WISCONSIN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 1995

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STATE OF

W I S C O N S I N

C O M P R E H E N S I V E A N N U A L F I N A N C I A L R E P O R T

For the fiscal year ended June 30, 1995

Tommy G. Thompson, Governor

Department of Administration
James R. Klauser, Secretary
William J. Raftery, State Controller

Prepared by the State Controller's Office DOA-6082P (R03/96)

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FORWARD

FINANCIAL SECTION

State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Legislature — The Honorable Tommy G. Thompson, Governor

We have audited the accompanying general purpose financial statements of the State of Wisconsin as of and for the year ended June 30, 1995, as listed in the table of contents. These general purpose financial statements are the responsibility of the State of Wisconsin's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Clean Water Fund, the Health Insurance Risk Sharing Plan, and the Wisconsin Education Revenue Bond Program, which, in combination, represent 30 percent of the assets and 5 percent of the operating revenues of the enterprise funds, nor did we audit the financial statements of the Wisconsin Department of Transportation Revenue Bond Program, which represent 82 percent of the assets and 21 percent of the revenues and operating transfers of the debt service funds, 3 percent of the assets and 39 percent of the bond proceeds of the capital projects funds, and 19 percent of the liabilities of the general long-term debt account group. We did not audit the financial statements of the University of Wisconsin Hospital and Clinics, which represent 8 percent of the assets and 12 percent of the revenues and other additions of the University of Wisconsin System. In addition, we did not audit the financial statements of the Wisconsin Housing and Economic Development Authority and the Wisconsin Health Care Liability Insurance Plan, which represent 100 percent of the financial activity of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of Wisconsin as of June 30, 1995, and the results of its operations, the cash flows of its proprietary fund types, nonexpendable trust funds, and discretely presented component units, and the changes in fund balances of the University of Wisconsin System, for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we will issue reports dated March 28, 1996, on our consideration of the State of Wisconsin's internal control structure and its compliance with laws and regulations. Those reports will be included in the State's single audit report.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Wisconsin. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The introductory section and the statistical section listed in the table of contents were not audited by us and, accordingly, we express no opinion on them.

LEGISLATIVE AUDIT BUREAU

March 28, 1996 by Dale Cattanach

Dale Cattanach
State Auditor

Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units
June 30, 1995

(In Thousands)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Assets and Other Debits						
Assets:						
Cash and Cash Equivalents	$ 4,958	$ 293,318	$ 8,374	$ 61,299	$ 500,538	$ 26,066
Investments	445	-	37,432	1,819	649,599	-
Investment in Variable Retirement Investment Fund	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles):						
Taxes	623,042	70,476	-	-	-	-
Student Loans	-	-	-	-	13,118	-
Veterans Loans	-	-	-	-	38,258	-
Mortgage Loans	-	-	-	-	532,271	-
Insurance Policy Loans	-	-	-	-	3,679	-
Loans to Local Governments	-	-	-	-	534,431	-
Other Receivables	79,708	26,085	10	1,078	59,438	2,263
Due from Other Funds	63,104	24,596	47	8,072	40,701	25,735
Interfund Loans Receivable	53,619	73,081	-	-	-	-
Due from Other Governments	323,422	52,769	-	74	8,117	1,048
Inventories	10,539	14,415	-	-	7,599	7,305
Prepaid Items	202,358	9,656	-	-	54,093	588
Advances to Other Funds	-	-	-	-	8,000	4,424
Restricted Assets:						
Cash and Cash Equivalents	-	-	-	-	24,541	-
Investments	-	-	-	-	-	-
Deferred Charges	-	-	-	-	6,933	495
Fixed Assets	-	-	-	-	136,680	195,942
Other Assets	-	6	-	-	8,091	-
Other Debits:						
Amount Available in Debt Service Fund	-	-	-	-	-	-
Amount to be Provided for Retirement of General Long-term Obligations	-	-	-	-	-	-
Total Assets and Other Debits	$ 1,361,194	$ 564,404	$ 45,863	$ 72,342	$ 2,626,085	$ 263,866

Fiduciary Fund Type	Account Groups			Totals - Primary Government		Totals - Reporting Entity
Trust and Agency	General Fixed Assets	General Long-term Debt	University of Wisconsin System	(Memorandum Only)	Component Units	(Memorandum Only)
$ 5,037,629	$ -	$ -	$ 329,168	$ 6,261,350	$ 202,465	$ 6,463,815
32,942,811	-	-	179,269	33,811,375	396,806	34,208,180
17,014,789	-	-	-	17,014,789	-	17,014,789
-	-	-	-	693,519	-	693,519
-	-	-	147,393	160,511	-	160,511
-	-	-	-	38,258	-	38,258
-	-	-	-	532,271	1,530,697	2,062,968
-	-	-	-	3,679	-	3,679
260,958	-	-	-	795,389	-	795,389
538,792	-	-	114,656	822,029	17,765	839,794
112,686	-	-	52,679	327,620	-	327,620
314,760	-	-	3,174	444,635	-	444,635
85,109	-	-	38,680	509,219	-	509,219
-	-	-	40,800	80,658	-	80,658
3,261	-	-	19,949	289,904	-	289,904
-	-	-	-	12,424	-	12,424
-	-	-	-	24,541	-	24,541
-	-	-	-	-	94,282	94,282
-	-	-	7,512	14,941	18,871	33,812
635	1,352,619	-	3,555,323	5,241,199	1,214	5,242,413
287,052	-	-	-	295,149	11,181	306,330
-	-	405	-	405	-	405
-	-	2,964,236	-	2,964,236	-	2,964,236
$ 56,598,482	$ 1,352,619	$ 2,964,641	$ 4,488,603	$ 70,338,100	$ 2,273,281	$ 72,611,381

(Continued)

Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units
June 30, 1995

(Continued)

	Governmental Fund Types				Proprietary Fund Types	
	General	**Special Revenue**	**Debt Service**	**Capital Projects**	**Enterprise**	**Internal Service**
Liabilities, Equity and Other Credits						
Liabilities:						
Accounts Payable and Other Accrued Liabilities	$ 362,057	$ 126,186	$ -	$ 14,534	$ 258,650	$ 14,589
Due to Other Funds	75,299	30,609	443	7,009	25,301	11,998
Interfund Loans Payable	-	-	-	72,859	27,251	29,764
Due to Other Governments	1,152,840	71,925	-	892	6,296	73
Tax Refunds Payable	504,191	3,961	-	-	-	-
Tax and Other Deposits	51,657	6,460	-	-	7,848	-
Deferred Revenue	335,871	11,495	-	-	45,606	1,298
Interest Payable	-	-	22,759	-	5,118	1,361
Investment Due Fixed Retirement Investment Fund	-	-	-	-	-	-
Advances from Other Funds	8,000	-	-	-	-	4,424
Future Benefits and Loss Liabilities	-	-	-	-	613,445	103,914
Capital Leases	-	-	-	-	163	25,228
Compensated Absences	-	-	-	-	4,862	1,475
Employer Pension Costs	-	-	-	-	-	-
General Obligation Bonds Payable	-	-	665	-	539,536	84,820
Revenue Bonds and Notes Payable	-	-	21,590	-	305,686	-
Other Bonds Payable	-	-	-	-	-	-
Claims, Judgments and Commitments	-	-	-	-	-	-
Installment Contracts Payable	-	-	-	-	140	172
Total Liabilities	2,489,916	250,636	45,458	95,294	1,839,901	279,115
Equity and Other Credits:						
Contributed Capital	-	-	-	-	731,960	21,088
Investment in General Fixed Assets	-	-	-	-	-	-
Retained Earnings:						
Reserved	-	-	-	-	32,451	-
Unreserved	-	-	-	-	21,774	(36,337)
Fund Balances:						
Reserved	298,430	407,326	-	126,706	-	-
Unreserved:						
Designated	-	-	-	-	-	-
Undesignated	(1,427,152)	(93,559)	405	(149,658)	-	-
Total Equity and Other Credits	(1,128,722)	313,768	405	(22,952)	786,184	(15,249)
Total Liabilities, Equity and Other Credits	$ 1,361,194	$ 564,404	$ 45,863	$ 72,342	$ 2,626,085	$ 263,866

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

Fiduciary Fund Type	Account Groups			Totals - Primary Government		Totals - Reporting Entity
Trust and Agency	General Fixed Assets	General Long-term Debt	University of Wisconsin System	(Memorandum Only)	Component Units	(Memorandum Only)
$ 834,610	$ -	$ -	$ 78,832	$ 1,689,457	$ 6,689	$ 1,696,146
133,253	-	-	43,699	327,611	9	327,620
314,760	-	-	-	444,635	-	444,635
2,600,884	-	-	2,890	3,835,800	-	3,835,800
-	-	-	-	508,152	-	508,152
209,865	-	-	23,638	299,468	127,357	426,825
1,728	-	-	59,686	455,684	4,238	459,923
-	-	-	-	29,238	66,406	95,644
17,014,789	-	-	-	17,014,789	-	17,014,789
-	-	-	-	12,424	-	12,424
-	-	-	-	717,359	138,260	855,619
-	-	5,621	12,103	43,115	-	43,115
205,522	-	410,783	38,314	660,954	242	661,196
-	-	114,208	-	114,208	-	114,208
-	-	1,708,509	652,955	2,986,486	-	2,986,486
-	-	555,950	-	883,226	1,727,832	2,611,058
-	-	-	2,315	2,315	-	2,315
-	-	167,269	-	167,269	-	167,269
-	-	2,301	420	3,032	-	3,032
21,315,410	-	2,964,641	914,851	30,195,223	2,071,032	32,266,255
-	-	-	-	753,048	-	753,048
-	1,352,619	-	2,892,040	4,244,658	-	4,244,658
-	-	-	-	32,451	107,968	140,419
-	-	-	-	(14,563)	94,280	79,717
36,918,149	-	-	655,876	38,406,488	-	38,406,488
-	-	-	3,917	3,917	-	3,917
(1,635,077)	-	-	21,920	(3,283,121)	-	(3,283,121)
35,283,072	1,352,619	-	3,573,752	40,142,877	202,248	40,345,126
$ 56,598,482	$ 1,352,619	$ 2,964,641	$ 4,488,603	$ 70,338,100	$ 2,273,281	$ 72,611,381

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds For the Fiscal Year Ended June 30, 1995

(In Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Taxes	$ 7,827,834	$ 759,899	$ -	$ -	$ -	$ 8,587,733
Intergovernmental	2,767,282	397,549	-	6,883	11,620	3,183,334
Licenses and Permits	151,550	432,986	51,195	-	-	635,731
Charges for Goods and Services	92,853	38,836	-	115	453	132,257
Contributions	-	-	-	-	493,572	493,572
Investment and Interest Income	34,457	16,680	4,506	8,555	137,298	201,495
Gifts and Donations	2,282	1,626	-	-	23	3,931
Other Revenues	46,055	8,658	30	3,795	39,180	97,717
Total Revenues	10,922,312	1,656,233	55,731	19,348	682,145	13,335,770
Expenditures:						
Current:						
Commerce	142,480	4,041	-	50	-	146,571
Education	3,002,675	220	-	2,201	16,533	3,021,629
Transportation	843	1,298,460	-	4,147	-	1,303,449
Environmental Resources	106,508	367,582	-	25,392	-	499,481
Human Relations and Resources	4,598,261	2,227	-	34,714	431,140	5,066,342
General Executive	225,854	13,252	-	6,980	85,469	331,555
Judicial	71,624	357	-	-	-	71,981
Legislative	50,732	-	-	-	-	50,732
Tax Relief and Other General Expenditures	612,011	-	-	4,880	-	616,891
Intergovernmental	992,437	-	-	-	-	992,437
Capital Outlay	-	-	-	190,307	-	190,307
Debt Service:						
Principal	-	-	134,870	-	-	134,870
Interest	-	-	122,743	-	-	122,743
Bond Administration Costs	-	-	36	-	-	36
Total Expenditures	9,803,424	1,686,139	257,648	268,670	533,142	12,549,023
Excess of Revenues Over (Under) Expenditures	1,118,889	(29,906)	(201,917)	(249,322)	149,003	786,746
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	-	22,568	-	254,635	-	277,203
Operating Transfers In	32,467	14,202	199,583	4,512	-	250,764
Operating Transfers Out	(1,068,645)	(28,068)	(1,487)	(5,684)	(9,391)	(1,113,274)
Capital Leases Acquisitions	1,764	44	-	-	-	1,807
Installment Purchase Acquisitions	-	-	-	1,827	-	1,827
Total Other Financing Sources (Uses)	(1,034,414)	8,746	198,096	255,290	(9,391)	(581,673)

(Continued)

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds For the Fiscal Year Ended June 30, 1995

(Continued)

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	84,474	(21,160)	(3,822)	5,968	139,612	205,073
Fund Balances, Beginning of Year	(1,216,478)	334,748	4,227	24,016	1,469,033	615,545
Increase (Decrease) in Reserve for Inventories	1,959	180	-	-	-	2,139
Residual Equity Transfers In	3,521	-	-	-	-	3,521
Residual Equity Transfers Out	(2,198)	-	-	(52,936)	(3)	(55,137)
Fund Balances, End of Year	$ (1,128,722)	$ 313,768	$ 405	$ (22,952)	$ 1,608,642	$ 771,141

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

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - General and Special Revenue Funds For the Fiscal Year Ended June 30, 1995

(In Thousands)

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:						
Taxes	$ 7,708,879	$ 7,816,116	$ 107,237	$ 760,440	$ 760,440	$ -
Departmental	5,427,167	5,443,655	16,488	1,028,369	1,028,369	-
Total Revenues	13,136,046	13,259,771	123,725	1,788,809	1,788,809	-
Expenditures:						
Current:						
Commerce	203,874	155,008	48,865	31,381	11,004	20,377
Education	5,814,754	5,489,447	325,307	6,101	5,418	683
Environmental Resources	255,804	237,811	17,993	1,850,093	1,644,354	205,739
Human Relations and Resources	5,333,773	5,114,261	219,511	108,191	94,941	13,249
General Executive	454,310	397,256	57,054	9,923	3,666	6,257
Judicial	73,776	71,450	2,326	681	352	328
Legislative	51,717	50,840	876	-	-	-
General	1,579,953	1,578,375	1,577	12,502	12,502	-
Total Expenditures	13,767,959	13,094,450	673,509	2,018,872	1,772,238	246,634
Excess of Revenues Over (Under) Expenditures	$ (631,913)	165,322	$ 797,234	$ (230,063)	16,572	$ 246,634
Fund Balances, Beginning of Year		681,933			312,523	
Fund Balances, End of Year		$ 847,255			$ 329,095	

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

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/ Fund Balances - All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Units
For the Fiscal Year Ended June 30, 1995

(In Thousands)

	Proprietary Fund Types		Fiduciary Fund Types		Totals - Primary Government		Totals - Reporting Entity
	Enterprise	Internal Service	Nonexpendable Trust	Pension Trust	(Memorandum Only)	Component Units	(Memorandum Only)
Operating Revenues:							
Charges for Goods and Services	$ 828,161	$ 196,206	$ 131	$ -	$ 1,024,498	$ 10,821	$ 1,035,320
Investment and Interest Income	106,418	-	272	4,843,587	4,950,278	131,092	5,081,369
Contributions	391,247	-	-	1,005,492	1,396,739	-	1,396,739
Fines and Forfeitures	-	-	16,390	-	16,390	-	16,390
Other Income	4,200	2,197	583	-	6,980	1,366	8,346
Total Operating Revenues	1,330,026	198,403	17,377	5,849,079	7,394,885	143,279	7,538,164
Operating Expenses:							
Personal Services	201,790	37,893	-	-	239,683	8,361	248,044
Supplies and Services	382,773	102,051	-	28,478	513,302	10,952	524,254
Lottery Prize Awards	298,818	-	-	-	298,818	-	298,818
Depreciation	9,451	22,974	-	-	32,424	566	32,990
Benefit Payments	223,047	40,040	-	1,100,221	1,363,308	9,138	1,372,446
Interest Expense	54,255	-	-	-	54,255	116,065	170,320
Other Expenses	13,175	-	-	9,380	22,556	2,279	24,835
Total Operating Expenses	1,183,309	202,957	-	1,138,079	2,524,345	147,362	2,671,707
Operating Income (Loss)	146,717	(4,554)	17,377	4,711,000	4,870,540	(4,083)	4,866,457
Nonoperating Revenues (Expenses):							
Operating Grants	3,814	38	3	-	3,856	-	3,856
Investment and Interest Income	26,760	477	1	-	27,238	25,114	52,352
Gain (Loss) on Disposal of Fixed Assets	(683)	392	4	-	(287)	(5)	(292)
Interest Expense	(694)	(5,274)	-	-	(5,969)	-	(5,969)
Other Revenues	2,954	219	-	2,380	5,552	-	5,552
Other Expenses	(153,209)	-	-	-	(153,209)	-	(153,209)
Total Nonoperating Revenues (Expenses)	(121,059)	(4,148)	9	2,380	(122,819)	25,109	(97,710)
Income (Loss) Before Operating Transfers	25,658	(8,702)	17,385	4,713,380	4,747,721	21,026	4,768,747
Operating Transfers In	35,199	6,631	6,000	12,021	59,851	-	59,851
Operating Transfers Out	(24,905)	(5,695)	-	(12,031)	(42,631)	-	(42,631)
Net Income before Extraordinary Items	35,952	(7,766)	23,385	4,713,370	4,764,941	21,026	4,785,968
Extraordinary Items:							
Gain on Sale of Investment Bonds	2,135	-	-	-	2,135	-	2,135
Gain (Loss) from Extinguishment of Debt	(424)	(556)	-	-	(980)	(20)	(1,000)
Gain on Casualty Settlement	151	-	-	-	151	-	151
Net Income (Loss)	37,815	(8,322)	23,385	4,713,370	4,766,248	21,006	4,787,254

(Continued)

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/ Fund Balances - All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Units
For the Fiscal Year Ended June 30, 1995

(Continued)

	Proprietary Fund Types		Fiduciary Fund Types		Totals - Primary Government (Memorandum Only)	Component Units	Totals - Reporting Entity (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Pension Trust			
Retained Earnings/Fund Balances, Beginning of Year	16,409	(27,848)	314,137	28,623,560	28,926,258	181,242	29,107,500
Residual Equity Transfers Out	-	(167)	(21)	-	(188)	-	(188)
Retained Earnings/Fund Balances, End of Year	$ 54,224	$ (36,337)	$ 337,501	$ 33,336,929	$ 33,692,317	$ 202,248	$ 33,894,566

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

Combined Statement of Cash Flows - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units For Fiscal Year Ended June 30, 1995

(In Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Totals - Primary Government		Totals - Reporting Entity
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)	Component Units	(Memorandum Only)
Cash Flows from Operating Activities:						
Cash Receipts from Customers	$ 1,192,480	$ 191,062	$ 150	$ 1,383,692	$ 7,331	$ 1,391,023
Cash Payments to Suppliers for Goods and Services	(357,991)	(99,187)	-	(457,178)	(3,983)	(461,161)
Cash Payments to Employes for Services	(206,400)	(37,720)	-	(244,120)	(8,338)	(252,458)
Cash Payments for Lottery Prizes	(306,196)	-	-	(306,196)	-	(306,196)
Cash Payments for Loans Originated	(214,016)	-	(104,965)	(318,981)	(315,314)	(634,295)
Cash Payments for Benefits	(162,058)	(17,191)	-	(179,248)	(7,408)	(186,656)
Investment and Interest Income	55,447	-	8	55,455	120,247	175,702
Fines and Forfeitures	-	-	16,395	16,395	-	16,395
Collection of Loans	96,808	-	77,863	174,671	112,246	286,917
Other Operating Revenues (Expenses)	(38,217)	1,683	84	(36,449)	(5,825)	(42,274)
Other Sources (Uses) of Cash	756	47	-	803	2,565	3,368
Net Cash Provided (Used) by Operating Activities	60,614	38,693	(10,465)	88,842	(98,478)	(9,636)
Cash Flows from Noncapital Financing Activities:						
Operating Grants Receipts	3,852	41	3	3,896	-	3,896
Grants for Loans to Governments	36,165	-	-	36,165	-	36,165
Proceeds from Issuance of Long-term Debt	92,152	-	-	92,152	439,857	532,009
Retirement of Long-term Debt	(103,866)	-	-	(103,866)	(318,866)	(422,732)
Interest Payments	(54,577)	-	-	(54,577)	(110,222)	(164,799)
Interfund Loans	3,934	2,265	-	6,199	-	6,199
Interfund Loans Repaid	(4,104)	(3,791)	-	(7,895)	-	(7,895)
Interfund Advances	6,226	632	-	6,858	-	6,858
Operating Transfers In	38,410	6,807	6,000	51,218	-	51,218
Operating Transfers Out	(25,598)	(5,908)	-	(31,506)	-	(31,506)
Residual Equity Transfers In	55,041	132	-	55,173	-	55,173
Residual Equity Transfers Out	(3,500)	(167)	-	(3,667)	-	(3,667)
Other Cash Flows from Noncapital Financing Activities	(150,158)	1	-	(150,157)	(3,453)	(153,610)
Net Cash Provided (Used) by Noncapital Financing Activities	(106,024)	12	6,003	(100,009)	7,316	(92,693)
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Issuance of Long-term Debt	71	9,510	-	9,581	-	9,581
Proceeds from Capital Lease Reimbursements	-	4,356	-	4,356	-	4,356
Repayment of Long-term Debt	(470)	(5,148)	-	(5,619)	-	(5,619)
Interest Payments	(692)	(4,596)	-	(5,288)	-	(5,288)
Interfund Advances	-	(632)	-	(632)	-	(632)
Capital Lease Obligations	(119)	(16,303)	-	(16,422)	-	(16,422)
Proceeds from Sale of Fixed Assets	43	1,889	9	1,942	-	1,942
Payments for Purchase of Fixed Assets	(3,253)	(28,104)	-	(31,357)	(742)	(32,099)
Other Cash Flows from Capital Financing Activities	(186)	5,706	-	5,520	-	5,520
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,606)	(33,322)	9	(37,919)	(742)	(38,661)
Cash Flows from Investing Activities:						
Proceeds from Sale and Maturities of Investment Securities	95,318	-	11,689	107,007	433,613	540,620
Purchase of Investment Securities	(98,731)	-	(11,842)	(110,573)	(344,026)	(454,599)
Interest and Dividends Receipts	62,489	478	251	63,217	36,438	99,655
Net Cash Provided (Used) by Investing Activities	59,076	478	98	59,652	126,025	185,677
Net Increase (Decrease) in Cash and Cash Equivalents	9,060	5,861	(4,354)	10,567	34,121	44,687
Cash and Cash Equivalents, Beginning of Year	516,019	20,205	70,075	606,299	168,344	774,643
Cash and Cash Equivalents, End of Year	$ 525,079	$ 26,066	$ 65,721	$ 616,866	$ 202,465	$ 819,331

Reconciliation of Fiduciary Fund Type Cash and Cash Equivalents to the Combined Balance Sheet:

Nonexpendable Trust Fund	$ 65,721
Fiduciary Funds, Other Than Nonexpendable Trust Fund	4,971,908
Total Fiduciary Fund Type Cash and Cash Equivalents, End of Year	$ 5,037,629

(Continued)

Combined Statement of Cash Flows - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units For Fiscal Year Ended June 30, 1995

	Proprietary Fund Types		Fiduciary Fund Type	Totals - Primary Government		Totals - Reporting Entity
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)	Component Units	(Memorandum Only)
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations:						
Operating Income (Loss)	$ 146,717	$ (4,554)	$ 17,377	$ 159,540	$ (4,083)	$ 155,457
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	9,451	22,974	-	32,424	572	32,996
Amortization	1,191	-	-	1,191	2,683	3,874
Provision for Uncollectible Accounts	98	-	-	98	10	108
Operating Income (Investment Income) Classified as Investing Activity	(49,597)	-	(264)	(49,861)	(10,754)	(60,615)
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	53,134	-	-	53,134	112,528	165,662
Operating Expense Related to Noncash Contribution	-	-	(448)	(448)	-	(448)
Miscellaneous Nonoperating Income (Expense)	(5,526)	47	-	(5,479)	-	(5,479)
Changes in Assets and Liabilities:						
Decrease (Increase) in Receivables	(112,397)	(552)	(56,764)	(169,713)	(201,908)	(371,621)
Decrease (Increase) in Due from Other Funds	84	(4,767)	29,685	25,001	-	25,001
Decrease (Increase) in Due from Other Governments	(1,037)	(489)	-	(1,526)	-	(1,526)
Decrease (Increase) in Inventories	(775)	(538)	-	(1,314)	-	(1,314)
Decrease (Increase) in Prepaid Items	(1,039)	(250)	-	(1,289)	-	(1,289)
Decrease (Increase) in Deferred Charges	(4)	-	-	(4)	-	(4)
Decrease (Increase) in Other Assets	216	-	-	216	258	474
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(9,164)	2,952	-	(6,212)	1,643	(4,569)
Increase (Decrease) in Compensated Absences	246	90	-	335	-	335
Increase (Decrease) in Due to Other Funds	(23,592)	207	(51)	(23,436)	(2)	(23,438)
Increase (Decrease) in Due to Other Governments	3,050	16	-	3,066	-	3,066
Increase (Decrease) in Tax and Other Deposits	1,002	-	-	1,002	-	1,002
Increase (Decrease) in Deferred Revenue	(11,317)	395	-	(10,922)	(1,156)	(12,078)
Increase (Decrease) in Interest Payable	(114)	-	-	(114)	-	(114)
Increase (Decrease) in Future Benefits and Loss Liabilities	59,988	23,164	-	83,152	1,731	84,882
Total Adjustments	(86,103)	43,247	(27,842)	(70,698)	(94,396)	(165,093)
Net Cash Provided by Operating Activities	$ 60,614	$ 38,693	$ (10,465)	$ 88,842	$ (98,478)	$ (9,636)
Noncash Investing, Capital and Financing Activities:						
Capital Leases (Initial Year):						
Fair Market Value	$ -	$ 4	$ -	$ 4	$ -	$ 4
Current Year Cash Receipts (Payments)	-	(1)	-	(1)	-	(1)
Contributions/Transfer In (Out) of Fixed Assets	4,759	374	448	5,580	-	5,580
Other	(686)	(285)	-	(971)	-	(971)

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

Combined Statement of Current Funds Revenues, Expenditures, and Other Changes - University of Wisconsin System
For the Fiscal Year Ended June 30, 1995

(In Thousands)

	Unrestricted	Restricted	Totals
Revenues:			
Tuition and Fees	$ 445,760	$ -	$ 445,760
Federal Appropriations	16,283	-	16,283
Federal Grants and Contracts	71,303	264,640	335,943
State Grants and Contracts	23	19,861	19,883
Local Grants and Contracts	16	7,607	7,623
Private Gifts, Grants and Contracts	5,953	164,344	170,297
Endowment Income	936	1,221	2,157
Sales and Services of Educational Activities	129,162	197	129,359
Sales and Services of Auxiliary Enterprises	178,430	-	178,430
Sales and Services of Hospitals	297,682	-	297,682
Other Sources	105,058	2,511	107,569
Total Revenues	1,250,606	460,380	1,710,986
Expenditures and Mandatory Transfers:			
Educational and General:			
Instruction	600,476	43,286	643,762
Research	112,864	289,020	401,884
Public Service	131,366	33,006	164,372
Academic Support	185,441	6,373	191,814
Farm Operations	9,171	-	9,171
Student Services	148,540	9,634	158,173
Institutional Support	121,422	2,835	124,257
Operation and Maintenance of Plant	131,558	62	131,620
Financial Aid	79,051	71,505	150,556
Total Educational and General	1,519,889	455,721	1,975,611
Auxiliary Enterprises	169,708	37	169,746
Hospitals	270,433	3,353	273,786
Mandatory Transfers:			
Debt Service on Academic Facilities	67,130	667	67,797
Debt Service on Self-Amortizing Facilities	8,208	952	9,160
Debt Service on Hospital Facilities	4,181	-	4,181
Student Loan Matching	828	-	828
Total Mandatory Transfers	80,347	1,619	81,966
Total Expenditures and Mandatory Transfers	2,040,378	460,730	2,501,109
Other Transfers, Additions (Deductions):			
Operating Transfers	845,257	350	845,608
Excess of Restricted Receipts Over Expenditures	-	20,669	20,669
Nonmandatory Transfers	(39,171)	(18,844)	(58,015)
Other	(226)	(69)	(295)
Net Other Transfers, Additions (Deductions)	805,861	2,106	807,967
Prior Period Adjustments	2,295	8,900	11,195
Net Increase in Fund Balance	$ 18,384	$ 10,656	$ 29,040

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

Combined Statement of Changes in Fund Balances - University of Wisconsin System For the Fiscal Year Ended June 30, 1995

(In Thousands)

	Current Funds				Plant Funds		
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Capital Projects	Retirement of Indebtedness	Net Investment in Plant
Revenues and Other Additions:							
Unrestricted Current Funds Revenues	$ 1,250,606	$ -	$ -	$ -	$ -	$ -	$ -
Grants and Contracts	-	336,836	-	-	-	-	-
Restricted Gifts Received	-	206,419	449	2,104	-	-	-
Investment Income - Restricted	-	2,524	25	-	-	100	-
Endowment Income - Restricted	-	4,076	160	-	-	-	-
Proceeds from Sale of Bonds	-	-	-	-	48,461	-	-
U.S. Government Reimbursement of Loan Fund Cancellations	-	-	489	-	-	-	-
Delinquent Loan and Collection Penalty	-	-	565	-	-	-	-
U.S. Government Advances	-	-	2,578	-	-	-	-
Interest Received on Loan Repayments and Investment of Loan Funds Cash Balances	-	-	4,355	-	-	-	-
Gain on Sale of Securities	-	-	-	2,561	-	-	-
Expended for Plant Facilities	-	-	-	-	-	-	58,815
Gifts-in-Kind	-	-	-	-	-	-	9,491
Notes and Bonds Retired	-	-	-	-	-	-	54,641
Equipment Additions (Net)	-	-	-	-	-	-	100,256
Amortization of Bond Discount	-	-	-	-	-	-	1,319
Other Additions	-	3	-	-	42	-	-
Total Revenues and Other Additions	1,250,606	549,858	8,620	4,665	48,503	100	224,521
Expenditures and Other Deductions:							
Current Funds Expenditures	1,960,031	459,112	-	-	-	-	-
Indirect Costs Recovered	-	68,805	-	-	-	-	-
Loan Cancellations and Write-offs	-	-	1,914	-	-	-	-
Administrative Allowances-Perkins Loans	-	-	889	-	-	-	-
Loan Collection Expense	-	-	907	-	-	-	-
Notes and Bonds Issued	-	-	-	-	-	-	57,869
Expended for Plant Facilities	-	-	-	-	81,797	-	-
Disposal of Plant Facilities	-	-	-	-	-	-	34,979
Retirement of Indebtedness	-	-	-	-	-	52,092	-
Interest on Indebtedness	-	-	-	-	-	36,747	-
Other Deductions	226	72	22	-	1,494	3	-
Total Expenditures and Other Deductions	1,960,257	527,989	3,732	-	83,290	88,843	92,847

(Continued)

Combined Statement of Changes in Fund Balances - University of Wisconsin System For the Fiscal Year Ended June 30, 1995

(Continued)

	Current Funds				Plant Funds		
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Capital Projects	Retirement of Indebtedness	Net Investment in Plant
Transfers Among Funds:							
Operating Transfers In (Out) from General Fund	845,257	350	94	-	(526)	1,293	-
Mandatory Transfers:							
Debt Service on Academic Facilities	(67,130)	(667)	-	-	-	67,797	-
Debt Service on Self-Amortizing Facilities	(8,208)	(952)	-	-	-	9,160	-
Debt Service on Hospital Facilities	(4,181)	-	-	-	-	4,181	-
Student Loan Matching	(828)	-	828	-	-	-	-
Nonmandatory Transfers	(39,171)	(18,844)	(117)	3,091	-	22,886	32,155
Net Transfers Among Funds	725,739	(20,113)	806	3,091	(526)	105,318	32,155
Fund Balance Adjustments:							
Capital Lease Assets and Obligation	-	-	-	-	-	-	(374)
Net Fund Balance Adjustments	-	-	-	-	-	-	(374)
Net Increase (Decrease) for the Year	16,089	1,756	5,694	7,756	(35,314)	16,575	163,454
Fund Balances, Beginning of Year	237,846	42,661	146,940	135,953	41,050	49,436	2,711,601
Prior Period Adjustments	2,295	8,900	-	-	(108)	4,184	16,985
Fund Balances, Beginning of Year Restated	240,141	51,561	146,940	135,953	40,942	53,620	2,728,585
Fund Balances, End of Year	$ 256,230	$ 53,317	$ 152,634	$ 143,709	$ 5,628	$ 70,195	$ 2,892,040

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying general purpose financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Government Accounting Standards Board (GASB). The financial statements of the University of Wisconsin System have been prepared in conformity with 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.

B. Financial Reporting Entity

For GAAP purposes, the State of Wisconsin includes all funds, account groups, elected offices, departments and agencies of the State, as well as boards, commissions, authorities and universities over which the State's executive, legislative or judicial branches exercise oversight responsibility. The State has also considered all potential "component units" for which it is financially accountable, and other organizations for which the nature and significance of their relationship 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,* which 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.

Based upon the application of the criteria contained in GASB Statement No. 14, the Wisconsin Public Broadcasting Foundation, Inc. is reported as a blended component unit; and the Wisconsin Housing and Economic Development Authority and the Wisconsin Health Care Liability Insurance Plan 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.

Blended Component Units

Blended component units are entities which are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. 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 ECB operates a network of television and radio stations. The Foundation solicits funds in the name of, and with the approval of, the ECB. The Foundation's funds are managed by a five member board of trustees consisting of the executive director of the ECB and four members of the ECB board. In addition to accountability for fiscal matters, the State has the ability to significantly influence operations of the Foundation through legislation. The Foundation is reported as an enterprise fund.

Discrete Component Units

These component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units column of the combined financial statements include financial data of these entities. One of the component units reports on a fiscal year ended December 31.

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 which include financing for farmers and for economic development projects. While the Authority receives no State tax dollars for its bond-supported programs and the State is not liable on bonds the Authority issues, the State has the ability to significantly influence operations of the Authority through legislation. The State appoints the Authority's Board and has the ability to impose its will on the Authority.

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.

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.

C. Fund Structure

The State uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly effect net expendable available financial resources.

The financial activities of the State are recorded in the fund types and account groups identified below.

Governmental Fund Types

General Fund - the primary operating fund of the State used to account for all financial transactions except those required to be accounted for in another fund.

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are legally restricted for specified purposes.

Capital Projects Funds - used to account for the acquisition or construction of major State-owned capital facilities.

Debt Service Funds - used to account for the accumulation of resources for, and the payment of, principal, interest and related costs of general long-term obligations.

Proprietary Fund Types

Enterprise Funds - used to account for operations where the State's intent is that the cost of providing goods or services to the general public be financed or recovered primarily through user charges or where the periodic determination of net income is appropriate for capital maintenance, management control, public policy, accountability or other purposes.

Internal Service Funds - used to account for the operations of State agencies which render services or provide goods to other State units on a cost-reimbursement basis.

Fiduciary Fund Types

Trust and Agency Funds - used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) expendable trust funds, (b) nonexpendable trust funds, (c) pension trust funds and (d) agency funds.

Account Groups

General Fixed Assets Account Group - used to account for fixed assets of the State not accounted for in specific proprietary or trust funds.

General Long-term Debt Account Group - used to account for the unmatured general long-term liabilities of the State, except for debt accounted for directly in proprietary or trust funds.

University Funds

The University of Wisconsin System is comprised of 13 State-owned universities, 13 university centers, the University of Wisconsin Extension and the System Administration. The accounts of the University of Wisconsin System are maintained in accordance with the concept of fund accounting; resources are segregated for control purposes in discrete funds in accordance with specified activities or objectives. Separate accounts are maintained for each fund. Funds are classified into the five groups described below. Included in these funds are the accounts of the Wisconsin State Colleges Building Corporation and the Wisconsin University Building Corporation. These corporations were established by the Wisconsin Legislature as a means for financing capital improvements at a time when the State Constitution prohibited the contracting on public debts. These corporations were empowered to borrow money to construct, equip and furnish buildings, structures, facilities and permanent improvements for the University of Wisconsin and the former State Universities. Upon debt retirement, the corporations deed the property titles to the State.

Also included in these funds as a blended component unit is the University Medical Center Corporation. This corporation, while legally separate, is so intertwined with the University of Wisconsin System, that they are, in substance, the same as the University of Wisconsin System.

Current Funds - are those resources which are available for current operating purposes. They are further designated as either "Unrestricted" or "Restricted." Unrestricted current funds consist of those funds over which the governing board retains full control for use in achieving its authorized institutional purposes. Restricted current funds are limited to specific purposes, programs or departments as specified in agreements with donors or agencies external to the University of Wisconsin System.

Loan Funds - consist of federal or institutional resources available for loans to students.

Endowment and Similar Funds - are funds with respect to which donors have stipulated as a condition of the gift, or management has determined, that the principal is to be maintained inviolate and invested for the purpose of producing income. Investment earnings on the principal amount are reported as endowment income in Current Funds and Loan Funds. Investment earnings and gifts which the governing board, rather than a donor, has elected to retain and invest are transferred into the Endowment and Similar Funds group.

Plant Funds - are resources invested in and available for the acquisition of capital assets. Plant Funds are reported in three sub-groups: accounts related to current capital projects; resources associated with the retirement of indebtedness; and the investment in plant, including land, buildings and equipment.

Agency Funds - consist of deposits held by the University of Wisconsin System on behalf of student organizations, individual students or faculty members. University of Wisconsin System institutions act solely as an agent in handling these funds and transactions do not effect the operating statements.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds 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 current assets.

Proprietary funds, nonexpendable trust funds, pension trust funds, and discretely presented component units are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases, i.e., revenues, and decreases, i.e., expenses, in net total assets.

Governmental funds, expendable trust funds and agency funds are reported on the modified accrual basis of accounting. This basis of accounting recognizes revenues when they become measurable and available to pay current reporting period liabilities. Material revenue sources susceptible to accrual include individual and corporate income taxes, sales taxes, public utility taxes, motor fuel taxes and federal revenues. Individual and corporate income taxes, sales taxes and other taxes received in July and August that relate to the prior fiscal year are accrued for that fiscal year ended June 30.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. Modifications include:

- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments of principal and interest to be made early in the following year.

- Employes' vested annual leave, compensatory time, personal holiday hours, Saturday/legal hours and sick leave are recorded as expenditures when utilized. Accumulated annual leave, compensatory time, personal holiday hours and Saturday/legal time and the long-term portion of accumulated sick leave unpaid at June 30, 1995 have been reported in the General Long-term Debt Account Group. (See Note 1-O to the financial statements.)
- Inventories are reported as expenditures when purchased. (See Note 1-I to the financial statements.)

Proprietary, nonexpendable trust and pension trust funds are reported on the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

In reporting the financial activity of its proprietary funds, 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 Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The University of Wisconsin System's financial statements are reported on an accrual basis except that depreciation of the plant assets is not recorded, and Endowment and Similar Funds earnings are not accrued. In addition, accruals related to general obligation bond debt in the Plant Funds are not recorded, and revenues and expenditures of an academic term that spans two fiscal years are reported totally within the fiscal year in which the program is predominantly conducted.

E. Budgets

The State's biennial budget is prepared primarily 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, Division of Executive Budget and Finance, 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 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 also 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 revenues 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 in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis).

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. However, for continuing program revenue and segregated revenue appropriations, the amounts in the adopted budget are only an estimate of probable expenditures for the year. State statutes limit actual expenditures to the amount of available revenues. Consequently, for these types of appropriations, reported budgeted expenditures equal the amount of revenues received during the year plus any balances carried forward from the previous year. 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 the 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.

Budgets are required by State law for the statutorily defined General Fund, and certain special revenue and trust funds. The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. In addition, the State's biennial budget is developed according to the statutory required fund structure which differs extensively from the fund structure used in the nonbudgetary financial statements. This difference is primarily caused by the elimination of the University of Wisconsin System, and various fiduciary, proprietary and other governmental fund category activity from the statutory General and Special Revenue funds. Consequently, a reconciliation between budgetary basis and GAAP basis is provided in Note 2 to the financial statements.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) reports expenditures by function for the General Fund and all budgetary special revenue funds. While budgetary control for the reported funds is maintained at the appropriation level 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.

The Capital Projects funds and Debt Service funds are not included in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis). A comprehensive budget is not approved for the Capital

Projects funds. Debt service expenditures reported in the Debt Service funds are budgeted through appropriations in the General Fund and the Special Revenue funds. The Operating Transfers In of $199.4 million reported in the Bond Security and Redemption Fund of the Debt Service funds primarily represent the appropriations from these other funds.

The legal level of budgetary control for Wisconsin is at the function, agency, program, line-item (i.e., appropriation) level. Expenditure control is monitored through the use of allotments. Allotments are required for all appropriations and are utilized to establish spending limits. The State Controller's Office reviews all expenditures to ensure compliance with these spending guidelines. Initial allotments are prepared by the Division of Executive Budget and Finance with input from State agencies. 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.

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 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.

Encumbrance accounting is utilized in the General, Special Revenue, Capital Projects, and Trust funds and the University of Wisconsin System. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances may be carried over to the next fiscal year as a revision to the budgetary appropriation with Department of Administration approval. 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.

F. Cash and Cash Equivalents

Cash balances of most funds are deposited with the State Treasurer where the available balances beyond immediate needs are pooled in the State Investment Fund for short-term investment purposes. Balances pooled are restricted to legally stipulated investments valued at amortized cost. Cash balances not controlled by the State Treasurer may be invested where permitted by statute.

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

G. Investments

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 3 to the financial statements).

Investments are generally stated at the lower of cost or market, or amortized cost, depending on the fund type, except for the Fixed Retirement Investment Trust Fund and the Variable Retirement Investment Trust Fund whose investments are stated at market in accordance with Wis. Stat. Sec. 25.17(14), and the State's Deferred Compensation Plan whose investments are stated at market.

H. Interfund Receivables/Payables

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 Loans Receivable" or "Interfund Loans Payable." Long-term interfund loans are classified as "Advances to Other Funds" and "Advances from Other Funds." The Fixed Retirement Investment Fund’s share of combined stock equity securities reported in the Variable Retirement Investment Fund is classified as “Investment in Variable Retirement Investment Fund”. A corresponding amount is classified as “Investment Due Fixed Retirement Investment Fund” in the Variable Retirement Investment Fund.

I. Inventories

Inventories of governmental and proprietary funds are valued at cost, which approximates market, using the first-in/first-out or weighted-average method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation.

Inventories of the University of Wisconsin System held by central stores are valued at average cost, fuels are valued using the first-in/first-out method, 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.

J. Fixed Assets

General fixed assets are recorded as expenditures in the governmental funds and capitalized in the General Fixed Assets Account Group and are valued at cost or estimated historical cost if historical cost is not practicably determinable. Donated fixed assets are recorded at their fair value at the time received. Of the $1,353 million total fixed assets at June 30, 1995, 63 percent were valued using historical cost and 37 percent were valued using estimated historical cost. Public domain (infrastructure) fixed assets such as highways, bridges and rights of way are not capitalized. In addition, interest is not capitalized on constructed general fixed assets. General fixed assets are not depreciated.

Proprietary and similar trust fund fixed assets are valued at cost or estimated historical cost if cost is not practicably determinable. Donated fixed assets are valued at their fair value at the time received. In accordance with Financial Accounting Standards Board (FASB) Statement No. 62, the State has adopted the policy of capitalizing net interest costs on funds borrowed to finance the construction of fixed assets, where appropriate.

Straight-line depreciation is taken on fund fixed assets with the following estimated useful lives:

Buildings and improvements	5 - 40 years
Equipment, machinery and furnishings	2 - 25 years

Fixed assets of the University of Wisconsin System are reported at cost at date of acquisition. Donated fixed assets are reported at fair value at the time received. Fixed assets of the University of Wisconsin System are not depreciated.

K. Mortgage and Other Loans

Mortgage loans of the Wisconsin Housing and Economic Development Authority, a component unit, are carried at their principal balance. Loan origination fees and associated costs are deferred and recognized as income over the life of the loan using the effective interest method.

Mortgage loans of the Veterans Mortgage Loan Repayment Bonds program, an enterprise fund, 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.

L. Deferred Charges

The most significant deferred charges are debt issuance costs. Significant deferred charges for the State include:

Debt issuance costs of the Wisconsin Housing and Economic Development Authority, a component unit, are amortized ratably over the life of the obligations to which they relate.

Issuance costs relating to revenue obligations of the Clean Water Fund, an enterprise fund, were capitalized and are being amortized using the straight-line method. 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.

Issuance costs relating to general obligation bonds of the Veterans Mortgage Loan Repayment Fund, an enterprise fund, are 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.

The University of Wisconsin System's debt issuance costs are 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 method.

M. Deferred Revenue

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.

The majority of the $459.9 million deferred revenues presented in the accompanying financial statements consists of $335.9 million reported within the General Fund. This amount includes $271.0 million relating to tax revenues received in advance of the year in which earned.

Deferred revenues of the University of Wisconsin System consist of payments received but not earned at June 30, 1995, primarily for summer session tuition and tuition and room deposits for the next fall term.

N. 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, 1995, 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 which are within the State's fiscal year. The result is that a liability of $506.3 million representing one-half of the total appropriated amount is reported at June 30, 1995 as Due To Other Governments.

State Property Tax Credit Program

At June 30, 1995, 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, 1995.

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, 1995.

The aggregated State Property Tax Credit Program liability of $254.4 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 1995 property tax bills, the State made this payment in March 1995.

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 which ends on December 31. Therefore, part of the March distribution represents an expense of the State in fiscal year 1995, while the remaining portion represents a prepaid item. The resulting Prepaid Item reported within the Lottery Fund totals $27.0 million at June 30, 1995.

O. 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

Employes' annual leave days are credited on January 1 of each calendar year at a minimum of 10 days per year. There is no requirement to use annual leave. However, unused leave is lost unless approval to carry over the unused portion is obtained from the employing agency. Compensatory time accumulates for eligible employes for hours worked in excess of forty hours per week. Each full-time employe is eligible for three personal holidays each calendar year, provided the employe is in pay status for at least one day in the year. If a holiday occurs on a Saturday, employes 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 General Long-term Debt Account Group for all governmental fund types and similar trust funds. These unpaid amounts will be paid from expendable resources provided for in the budget of future years. In the proprietary fund types and similar trust funds, component units, and the University of Wisconsin System, the obligation is reported as a current liability.

Sick Leave

Full-time employes earn sick leave at a rate of four 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 employe retirement the accumulated sick leave may be converted to pay for the retiree's health insurance premiums. The short term portion of the obligation for the payment of health insurance premiums of retired employes is presented in the Accumulated Sick Leave Fund, an expendable trust fund, while the remaining portion is reported in the General Long-term Debt Account Group.

P. Restricted Assets

Proprietary Fund and component unit assets required to be held and/or used as specified in bond indentures and bond resolutions have been reported as Restricted Assets. These assets are classified into two categories: Cash and Cash Equivalents, and Investments.

Q. 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 employe, and worker's compensation costs for State employes. 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).

R. 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 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.

S. Arbitrage Rebate

Arbitrage, as it applies to government financing, refers to the ability of governments to obtain funds at a tax-exempt rate of interest and to then invest those funds in investments which earn higher yields, resulting in a profit to the issuer. The arbitrage rebate rules require that any earnings from the investment of the tax-exempt bond proceeds which exceed the yield on the bonds be remitted to the federal government.

The State treats rebatable arbitrage as a reduction of revenue because the probability of future remitable arbitrage payments is indeterminable and the potential liability cannot be readily measured.

T. Total Columns - Memorandum Only

Total columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2. BUDGETARY-GAAP REPORTING RECONCILIATION

The accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - General and Special Revenue Funds presents comparisons of the legally adopted budget (more fully described in Note 1-E to the financial statements) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of basis, timing, perspective and entity differences in the fund balance as of June 30, 1995 is presented below (in thousands):

	General	Special Revenue
Fund balance June 30, 1995 (budgetary basis - budgetary fund structure) as reported on budget to actual combined statement	$ 847,255	$ 329,095
Reclassifications:		
To reclassify activities reported in another GAAP fund type	(341,334)	47,455
Fund balance June 30, 1995 (budgetary basis - GAAP fund structure)	505,921	376,550
Adjustments:		
To adjust expenditures for the municipal and county shared revenue program	(506,309)	
To adjust expenditures for State property tax credit program	(254,386)	
To accrue/defer revenues for individual income taxes (net)	(295,516)	
To defer revenues for gross receipts public utility taxes	(243,384)	
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(182,516)	(10,799)
To accrue unpaid Medicaid claims (net of receivable from federal government)	(88,489)	
To adjust expenditures/revenues for certain major Health and Social Services accruals and deferrals (net)	(53,385)	
To adjust revenues and expenditures for other items (net)	(10,657)	(51,983)
Fund balance June 30, 1995 (GAAP basis)	$ (1,128,722)	$ 313,768

NOTE 3. DEPOSITS AND INVESTMENTS

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

A. Deposits

Primary Government

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

The State's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and an appropriation for losses on public deposits. The State, as required by Wis. Stat. Sec. 34.08, is to make payments to public depositors for proofs of loss up to $400 thousand per depositor above the amount of federal insurance. Payments are made, until the funds available in the appropriation are exhausted, in the order in which satisfactory proofs of loss are received by the State's Commissioner of Banking.

At June 30, 1995, the carrying amount of the primary government deposits was $(6.8) million and the bank balance was $253.4 million. Of the bank amount, $9.7 million was covered by federal depository insurance, the State Public Deposit Guarantee Fund or collateralized with securities held by the State or its agent in the State's name, and $4.1 million was collateralized with securities held by the counterparty or by its trust department or agent in the State's name, and $239.6 million was uncollateralized and uninsured.

Component Units

At June 30, 1995, the carrying amount of the component unit's deposits was $2.0 million and the bank balance was $1.9 million of which $1.9 million was uncollateralized and uninsured.

B. Investments

Primary Government

State Investment Fund

This fund functions as the State's cash management fund by "pooling" the idle cash balances of all State funds. In the State's Comprehensive Annual Financial Report, the State Investment Fund is not reported as a separate fund; rather, each fund's share in the "pool" is reported on the balance sheet as "Cash and Cash Equivalents."

Wis. Stat. Secs. 25.17(3)(b), (ba) and (bd) enumerate the various types of securities in which the State Investment Fund can invest, which include direct obligations of the United States and Canada, securities guaranteed by the United States, unsecured notes of financial and industrial issuers, Yankee/Euro dollar issues, certificates of deposit issued by banks in the United States and solvent financial institutions in this State. Any other investments must be approved by the State of Wisconsin Investment Board's Board of Trustees. The Board of Trustees has authorized the investment in financial futures contracts, options and interest rate swaps.

Derivative Financial Instruments

As of June 30, 1995, the State of Wisconsin Investment Board utilized various derivative financial instruments, including interest rate swap agreements, options, structured bonds with interest rate and redemption value altering components, and interest only strips, for the purpose of increasing yield in the fund. Derivative transactions involve, to varying degrees, market and credit risk.

Interest Rate Swap Agreements - As of June 30, 1995, the fund held a variety of types of interest rate swap agreements. Each swap transaction involves the exchange of interest rate payment obligations without the exchange of underlying principal amounts. The notional amounts used to express the volume of these transactions do not represent the amounts subject to risk, but represent the amount on which both parties calculate interest rate obligations. The settlement of the interest rate exchange occurs at predetermined dates, with the net difference between the interest paid and interest received reflected as an increase in income. Entering into interest rate swap agreements subjects the fund to the possibility of financial loss in the event of adverse changes in market rates or nonperformance by the counterparty to the swap agreement. Credit risks arising from derivative transactions are mitigated by selecting creditworthy counterparties.

The fund held seven bonds with swap agreements attached. These bonds had an estimated fair value of $178.6 million and a carrying value of $181.4 million. In addition, the fund held three interest rate swap agreements, with notional amounts aggregating $70.0 million, that were not attached to a bond. The market value of the three swap agreements totaled $3.7 million at June 30, 1995.

Restructured Investments - During the fiscal year, the State of Wisconsin Investment Board became aware of the existence of market exposure in certain swap agreements and structured bonds which could impair the earnings of the fund. In one case, a $10.0 million notional value swap agreement, which contained exposure to Mexican interest rates, included a leverage factor which caused a very high rate of market volatility. In another case, structured bonds with a par value of $58.0 million were found to have a potential loss of principal because the redemption values were linked to foreign currency rates.

In March 1995, the State of Wisconsin Investment Board entered into agreements with two counterparties which resulted in the counterparties' assumption of all future market risk associated with ten swap agreements and two structured bonds. At the time of the agreement the counterparties assigned a market value to these investments of negative $95.3 million. Within this restructuring, one swap agreement requires periodic payments over a period of ten years, while the other agreement requires periodic payment of the loss over a period of five years. Interest costs associated with the periodic payment of the loss over time is estimated to be $35.0 million. Future period earnings will be charged as payments are made.

Various parties, under the direction of the Board of Trustees, evaluated the appropriateness of original derivatives that were considered high risk, and determined that several of the positions were not in compliance with the Board of Trustees investment guidelines. The State of Wisconsin Investment Board has suspended the use of nonrisk reducing derivatives in the fund and investment guidelines prohibiting the use of such instruments were adopted by the Board on November 2, 1995.

Structured Bonds - The fund also holds high grade securities totaling $181.9 million carrying value ($165.6 million market) that have foreign interest rate altering components.

Options - As of June 30, 1995, the fund owned three call options on various foreign interest rates and one put option. The acquisition of the call options provides the fund with enhanced earnings in the event of an interest rate decline in the foreign markets. The put option gives the fund greater liquidity through the right to sell Treasury notes. These options were of minimal market value on June 30, 1995, and had maturities of less than one year. There is no market risk associated with owning these instruments beyond the initial cost of their purchase.

Interest Only Strips - The fund on occasion invests in interest only strips, which are a form of asset-backed or mortgage-backed securities. At June 30, 1995, six of these securities were held with a carrying value of $31.5 million and a market value of $24.9 million. These securities are based on cash flows from interest payments on underlying consumer credit card debt and mortgages. Therefore, they are sensitive to prepayments by card holders and mortgagees, which may result from a decline in interest rates or other factors. For example, if interest rates decline and underlying debt is refinanced, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if debt is paid off over a period longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

Deposits

The State Investment Fund holds certificates of deposit at various Wisconsin banks as part of the Wisconsin Certificate of Deposit Program implemented in July 1987. As of June 30, 1995, the carrying value of these certificates of deposit was $77.4 million ($77.4 million market value).

Approximately $62.6 million are Category 1 risk level deposits which are insured by the FDIC, the Wisconsin State Deposit Guarantee Fund and Financial Securities Assurance Corporation insurance. The remaining $14.8 million are Category 3 risk level deposits.

Investments

All investments are valued at amortized cost for purposes of calculating income to participants.

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

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

At June 30, 1995, the State Investment Fund's investments are as follows (in millions):

	Category 1	Category 2	Category 3	Carrying Amount	Market Value
U.S. government and agency holdings	$ 1,992.2	--	--	$ 1,992.2	$ 2,002.9
Securities purchased under resale agreements	1,355.0	--	--	1,355.0	1,355.0
Commercial paper and nonsecured corporate notes and bonds	352.1	--	--	352.1	340.2
Asset backed securities	519.3	--	--	519.3	514.7
Mortgage backed securities	262.5	--	--	262.5	258.8
Restructured notes	48.0			48.0	16.1
Yankee/Euro dollar issue	126.9	--	--	126.9	122.3
	$ 4,656.0	--	--	4,656.0	4,610.0
Options				--	(0.6)
Interest rate swaps				--	(69.8)
Certificates of deposit				77.4	77.4
				$ 4,733.4	$ 4,617.0

Market 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 market makers for such securities.

Repurchase agreements are collateralized at 102 percent in government or agency securities with a maturity of ten years or less, certificates of deposits and bankers acceptances meeting investment criteria. Reverse repurchase agreements outstanding at any one time shall not exceed $100 million, shall be individually limited to 90 days, and shall be done with dealers and dealer banks approved by the Federal Reserve Open Market Desk.

Other Funds Managed by the Board

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

Fixed Retirement Investment Fund - This trust is a pooled fund consisting of retirement contributions made by and on behalf of participants in the Wisconsin Retirement System (WRS).

At June 30, 1995, the investments of the Fixed Retirement Investment Fund totaled $12,208.7 million, consisting of bonds, limited partnerships, participation agreements, mortgages, real estate, and privately placed common and preferred stocks which are valued at market, in accordance with Wis. Stat. Sec. 25.17(14).

Valuation methods vary depending on the type of asset being valued. 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.

Type of Investment	Valuation Method
Bonds	Quoted market prices
Limited Partnerships	Audited financial statements
Mortgages and Private Placements	Barra US Fixed Income Analysis Service
Real Estate	External appraisal or real estate advisor's certificate of value

Variable Retirement Investment Fund - This fund consists of retirement contributions for participants in the WRS. The Variable Retirement Investment Fund consists primarily of common stocks and bonds convertible into common stock, although there may temporarily be other types of investments. All securities, totaling $20,307.6 million, are valued at market at June 30, 1995.

Local Government Property Insurance, State Life Insurance, and Patients Compensation Funds - At June 30, 1995, investments of the funds were $7.5 million for the Local Government Property Insurance Fund, $49.4 million for the State Life Insurance Fund, and $299.1 million for the Patients Compensation Fund, consisting of bonds and mortgages which are valued at amortized cost.

Historical Society Nonexpendable Trust Fund - At June 30, 1995, investments of $5.3 million consisted of bonds valued at the lower of cost or market value and stocks valued at cost.

The following table presents investments of these funds at June 30, 1995, categorized in accordance with the requirements of GASB Statement No. 3.

At June 30, 1995, the Other Funds Managed by the Board investments consisted of (in millions):

	Category 1	Category 2	Category 3	Carrying Amount	Market Value
Bonds	$ 7,500.7	$ --	$ --	$ 7,500.7	$ 7,517.8
Stocks	18,491.5	--	--	18,491.5	18,491.9
Other investments	70.6	--	11.6	82.2	82.2
	$ 26,062.8	$ --	$ 11.6	26,074.4	26,091.9
Private placements				2,907.0	2,909.5
Limited partnerships				1,374.1	1,374.1
Pooled equities				1,887.2	1,887.2
Mortgages				176.0	176.0
Real estate				350.7	350.7
Commingled real estate				130.9	130.9
Options				1.0	1.0
Swaps				(23.6)	(23.6)
				$ 32,877.7	$ 32,897.7

Additional income is generated for participants by loaning securities to approved brokers who are paid a rebate through the State of Wisconsin Investment Board's custody bank, Mellon Trust, who serves as the lending agent. The securities are collateralized by cash for at least 102 percent of the loaned securities market value. The cash collateral is reinvested by Mellon Trust in accordance with contractual investment guidelines which are designed to insure safety of principal and obtain a moderate rate of return. These investment guidelines include very high credit quality standards and also allow for a portion of the collateral investment to be invested with short-term securities. The earnings generated from the collateral investments, less the amount of rebates paid to the dealers, results in the gross earnings from lending activities, which is then split on a percentage basis with Mellon Trust.

During the year, sharply rising short-term interest rates resulted in reduced earnings from the collateral investments, an impairment of the market value of the collateral investments, and a projection of impaired future earnings as a result of intermediate-term maturity investments within the Board's collateral account. On November 28, 1994 Mellon Trust announced a unilateral decision to immediately reduce the interest rate sensitivity of their clients' securities lending collateral investments from the effects of sharply rising interest rates, thereby eliminating any impairment of collateral value and projected future earnings resulting from previous investment decisions. As of June 30, 1995, the market value of the securities on loan for the above funds was $1,706.3 million.

Derivative Financial Instruments in the Retirement Funds

As of June 30, 1995, the State of Wisconsin Investment Board utilized various derivative financial instruments, including forward contracts, options, and swap agreements, in the retirement investment funds. All financial derivative instruments are reported at fair value, regardless of whether the instruments are held for trading or nontrading purposes. The instruments are marked to market monthly, with valuation changes recognized in income.

Foreign Currency Forwards and Options - The State of Wisconsin Investment Board's derivative trading activities primarily involve foreign currency forward contracts and options. Generally, foreign currency forwards and options are held to hedge market risk. Market risk is generally controlled by holding substantially offsetting purchase and sell positions.

Forward commitments represent obligations to purchase or sell, with the seller agreeing to make delivery at a specified future date and a specified price. Options on foreign currencies provide the holder the right, but not the obligation, to purchase (call) or sell (put) foreign currencies on a certain date at a specified price. The seller (writer) of an option contract is subject to market risk, while the purchaser is subject to credit risk and market risk to the extent of the premium paid. The fair value of these instruments represents quoted market prices.

Hedge related foreign currency commitments at June 30, 1995 include (in millions):

Foreign Currency Forward Contracts	Contract Amount	Fair Value
Assets	$ 1,933.7	$ 1,934.3
Liabilities	1,933.7	1,955.7

Foreign Currency Options	Premiums Received (Paid)	Fair Value
Calls	$ (1.3)	$ 0.1
Puts	0.7	(2.2)

As of June 30, 1995, three foreign currency call options were also held to provide the retirement investment funds enhanced earnings in the event of certain foreign currency fluctuations. There is no market risk associated with owning these instruments beyond the initial cost of their purchase.

Yield enhancing foreign currency commitments (in millions):

Foreign Currency Options	Premiums Received (Paid)	Fair Value
Calls	$ (12.0)	$ 5.0

Other Options - Other options also are held for trading purposes. Equity basket option contracts give the purchaser of the contract the right to purchase (call) or sell (put) the equity security or index underlying the contract at an agreed upon price during or at the conclusion of a specified period of time.

At June 30, 1995, the Fixed and Variable Retirement Investment Funds held five equity options and two basket options which are (in millions):

Other Options	Premiums Received (Paid)	Fair Value
Written Calls - Equity	$ 1.8	$ (3.3)
Purchased Calls - Equity	(24.4)	--
Purchased Calls - Basket	(3.5)	2.1

All of the above written calls are covered calls and as such any volatility in the price of the option is offset by the corresponding inverse relationship in the pricing of the underlying security.

Interest Rate Swaps - As of June 30, 1995, the Fixed Retirement Investment Fund held a variety of interest rate swaps. Each swap transaction involves the exchange of interest rate or index rate payment obligations without the exchange of underlying principal amounts. The notional amounts used to express the volume of these transactions do not represent the amounts subject to risk, but represent the amount on which both parties calculate payment obligations. The settlement of payments occurs at predetermined dates, with the net difference between the amount received and the amount paid reflected as bond interest. Entering into interest rate swap agreements subjects the investor to the possibility of financial loss in the event of adverse market changes or nonperformance by the counterparty to the swap agreement. Credit risks arising from derivative transactions are mitigated by selecting creditworthy counterparties.

The retirement investment funds held eleven swap agreements with notional amounts aggregating $358.4 million and an estimated fair value of a negative $23.6 million at June 30, 1995. Three of these swap agreements contain leverage, whereby a multiplier effect is embedded in the rate structure of the agreement and effectively results in an increase in the notional amount of the instrument. Leverage factors ranging from 3 to 10 effectively increased the notional amount to $483.4 million.

Other State Agencies and Funds

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

Lottery Fund - Investments are all in the form of U.S. Treasury zero coupon bonds. At June 30, 1995, the present value of these zero coupon investments is $213.2 million which meet GASB No. 3 risk Category 1.

Veterans Mortgage Revenue Bonds Fund - Investments at June 30, 1995, totaled $1.1 million which include direct obligations of the United States and its agencies or instrumentalities, and repurchase agreements for such obligations. All investments are a Category 3 risk.

Repurchase agreements must be made with a member bank or banks of the Federal Reserve System, or banks whose deposits are insured by the Federal Depository Insurance Corporation or securities dealers approved by an authorized officer of the Building Commission. The repurchase agreements are collateralized by direct obligations of the U.S. Treasury or an allowable governmental agency.

Transportation Revenue Bond Funds - At June 30, 1995, the Transportation Revenue Bond Capital Projects Fund and the Transportation Revenue Bond Debt Service Fund had investments totaling $39.3 million. These investments meet Category 2 risk criteria.

Repurchase agreements with the program's financial institution requires the institution to take possession of collateral having a market value of at least 102 percent of the cost of the repurchase agreement.

Clean Water Fund - The fund's aggregate investments at June 30, 1995, were $106.9 million, of which $30.3 million are reported as cash equivalents consisting of a repurchase agreement which is a Category 2 level of risk. Investments of $76.6 million consist of government and agency holdings and satisfy Category 1 level of risk.

The Wisconsin Public Broadcasting Foundation Fund - The fund's investments at June 30, 1995 were $3.1 million, consisting of $0.6 million of cash equivalents and $2.5 million of government holdings. All investments meet the Category 1 risk level.

At June 30, 1995, the State has approximately $203.6 million of investments which it holds for banks and insurance companies. These assets are held for the period of time specified by statute and then returned to their owner. The assets are presented in the *Bank and Insurance Company Deposits Fund* as "Other Assets".

Unclaimed property, usually in the form of stocks, bank accounts, insurance proceeds, utility deposits and uncashed checks, are transferred periodically to the *Unclaimed Property Program Fund*. The securities, presented as "Other Assets" on the financial statements, have a market value of $4.5 million at June 30, 1995.

The State's Section 457 *Deferred Compensation Plan Fund* investments, totaling $420.3 million at June 30, 1995, are in the form of equity securities, insured savings accounts and investment contracts with insurance companies. Additional information on the State's deferred compensation plan is provided in Note 18 to the financial statements.

The following table presents investments of the Other State Agencies and Funds at June 30, 1995, categorized in accordance with the requirements of GASB Statement No. 3.

At June 30, 1995, the Other State Agencies and Funds' investments consisted of (in millions):

	Category			Carrying	Market
	1	2	3	Amount	Value
Government and agency holdings	$ 377.7	$ --	$ 1.2	$ 378.9	$ 378.9
Municipal bonds	40.5	--	--	40.5	40.5
Commercial paper and nonsecured corporate notes and bonds	80.3	--	--	80.3	80.3
Repurchase agreements	--	69.5	--	69.5	69.5
Certificates of deposit	1.1	--	--	1.1	1.1
	$ 499.6	$ 69.5	$ 1.2	570.3	570.3
Money market funds				1.5	1.5
Deferred compensation investments				420.3	420.3
				$ 992.1	$ 992.1

University of Wisconsin System

The University of Wisconsin System investments of $179.3 million, with a market value of $205.5 million, consist primarily of assets of endowment funds having a book value of $137.4 million, and current funds, loan funds, plant funds and agency funds with an aggregate book value of $41.9 million. Investments, which are Category 1 Risk level, of these funds at June 30, 1995, were comprised of the following types:

	Carrying	Market
Common and preferred stock	47.9%	54.4%
Bonds, notes and debentures	52.1	45.6
Total Investments	100.0%	100.0%

Component Units

Wisconsin Housing and Economic Development Authority (Authority) - The Authority is required by various bond resolutions to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper rated A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service; bankers' acceptances; and repurchase agreements and investment agreements with institutions whose unsecured debt obligation is rated at least as high as is Standard & Poor's and Moody's rating on the bonds.

The Authority is further required by statute to invest at least 50 percent of its moneys 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.

The Authority's investments in mortgage-backed securities and structured notes had a carrying value of approximately $111.9 million and a market value of approximately $94.1 million as of June 30, 1995. The Authority currently intends to hold such mortgage-backed securities and structured notes until maturity or until they can be sold in more favorable market conditions. These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees which may result from a decline in interest rates.

The Authority's aggregate investments of June 30, 1995, were $536.0 million of which $196.1 million are reported as cash equivalents consisting of repurchase agreements, commercial paper, money market funds, short-term investment agreements and shares in the State Investment Fund. The Authority's investments of $3.5 million in certificates of deposit are a Category 1 level of risk while all other investments are a Category 2 level of risk.

The Authority's repurchase agreement with its banking institutions requires the institution to take possession of collateral having a market value of at least 103 percent of the cost of the repurchase agreement.

Wisconsin Health Care Liability Insurance Plan - The investments of the Wisconsin Health Care Liability Insurance Plan at December 31, 1994 were $155.5 million, of which $4.3 million are reported as cash equivalents. All investments meet the Category 2 risk level.

The following table presents investments of component units at December 31, 1994 or June 30, 1995, categorized in accordance with the requirements of GASB Statement No. 3.

At December 31, 1994 or June 30, 1995, the component units' investments consisted of (in millions):

	Category			Carrying	Market
	1	2	3	Amount	Value
Government and agency holdings	$ --	$ 106.7	$ --	$ 106.7	$ 106.1
Municipal bonds	--	44.0	--	44.0	42.6
Commercial paper and nonsecured corporate notes and bonds	--	68.0	--	68.0	66.0
Certificates of deposit	3.5	--	--	3.5	3.5
Investment agreements	--	12.0	--	12.0	12.0
Mortgage-backed securities	--	146.5	--	146.5	127.2
	$ 3.5	$ 377.2	$ --	380.7	357.4
Money market funds				188.4	188.4
Guaranteed investment contracts				122.4	122.4
				$ 691.5	$ 668.2

The following schedule summarizes investments presented in the above note discussions (in millions):

Other Funds Managed by the Board	$ 32,877.7
Other State Agencies and Funds	992.1
University of Wisconsin System	179.3
Component Units	691.5
Total Investments	$ 34,740.6

C. Lottery Investments and Related Future Price Obligations

Investments of the State Lottery Fund totaling $213.2 million are held to finance grand prizes payable over a 20-year or 25-year period. The investments in prize annuities are in the form of United States Treasury zero coupon bonds, securities guaranteed by the United States government, or investment instruments issued by various brokerage firms secured by United States Treasury bonds. 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
1996	$ 21,438
1997	21,536
1998	21,633
1999	21,740
2000	21,847
Thereafter	287,872
Total future value	396,066
Less: Present value adjustment	(175,247)
Present value of payments	$ 220,819

NOTE 4. FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year (in thousands).

	Balance July 1, 1994	Additions	Retirements	Completed Construction	Transfers to/from Other Funds	Balance June 30, 1995
Land	$ 280,916	$ 17,855	$ (874)	$ 1,842	$	$ 299,740
Buildings and improvements	497,687	8,423	(525)	29,004	156	534,744
Machinery and equipment	346,123	55,046	(27,154)	2	(162)	373,855
Construction in progress	106,384	73,461		(30,848)	(4,717)	144,280
Total general fixed assets	$1,231,111	$ 154,785	$ (28,553)	$ 0	$ (4,724)	$ 1,352,619

Construction in progress reported in the General Fixed Asset Account Group at June 30, 1995 included the following projects (in thousands):

	Allotments	Expended to June 30, 1995	Encumbrances Outstanding	Unencumbered Allotment Balance
Kettle Moraine Correctional Institution Expansion	$ 12,718	$ 11,930	$ 16	$ 773
Dodge Correctional Institution Expansion	45,500	38,813	4,390	2,297
Oshkosh Correctional Institution Expansion	51,076	46,304	728	4,044
Rail Acquisition/Development	10,000	2,734		7,266
Spooner Fish Hatchery	10,915	8,638	2,385	(108)
Camp Williams Support Facility	14,103	3,854	8,878	1,371
Other projects with allotments totaling less than $10 million		32,007		
Total construction in progress		$ 144,280		

The following is a summary of proprietary and fiduciary fund-type, University of Wisconsin System, and component unit fixed assets at June 30, 1995 (in thousands):

	Enterprise	Internal Service	Nonexpendable Trust	University of Wisconsin System	Component Units
Land	$ 10,195	$ 8,375	$ 635	$ 85,127	$
Buildings and improvements	181,957	150,181		1,821,562	855
Machinery and equipment	42,296	130,284		1,648,633	3,956
Less: Accumulated depreciation	(102,378)	(122,494)			(3,839)
Construction in progress	4,611	29,596			243
Total	$ 136,680	$ 195,942	$ 635	$ 3,555,323	$ 1,214

NOTE 5. CHANGES IN LONG-TERM OBLIGATIONS REPORTED IN THE GENERAL LONG-TERM DEBT ACCOUNT GROUP

During the year ended June 30, 1995, the following changes occurred in liabilities reported in the General Long-term Debt Account Group (in thousands):

	Balance July 1, 1994	Additions	Reductions	Balance June 30, 1995
Accounts Payable and Other Accrued Liabilities	$ 2,486	$	$ 2,486	$
Capital Leases	3,825	1,807	11	5,621
Compensated Absences	396,658	14,125		410,783
Employer Pension Costs	97,214	43,707	26,713	114,208
General Obligation Bonds Payable	1,644,398	169,828 *	105,717	1,708,509
Revenue Bonds Payable	477,540	100,000	21,590	555,950
Claims, Judgments and Commitments	157,363	15,669	5,763	167,269
Installment Contracts Payable	2,377	1,827	1,903	2,301
	$ 2,781,861	$ 346,963	$ 164,183	$ 2,964,641

* Due to the inclusion of accretion amounts on original issue discounts of the State's zero coupon bonds and underwriter discounts on new general obligation bond issues sold during Fiscal Year 1995, the amount presented for "Additions" to general obligation bonds payable differs from the amount presented for "Proceeds from Sale of Bonds" on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, which is reported net of the discussed items.

NOTE 6. BONDS AND NOTES PAYABLE

The following schedule summarizes outstanding bonds and notes payable at June 30, 1995 (in thousands):

Primary Government:	
General Long-term Debt Account Group:	
General Obligation Bonds	$ 1,708,509
Transportation Revenue Bonds	555,950
Total General Long-term Debt Account Group	2,264,459
Debt Service Funds:	
Bond Security and Redemption General Obligation 665	
Transportation Revenue Bonds	21,590
Total Debt Service Funds	22,255
Enterprise Funds:	
State Fair Park General Obligation Bonds	11,955
State Nursery Operations General Obligation Bonds	661
Veterans Mortgage Loan Repayment General Obligation Bonds	526,919
Veterans Mortgage Revenue Bonds	1,230
Wisconsin Education Revenue Bonds	11,962
Clean Water Fund Revenue Bonds	292,494
Total Enterprise Funds	845,221
Internal Service Funds:	
Facilities Operations and Maintenance General Obligation Bonds	84,479
Badger Industries General Obligation Bonds	341
Total Internal Service Funds	84,820
University of Wisconsin System:	
General Obligation Bonds	652,955
Other Bonds	2,315
Total University of Wisconsin System	655,270
Component Units:	
Wisconsin Housing and Economic Development Authority Bonds and Notes	1,727,832
Total Bonds and Notes Outstanding at June 30, 1995	$ 5,599,857

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.

Repayment of the bonds is made from the Bond Security and Redemption Fund, which receives transfers from various departmental general purpose revenue and program revenue appropriations to pay principal and interest as it becomes due. The bonds payable amount shown in the Debt Service Fund represents resources accumulated to provide debt service payments early in Fiscal Year 1996.

At June 30, 1995, $1,720.7 million of general obligation bonds were authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 1995 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
1977	1976 Series C and 1977 Series B	11/76; 5/77	5.0	5/02	$ 168,000	$ 19,800
1979	1978 Series C	11/78	5.1	11/03	77,300	8,720
1985	1985 Series B	4/85	9.4	1/03	290,955	40,815
1986	1986 Series A	5/86	6.9 to 7.5	1/15	38,185	24,700
1987	1986 Series B	7/86	7.0 to 7.2	8/96	247,800	23,915
1988	Refunding Issue	5/88	6.4 to 6.8	5/98	420,065	116,346
1989	1988 Series A, B and	7/88;12/88				
	1989 Series A through C	1/89;3/89;5/89	6.6 to 8.1	1/16	294,150	34,925
1990	1989 Series D, E and	8/89;10/89				
	1990 Series A through D	1/90;3/90;5/90	6.4 to 7.6	1/20	341,889	100,942
1991	1990 Series E through G, 1991	8/90;10/90;12/90				
	Series A through C and Series I	4/91;5/91;6/91;	5.75 to 7.6	1/21	513,291	239,007
1992	1991 Series D; 1992 Series A	9/91;3/92				
	and B, and Refunding Issue	6/92;3/92	4.2 to 6.6	1/17	794,975	545,225
1993	1992 C and 2	10/92;11/92				
	1993 1, 2 and A	1/93;3/93;5/93	3.1 to 6.6	5/15	721,175	610,820
1994	1993 Refunding Issues	7/93; 12/93; 12/93;				
	3, 4, 5, 6; 1994 Refunding	10/93; 3/94;				
	Issues 1 and 2; and					
	1994 Series A and B	1/94; 6/94	3.0 to 7.0	5/24	929,825	891,580
1995	1994 Series 3 and C;	9/94; 9/94	3.9 to 6.65			
	1995 Series A, B, and 1	1/95; 2/95; 2/95	5.25 to 7.0	5/25	331,715	330,915
Total					5,169,325	2,987,710
Unamortized underwriter discount						(1,224)
Total General Obligation Bonds, net of discounts					$ 5,169,325	$ 2,986,486

As of June 30, 1995, general obligation debt service requirements for principal and interest in future years are as follows (in thousands):

Fiscal Year Ended June 30	Principal	Interest	Total
1996	$ 197,928	$ 167,004	$ 364,932
1997	196,606	152,333	348,939
1998	199,438	142,242	341,680
1999	195,958	131,600	327,558
2000	197,526	122,054	319,580
Thereafter	2,089,401	803,945	2,893,346
Total	3,076,857	1,519,178	4,596,035
Unamortized underwriter discounts	(1,224)		(1,224)
Unamortized zero coupon and CAB discounts	(89,147)		(89,147)
Total, net of discounts	$2,986,486	$1,519,178	$4,505,664

Zero Coupon Bonds

The general obligation bonds of 1990, Series D (Higher Education Series), are zero coupon bonds recorded in the amount of $40.4 million which is the accreted value at June 30, 1995. The bonds mature on May 1 of the years 1996 through 2010.

The Refunding General Obligation Bonds of 1988 included capital appreciation bonds (CAB's). The bonds are recorded in the amount of $20.0 million which is the accreted value at June 30, 1995. The bonds mature on May 1 through the year 1998. Funding for these bonds will be provided as they mature.

The general obligation bonds of 1991, Series B, are zero coupon bonds recorded in the amount of $70.9 million. The bonds mature on May 1 of the years 1996 through 2011.

B. 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 $951.0 million Series A revenue bonds. Presently, there are seven issues of Transportation Revenue Bonds totaling $577.5 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, 1995 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
1994A	7/94	4.5 to 7.5	7/14	$100,000	$100,000
1993A	9/93	3.2 to 5.0	7/12	116,450	114,495
1992A&B	7/92	4.0 to 5.8	7/22	339,315	294,675
1991A	10/91	5.3 to 6.2	7/02	105,660	33,010
1989A	4/89	7.2 to 7.3	7/98	51,300	7,670
1988A	4/88	6.3 to 6.7	7/97	51,475	6,000
1986A	6/86	7.0 to 7.4	7/97	139,055	21,690
Total				$903,255	$577,540

As of June 30, 1995, debt service requirements for principal and interest for the Transportation Revenue Bonds are as follows (in thousands):

Fiscal Year Ended June 30	Principal	Interest	Total
1996	$ 21,590	$ 30,991	$ 52,581
1997	22,200	29,808	52,008
1998	22,875	28,506	51,381
1999	23,635	27,895	51,530
2000	22,070	26,193	48,263
Thereafter	465,170	291,014	756,184
Total	$577,540	$434,407	$1,011,947

Veterans Mortgage Revenue Bonds

The Department of Veterans Affairs provides funds to finance home loans to qualified veterans. The Department of Veterans Affairs is authorized to issue up to $280.0 million in Veterans Mortgage and Veterans Home Loan Revenue Bonds. At June 30, 1995, there was one issue of Veterans Home Loan Revenue Bonds outstanding totaling $1.2 million. These bonds are secured by payments on program loans and earnings of investments.

Bonds issued and outstanding as of June 30, 1995 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
1981	8/81	9.75 to 11.5	8/12	$ 10,055	$ 1,230

As of June 30, 1995, debt service requirements for principal and interest are as follows (in thousands):

Fiscal Year Ended June 30	Principal	Interest	Total
1996	$ 20	$ 141	$ 161
1997	30	138	168
1998	30	135	165
1999	40	131	171
2000	40	126	166
Thereafter	1,070	946	2,016
Total	$ 1,230	$ 1,617	$ 2,847

Wisconsin Education Revenue Bonds

The Wisconsin Higher Educational Aids Board (HEAB) was created in 1967 to replace the State Commissioner for Higher Educational Aids and to administer the State's Student Loan Program. Through its administration of the Student Loan Program, HEAB provides funds to finance Health Education Assistance Loans.

Health Education Assistance Loan Program

At June 30, 1995, there was one issue of Health Education Assistance Loan program bonds outstanding totaling $12.0 million. These bonds are secured by student loan repayments and interest income.

The Health Education Assistance Loan program bonds issued and outstanding as of June 30, 1995 were as follows (in thousands):

Issue	Issue Date	Maturity Through	Issued	Outstanding
1994	12/94	12/04	$ 19,100	$ 13,345
Less: Unamortized discount				(1,383)
Total			$ 19,100	$ 11,962

The provisions of the 1994 Series A bond issue requires interest and principal payments are to be made to the bond holder on the first working day of the month until maturity in December 2004. The interest portion of each monthly payment is based on the Treasury Bill rate plus 0.25% for each day in the month. The principal amount paid each month varies depending on the amount of student loans receivable that is collected and working cash flow for each month. Therefore, bond amortization varies through final maturity in the year 2004.

Clean Water Fund

The Clean Water Fund provides loans and grants to local municipalities to finance wastewater treatment planning and construction. The Fund is authorized to issue up to $2,286.2 million in Clean Water Revenue Bonds. At June 30, 1995, there were three issues of Clean Water Revenue Bonds outstanding totaling $301 million. These bonds are secured by payments on program loans and earnings of investments.

Bonds issued and outstanding for the Clean Water Fund as of June 30, 1995 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
1993-1	9/93	5.0	6/05	$ 84,345	$ 84,345
1993-2	9/93	5.0	6/08	81,950	80,165
1991-1	4/91	5.4 to 6.9	6/11	225,000	136,520
				391,295	301,030
Unamortized Premium					2,113
Less: Unamortized discount and charge					(10,649)
Total, net of discount, charge and premium				$ 391,295	$ 292,494

As of June 30, 1995, debt service requirements for principal and interest for the Clean Water Fund were as follows (in thousands):

Fiscal Year Ended June 30	Principal	Interest	Total
1996	$ 10,100	$ 17,193	$ 27,293
1997	12,310	16,654	28,964
1998	12,960	16,005	28,965
1999	13,655	15,308	28,963
2000	14,425	14,545	28,970
Thereafter	237,580	96,428	334,008
Total	301,030	176,133	477,163
Unamortized Premium	2,113		2,113
Less: Unamortized discount and charge	(10,649)		(10,649)
Total, net of discount	$ 292,494	$ 176,133	$ 468,627

Component Units

Wisconsin Housing and Economic Development Authority

Bonds and notes payable at June 30, 1995 of the Wisconsin Housing and Economic Development Authority (Authority) consisted of the following (in thousands):

Revenue bonds and notes	$1,500,145
Special obligation and subordinated special obligation	228,204
Total	1,728,349
Less: Deferred amount on refunding	(517)
Total, net	$1,727,832

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 after approximately 10 years from the date of issuance at prices ranging from 103 percent to 100 percent of par value. Any particular series contains both term bonds and serial bonds which mature at various dates.

The notes payable of $19.9 million consist of moneys drawn to redeem the Home Ownership Mortgage Loan Revenue Bonds, 1982 Series A, 1982 Issue II, 1983 Issue 1 and the Home Ownership Revenue Bonds, 1983 Issues 1 and II and to finance single family home mortgage loans prior to permanent financing. Under the agreement the note bears a variable interest rate based upon an index, and is reset periodically.

The Authority's revenue bonds and notes outstanding at June 30, 1995 consisted of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Housing Revenue Bonds:				
1980 A	8/80	9.4 to 10.0	2010	$ 36,405
1986 A&B	9/86	7.25 to 8.5	2017	2,620
1988 A&B	2/88	6.6 to 8.25	2018	10,415
1989 A,B&C	9/89	7.1 to 7.85	2020	14,150
1992 A	1/92	4.9 to 6.85	2012	68,330
1992 B,C,D	4/92	5.4 to 7.2	2022	72,730
1993 A&B	10/93	3.5 to 5.65	2023	76,010
1993 C	12/93	3.6 to 5.875	2019	143,725
				424,385
Home Ownership Revenue Bonds:				
1984 I	8/84	11.499	2016	3,958
1984 II	10/84	11.375 to 11.4	2016	1,293
1985 I	6/85	8.2 to 10.375	2012	14,609
1985 III	12/85	8.45 to 9.25	2010	1,973
1986 A	8/86	7.2 to 8.125	2016	8,165
1986 B	11/86	6.0 to 7.375	2017	29,890
1987 A	5/87	7.1 to 7.75	2014	12.335
1987 B&C	8/87	7.1 to 7.85	2015	26,310
1987 D&E	12/87	7.3 to 7.9	1996	855
1988 A&B	6/88	6.8 to 8.0	2000	5,425
1988 C	8/88	7.2 to 7.8	2003	8,150
1988 D	10/88	7.0 to 7.9	2005	21,965
1989 A	5/89	6.9 to 7.5	2017	20,200
1989 B&C	10/89	6.9 to 7.85	2021	61,613
1990 A&B	5/90	6.75 to 8.0	2020	98,920
1990 D&E	9/90	6.8 to 8.0	2021	53,655
1991 A&B	12/90	6.55 to 7.85	2024	67,540
1991 1,2,3	7/91	5.8 to 7.2	2022	74,485
1992 A&B	3/92	5.1 to 7.1	2023	87,935
1992 1,2	6/92	5.0 to 6.875	2024	91,310
1994 A&B	4/94	3.7 to 6.75	2025	82,645
1995 A&B	1/95	5.4 to 7.1	2025	125,000
				898,231
Home Ownership Revenue Bonds (Taxable):				
1989 A	7/89	9.8	2019	3,370
1995 C,D&E	5/95	4.5 to 7.45	2026	100,000
				103,370
Business Development Bonds:				
1988 3-6, 9	Various	7.5 to 8.0	2003	2,255
1989 1, 3-9, 11-12, 17-23, 28 & 29	Various	6.8 to 8.0	2014	20,220
1990 1-4, 6	Various	6.8 to 7.75	2010	5,360
1991 1-6	Various	5.5 to 7.05	2006	9,365
1994 1-4	Various	Variable	2014	10,970
1995 1-2, 4	Various	Variable	2015	6,075
				54,245
Note Payable	Various	4.1 to 6.553	1996	19,914
Authority's Total Revenue Bonds and Notes				$1,500,145

Authority's Special Obligation and Subordinated Special Obligation Bonds

The Authority's Special Obligation and Subordinated Special Obligation Bonds are special obligations of the Authority and are collateralized by the revenues and assets of the Housing Rehabilitation and Home Improvement Program Funds, Home Ownership Revenue Bonds and Special Housing Revenue Series respectively.

The subordinated bond R-1 is a special obligation of the Authority issued to the State Investment Board for the purpose of providing funds to purchase home improvement loans under the Housing Rehabilitation Loan Program. The bond is expressly subordinate to the payment of all Housing Rehabilitation Loan Revenue Bonds now or at any time outstanding under the general resolution. The principal and interest on the bond are payable solely from a subordinated pledge of the revenues and assets of the Housing Rehabilitation Program Funds.

The subordinated bond R-2 is a special obligation of the Authority issued to the Firstar Trust Company and is collateralized by a subordinated pledge of the revenues and assets of the Housing Rehabilitation Loan Program.

Special obligation and subordinated special obligation bonds at June 30, 1995 consist of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Housing Revenue Bonds:				
1994	1/94	7.4 to 9.25	2024	$ 12,156
Housing Rehabilitation Loan Revenue Bonds:				
R-1	8/79	5.0	1996	4,880
R-2	11/88	None	1997	1
				4,881
Home Ownership Revenue Bonds:				
1993 A	6/92	3.9 to 6.5	2025	85,200
1994 C&D	8/94	4.2 to 6.65	2025	50,000
1994 E&F	12/94	5.1 to 7.55	2026	30,000
				165,200
Home Ownership Revenue Bonds (Taxable):				
1993 B	4/93	6.45 to 7.4	2017	27,622
Home Improvement Revenue Bonds:				
1988 A	11/88	6.9 to 7.75	2006	7,160
1990 A&B	4/90	7.0 to 7.9	2006	5,385
1992 A&B	5/92	5.3 to 7.0	2010	5,800
				18,345
Total Special and Subordinated Obligation				$228,204

As of June 30, 1995, debt service requirements for principal and interest of the Authority's revenue bonds and special obligation bonds were as follows (in thousands):

Fiscal Year Ended June 30	Principal	Interest	Total
1996	$ 53,319	$ 127,063	$ 180,382
1997	61,916	111,819	173,735
1998	41,688	109,877	151,565
1999	41,540	107,500	149,040
2000	40,131	105,357	145,488
Thereafter	1,489,755	1,470,567	2,960,322
Total	1,728,349	2,032,183	$3,760,532
Less: Deferred Refunding Amount	(517)		(517)
Total	$1,727,832	$2,032,183	$3,760,015

Under an Economic 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, 1995, the Authority had issued 83 series of such bonds in an aggregate principal amount of $60.1 million for economic projects in Wisconsin.

C. University of Wisconsin System

Bonds payable included in the University of Wisconsin System's Plant Funds at June 30, 1995 consist of general obligation bonds of $653.0 million; Wisconsin University Building Corporation bonds with an outstanding balance of $0.7 million maturing in the years 1997 - 1999 and the Wisconsin State College Building Corporation bonds recorded in the amount of $1.7 million maturing in 2001.

Debt of these corporations are general obligations of the corporations, but not of the State. Revenues pledged to the repayment of these bonds are derived through lease-rental agreements between the University of Wisconsin System and the corporations.

On June 30, 1995, future principal payments on bonds payable of these corporations were as follows (in thousands):

Fiscal Year Ended June 30	Total
1996	$ 473
1997	506
1998	469
1999	417
2000 and after	450
Total	$ 2,315

D. Refundings and Early Extinguishments

Current Year Refundings/General Obligation Bonds

In February 1995, the State issued $15.7 million of general obligation bonds (1995 Series 1) for the purpose of current refunding certain outstanding general obligation bond principal amounts due May, 1995. The bonds had previously been issued for the purpose of veterans housing loans. This refunding allowed moneys available in the amount of $15.7 million to be used to originate veterans housing loans.

In September 1994, the State issued $10.4 million of general obligation refunding bonds (1994 Series 3), the proceeds of which were deposited in an escrow account to provide for the future debt service requirements on $10.4 million of the 1983 Series A general obligation bonds outstanding at the time of the refunding. As a result, the bonds are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a reduction in debt service payments by $1.2 million and an economic gain of $0.8 million.

Prior Year Refundings/General Obligation Bonds

In March 1994, the State issued $106.6 million of general obligation refunding bonds (1994 Series 1) and $58.5 million of general obligation refunding bonds (1994 Series 2) the proceeds of which were deposited in an escrow account to provide for the future debt service requirements on $136.3 million of various general obligation bonds. As a result of the refunding, the bonds are considered defeased and the associated liability removed from the financial statements. On June 30, 1995, the outstanding principal on these defeased bonds was $95.4 million.

In October 1993, the State issued $20.0 million of general obligation refunding bonds (1993 Series 6), the proceeds of which were used for a replacement refunding, whereby the proceeds replace a portion of moneys that are available to be used to redeem certain general obligation 1985 Series B that were used for the purpose of veterans housing loans. Pursuant to a special redemption provision, the State redeemed certain 1985 Series B bonds allowing moneys on hand and attributable to those bonds to be used to originate veterans housing loans.

In December 1993, the State issued $135.3 million of general obligation refunding bonds (1993 Series 5), the proceeds of which were deposited in an escrow account to provide for the future debt service requirements on $133.7 million of various general obligation bonds. As a result of the refunding, the bonds are considered defeased and the associated liability removed from the financial statements. On June 30, 1995, the outstanding principal on these defeased bonds was $98.0 million.

In December 1993, the State issued $77.6 million of general obligation refunding bonds (1993 Series 4), the proceeds of which were deposited in an escrow account to provide for the future debt service requirements on $76.0 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. On June 30, 1995, the outstanding principal on these defeased bonds was $10.2 million.

In August 1993, the State issued $302.0 million of general obligation refunding bonds (1993 Series 3), the proceeds of which were deposited in an escrow account to provide for the future debt service requirements on $271.9 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. On June 30, 1995, the outstanding principal on these defeased bonds was $94.2 million.

In March 1993, the State issued $137.5 million of 1993-2 general obligation refunding bonds, the proceeds of which were deposited in an escrow fund to provide for the future debt service requirements on $126.0 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. On June 30, 1995, the outstanding principal on these defeased bonds was $70.1 million.

In January 1993, the State issued $280.1 million of 1993-1 general obligation refunding bonds, the proceeds of which were used for refunding $259.9 of various general obligation bonds outstanding at the time of the refunding. As a result, these bonds are considered to be defeased and the liability removed from the financial statements. On June 30, 1995, the outstanding principal on these defeased bonds was $233.3 million.

In October 1992, the State issued $6.0 million of 1992-2 general obligation refunding bonds to provide for the repayment of Housing Revenue Bonds which were acquired with the purchase of housing facilities during Fiscal Year 1993. Pursuant to a refunding escrow agreement, the net proceeds of the bonds were placed in an escrow fund and invested in direct obligations of the United States or held as cash. The amount of the deposit, together with the earnings will be sufficient and available to pay the scheduled principal and interest on the Housing Revenue Bonds to November 1, 1995, when all such bonds that are then outstanding will be redeemed at par.

On March 1, 1992, the State issued $448.9 million in general obligation refunding bonds with an average interest rate of 6.160842 percent to advance refund certain general obligation bonds. The net proceeds of $440.0 million were used to purchase state and local securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, these bonds are considered to be defeased and the liability removed from the financial statements. On June 30, 1995, the outstanding principal on these defeased bonds was $323.2 million.

On May 1, 1988, the State issued general obligation bonds in the present value amount of $420.1 million for the purpose of refunding 1981 Series A, 1981 Series B, 1982 Series A, 1982 Series C, 1983 Series B, 1984 Series B, 1985 Series A and a portion of 1983 Series C outstanding bonds. The outstanding principal at June 30, 1995, for these defeased bonds was $27.0 million.

Prior Year Refundings/Revenue Bonds

Primary Government

Clean Water Fund Revenue Bonds

In September 1993, the Clean Water Fund defeased a portion of the 1991 Series I Revenue Obligation Bonds by placing proceeds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds has been removed from the Fund's balance sheet as of the date of the defeasance. On June 30, 1995, $73.8 million of the bonds are considered defeased.

Transportation Revenue Bonds

In 1994, $114.7 million of the 1993 Series A Transportation Revenue Bond proceeds were applied to the partial refunding of previously issued Transportation Revenue Bonds, 1986 Series A, 1988 Series A, 1989 Series A, 1991 Series A, and the 1992 Series B, with an outstanding principal balance of $105.2 million. In order to provide for the refunding, a portion of the proceeds of the 1993 Series A Bonds along with associated assets transferred from the refunded bonds were used to acquire direct obligations of the United States and certain other government securities to pay the principal, interest and redemption price on the refunded bonds at redemption or maturity. Accordingly, these bonds are considered to be defeased and are not included in the accompanying financial statements.

In 1993, $136.6 million of the 1992 Series A Transportation Revenue Bond proceeds were applied to the partial refunding of previously issued Transportation Revenue Bonds, 1986 Series A, 1988 Series A, 1989 Series A, and the 1991 Series A, with an outstanding principal balance of $126.8 million A portion of the proceeds of the 1992 Series A Bonds along with associated assets transferred from the refunded bonds were used to acquire direct obligations of the United States and certain other government securities to pay the principal, interest and redemption price on the refunded bonds at redemption or maturity. Accordingly, the above bonds are considered to be defeased and are not included in the accompanying financial statements.

In prior years, a portion of the 1986 Series A bond issue was used to defease the 1984 revenue bond issue of $65 million. The securities were deposited in an irrevocable trust with a trustee to provide for all future debt service payments on the Series A 1984 Transportation Revenue Bonds. Accordingly, the liability relating to the defeased bonds and the related trust accounts are not included in the financial statements.

Wisconsin Education Revenue Bonds

Health Education Assistance Loan Program

In prior years, cash and U.S. Government securities were deposited in refunding escrow accounts to fund the scheduled principal, interest and redemption premium payments on the 1982 Series A and B Bonds. The transaction was accounted for as an in-substance defeasance and, accordingly, these bonds were removed from the balance sheet.

Guaranteed Student Loan Program

In prior years, the Guaranteed Student Loan Program (GSL) entered into a Loan Purchase Agreement for the purchase of the Direct Student Loan Portfolio. The sale resulted in the Program receiving an amount equal to par plus a 1.6 percent premium on $31.0 million of loans and par for the remaining $7.3 million balance in the portfolio. If the loan documentation is not adequate to obtain reimbursement under the insured provisions of the loan purchase agreement, the Bank has recourse from the bond portfolio or the State.

Proceeds from the sale of the loans along with proceeds from the liquidation of the investments totaling $104.6 million were irrevocably placed in accounts to fund the scheduled principal, interest and redemption premium payments on certain revenue bonds. For financial reporting purposes, the transaction is accounted for as an in-substance defeasance and, accordingly, the revenue obligation bonds along with related investments are removed from the balance sheet.

Component Units

Wisconsin Housing and Economic Development Authority

In prior years, the Authority sold $72.5 million of Housing Revenue Bonds, 1992 Series A, the proceeds of which were used to refund the Housing Revenue Bonds, 1982 Series A bonds. These bonds were subject to a Finance Adjustment Factor agreement with the United States Department of Housing and Urban Development which required the Authority to refund them at a later date in order to reduce the overall financing cost.

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, 1995, the remaining outstanding defeased debt was $40.6 million.

Early Extinguishments

Primary Government

Wisconsin Education Revenue Bonds

During the fiscal year ended June 30, 1995, the State issued $19.1 million of 1994 Series A revenue obligation bonds. Upon delivery of the bonds, $16.9 million of bond sale proceeds along with proceeds from the sale of investments and reimbursements for administrative costs were utilized to redeem the outstanding principal balances of the 1983 Series A, 1984 Series A and 1985 Series A revenue bonds and to pay the related redemption premiums and interest through the redemption date. The amount of bonds redeemed from each series is as follows (in millions):

1983 Series A	$ 16.9
1984 Series A	11.9
1985 Series A	12.7
Total	$ 41.5

Component Units

Wisconsin Housing and Economic Development Authority

During 1995, the Wisconsin Housing and Economic Development Authority (the Authority) redeemed early various outstanding bonds which had effective interest costs that were higher than the current prevailing rates. These redemptions resulted in extraordinary losses due to the write-off of remaining unamortized deferred debt financing costs and, in certain instances, the payment of an early redemption premium. A summary of these early redemptions follows (in thousands):

Bond Issue	Redemptions 1995	Extraordinary Losses 1995
Multifamily Program:		
Housing Revenue Bonds		
1980 Series A	$ 50	$ 1
1986 Series A&B	655	19
Single Family Program:		
Home Ownership		
Revenue Bonds	157,623	--
Total	$158,328	$ 20

NOTE 7. LEASE COMMITMENTS

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 in the General Long-term Debt Account Group or appropriate proprietary fund or university fund types.

A. Capital Leases

Capital lease commitments for the governmental fund types are reported in the General Long-term Debt Account Group and the related assets are reported in the General Fixed Assets Account Group. Capital lease commitments for proprietary funds are reported in those funds as long-term obligations. The related assets along with the depreciation are also reported in those proprietary funds. Capital lease commitments for the University of Wisconsin System are reported in the University of Wisconsin System financial statements.

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 General Fixed Assets and proprietary fund type assets leased under capital leases as of June 30, 1995 (in thousands):

	General Fixed Assets	Enterprise Funds	Internal Service Funds
Buildings and Improvements	$ 619	$	$
Machinery and Equipment	9,155	285	52,492
Less: Accumulated Depreciation		(77)	(26,867)
Carrying Amount	$ 9,774	$ 208	$25,625

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, 1995 for capital leases (in thousands):

Fiscal Year	General Long-term Debt Account Group	Proprietary Funds	University of Wisconsin System
1996	$ 2,015	$13,218	$ 3,527
1997	1,775	6,431	2,934
1998	1,451	4,805	2,377
1999	270	2,276	1,840
2000	216	1,637	1,410
Thereafter	666		3,714
Total minimum future payments	6,393	28,366	15,801
Less: Executory costs	(12)		
Less: Interest	(759)	(2,976)	(3,699)
Present value of net minimum lease payments	$ 5,622	$25,391	$12,103

B. Operating Leases

Operating leases, those leases not recorded as capital leases as required by FASB Statement No. 13, are not recorded in the balance sheet. 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 prospectively. Operating lease expenditures/expenses are recognized as incurred or paid.

Governmental and proprietary fund rental expenditures/expenses under operating leases for the fiscal year ended June 30, 1995, were $25.7 million. Of this amount, $25.3 million relates to minimum rental payments stipulated in lease agreements, $0.4 million relates to contingent rentals, and $30 thousand subrental payments.

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

Fiscal Year	Governmental and Proprietary Funds	University of Wisconsin System	Component Units
1996	$ 25,009	$ 4,879	$ 718
1997	21,494	3,965	387
1998	16,873	3,832	33
1999	12,236	2,151	26
2000	7,362	1,571	13
Thereafter	12,082	7,765	
Minimum lease payments	$ 95,056	$ 24,162	$ 1,177

C. Master Lease Program

Under the Master Lease Program, the Department of Administration entered into a Master Lease Agreement with Firstar National Bank, NA, Milwaukee, Wisconsin, on September 30, 1992. Lease/purchase payment obligations under the Master Lease Agreement 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. During the year the program operated exclusively on a 90 day variable interest rate basis. Equipment acquired and outstanding on June 30, 1995 consisted of:

Equipment Schedules	Balance Due	Blended Interest Rate	Average Life (Weighted Term)
103	$43,174,540	6.742%	1.45 Yrs.

The assets acquired and corresponding obligations are reported in the General Fixed Asset Account Group and the General Long-term Debt Account Group respectively, or in the fund acquiring the equipment.

NOTE 8. INSTALLMENT PURCHASES

Installment purchase liabilities for the governmental fund types are reported in the General Long-term Debt Account Group and the related assets are reported in the General Fixed Assets Account Group. Installment purchase liabilities for proprietary funds are reported in those funds as long-term liabilities. The related assets along with the depreciation are also reported in those proprietary funds.

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, 1995 for installment purchases (in thousands):

Fiscal Year	General Long-term Debt Account Group	Proprietary Funds	University of Wisconsin System
1996	$ 1,514	$ 126	$ 185
1997	684	64	179
1998	246	64	104
1999	55	56	7
2000		17	7
Thereafter		26	1
Total minimum future payments	2,498	354	481
Less: Interest	(198)	(41)	(62)
Present value of net minimum installment payments	$ 2,301	$ 312	$ 420

NOTE 9. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA

Primary Government

The State maintains 26 enterprise funds which are intended to be self-supporting through user fees charged to the public. Financial statement information as of and for the year ended June 30, 1995 is presented below (in thousands):

	Home for Veterans (1)	Mental Health Institutes (2)	Developmental Disabilities Centers (3)	Lottery (4)	Health Insurance Risk Sharing Plan (5)	Local Government Property Insurance (6)
Operating revenues:						
Total revenues	$ 32,023	$ 29,604	$ 110,091	$ 519,048	$ 49,106	$ 8,522
Revenues from sales/services provided to other GAAP funds						
Depreciation, depletion, and amortization expense	2,074	1,515	2,987	616		1
Operating income or loss	(1,468)	(35,175)	(9,301)	160,782	(41)	3,598
Operating grants, entitlements, and shared revenues	10	138	163			
Operating interfund transfers:						
In	597	31,849	194			
Out	2,200	126	2,623	15,248		
Extraordinary gain (loss)						
Net income (loss)	(2,791)	(3,299)	(11,698)	14,062	84	1,437
Current capital:						
Contributions	1,416	1,881	2,031			
Transfers						
Property, plant and equipment:						
Additions	20,518	2,809	3,856	355	1	
Deletions	19,169	1,508	1,819	166		
Net working capital (current assets less current liabilities)	176	(6,902)	(3,993)	65,537	11,194	7,029
Total assets	32,965	43,579	61,726	308,566	20,486	28,330
Bonds and other material long-term liabilities outstanding:						
Amounts payable solely from operating revenues				199,697	11,118	4,453
Amounts potentially payable from other sources						
Total equity	29,136	20,574	43,111	60,195	79	18,125

Description of Programs:

(1) Nursing home care for veterans and their spouses.
(2) Diagnosis, care and treatment of individuals with mental and emotional disturbances (two institutes).
(3) Services provided to developmentally disabled citizens (three centers).
(4) State managed lottery activities used to provide property tax relief.
(5) Medical insurance provided to Wisconsin residents under sixty-five who are unable to obtain private coverage.
(6) Property insurance coverage provided to local governments.
(7) State sponsored life insurance.
(8) Excess medical malpractice insurance for Wisconsin health care providers.
(9) Government Employe Benefit Plans include:
Income Continuation Insurance - Disability benefits for government employes.
Duty Disability - Compensation for duty-related disabilities of government employes.
Health Insurance - Group health insurance for government employes.
Long Term Disability Insurance - Long term disability benefits for government employes.

State Life Insurance (7)	Patients Compensation (8)	Government Employe Benefit Plans (9)	Clean Water (10)	Veterans Mortgage Loan Repayment (11)	Veterans Mortgage Revenue Bonds (12)	Wisconsin Education Revenue Bonds (13)	Other (14)	Total
$ 7,634	$ 77,330	$ 413,823	$ 16,248	$ 35,203	$ 58	$1,786	$ 29,551	$ 1,330,026
		342,322					1,060	343,382
56	4		920	30		262	2,103	10,568
355	10,151	27,943	(5,915)	(2,374)	(103)	(1,986)	252	146,717
			2,106				1,397	3,814
				1,468			1,091	35,199
							4,707	24,905
				(424)	121	2,014	151	1,862
355	10,145	27,945	(5,550)	5,640	81	3,059	(1,655)	37,815
			87,706				1,420	94,454
			51,541					51,541
18	47		118	45			3,380	31,147
	15		68				498	23,243
6,678	7,366	195,685	100,270	123,172	1,061	346	12,918	520,538
61,153	309,983	226,232	750,567	670,909	1,558	13,940	96,092	2,626,085
47,407	364,379	193,809		526,919	1,210		12,617	1,361,609
			282,394			11,962		294,356
13,182	(57,818)	1,876	456,154	127,099	266	1,502	72,702	786,184

(10) Funding for clean water projects.

(11) Issuance and administration of veteran's first mortgage loans.

(12) Bond proceeds used to provide veteran's loans to finance residential housing.

(13) Health education loans provided to full-time medical and dental students and eligible residents.

(14) Other funds include: State Fair Park - State Fair and Exposition Center revenues and operations; Institutional Farm Operations - Funds associated with employing inmates in agricultural activities; Institutional Canteen Operations - Sale of goods for the use of institutionalized patients and inmates; State Nursery Operations - Reforestation of State lands and public sale of nursery stock; Wisconsin Natural Resources Magazine - Subscription sales and publication; Veterans Trust - Various programs for veterans, including loans and grants; Wisconsin Public Broadcasting Foundation - Raises funds for the Wisconsin Educational Communications Board.

Component Units

Significant financial data for the State's two component units for the year ended June 30, 1995 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority	Wisconsin Health Care Liability Insurance Plan	Total
Condensed Balanced Sheet			
Assets:			
Current Assets	$ 457,345	$ 159,691	$ 617,036
Due from Other Funds			
Long-term Receivables	1,530,697		1,530,697
Deferred Charges	18,871		18,871
Fixed Assets	1,214		1,214
Other Assets	105,463		105,463
Total Assets	$2,113,590	$ 159,691	$2,273,281
Liabilities:			
Current Liabilities	$ 198,668	$ 6,264	$ 204,932
Due to Other Funds		9	9
Future Benefits and Loss Liability		138,260	138,260
Bonds and Notes Payable	1,727,832		1,727,832
Total Liabilities	1,926,500	144,533	2,071,033
Equity:			
Retained Earnings	187,090	15,158	202,248
Total Equity	187,090	15,158	202,248
Total Liabilities and Equity	$2,113,590	$ 159,691	$2,273,281
Condensed Statement of Revenues, Expenses and Changes in Retained Earnings			
Operating Revenues	$ 124,677	$ 18,602	$ 143,279
Operating Expenses:			
Depreciation	566		566
Other	134,839	11,957	146,796
Operating Income (Loss)	(10,728)	6,645	(4,083)
Other Nonoperating Revenues (Expenses)	25,109		25,109
Net Income Before Extraordinary Item	14,381	6,645	21,026
Extraordinary Item	(20)		(20)
Net Income	14,361	6,645	21,006
Retained Earnings - Beginning of Year	172,729	8,513	181,242
Retained Earnings - End of Year	$ 187,090	$ 15,158	$ 202,248

NOTE 10. INTERFUND ASSETS/LIABILITIES

Interfund assets and liabilities at June 30, 1995 consist of the following (in thousands):

A. Due from/to Other Funds:

Due from Other Funds	$ 327,620
Due to Other Funds	327,620

Due from/to Other Funds represent short-term interfund accounts receivable and payable. The totals of Due from/to Other Funds at June 30, 1995 by individual fund were as follows (in thousands):

Fund	Due from Other Funds	Due to Other Funds
General	$ 63,104	$75,299
Special Revenue:		
Transportation	2,419	19,557
Conservation	3,373	5,641
Wisconsin Health Education Loan Repayment	61	63
Work Injury Supplemental Benefit		1
Uninsured Employers	6	41
Mediation	11	5
Agrichemical Management	39	207
Employe Trust Fund Administration	1,735	2,274
Petroleum Inspection	38	682
Environmental	5,610	1,118
Recycling	11,305	1,019
Debt Service:		
Bond Security and Redemption	47	443
Capital Projects:		
Building Trust	904	3,488
Capital Improvement	7,168	2,974
Transportation Revenue Bonds		547
Enterprise:		
State Fair Park		647
Home for Veterans	61	513
Mendota Mental Health Institute	1,402	1,104
Winnebago Mental Health Institute	972	892
Central Developmental Disabilities Center	27	1,780

(Continued)

Fund	Due from Other Funds	Due to Other Funds
Northern Developmental Disabilities Center	428	637
Southern Developmental Disabilities Center	24	1,943
Institutional Farm Operations	55	38
Institutional Canteen Operations	50	78
State Nursery Operations	278	223
Wisconsin Natural Resource Magazine	15	9
Lottery	1,563	13,801
Health Insurance Risk Sharing Plan		202
Local Government Property Insurance	1,214	10
State Life Insurance		22
Patients Compensation	9	43
Income Continuation Insurance	14,259	101
Duty Disability	3,991	1,854
Long Term Disability Insurance	6,854	172
Health Insurance	520	17
Clean Water	8,739	229
Veterans Trust	3	61
Veterans Mortgage Loan Repayment	234	102
Wisconsin Education Revenue Bonds		402
Wisconsin Public Broadcasting Foundation	5	419
Internal Service:		
Services to Nonstate Governmental Units	10	8
Records Storage and Microfilm Services	145	8
Materials and Services to State Agencies	2,125	662
Fleet Services	1,490	57
Building Construction Services	3,346	74
Printing Services	1,002	69
State Telephone System	3,158	75
Financial Services	1,882	213
Risk Management	426	102
Facilities Operations and Maintenance	2,338	9,434

Fund	Due from Other Funds	Due to Other Funds
Information Technology Services	6,678	391
Terminal Charges		186
Institutional Power Plant	588	262
Central Warehouse	484	17
Badger State Industries	2,063	439
Expendable Trust:		
Petroleum Violation		425
Unclaimed Property Program		12
Children’s Trust		1
Accumulated Sick Leave	36,938	56
Historical Society	35	78
Employe Reimbursement Accounts	376	12
Life Insurance	2	136
Common School Income	5	642
Unemployment Insurance Reserve	286	220
Nonexpendable:		
Common School	1	5
Historical Society		21
Pension:		
Fixed Retirement Investment	24,517	119,886
Variable Retirement Investment	5,974	2,718
Special Death Benefits	219	13
Police and Firefighters	23,654	9
Agency:		
City of Milwaukee Retirement System	20,093	1
Local Government Pooled Investment		8,788
Inmate and Resident	586	103
Deferred Compensation Plan		125
University of Wisconsin System	52,679	43,699
Component Units:		
Wisconsin Health Care Liability Insurance Plan		9
Total	$327,620	$327,620

(Continued)

B. Interfund Loans Receivable/Payable:

Interfund Loans Receivable	$ 444,635
Interfund Loans Payable	444,635

Interfund Loans Receivable/Payable represent loans from one fund to another to cover cash overdrafts. Interfund loans receivable/payable at June 30, 1995 by individual fund were as follows (in thousands):

Fund	Interfund Loans Receivable	Interfund Loans Payable
General	$ 53,619	$
Special Revenue:		
Transportation	72,859	
Conservation	222	
Capital Projects:		
Transportation Revenue Bonds		72,859
Enterprise:		
Home for Veterans		1,600
Mendota Mental Health Institute		8,711
Winnebago Mental Health Institute		7,678
Central Developmental Disabilities Center		569
Northern Developmental Disabilities Center		3,312
Institutional Farm Operations		5,139
Institutional Canteen Operations		18
State Nursery Operations		222
Internal Service:		
Services to Nonstate Governmental Units		2,106
Records Storage and Microfilm Services		151
Materials and Services to State Agencies		1,602
Fleet Services		18,155
Building Construction Services		833
Printing Services		1,171
Financial Services		1,601
Information Technology Services		844
Institutional Power Plant		189
Badger State Industries		3,112

(Continued)

Fund	Interfund Loans Receivable	Interfund Loans Payable
Pension:		
Fixed Retirement Investment		314,760
Agency:		
Milwaukee Retirement Systems	314,760	
University of Wisconsin System	3,174	
Total	$444,635	$444,635

C. Advances to/from Other Funds:

Advances to/from Other Funds represent long-term loans to one fund from another fund. Advances at June 30, 1995 by individual fund were as follows (in thousands):

Fund	Advances to Other Funds	Advances from Other Funds
General	$	$ 8,000
Enterprise:		
Local Government Property Insurance	8,000	
Internal Service:		
State Telephone System	4,424	
Information Technology Services		4,424
Total	$ 12,424	$ 12,424

D. Investment in Variable Retirement Investment Fund/Due Fixed Retirement Investment Fund:

The Fixed Retirement Investment Fund's share of combined stock equity securities included in the Variable Retirement Investment Fund is reported as "Investment in Variable Retirement Investment Fund" and "Investment Due Fixed Retirement Investment Fund." The related asset and liability at June 30, 1995 by individual fund were as follows (in thousands):

Fund	Investment in Variable Retirement Investment Fund	Investment Due Fixed Retirement Investment Fund
Fixed Retirement Investment	$ 17,014,789	$
Variable Retirement Investment		17,014,789
Total	$ 17,014,789	$ 17,014,789

NOTE 11. RESIDUAL EQUITY TRANSFERS

Residual equity transfers in and out that occurred during Fiscal Year 1995 were as follows (in thousands):

Fund	Residual Equity Transfers In	Residual Equity Transfers Out
General	$ 3,521	$ 2,198
Capital Projects:		
Capital Improvement		52,936
Enterprise:		
Northern Developmental Disabilities Center	3	
Clean Water	55,041	3,500
Internal Service:		
Printing Services		35
Information Technology Services		132
Records Storage and Microfilm Services	132	
Expendable Trust:		
Other Trust		3
Nonexpendable Trust:		
Historical Society		21
Total Residual Equity Transfers	58,697	58,825
Transfer of Purchased Fixed Assets from General Fixed Asset Account Group to proprietary funds	128	
Total	$ 58,825	$ 58,825

Residual equity transfers to proprietary fund types are reported as additions to contributed capital; those from proprietary fund types are reported as reductions of retained earnings or contributed capital depending on whether the transfers represent a return of contributions. Transfers of purchased fixed assets from a proprietary fund to the General Fixed Asset Account Group are reported as a residual equity transfer out in the proprietary fund type and as an asset in the account group. Transfers of long-term debt from a proprietary fund to the General Long-term Debt Account Group are reported as a reduction of the residual equity transfer out of the proprietary fund and as a liability in the account group.

NOTE 12. RESTATEMENTS OF BEGINNING FUND BALANCE/RETAINED EARNINGS AND OTHER CHANGES

For Fiscal Year 1995, the following reclassifications and adjustments have resulted in beginning fund balance/retained earnings restatement (in thousands):

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust
Fund Balances/Retained Earnings June 30, 1994, as previously reported	$ (1,219,660)	$ 338,448	$ 3,141	$ 23,908	$ 14,625	$ (28,498)	$ 30,466,834
Reclassification of Insurance Company Liquidation Account Fund from an expendable trust fund to an agency fund							(33,625)
Restatements:							
Restatement of the Unclaimed Property Fund's claims liability for the cumulative effect of a change in accounting principle in accordance with GASB Statement No. 21 provisions							(3,250)
Recognition of additional Department of Health and Social Services receivables	8,327						
Restatement of revenue as unearned in the Uninsured Employers Fund		(3,700)					
Recognition of accrued interest on a swap agreement in the Fixed Investment Retirement Fund							(22,642)
Recognition of additional accounts receivable							
Recognition of debt service activity not previously recognized							
Refinement in valuation methodology of equipment and library materials							
Other adjustments of assets, liabilities and contributed capital as of June 30, 1994	(5,145)		1,086	108	1,785	650	(588)
Fund balances/retained earnings, July 1, 1994, as restated	$ (1,216,478)	$ 334,748	$ 4,227	$ 24,016	$ 16,410	$ (27,848)	$ 30,406,729
Effect of restatements on the amount of excess revenues and other sources over expenditures and other uses or the amount of the net income of Fiscal Year 1994	$ 2,975	$ (3,700)	$ 1,086	$ 108	$ 1,785	$ 650	$ (59,490)

Amounts reported for fixed assets as of July 1, 1994 in Note 4 have been restated from amounts previously reported in the 1994 Comprehensive Annual Financial Report to reflect additional assets identified as existing at that date.

University of Wisconsin System							
Current				Plant			
Unrestricted	Restricted	Loan	Endowment and Similar	Capital Projects	Retirement of Indebtedness	Net Investment In Plant	Component Units
$ 237,846	$ 42,661	$146,940	$ 135,953	$ 41,050	$ 49,436	$ 2,711,601	$181,242
	8,700						
					4,184		
						16,985	
2,295	200			(108)			
$ 240,141	$ 51,561	$ 146,940	$ 135,953	$ 40,942	$ 53,620	$ 2,728,585	$ 181,242

NOTE 13. FUND EQUITY

The following schedule enumerates the components of Fund Equity of the various funds as of June 30, 1995 (in thousands):

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	University of Wisconsin System	Component Units	Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust			
Contributed Capital	$	$	$	$	$731,960	$ 21,088	$	$	$	$ 753,048
Investment in Fixed Assets								2,892,040		2,892,040
Retained Earnings:										
Reserved for:										
Future Benefits					13,182				4,362	17,544
Market Value Adjustments					19,269					19,269
Bonds									103.606	103,606
Unreserved					21,773	(36,337)			94,280	79,716
Fund Balances:										
Reserved for:										
Encumbrances	141,852	383,255		126,706			11,062	102,347		765,222
Inventory	10,538	14,415						8,909		33,862
Prepaid Items	146,040	9,656					1,822	15,963		173,481
Employe Benefits							29,927,543			29,927,543
Market Value Adjustments							5,442,338			5,442,338
Unemployment Compensation							1,535,383			1,535,383
Auxiliary Operations								108,393		108,393
Hospital Operations								66,040		66,040
Restricted Funds								57,881		57,881
Loan Funds								152,634		152,634
Endowment and Similar Funds								143,709		143,709
Unreserved:										
Designated for University Contingent Fund								3,917		3,917
Undesignated	(1,427,152)	(93,559)	405	(149, 658)			(1, 635,077)	21,920		(3,283,121)
Total Fund Equity	$(1,128,722)	$ 313,768	$ 405	$ (22,952)	$786,184	$(15,249)	$35,283,072	$3,573,752	$ 202,248	$ 38,992,506

NOTE 14. DEFICIT FUND BALANCES/ RETAINED EARNINGS

In addition to the General Fund, funds reporting a deficit fund balance or retained earnings position at June 30, 1995 are (in thousands):

Special Revenue:	
Petroleum Inspection	$22,773
Environmental Local Assistance	99
Capital Projects:	
Transportation Revenue Bonds	71,599
Enterprise:	
Home for Veterans	8,351
Mendota Mental Health Institute	12,566
Winnebago Mental Health Institute	10,063
Northern Developmental Disabilities Center	11,905
Central Developmental Disabilities Center	9,836
Southern Developmental Disabilities Center	13,515
Institutional Farm Operations	816
Patients Compensation	57,818
Duty Disability	126,002
Clean Water	22,478
Veterans Trust	30,546
Internal Service:	
Services to Nonstate Governmental Units	1,288
Financial Services	64
Risk Management	92,927
Information Technology Services	2,415
Institutional Power Plant	1,623

NOTE 15. CONTRIBUTED CAPITAL

During the year, contributed capital increased by the following amounts (in thousands):

	Enterprise	Internal Service
Clean Water Fund - Environmental Protection Agency grant for State revolving fund loans to municipalities	$ 36,165	$
Clean Water Fund - Residual equity transfers in from the Capital Improvement Fund and the General Fund totaling $55,041, less return of contributed capital to the General Fund of $3,500	51,541	
Other changes to contributed capital	6,748	(36)
Subtotal	94,454	(36)
Contributed capital, beginning of year	637,506	21,123
Contributed capital, end of year	$ 731,960	$ 21,087

NOTE 16. 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 employes. The WRS consists of the Fixed Retirement Investment Fund, the Variable Retirement Investment Fund, the Special Death Benefits Fund, and the Police and Firefighters Fund. It is considered part of the State of Wisconsin's financial reporting entity.

Plan Description

The WRS, governed by Chapter 40 of the Wisconsin Statutes, is a cost-sharing multiple-employer retirement system. It provides coverage to all eligible State of Wisconsin employes. Any employe of a participating employer who is expected to work at least 600 hours per year for at least one year must be covered by the WRS. The WRS membership consists of 1,182 employers participating in the plan representing total employe participants as follows:

Current employes:	
General/teachers	216,654
Elected/executive/judges	1,474
Protective with social security	12,899
Protective without social security	2,639
Total current employes	233,666
Terminated vested participants	81,962
Retirees and beneficiaries currently receiving benefits:	
Retirement annuitants	79,730
Disability annuitants	5,066
Death beneficiary annuitants	1,418
Total annuitants	86,214
Total participants	401,842

Prior to January 1, 1990, benefits for WRS members were fully vested at the time they met the participation requirements. Effective January 1, 1990, a five year vesting requirement for annuities is required. Employes who retire at or after age 65 (55 for protective occupation employes, 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 2.0 percent for executives, elected officials and protective occupations with social security; 2.5 percent for protective occupations without social security; and 1.6 percent for all others.

Employes may retire at age 55 (50 for protective occupation employes) and receive reduced benefits. Employes terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefit.

Accounting Policies and Plan Asset Matters

All assets of the retirement system are invested by the State of Wisconsin Investment Board (the Board). The retirement fund assets consist of shares in the Board-managed Fixed Retirement Investment Fund, a balanced investment fund made up of fixed income securities, and the Variable Retirement Investment Fund which consists primarily of equity securities. Shares in the Fixed Retirement Investment Fund and the Variable Retirement Investment Fund are purchased as funds are made available from retirement contributions and investment income, and sold as funds are needed for benefit payments and other expenses.

The assets of the Fixed and Variable Retirement Investment Funds are carried at market 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.

Funding Status and Progress

The "pension benefit obligation" (PBO) amount is the standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employe service to date. The standard measure is intended to help users assess the funding status of the system on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and for comparisons with other public employes' retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The WRS does not make a separate measurement of assets and pension benefit obligation for individual employers. The pension benefit obligation at December 31, 1994 for the WRS as a whole was $26,583.4 million. The WRS's net assets available for benefits on that date (valued at market) were $29,322.6 million, leaving assets over pension benefit obligation of $2,739.2 million. The State's contribution represents 28.5 percent of total contributions required of all participating entities.

The pension benefit obligation is based on an actuarial cost method that assigns higher costs to the later years of a participant's working life rather than the earlier years. The pension benefit obligation recognizes a relatively lower accumulated benefit at any time in a participant's working life and, therefore, gives the appearance of a better funded system by deferring higher contributions until future years. However, the WRS's funding of the pension benefit obligation is based on an actuarial cost method which allocates the cost of benefits evenly over the participant's working life. The WRS's funding method avoids increasing contribution rates as the system matures.

The pension benefit obligation was determined as part of an actuarial valuation at December 31, 1994. Significant actuarial assumptions used include:

a. A rate of return on the investment of present and future assets of 8.0 percent per year compounded annually;

b. Projected salary increases of 5.3 percent per year compounded annually, attributable to inflation;

c. Additional projected salary increases ranging from 0.0 percent to 8.0 percent per year, depending on age and type of employment, attributable to seniority/merit; and

d. 2.9 percent annual post-retirement benefit increases.

During Calendar Year 1994, actuarial assumptions were updated to better reflect actual experience during the three preceding years. Minor changes were made to mortality, retirement, disability and separation assumptions. The wage inflation assumption was reduced from 5.6% to 5.3%. The net impact of all assumption changes was an increase in the PBO of $194.6 million.

At December 31, 1994, the assets over pension benefit obligation was $2,739.2 million determined as follows (in millions):

Retirees and beneficiaries currently receiving benefits	$10,704.2
Terminated employes not yet receiving benefits	1,142.1
Current employes:	
Accumulated employe contributions including allocated investment income	7,406.6
Employer contributions	7,330.5
Total pension benefit obligation	26,583.4
Net assets available for benefits	29,322.6
Assets over pension benefit obligation	$ 2,739.2

WRS Actuarial Assumptions and Calculations

Significant actuarial assumptions used for the WRS include:

a. *Investment Return*: The assumed investment return is 8.0 percent for active participants and 5.0 percent for current retirees, compounded annually. The assumption for retirees is not intended to be a predictor of future actual investment earnings. The statutory intent is that this percentage be set at a level which will produce excess earnings during inflationary periods. These excess earnings may be then used to increase the benefits paid to retirees to offset the effect of inflation on the value of the benefit payments.

b. *Future Salary Increases*: Past history has demonstrated a stable relationship between across-the-board salary increases and investment returns. The factors may deviate from each other in the short run, but in the long run, high investment returns have been accompanied by high salary increases. Likewise, low investment returns have been accompanied by low salary increases.

Based on past experience, this spread between assumptions has been set at 2.7 percent (8.0 percent investment return for active employes, 5.3 percent across-the-board salary increases). This spread is the key factor in evaluating the appropriateness of these two assumptions. There would be little change in funding requirements from changing one assumption, as long as the other assumption was changed by the same amount.

Contributions Required and Contributions Made

Covered employes are required by statute to contribute a percentage of their salary to the plan as follows:

	Required	BAC*
General employes/teachers	5.0%	1.2%
Executives and elected officials	5.5%	0.1%
Protective occupations with social security	6.0%	0.5%
Protective occupations without social security	7.2%	0.0%

*Benefit Adjustment Contribution

Part or all of the employe contributions may be paid by the employer on behalf of the employe.

Employer contribution rates are determined by an actuarial method identified as the "entry age normal with frozen initial liability" method, based in part on the provisions of Accounting Principles Board (APB) Statement No. 8, with the intent of maintaining the rates at a level percentage of payroll. Required contributions were determined as part of an actuarial valuation at December 31, 1992. Significant actuarial assumptions used include:

a. A rate of return on the investment of present and future assets of 8.0 percent per year compounded annually;

b. Projected salary increases of 5.6 percent per year compounded annually, attributable to inflation;

c. Additional projected salary increases ranging from 0.0 percent to 8.0 percent per year, depending on age and type of employment, attributable to seniority/merit; and

d. 2.9 percent annual post-retirement benefit increases.

Contributions made by category for the year ended December 31, 1994 were as follows:

Employer current service	$ 379,988,760
Percent of payroll	5.3%
Employer prior service	$ 100,191,243
Percent payroll	1.4%
Employe required	$ 364,864,199
Percent of payroll	5.1%
Benefit adjustment contribution	$ 81,085,430
Percent of payroll	1.1%

Covered payroll for the WRS in Calendar Year 1994 was $7,135.6 million.

Funding Deficit

WRS's unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 40-year period beginning January 1, 1990. As of December 31, 1994 and 1993, the WRS unfunded actuarial accrued liability was $2.01 billion and $2.04 billion respectively.

Net funding deficits are the amount by which retirement costs calculated in accordance with APB Statement No. 8 exceed contributions made by the State. The Calendar Year 1994 employer contributions were $26.7 million, while the interest on unfunded prior service cost liability totaled $43.7 million, resulting in a $17.0 million excess of costs over contributions (the excess between the prior service contribution and the total interest accrued on the unfunded liability).

In prior years the employer pension liability reported in the General Long-term Debt Account Group reflected the annual provision for the excess of interest costs over contributions. However, a change in the application of the APB Statement No. 8 resulted in a $78.5 million increase to the beginning employer pension liability as presented in Note 5 to the financial statements. The General Long-term Debt Account Group employer pension liability of $114.2 million is the sum of the excess of interest costs over contributions retroactive to 1989, the first year data are available.

Trend Information

Ten-year historical trend information showing the WRS progress in accumulating sufficient assets to pay benefits when due will be presented in the Department of Employe Trust Funds December 31, 1994 audited financial statements. Copies of these statements may be requested from:

The Department of Employe Trust Funds
201 East Washington Avenue
Madison, Wisconsin 53707

NOTE 17. OTHER POSTEMPLOYMENT BENEFITS

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

Post retirement life insurance is provided to employes retiring before age 65 if they (1) have 20 years of creditable service, and (2) are eligible for a retirement annuity. This coverage is at the employe's expense (employe must pay the full premium) until age 65 when reduced coverage is provided at no cost. Employes retiring at or after age 65 are immediately eligible for reduced coverage at no cost. Beginning in the month in which an insured annuitant reaches age 65, premiums are no longer collected and coverage is continued for life. Approximately 10,433 annuitants currently qualify for coverage without premium. Post retirement life insurance is fully insured by the State's life insurance carrier. Premiums are prefunded with employer paid premiums during the employe's active career. The amount of premiums is determined by the insurer. The accrued liability for the post retirement life insurance benefits at December 31, 1994, determined through an actuarial valuation performed as of that date, was $197.1 million. The program's assets on that date were $184.6 million. The unfunded liability was $12.5 million.

In accordance with Chapter 40, Wisconsin Statutes, the State also provides that employes retiring and beginning an immediate annuity are eligible for conversion of unused sick leave to post retirement health insurance. At the time of eligibility for an immediate annuity or employe's death, that employe's accumulated unused sick leave balance may be converted at the employe's current rate of pay to credits for the payment of health insurance premiums for the employe or the employe's surviving dependents. Health insurance premiums are paid on the employe, or employe's dependents behalf, until the sick leave conversion credits are exhausted. At that time, the employe has the option to continue coverage by paying the total cost of the premiums. Approximately 6,500 annuitants are currently receiving health insurance coverage through sick leave conversion credits. Accumulated sick leave conversion is prefunded based on an actuarially determined percentage of payroll. The actuarial valuation is based on the entry age actuarial cost method. Significant actuarial assumptions include an 8 percent assumed interest rate, 5.3 percent assumed annual salary growth, and an average sick leave accumulation of 5.7 days per year for non-University employes and 7.4 days per year for University employes. The assets and reserves of the sick leave conversion program are accounted for as an expendable trust fund. The accrued liability for the post retirement health insurance benefits at December 31, 1994, determined through an actuarial valuation performed on that date, was $567.1 million. The program's assets on that date were $191.1 million. The unfunded liability was $376.0 million.

The State's life and health insurance required and actual contributions totaled $3.0 million and $43.6 million, respectively, during the calendar year ended December 31, 1994.

NOTE 18. DEFERRED COMPENSATION PLAN

The State offers its employes a deferred compensation plan established pursuant to Internal Revenue Code Section 457 and Wis. Stat. Secs. 40.80, 40.81 and 40.82. The multiple-employer plan is accounted for as an agency fund. The plan allows employes to defer a portion of their salary until future years. Amounts deferred are invested through an independent agent and are not subject to federal income taxes until they are paid to employes. The deferred compensation is not available to employes until termination or retirement from employment, death, or unforeseeable emergency.

The assets in the plan remain the property of the State until paid or made available to participants, subject only to the claims of the State's general creditors, although it is unlikely the State will use the assets to satisfy such claims. Although the State retains ownership of the deferred compensation assets, it assumes no liability for the investment results or for the ultimate payment of benefits. Of the $357.5 million in the plan at December 31, 1994, $298.5 million was applicable to the State while the remaining $59.0 million represented the assets of other participating jurisdictions.

NOTE 19. PUBLIC ENTITY RISK POOLS ADMINISTERED BY THE DEPARTMENT OF EMPLOYE TRUST FUNDS

The Department of Employe Trust Funds operates four public entity risk pools; group health insurance, group income continuation insurance, protective occupation duty disability insurance and long term disability insurance. The information provided in this note applies to the period ending December 31, 1994.

A. Description of Funds

The Health Insurance Fund offers group health insurance for current and retired employes of the State government and of participating local public employers. All public employers in the State are eligible to participate. One hundred twenty eight 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).

The Income Continuation Insurance Fund offers disability wage continuation insurance for current employes of the State government and of participating local public employers. All public employers in the State are eligible to participate. Sixty nine local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The plan is self-insured.

The Duty Disability Fund offers special disability insurance for State and local Wisconsin Retirement System participants in protective occupations. Participation in the program is mandatory for all Wisconsin Retirement System employers with protective occupation employes. Four hundred and six local employers plus the State currently participate. The plan is self-insured and risk is shared between the State and local portions of the plan.

The Long Term Disability Insurance Fund offers long term disability benefits to participants in the Wisconsin Retirement System (WRS). The long term disability benefits provided by this program are an alternative coverage to that currently provided by the WRS. All new WRS participants on or after October 15, 1992, are eligible only for the long term disability insurance coverage, while participating employees active prior to October 1, 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. Investments are valued at cost, which approximates market value.

Assets of the Income Continuation Insurance, Duty Disability and Long Term Disability Insurance funds are invested in the Fixed Retirement Investment Fund. Investments are valued at current market.

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 interest rates of 8 percent for income continuation and long-term disability insurance, and 5 percent for duty disability insurance. The unpaid claims liability for health insurance was calculated by the State. The liabilities for income continuation, long-term disability, and duty disability 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. Claim adjustment expenses are also immaterial.

Reinsurance - Health insurance plans provided by HMO's and health insurance for local government annuitants are fully insured by outside insurers. All remaining risk is self-insured with no reinsurance coverage.

Risk Transfer - Participating employers are not subject to supplemental assessments in the event of deficiencies. If the assets of the fund were exhausted, participating employers would not be responsible for the fund's liabilities.

Premium Setting - Premiums are established by the Group Insurance Board (Health, Income Continuation Insurance and Long Term Disability Insurance) and the Employe Trust Funds Board (Duty Disability) in consultation with actuaries.

C. Unpaid Claims Liabilities

As discussed in Section B of this Note, each fund establishes a liability for both reported and unreported insured events, which is an estimate of future payments of losses. The following represents changes in those aggregate liabilities for the nonreinsured portion of each fund during Calendar Year 1994 (in millions):

	Health Insurance		Income Continuation Insurance		Duty Disability		Long-term Disability Insurance	
	1993	1994	1993	1994	1993	1994	1993	1994
Unpaid claims at beginning of the calendar year	$12.1	$10.0	$31.4	$34.9	$107.8	$ 127.7	$0.0	$1.9
Incurred claims:								
Provision for insured events of the current calendar year	60.1	61.6	16.3	17.2	7.3	5.7	1.8	3.3
Changes in provision for insured events of prior calendar years	0.5	0.6	(6.3)	(6.4)	23.0	13.8	0.1	(0.6)
Total incurred claims	60.6	62.2	10.0	10.8	30.3	19.5	1.9	2.7
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	50.2	50.3	2.2	1.9	0.4	0.6	0.1	0.0
Claims and claim adjustment expenses attributable to insured events of prior calendar years	12.5	10.8	4.3	4.3	10.0	11.1	0.0	0.3
Total Payments	62.7	61.1	6.5	6.2	10.4	11.7	0.1	0.3
Total unpaid claims expenses at end of the calendar year	$10.0	$11.1	$34.9	$39.5	$127.7	$135.5	$1.8	$4.3

NOTE 20. 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 self-funded property program up to $2.5 million in an annual aggregate. Insurance is purchased for losses in excess of this amount. The excess limits were written to $200 million during Fiscal Year 1995.

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 the reserves on open claims. Claims incurred but not paid as of June 30, 1995 are estimated to total $1.3 million.

Property Damages and Bodily Injuries to Third Parties

The State is self-funded for third party liability to a level of $2 million per occurrence and purchases insurance in excess of this self-funded retention. The policy limit during Fiscal Year 1995 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 is the reserves on open claims. 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, 1995, are estimated to total $46.3 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 employe. 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 developing the prior paid claims to the ultimate expected costs. Insurance industry Loss Development Factors were used to develop the claims liability. 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, 1995 are estimated to total $56.4 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):

	1994	1995
Beginning of fiscal year liability	$77,532	$80,750
Current year claims and changes in estimates	24,330	40,040
Claim payments	21,112	16,876
Balance at fiscal year-end	$80,750	$103,914

NOTE 21. INSURANCE FUNDS

A. Local Government Property Insurance Fund

Created by the Legislature in 1911, the purpose of the Local Government Property Insurance Fund is to provide property insurance coverage to tax-supported local government units such as counties, towns, villages, cities, school districts and library boards. Property insured includes government buildings, schools, libraries and motor vehicles. Coverage is available on an optional basis. As of June 30, 1995, the Local Government Property Insurance Fund insured 960 local governmental units. The total amount of insurance in force as of June 30, 1995 was $17.8 billion. Ninety-one percent of the Local Government Property Insurance Fund's insureds are using the valuation project service, which began in 1988.

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 3-B to the financial statements. At June 30, 1995, the fund had $6.4 million of shares in the State Investment Fund which are considered cash equivalents and $7.5 million of high grade, long-term, fixed income obligations. Fixed income obligations are valued at amortized cost.

Premium - Unearned premium reported as deferred revenue represents the daily pro rata portion of premium written which is applicable to the unexpired terms of the insurance policies in force. Policies are generally written for annual terms.

Unpaid Claims Liabilities - The Local Government Property Insurance Fund establishes future benefits and loss liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. 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. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. 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. The amount deducted from claim liability as of June 30, 1995 for reinsurance was $2.3 million.

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):

	1994	1995
Unpaid claims and claim adjustment expenses at beginning of the year	$3,319	$3,230
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	5,784	4,458
Increase (decrease) in provision for insured events of prior years	(306)	(186)
Total incurred claims and claim adjustment expenses	5,478	4,272
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	2,834	2,509
Claims and claim adjustment expenses attributable to insured events of prior years	2,733	2,866
Total payments	5,567	5,375
Unpaid claims and claim adjustment expenses at end of year	3,230	2,127
Reinsurance recoverable		2,326
Total Unpaid claims and claims adjustment expenses	$3,230	$4,453

B. State Life Insurance Fund

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

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

The costs of policy issuance and underwriting, all of which vary with, and are primarily related to, the production of new business, have been deferred. These deferred acquisition costs are being amortized over a thirty year period. This period approximates the aggregate premium paying period. The amortization is in proportion to the ratio of the annual premium revenue to the total premium revenue anticipated. Such anticipated premium revenue 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	4.0%	2.0	None
1967-1976	5.5	2.0	None
1977-1985	7.0	2.0	None
1986-1994	8.0	2.0	None
1995+	7.5	2.0	None

Amortization for the year ended June 30, 1995 amounted to $32 thousand. The State Life Insurance Fund does not pay commissions nor does it incur agency expenses.

Future benefits and loss liabilities have been computed by the net level premium method based upon estimated future investment yield, mortality and withdrawals. 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	$ 18,408	$ 9,373
1967-1976	49,348	11,231
1977-1985	95,965	11,654
1986-1994	59,206	2,383
1995+	1,552	51
	$ 224,479	$ 34,692

Bases of Assumptions

Issue Year	Interest Rate	Mortality	Withdrawals
1913-1966	4.0%	American Men, ALB*	2%
1967-1976	5.5	1950-54 Intercompany experience, ALB	2
1977-1985	7.0	1965-70 Intercompany2 experience, ALB	2
1986-1994	8.0	1975-80 Intercompany experience, ALB	2
1995+	7.5	1975-80 Intercompany experience, ALB	2

* Age Last Birthday

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

The statutory assets at December 31, 1994 were $59.5 million and the statutory capital and surplus were $6.0 million, and the capital and surplus at June 30, 1995 was $13.2 million.

C. Patients Compensation Fund

The Patients Compensation Fund was created in 1975 for the purpose of paying 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 Patients Compensation Fund operating fees.

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 Patients Compensation Fund are deducted from the projected ultimate loss liabilities to determine the liability for incurred but not reported losses as of June 30, 1995 as follows:

Projected ultimate loss liability	$ 773,504,307
Less: Net loss paid from inception	(293,730,394)
Less: Liability for reported losses	(39,068,973)
Liability for incurred but not reported losses	$ 440,704,940

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, 1995 are estimated at four percent of the projected ultimate loss liabilities. The loss reserves are actuarially determined. The loss adjustment expenses paid from the inception of the Patients Compensation Fund are deducted from the projected ultimate loss adjustment expenses provision to determine the liability for loss adjustment expenses as of June 30, 1995 as follows:

Project ultimate loss adjustment expense liability	$ 30,940,172
Less: Loss adjustment expense paid from inception	(12,734,525)
Liability for loss adjustment expense	$ 18,205,647

The uncertainties inherent in projecting the frequency and severity of large claims because of the Patients Compensation Fund's relatively short history, 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 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 incurred but not reported losses and loss adjustment expenses for the fiscal year are not necessarily indicative of the loss experience for the year.

D. Health Insurance Risk Sharing Plan

The Health Insurance Risk Sharing Plan fund was established in 1981 to provide major medical and Medicare supplemental insurance for persons unable to obtain this insurance in the private market or who can only obtain substandard or excessively costly insurance due to their health status. The Health Insurance Risk Sharing Plan is funded primarily by premiums paid by insureds of the plan, assessments made to participating insurers and premium and claim payment subsidies from the State of Wisconsin.

The financial statements of the Health Insurance Risk Sharing Plan Fund are prepared in conformity with accounting practices prescribed or permitted by the regulatory agency, the State's Office of the Commissioner of Insurance. Premiums are recognized as revenues ratably over the terms of the policies. Unearned premiums are computed on the daily pro rata basis. Assessments made to participating insurers are recognized as a receivable when the assessment is authorized. Assessments are earned when levied. Deferred policy acquisition costs have not been recorded. Rather, policy acquisition costs are expensed as incurred.

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

The following represents changes in specific account balances for the prior two fiscal years (in thousands):

	1994	**1995**
Balance, beginning of year	$ 9,244	$ 8,921
Incurred related to:		
Current year	45,306	49,994
Prior years	(501)	(959)
Total Incurred	44,805	49,035
Paid related to:		
Current year	36,392	38,985
Prior years	8,736	7,853
Total Paid	45,128	46,838
Balance, end of year	$ 8,921	$11,118

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

E. Wisconsin Health Care Liability Insurance Plan

The Wisconsin Health Care Liability Insurance Plan (the Plan) is a statutory unincorporated association established by rule of the Commissioner of Insurance of the State of Wisconsin as mandated by the State of Wisconsin legislature. The Plan provides health care liability insurance and liability coverages normally incidental to health care liability insurance to eligible health care providers in the State of Wisconsin calling for payment of premium prior to the effective date of the policy. All insurers authorized to write personal injury liability insurance in the State of Wisconsin, with certain minor exceptions, are required to be members of the Plan.

The Plan generates its premium written revenue by selling medical malpractice insurance. Rates are calculated in accordance with generally accepted actuarial principles. The rates are set so that the Plan will be self-supporting. Profit is not the intent of the Plan.

Since the inception of the Plan in 1975, the health care liability coverage limits have increased from $200 thousand per occurrence and $600 thousand annual aggregate to the current limits of $400 thousand per occurrence and $1.0 million annual aggregate effective July 1, 1988. 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 effective July 1, 1990. 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, 1994.

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, 1994, are as follows (in thousands):

	1993	1994
Balance at January 1	$134,177	$136,423
Incurred related to:		
Current year	16,528	16,353
Prior years	(6,813)	(7,108)
Total Incurred	9,715	9,245
Paid related to:		
Current year	263	241
Prior years	7,206	7,167
Total paid	7,469	7,408
Balance at December 31	$136,423	$138,260

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 General Long-term Debt Account Group

The State accrues liabilities related to legal proceedings, if a loss is probable and reasonably estimable. Such losses, totaling $159.8 million on June 30, 1995 and reported in the General Long-term Debt Account Group, are discussed below:

Litigation - In February 1994, the Courts entered judgment relating to the *Special Performance Dividend* lawsuit ordering the State to deposit in the trust funds an amount sufficient to allow the Department of Employe Trust Funds to make a one-time payment and to provide a prospective increase in annuities to approximately 47,000 annuitants or their beneficiaries. In May 1994, the Courts stayed the monetary relief portion of the judgment pending appeal. Two separate appeals were filed by two groups of defendants. In July 1995, the Court of Appeals affirmed the prior decision requiring repayment of the special performance dividend with interest. The December 31, 1994, actuarial calculation of the estimated cost of the payments of $96.9 million is reported in the General Long-term Debt Account Group.

Corporate Tax Apportionment Methodology - In NCR Corporation v. Wisconsin Department of Revenue (decision rendered February 10, 1992), the Wisconsin Tax Appeals Commission (the Commission) ruled that the method used by the State for apportioning taxable income to Wisconsin by multi-state corporations was unconstitutional.

The Commission opined that the State must calculate taxable income based on the lower of the State's existing tax apportioning method or a combined reporting formula such as California's. The Commission further opined that the State statute allowing the deduction of dividends received from another corporation that apportions 50 percent of its income to Wisconsin under the tax apportionment methodology is discriminatory in favor of Wisconsin and is unconstitutional. The Commission held that dividends previously considered as being taxable income now be exempt for corporation taxes.

The Wisconsin Department of Revenue appealed the Commission's decision to Dane County Circuit Court. The Court determined that the statute allowing corporations a dividend deduction was unconstitutional and, therefore, Wisconsin could not tax any dividends. The Court then upheld Wisconsin's method of apportioning interest and royalty income that corporations receive from subsidiaries. The taxpayer appealed to the Wisconsin Court of Appeals the Circuit Court's decision on the apportioning method, and the Wisconsin Department of Revenue appealed the Court's decision on the dividend deduction issues.

As of February 16, 1993, approximately 1,400 unaudited claims for refund have been filed, an estimated $47.0 million has been identified from these claims. This amount is reported in the General Long-term Debt Account Group at June 30, 1995.

Computer Software - This is a sales tax case, brought on by *Manpower International against the Wisconsin Department of Revenue*, with the issue being whether or not computer software is tangible personal property, subjecting it to the State's sales and use tax. Both the Wisconsin Tax Appeals Commission and the Circuit Court ruled that it was not tangible personal property. The ruling was appealed to the Court of Appeals, District IV, and has been fully briefed but no decision has been issued. The potential impact of an adverse ruling is estimated at $10.0 million to $42.0 million, with $10.0 million reported in the General Long-term Debt Account Group at June 30, 1995.

Domestic Mutual Insurance Companies - This case involves the question of whether Heritage Mutual Insurance Company and all other domestic mutual insurance companies are statutorily entitled to reduce the amount of their previously required add backs of federally exempt interest and dividend income solely as a result of the newly-enacted fifteen percent federal reduction in the deduction for losses incurred under the Tax Reform Act of 1986. The State intends to contest the cases vigorously, at least through the Court of Appeals. A liability of $3.2 million is reported in the General Long-term Debt Account Group at June 30, 1995.

Other Litigation - The Department of Health and Social Services is involved in other various legal proceedings where the ultimate disposition indicates that a future liability of approximately $0.4 million will be incurred. This amount is reported in the General Long-term Debt Account Group.

Other Claims - Work Injury Supplemental Benefits - The Work Injury Supplemental Benefit Fund, administered by the Department of Industry, Labor and Human Relations, provides compensatory payments to survivors of fatally injured employes or disabled employes with work-related injuries. The liability for annuities paid to the above individuals totaled $2.3 million at June 30, 1995, and is reported in the General Long-term Debt Account Group.

Tax Refunds Reported in the General Fund

Federal Pension Income - Due to an adverse decision in Hogan et al v. Wisconsin Department of Revenue, settlement has been reached with approximately 3,200 military retirees and 14,000 federal civilian retirees for refunds of State income taxes, with interest, for the period 1984 through 1988. Hogan relied on the

United States Supreme Court ruling in *Davis v. Michigan Department of the Treasury* that state governments may not discriminate against federal retirees in the taxation of their retirement benefits based on the source of such payments. The Wisconsin Department of Revenue estimated that the amount to be paid by the State totaled $77.4 million as of June 30, 1993. Payments of $10.1 million and $28.4 million were made in Fiscal Year 1994 and Fiscal Year 1995, respectively. Subsequent payments will be made on November 15, 1995 and May 15 and November 15 in 1996. The liability of $39.8 million as of June 30, 1995 is reported in the General Fund as Tax Refunds Payable.

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. However, the ultimate dispositions and consequences of any single legal proceeding or all legal proceedings collectively should not have a material adverse effect on the State's financial position, except as noted below.

Grants - The State has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the State.

Wage Overtime Case - In May 1995, the Seventh Circuit Court of Appeals entered judgment relating to *Gerald Mueller vs Ronald Fielder et al*, an action which was originally brought on behalf of certain State employes who have been categorized exempt from the Fair Labor Standards Act (FLSA) overtime provisions. The plaintiffs sought back-pay for overtime worked, plus liquidated damages, and attorney's fees.

The Seventh Circuit Court of Appeals reversed an earlier Federal District Court decision. The District Court had held that the Federal Department of Labor’s criterion (known as the “salary basis test”) for ruling that exempt employes are entitled to overtime pay was contrary to the intent of Congress because it would be unconstitutional to apply it to the State. The Circuit Court of Appeals held that the criterion was not unconstitutional as applied to the State because the test was equally valid in both the private sector as well as the public sector.

Currently, the State has petitioned the U.S. Supreme Court to review by writ of certiorari. Although at this time it is premature to estimate the potential impact of an unfavorable decision, a preliminary estimate indicates that the liability to the State could be approximately $54.0 million for all funds, $27.0 million for the Risk Management Fund and $27.0 million for the General Fund and other funds. Due to the uncertainty in predicting the outcome and the amount of the settlement, a liability has not been recorded as of June 30, 1995.

Environmental Clean-up Actions - The State is involved in environmental cleanup actions at sites that have the potential to cause soil and ground water contamination. These cleanup activities can occur on State owned property and on properties that are not owned by the State but have received waste from the State in the past. The State has identified 456 cleanup sites on property owned by the State and has been designated as a Potentially Responsible Party (PRP) for 20 non-state owned cleanup sites and one State owned cleanup site.

The cleanup sites that the State has been notified as a PRP include five Federal Superfund Sites and 15 waste sites that are State regulatory agency or voluntary clean up sites. While designation as a PRP notifies the State of its potential for responsibility for the costs of the cleanup, it does not assign the portion of the costs that the State will be required to pay. Usually, additional PRP's are identified and they share the cleanup costs. Therefore, liability for cleanup costs may not be determined until all PRP's have been identified, the site contaminants have been assessed and quantified, and cleanup costs have been apportioned among the PRP's.

The State has accepted PRP responsibilities for 20 non-state owned and one State owned cleanup sites. The site contaminants have been identified at these waste sites, however, the exact cleanup costs that will be apportioned to the State have not been determined. Strict retroactive, joint and several liability may be placed on the State when identified as a PRP at Federal Superfund Sites. It is estimated that cleanup costs that may be apportioned to the State are approximately $1.3 million for these sites.

The State is also involved in environmental cleanup activities on its own property. The State has full responsibility for funding these cleanups unless the State can prove that persons other than the State are responsible for the releases and, therefore, responsible for all or part of the remediation costs. Currently, the State is funding the remediation at all of these cleanup sites. Cleanups on State owned properties may have been mandated by a regulatory agency or the State may be voluntarily cleaning up the property to comply with applicable regulations. A majority of these site cleanups involve releases from underground storage tanks. It is estimated that approximately 432 State owned properties have soil and/or groundwater contamination associated with underground storage tank releases. The costs for cleanup of these properties are estimated to be $17.7 million. Approximately 250 underground storage tanks that have been installed prior to enactment of the new underground storage tank regulations remain in service on State properties and will be removed by 1998. The potential for remediation of these sites is not known.

In addition to these cleanups, the State is involved in environmental cleanups on 24 of its properties that do not involve releases from underground storage tanks. These cleanups on State owned properties are estimated to cost approximately $5.6 million.

Unasserted Claim

Taxation of Research and Teaching Assistants - This case involves two proposed assessments by the U.S. Department of the Treasury-Internal Revenue Service (IRS) against the University of Wisconsin System regarding income and social security withholding taxes. The major issues are whether the University of Wisconsin System should have withheld income and social security taxes from the stipends given to research assistants and the tuition remissions granted to teaching, project and research assistants during the Calendar Years 1987 through 1992. The University of Wisconsin System believes that these scholarships are not subject to withholding under tax laws and is challenging the IRS through an appeal process. The matter is currently awaiting administrative review by the IRS. At this time, the amount that could be owed is approximately $93.0 million.

B. Commitments

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

Commitments Reported in General Long-term Debt Account Group

The Dump Closure Cost Sharing Grant Program, administered by the Department of Natural Resources, was created to provide closure cost share assistance to political subdivisions owning or operating a facility closed between January 1, 1988, and October 1, 1992. Grant awards were determined based upon the estimated population of the political subdivision and actual eligible closure costs incurred. The Department of Natural Resources' grant award commitments for this program totaled $7.5 million at June 30, 1995, and are reported in the General Long-term Debt Account Group.

Other Commitments

In addition to the amount of encumbrances outstanding at June 30, 1995 reported as Fund Balance - Reserved for Encumbrances, additional obligations at June 30, 1995 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	$ 84,310
Recycling Fund	5,240
Environmental Local Assistance Fund	29,177
Capital Improvement Fund	1,827
General Fund (Nonpoint Service Program)	2,899
General Fund (Department of Development programs including economic and community development programs)	3,420

The Clean Water 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 $145.5 million of loan commitments as of June 30, 1995. 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 Clean Water 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 Clean Water Fund 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 Clean Water Fund 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.

Also, Wisconsin Statutes require that the Clean Water Fund provide financial hardship assistance for those communities that qualify under Wis. Stat. Sec. 144.241(13). This assistance may come in the form of reduced interest rates or grants (not to exceed 90 percent of project costs). During the year ended June 30, 1995, the Clean Water Fund committed $15.5 million to eligible recipient communities.

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, 1995, outstanding loan guarantees totaled $40.3 million.

The *Patients Compensation Fund* may be required to purchase an annuity as a result of a claim settlement. Under specific annuity arrangements, the fund may have ultimate responsibility for annuity payments if the annuity company and the reassignment company default on annuity payments. One of the fund's annuity providers has defaulted on $36 thousand in annuity payments, which the fund subsequently paid. 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 annuity payments made on behalf of the annuity provider. The estimated replacement value of the annuities in default is $2.9 million, while the total estimated replacement value of the fund's annuities as of June 30, 1995 was $101.4 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 Commissioner of Banking, until the funds available in a designated appropriation are exhausted. At June 30, 1995, the funds available totaled $20.7 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 Commissioner of Banking. Any recovery made by the Commissioner of Banking 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.

NOTE 23. SUBSEQUENT EVENTS

Bonds and Notes

Primary Government

Short-term Debt

Operating Notes - On July 6, 1995, the State issued $250.0 million of operating notes. The proceeds 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 revenues 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 approximately 52 percent of all 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 17, 1996.

Long-term Debt

State of Wisconsin General Obligation Bonds - On July 6, 1995, the State sold a private placement note in the amount of $361,623 to Bank One, Milwaukee to finance the costs of improvements made to the State Fair Park race track by Carl A. Haas Racing Teams, Ltd. The note has an interest rate of 7.3%, with the first interest payment being made on November 1, 1995, with semi-annual payments of principal and interest thereafter until May 1, 2005.

In February 1996, the State issued $104.8 million of 1996 Series 1 general obligation refunding bonds, the proceeds of which were used for the purpose of refunding certain general obligation bonds outstanding at June 30, 1995. Interest is payable on May 1 and November 1 commencing May 1, 1996. The bonds mature on May 1 of the years 1996 through 2015.

In October 1995, the State issued $42.9 million of 1995 Series 2 general obligation refunding bonds, the proceeds of which were used for the purpose of refunding the $41.6 million of general obligation bonds outstanding at June 30, 1995. The proceeds derived from the sale of the bonds were placed in the Bond Security & Redemption Fund, to refund the following general obligation bonds (in millions):

Issue	Maturities	Principal
1976C	1995	$ 0.8
1978C	1995	1.0
1985B	2002-2003	39.5
1993-5	1995	0.1
1993-6	1995	0.2

Interest is payable May 1 and November 1, commencing on May 1, 1996, with the bonds maturing November 1 of the years 1997 through 2015.

In September 1995, the State issued $97.5 million of 1995 Series C general obligation bonds to provide proceeds to be used for the acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes and funding of certain State of Wisconsin General Obligation Higher Education bonds presented for payment before maturity and still outstanding. Interest is payable on May 1 and November 1, commencing on May 1, 1996, with the bonds maturing on May 1 of the years 1997 through 2016.

In January 1996, the State issued $158.1 million of 1996 Series A general obligation bonds to provide proceeds to be used for the acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes and funding of certain State of Wisconsin General Obligation Higher Education bonds presented for payment before maturity and still outstanding. Interest is payable on May 1 and November 1, commencing in 1996, with the bonds maturing on May 1 of the years 1997 through 2016.

Transportation Revenue Bonds - In September 1995, the State issued $105.0 million of 1995 Series A Transportation Revenue Bonds. As permitted, the proceeds from the sale of these bonds will be applied to pay for the costs associated with certain major highway and transportation administrative facility projects.

Department of Veterans Affairs - In August 1995, the State made a partial call on the Veteran's Mortgage Revenue Bonds for $1.0 million.

Clean Water Fund - In July 1995, the State issued $80.0 million in Clean Water Revenue Bonds, 1995 Series 1, with a weighted average interest rate of 5.6% to make loans to municipalities in the State for the construction or improvement of their waste water treatment facilities. The new bonds, issued at a premium of $1.3 million consisted of the following (in millions):

	Principal
1995 Series 1 Bonds, maturities beginning June 1,1997 through June 1, 2015, with optional redemption bonds maturing on or after June 1, 2006 beginning on or after June 1, 2005 at 100% of par	$ 80.0

Component Unit

Wisconsin Housing and Economic Development Authority - In July, 1995 the Authority issued $51.7 million of Housing Revenue Bonds 1995 Series A&B. The proceeds were used to redeem the remaining portion of Housing Revenue Bonds 1980 Series A and to finance low and moderate income multifamily housing projects.

In July 1995, the Authority issued $1.0 million of Business Development Revenue Bonds 1995 Series 5.

In August 1995, the Authority issued $0.8 million of Business Development Revenue Bonds 1995 Series 6.

In October 1995, the Authority issued $70.0 million of Home Ownership Revenue Bonds 1995 Series F, G and H to finance single family homes for low and moderate income families.

In November 1995, the Authority issued $5.5 million of Business Development Revenue Bonds 1995 Series 7 and $4.4 million of Business Development Revenue Bonds 1995 Series 8.

In November 1995, the Authority issued $1.4 million of Business Development Revenue Bonds 1995 Series 9.

Subsequent to June 30, 1995, the Authority redeemed early the following bonds (in thousands):

Home Ownership Revenue Bonds	$ 41,185
Housing Revenue Bonds	35,280
	$ 76,465

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