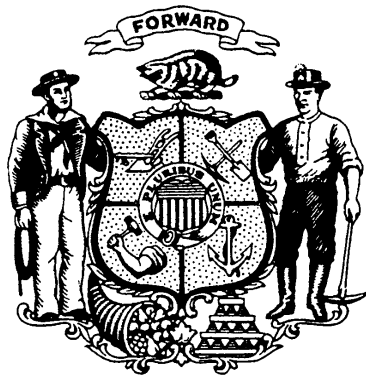


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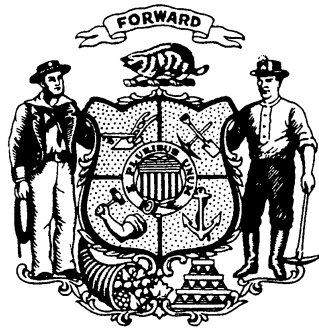
## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended June 30, 1997

# STATE OF WISCONSIN

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended June 30, 1997

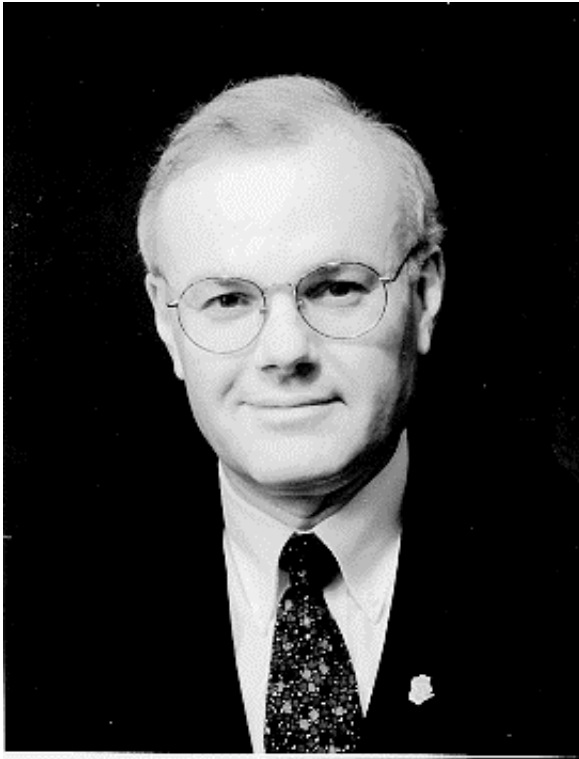
**Tommy G. Thompson, Governor**

Department of Administration  
Mark D. Bugher, Secretary  
William J. Raftery, State Controller

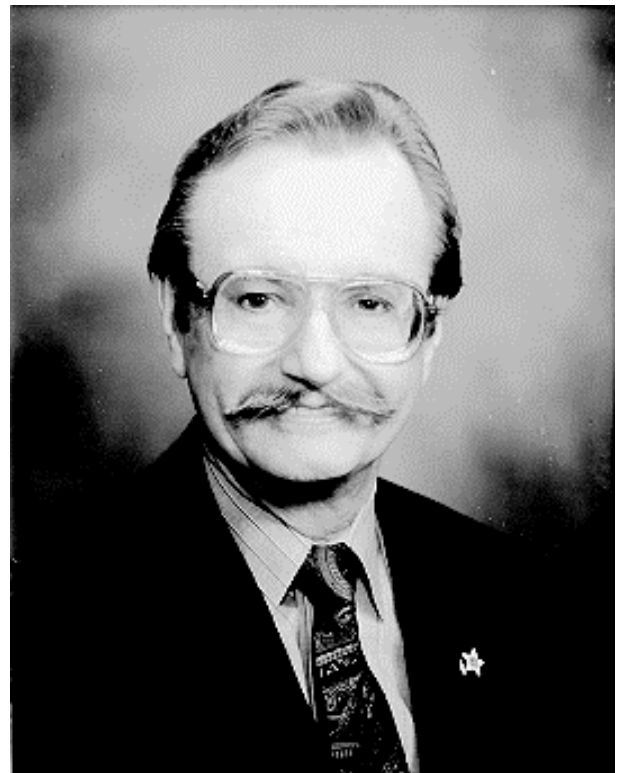
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DOA-6082P (R12/97)



**Mark D. Bugher, Secretary  
Department of Administration**



**William J. Raftery, CPA  
State Controller**



**Tommy G. Thompson**  
**Governor**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 1997**

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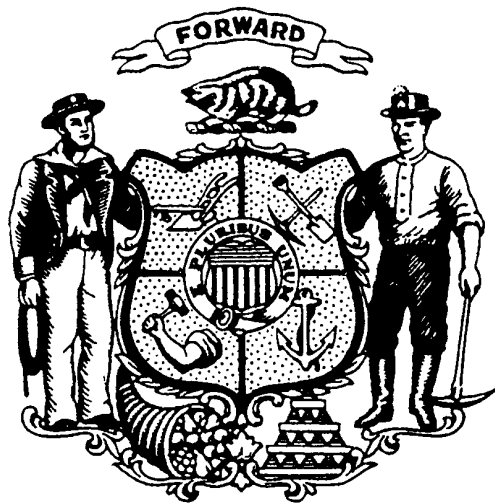
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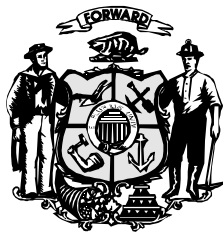


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# **INTRODUCTORY SECTION**

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December 19, 1997

The Honorable Tommy G. Thompson  
The Honorable Members of the Legislature  
Citizens of the State of Wisconsin

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the State of Wisconsin for the fiscal year ended June 30, 1997. This report is prepared by the Department of Administration, Division of Executive Budget and Finance, State Controller's Office, which is responsible for both the accuracy of the data and the completeness and fairness of its presentation, including disclosures. We believe that the information presented is accurate in all material respects and reported in a manner designed to show the financial position and operating results of the State.

This report has been prepared in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). To report the State's financial activity, the State's budgetary funds are grouped into the fund types required by GAAP. The State's 49 budgetary funds are expanded and have been displayed into the 89 individual GAAP funds, the University of Wisconsin System, and three discrete component units. The major change has been to reclassify certain activities from the budgetary General Fund and present them in proprietary and fiduciary fund types more appropriate for the financial reporting of transactions related to commercial and trust activities. Note 1-C to the financial statements includes a more detailed discussion of the generic GAAP fund types.

Wisconsin's 1997 Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section, which provides information on the general contents of the report, contains this letter of transmittal, a list of State officials and an organizational chart of State government. The Financial Section is composed of the auditor's report, the general purpose financial statements and the combining financial statements. The Statistical Section provides various financial, economic and demographic data about the State, generally on a multi-year basis.

The financial statements present information on the financial position and operations of State government as a single comprehensive reporting entity. The various agencies, departments, boards, commissions and accounts of the State that constitute the State reporting entity are included in this report in accordance with criteria established by the GASB. The reporting entity consists of all the funds and account groups of the primary government (the State of Wisconsin), as well as its component units which are legally separate organizations for which the State is financially accountable. Discretely presented component units include the Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, and the University of Wisconsin Hospitals and Clinics Authority. Blended component units, which are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State, include the Wisconsin Public Broadcasting Foundation, Inc. In addition, the University of Wisconsin System continues to be included in this report presented in conformity with applicable generally accepted accounting principles.

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

## **ECONOMIC CONDITION AND OUTLOOK**

Wisconsin's economy remains vibrant. A strong 1996 has been followed by a stronger 1997.

- Unemployment fell to 3.5 percent for 1996, its lowest rate since 1969. As of October 1997 the rate is 3.4 percent, far below the national average of 4.7 percent.
- Manufacturing jobs rose in 1996 to 601,200. In August of 1997, total manufacturing employment reached an all-time high of 616,400.
- Construction employment increased to 105,100 in 1996, over 6.2 percent higher than 1995. Construction employment continues to rise in 1997, reaching 119,000 in October.
- Total non-farm employment in 1996 also set a new record at 2,601,600. In 1997, total non-farm employment should set another record of 2,648,900.
- Personal income increased 5 percent in 1996 and is expected to increase by 5.3 percent in 1997.
- The State's exports set a fifth annual record high in 1996, reaching \$10.6 billion. Between 1987 and 1996, the State's exports have almost tripled.

Wisconsin's economy has consistently outperformed the nation's in recent years.

- Since 1987, Wisconsin's unemployment rate has been below the national rate.
- The Bureau of Economic Analysis projects Wisconsin's real growth will exceed the national average through the year 2005.
- The State's population growth has been among the highest for Midwest states as people relocate to Wisconsin. Since 1990, the State's population has grown by 6.1 percent.
- Over the last ten years, the average annual growth rate of per capita personal income in Wisconsin has been 5.0 percent, slightly ahead of the national average.
- Wisconsin has a high rate of health insurance coverage. At 92.1 percent of population, Wisconsin leads the country in health coverage. Wisconsin also has the fifth lowest poverty rate.
- Wisconsin's median household income increased 3.2 percent after inflation, well above national gains of 1.9 percent, over the period from 1994 to 1996. Wisconsin's median household income averaged \$39,877 in 1995 and 1996, compared to only \$34,911 nationally.

Looking ahead, continued gains in employment will be slower than the national average due to near full employment. Some employers are facing labor shortages. Total employment growth is expected to slow to 1.6 percent in 1998. Exports of capital goods, excluding autos, aircraft and computers, are expected to continue to grow at double-digit rates for the next two years. Total manufacturing is expected to remain steady or grow modestly.

Wisconsin's personal income growth will be affected by the slowdown in employment growth. Total personal income will grow by 5.3 percent this year to reach an average level of \$126.6 billion. Personal income per capita continues to increase, but will do so at a slower rate after 1997.

## MAJOR INITIATIVES

**Economic Development.** In 1997, the State continued its efforts to expand existing businesses and attract new businesses to Wisconsin. The major tools used in these efforts are the Wisconsin Development Fund and the Enterprise Development Program. The State awarded \$17,013,014 during fiscal years 1996 and 1997 from the Wisconsin Development Fund, primarily through the major economic development program and customized labor training grants. The Enterprise Development Zone program has awarded more than \$48.7 million in tax credits, and is expected to create over 8,900 new jobs, retain more than 15,500 jobs, and generate private investments of over \$1.1 billion. In addition, the State offers a variety of programs that target minority business development and community based economic development. In fiscal years 1996 and 1997, the Minority Business Development Finance Program awarded over \$1.2 million in grants and loans and the Community Based Economic Development Program awarded grants in excess of \$1.5 million.

In 1997, the State expended \$7.7 million to market Wisconsin as a national and international tourism destination, assisting a tourism industry that pumps over \$6.5 billion into Wisconsin's economy and directly or indirectly supports more than 182,000 jobs. Through an Internet home page, the Department of Tourism is providing statewide tourism information and enabling local governments and local tourism organizations to showcase local and regional attractions. The Departments of Tourism and Natural Resources are also developing a comprehensive automated campground reservation system to improve utilization of state park campgrounds, provide links to private campgrounds and improve service to the public.

In October of 1997, the Department of Commerce, the Department of Tourism and Forward Wisconsin moved into a new building developed and owned by the Wisconsin Housing and Economic Development Authority (WHEDA). Constructed at a cost of \$21 million, the new facility also houses the State's flagship Tourism Information Center. Through this co-location opportunity, the State will be able to provide one-stop assistance for business development in Wisconsin.

**Transportation.** The State continued to make significant investments in transportation infrastructure through expansion in highway capacity and reconstruction of existing highways and bridges. In 1997, more than 707 miles of state trunk highway (STH) and local highways were improved, and 239 deficient STH bridges were rehabilitated or replaced. In all, more than \$410 million in construction projects on STH and local road systems was contracted through the Wisconsin Department of Transportation.

Wisconsin also distributes state transportation user fee revenues to local governments for transportation infrastructure improvements and transit operating assistance. In 1997, \$363.2 million was transferred to local governments for these purposes.

In honor and recognition of Wisconsin's sesquicentennial year of 1998, the Department of Transportation, in cooperation with the Wisconsin Sesquicentennial Commission, began issuing a limited-edition commemorative license plate in January 1997. The plate was developed by a Department of Transportation employee and portrays the natural heritage of the Badger State. Proceeds from sale of the plate will be used to support a variety of events during Wisconsin's 150<sup>th</sup> anniversary. Through October 1997, over 300,000 sesquicentennial license plates had been issued.

**Environment.** Created in 1989, Wisconsin's Warren Knowles-Gaylord Nelson Stewardship Program underscores the State's role as a national leader in environmental preservation and enhancement. The program is authorized to expend \$250 million through the sale of general obligation bonds and the use of federal grant moneys for various resource development and land protection activities. Through October 31, 1997, the Stewardship program had committed \$184.8 million in a variety of categories, including acquisition of state park lands, protection of urban rivers and assistance for local parks.

As part of the most comprehensive review of the Department of Natural Resources' organization and mission since 1967, the State is utilizing information technology networks and equipment to provide Wisconsin residents and visitors with enhanced information and service regarding the State's natural resources and recreational opportunities. Through the establishment of regional service centers, outdoor enthusiasts will be able to make "one-stop" for conservation approvals, environmental permits, and recreational licenses and reservations. By the end of 1997, ten service centers will be operational, with a similar number planned for implementation over the next several years.

Wisconsin's Clean Water Fund program provides financial assistance to municipalities for the planning, design and construction of pollution abatement facilities -- primarily for wastewater treatment. Most communities applying for assistance receive subsidized loans, although some are eligible for partial grants through a hardship component of the program. Funding is provided from a State-matched federal capitalization grant authorized through the Water Quality Act, and through State revenue and general obligation bonds. In Fiscal Year 1997, the Clean Water Fund made commitments to municipalities amounting to \$150 million, bringing the total amount of loans and grants awarded by the program to \$937.9 million since its inception in 1991.

The Petroleum Environmental Cleanup Fund Award program (PECFA) assists owners of leaking petroleum storage tanks with environmental remediation costs and has provided \$447.1 million for cleanups at 4,740 locations since 1988. Technical staff from the Department of Natural Resources, in cooperation with the Department of Commerce, are performing audits of engineered groundwater treatment systems at PECFA program sites to determine both the cost and environmental effectiveness of the selected remedy. Audit recommendations include closure of the site, specific system improvements, use of natural processes to complete the remediation and continuation of present activity. Total savings of \$51.6 million at 1,243 sites were identified.

The 1997-99 biennial budget, recently passed by the Legislature and signed by the Governor, includes a comprehensive series of measures to address the remediation and redevelopment of underutilized land ("brownfields"). With these changes, owners of brownfields sites can secure exemptions from site cleanup liability by working cooperatively with the Department of Natural Resources. Local government will also have expanded flexibility to address tax-delinquent contaminated property. Financial assistance will be made available through a \$10 million demonstration grant program, \$22.5 million in loan guarantees to businesses, \$20 million in Clean Water Fund loans to municipalities, and better coordination and utilization of existing loan and grant programs.

**Human Resources** Fiscal Year 1997 was the year of final preparation for Wisconsin's welfare reform program, called Wisconsin Works or W-2, which officially began on September 1, 1997. This program, the culmination of welfare reform efforts that began ten years ago, will replace welfare checks with the opportunity to earn a living. Annual cash benefit expenditures for the welfare population have decreased from \$317 million in Fiscal Year 1996 to \$210.4 million in Fiscal Year 1997. The welfare caseload has continued its steep decline from over 71,000 in June of 1995 to just over 55,000 in June of 1996 to just over 38,000 in June of 1997, representing a 46.3 percent decline in that 24 month period.

**Education** In Fiscal Year 1997, the State fulfilled its commitment to increase its share of partial school costs (costs paid either by local property taxes or state aids and credits) from 52.9 percent to two-thirds. To reach this goal, state aids and credits to school districts were increased by \$1.0 billion, from \$3.0 billion in Fiscal Year 1996 to \$4.0 billion in Fiscal Year 1997. This increase, combined with the school district revenue limits first imposed in Fiscal Year 1993-1994, enabled the State to reduce the statewide net school property tax levy by 23.9 percent (\$645 million) in Fiscal Year 1997. The school levy rate showed an even larger decrease, going from \$15.29 per \$1,000 of property value in Fiscal Year 1996 to \$11.88 in Fiscal Year 1997, a decline of 28.9 percent.

## **FINANCIAL INFORMATION**

### **Internal Controls**

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

### **Budgetary Controls**

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

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

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

### **General Government Functions**

The following schedules present a summary of revenues (and proceeds from sale of bonds) and expenditures for the governmental fund types (i.e., the General Fund, special revenue funds, capital projects funds, and debt service funds) for Fiscal Years 1997 and 1996. These revenues, proceeds from sale of bonds, and expenditures are reported on the modified accrual basis of accounting in accordance with GAAP (in thousands):

<b>Revenues and Bond Proceeds (by Source) (in thousands)</b>	<b>1997 Amount</b>	<b>Percent of Total</b>	<b>1996 Amount</b>	<b>Change 1996/1997</b>
Taxes	\$ 9,662,514	67.2%	\$ 8,974,484	\$ 688,030
Intergovernmental (e.g., federal assistance)	3,587,981	25.0	3,555,666	32,315
Licenses and Permits	584,825	4.1	684,330	(99,505)
Charges for Goods and Services	282,612	2.0	158,432	124,180
Investment Income	70,150	0.5	65,004	5,146
Gifts and Donations	3,177		5,940	(2,763)
Other Revenues	86,453	0.6	73,724	12,729
Total Revenues	14,277,712		13,517,580	760,132
Proceeds from Sale of Bonds	80,535	0.6	344,334	(263,799)
Total Revenues and Bond Proceeds	\$ 14,358,247	100.0%	\$ 13,861,914	\$ 496,333

Revenues of governmental fund types totaled \$14.3 billion for the Fiscal Year 1997, increasing \$760.1 million or approximately 5.6 percent over the previous year. Due to continued strong growth, State tax revenue for Fiscal Year 1997 totaled \$9.7 billion, an increase of approximately \$688.0 million which represents a 7.7 percent increase over the previous year. Major increases in tax revenues occurred in individual income, general sales and use, corporation franchise income, and public utility taxes. Intergovernmental revenues consisting primarily of federal assistance increased \$32.3 million over Fiscal Year 1996, while revenues from all other sources, excluding proceeds from sale of bonds, increased \$39.8 million, a 4.0 percent increase from the previous year.

<b>Expenditures (by Function) (in thousands)</b>	<b>1997 Amount</b>	<b>Percent of Total</b>	<b>1996 Amount</b>	<b>Change 1996/1997</b>
Current:				
Commerce	\$ 183,581	1.3%	\$ 161,923	\$ 21,658
Education	4,125,946	29.8	3,283,511	842,435
Transportation	1,418,262	10.2	1,343,563	74,699
Environmental Resources	588,714	4.3	507,420	81,294
Human Relations and Resources	4,906,367	35.4	5,033,062	(126,695)
General Executive	325,433	2.4	246,561	78,872
Judicial	87,525	0.6	82,505	5,020
Legislative	53,277	0.4	50,165	3,112
Tax Relief and Other				
General Expenditures	694,871	5.0	574,771	120,100
Intergovernmental (Shared Revenue)	1,008,590	7.3	1,010,618	(2,028)
Capital Outlay	170,693	1.2	153,809	16,884
Debt Service	285,157	2.1	270,555	14,602
Total	\$ 13,848,416	100.0%	\$ 12,718,463	\$ 1,129,953

Governmental expenditures totaled \$13.8 billion for the fiscal year ended June 30, 1997. This represents \$1.1 billion or a 8.9 percent increase over the previous year. Human Relations and Resources had the largest decrease of \$126.7 million, while Education had the largest increase of \$842.4 million.

The 2.5 percent decrease in Human Relations and Resources was due primarily to decreased State aid in the Medical Assistance Program, reflecting increasing federal financial participation.

Education expenditures increased approximately 2.6 percent due in part to an increase in State assistance to Wisconsin's 426 school districts and 17 public library systems.

### General Fund Balance

The General Fund balance on June 30, 1997 was \$(1,472.8) million. The fund balances appearing in the CAFR include accounts receivable for revenues accrued but cash not received, and accounts payable on expenditures which are recorded but for which cash has not yet been disbursed.

A reconciliation between the budgetary basis fund balance and the CAFR fund balance at June 30, 1997 follows (in thousands):

Fund Balance June 30, 1997 (budgetary basis - budgetary fund structure)	\$ 397,252
To eliminate outstanding year-end encumbrances from expenditures	255,472
To reclassify activities reported in another GAAP fund type	<u>(243,056)</u>
Fund balance June 30, 1997 (budgetary basis (net of encumbrances) – GAAP fund structure)	409,669
Adjustments:	
To adjust expenditures for the municipal and county shared revenue program	(504,309)
To adjust expenditures for state property tax credit program	(360,246)
To accrue/defer revenue for tax-related items and other tax credit/aid programs (net)	(736,208)
To adjust revenues and expenditures for other items (net)	<u>(281,660)</u>
Fund balance June 30, 1997 (GAAP basis - as reported in CAFR)	<u><u>\$(1,472,755)</u></u>

As discussed previously, the State's 49 budgetary funds are expanded and have been displayed into 89 individual GAAP funds, the University of Wisconsin System, and three discrete component units. Accordingly, the reporting of the University of Wisconsin System in separate funds and the reclassification of certain activities from the budgetary General Fund to fiduciary and proprietary fund types resulted in the reduction of the budgetary fund balance at June 30, 1997 of \$243.1 million, as noted above.

Another variation between GAAP and statutory reporting results from the revised definition of budgetary expenditures. Budgetary expenditures include \$255.5 million of outstanding year-end encumbrances. These encumbrances are not reflected in the GAAP based expenditures and consequently do not impact GAAP fund balance.

In applying GAAP based expenditure and liability recognition and measurement criteria, the largest single accruals relate to deferred Municipal and County Shared Revenue Program payments and deferred State Property Tax Credit Program payments. Since the early 1980's, funding of these programs has been deferred to the State fiscal year following their accrual, resulting in liabilities for these programs totaling \$757.4 million and \$864.6 million at June 30, 1996 and 1997, respectively.

Accruals and deferrals of various tax-related items and other tax credit/aid programs also significantly contribute to the budgetary basis and GAAP basis fund difference. Net accruals/deferrals for these items resulted in an additional liability of \$756.0 million and \$736.2 million on June 30, 1996 and 1997, respectively.

The remaining difference between the General Fund budgetary balance and the GAAP basis balance, as listed above, represents accruals/deferrals for such items as Medicaid claims (additional liabilities of \$87.1 million and \$82.3 million at June 30, 1996 and 1997, respectively) and other numerous, miscellaneous adjustments to assets and liabilities.

The increase between Wisconsin's GAAP balance at June 30, 1996 (as reported in the 1996 CAFR) of \$(918.5) million and the GAAP balance at June 30, 1997 of \$(1,472.8) million amounted to \$554.2 million. A budgetary spend-down totaling \$265.9 million was a major factor contributing to this increase. Other factors impacting the change included: an increase in the amount of activity reclassified as individual fund types totaling \$9.9 million; an increase in the liability relating to the property tax credit program of \$107.1 million; an increase in liabilities of \$215.0 million due to the settlement of the special performance dividend pension-related lawsuit; and a decrease in other accruals/deferrals totaling \$43.7 million.

### **Proprietary Operations**

The State has various proprietary funds (i.e., enterprise and internal service funds) that account for ongoing activities and organizations that are similar to those found in the private sector.

Enterprise funds are established to account for services provided to the public for which the revenues derived by the activity will support the services provided. The enterprise fund with the largest operating revenues is the Lottery Fund. The Lottery Fund's activities are used to provide property tax relief to taxpayers. Operating revenues of this fund totaled \$431.1 million in 1997.

Internal service funds are established to account for the financing of goods or services provided to State agencies, or to other governments, on a cost-reimbursement basis. The internal service fund with the largest operating revenues is the Information Technology Services Fund. This fund was established to account for computing services provided to other State agencies and the purchase and installation of data and word processing equipment. Operating revenues of this fund totaled \$45.7 million in 1997.

### **Pension Trust Funds**

The Wisconsin Retirement System (WRS), consisting of the fixed retirement investment trust, the variable retirement investment trust, and the police and firefighters trust is administered by the Department of Employee Trust Funds. The WRS provides coverage to all eligible employees of the State of Wisconsin and other participating local units of government.

The most current actuarial valuations of the pension plan indicated that the WRS was funded at 94.0 percent of liabilities for the 424,266 participants of the WRS. The State's contribution represents 27.5 percent of total contributions required of all participating entities.

### **Debt Administration**

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. The total general obligation debt outstanding for the State as of June 30, 1997 was \$3.1 billion.

During Fiscal Year 1997, \$115.2 million of these general obligation bonds were issued to provide for the acquisition or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes. An additional \$23.6 million of general obligation bonds were issued to provide for an advance refunding of general obligation bonds outstanding during Fiscal Year 1997. As a result, the general obligation bonds refunded are considered defeased and the corresponding liability for those bonds has been



removed from the General Long-term Debt Account Group. The advance refunding resulted in an aggregate economic gain (the difference between the present values of the debt service on the old debt and the new debt) of \$3.0 million for the State. In addition, \$51.4 million of general obligation bonds were issued for veterans housing loans.

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

At June 30, 1997, State of Wisconsin bonds had a rating of Aa2 from Moody's Investors Services, a rating of AA from Standard and Poor's Corporation, and AA+ from Fitch Investors Service, L.P.

Chapter 18 of the Wisconsin Statutes authorizes the State to issue revenue obligations. These obligations, which are not debt of the State, are secured by a pledge of revenues or property derived from the operations of a program funded by the issuance of the obligations. Revenue bonds totaled \$3.3 billion outstanding at fiscal year-end. These bonds include: \$750.6 million in Transportation Revenue Bonds issued to finance certain transportation facilities and major highway projects; \$5.2 million of Wisconsin Education Revenue Bonds for the Health Education Assistance Loan Program; \$2.1 billion of Wisconsin Housing and Economic Development Authority Revenue Bonds; \$50.0 million for the University of Wisconsin Hospitals and Clinics Authority; and \$432.0 million of Clean Water Fund bonds.

Other bonds presented in the balance sheet include \$1.3 million of Wisconsin Building Corporation Bonds issued to provide funds for the acquisition and construction of certain buildings and facilities for public purposes. Revenues pledged to the repayment of these bonds are derived through lease-rental agreements between State agencies and the corporations.

### **Cash Management**

The State of Wisconsin Investment Board is responsible for investing in cash resources of the State. On a daily basis, excess cash from all funds is pooled and invested through a variety of investment vehicles. Interest income earned on these investments is allocated to the various funds based on their average daily cash balances. The total amount of investments in the State Investment Fund at June 30, 1997 was \$6.6 billion.

The State's General Fund cash flow requirements are greatest in the earlier part of the fiscal year. To meet these cash flow needs, the State sold \$150.0 million in short-term general obligation operating notes for Fiscal Year 1998. The final payment on these notes will be made on June 15, 1998.

### **Risk Management**

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

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

Currently, the State is essentially self-insured, through its risk management program, against major losses to which it is exposed. The Risk Management Fund, an internal service fund, services most claims for risk

of loss, including damage to State owned property, liability for property damages and injuries to third parties, and worker's compensation. Additional disclosures on the State's risk management activities are provided in Note 19.

## **OTHER INFORMATION**

### **Independent Audit**

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

### **Award**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the State of Wisconsin for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1996. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

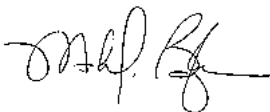
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal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

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

## **ACKNOWLEDGMENTS**

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

Sincerely,



Mark D. Bugher  
Secretary



William J. Raftery, CPA  
State Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of  
Wisconsin

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1996

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

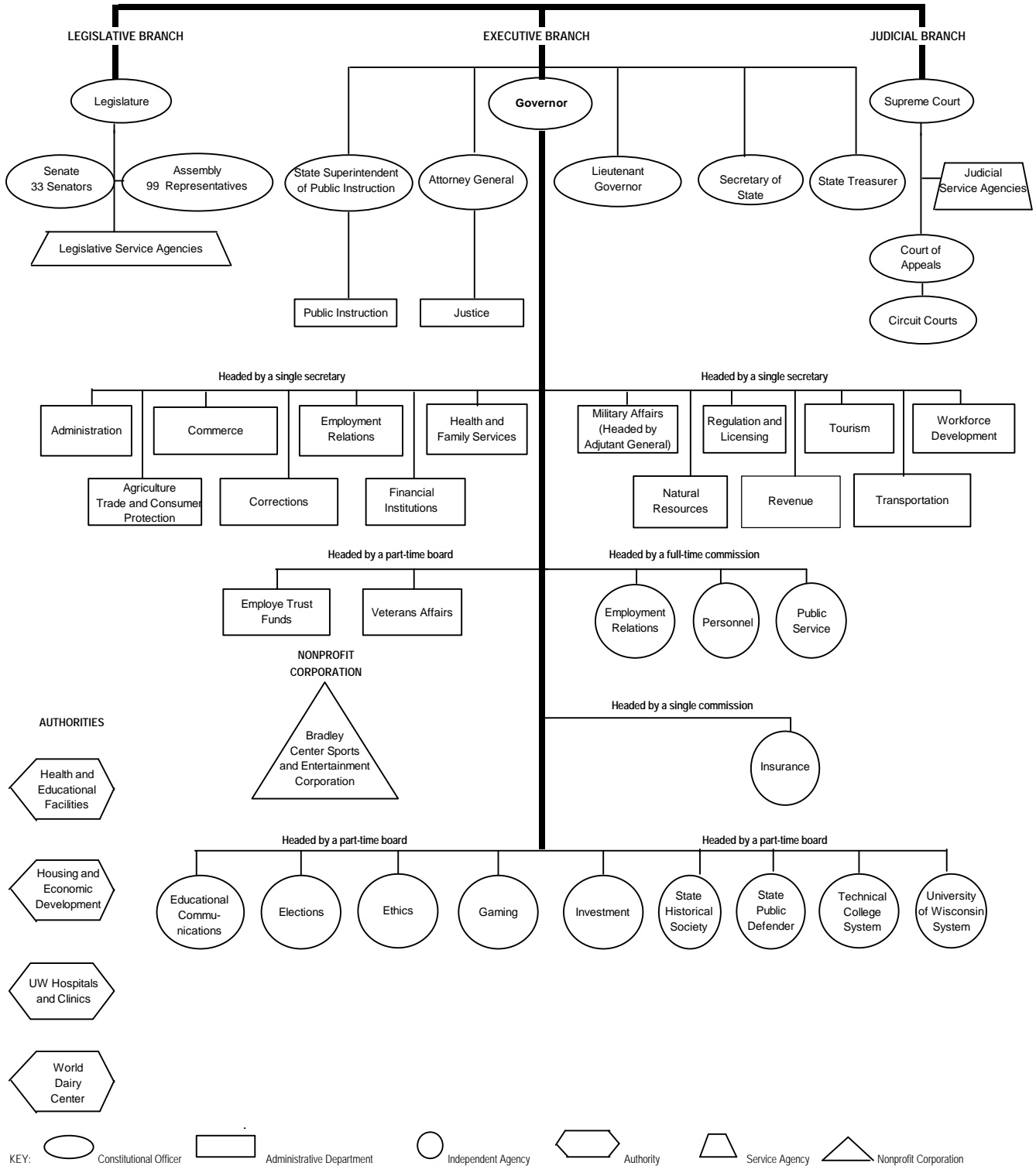


*Linda M. Savitsky*  
President

*Jeffrey L. Esser*  
Executive Director

# Organizational Chart

WISCONSIN STATE GOVERNMENT ORGANIZATION  
January 1997



# Principal State Officials

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## EXECUTIVE

Tommy G. Thompson  
*Governor*

Scott McCallum  
*Lieutenant Governor*

Douglas J. LaFollette  
*Secretary of State*

Jack C. Voight  
*State Treasurer*

James E. Doyle  
*Attorney General*

John T. Benson  
*State Superintendent of Public Instruction*

## LEGISLATIVE

Fred Risser  
*President of the State Senate*

Scott Jensen (beginning November 4, 1997)  
Ben Brancel (January 6, 1997 through November 2, 1997)  
David T. Prosser (through January 5, 1997)  
*Speaker of the Assembly*

## JUDICIAL

Shirley S. Abrahamson  
*Chief Justice of the Supreme Court*