	-	219,728	26,432	-	40,604	14,165	300,929
Unusual Write-off of Receivable	6	-	-	-	-	-	6
Administrative Expense	18,062	133	319	878	538	738	20,668
Transfer Out	163	-	-	-	-	-	163
Total Deductions	3,411,543	219,861	26,751	24,024	41,142	14,903	3,738,225
Net Increase (Decrease)	10,987,218	167,738	65,926	879	(26)	18,167	11,239,902
Net Assets - Beginning of Year	73,853,373	129,033	243,307	762	4,033	519,682	74,750,190
Net Assets - End of Year	$ 84,840,591	$ 296,772	$ 309,233	$ 1,641	$ 4,007	$ 537,849	$ 85,990,092

Combining Statement of Fiduciary Net Assets - Investment Trust Funds
June 30, 2007

(In Thousands)

	Local Government Pooled Investment	Milwaukee Retirement System	Totals
Assets			
Cash and Cash Equivalents	$ 2,823,108	$ 145,167	$ 2,968,275
Interfund Receivables	439,830	-	439,830
Total Assets	3,262,938	145,167	3,408,105
Liabilities			
Due to Other Funds	126	-	126
Total Liabilities	126	-	126
Net Assets			
Held in Trust for Pool Participants and Other Purposes	$ 3,262,812	$ 145,167	$ 3,407,979

Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Funds
For the Fiscal Year Ended June 30, 2007

(In Thousands)

	Local Government Pooled Investment	Milwaukee Retirement System	Totals
Additions			
Deposits	$ 9,747,916	$ 15,600	$ 9,763,516
Investment Income	161,086	20,912	181,998
Less: Investment Expense	(2,320)	-	(2,320)
Net Investment Income	158,766	20,912	179,678
Total Additions	9,906,682	36,512	9,943,194
Deductions			
Distributions	9,460,433	7,400	9,467,833
Administrative Expense	263	-	263
Total Deductions	9,460,695	7,400	9,468,095
Net Increase (Decrease)	445,987	29,112	475,098
Net Assets - Beginning of Year	2,816,826	116,055	2,932,881
Net Assets - End of Year	$ 3,262,812	$ 145,167	$ 3,407,979

Combining Statement of Fiduciary Net Assets - Private-Purpose Trust Funds
June 30, 2007

(In Thousands)

	Tuition Trust	BadgerRx for Individuals	College Savings Program Trust	Totals
Assets				
Cash and Cash Equivalents	$ 1,696	$ 95	$ 111,637	$ 113,428
Prepaid Items	-	-	1	1
Receivables (net of allowance):				
Loans Receivable	-	44	-	44
Other Receivables	27	-	77	103
Total Receivables	27	45	77	148
Investments:				
Investments of Private Purpose Trust Funds	8,066	-	2,040,098	2,048,164
Total Investments	8,066	-	2,040,098	2,048,164
Capital Assets	-	-	6	6
Total Assets	9,789	139	2,151,819	2,161,748
Liabilities				
Accounts Payable	3	-	54	56
Due to Other Funds	-	-	7	7
Advances from Other Funds	-	85	-	85
Total Liabilities	3	85	61	149
Net Assets				
Held in Trust	$ 9,786	$ 54	$ 2,151,759	$ 2,161,599

Combining Statement of Changes in Fiduciary Net Assets - Private-Purpose Trust Funds For the Fiscal Year Ended June 30, 2007

(In Thousands)

	Tuition Trust	BadgerRx for Individuals	College Savings Program Trust	Totals
Additions				
Contributions:				
Other	$ -	$ 25	$ -	$ 25
Deposits	-	-	321,192	321,192
Investment Income	559	5	285,678	286,241
Less:				
Investment Expense	-	-	(7,612)	(7,612)
Net Investment Income	559	5	278,066	278,629
Total Additions	559	30	599,257	599,846
Deductions				
Distributions	1,080	-	157,929	159,009
Administrative Expense	46	22	8,708	8,777
Transfers Out	-	-	4	4
Total Deductions	1,126	22	166,642	167,790
Net Increase (Decrease)	(567)	8	432,615	432,056
Net Assets - Beginning of Year	10,353	46	1,719,143	1,729,543
Net Assets - End of Year	$ 9,786	$ 54	$ 2,151,759	$ 2,161,599

Combining Statement of Fiduciary Net Assets - Agency Funds
June 30, 2007

(In Thousands)

	Insurance Company Liquidation Account	Retiree Health Insurance	Inmate and Resident	Bank and Insurance Company Deposits	Support Collection Trust	Totals
Assets						
Cash and Cash Equivalents	$ 5,235	$ 40,183	$ 11,810	$ -	$ 30,507	$ 87,736
Prepaid Items	-	564	-	-	-	564
Receivables (net of allowance):						
Due from Other Funds	-	112	729	-	85	926
Due from Other Governments	-	8,016	-	-	-	8,016
Other Receivables	-	2,172	1,434	-	3,865	7,471
Total Receivables	-	10,300	2,163	-	3,950	16,413
Investments	-	-	755	-	-	755
Other Assets	-	-	-	298,936	-	298,936
Total Assets	$ 5,235	$ 51,047	$ 14,728	$ 298,936	$ 34,457	$ 404,404
Liabilities						
Accounts Payable	$ 5,235	$ 51,046	$ 3	$ -	$ 34,457	$ 90,741
Due to Other Funds	-	1	193	-	-	195
Tax and Other Deposits	-	-	14,532	298,936	-	313,468
Total Liabilities	$ 5,235	$ 51,047	$ 14,728	$ 298,936	$ 34,457	$ 404,404

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2007

(In Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Insurance Company Liquidation Account				
Assets:				
Cash and Cash Equivalents	$ 26,021	$ 1,163	$ 21,949	$ 5,235
Total Assets	$ 26,021	$ 1,163	$ 21,949	$ 5,235
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 26,021	$ 1,163	$ 21,949	$ 5,235
Total Liabilities	$ 26,021	$ 1,163	$ 21,949	$ 5,235
Retiree Health Insurance				
Assets:				
Cash and Cash Equivalents	$ 9,609	$ 200,601	$ 170,027	$ 40,183
Prepaid Items	9,963	564	9,963	564
Receivables (net of allowance):				
Due from Other Funds	10,781	112	10,781	112
Due from Other Governments	4,130	8,016	4,130	8,016
Other Receivables	2,266	2,172	2,266	2,172
Total Assets	$ 36,750	$ 211,465	$ 197,168	$ 51,047
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 36,485	$ 14,811	$ 250	$ 51,046
Due to Other Funds	265	1	265	1
Total Liabilities	$ 36,750	$ 14,812	$ 515	$ 51,047
Inmate and Resident				
Assets:				
Cash and Cash Equivalents	$ 11,053	$ 96,729	$ 95,972	$ 11,810
Investments	704	206	155	755
Receivables (net of allowance):				
Due from Other Funds	528	8,390	8,189	729
Other Receivables	204	7,088	5,857	1,434
Total Assets	$ 12,489	$ 112,412	$ 110,173	$ 14,728
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 4	$ 58	$ 58	$ 3
Due to Other Funds	246	10,777	10,830	193
Tax and Other Deposits	12,240	76,571	74,280	14,532
Total Liabilities	$ 12,489	$ 87,406	$ 85,167	$ 14,728

(Continued)

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2007

(Continued)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Bank and Insurance Company Deposits				
Assets:				
Other Assets:				
Assets Held in Custody for Others	$ 300,015	$ 82,102	$ 83,180	$ 298,936
Total Assets	$ 300,015	$ 82,102	$ 83,180	$ 298,936
Liabilities:				
Tax and Other Deposits	$ 300,015	$ 82,102	$ 83,180	$ 298,936
Total Liabilities	$ 300,015	$ 82,102	$ 83,180	$ 298,936
Support Collection Trust				
Assets:				
Cash and Cash Equivalents	$ 33,235	$ 2,009,241	$ 2,011,969	$ 30,507
Receivables (net of allowance):				
Due from Other Funds	76	85	76	85
Other Receivables	3,148	5,271	4,553	3,865
Total Assets	$ 36,459	$ 2,014,597	$ 2,016,598	$ 34,457
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 36,459	$ 44,274	$ 46,276	$ 34,457
Total Liabilities	$ 36,459	$ 44,274	$ 46,276	$ 34,457
Total - All Agency Funds				
Assets:				
Cash and Cash Equivalents	$ 79,918	$ 2,307,734	$ 2,299,917	$ 87,736
Investments	704	206	155	755
Prepaid Items	9,963	564	9,963	564
Receivables (net of allowance):				
Due from Other Funds	11,386	8,587	19,047	926
Due from Other Governments	4,130	8,016	4,130	8,016
Other Receivables	5,617	14,530	12,676	7,471
Other Assets:				
Assets Held in Custody for Others	300,015	82,102	83,180	298,936
Total Assets	$ 411,734	$ 2,421,739	$ 2,429,069	$ 404,404
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 98,969	$ 60,305	$ 68,533	$ 90,741
Due to Other Funds	510	10,779	11,094	195
Tax and Other Deposits	312,255	158,673	157,460	313,468
Total Liabilities	$ 411,734	$ 229,757	$ 237,087	$ 404,404

STATISTICAL SECTION

Statistical Section Narrative and Table of Contents

Narrative

The statistical section of Wisconsin's Comprehensive Annual Financial Report provides additional historical perspective, context, and detail to assist financial statement users in understanding the government's economic condition. The State's financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information are presented in the following sections:

Page

Financial Trends Information

The following schedules are intended to assist users in understanding and assessing how the State's financial position has changed over time. Information is presented at both the entity wide and fund level perspective.

Entity-Wide Perspective (Accrual Basis of Accounting)

Fund-Level Perspective (Modified Accrual Basis of Accounting)

Revenue Capacity Information

The following information is intended to assist users in understanding and assessing the factors affecting the State's ability to generate tax revenues to finance its continued operations.

Debt Capacity Information

The following information is presented to assist the user in understanding and assessing the State's debt burden and its ability to issue additional debt.

Demographic and Economic Information

The following information provides demographic and economic indicators to assist the reader in understanding the socioeconomic environment within which the State's financial activities takes place.

Statistical Section Narrative and Table of Contents

Page

Operating Information

The following information relates to the operations, services and resources provided within the State's financial environment.

Net Assets by Component
(Accrual Basis of Accounting)

For the Last Six Fiscal Years

		2007 (a)		2006
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	$	12,275,649	$	12,291,617
Restricted		1,331,102		1,218,005
Unrestricted		(8,168,852)		(8,238,766)
Total Governmental Activities Net Assets	$	5,437,898	$	5,270,855
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	$	3,225,114	$	3,243,637
Restricted		3,503,289		3,336,784
Unrestricted		457,089		140,047
Total Business-type Activities Net Assets	$	7,185,492	$	6,720,467
Primary Government:				
Invested in Capital Assets, Net of Related Debt	$	15,500,763	$	15,535,254
Restricted		4,834,391		4,554,789
Unrestricted		(7,711,763)		(8,098,719)
Total Primary Government Net Assets	$	12,623,390	$	11,991,322

(a) In 2007, GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* was implemented.
In 2007, the Health Insurance Risk Sharing Plan, an enterprise fund with $23.4 million in fund equity at June 30, 2006, was reclassified as an authority.

(b) In 2005, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation,* was implemented.

(c) In 2004, GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues,* was implemented.

Prior years have not been restated.

Source: State of Wisconsin, Department of Administration, State Controller's Office

(In Thousands)

	2005 (b)		2004		2003		2002
$	11,499,433	$	11,146,113	$	11,090,111	$	10,684,294
	1,314,931		1,321,877		657,578		551,012
	(7,723,238)		(7,776,238) (c)		(4,799,930)		(3,582,988)
$	5,091,125	$	4,691,753	$	6,947,758	$	7,652,320
$	2,997,647	$	2,870,433	$	2,828,388	$	2,626,925
	3,222,638		2,852,436		3,012,860		3,038,832
	178,697		439,290		304,167		483,535
$	6,398,984	$	6,162,158	$	6,145,416	$	6,149,292
$	14,497,080	$	14,016,546	$	13,918,499	$	13,311,219
	4,537,569		4,174,313		3,670,438		3,589,844
	(7,544,541)		(7,336,948)		(4,495,763)		(3,099,453)
$	11,490,109	$	10,853,911	$	13,093,174	$	13,801,612

Changes in Net Assets
(Accrual Basis of Accounting)

For the Last Six Fiscal Years

	2007	2006
Expenses		
Governmental Activities:		
Commerce	$ 289,452	$ 267,195
Education	6,413,120	6,270,218
Transportation	1,850,586	1,774,161
Environmental Resources	471,767	466,997
Human Relations and Resources	8,698,915	8,436,702
General Executive	540,268	542,303
Judicial	119,991	114,853
Legislative	62,457	59,938
Tax Relief and Other General Expenses	956,749	857,866
Intergovernmental - Shared Revenue	1,016,313	1,016,718
Interest on Debt	479,402	477,465
Total Governmental Activities	20,899,020	20,284,418
Business-type Activities:		
Injured Patients and Families Compensation	57,873	(2,307)
Environmental Improvement	42,671	42,764
University of Wisconsin System	3,663,119	3,519,740
Unemployment Reserve	882,622	821,122
Other Business-type	1,862,525	2,082,861
Total Business-type Activities	6,508,810	6,464,181
Total Primary Government Expenses	$ 27,407,830	$ 26,748,598
Program Revenues (All Types Consolidated):		
Governmental Activities:		
Charges for Services	$ 1,472,826	$ 1,518,636
Operating Grants and Contributions	5,819,764	5,723,527
Capital Grants and Contributions	717,758	600,681
Total Governmental Activities	8,010,348	7,842,844
Business-type Activities:		
Charges for Services:		
University of Wisconsin System	2,515,487	2,403,104
Unemployment Reserve	719,517	729,124
Other Activities	1,793,754	2,179,044
Operating Grants and Contributions	389,004	332,362
Capital Grants and Contributions	112,773	35,719
Total Business-type Activities	5,530,535	5,679,353
Total Primary Government Revenues	$ 13,540,883	$ 13,522,197
Net (Expense)/Revenue		
Governmental Activities	$ (12,888,672)	$ (12,441,574)
Business-type Activities	(978,275)	(784,827)
Total Primary Government Net Expense	$ (13,866,945)	$ (13,226,400)
General Revenues and Other Changes in Net Assets		
Governmental Activities:		
Taxes:		
Income Taxes	$ 7,365,400	$ 6,867,020
Sales and Excise Taxes	4,517,594	4,489,663
Public Utility Taxes	271,222	250,088
Motor Fuel (Transportation-related) Taxes	1,020,793	990,688
Other Taxes	565,583	565,252
Investment Earnings	80,472	72,643
Contributions and Miscellaneous	422,605	405,356
Special Items - Tobacco Settlement Sale	-	-
Transfers	(1,163,529)	(1,022,896)
Total Governmental Activities	13,080,141	12,617,813
Business-type Activities:		
Investment Earnings	213,850	49,660
Contributions and Miscellaneous	3,062	9,388
Transfers	1,163,529	1,022,896
Total Business-type Activities	1,380,441	1,081,945
Total Primary Government	$ 14,460,582	$ 13,699,757
Change in Net Assets		
Governmental Activities	$ 191,469	$ 176,239
Business-type Activities	402,168	297,117
Total Primary Government	$ 593,637	$ 473,357

(a) In 2004, Annual Appropriation Bonds were issued to payoff the State's unfunded accrued prior service (pension) liability and its unfunded accrued liablity for accumulated sick leave. The 2004 balance for Tax Relief and Other General Expenses includes $782.4 million of employee benefit liability expenses.
(b) In 2005, the Veterans Mortgage Loan Repayment Fund was no longer considered a major fund.

Source: State of Wisconsin, Department of Administration, State Controller's Office

(In Thousands)

2005	2004	2003	2002
$ 257,112	$ 281,753	$ 224,377	$ 194,927
5,818,372	5,749,391	5,675,138	5,440,440
1,801,595	1,795,548	1,590,710	1,714,215
418,616	444,295	474,969	531,983
8,441,099	8,000,799	8,158,215	7,997,351
478,782	425,265	489,442	416,294
111,690	109,788	107,835	106,954
57,047	57,631	59,758	59,948
837,970	1,572,126 (a)	843,757	820,618
1,011,052	1,058,182	1,107,958	1,095,991
424,217	382,219	292,579	297,572
19,657,549	19,876,997	19,024,739	18,676,293
77,624	36,094	102,878	72,923
39,482	42,246	42,560	42,491
3,425,045	3,278,414	3,075,475	2,935,234
844,869	1,068,647	1,186,584	1,071,756
1,959,230 (b)	1,881,562	1,714,540	1,599,244
6,346,250	6,306,963	6,122,037	5,721,648
$ 26,003,799	$ 26,183,959	$ 25,146,777	$ 24,397,940
$ 1,313,598	$ 1,307,486	$ 1,162,827	$ 1,098,149
5,826,288	5,559,517	5,425,725	4,933,780
666,843	635,565	635,402	669,128
7,806,729	7,502,568	7,223,954	6,701,057
2,330,027	2,130,641	1,940,491	1,756,157
766,985	695,099	614,932	744,891
2,089,092	2,011,499	1,836,206	1,601,766
356,738	457,859	497,258	297,085
34,523	20,799	35,514	61,776
5,577,365	5,315,897	4,924,400	4,461,674
$ 13,384,094	$ 12,818,465	$ 12,148,354	$ 11,162,731
$ (11,850,820)	$ (12,374,429)	$ (11,800,786)	$ (11,975,237)
(768,884)	(991,065)	(1,197,637)	(1,259,974)
$ (12,619,706)	$ (13,365,494)	$ (12,998,423)	$ (13,235,210)
$ 6,467,377	$ 5,956,292	$ 5,502,423	$ 5,415,337
4,395,292	4,249,709	4,102,350	4,048,716
255,727	254,229	273,892	243,970
989,638	950,497	924,503	892,162
564,583	524,729	483,617	443,449
42,710	23,507	22,353	29,019
444,184	466,711	920,407	1,358,785
-	-	-	1,275,002
(1,008,160)	(1,007,395)	(1,099,606)	(1,059,422)
12,151,349	11,418,280	11,129,938	12,647,018
11,484	(4,813)	18,192	10,668
678	5,378	2,080	6,511
1,008,160	1,007,395	1,099,606	1,059,422
1,020,323	1,007,961	1,119,877	1,076,600
$ 13,171,672	$ 12,426,241	$ 12,249,815	$ 13,723,618
$ 300,528	$ (956,149)	$ (670,848)	$ 671,781
251,438	16,895	(77,760)	(183,373)
$ 551,966	$ (939,254)	$ (748,609)	$ 488,407

State of Wisconsin

Fund Balances of Governmental Funds (Modified Accrual Basis of Accounting)

For the Last Ten Fiscal Years

	2007	2006	2005	2004
General Fund:				
Reserved	$ 419,680	$ 356,451	$ 337,245	$ 365,739
Unreserved	(2,863,822) (a)	(2,506,925)	(2,459,480) (b)	(2,296,847)
Total General Fund	$ (2,444,142)	$ (2,150,474)	$ (2,122,235)	$ (1,931,108)
All Other Governmental Funds:				
Reserved	$ 1,619,918	$ 1,761,116	$ 1,500,475	$ 1,481,174
Unreserved, Reported in:				
Special Revenue Funds	(158,992) (a)	(265,660)	(157,366)	(526,460)
Debt Service Funds	62,612	123,093	231,994	314,488
Capital Projects Funds	(718,729)	(667,392)	(530,032)	(363,325)
Permanent Funds	301,394	230,420	241,776	283,939
Total All Other Governmental Funds	$ 1,106,203	$ 1,181,577	$ 1,286,847	$ 1,189,816

(a) In 2007, the Budget Stabilization Fund (a special revenue fund with fund balance of $.6 million at June 30, 2006) was reclassified to the General Fund. Prior years have not been restated.

(b) In 2005, the Unclaimed Property Fund was reclassified from a private purpose trust fund to the General Fund. Prior years have not been restated.

(c) In 2003, the fund balance of the Tobacco Settlement Endowment Fund (a special revenue fund) totaling $287.1 million was transferred to the General Fund.

(d) In 2002, the Tobacco Settlement Endowment Fund and the Medical Assistance Trust Fund were created and had unreserved fund balances of $283.8 million and $361.0 million, respectively, at June 30, 2002.

(e) Prior to 2002, activities of the permanent funds were reported in nonexpendable trust funds not included in this schedule.

Source: State of Wisconsin, Department of Administration, State Controller's Office

Schedule A-3

(In Thousands)

2003		2002		2001	2000	1999	1998
$ 395,611		$ 392,995		$ 374,025	$ 609,700	$ 321,232	$ 320,603
(2,638,150)	(c)	(1,877,328)		(1,588,872)	(1,440,049)	(1,229,946)	(1,595,010)
$ (2,242,539)		$ (1,484,333)		$ (1,214,847)	$ (830,349)	$ (908,714)	$ (1,274,407)
$ 1,055,003		$ 982,544		$ 814,728	$ 784,021	$ 720,618	$ 588,958
(94,756)	(c)	271,321	(d)	(400,365)	(74,749)	(200,756)	(254,421)
25,991		20,484		9,155	7,787	6,320	7,055
(433,813)		(511,890)		(459,547)	(458,399)	(373,448)	(311,761)
386,811		324,733	(e)	-	-	-	-
$ 939,236		$ 1,087,192		$ (36,029)	$ 258,660	$ 152,734	$ 29,831

Changes in Fund Balances of Governmental Funds (Modified Accrual Basis of Accounting)

For the Last Ten Fiscal Years

	2007	2006	2005 (b)	2004
Revenues:				
Taxes	$ 13,743,355	$ 13,170,610	$ 12,647,472	$ 11,913,325
Intergovernmental	6,428,024	6,230,782	6,399,774	6,118,198
Licenses and Permits	1,141,117	1,123,956	1,043,742	1,016,729
Charges for Goods and Services	307,449	361,804	230,479	269,649
Investment and Interest Income	116,123	103,482	70,148	47,654
Fines and Forfeitures	57,976	72,263	66,764	68,737
Gifts and Donations	18,881	18,687	17,469	13,006
Other Revenues:				
Intergovernmental Transfer	-	-	87,300	95,000
Tobacco Settlement	125,908	121,227	132,055	130,110
Other	279,590	274,820	216,117	210,335
Total Revenues	22,218,423	21,477,631	20,911,320	19,882,743
Expenditures:				
Current Operating:				
Commerce	294,861	270,530	260,077	284,930
Education	6,385,551	6,245,252	5,792,108	5,726,586
Transportation	1,767,266	1,672,697	1,684,549	1,653,448
Environmental Resources	462,502	462,841	412,322	439,734
Human Relations and Resources	8,620,586	8,375,997	8,370,108	7,966,656
General Executive	562,573	549,582	486,351	451,469
Judicial	117,289	111,495	108,184	107,423
Legislative	61,949	60,169	57,174	58,301
Tax Relief and Other General Expenditures:				
Employee Benefit Liability	-	-	-	1,487,574 (d)
Other	955,796	857,113	837,581	812,498
Intergovernmental - Shared Revenue	1,016,313	1,016,718	1,011,052	1,058,182
Debt Service:				
Principal	407,677	426,357	337,196	126,358
Interest and Other Charges	493,397	482,815	425,349	381,145
Capital Outlay	759,780	787,998	778,510	672,955
Total Expenditures	21,905,540	21,319,565	20,560,561	21,227,259
Excess of Revenues Over (Under) Expenditures	312,883	158,066	350,759	(1,344,516)
Other Financing Sources (Uses):				
Long-term Debt Issued	454,408	627,497	455,845	2,551,901 (d)
Long-term Debt Issued - Refunding Bonds	436,193	133,829	719,779	524,658
Payment to Refunding Bond Escrow Agent	(472,849)	(93,592)	(780,044)	(534,937)
Discount on Bonds	-	-	-	(2,857)
Premium on Bonds	48,898	44,896	96,993	98,214
Transfers In	1,026,728 (a)	1,454,568 (a)	1,028,319 (c)	1,274,917 (e)
Transfers Out	(2,192,666) (a)	(2,466,960) (a)	(2,038,387) (c)	(2,253,763) (e)
Capital Leases Acquisitions	12,712	5,985	5,875	3,379
Installment Purchase Acquisitions	653	2,457	1,068	1,124
Total Other Financing Sources (Uses)	(685,924)	(291,319)	(510,552)	1,662,636
Net Change in Fund Balances	$ (373,041)	$ (133,253)	$ (159,793)	$ 318,120
Debt Service as a Percentage of Noncapital Expenditures	4.3%	4.4%	3.9%	2.5%

(a) In 2007 and 2006, the Transportation Fund transferred $88.7 million and $338.4 million, respectively, to the General Fund as required by 2005 Wisconsin Act 25. Also in these years, the General Fund transferred $127.8 million in 2007 and $303.4 million in 2006 to the Medical Assistance Trust Fund.

(b) In 2005, the Unclaimed Property Fund was reclassified from a private purpose trust fund to the General Fund. Years prior to 2005 have not been restated for this reclassification.

(c) In 2005, the Transportation and Utility Public Benefits funds transferred $170.0 million and $20.0 million, respectively, to the General Fund to fund a portion of the shared revenue program. Also in that year, the General Fund transferred $175.9 million to the Medical Assistance Trust Fund.

(d) In 2004, the State issued $1,794.9 million of Annual Appropriation Bonds to pay for the unfunded accrued prior service (pension) liability for sick leave conversion credits. The General Fund reported a related Employee Benefit Liability expenditure of $1,487.6 million.

(e) In 2004, the Transportation and Utility Public Benefits funds transferred $230.0 million and $17.6 million, respectively, to the General Fund to fund a portion of the shared revenue program. Also in that year, the General Fund transferred $176.3 million to the Medical Assistance Trust Fund.

(f) In 2003, the Tobacco Settlement Endowment Fund transferred $287.1 million to the General Fund to fund a portion of the shared revenue program. Also in that year, the General Fund transferred $322.5 million to the Medical Assistance Trust Fund.

Source: State of Wisconsin, Department of Administration, State Controller's Office

(In Thousands)

2003	2002 (g)	2001	2000	1999	1998
$ 11,270,818	$ 11,050,658	$ 10,984,512	$ 11,974,334	$ 11,158,516	$ 10,218,307
5,984,658	5,509,834	5,102,944	4,375,513	3,813,275	3,704,247
891,260	855,093	775,022	731,668	687,766	631,870
247,519	224,066	268,347	239,050	217,145	193,964
48,838	45,562	98,244	97,682	95,089	85,647
55,834	55,392 (h)	-	-	-	-
14,342	38,087	24,271	14,601	14,885	5,461
598,580	969,886	637,000	-	-	-
153,923	1,431,218 (i)	124,389	167,362	-	-
139,531	166,569	246,823	207,002	133,405	149,400
19,405,303	20,346,365	18,261,552	17,807,212	16,120,081	14,988,896
226,182	198,291	205,802	205,008	194,893	181,559
5,649,280	5,417,136	5,201,596	4,900,287	4,542,339	4,397,970
1,519,266	1,664,161	1,170,663	1,765,534	1,601,962	1,468,365
464,479	528,699	729,456	530,586	476,985	552,423
8,113,457	7,957,774	6,945,336	5,889,413	5,323,054	5,116,259
490,846	443,114	440,513	410,603	333,034	308,736
104,930	103,069	102,634	103,216	95,705	91,450
60,175	61,989	61,658	60,424	62,789	55,144
-	-	-	-	-	-
845,130	822,650	770,035	1,440,464 (m)	831,526	725,316
1,107,958	1,095,991	1,072,576	1,073,434	1,008,617	1,008,572
270,719	173,247	176,766	176,130	167,217	158,909
226,469	209,851	161,774	140,759	140,886	136,939
691,586	669,704	1,042,881 (l)	230,151	164,360	143,467
19,770,477	19,345,676	18,081,690	16,926,009	14,943,367	14,345,109
(365,174)	1,000,689	179,862	881,203	1,176,714	643,787
506,524	529,649	281,631	451,886	249,007	160,469
-	596,332	-	-	406,303	-
-	(631,477)	-	-	(405,340)	-
-	- (j)	-	-	-	-
31,640	60,247 (j)	-	-	-	-
1,234,157 (f)	2,067,099 (k)	369,342	437,139	484,610	553,399
(2,319,188) (f)	(3,135,615) (k)	(1,476,426)	(1,502,681)	(1,417,680)	(1,464,556)
17,143	6,039	7,330	9,996	9,579	3,456
2,863	1,216	873	1,022	995	856
(526,861)	(506,510)	(817,250)	(602,638)	(672,526)	(746,376)
$ (892,035)	$ 494,179	$ (637,388)	$ 278,565	$ 504,188	$ (102,589)
2.6%	2.1%	2.0%	1.9%	2.2%	2.1%

(g) In 2002 through 2007, governmental fund types included activities of the General, special revenue, capital project, debt service, and permanent funds. Years prior to 2002 were not restated for GASB Statement No. 34. Fiscal Year 2002 was restated to appropriately reflect transfers to discretely presented component units as expenditures.

(h) Prior to 2002, fines and forfeitures were reported as Other Revenues.

(i) In 2002, tobacco settlement revenues included $1,275.0 million of revenues reported in the Tobacco Settlement Endowment Fund, which was used to account for the proceeds from the sale of the State's right to receive payments under the Attorney General Master Tobacco Settlement of 1998.

(j) Prior to 2002, bond premiums and discounts were netted with long-term debt issued.

(k) In 2002, the Tobacco Settlement Endowment Fund transferred $992.4 million to the General Fund to fund a portion of the shared revenue program, as well as other General Fund programs. Also in that year, the General Fund transferred a net $562.3 million to the Medical Assistance Trust Fund.

(l) Beginning in 2001, certain capital purchases formerly reported with functional expenditures are included in capital outlay.

(m) In 2000, the State distributed $699.7 million to individual taxpayers in a one-time sales tax rebate.

Personal Income by Industry

For the Last Six Calendar Years (a) (In Millions)

	2006	2005	2004	2003	2002	2001
Personal Income by Source:						
Farm Earnings	$ 787	$ 1,192	$ 1,371	$ 1,323	$ 864	$ 923
Forestry, Fishing, Related Activities	350	333	332	347	358	409
Mining	272	257	246	214	204	212
Utilities	1,254	1,251	1,218	1,042	1,029	976
Construction	9,161	8,964	8,467	7,944	7,668	7,518
Manufacturing	32,017	30,888	30,306	29,481	28,729	28,312
Wholesale Trade	7,951	7,466	6,997	6,522	6,369	6,094
Retail Trade	9,123	8,965	8,828	8,683	8,552	8,215
Transportation and Warehousing	5,386	5,223	4,920	4,535	4,431	4,382
Information	3,163	3,055	2,929	2,740	2,735	2,779
Finance and Insurance	9,491	8,978	8,738	8,243	7,721	7,419
Real Estate and Rental and Leasing	1,865	1,854	1,864	1,721	1,599	1,555
Professional and Technical Services	8,370	7,846	7,292	6,775	6,680	6,760
Management of Companies and Enterprises	4,060	3,714	3,522	3,243	2,907	2,711
Administrative and Waste Services	3,933	3,712	3,457	3,216	3,219	3,070
Educational Services	1,623	1,517	1,490	1,392	1,311	1,231
Health Care and Social Assistance	16,154	15,416	14,863	13,873	13,121	12,156
Arts, Entertainment, and Recreation	1,147	1,056	1,054	1,036	1,020	944
Accommodations and Food Services	3,386	3,218	3,145	2,952	2,766	2,660
Other Services, except Public Administration	4,130	3,982	3,849	3,693	3,590	3,333
Federal, Civilian	2,444	2,300	2,251	2,071	2,004	1,926
Military	681	725	688	634	458	374
State and Local	17,604	16,936	16,341	16,539	15,564	14,870
Other (b)	47,213	43,132	40,571	39,903	40,408	40,058
Total Personal Income	$ 191,565	$ 181,980	$ 174,737	$ 168,122	$ 163,309	$ 158,888
Per Capita Personal Income (Dollars)	$ 34,476	$ 32,922	$ 31,778	$ 30,752	$ 30,028	$ 29,398

(a) Only six years of comparative data is presented because of changes in the industry classification system from the Standard Industrial Classification (SIC) to the North American Industry Classification System (NAICS) beginning in calendar year 2001.

(b) Includes dividends, interest, rental income, residence adjustment, government transfer to individuals, and deductions for social insurance.

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

Personal Income Tax Rates

For the Last Ten Calendar Years

		Top Income Tax Rate is Applied to Taxable Income in Excess of			
Year	**Top Rate**	**Single**	**Married Filing Jointly**	**Head of Household**	**Average Tax Rate** (a)
2007	6.75 %	$ 142,650	$ 190,210	$ 95,100	(b) %
2006	6.75	137,410	183,210	91,600	(b)
2005	6.75	132,580	176,770	88,390	4.48
2004	6.75	129,150	172,200	86,100	4.47
2003	6.75	126,420	168,560	84,280	4.41
2002	6.75	124,200	165,600	82,800	4.38
2001	6.75	116,330	155,100	77,550	4.40
2000	6.75	116,890	155,850	77,930	4.58
1999	6.77	15,240	20,320	10,160	5.29
1998	6.77	15,000	20,000	10,000	4.92

(a) Average tax rate as a percentage of Wisconsin Adjusted Gross Income (WAGI)
(b) Information is currently not available.

Source: Wisconsin Department of Revenue

Personal Income Filers and Liability by Income Level
Calendar Year 2005[(a)] and Nine Years Prior

2005

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liabilitiy	Percentage of Total	Net Income Tax Rate (b)
$1,000,000 and Higher	2,712	0.10 %	$ 450,984,857	8.27 %	6.33 %
$500,000 to 999,999	6,151	0.22	259,118,037	4.75	6.25
$200,000 to 499,999	32,560	1.18	559,468,263	10.26	5.94
$100,000 to 199,999	168,653	6.09	1,146,414,817	21.03	5.29
$70,000 to 99,999	280,566	10.14	1,117,630,607	20.50	4.81
$50,000 to 69,999	337,537	12.19	875,694,412	16.06	4.37
$30,000 to 49,999	493,710	17.84	735,571,539	13.49	3.79
$10,000 to 29,999	753,796	27.23	298,137,077	5.47	2.03
Less than $10,000	692,225	25.01	9,550,803	0.18	0.48
Total	2,767,910	100.00 %	$ 5,452,570,412	100.00 %	4.48 %

1996

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liabilitiy	Percentage of Total	Net Income Tax Rate (b)
$1,000,000 and Higher	1,263	0.05 %	$ 201,393,541	4.83 %	6.58 %
$500,000 to 999,999	2,861	0.11	126,849,781	3.04	6.58
$200,000 to 499,999	15,805	0.62	294,002,403	7.06	6.39
$100,000 to 199,999	62,074	2.42	485,764,496	11.66	6.01
$70,000 to 99,999	141,753	5.52	651,641,864	15.64	5.64
$50,000 to 69,999	282,321	10.99	896,230,237	21.51	5.40
$30,000 to 49,999	468,954	18.26	932,421,556	22.38	5.05
$10,000 to 29,999	805,314	31.36	553,013,812	13.27	3.60
Less than $10,000	787,550	30.67	24,533,969	0.59	0.92
Total	2,567,895	100.00 %	$ 4,165,851,659	100.00 %	5.06 %

(a) Tax information is gathered on a calendar year basis. Since tax forms are filed in the following year, the information from tax year 2005 is the most current data available.

(b) Net income tax rate equals personal income tax liability as a percentage of Wisconsin Adjusted Gross Income (WAGI).

Source: Wisconsin Department of Revenue

Ratio of Outstanding Debt by Type

For the Last Six Fiscal Years

	2007 (a)	2006	2005	2004	2003	2002
Governmental Activities:						
General Obligation Bonds	$ 3,941,051	$ 4,041,982	$ 3,763,973	$ 3,560,219	$ 3,090,875	$ 2,962,588
Annual Appropriation Bonds	1,794,850	1,792,488	1,792,290	1,792,092 (b)	-	-
Transportation Revenue Bonds	1,481,595	1,485,558	1,386,493	1,359,849	1,137,467	965,264
Petroleum Inspection Revenue Bonds	130,290	190,984	210,446	224,658	188,119	199,797
Badger Tobacco Asset Securitization Corporation Bonds	1,460,360	1,474,084	1,520,788	1,566,993 (c)	-	-
Capital Leases	41,208	36,840	22,856	20,326	40,315	20,690
Installment Contracts	451	666	1,571	2,770	3,653	1,249
Business-type Activities:						
General Obligation Bonds	1,104,111	896,268	893,196	859,262	913,452	996,238
Environmental Improvement Revenue Bonds	729,575	690,873	652,213	692,111	623,418	659,451
Capital Leases	121,183	47,686	48,427	48,577	40,916	37,779
Total Primary Government	$ 10,804,674	$ 10,657,429	$ 10,292,253	$ 10,126,857	$ 6,038,215	$ 5,843,056
Percentage of Personal Income (d)	5.60%	5.79%	5.82%	6.02%	3.70%	3.68%
Per Capita	1,944	1,925	1,870	1,851	1,110	1,081

(a) Beginning in 2007, bonds are reported gross of issuance premiums/discounts and refundings. Previous years were not restated.

(b) In 2004, the State issued appropriation obligations to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits.

(c) In 2004, GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues,* was implemented. Prior years have not been restated.

(d) These ratios are calculated using personal income and population for the prior calendar year.

SOURCE: Details regarding the State's outstanding debt can be found in the notes to the financial statements.
Schedule C-2 lists personal income and population data by year.

Ratio of General Obligation Bonded Debt and Appropriation Bonds to Personal Income and Per Capita

For the Last Ten Fiscal Years

	2007 (a)	2006	2005	2004
General Obligation Bonds:				
Payable from Governmental Funds	$ 3,785,445	$ 3,879,823	$ 3,596,453	$ 3,389,177
Payable from Internal Service Funds	155,606	162,159	167,520	171,042
Payable from Enterprise Funds	1,104,111	896,267	893,195	859,261
Total General Obligation Bonds	5,045,162	4,938,249	4,657,168	4,419,480
Annual Appropriation Bonds (c)	1,794,850	1,792,488	1,792,290	1,792,092
Bonded Debt to be Paid with General Resources	$ 6,840,012	$ 6,730,737	$ 6,449,458	$ 6,211,572
Personal Income	$ 192,817,609	$ 184,086,823	$ 176,728,394	$ 168,277,834
Ratio of Bonded Debt to Personal Income (d)	3.5%	3.7%	3.6%	3.7%
Population	5,557	5,536	5,504	5,472
Bonded Debt per Capita (in Dollars) (d)	$ 1,231	$ 1,216	$ 1,172	$ 1,135

(a) Beginning in 2007, bonds are reported gross of issuance premiums/discounts and refundings.

(b) Prior to 2002, the University of Wisconsin System financial statements were separately presented, following generally accepted accounting principles for colleges and universities as prescribed by the American Institute of Certified Public Accountants and the National Association of College and University Business Officers. The amounts "Payable from Enterprise Fund" for years prior to 2002 included general obligation debt expected to be paid from both resources of the University of Wisconsin System and general purpose revenues of the State. With the implementation of GASB Statement No. 34 in 2002, the University of Wisconsin System was reclassified as an enterprise fund. As a result, beginning in 2002, general obligation debt expected to be paid from resources of the University of Wisconsin System enterprise fund was reported in that enterprise fund, while debt expected to be paid from general purpose revenues of the State was reported through governmental funds.

(c) 2003 Wisconsin Acts 33 and 84 were enacted and authorized the issuance of appropriation obligations to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability under Wis. Stat. Section 40.05(2)(b) and its unfunded accrued liability for sick leave conversion credits under Wis. Stat. Section 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40. The bonds are not general obligations of the State, and do not constitute "public debt" of the State as that term is used in the Constitution and in the State Statutes. The payment of the principal of, and premium, if any, and interest on the Bonds is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service on the Bonds.

(d) These ratios are calculated using personal income and population for the prior calendar year.

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

(In Thousands, except for Net Bonded Debt Per Capita)

	2003	2002		2001	2000	1999	1998
	$ 2,917,331	$ 2,802,708	(b)	$ 1,892,416	$ 1,769,042	$ 1,743,979	$ 1,737,666
	173,544	159,880		108,224	108,059	104,564	106,661
	913,452	996,238	(b)	1,714,566	1,543,094	1,530,809	1,451,843
	4,004,327	3,958,826		3,715,206	3,420,195	3,379,352	3,296,170
	-	-		-	-	-	-
	$ 4,004,327	$ 3,958,826		$ 3,715,206	$ 3,420,195	$ 3,379,352	$ 3,296,170
	$ 163,308,733	$ 158,888,404		$ 153,547,595	$ 144,702,139	$ 138,667,104	$ 129,098,510
	2.5%	2.5%		2.4%	2.4%	2.4%	2.6%
	5,439	5,404		5,374	5,333	5,298	5,266
	$ 736	$ 733		$ 691	$ 641	$ 638	$ 626

Legal Debt Margin

For the Last Ten Calendar Years (In Thousands)

Calendar Year	Annual Debt Limit	Total Net Debt Applicable to Limit (a)	Legal Debt Margin	Legal Debt Margin as a Percentage of Debt Limit
2007 (b)	$ 3,734,403	$ 483,280	$ 3,251,123	87.1 %
2006	3,517,374	891,285	2,626,089	74.7
2005	3,209,502	471,640	2,737,862	85.3
2004	2,933,909	664,435	2,269,474	77.4
2003	2,705,327	499,030	2,206,297	81.6
2002	2,514,949	481,000	2,033,949	80.9
2001	2,343,628	485,645	1,857,983	79.3
2000	2,147,411	538,795	1,608,616	74.9
1999	1,999,256	482,360	1,516,896	75.9
1998	1,867,462	475,485	1,391,977	74.5

Calculation of Annual Pubic Debt Limit for 2007:

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

(1) Three-fourths of one percent of the aggregate value of taxable property	$ 3,734,403
or	
(2) Five percent of aggregate value of taxable property	$ 24,896,017
Less: Net indebtedness at January 1	5,898,647
	$ 18,997,370
The lessor of (1) or (2) is:	$ 3,734,403

(a) Consists of bonds issued less refundings.

(b) Debt issued through December 5, 2007.

SOURCE: Wisconsin Department of Administration

Department of Transportation Revenue Bond Coverage

For the Last Ten Fiscal Years (In Thousands)

Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total Debt Service	Pledged Revenue Coverage
2007	$ 458,077	$ 78	$ 457,999	$ 71,640	$ 68,460	$ 140,100	3.27
2006	467,368	98	467,270	61,120	63,739	124,859	3.74
2005	436,724	138	436,586	57,885	65,433	123,318	3.54
2004	425,588	55	425,533	46,870	57,083	103,953	4.09
2003	326,266	71	326,195	38,115	52,738	90,853	3.59
2002	324,967	105	324,862	36,560	46,454	83,014	3.91
2001	316,061	36	316,025	33,705	39,488	73,193	4.32
2000	313,155	66	313,089	30,860	41,063	71,923	4.35
1999	295,938	49	295,889	30,750	47,063	77,813	3.80
1998	282,850	56	282,794	29,710	45,733	75,443	3.75

The State of Wisconsin, Department of Transportation finances certain state highway projects and related transportation facilities through the issuance of revenue bonds. The revenue bonds, $1,481.6 million outstanding at June 30, 2007, are secured by a pledge of the registration and registration-related fees collected under Wis. Stat. Sec. 341.25 and investments.

(a) Includes revenues from Wis. Stat. Sec. 341.25 registration and registration-related fees including fees collected under the International Registration Plan, a multi-state plan for the collection of registration fees from interstate trucking, and interest earnings.
Beginning in FY 2003, IRP revenues due Wisconsin were mistakenly recorded as a liability to other states. Gross Revenues are corrected (increased).

(b) Includes administrative operating expenses.

SOURCE: Wisconsin Department of Transportation

Environmental Improvement Fund Revenue Bond Coverage

For the Last Ten Fiscal Years (In Thousands)

Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total Debt Service	Pledged Revenue Coverage
2007	$ 98,288	$ 2,416	$ 95,872	$ 47,085	$ 36,163	$ 83,248	1.15
2006	86,289	2,348	83,941	44,775	33,197	77,972	1.08
2005	64,321	2,292	62,029	39,340	33,677	73,017	0.85
2004	66,741	2,088	64,653	37,545	34,527	72,072	0.90
2003	72,959	2,065	70,894	36,405	34,646	71,051	1.00
2002	67,330	2,052	65,278	30,975	32,426	63,401	1.03
2001	63,268	1,891	61,377	27,245	31,012	58,257	1.05
2000	58,747	1,497	57,250	23,530	30,905	54,435	1.05
1999	54,177	1,675	52,502	24,200	26,651	50,851	1.03
1998	48,124	1,322	46,802	14,270	26,192	40,462	1.16

(a) Includes operating revenue from loan repayment and interest income from revenue bonds.

(b) Includes allocated administrative and general costs.

SOURCE: Wisconsin Department of Administration

Petroleum Inspection Fee Revenue Bond Coverage

For Last Eight Fiscal Years (In Thousands)

Year (a)	Fees Remitted to the Trustees (b)	Debt Service Principal	Debt Service Interest	Total Debt Service	Pledged Revenue Coverage
2007 (c)	$ 75,361	$ 19,775	$ 12,722	$ 32,497	2.32
2006	114,949	18,205	13,728	31,933	3.60
2005	115,901	12,735	13,555	26,290	4.41
2004	116,634	12,070	11,507	23,577	4.95
2003	117,336	11,440	12,632	24,072	4.87
2002	110,689	-	11,304	11,304	9.79
2001	114,304	1,750	10,930	12,680	9.01
2000	32,503	-	-	-	n/a (d)

(a) This program began on March 2, 2000.

(b) Includes Petroleum Inspection Fees remitted by the State of Wisconsin to the Program Trustee for the four-month period March 2000 through June 2000. In contrast, the fees collected by the State of Wisconsin for the 12-month period ended June 30, 2000 totaled $111.6 million.

(c) The 2006-2007 information does not include $37,885,000 in principal or $36,140 interest that were paid with monies transferred from the State's Petroleum Inspection Fund. Fiscal year 2006-2007 is the first full fiscal year at the reduced rate for petroleum inspection fees. 2005 Wisconsin Acts 25 and 85 amended Wis. Stat. Sec. 168.12 (1) by reducing the petroleum inspection fee imposed from $0.03 per gallon to $0.02 per gallon, effective April 1, 2006.

(d) The debt service coverage ratio is not applicable for Fiscal Year 2000 since there was no debt service paid prior to July 1, 2000. However, the ratio of remitted fees to debt service payments to be made on July 1, 2000, is 6.56: the $32.5 million in fees remitted to the Trustee, divided by the $4.95 million of debt service payments.

SOURCE: Wisconsin Department of Commerce

State of Wisconsin **Schedule C-7**

Badger Tobacco Asset Securitization Corporation Bond Coverage [(a)]

For Last Six Fiscal Years (In Thousands)

Year (b)	Revenues	Debt Service Principal	Debt Service Interest	Total Debt Service	Pledged Revenue Coverage
2007	$ 135,415	$ 38,155	$ 91,061	$ 129,216	1.05
2006	130,043	46,605	93,619	140,224	0.93
2005	140,379	45,975	96,409	142,384	0.99
2004	137,977	-	97,643	97,643	1.41
2003	9,123	-	50,991	50,991	0.18 (c)
2002	32	-	-	-	n/a (d)

(a) As reported in the Badger Tobacco Asset Securitization Corporation (BTASC) debt service sub-fund.

(b) This program began on April 17, 2002. BTASC was reported as a discretely presented component unit in the 2002 and 2003 Comprehensive Annual Financial Reports and as a blended component unit for 2004 and beyond.

(c) Debt service expenditures of 2003 were primarily covered by bond proceeds remaining in the debt service sub-fund.

(d) Debt service expenditures in 2002 were paid by the BTASC general sub-fund out of bond proceeds.

SOURCE: BTASC annual audit reports

Wisconsin Housing and Economic Development Authority Revenue Bond Coverage

For the Last Ten Fiscal Years (In Thousands)

Year	Gross Revenues (a)	Direct Operating Expenses (b)	Net Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total Debt Service	Pledged Revenue Coverage (c)
Home Ownership Revenue Bonds							
2007	$ 291,008	$ 11,359	$ 279,649	$ 138,000	$ 95,035	$ 233,035	1.20
2006	273,512	11,039	262,473	172,640	75,490	248,130	1.06
2005	261,337	9,799	251,538	192,850	62,099	254,949	0.99
2004	415,527	9,431	406,096	422,310	59,809	482,119	0.85
2003	630,290	8,153	622,137	528,825	78,782	607,607	1.02
2002	429,838	8,287	421,551	300,645	88,279	388,924	1.08
2001	286,366	7,731	278,635	178,905	95,138	274,043	1.02
2000	250,352	8,379	241,973	217,333	90,506	307,839	0.79
1999	392,684	8,947	383,737	305,265	94,414	399,679	0.96
1998	298,596	8,627	289,969	213,512	96,940	310,452	0.92
Housing Revenue Bonds							
2007	$ 80,325	$ 3,924	$ 76,401	$ 24,945	$ 21,960	$ 46,905	1.62
2006	87,115	4,313	82,802	177,785	22,448	200,233	0.41
2005	72,123	3,381	68,742	60,675	22,384	83,059	0.83
2004	70,811	4,099	66,712	35,175	22,942	58,117	1.15
2003	66,740	3,772	62,968	119,420	24,162	143,582	0.44
2002	66,480	3,449	63,031	16,725	25,884	42,609	1.48
2001	59,553	4,346	55,207	15,230	25,919	41,149	1.35
2000	58,054	4,139	53,915	35,279	26,176	61,455	0.88
1999	59,653	4,211	55,442	18,387	27,384	45,771	1.21
1998	67,721	5,107	62,614	12,822	25,803	38,625	1.48
Housing Rehabilitation and Home Improvement Revenue Bonds							
2007	$ 2,826	$ 560	$ 2,266	$ -	$ -	$ -	n/a
2006	2,442	370	2,072	-	-	-	n/a
2005	2,283	333	1,950	-	-	-	n/a
2004	1,941	297	1,644	-	-	-	n/a
2003	1,941	145	1,796	-	-	-	n/a
2002	2,241	69	2,172	-	-	-	n/a
2001	2,177	106	2,071	-	-	-	n/a
2000	2,765	122	2,643	6,125	145	6,270	0.43 (d)
1999	5,038	255	4,783	1,465	484	1,949	2.44
1998	5,199	556	4,643	550	600	1,150	4.09

(Continued)

Wisconsin Housing and Economic Development Authority Revenue Bond Coverage

For the Last Ten Fiscal Years (Continued)

Year	Gross Revenues (a)	Direct Operating Expenses (b)	Net Revenues	Debt Service: Principal	Debt Service: Interest	Debt Service: Total Debt Service	Pledged Revenue Coverage (c)
Business Development Revenue Bonds							
2007	$ 1,521	$ 5	$ 1,516	$ 1,290	$ 224	$ 1,514	1.00
2006	3,894	6	3,888	3,630	256	3,886	1.00
2005	2,734	9	2,725	2,450	271	2,721	1.00
2004	5,240	7	5,233	4,935	288	5,223	1.00
2003	3,075	8	3,067	2,550	505	3,055	1.00
2002	3,660	10	3,650	2,990	642	3,632	1.00
2001	4,657	13	4,644	3,445	1,186	4,631	1.00
2000	11,854	12	11,842	10,905	968	11,873	1.00
1999	11,240	15	11,225	9,030	2,163	11,193	1.00
1998	11,264	25	11,239	8,495	2,800	11,295	1.00
Single Family Drawdown Revenue Bonds							
2007 (e)	$ 28,461	$ 2	$ 28,459	$ 25,677	$ 2,785	$ 28,462	1.00
2006	129,329	2	129,327	127,215	2,092	129,307	1.00
2005	188,601	5	188,596	185,976	2,924	188,900	1.00
2004	212,366	6	212,360	209,050	3,252	212,302	1.00
2003	157,155	5	157,150	154,000	3,114	157,114	1.00
2002	199,567	2	199,565	195,431	4,148	199,579	1.00
2001	92,053	5	92,048	84,350	7,748	92,098	1.00
2000	64,936	5	64,931	57,345	7,382	64,727	1.00
1999	94,695	3	94,692	91,090	3,602	94,692	1.00

(a) Includes mortgage payments received.

(b) Includes administrative and general costs, mortgage insurance premiums, lender service fees, and for the Housing Revenue Bonds includes the FAF (financial adjustment factor) expense and that portion of the FAF not yet expensed.

(c) 1998 through 2007 include gains/losses due to the increases/decreases in fair market value of investments as a result of the implementation of GASB Statement No. 31. The Pledged Revenue Coverage excludes these amounts.

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

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

SOURCE: Wisconsin Housing and Economic Development Authority

Demographic and Economic Statistics

For the Last Ten Years

Calendar Year	Population (In Thousands)	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate (a)	Public School Enrollment (b)
2006	5,557	$ 192,817,609	$ 34,701	5.0 %	842,879
2005	5,528	183,948,002	33,278	4.7	837,313
2004	5,499	176,482,330	32,095	4.9	853,363
2003	5,467	168,120,232	30,752	5.6	855,139
2002	5,439	163,308,733	30,028	5.5	854,688
2001	5,405	158,888,404	29,398	4.6	855,725
2000	5,374	153,547,595	28,568	3.5	875,038
1999	5,333	144,702,139	27,135	3.0	859,387
1998	5,298	138,667,104	26,175	3.4	881,248
1997	5,266	129,098,510	24,514	3.7	859,469

(a) Seasonally adjusted

(b) 2006-2007 school year Kindergarten through Grade 12

Calendar year information is not yet available for 2007.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis
Wisconsin Department of Public Instruction
Wisconsin Department of Workforce Development

Principal Employers
2007 and Nine Years Prior (a)

Employer	2007 Employees (b)	2007 Rank	1998 Employees (b)	1998 Rank
Wal-Mart Associates Inc.	Greater than 9,999	1	Greater than 9,999	3
UW-Madison	Greater than 9,999	2	Greater than 9,999	2
Milwaukee Public School	Greater than 9,999	3	Greater than 9,999	1
Department of Corrections	Greater than 9,999	4	7,500 - 9,999	5
Menard Inc.	7,500 - 9,999	5	-	
Walgreen Co.	7,500 - 9,999	6	-	
Kohl's Deparment Stores Inc.	7,500 - 9,999	7	-	
City of Milwaukee	7,500 - 9,999	8	7,500 - 9,999	4
Kohler Co.	7,500 - 9,999	9	5,000 - 7,499	8
Marshfield Clinic	5,000 - 7,499	10	-	
Shopko Stores Inc.	-	-	7,500 - 9,999	6
Quad Graphics	-	-	5,000 - 7,499	7
County of Milwaukee	-	-	5,000 - 7,499	9
Allen-Bradley Co.	-	-	5,000 - 7,499	10

(a) March data

(b) Number of employees per employer and percentage of total employment is confidential information.

SOURCE: Wisconsin Department of Workforce Development

State of Wisconsin

Full Time Equivalent State Government Employees by Function/Program

For the Last Ten Fiscal Years

Functions/Programs	2007	2006	2005	2004	2003
Commerce	1,468	1,476	1,499	1,571	1,552
Education					
University of Wisconsin System	30,668	30,458	30,443	30,570	30,489
Other Education	872	886	862	869	902
Transportation	3,350	3,247	3,348	3,558	3,712
Environmental Resources	2,586	2,609	2,613	2,738	2,832
Human Relations and Resources	19,656	19,337	19,604	20,114	19,958
General Executive	2,990	3,036	2,985	3,055	3,165
Judicial	784	783	779	777	772
Legislative	732	734	732	726	768
Totals	63,106	62,565	62,866	63,978	64,149
Percentage Change	0.86%	-0.48%	-1.74%	-0.27%	0.11%

Totals exclude limited term employees.

Measurement date for most positions is the last full payperiod prior to June 30. In the case of the University of Wisconsin System, an April payperiod is used to better capture individuals who do not have full-year appointments.

Sources: State of Wisconsin, Department of Administration, State Controller's Office
University of Wisconsin System
Wisconsin State Legislature and legislative service agencies

2002	2001	2000	1999	1998	Change from 1998 to 2007
1,618	1,706	1,690	1,695	1,694	-13.35%
30,057	29,196	28,382	27,793	27,218	12.67%
945	959	948	927	918	-5.03%
3,803	3,932	3,820	3,746	3,676	-8.89%
2,937	2,964	2,849	2,815	2,756	-6.17%
19,919	19,223	18,284	18,084	17,515	12.23%
3,263	3,285	3,257	3,216	3,208	-6.81%
769	782	770	748	737	6.46%
769	796	796	789	763	-4.04%
64,080	62,843	60,796	59,813	58,485	7.90%
1.97%	3.37%	1.64%	2.27%		

Operating Indicators by Function

For the Last Ten Fiscal Years

	2007	2006	2005	2004
Commerce				
Agriculture				
Farm Inspections (Calendar Year)	(a)	23,435	23,539	24,766
State Fair Park				
State Fair Attendance	801,420	861,408	860,078	879,322
Education				
Historical Society				
Visitors to Historic Sites and State Museum	(a)	234,515	242,931	235,523
Public Instruction				
Licensed School Staff	(a)	67,984	68,589	68,469
Ratio of Students to Licensed Staff	(a)	12.9	12.6	12.8
State's Share of Spending per Student	(a)	$5,847	$5,500	$5,445
University of Wisconsin System				
Enrollment (Full Time Equivalent)	144,814	144,298	142,209	141,500
Number of Degrees Conferred	(a)	30,587	30,842	32,021
Technical College System				
Enrollment (Degree/Career Programs)	(a)	175,955	174,894	176,082
Transportation				
Motor Vehicle Registrations (Calendar Year)	(a)	5,326,693	5,371,800	5,278,402
Licensed Drivers (Calendar Year)	(a)	4,066,273	4,049,450	3,993,348
Environmental Resources				
Natural Resources				
Park Visitors (Calendar Year)	(a)	13,161,106	13,410,803	14,300,000
Annual Park Admission Stickers (Calendar Year)	(a)	516,109	367,251	346,730
Fishing and Hunting Licenses (Calendar Year)	(a)	3,156,267	3,125,816	3,106,580
State Hatchery Fish Stocked (Calendar Year)	(a)	9,966,000	10,929,000	10,913,000
Human Relations and Resources				
Corrections (Average Daily Population)				
Adults in Correctional Facilities	23,094	22,412	22,596	22,331
Juveniles in Detention Facilities	581	596	658	693
Health and Family Services				
Medicaid Caseload (Average Monthly)	849,532	834,027	805,702	775,052
Clients in Care and Treatment Centers (e)	1,762	1,775	1,825	1,874
FoodShare Recipients (Average Monthly)	379,046	363,678	339,820	320,219 (d)
Workforce Development (Calendar Year)				
Wisconsin Works (W-2) Participants	(a)	19,174	24,244	27,754
Unemployment Insurance Initial Claims	630,013	604,013	615,122	631,263
Unemployment Insurance Benefits (In Thousands)	$803,753	$833,284	$846,984	$919,619
Military Affairs				
National Guard Assigned Strength	10,035	9,764	9,777	9,936
Veterans Affairs (Calendar Year)				
Residents of Veterans Homes	(a)	854 (f)	730	798
General Executive				
Administration				
Construction Projects Initated (Calendar Year)	(a)	894	780	889
State Patrol Troopers/Inspectors (Authorized)	(a)	382/111	372/111	393/115
State Patrol Citations Issued (Calendar Year)	(a)	146,545	158,379	184,220
Employee Trust Funds (Calendar Year)				
Active Employees in Pension Plan	(a)	70,366	70,006	70,933
Active Employees in Group Health Plan	(a)	68,688	68,044	68,758

(a) Information is currently not available.
(b) Average monthly Medicaid caseload increased due to the start of Badger Care.
(c) Average monthly Medicaid caseload increased due to the start of Family Planning Waiver and SeniorCare.
(d) FoodShare Wisconsin replaced the Food Stamp Program in Wisconsin on October 15, 2004.
(e) Care and Treatment Center population is based on a daily average, except for the Wisconsin Resource Center from 2002 through 2006 (which is based on a client count on the last day of the month).
(f) Includes Wisconsin Veterans Home at Union Grove.

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies

2003	2002	2001	2000	1999	1998
25,608	28,670	29,374	30,905	34,761	37,750
809,484	894,709	773,650	904,059	903,846	881,313
238,591	257,244	276,627	259,931	294,355	318,710
69,871	69,228	68,456	67,243	66,186	65,094
12.6	12.7	12.8	13.1	13.3	13.5
$5,392	$5,231	$5,052	$4,809	$4,514	(a)
140,000	137,730	135,205	133,235	130,898	127,649
29,153	28,894	28,217	27,026	26,782	26,537
172,415	164,912	158,639	155,990	155,466	152,408
5,160,673	5,038,541	4,946,305	4,798,056	4,713,643	4,449,217
3,933,924	3,839,930	3,835,549	3,801,798	3,733,077	3,709,957
14,100,000	14,100,000	13,700,000	14,100,000	14,200,000	14,400,000
371,710	373,140	380,961	401,565	405,216	405,096
3,118,324	3,083,839	2,500,105	2,491,340	2,460,228	(a)
14,288,000	11,229,000	15,110,000	13,480,000	11,475,000	9,370,000
21,825	21,025	20,450	19,805	17,691	14,803
799	836	907	896	913	870
677,800 (c)	553,723	496,116	445,175 (b)	396,425	(a)
1,895	1,904	1,823	1,866	1,891	1,876
288,855	251,868	208,127	188,094	182,601	200,596
27,308	25,049	23,129	20,962	(a)	(a)
723,018	721,543	744,806	529,993	464,599	487,693
$1,209,351	$1,203,352	$856,754	$566,465	$504,455	$496,156
9,993	9,885	10,051	9,885	(a)	(a)
805	744	742	745	741	745
588	822	689	952	808	844
401/118	401/118	401/118	396/113	386/113	386/112
176,833	173,885	162,856	146,742	135,758	147,600
71,031	71,222	70,512	68,330	66,716	65,663
68,755	68,090	64,619	62,476	62,110	60,558

State of Wisconsin

Capital Asset Statistics by Function

For the Last Ten Fiscal Years

	2007	2006	2005	2004
Commerce				
State Fair Park				
Number of Buildings	41	42	42	42
Acres of Land	188	197	197	197
Education				
Educational Communications Board				
Communication Tower Sites	19	18	17	17
Historical Society				
Historic Sites	9	8	8	8
Public Instruction				
Residential Schools	2	2	2	2
University of Wisconsin System				
Number of Campuses	26	26	26	26
Technical College System				
Number of Districts and Campuses	16 and 47	16 and 47	16 and 47	16 and 47
Transportation				
Miles of State Highways	(a)	11,782	11,772	11,772
Environmental Resources				
Natural Resources				
Number of State Parks and Recreational Areas	50	50	50	49
Acres of State Parks and Recreational Areas	83,582	83,304	82,083	79,250
Number of State Forests	13	13	13	13
Acres of State Forests	506,727	506,620	506,620	506,620
Number of State Trails	35	33	33	33
Miles of State Trails	1,104	987	984	978
Number of Fish Hatcheries	13	13	14	14
Human Relations and Resources				
Corrections				
Number of Adult Correctional Institutions	19	19	19	19
Number of Adult Correctional Centers	16	16	16	16
Number of Juvenile Facilities	4	4	4	4
Health and Family Services				
Number of Care and Treatment Centers	7	7	7	7
Military Affairs				
National Guard Armories (b)	76	76	(a)	(a)
Flight Centers	3	3	3	3
Veterans Affairs				
Number of Veterans Homes	2	2	2	2
General Executive				
Administration				
Number of DOA Owned Buidings	24	24	24	24
Number of General Fleet Vehicles (All Agencies)	6,285	6,261	6,350	7,228
Number of Aircraft	19	19	21	27
Public Lands				
Acres of Land	76,200	77,845	77,755	79,490

(a) Information is currently not available.
(b) Current information is from the Department of Military Affairs, data prior to 2004 is from the Wisconsin Blue Book.

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies

2003	2002	2001	2000	1999	1998
41	46	46	54	55	55
197	197	197	193	193	193
17	17	17	17	17	16
8	8	8	7	7	7
2	2	2	2	2	2
26	26	26	26	26	26
16 and 47	16 and 47	16 and 47	16 and 47	16 and 47	16 and 46
11,753	11,753	11,752	11,830	11,830	11,830
48	48	48	48	48	47
77,911	78,928	77,431	72,666	(a)	(a)
13	13	12	12	12	10
502,827	501,017	495,626	494,997	495,468	491,980
30	27	25	24	25	13
847	825	784	768	(a)	(a)
14	14	14	14	14	14
17	16	15	14	13	13
16	16	16	16	17	17
4	5	5	5	5	5
7	7	6	6	6	6
68	68	68	68	68	69
3	3	3	3	3	3
2	2	1	1	1	1
24	25	26	25	24	26
7,246	7,688	7,348	7,140	6,207	6,207
30	37	34	31	32	31
79,500	79,162	79,162	79,162	79,162	79,367

Local Government Property Insurance Fund
Ten-Year Claims Development Information

Fiscal and Policy Year Ended June 30 (In Thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Premium and investment revenues:										
Earned	$ 11,241	$ 11,396	$ 11,801	$ 13,578	$ 14,518	$ 18,190	$ 26,920	$ 26,291	$ 27,018	$ 24,732
Ceded	1,875	1,023	1,055	2,258	2,815	4,602	5,710	4,506	3,782	4,139
Net Earned	9,366	10,373	10,746	11,320	11,706	13,588	21,210	21,785	23,236	20,593
2. Loss expenses	1,854	604	536	621	652	629	514	305	208	221
3. Estimated incurred claims and allocated expense, end of policy year										
Direct incurred	16,828	12,543	16,134	14,125	14,837	18,589	11,118	11,367	16,564	22,226
Ceded	8,515	4,127	7,881	1,075	979	4,183	0	1,744	912	5,966
Net Incurred	8,313	8,416	8,253	13,050	13,858	14,406	11,118	9,623	15,652	16,260
4. Paid (cumulative) as of:										
End of policy year	4,561	4,206	4,866	5,060	7,278	9,040	7,138	6,071	8,790	7,855
One year later	7,979	7,452	7,344	12,333	13,669	12,431	10,841	9,313	16,498	
Two years later	8,173	7,714	8,088	13,459	14,814	13,002	11,105	9,983		
Three years later	8,620	7,714	7,741	13,492	14,923	13,004	11,105			
Four years later	8,620	7,714	7,760	13,437	14,981	13,004				
Five years later	8,620	7,714	7,760	13,437	14,981					
Six years later	8,620	7,714	7,760	13,437						
Seven years later	8,620	7,714	7,760							
Eight years later	8,620	7,714								
Nine years later	8,620									

The table above illustrates how the Local Government Property Insurance Fund's earned revenues (net of insurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

(1) These lines show the total of each fiscal year's earned contribution revenues and investment revenues, amount of reinsurance premium ceded and net earned revenues.
(2) This line shows each fiscal year's other operating cost of the fund including overhead and claims expense not allocable to individual claims.
(3) This section shows the fund's incurred claims and allocated claims adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
(4) This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year.

SOURCE: Wisconsin Office of Commissioner of Insurance

(Continued)

Local Government Property Insurance Fund
Ten-Year Claims Development Information

Fiscal and Policy Year Ended June 30 (Continued)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
5. Reestimated ceded losses and expenses	$ 8,339	$ 3,544	$ 5,922	$ 2,939	$ 352	$ 3,647	$ 0	$ 1,806	$ 1,060	$ 5,966
6. Reestimated incurred claims and expense:										
End of policy year	8,313	8,416	8,253	13,050	13,858	14,406	11,118	9,623	15,652	16,260
One year later	8,180	7,785	7,692	12,773	14,014	12,722	11,024	10,087	16,629	
Two years later	8,620	7,714	8,135	13,459	14,898	13,007	11,977	10,978		
Three years later	8,620	7,714	7,741	13,492	14,995	13,004	11,105			
Four years later	8,620	7,714	7,760	13,437	15,181	13,004				
Five years later	8,620	7,714	7,760	13,437	14,981					
Six years later	8,620	7,714	7,760	13,437						
Seven years later	8,620	7,714	7,760							
Eight years later	8,620	7,714								
Nine years later	8,620									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	307	(702)	(493)	387	1,123	(1,402)	(13)	1,355	977	n/a

(5) This line represents the reestimated losses assumed by reinsurers as of the end of the current fiscal year for each of the policy years presented.

(6) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

(7) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.
The columns of the table show data for successive policy years.

Income Continuation Insurance Risk Pool
Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31 (In Millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Net earned required contributions and investment revenues	$ 17.0	$ 17.0	$ 19.5	$ 8.2	$ 7.9	$ 3.7	$ 25.5	$ 20.5	$ 17.9	$ 24.4
2. Unallocated expenses	1.1	1.2	1.5	0.8	1.9	1.7	1.9	2.1	2.1	2.4
3. Estimated incurred claims as of the end of the policy year	19.1	19.3	17.3	21.4	28.9	17.1	23.4	29.2	31.6	29.1
4. Paid (cumulative) as of:										
End of policy year	2.5	2.5	2.4	3.2	5.5	3.5	4.5	4.5	5.1	4.4
One year later	5.4	4.5	4.6	6.4	10.0	7.7	8.8	9.7	12.9	
Two years later	5.7	4.8	5.3	8.0	12.1	9.0	10.5	11.9		
Three years later	6.1	5.2	6.0	9.0	13.0	9.9	11.7			
Four years later	6.5	5.5	6.6	9.6	13.6	10.6				
Five years later	6.8	5.8	7.0	10.0	14.1					
Six years later	7.1	6.1	7.3	10.4						
Seven years later	7.3	6.3	7.6							
Eight years later	7.5	6.5								
Nine years later	7.7									
5. Reestimated incurred claims:										
End of policy year	19.1	19.3	17.3	21.4	28.9	17.1	23.4	29.2	31.6	29.1
One year later	12.1	9.8	9.8	18.0	20.4	15.8	17.0	20.5	25.1	
Two years later	9.3	8.2	10.2	16.3	18.9	14.4	16.6	21.1		
Three years later	8.7	7.4	11.5	14.3	16.7	14.3	17.1			
Four years later	8.3	12.4	10.1	13.1	16.6	14.1				
Five years later	8.7	7.4	9.4	12.7	16.5					
Six years later	8.8	7.5	9.4	12.4						
Seven years later	8.6	7.4	9.5							
Eight years later	8.6	7.7								
Nine years later	8.7									
6. Increase (decrease) in estimated incurred claims from end of policy year	(10.4)	(11.6)	(7.8)	(9.0)	(12.4)	(3.0)	(6.3)	(8.1)	(6.5)	0.0

The table above illustrates how the Income Continuation Insurance Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

(1) This line shows the total of each calendar year's earned contribution and investment revenues.
(2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
(3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
(4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
(5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
(6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

SOURCE: Wisconsin Department of Employee Trust Funds

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

Calendar and Policy Year Ended December 31 (In Millions)

		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1	Net earned required contributions and investment revenues	$ 38.9	$ 37.7	$ 36.1	$ (3.0)	$ (6.9)	$ (22.9)	$ 52.5	$ 33.4	$ 24.1	$ 47.3
2	Unallocated expenses	0.2	0.4	0.6	0.3	1.0	0.8	0.7	1.1	1.0	1.1
3	Estimated incurred claims as of the end of the policy year	4.5	7.7	9.1	9.4	10.0	11.7	15.9	19.4	30.6	34.6
4	Paid (cumulative) as of:										
	End of policy year	0.1	0.1	0.1	0.2	0.5	0.0	0.3	0.1	0.7	1.1
	One year later	0.4	0.8	0.6	0.8	1.0	1.1	1.6	1.9	2.8	
	Two years later	0.9	1.6	1.3	1.5	2.0	2.5	3.9	3.9		
	Three years later	1.4	2.1	2.3	2.6	3.0	3.9	6.0			
	Four years later	1.8	2.9	3.2	3.4	3.9	5.1				
	Five years later	2.3	3.6	4.1	4.2	4.7					
	Six years later	2.7	4.2	4.8	4.9						
	Seven years later	3.1	4.8	5.4							
	Eight years later	3.3	5.4								
	Nine years later	3.6									
5	Reestimated incurred claims:										
	End of policy year	4.5	7.7	9.1	9.4	10.0	11.7	15.9	19.4	30.6	34.6
	One year later	2.5	5.1	6.1	4.9	8.7	8.4	12.0	14.1	22.2	
	Two years later	3.6	6.8	8.2	7.2	8.3	12.7	18.3	14.9		
	Three years later	3.7	6.0	7.8	8.5	10.2	12.9	19.2			
	Four years later	4.2	8.0	9.9	9.3	10.0	13.7				
	Five years later	4.2	7.5	10.6	8.5	10.1					
	Six years later	4.9	8.1	9.6	9.0						
	Seven years later	5.1	9.0	9.9							
	Eight years later	4.8	9.3								
	Nine years later	4.8									
6	Increase (decrease) in estimated incurred claims from end of policy year	0.3	1.6	0.8	(0.4)	0.1	2.0	3.3	(4.5)	(8.4)	0.0

The table above illustrates how the Long-term Disability Insurance Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

(1) This line shows the total of each calendar year's earned contribution and investment revenues.
(2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
(3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
(4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
(5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
(6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

SOURCE: Wisconsin Department of Employee Trust Funds

Health Insurance Risk Pool (Standard Plan)
Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31 (In Millions)

		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 (a)
1	Net earned required contributions and investment revenues	$ 54.4	$ 54.8	$ 59.4	$ 64.5	$ 77.6	$ 83.8	$ 85.1	$ 90.4	$ 90.9	$ 84.0
2	Unallocated expenses	2.7	2.9	3.6	3.7	4.8	3.9	5.7	6.8	7.7	5.0
3	Estimated incurred claims as of the end of the policy year	55.5	58.5	64.8	69.9	73.7	70.5	73.2	74.6	73.6	72.0
4	Paid (cumulative) as of:										
	End of policy year	45.8	42.4	51.6	55.9	61.1	62.5	65.1	65.2	65.8	62.1
	One year later	53.8	55.0	62.6	64.4	68.2	69.3	73.4	72.2	73.6	
	Two years later	54.0	55.4	62.7	64.6	68.3	69.4	73.7	72.3		
	Three years later	54.0	55.4	62.7	64.6	68.3	69.4	73.7			
	Four years later	54.0	55.4	62.7	64.6	68.3	69.4				
	Five years later	54.0	55.4	62.7	64.6	68.3					
	Six years later	54.0	55.4	62.7	64.6						
	Seven years later	54.0	55.4	62.7							
	Eight years later	54.0	55.4								
	Nine years later	54.0									
5	Reestimated incurred claims:										
	End of policy year	55.5	58.5	64.8	69.9	73.7	70.5	73.2	74.6	73.6	72.0
	One year later	54.1	55.3	62.8	64.7	68.3	69.5	73.5	72.2	73.7	
	Two years later	54.0	55.4	62.7	64.6	68.3	69.4	73.7	72.3		
	Three years later	54.0	55.4	62.7	64.6	68.3	69.4	73.7			
	Four years later	54.0	55.4	62.7	64.6	68.3	69.4				
	Five years later	54.0	55.4	62.7	64.6	68.3					
	Six years later	54.0	55.4	62.7	64.6						
	Seven years later	54.0	55.4	62.7							
	Eight years later	54.0	55.4								
	Nine years later	54.0									
6	Increase (decrease) in estimated incurred claims from end of policy year	(1.5)	(3.1)	(2.1)	(5.3)	(5.4)	(1.1)	0.5	(2.3)	0.1	0.0

The table above illustrates how the Health Insurance Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

(1) This line shows the total of each calendar year's earned contribution and investment revenues.
(2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
(3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
(4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
(5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
(6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

(a) Starting in 2006, in accordance with GASB 43, retiree health is reported separately in an agency fund and is not included with the active health information in this table.

SOURCE: Wisconsin Department of Employee Trust Funds

Health Insurance Risk Pool (Pharmacy Benefit)
Three-Year Claims Development Information

Calendar and Policy Year Ended December 31 (In Millions)

	2004	2005	2006 (a)
1. Net earned required contributions and investment revenues	$ 205.7	$ 191.6	$ 167.0
2. Unallocated expenses	7.6	9.5	7.4
3. Estimated incurred claims as of the end of the policy year	158.1	160.6	144.9
4. Paid (cumulative) as of:			
End of policy year	162.4	168.8	153.6
One year later	159.8	159.6	
Two years later	159.8		
5. Reestimated incurred claims:			
End of policy year	158.1	160.6	144.9
One year later	159.8	159.6	
Two years later	159.8		
6. Increase (decrease) in estimated incurred claims from end of policy year	1.7	(1.0)	0.0

The table above illustrates how the BadgerRX for Individuals Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of the calendar year. The pharmacy benefit plan began operation in 2004. The rows of the table are defined as follows:

(1) This line shows the total of each calendar year's earned contribution and investment revenues.
(2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
(3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
(4) This section shows the cumulative amounts paid as of the end of successive years for each policy year. Paid claims include payments expected to be reimbursed as rebate payments from participating pharmaceutical companies.
(5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Incurred claims are presented net of anticipated rebates.
(6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy.

(a) Starting in 2006, in accordance with GASB 43, retiree health is reported separately in an agency fund and is not included with the active health information in this table.

SOURCE: Wisconsin Department of Employee Trust Funds

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