
State of Wisconsin
Notice of **Material Information** #2010-14
Dated October 19, 2010

The State of Wisconsin is voluntarily making this filing, which provides information that may be material to financial evaluation of one or more obligations of the State of Wisconsin. Neither the preparation nor submission of this document constitutes a Material Event pursuant to the State's Master Agreement on Continuing Disclosure (Amended and Restated July 1, 2009).

Issuer: State of Wisconsin

CUSIP Numbers: 977055 Prefix (All) 977056 Prefix (All)
97705L Prefix (All) 977087 Prefix (All)
977092 Prefix (All) 977100 Prefix (All)
977109 Prefix (All) 977123 Prefix (All)

This filing relates to all securities issued by the State of Wisconsin that contain this six-digit base CUSIP number.

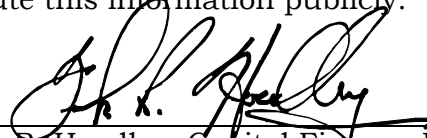
Type of Information: Annual Financial Information and
Operating Data Pursuant to Rule 15c2-12

Attached is the Attached is the **Annual Fiscal Report (Budgetary Basis) State of Wisconsin 2010**. The attached presents statements of fund condition and operations (budgetary basis) of the State of Wisconsin for the fiscal year ended June 30, 2010. The attached is NOT intended to represent financial statements prepared in accordance with generally accepted accounting principles (GAAP).

The State of Wisconsin has filed this notice with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. This filing is also available on the State of Wisconsin Capital Finance Office web site at:

www.doa.state.wi.us/capitalfinance

The undersigned represents that he is the Capital Finance Director, State of Wisconsin Capital Finance Office, which is the office of the State of Wisconsin responsible for providing annual reports and giving notice of material events when notice is required by the State's Master Agreement on Continuing Disclosure (Amended and Restated July 1, 2009), and is authorized to distribute this information publicly.

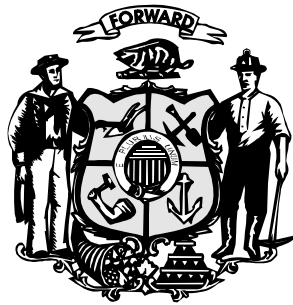


Frank R. Hoadley, Capital Finance Director
State of Wisconsin Capital Finance Office
Wisconsin Department of Administration
101 East Wilson Street, FLR 10
Madison, WI 53703
Phone: (608) 266-2305
Fax: (608) 266-7645
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Website: www.doa.state.wi.us/capitalfinance

FY10

ANNUAL FISCAL REPORT

Budgetary Basis



State of Wisconsin
2010

[This page intentionally left blank.]

State of Wisconsin
2010 Annual Fiscal Report

(Budgetary Basis)

Table of Contents

Table of Contents	1
Transmittal Letter	3

Economic Section

The Year in Summary	
Revenue Highlights	6
Expenditure Highlights	8
Comparative Condition of the General Fund	13

Statements of Fund Condition and Operations

A.1	Statement of Recorded Revenues, Expenditures and Fund Balance	
	Budget vs. Actual - General Purpose Revenues	17
A.2	Statement of Recorded Revenues, Expenditures and Changes in	
	Fund Balances - All Funds	19
A.3	Summary of Recorded Revenues and Expenditures - All Other Funds	20
A.4	Comparative General Fund Statement of Assets, Liabilities and Fund Balance	22
A.5	Budget vs. Actual Expenditures - All Funds	23
	Notes to Fund Statements	24

Supplemental Data

B.1	Analysis of Revenues - All Funds	30
B.2	General Fund Sum-Sufficient Appropriations	32

[This page intentionally left blank.]



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

JIM DOYLE
GOVERNOR

DANIEL J. SCHOOFF
SECRETARY

Division of Executive Budget and Finance
State Controller's Office
Post Office Box 7932
Madison, WI 53707-7932
Voice (608) 266-1694
Fax (608) 266-7734
www.doa.state.wi.us/debf/

October 15, 2010

The Honorable Jim Doyle
The Honorable Members of the Legislature

This report presents statements of fund condition and operations (budgetary basis) of the State of Wisconsin for the fiscal year ended June 30, 2010. This satisfies the requirements of sec. 16.40(3), Wisconsin Statutes. Displayed are major sources of revenues and major categories of expenditures for the General Fund and other funds compared to the prior year.

The General Fund has an undesignated balance of \$71.0 million as of the end of the fiscal year. This is \$264.8 million lower than the balance of \$335.8 million projected in the estimate for 2009 Wisconsin Act 28 and other related budget legislation. The lower ending balance is due primarily to previously reported spending above amounts estimated in Act 28 for the Medicaid program. The increased Medicaid spending is a result of higher caseloads due to the economic recession.

General-purpose revenue taxes were \$12.132 billion compared to \$12.113 billion in the prior year, an increase of \$19 million or 0.1 percent. This follows the \$930 million (7.1%) reduction in general purpose revenue taxes collected in fiscal year 2008-09 compared with the prior year. Collections in fiscal year 2009-10 continued to reflect the impact of the worst economic conditions in decades, with individual income and sales tax collections 2.1% and 3.4% less, respectively, than the prior year. On a positive note, actual revenue collections in fiscal year 2009-10 were equal to the forecast made in January 2010 and included in the July 2010 estimated general fund condition due to stronger corporate income tax collections.

General-purpose revenue expenditures were \$12.824 billion compared to \$12.744 billion in the prior year, an increase of \$80 million or 0.6 percent. This very small spending increase was due in part to over \$500 million in spending cuts to GPR appropriations, as well as the use in fiscal year 2009-10 of similar amounts of federal fiscal relief under the American Recovery and Reinvestment Act of 2009 as were used in fiscal year 2008-09. This small spending increase follows a 5.8% decrease in fiscal year 2008-09 spending compared with the prior year.

In fiscal year 2010, the State of Wisconsin continued to devote the major share of state tax collections to assistance to local school districts, municipalities and counties. Local assistance accounted for 56.5 percent of total general purpose revenue spending. Aid payments to individuals and organizations represented 18.7 percent of total general purpose revenue expenditures. The University of Wisconsin accounted for 7.9 percent of total general purpose revenue spending and state operations spending for all other state agencies accounted for 16.9 percent of the total.

The State of Wisconsin expects to publish its comprehensive annual financial report in December of 2010. The report will be prepared under generally accepted accounting principles.

Respectfully submitted,

Daniel J. Schooff
Secretary of Administration

Stephen J. Censky, CPA
State Controller

[This page intentionally left blank.]

Economic Section

The Year In Summary

Revenue Highlights

General purpose revenue (GPR) taxes for the fiscal year (FY) ending June 30, 2010 totaled \$12,131.7 million, an increase of 0.2 percent from FY 2009 collections of \$12,113.2 million.

Total collections for FY 2010 were \$58,000 above, or virtually equal to, the estimate of \$12,131.6 million.

Table 1

General Purpose Revenue (GPR) Taxes By Source GPR Tax Collections (\$ Millions)

Tax Source	FY 10	% of Total	FY 09	% of Total	Change FY10-FY09	% Change
Individual Income	\$6,089.2	50.2%	\$6,222.7	51.4%	\$-133.5	-2.1%
General Sales & Use	3,944.2	32.5%	4,084.0	33.7%	-139.8	-3.4%
Corporation Franchise & Income	834.5	6.9%	629.5	5.2%	205.0	32.6%
Excise	757.9	6.2%	647.6	5.4%	110.3	17.0%
Inheritance, Estate & Gift	0.9	0.0%	20.9	0.2%	-20.0	-95.7%
Public Utility	319.4	2.6%	320.1	2.6%	-0.7	-0.2%
Insurance Companies	130.7	1.1%	136.3	1.1%	-5.6	-4.1%
Miscellaneous	54.9	0.5%	52.1	0.4%	2.8	5.4%
TOTAL GPR	\$12,131.7	100.0%	\$12,113.2	100.0%	\$18.5	0.2%

Individual Income Tax

Individual income tax collections decreased \$133.5 million (2.1 percent) from \$6,222.7 million in FY 2009 to \$6,089.2 million in FY 2010. This was \$65.8 million (1.1 percent) below the \$6,155.0 million estimate. The individual income tax share of total GPR taxes decreased from 51.4 percent in FY 2009 to 50.2 percent in FY 2010.

The largest component of individual income tax collections is withholding from wages and salaries, which decreased 2.2 percent from \$6,495.2 million to \$6,349.1 million. Estimated payments decreased 5.9 percent from \$941.9 million to \$886.6 million, while refunds decreased 0.06 percent from \$1,868.6 million to \$1,867.4 million.

Individual income taxes were impacted by the provisions of 2009 Act 28. Changes effective for tax year 2009 included an additional 1% income tax bracket for income over \$225,000 a year for single filers and over \$300,000 for married-joint filers. Ninety-nine percent of all tax filers were unaffected by this provision. In addition the capital gains exclusion was decreased from 60% of gains to 30%. With this change, Wisconsin continues to have one of the most generous capital gain exclusions in the country.

General Sales and Use Tax

Collections from the 5 percent general sales and use tax decreased 3.4 percent from \$4,084.0 million to \$3,944.2 million. This was \$70.8 million (1.8 percent) below the \$4,015.0 million estimate. Sales tax collections as a percentage of total GPR taxes decreased from 33.7 percent to 32.5 percent.

Corporation Franchise and Income Tax

Corporate collections increased 32.6 percent from \$629.5 million in FY 2009 to \$834.5 million in FY 2010. Corporate collections as a percentage of total GPR taxes increased from 5.2 percent to 6.9 percent. Corporate collections were \$135.0 million (19.3 percent) above the estimate of \$699.5 million.

The major source of corporate collections, estimated payments, increased by 23.7 percent from \$603.9 million in FY 2009 to \$747.0 million in FY 2010.

While the increase in corporate tax collections was primarily due to increasing corporate profits, corporate tax collections were also affected by the enactment of combined reporting requirements and other measures to ensure equitable tax treatment for Wisconsin-based and other businesses operating in Wisconsin, effective tax year 2009.

Excise Tax

Cigarette tax collections increased 16.8 percent from \$551.4 million in FY 2009 to \$644.2 million in FY 2010. Collections in FY 2010 were below the estimate by \$5.7 million (0.9 percent). This growth primarily reflects the increase in the cigarette tax (from \$1.77 to \$2.52) in support of public health goals and health care costs, effective September 1, 2009.

Tobacco products tax collections increased 41.9 percent from \$42.2 million in FY 2009 to \$59.9 million in FY 2010. Collections were \$2.1 million more than expected. Similar to the cigarette tax, a tax increase on all tobacco products went into effect on September 1, 2009. The rate on moist snuff went from \$1.31 per ounce to 100% of the manufacturer's list price. The rate on cigars increased from the lesser of \$0.50 per cigar or 50% of the manufacturer's list prices to the lesser of \$0.50 per cigar or 71% of the manufacturer's list price.

Liquor and wine tax collections increased 0.2 percent over the previous fiscal year, from \$44.1 million in FY 2009 to \$44.2 million in FY 2010. Collections were \$0.7 million (1.6 percent) above the estimate in FY 2010.

Beer tax collections decreased 3.1 percent from \$9.9 million in FY 2009 to \$9.6 million in FY 2010. Collections in FY 2010 were \$9,000 (0.09 percent) above the estimate in FY 2010.

Other Taxes

Public utility tax collections decreased \$0.7 million (0.2 percent) from \$320.1 million in FY 2009 to \$319.4 million in FY 2010. Collections were \$2.8 million below the FY 2010 forecast.

Estate tax collections decreased 95.7 percent during FY 2010. This reflects a decrease from \$20.9 million in FY 2009 to \$0.9 million in FY 2010. Estate tax collections were \$0.9 million above the estimate for FY 2010. This reduction is due to statutory provisions that effectively eliminated the estate tax for deaths that occurred on or after January 1, 2008. Revenues that were received during FY 2010 reflect delinquent, audit, and refund activity.

Insurance company taxes (generally based on premiums) decreased 4.1 percent from \$136.3 million in FY 2009 to \$130.7 million in FY 2010. Collections were above the FY 2010 forecast by \$3.7 million (2.9 percent).

Miscellaneous taxes increased from \$52.1 million in FY 2009 to \$54.9 million in FY 2010. This is \$2.9 million above the forecast for the fiscal year. The largest component of miscellaneous tax, the real estate transfer fee, increased 7.5 percent, from \$41.2 million in FY 2009 to \$44.3 million in FY 2010.

Expenditure Highlights

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

Even deeper cuts in FY 2010 were avoided only because Wisconsin was able to use the additional federal funding for states in the American Recovery and Reinvestment Act of 2009 (ARRA) to help offset reduced state revenues due to the recession and, as a result, protect high priority programs, including Medical Assistance, School Aids, Shared Revenue and Youth Aids. With the exception of

Medical Assistance, Wisconsin's share of state fiscal relief funds under ARRA were completely allocated in FY 2010.

Total GPR spending increased 0.6 percent or \$79.7 million in FY 2010, as shown in Table 2. This compares to 5.8 percent decrease in FY 2009. The largest portion of GPR expenditures in FY 2010 was directed to school districts and local units of government, consistent with past years. These local assistance expenditures were \$7,244.4 million or 56.5 percent of total GPR spending in FY 2010 compared to \$7,223.9 million or 56.7 percent of total spending in FY 2009. Aid payments to individuals and organizations were \$2,403.0 million, which was 18.7 percent of total GPR spending in FY 2010 compared to 17.3 percent in FY 2009. State operations costs of \$3,176.6 million accounted for 24.8 percent of total GPR spending, compared to 26.0 percent in FY 2009. Local Assistance payments increased by 0.3 percent. Aids to Individuals payments increased by 9.2 percent. State operations spending decreased 4.3 percent in FY 2010 down from a 4.4 percent increase in FY 2009.

The GPR budget is shaped by its ten largest programs, as detailed in Table 3. These programs comprised 84.2 percent of total GPR expenditures in FY 2010, up from 82.9 percent in FY 2009. Immediately following this section is a brief explanation of each program.

Table 2

GPR BUDGET BY PURPOSE *GPR Expenditures* (\$ Millions)

	<u>FY10</u>	% of <u>Total</u>	<u>FY09</u>	% of <u>Total</u>	\$ Change <u>FY10-FY09</u>	% <u>Change</u>
Local Assistance	\$7,244.4	56.5%	\$7,223.9	56.7%	\$20.5	0.3%
Aids to Individuals	2,403.0	18.7%	2,200.8	17.3%	202.2	9.2%
State Operations:						
UW System	1,009.4	7.9%	1,118.6	8.8%	-109.2	-9.8%
All Other Agencies	<u>2,167.2</u>	<u>16.9%</u>	<u>2,201.0</u>	<u>17.2%</u>	<u>-33.8</u>	<u>-1.5%</u>
Total	\$12,824.0	<u>100.0%</u>	\$12,744.3	<u>100.0%</u>	<u>\$79.7</u>	<u>0.6%</u>
TOTAL GPR	<u>\$12,824.0</u>		<u>\$12,744.3</u>			

Table 3

TOP TEN PROGRAMS
GPR Expenditures
(\$ Millions)

	<u>FY10</u>	<u>% of Total</u>	<u>FY09</u>	<u>% of Total</u>	<u>\$ Change FY10-FY09</u>	<u>% Change</u>
1. School Aids	\$5,092.7	39.7%	\$4,916.4	38.6%	\$176.3	3.6%
2. Medical Assistance	1,278.3	10.0%	1,103.8	8.7%	174.5	15.8%
3. Correctional Services	1,080.4	8.4%	1,125.4	8.8%	-45.0	-4.0%
4. UW System	1,027.4	8.0%	1,136.1	8.9%	-108.7	-9.6%
5. State Property Tax Credits	820.1	6.4%	672.4	5.3%	147.7	22.0%
6. Shared Revenue	812.0	6.3%	946.2	7.4%	-134.2	-14.2%
7. Individual Tax Relief	299.3	2.3%	261.0	2.0%	38.3	14.7%
8. State Supplement to SSI	139.9	1.1%	137.3	1.1%	2.6	1.9%
9. WI Technical College System	136.1	1.1%	134.3	1.1%	1.8	1.3%
10. Community Aids	111.1	0.9%	168.3	1.3%	-57.2	-34.0%
All Others	<u>2,026.7</u>	<u>15.8%</u>	<u>2,143.1</u>	<u>16.8%</u>	<u>-116.4</u>	<u>-5.4%</u>
Subtotal	\$12,824.0	<u>100.0%</u>	\$12,744.3	<u>100.0%</u>	<u>\$79.7</u>	<u>0.6%</u>
TOTAL	<u>\$12,824.0</u>		<u>\$12,744.3</u>			

School Aids: State GPR assistance to Wisconsin's 425 school districts increased by 3.6 percent or \$176.3 million in FY 2010. However, the allocation of state fiscal stabilization funds awarded under ARRA to help offset GPR school aid reductions decreased from \$552.3 million in FY 2009 to \$236.7 million in FY 2010, resulting in an overall decline in direct aid to school districts of 2.5 percent in FY 2010. In FY 2010, state assistance, combined with \$236.7 million in state fiscal stabilization funds and state property tax credits, enabled the state to reimburse approximately 64 percent of school costs.

Since the 1993-94 school year, school districts have been subject to statewide revenue limits. These limits control the allowable increase in each school district's revenues by limiting the total revenue a district can collect from the combined sources of property tax levies for nondebt purposes and state general aids. These controls, combined with the large increase in state school aids and property tax credits, succeeded in reducing the statewide net school property tax levy by 23.9 percent in FY 1997. Since FY 1998, the net school levy has increased by an average of 4.5 percent annually.

To help further control property taxes during FY 2010 in response to the recession, the allowable dollar increase in per student revenues was reduced by over 25 percent from \$275 to \$200. Federal Title I and Individuals with Disabilities Education Act (IDEA) funding under ARRA helped offset this reduction in state and local support.

There are two major types of direct school aid. Approximately 88 percent of school aids are general aids, distributed by a formula designed to equalize each school district's property tax base per student, and aids to support the Milwaukee Public Schools voluntary desegregation program. The remaining 12 percent are categorical aids, distributed based on local expenditures for specific activities or educational programs. The major categorical aid programs are programs for addressing special education needs and maintaining small class sizes.

Medical Assistance: Wisconsin's state and federally funded Medical Assistance (MA) program pays for medical services to certain categories of low-income persons. Included are people with disabilities, seniors, children, low-income adults and pregnant women, and other low-income

individuals who have high medical expenses. Eligibility for adults with no dependent children was added to the MA program under the BadgerCare Plus Core Plan in 2009 Wisconsin Act 28.

In FY 2010, total MA expenditures, including BadgerCare Plus and the Core Plan, were \$5,973 million, of which \$1,278 million was GPR, \$655 million was SEG and the balance was funded with federal and program revenues. On an all funds basis, total Medical Assistance and BadgerCare Plus spending increased by 12 percent over FY 2009. This increase is primarily due to continued growth in the number of enrollees resulting from an unprecedented increase in unemployment and loss of employer-sponsored health care benefits experienced during the year. Overall Medical Assistance enrollment increased by 15 percent over the prior year. In addition to this increase in demand for the program, in FY 2010 and 2011, the Medical Assistance and BadgerCare Plus budget was reduced by over \$600 million all funds for savings initiatives to be identified by the Department of Health Services. Working with providers, enrollees and other interested parties, the department made significant changes to how the program purchases health care, reducing per person costs for the program by 9 percent between FY 2008 and FY 2011.

In FY 2010, while overall federal and state funding for MA increased by \$725 million, total state funding for the MA program decreased by two percent as a result of an increase in federal reimbursement under the American Recovery and Reinvestment Act. GPR funding for the program increased by \$174.5 million and SEG funding decreased by \$220 million due to one-time SEG revenues in FY 2009 that did not continue in FY 2010.

Segregated revenues, which are in the Medical Assistance and Hospital Trust Funds, are associated with additional reimbursement for services provided to recipients by long-term care facilities, residential care centers and local governments and revenues from nursing home, hospital and ambulatory surgical center assessments.

The Medical Assistance totals do not include expenditures for SeniorCare, Wisconsin's pharmacy assistance program for the elderly. In FY 2010, SeniorCare expenditures totaled \$115 million, a decrease of \$20 million from FY 2009.

This decrease is due to continued growth in participation in the federal Medicare Part D program. Of the total expenditures, \$18 million was GPR, \$17 million was FED and \$80 million was PR. Program revenues for SeniorCare are derived from negotiated rebates with pharmaceutical manufacturers. The increase in PR of \$40 million between FY 2009 and FY 2010 is due to the timing of rebate collections between the two years.

Correctional Services: Total GPR expenditures for the state corrections program decreased \$45.0 million or 4.0 percent over the prior year, reaching \$1,080.4 million in FY 2010. Of this reduction, \$11.8 million was related to replacing GPR with ARRA funds. The number of incarcerated felons under the supervision of the state adult corrections program decreased 0.63 percent from an average daily population of 23,162 in FY 2009 to 23,015 in FY 2010.

University of Wisconsin System: Total GPR expenditures for the UW System decreased by \$108.7 million, or 9.6 percent in FY 2010. Tuition at UW institutions, despite annual increases, continues to be a relative bargain in higher education. Resident undergraduate tuition for students at the UW-Madison campus was \$1,493 below the "Big Ten" peer group median, and is the second lowest tuition among those schools. UW-Milwaukee was \$626 below its peer group median and all other campuses were approximately \$1,762 below their peer group medians in the 2009-10 academic year.

In addition to low basic tuition, access to college for lower income families was further protected through steady support for the Wisconsin Higher Education Grants (WHEG) program for University of Wisconsin students. By combining general purpose revenue and program revenue from campus auxiliary reserve balances WHEG grants were protected from reductions in FY 2010. Since FY 2003 support for WHEG grants has increased by 178 percent.

State Property Tax Credits: The School Levy and First Dollar Tax Credits help to directly reduce property tax bills of residences and businesses. Funding for the School Levy Tax Credit in FY 2010 was \$747.4 million, \$75 million more than in the prior fiscal year. The credit offset 7.4 percent of 2009 gross property tax levies for all purposes statewide. The First Dollar Credit was created in

2007 Wisconsin Act 20 to provide additional property tax relief to owners of improved property. The credit, funded at \$72.7 million in FY 2010, helps to give greater tax relief to lower-value property by offsetting property taxes on the first \$3,900 of property value for eligible parcels.

Shared Revenue: State shared revenue provides unrestricted aid to municipal and county governments. In FY 2010, the shared revenue formula distributed a total of \$954.3 million, consisting of \$812.0 million GPR, \$76.1 million FED under ARRA and \$66.2 million SEG. Of this amount, county and municipal aids distributed were \$852.9 million. The Expenditure Restraint Program distributed another \$58.1 million to municipalities with tax rates over five mills that restrained their spending increases. Funding levels for both of these programs remained essentially unchanged, notwithstanding significant economic challenges. Statewide, shared revenue payments provided municipalities with about 14.7 percent and counties with about 3 percent of their general revenues.

Tax Relief to Individuals: Wisconsin paid out \$299.3 million GPR in tax relief to individuals through a variety of programs during FY 2010.

The GPR funded Homestead Credit and Farmland Preservation Credit and the Farmland Tax Relief Credit, which is funded by lottery proceeds, are "circuit-breaker" tax credits. Circuit-breakers assist households with paying property taxes in excess of their ability to pay. Claimants receive a credit against their state income tax liability or a refund check.

Wisconsin's Homestead Credit pioneered property tax relief through circuit-breakers. The program remains one of the nation's leaders in circuit-breaker relief. The Homestead Credit provided \$129.2 million of tax relief in FY 2010, compared with \$124.6 million in FY 2009. About 247,000 low-income homeowners and renters – around 34 percent of them elderly – benefit from the program each year.

The Farmland Preservation Credit provides a refundable credit to about 17,000 farmers who qualify through exclusive agricultural zoning or individual farmland preservation agreements. Wisconsin's Farmland Preservation Credit is one of only two similar state programs in the country. Farmland Preservation Credit expenditures totaled

\$14.7 million in FY 2010, about \$2.5 million more than the FY 2009 spending level.

The Earned Income Credit program reduces income taxes for 277,000 low-income working families with children. In FY 2010, this program paid a total of \$129.2 million in all funds to these households, an increase of \$31.3 million over FY 2009.

The Veterans and Surviving Spouses Property Tax Credit reduced income taxes for approximately 3,100 veterans and surviving spouses by providing a credit for taxes paid on a principal dwelling. Tax credit expenditures were \$9.6 million in FY 2010, an increase of \$7.6 million over FY 2009.

State Supplemental Income: Wisconsin provides a supplement to the federal supplemental security income (SSI) program offering cash assistance to low-income aged, blind and disabled individuals, and to disabled parents as support for their children. In FY 2010, a total of \$139.9 million was expended in SSI payments. The change from FY 2009 is the result of increased caseload.

Wisconsin Technical College System:

Total GPR expenditures for local assistance to Wisconsin Technical College System campuses increased \$1.8 million or 1.3 percent over the prior year, reaching \$136.1 million in FY 2010. Due to the critical role the technical colleges play in retraining unemployed workers, general aid to technical college districts was one the few programs that was not subject to across-the-board cuts. The system is composed of 16 technical college districts that offer approximately 300 programs awarding two-year associate degrees, one and two-year technical diplomas and short-term technical diplomas. In addition, the system provides customized training and technical assistance to businesses. Approximately 400,000 students enrolled in technical colleges in FY 2010.

Community Aids: Community Aids are state and federal funds distributed to counties to fund human services programs serving primarily low-income persons, children in need of protection, the elderly and the disabled. Beginning in FY 2009, Community Aids funds are administered and distributed by both the Department of Health Services (DHS) and the Department of Children and Families (DCF) with total GPR expenditures reaching \$111.1 million in FY 2010. The decrease in GPR expenditures from FY 2009 to FY 2010 is

principally the result of a change in the timing of payments between state fiscal years. This change did not result in a decrease in payments to counties over the course of the calendar year.

On a calendar year basis, community aids payments to counties decreased by \$2 million between 2009 and 2010 due to a 1 percent across-the-board reduction in 2009 Act 28 and shifts in county

payments to Medicaid through the Wisconsin Medicaid Cost Reporting (WIMCR) program. This decrease was partially offset by an increase in expenditures due to the expansion of Aging and Disability Resource Center services to new areas of the state as part of the expansion of the Family Care Program.

Comparative Condition of the General Fund
 FY10 Actual vs. Budget Bill
 (in Thousands)

	<u>FY10 Actual</u>	<u>Final Chapter 20</u>	<u>Variance</u>	
OPENING BALANCES				
Unreserved, Undesignated Opening Balance	\$ 89,564	\$ 89,564	\$ 0	1
Prior Year Designation of Continuing Balances	10,599	0	10,599	2
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	
Unreserved Opening Balance	<u>100,163</u>	<u>89,564</u>	<u>10,599</u>	
REVENUES				
Taxes	12,131,659	12,131,600	59	3
Departmental Revenues	<u>741,648</u>	<u>818,639</u>	<u>(76,991)</u>	4
Total Revenues	<u>12,873,307</u>	<u>12,950,239</u>	<u>(76,932)</u>	
Total Available Resources	<u>12,973,470</u>	<u>13,039,803</u>	<u>(66,333)</u>	
APPROPRIATIONS				
Gross Appropriations	13,212,395	12,940,446	(271,949)	5
Compensation Reserves	44,557	47,279	2,722	6
Transfers	-	-	0	7
Less: Lapses	<u>(354,462)</u>	<u>(283,742)</u>	<u>70,720</u>	8
Net Appropriations	<u>12,902,490</u>	<u>12,703,983</u>	<u>(198,507)</u>	
UNDESIGNATED UNRESERVED BALANCE	<u>\$ 70,980</u>	<u>\$ 335,820</u>	<u>\$ (264,840)</u>	

Notes:

1. UNDESIGNATED, UNRESERVED OPENING BALANCE. The fund condition for the fiscal year 2010, ending June 30 is based on the final Chapter 20 approved by the Joint Finance Committee at its June 23, 2010 meeting. The opening balance for fiscal year 2010 was based on actual revenues, appropriations and opening balance for the preceding year.
2. PRIOR YEAR DESIGNATION FOR CONTINUING BALANCE. A portion of the previous year's gross ending balance had been designated, or set aside, to cover left over continuing budget authority that could legally be carried forward and spent in the next year. This continuing authority is generated in biennial appropriations in the first year, or even numbered year, of the biennium and in continuing appropriations each year. The fund condition summary does not include an estimate for the amount of continuing authority carried forward, and therefore, the designated amount for continuing balances is always a variance with the budget estimate.
3. TAXES. Actual tax collections were slightly higher than the estimated tax collections contained in the final Chapter 20 revenue reestimates by the Legislative Fiscal Bureau.
4. DEPARTMENTAL REVENUES. Departmental revenues are revenues received by individual state agencies and deposited in the general fund. Departmental revenues include tribal gaming revenue. Tribal gaming revenues were higher than the estimates due for FY10. In addition, the estimate used in the fund condition summary assumed that the entire amount of DOA-determined lapses and transfers from state agencies would be allocated to departmental revenues. However, some of those reductions actually occurred as lapses from GPR appropriations.
5. GROSS APPROPRIATIONS. Final gross appropriations varied from estimated gross appropriations as follows:

Gross Appropriations Per the fund condition summary	\$12,940,446
Add: continuing appropriation authority brought forward	10,599
Add: increases to sum sufficient appropriations above Chapter 20	18,673
Add: fiscal year legislation other than budget bill legislation	0
Add: biennial adjustment from the FY2011 authority	<u>242,677</u>
FINAL GROSS APPROPRIATIONS	<u>\$13,212,395</u>
6. COMPENSATION RESERVES. Compensation reserves are budgetary set-asides for employee wage and benefit increases for the fiscal year.
7. TRANSFERS. No transfers were enumerated in the fund condition summary.
8. LAPSES. A lapse is the automatic termination of an appropriation. It represents the amount of unexpended, unencumbered balance of the appropriation at the end of the fiscal year. Actual lapses may differ from budgeted lapses due to the manner in which the legislature treats certain required appropriation reductions.

[This page intentionally left blank.]

Statements of Fund Condition and Operations

20-Year Comparison of Wisconsin's Ending General Fund Unreserved Balances

(In Millions of Dollars)

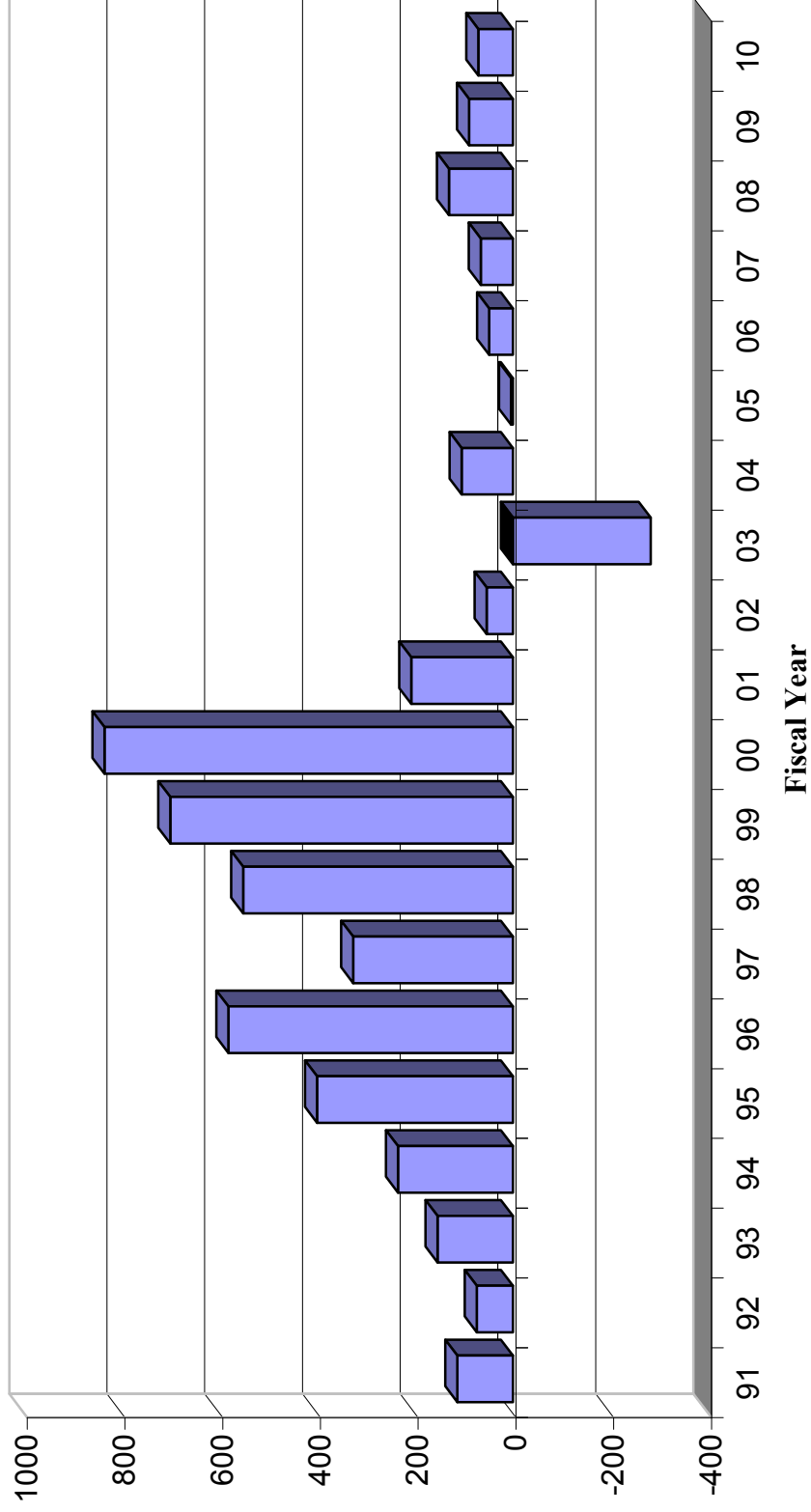


Exhibit A-1

State of Wisconsin
 Statement of Recorded Revenues, Expenditures and Fund Balance-Budget vs.
 Actual-General Purpose Revenues-Statutory Basis
 For the Fiscal Year Ended June 30, 2010
 (In Thousands)

	Budget			Actual	Variance
	Published Budget	Appropriation Adjustments	Final Budget		
Beginning Unreserved Undesignated Balance..... \$	89,564	\$	89,564	\$ 89,564	\$ 0
Beginning Unreserved Designated Balance.....		10,599	10,599	10,599	0
Total.....	<u>89,564</u>	<u>10,599</u>	<u>100,163</u>	<u>100,163</u>	<u>0</u>
REVENUES					
Taxes:					
Individual.....	6,155,000		6,155,000	6,089,170	(65,830)
Corporation.....	699,500		699,500	834,479	134,979
Sales & Use.....	4,015,000		4,015,000	3,944,187	(70,813)
Excise.....	760,900		760,900	757,947	(2,953)
Inheritance & Gift.....	0		0	871	871
Public Utility.....	322,200		322,200	319,377	(2,823)
Insurance.....	127,000		127,000	130,718	3,718
Miscellaneous.....	52,000		52,000	54,910	2,910
Total Taxes.....	<u>12,131,600</u>		<u>12,131,600</u>	<u>12,131,659</u>	<u>59</u>
Departmental Revenue:					
Indian Gaming Revenue.....	19,227		19,227	25,095	5,868
Other.....	799,412		799,412	297,766	(501,646)
Total Department Revenues.....	<u>818,639</u>		<u>818,639</u>	<u>322,861</u> (2)	<u>(495,778)</u>
Total Revenues.....	<u>12,950,239</u>		<u>12,950,239</u>	<u>12,454,520</u>	<u>(495,719)</u>
TOTAL AVAILABLE.....	<u>13,039,803</u>	<u>10,599</u>	<u>13,050,402</u>	<u>12,554,683</u>	<u>(495,719)</u>
EXPENDITURES					
					<u>LAPSE</u>
Commerce.....	51,732	(9,691)	42,041	39,133	2,908
Education.....	6,547,575	115	6,547,690	6,424,665	123,025
Environmental Resources.....	108,235	71	108,306	92,372	15,934
Human Relations & Resources.....	3,301,191	228,842	3,530,033	3,498,356	31,677
General Executive.....	555,720	8,286	564,006	406,330	157,676
Judicial.....	120,532	231	120,763	116,054	4,709
Legislative.....	71,906	(2,490)	69,416	64,075	5,341
General (Incl. Shared Revenue).....	2,183,555	12,646	2,196,201	2,183,009	13,192
Compensation Reserves.....	47,279	(44,557)	2,722	0	2,722
Less: Estimated Lapse.....	<u>(283,742)</u>	<u>0</u>	<u>(283,742)</u>	<u>0</u>	<u>(283,742)</u>
TOTAL EXPENDITURES.....	<u>12,703,983</u>	<u>193,453</u>	<u>12,897,436</u>	<u>12,823,994</u>	<u>73,442</u>
Transfers in - General Fund.....	0	0	0	418,787 (2)	418,787
UNRESERVED BALANCE	335,820	(182,854)	152,966	149,476	(3,490)
Designation for continuing balances.....	0	(78,496)	(78,496)	(78,496)	0
UNRESERVED Undesignated Balance..... \$	<u>335,820</u> \$	<u>(261,350)</u> \$	<u>74,470</u> \$	<u>70,980</u> \$	<u>(3,490)</u>

(1)

The accompanying notes are an integral part of this statement.

(1) See Note E

(2) See Note F

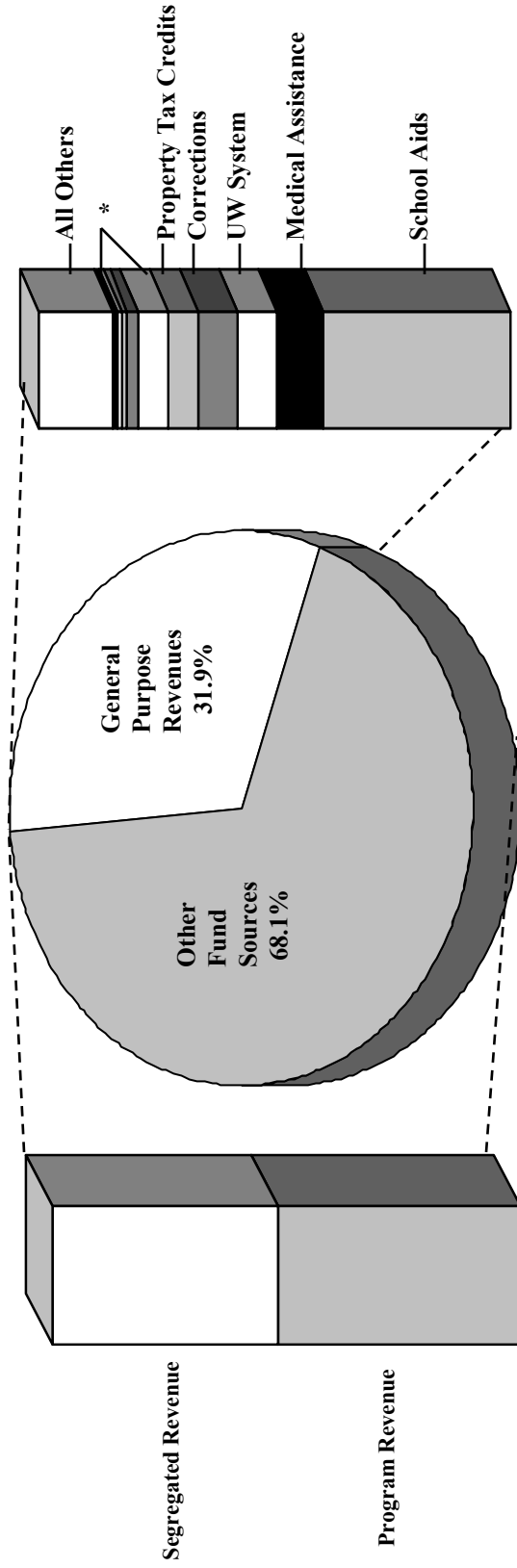
Total Expenditures by Fund Source, State of Wisconsin

For the Fiscal Year Ended June 30, 2010

Other Expenditures
\$27.3 Billion

Total Expenditures
\$40.1 Billion

General Purpose Revenue Expenditures
\$12.8 Billion



* Community Aids
Higher Ed Financial Aid
State Supplement to SSI
Tax Relief to Individuals
Shared Revenue

Exhibit A-2

State of Wisconsin
 Statement of Recorded Revenues, Expenditures, and Changes in Fund Balance
 All Funds - Statutory Basis
 For the Fiscal Year Ended June 30, 2010
 (In Thousands)

	General Fund			Major Special Revenue Funds			As of June 30, 2010
	General Purpose	Program Revenue	Subtotal	Transportation	Conservation	Other	
REVENUES							
Taxes.....	\$ 12,131,659	\$ 25,181	\$ 12,156,840	\$ 1,008,681	\$ 91,903	\$ 81,569	13,338,993
Intergovernmental Revenue.....	8,758	10,135,695	10,144,453	1,169,986	45,104	162,015	11,521,558
Licenses.....	70,038	218,507	288,545	490,341	108,389	775,528	1,662,803
Charges for Goods and Services.....	13,790	2,825,704	2,839,494	36,052	24,328	526,581	3,426,455
Contributions.....	0	0	0	0	0	2,980,810	2,980,810
Interest & Investment Income.....	36	57,063	57,099	1,091	42	8,566,238	8,624,470
Gifts & Donations.....	13	545,043	545,056	20	3,566	6,935	555,577
Other Revenue.....	138,935	554,357	693,292	21,527	1,049	1,205,449	1,921,317
Transfers.....	9,936	(15,554)	(5,618)	11,044	23,090	733,200	761,716
Other Transactions.....	81,355	117,563	198,918	8	1	12,103	211,030
Proceeds from Bonds & Notes.....	0	0	0	176,971	0	1,056,980	1,233,951
TOTAL REVENUES	12,454,520	14,463,559	26,918,079	2,915,721	297,472	16,107,408	46,238,680
EXPENDITURES							
Commerce.....	39,133	338,588	377,721	0	1,586	101,396	480,703
Education.....	6,424,665	4,825,497	11,250,162	0	526	550,624	11,801,312
Environmental Resources.....	92,372	77,329	169,701	2,876,134	283,181	616,744	3,945,760
Human Relations & Resources.....	3,498,356	8,063,302	11,561,658	0	0	1,785,878	13,347,536
General Executive.....	406,330	684,229	1,090,559	1,490	0	6,102,526	7,194,575
Judicial.....	116,054	14,599	130,653	0	0	285	130,938
Legislative.....	64,075	1,855	65,930	0	0	0	65,930
General (Incl. Shared Revenue).....	2,183,009	103,952	2,286,961	22,821	120	871,631	3,181,533
TOTAL EXPENDITURES	12,823,994	14,109,351	26,933,345	2,900,445	285,413	10,029,084	40,148,287
EXCESS OF REVENUES OVER (UNDER)							
EXPENDITURES.....	(369,474)	354,208	(15,266)	15,276	12,059	6,078,324	6,090,393
BEGINNING FUND BALANCE							
PRIOR PERIOD ADJUSTMENT	0	0	0	0	0	0	0
DESIGNATED.....	10,599	0	10,599	0	0	0	10,599
UNDESIGNATED.....	89,564	(126,731)	(37,167)	(989,578)	10,559	64,417,129	63,400,943
TOTAL	100,163	(126,731)	(26,568)	(989,578)	10,559	64,417,129	63,411,542
INTER-FUND							
TRANSFERS.....	418,787	(198,584)	220,203	(74,770)	0	(145,433)	0
ENDING FUND BALANCE	149,476	28,893	178,369	(1,049,072)	22,618	70,350,020	69,501,935
DESIGNATED.....	(78,496)	0	(78,496)	0	0	0	(78,496)
UNDESIGNATED.....	\$ 70,980	\$ 28,893	\$ 99,873	\$ (1,049,072)	\$ 22,618	\$ 70,350,020	\$ 69,423,439
				(1)			

The accompanying notes are an integral part of this statement.

(1) See Note I

Exhibit A-3

State of Wisconsin
 Summary of Recorded Revenues and Expenditures-All Other Funds-
 Statutory Basis (Including Inter-Fund Transfers)
 For the Fiscal Year Ended June 30, 2010
 (In Thousands)

Funds By Category	Undesignated Fund Balance as of June 30, 2009	Revenues	Expenditures	Inter-Fund Transfers	Undesignated Fund Balance as of June 30, 2010
OTHER GOVERNMENTAL FUNDS					
<u>Other Special Revenue</u>					
213 Heritage State Parks & Forests	\$ 1,423	\$ 7	\$ 543	\$ 0	\$ 887
217 Waste Management	7,726	27	6	0	7,747
218 Wisconsin Election Campaign	1,242	3	0	0	1,245
219 Investment and Local Impact	205	0	0	0	205
220 Election Administration	12,949	6,122	3,157	0	15,914
222 Industrial Building Construction	408	0	0	0	408
224 Self-Insured Employer Liability	191	7	18	0	180
225 Medical Assistance Trust	478	195,709	464,491	268,797	493
226 Work Injury Benefits	8,255	4,950	5,390	0	7,815
227 Workers Compensation	1,145	12,912	12,012	0	2,045
229 Uninsured Employers	11,336	2,761	2,812	0	11,285
234 Hospital Assessment Fund	15,285	378,993	190,916	(203,029)	333
235 Utility Public Benefits	(2,881)	106,241	92,886	0	10,474
238 Mediation	3	357	285	(23)	52
239 Police and Fire Protection	0	45,419	46,315	0	(896)
250 State Capitol Restoration	94	0	29	0	65
257 Agricultural Chemical Cleanup	2,670	1,822	1,870	(1,144)	1,478
258 Farms For The Future	0	0	0	0	0
259 Agrichemical Management	3,539	7,066	5,704	(1,555)	3,346
261 Agricultural Producer Security	9,612	2,070	1,106	0	10,576
264 Historical Legacy Trust	73	0	0	0	73
266 Historical Preservation Partnership Trust	1,173	3,386	3,801	0	758
268 Wireless 911	20,013	24	20,005	0	32
272 Petroleum Inspection	4,024	61,163	31,205	(34,203)	(221)
274 Environmental	2,151	53,297	44,319	(14,360)	(3,231)
277 Dry Cleaner Environmental Responsibility	115	1,020	3,372	(4)	(2,241)
279 Recycling	6,860	49,835	35,914	(23,925)	(3,144)
280 Information Technology Investment	(2,814)	25	0	0	(2,789)
285 Universal Service	(1,296)	49,540	42,521	(1,237)	4,486
286 Budget Stabilization	1,466	218	0	0	1,684
291 Permanent Endowment	(1,945)	136,379	0	(134,433)	1
723 Children's Trust	113	43	116	0	40
Total Other Special Revenue	103,613	1,119,396	1,008,793	(145,116)	69,100
<u>Debt Service</u>					
315 Bond Security and Redemption	2,437	657,996	652,063	0	8,370
<u>Capital Projects</u>					
490 State Building Trust	53,025	159,833	162,899	0	49,959
495 Capital Improvement	87,557	772,901	761,041	0	99,417
Total Capital Projects	140,582	932,734	923,940	0	149,376
<u>Permanent</u>					
743 Agriculture College	305	0	0	0	305
744 Common School Principal	776,377	33,326	0	0	809,703
745 Normal School	22,715	1,733	99	0	24,349
746 University	234	0	0	0	234

Exhibit A-3

State of Wisconsin
 Summary of Recorded Revenues and Expenditures-All Other Funds-
 Statutory Basis (Including Inter-Fund Transfers)
 For the Fiscal Year Ended June 30, 2010
 (In Thousands)

Funds By Category		Undesignated Fund				Undesignated Fund
		Balance as of June 30, 2009	Revenues	Expenditures	Inter-Fund Transfers	Balance as of June 30, 2010
760	Historical Society Trust	8,754	1,246	616	0	9,384
763	Common School Income	1,134	32,092	32,275	0	951
767	Benevolent	14	0	0	0	14
875	University Trust Principal	178,973	7,133	0	0	186,106
876	University Trust Income	37,913	14,897	18,721	0	34,089
	Total Permanent	1,026,419	90,427	51,711	0	1,065,135
	TOTAL OTHER GOVERNMENTAL FUNDS	1,273,051	2,800,553	2,636,507	(145,116)	1,291,981
<u>FIDUCIARY AND OTHER</u>						
<u>Pension (and Other Employee Benefit)</u>						
262	Public Employe Trust	1,587,450	105,337	108,576	(12,528)	1,571,683
747	Core Retirement Investment Trust	56,372,741	10,522,452	5,171,324	12,528	61,736,397
751	Variable Retirement Investment	4,136,219	792,499	377,762	0	4,550,956
	Total Pension (and Other Employee Benefit)	62,096,410	11,420,288	5,657,662	0	67,859,036
<u>Private Purposes</u>						
570	Tuition Trust	8,892	(539)	36	0	8,317
769	College Savings Program Trust	7,407	768	593	0	7,582
	Total Private Purposes.....	16,299	229	629	0	15,899
<u>Agency</u>						
788	Support Collections Trust	12,716	933,907	926,070	0	20,553
<u>Other (Business-type funds)</u>						
521	Lottery	8,799	481,583	465,564	0	24,818
531	Local Govt Property Insurance	51,266	15,009	20,529	0	45,746
532	State Life Insurance	96,243	14,495	3,806	0	106,932
533	Injured Patients & Families Compensation	567,498	97,534	13,527	0	651,505
573	Environmental Improvement	195,242	270,619	216,274	0	249,587
582	Veterans Trust	27,411	14,391	18,026	(203)	23,573
583	Veterans Mortgage Loan Repayment	71,964	58,012	70,243	(114)	59,619
587	Transportation Infrastructure Loan	230	788	247	0	771
	Total Other (Business-type funds).....	1,018,653	952,431	808,216	(317)	1,162,551
	TOTAL FIDUCIARY AND OTHER.....	63,144,078	13,306,855	7,392,577	(317)	69,058,039
	TOTAL - ALL FUNDS.....	\$ 64,417,129	\$ 16,107,408	\$ 10,029,084	\$ (145,433)	\$ 70,350,020

The accompanying notes are an integral part of this statement

Exhibit A-4

State of Wisconsin
 Comparative General Fund Statement of Assets, Liabilities and Fund Balance
 Fiscal Years Ended June 30, 2010, 2009, and 2008
 (In Thousands)

	June 30, 2010	June 30, 2009	June 30, 2008
<u>ASSETS</u>			
Cash.....	\$ 388,031	\$ (142,628)	\$ 29,559
Contingent Fund Advances.....	2,943	3,123	3,128
Investments.....	0	0	255
Accounts Receivable.....	1,068,226	1,131,883	1,105,242
Due from Other Funds.....	167,333	289,751	103,115
Inventory.....	650	660	460
Prepayments.....	93,139	92,088	85,226
Other Assets.....	162,142	153,098	155,844
TOTAL ASSETS.....	<u>1,882,464</u>	<u>1,527,975</u>	<u>1,482,829</u>
<u>LIABILITIES</u>			
Accounts Payable.....	632,282	678,702	531,477
Operating Notes Payable.....	8,000	8,000	8,000
Due to Other Funds.....	111,628	110,144	118,633
Tax and Other Deposits.....	45,947	53,713	60,175
Deferred Revenue.....	190,229	172,343	103,985
TOTAL LIABILITIES.....	<u>988,086</u>	<u>1,022,902</u>	<u>822,270</u>
<u>FUND BALANCE</u>			
<u>Reserved Balances</u>			
GPR Encumbrances.....	90,135	111,468	94,950
PR Encumbrances.....	625,874	420,173	427,751
Total Reserved Balances.....	<u>716,009</u>	<u>531,641</u>	<u>522,701</u>
<u>Unreserved Designated Balances</u>			
GPR Designation for Continuing Balances.....	78,496	10,599	27,434
<u>Unreserved Balances</u>			
GPR Unreserved Balance.....	70,980	89,564	130,696
PR Unreserved Balance.....	28,893	(126,731)	(20,272)
Total Unreserved Balances.....	<u>99,873</u>	<u>(37,167)</u>	<u>110,424</u>
TOTAL FUND BALANCE.....	<u>894,378</u>	<u>505,073</u>	<u>660,559</u>
TOTAL LIABILITIES AND FUND BALANCE.....	<u>\$ 1,882,464</u>	<u>\$ 1,527,975</u>	<u>\$ 1,482,829</u>

The accompanying notes are an integral part of this statement

Exhibit A-5
 Budget vs Actual Expenditures
 All Funds Statutory Basis
 For the Fiscal Year Ended June 30, 2010
 (in Thousands)

Function/Expenditure Description	Budget			Actual	Lapses and Balances
	Published Budget ²	Budget Adjustments	Final Budget	Expenditures ¹	
Commerce	\$ 454,851	\$ 264,952	\$ 719,803	\$ 465,057	\$ 254,746
Education	11,428,451	434,934	11,863,385	11,328,900	534,485
Environmental Resources	3,361,201	2,074,136	5,435,337	3,409,777	2,025,560
Human Relations and Resources	11,060,235	1,495,638	12,555,873	11,466,572	1,089,301
General Executive	1,453,050	187,759	1,640,809	1,276,561	364,248
Judicial	136,970	913	137,883	130,938	6,945
Legislative	73,818	-	73,818	65,923	7,895
General Appropriations	2,424,997	43,082	2,468,079	2,432,655	35,424
Total Chapter 20	\$ 30,393,573	\$ 4,501,414	\$ 34,894,987	\$ 30,576,383	\$ 4,318,604
Retirement Annuities			6,256,556	5,514,055	742,501
Support Collection Trust Payments			975,200	925,860	49,340
Insurance Premiums			75,349	56,317	19,032
Debt Service Payments			652,086	652,063	23
Capital Projects Expenditures			921,805	921,805	-
Lottery Prizes			282,707	273,081	9,626
Other Segregated Revenue			311,508	165,356	146,152
Program Revenue Appropriations			1,075,584	1,009,093	66,491
Clearing and Custody Accounts			1,304,404	(8,157)	1,312,561
Total Non Chapter 20 Expenditures			\$ 11,855,199	\$ 9,509,473	\$ 2,345,726
Total State Expenditures Excluding Transfers			\$ 46,750,186	\$ 40,085,856	\$ 6,664,330

The accompanying notes are an integral part of this statement

¹ Expenditures exclude non-budgetary transfers and expenses.

² The budget amount is the fund condition for FY2010 and is based on Final Chapter 20 approved by the Joint Finance Committee on 6/23/2010.

Notes To Fund Statements

Note A Statutory Basis of Accounting

The State of Wisconsin Annual Fiscal Report is a report of financial results recognized on the statutory basis of accounting, for the fiscal year, against the state's budget as reflected in Chapter 20 of the Wisconsin Statutes. The report is not intended to display accounting information in accordance with Generally Accepted Accounting Principles (GAAP).

The State's Comprehensive Annual Financial Report, which is prepared in accordance with GAAP is issued under a separate cover at the end of the calendar year.

Statutes generally require that revenues and expenditures be recognized in the fiscal year in which they are received or paid, with specific exceptions. The legislature may change the recognition of revenues and expenditures among fiscal years.

The state's centralized accounting records remain open until July 31 (August 15 for income, sales and use tax receipts) to permit the state departments to record revenues and expenditures applicable to the fiscal year ended June 30.

The July and August recording of prior fiscal years' revenues and expenditures results in accrued revenues and accounts payable in the statement of assets, liabilities and fund balances. Included in these amounts are receivables and payables between funds which are not eliminated for presentation as "due to" or "due from" other funds.

Encumbrances are treated as expenditures in the initial year. However, the recording of charges against encumbrances applicable to the prior year is limited by the available appropriation balances of that year. Expenditures reported in this report are equal to current year disbursement and encumbrance balances less the prior year encumbrance balances. The Building Trust Fund, the Capital Improvement Fund, and the Bond Security and Redemption Fund are closed for encumbrances as of June 30.

Note that the health and life insurance premiums are paid two months in advance of the actual coverage months. The health and life insurance costs for the last two months of the fiscal year are recorded as expenditures in the following fiscal year.

All investments owned by the state retirement funds are an exception to the requirement to recognize revenues and expenditures on the cash basis since investments are adjusted to market and the resultant unrealized gains or losses are reflected in the accounts of those funds.

State statutes also provide that contributions to the state retirement funds received after August 1, which relate to earnings paid for services rendered in the previous fiscal year, may be recorded as revenues of the previous fiscal year.

In addition, state administrative policies require that revenues and expenditures be reported on a net basis; i.e., overcollections refunded are deducted from revenues, and overpayments collected are deducted from expenditures. Collections on loan principal and interest are recorded as receipts.

Certain unused appropriation balances may be allowed to continue for use in future years, rather than lapse to the General Fund. In these cases the continuing balances are treated as reserves for Program Revenue (PR) or General Purpose Revenue (GPR) balances. GPR consists of general taxes and miscellaneous revenues which are paid into the general fund and are then available for appropriation by the legislature. PR consists of funds also paid into the General Fund which are dedicated for specific purposes and are appropriated by the legislature as estimates through the use of revolving accounts.

Note B Fiscal Controls

The State Constitution provides that no money shall be paid out of the Treasury except as appropriated by law. The Secretary of Administration exercises detail allotment control over all agency appropriations and approval authority over all encumbrances. The Secretary of Administration is also responsible for the audit of expenditures.

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

Note C Classification of Funds

Funds are generally classified in accordance with classification criteria appropriate for governmental accounting.

However, certain activities of a proprietary and fiduciary nature are combined within the Governmental and Trust, Agency and Other Funds. In addition, the activities of the State Building Trust Fund, included within the Capital Projects classification, consist of capital projects as well as projects for the maintenance and repair of state facilities.

Note D Extraordinary Transfers and Transactions Affecting Fund Balance

Compensation Reserve

In FY 2010, Chapter 20 included a compensation reserve for employee salary and fringe benefit increases. The total amount reserved (appropriated) was \$47,279,100 and the amount allotted was \$44,556,800 leaving a lapse amount of \$2,722,300.

Note E Published Budget

The published budget amounts used in Exhibit A-1 are based on the fund condition statement in final Chapter 20 approved by Joint Finance Committee on its June 23, 2010 meeting.

The adjustments column reflects legislation passed subsequent to the budget act, statutorily required appropriation adjustments to sum-sufficient and biennial appropriations and appropriation changes enacted under the statutory authority of the Legislative Joint Finance Committee or by statutory authority under program supplements.

The State of Wisconsin utilizes a budgetary procedure within the General Fund which treats most federal grant revenues, licenses and fees and revenues for proprietary activities as dedicated for the activities to which they relate. As such, variable budgeting techniques are used and the official state budget includes them only as estimates. These accounts, referred to as Program Revenue Appropriations, are not included in Exhibit A-1. Only those appropriations made from nondedicated General Purpose Revenues are included.

Note F Total Departmental Revenues

For budget comparison purposes, inter-fund transfers are added to other revenues to arrive at total departmental revenues. In FY 2010, a \$84,769,800 transfer from the Transportation Fund associated with savings due to employee furloughs, across-the-board operations cuts and other reductions, and other cash transfers of \$334,017,170 required by law were recorded into the General Fund for a total of \$418,786,970, rather than as revenues. The fund condition captured these funds more generically as revenue. In order to properly compare actual revenues to budgeted revenues, actual revenues and transfers should be added together in order to compare to the departmental revenues in the fund condition statement.

Note G Projected-to-Actual General Fund Condition

The variance between the published budgeted ending balance and actual undesignated balance at the end of fiscal year 2010 is explained as follows:

	<u>(thousands)</u>
ENDING FUND BALANCE (UNDESIGNATED) PER FINAL CHAPTER 20 SUMMARY	\$ 335,820
OPENING BALANCE	
ADJUSTMENTS:	
Prior year designation for continuing balances	<u>10,599</u>
Total opening balance adjustments	<u>10,599</u>
REVENUE ADJUSTMENTS	
Taxes received more than estimate	59
Departmental revenues less than estimate	<u>(495,778)</u>
Total revenue below estimate	<u>(495,719)</u>
APPROPRIATION ADJUSTMENTS	
Sum Sufficient Changes	
Reestimates	(18,673)
Budget brought forward from previous year	(10,599)
Budget carried to next year for continuing appropriations	78,496
Biennial Spend Ahead	(242,677)
Total Appropriation Adjustments	<u>(193,453)</u>
LAPSES MORE THAN BUDGETED	73,442
INTER-FUND TRANSFERS	418,787
DESIGNATION FOR CONTINUING BALANCES	<u>(78,496)</u>
UNDESIGNATED FUND BALANCE	\$ <u><u>70,980</u></u>

Note H General Fund Cash Flow

Without corrective action, the General Fund can experience a short-term cash flow problem during the first half of each fiscal year. A temporary reduction in cash balances occurs every year due to a mismatch between the timing of receipts and disbursements. The majority of receipts are collected in the second half of the year while payments are more evenly distributed. Because of this mismatch, a \$800

million operating note was issued in fiscal year 2010. The note reduced borrowing from other operating funds and ensured timely payments to local governments and the state's suppliers. The proceeds of the note and their timely repayment allowed the General Fund to more closely match receipts and payments. The operating note sinking fund payments were met as scheduled and the full amount of the note plus accrued interest was repaid on June 15, 2010.

Note I Negative Transportation Fund Balances

The negative ending fund balance in the Transportation Fund represents commitments (encumbrances) recorded as expenditures in the current year which will be funded by the Federal, state and/or local governments in the future.

Note J Unappropriated Activities

The Department of Commerce and the Department of Justice enter into contracts with private vendors for programs that they manage. The Department of Justice enters into these contracts on behalf of the Department of Transportation and the Department of Public Instruction. These contracts have not been budgeted within a state appropriation and therefore, this activity is summarized here to provide full disclosure of state agency operations.

	Commerce	Justice
Revenues	\$1,228,921	\$118,764
Expenditures	\$1,228,921	\$118,764
Balance	\$0	\$0

Note K Sum Sufficient Increases

The B-2 Exhibit shows both lapsing amounts and adjustments to sum sufficient appropriations. In order to correctly show the lapsing amounts the increase column includes supplements. These supplements need to be removed to calculate the Actual Sum Sufficient Increases.

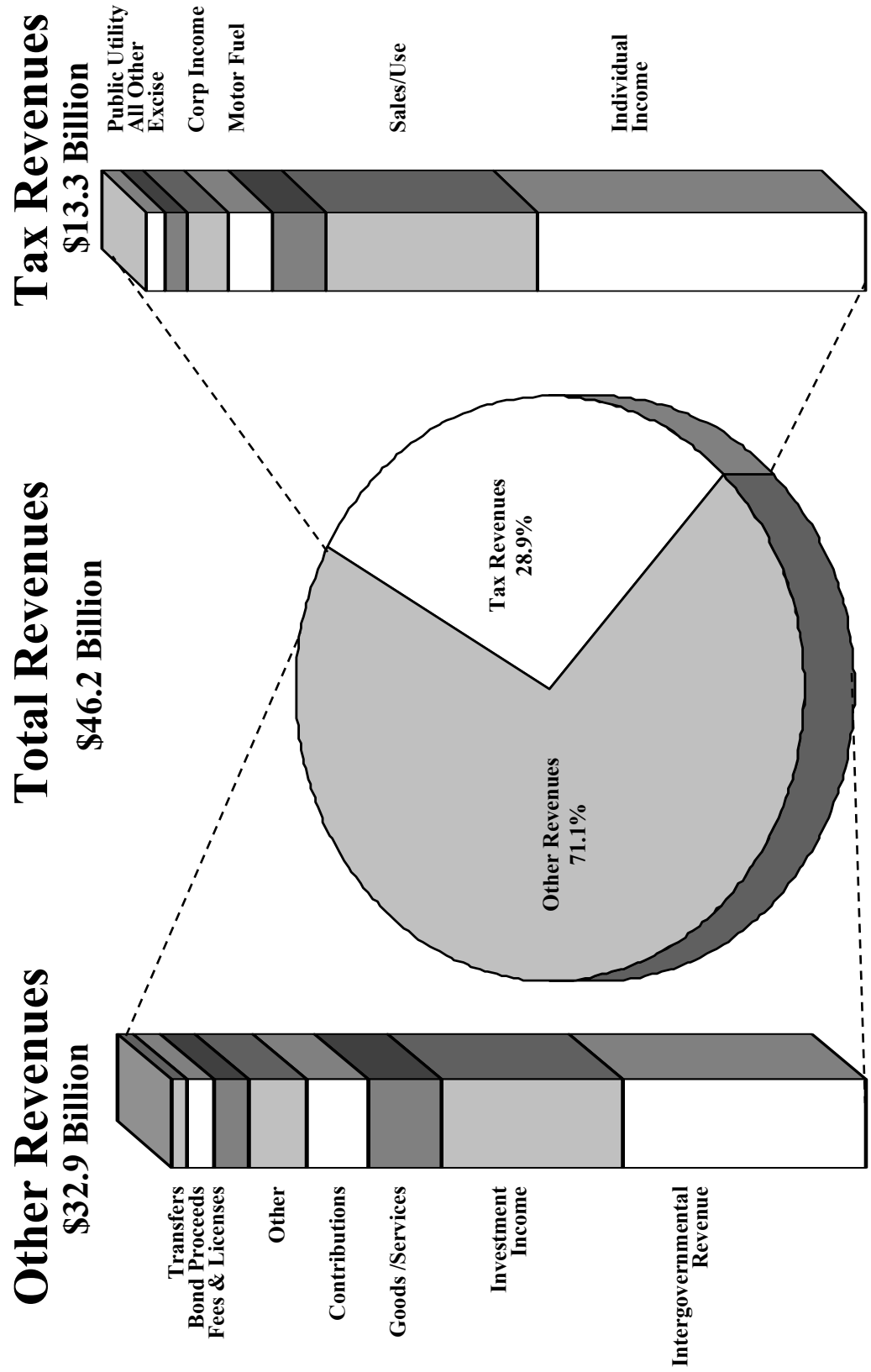
B-2 Sum Sufficient Increases	\$18,926
Less Supplements (included in total above)	(253)
Actual Sum Sufficient Increases	<u>18,673</u>

Supplemental Data

[This page intentionally left blank.]

Total Revenues, State of Wisconsin

For the Fiscal Year Ended June 30, 2010



For more detail on revenues, see Schedule A-2

Exhibit B-1

State of Wisconsin
 Analysis of Revenues-All Funds
 Fiscal Years Ended June 30, 2010, 2009, and 2008
 (In Thousands)

	June 30, 2010	June 30, 2009	June 30, 2008
TAX REVENUES			
General Purpose Revenue			
Income Taxes			
Individual.....	\$ 6,089,170	\$ 6,222,735	\$ 6,713,681
Corporation.....	834,479	629,523	837,807
Total Income Taxes.....	6,923,649	6,852,258	7,551,488
Sales and Excise Taxes			
General Sales and Use.....	3,944,187	4,083,959	4,268,045
Cigarette.....	644,269	551,337	455,722
Other Tobacco Products.....	59,887	42,238	29,747
Liquor and Wine.....	44,182	44,133	45,166
Malt Beverage (Beer).....	9,609	9,913	9,624
Total Sales and Excise Taxes.....	4,702,134	4,731,580	4,808,304
Public Utility Taxes			
Private Light, Heat and Power.....	208,617	223,471	212,126
Municipal Light, Heat and Power.....	2,925	2,747	2,704
Telephone.....	70,031	63,455	59,542
Pipeline.....	23,052	16,183	11,189
Electric Cooperative.....	10,395	10,549	9,359
Municipal Electric.....	4,146	3,459	2,238
Conservation and Regulation.....	211	237	264
Utility Tax (Refunds) Interest and Penalties.....	0	9	38
Total Public Utility Taxes.....	319,377	320,110	297,460
Inheritance and Estate Taxes			
Inheritance and Estate.....	871	20,853	158,789
Total Inheritance and Estate Taxes.....	871	20,853	158,789
Miscellaneous Taxes			
Insurance Companies (Premiums).....	130,718	136,291	156,606
Real Estate Transfer Fee.....	44,307	41,160	59,447
Lawsuits (Courts).....	10,492	10,789	10,736
Other.....	111	110	113
Total Miscellaneous Taxes.....	185,628	188,350	226,902
TOTAL GPR TAX REVENUES.....	12,131,659	12,113,151	13,042,943
Program Tax Revenues			
Fire Dues.....	16,167	15,758	15,466
Pari-mutuel Taxes.....	306	679	908
County Expo Tax Administration.....	97	456	151
Baseball Park Administration Fee.....	343	389	322

Exhibit B-1

State of Wisconsin
 Analysis of Revenues-All Funds
 Fiscal Years Ended June 30, 2010, 2009, and 2008
 (In Thousands)

	June 30, 2010	June 30, 2009	June 30, 2008
Program Tax Revenues, Cont.			
Business Trust Regulation Fee.....	\$ 2,055	\$ 2,579	\$ 1,442
Other.....	6,213	6,409	4,127
TOTAL PROGRAM TAX REVENUES.....	25,181	26,270	22,416
TOTAL-GENERAL FUND TAX REVENUES.....	12,156,840	12,139,421	13,065,359
Type of Revenues			
Transportation Fund			
Motor Fuel Tax.....	971,786	968,811	999,949
Air-Carrier Tax.....	4,505	5,388	6,701
Railroad Tax.....	24,056	21,612	19,856
Aviation Fuel Tax.....	1,188	1,360	1,391
Other Taxes.....	7,146	7,818	7,143
Conservation Fund			
2/10 Mill Forestry Mill Tax.....	86,896	87,364	84,529
Forest Crop Taxes.....	5,004	5,669	5,290
Motor Fuel Tax.....	3	2	0
Mediation Fund.....	2	2	2
Petroleum Inspection Tax.....	60,957	44,738	47,013
Recycling Fund			
Temporary Service Charges.....	20,610	27,168	25,091
TOTAL STATE TAX REVENUES.....	13,338,993	13,309,353	14,262,324
Intergovernmental Revenue.....	11,521,558	9,474,965	7,726,329
Licenses and Permits.....	1,662,803	1,447,670	1,068,095
Charges for Goods and Services.....	3,426,455	3,373,331	3,170,633
Contributions.....	2,980,810	2,826,104	2,672,069
Interest and Investment Income.....	8,624,470	(14,949,817)	(4,432,460)
Gifts and Donations.....	555,577	586,569	414,079
Proceeds from Sale of Bonds.....	1,233,951	721,041	524,289
Other Revenues.....	1,921,317	2,182,403	1,769,089
Other Transactions.....	211,030	347,045	278,050
TOTAL DEPARTMENTAL REVENUES.....	32,137,971	6,009,311	13,190,173
TRANSFERS.....	761,716	999,471	1,213,609
TOTAL REVENUES.....	\$ 46,238,680	\$ 20,318,135	\$ 28,666,106

The accompanying notes are an integral part of this statement

Exhibit B-2

General Fund Sum Sufficient Appropriations
For the Fiscal Year Ended June 30, 2010
(In Thousands)

Agency	Appr		Chapter 20	Increases	Expenditures	Lapse	
State Operations							
370	116	1fe	Endangered Resources General Fund.....	500	0	477	23
410	104	1c	Reimbursement Claims from Containing State Prisons.....	70	0	39	31
437	207	2cr	Liability for AFDC Overpayment.....	13,039	145	13,184	0
455	102	1b	Special Counsel.....	735	0	240	495
455	202	2am	Officer Training Reimbursement.....	70	14	84	0
455	504	5d	Reimbursement for Forensic Examinations.....	50	21	69	2
465	103	1c	Public Emergencies.....	40	0	25	15
505	405	4d	Claims Awards.....	81	0	27	54
505	801	8am	Interest on racing & bingo moneys.....	12	0	0	12
511	103	1be	Investigations.....	31	0	17	14
515	103	1c	Contingencies.....	0	0	0	0
515	104	1c	Badgerxx for Individual Advances.....	30	110	68	72
525	101	1a	Governor's Office Administration.....	3,808	0	3,318	490
525	102	1b	Contingent Fund.....	20	0	5	15
525	103	1c	Membership In National Associations.....	118	0	118	0
525	201	2a	Executive Residence.....	263	22	265	20
625	101	1a	Circuit Courts.....	70,626	230	67,894	2,962
660	101	1a	Court Of Appeals.....	10,162	0	9,639	523
680	101	1a	Supreme Court.....	5,034	0	4,685	349
765	101	1a	Assembly.....	25,372	0	23,792	1,580
765	103	1b	Senate.....	18,185	0	15,018	3,167
765	104	1d	Legislative Documents.....	4,068	0	3,474	594
765	308	3fa	Membership In National Assocociations.....	236	0	236	0
855	101	1a	Obligation on Operating Notes.....	3,530	0	3,277	253
855	102	1b	Operating Note Expenses.....	100	110	210	0
855	108	1bm	Payment of Cancelled Drafts Fund 100 - All except UW.....	1,410	(30)	1,161	219
855	108	1bm	Payment of Cancelled Drafts Fund 100 - UW.....	0	30	30	0
855	401	4a	Interest on overpayment of taxes.....	2,500	2,130	3,414	1,216
855	403	4c	Minnesota Income Tax Reciprocity.....	66,932	0	66,932	0
855	405	4e	Transfer to Conservation Fund - Land Acquisition.....	90	1	91	0
855	409	4fm	Transfer to Transportation Fund - Hub Facility Exemption.....	1,953	0	1,953	0
855	413	4cm	Illinois Income Tax Reciprocity.....	38,557	0	38,557	0
865	101	1a	Judgement, Legal Expenses & Worker's Compensation Benefits.....	44	0	0	44
<i>Total State Operations.....</i>				<u>267,666</u>	<u>2,783</u>	<u>258,299</u>	<u>12,150</u>
Aids and Local Assistance							
115	202	2b	Animal Disease Indemnities.....	15	1	16	0
235	104	1e	MN-WI Student Reciprocity.....	12,600	463	13,063	0
235	106	1fe	Wisconsin Higher Education Grants.....	37,750	0	37,727	23
235	109	1fy	Academic Excellence Higher Education Scholarship Program.....	3,190	0	3,126	64
255	218	2fm	Charter Schools.....	49,736	0	48,922	814
255	221	2ep	Second Chance Partnership.....	148	83	231	0
255	235	2fu	Milwaukee Parental Choice Program.....	130,128	0	130,123	5
255	306	3c	Grants for National Teacher Certification or Master Educator Licensure.....	1,710	0	1,627	83
285	406	4dd	Lawton Minority Undergraduate Grants Program.....	6,400	0	6,400	0
370	503	5da	Aids In Lieu Of Taxes General Fund.....	7,340	335	7,675	0
435	403	4ed	State Supplement to Federal Supplemental Security Income Program.....	139,436	430	139,866	0
435	574	5da	Reimburse Local Units of Government.....	347	0	341	6
435	774	7da	Reimburse Local Units of Government.....	53	0	2	51
445	102	1aa	Special Death Benefit.....	525	0	521	4
465	201	2a	Tuition Grants.....	3,300	0	2,912	388
465	305	3e	Disaster Recovery Aids Public Health Emergency Quarantine Costs.....	3,857	0	2,753	1,104
505	412	4er	Service Award Program State Matching Awards.....	1,789	0	1,693	96
515	101	1a	Annuity Supplements And Payments.....	814	7	821	0
835	101	1c	Expenditure Restraint Program Account.....	58,146	0	58,146	0
835	102	1d	Shared Revenue Account.....	45,040	0	43,300	1,740
835	105	1db	County and Municipal Aids Account.....	710,405	148	710,553	0
835	109	1e	State Aid; Tax Exempt Property.....	73,672	0	73,670	2
835	110	1dm	Public Utility Distribution Account.....	12,134	2,966	15,100	0
835	202	2b	Claim of Right Credit.....	100	143	243	0
835	203	2c	Homestead Tax Credit.....	124,900	4,297	129,197	0

Exhibit B-2

General Fund Sum Sufficient Appropriations
For the Fiscal Year Ended June 30, 2010
(In Thousands)

Agency	Appr		Chapter 20	Increases	Expenditures	Lapse	
Aids and Local Assistance (Continued)							
835	205	2dm	Farmland Preservation Credit.....	12,800	1,898	14,698	0
835	209	2ep	Cigarette and Tobacco Product Tax Refunds.....	42,000	490	42,490	0
835	211	2co	Enterprise Zone Jobs Credit.....	1,000	0	0	1,000
835	212	2f	Earned Income Tax Credit.....	100,795	2,478	103,273	0
835	213	2bm	Film Production Company Investment Credit.....	500	0	(466)	966
835	215	2em	Veterans & Surviving Spouse Property Tax Credit.....	7,200	2,403	9,603	0
835	217	2br	Interest payments on overassessments of manufacturing property.....	10	0	3	7
835	219	2bd	Meat Processing Facility Investment.....	300	0	21	279
835	220	2bp	Dairy Manufacturing Facility Investment Credit-Dairy Cooperatives.....	600	0	9	591
835	228	2bc	Food Processing Plant and Food Warehouse Investment Credit.....	1,000	0	0	1,000
835	302	3b	School Levy Tax Credit and First Dollar Credit.....	820,075	1	820,076	0
855	402	4b	Election Campaign Fund Payment.....	181	0	166	15
855	404	4bm	Oil Pipeline Terminal Tax Distribution.....	765	0	765	0
<i>Total Aids and Local Assistance.....</i>				<u>2,410,761</u>	<u>16,143</u>	<u>2,418,666</u>	<u>8,238</u>
Principal Repayment and Lease Rental							
115	205	2d	Principal Repayment and Interest.....	3	0	3	0
115	702	7b	Principal Repayment and Interest.....	361	0	330	31
190	101	1c	Principal Repayment and Interest.....	323	0	322	1
190	102	1d	Principal Repayment and Interest.....	852	0	818	34
225	103	1c	Principal Repayment and Interest.....	922	0	834	88
245	106	1e	Principal Repayment and Interest.....	582	0	523	59
250	103	1c	Principal Repayment and Interest.....	1,041	0	899	142
250	105	1e	Principal Repayment and Interest.....	61	0	61	0
255	104	1d	Principal Repayment and Interest.....	243	0	223	20
285	110	1d	Principal Repayment and Interest.....	57,639	0	52,711	4,928
320	103	1c	Principal Repayment and Interest.....	14,930	0	14,815	115
320	282	2c	Principal Repayment and Interest.....	1,556	0	1,401	155
370	701	7aa	Principal Repayment and Interest.....	9,710	0	7,235	2,475
370	706	7cb	Principal Repayment and Interest.....	4,657	0	4,633	24
370	707	7cc	Principal Repayment and Interest.....	1,227	0	1,219	8
370	708	7cd	Principal Repayment and Interest.....	133	0	133	0
370	709	7ea	Principal Repayment and Interest.....	299	0	290	9
395	664	6af	Principal Repayment and Interest.....	30,191	0	22,384	7,807
410	107	1e	Principal Repayment and Interest.....	24,174	0	22,377	1,797
410	307	3e	Principal Repayment and Interest.....	1,542	0	1,430	112
435	207	2ee	Principal Repayment and Interest.....	5,858	0	5,181	677
435	602	6e	Principal Repayment and Interest.....	0	0	0	0
465	104	1d	Principal Repayment and Interest.....	1,627	0	1,426	201
485	106	1f	Principal Repayment and Interest.....	480	0	439	41
505	413	4et	Principal Repayment and Interest.....	2	0	0	2
505	414	4es	Principal Repayment and Interest.....	606	0	0	606
505	503	5c	Principal Repayment and Interest.....	65	0	53	12
855	801	8a	Principal Repayment and Interest.....	684	0	684	0
867	102	1b	Principal Repayment and Interest.....	3,881	0	3,564	317
867	301	3a	Principal Repayment and Interest.....	4,875	0	469	4,406
867	302	3b	Principal Repayment and Interest.....	618	0	401	217
867	306	3br	Principal Repayment and Interest.....	39	0	39	0
867	309	3bm	Principal Repayment and Interest.....	61	0	60	1
867	311	3bq	Principal Repayment and Interest.....	413	0	351	62
867	312	3bn	Principal Repayment and Interest.....	12	0	7	5
867	313	3bu	Principal Repayment and Interest.....	27	0	27	0
<i>Total Principal Repayment and Lease Rental.....</i>				<u>169,694</u>	<u>0</u>	<u>145,342</u>	<u>24,352</u>
Pay Plan & Supplement							
865	103	1c	Salary.....	0	0	0	0
865	104	1d	Fringe.....	0	0	0	0
<i>Total Pay Plan & Supplements.....</i>				<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL GENERAL FUND SUM SUFFICIENTS				<u>\$ 2,848,121</u>	<u>18,926</u>	<u>2,822,307</u>	<u>44,740</u>

(1) See Note K

(1)