Wisconsin

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2009

STATE OF
WISCONSIN

Comprehensive Annual
Financial Report

For the fiscal year ended June 30, 2009

Jim Doyle, Governor

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

Prepared by the State Controller's Office
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State of Wisconsin

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

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INTRODUCTORY SECTION

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WISCONSIN DEPARTMENT OF ADMINISTRATION

December 11, 2009

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the State of Wisconsin for the fiscal year ended June 30, 2009.

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

This report has been prepared in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). To report the State's financial activity, the State's budgetary funds are grouped into the fund types required by GAAP. As a result, the State's 62 budgetary funds have been analyzed, restructured and are currently reported in 59 GAAP funds. The most significant change has been to reclassify certain activities from the budgetary General Fund and present them in proprietary and fiduciary fund types more appropriate for the financial reporting of transactions related to commercial and trust activities. Note 1-C to the financial statements includes a more detailed discussion of the generic GAAP fund types.

Independent Audit

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

Management Discussion and Analysis

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

PROFILE OF THE STATE

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

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

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

Component Units

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

Blended component units, which although legally separate entities are, in substance, part of the State's operations, include the following:

Wisconsin Public Broadcasting Foundation, Inc.
Badger Tobacco Asset Securitization Corporation
Celebrate Children Foundation, Inc.

Discretely presented component units, which function independently of the State despite the ties between them and are, therefore, presented separately from the data of the State, include the following:

Wisconsin Housing and Economic Development Authority
Wisconsin Health Care Liability Insurance Plan
University of Wisconsin Hospitals and Clinics Authority
State Fair Park Exposition Center, Inc.
University of Wisconsin Foundation

Budgetary Process

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

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

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

Wisconsin Retirement System and Accumulated Sick Leave Conversion Credits Program

The Wisconsin Retirement System (WRS) is a pension plan administered by the Department of Employee Trust Funds (DETF). The WRS provides coverage to all eligible employees of the State of Wisconsin and other participating local units of government. The most current actuarial valuations of this pension plan indicated that the WRS was funded at 99.6 percent of liabilities for the 557,062 participants of the WRS. The State's contribution to WRS represents approximately 31.0 percent of total contributions required of all participating entities.

The Accumulated Sick Leave Conversion Credits (ASLCC) benefit program, reported in a fiduciary fund and also administered by DETF, allows employees at the time of their retirement to convert the value of their accumulated unused sick leave into an account to be used to pay for post-retirement health insurance. The actuarial value-based funded ratio of this program was 99.3 percent as of December 31, 2008 (the date of the most recent valuation).

ECONOMIC CONDITION AND OUTLOOK

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

- Wisconsin's unemployment rate is lower than the national rate.
- Since the 2000 census, the State's population growth ranks fourth in the Midwest states as more people relocate to Wisconsin.
- With 91.1 percent of its population covered, Wisconsin has the fourth highest health insurance coverage rate in the country. With the expansion of the State's BadgerCare health care program to cover all children and income-eligible adults with no dependent children, 98 percent of Wisconsin residents now have access to health insurance.
- Wisconsin's median household income, $52,094, is the twenty-second highest in the country, 0.12 percent above the national average.

Looking ahead, Wisconsin's economic outlook reflects the national outlook. With a slowing economy, total nonfarm employment is expected to decline 4.0 percent in 2009 and 0.7 percent in 2010. Nationally, nonfarm employment is projected to decline 3.8 percent in 2009 and 0.9 percent in 2010. Following the forecasted employment trend, the rate of personal income growth will decline significantly from a 2.6 percent increase in 2008 to a 2.8 percent decline in 2009 and rebound to increase 2.8 percent in 2010. Nationally, the rate of personal income growth is also projected to decline from a 2.9 percent increase in 2008 to a 2.2 percent decrease in 2009 and rebound to 2.7 percent increase in 2010.

MAJOR INITIATIVES

Economic Development. In 2009, the State encouraged private investment in entrepreneurial activities by expanding the Angel Investment and Early Stage Seed Investment tax credit programs, which initially became effective for tax years beginning after January 1, 2005. Through the programs, individuals and businesses are eligible for tax credits equal to a portion of the investment made in qualified new business ventures. In 2005, $1.3 million in tax credits were provided, resulting from $9.8 million in qualified investments. In calendar year 2006, there were 68 companies certified as qualified new business ventures and $15.4 million in eligible investments made. In calendar year 2008, there were 22 new companies certified as qualified new business ventures and $25.9 million in eligible investments made.

In addition, the State has continued its efforts to expand existing businesses and attract new companies to Wisconsin and provide support to entrepreneurs looking to start a business in this State. Major tools used in these efforts are the Wisconsin Development Fund and the development zone programs. The State awarded $16 million during Fiscal Year 2009 from the Wisconsin Development Fund, primarily through the major economic development program, customized labor training grants, and technology development grants and loans. In the 2009 legislative session, five existing tax credit programs (Community Development Zones, Enterprise Development Zones, Technology Zones, Airport Development Zones, and Agriculture Zones) were combined into one program. The new combined program will allocate $121 million in nonrefundable, nontransferable tax credits to businesses for projects that create jobs, purchase significant capital assets, train employees, or establish or retain a corporate headquarters in Wisconsin.

2009 Wisconsin Act 28 (the 2009-11 biennial budget) created a new refundable jobs tax credit aimed at business attraction and expansion. Commerce may certify a business as eligible for the credit for up to 10 years, if it is operating or intends to operate in Wisconsin. To claim a credit in a taxable year, a certified business must increase net employment.

The State also offers a variety of programs that target minority and rural business development. In Fiscal Year 2009, the State awarded $1.7 million through these programs which leveraged additional investments of over $10.7 million. The State has also created a women-owned business certification program to assist businesses that are majority owned and controlled by a woman or women in competing for federal contracts. Through the end of Fiscal Year 2009, 334 businesses had been certified.

Wisconsin continues its commitment to help manufacturers grow and remain a driving force in Wisconsin's economy. In 2009, $1.2 million was provided to manufacturing extension programs, allowing these organizations to help manufacturers modernize, remain competitive and create new jobs in Wisconsin. In addition, a tax credit for dairy modernization offers support for capital investment on dairy farms and livestock operations, and provided $13.9 million of tax relief to farmers in tax year 2008. An additional $58.2 million of tax credits was carried forward to be claimed in subsequent tax years. In 2009, the State expanded these credits by creating the Dairy Cooperative Manufacturing Facility Investment Credit, which is a refundable credit for members of dairy cooperatives or unincorporated cooperative associations who modernize or expand manufacturing operations in Wisconsin. The State also created the Meat Processing Facility Credit in 2009, which is a refundable credit for businesses that modernize or expand meat processing facilities in Wisconsin.

In 2009, Wisconsin continued to grow the State's $26 billion dairy industry through the Value Added Dairy Initiative (VADI). To date this program has awarded 306 grants for dairy modernization, grazing and organic transition totaling $3.06 million. The Department of Agriculture, Trade and Consumer Protection surveys VADI grant recipients following completion of their projects. Responses from the initial 60 dairy producer grant recipients indicate they invested $26 million in expanding and modernizing their operations, added 6,800 cows to their herds, increased milk production by over 75 million pounds annually, retained 183 on-farm jobs and added an additional 94 new jobs. Seventy-one percent of respondents reported that receiving a VADI grant had a moderate or strong impact on their decision to proceed with their expansion or modernization.

In 2009, the State continued to support the tax relief measures that were enacted in previous years. The full implementation of the single-factor sales apportionment of income for corporate and franchise taxes reduced corporate tax burdens by an estimated $43 million. This tax cut, along with other tax relief to businesses, is a key contributor to the State's share of its gross state product paid from business taxes being 15 percent below the national average, according to a study conducted by the Council on State Taxation.

Wisconsin became the 23rd state member of the Streamlined Sales and Use Tax Agreement by implementing its national standard for sales and use tax practices. This tax modernization effort will promote tax compliance among all businesses, including multi-state enterprises, while removing a competitive disadvantage facing local businesses. Enhanced tax compliance will increase tax revenues by an estimated $30.3 million for Fiscal Year 2010 and $31.0 million for Fiscal Year 2011.

Tourism businesses include lodging, restaurants, retail, campgrounds, historic sites, museums, art galleries, community and cultural events and much more. Dollars spent by travelers are then re-circulated back into the local economy benefiting other industries such as agriculture, manufacturing, health care, local governments, construction and service industries that directly support tourism businesses. In calendar year 2008, nearly $2.32 billion was returned to state and local governments in tax revenue from traveler spending.

For calendar year 2008, traveler spending in Wisconsin is estimated at $13.1 billion, a 2.7 percent increase from the previous year. Increases were posted in all three categories of travel tracked; leisure, business, and meetings and conventions. Tourism supported 300,000 full-time equivalent jobs in 2008 and $3.7 billion in wages and salaries. The travel industry is the main employer in many communities and in other areas serves to provide stability and diversity, complementing manufacturing, agriculture and our knowledge-based sectors.

In Fiscal Year 2009, the Department of Workforce Development received authority to expend over $38 million in federal funds from the federal American Recovery and Reinvestment Act (ARRA) of 2009. Of those funds, $5 million was utilized by the Division of Vocational Rehabilitation for direct services to the disabled, over $7 million supported job service efforts and over $25 million was given to local Workforce Development Boards in support of job training and placement efforts.

Since October 2008, claims for unemployment benefits have been higher than at any time in Wisconsin history. As of July 2008, Wisconsin administered its regular unemployment insurance (UI) program, with 87,455 continued claims. Since then, as of October 2009, the Department of Workforce Development is administering four federal extensions of UI benefits along with the regular program, with 217,779 continued claims. This represents a 149 percent increase in the number of continued claims over the past 16 months. To address the increase in claims, the department has hired more staff, extended hours, increased overtime hours, improved systems and is continuously seeking ways to streamline and improve the administration of the program.

Transportation. The State continued to make significant investments in transportation infrastructure through expansion in highway capacity and reconstruction of existing highways and bridges. In 2009, 787 miles of State Trunk Highway and local highways were improved and 330 deficient state and local bridges were rehabilitated or replaced. Of these, ARRA funds supported the improvement of 317 miles of state and local highways and the rehabilitation of 115 state and local bridges. Also, in Fiscal Year 2009, the State contributed over $240.2 million to continue preliminary work on the I-94 North-South Corridor. In all, more than $1.156 billion in construction projects on state and local road systems was contracted through the Department of Transportation, including $320.1 million in federal ARRA funds which supported 133 state and local construction projects. In July 2009, the department also used $47.5 million in bonding revenue to purchase two high speed passenger trains to be in service on the Hiawatha Line from Milwaukee to Chicago and eventually Madison.

Wisconsin also distributes State transportation user fee revenues to local governments for transportation infrastructure improvements and transit operating assistance. In Fiscal Year 2009, $590.1 million was transferred to local governments for these purposes.

Environment. Wisconsin's nationally recognized innovative environmental program, Green Tier, was reauthorized by the Legislature and signed into law by Governor Doyle in July of 2009. By reauthorizing the program, Wisconsin ensured the availability of tools for businesses of all sizes to comply with state and federal regulations, the commitment to help companies exceed environmental standards and continue to explore new ways to support sustainable environmental, economic and social outcomes.

Wisconsin's Warren Knowles-Gaylord Nelson Stewardship Program and its successor, the Warren Knowles-Gaylord Nelson Stewardship 2000 Program, underscore the State's role as a national leader in environmental preservation and enhancement. The original Stewardship Program committed $250 million through the sale of general obligation bonds and the use of federal grant monies for various resource development and land protection activities, including acquisition of State park lands, protection of urban rivers and assistance to local parks. The Stewardship 2000 Program commits $572 million over 10 years through the sale of general obligation bonds to continue the State's efforts to protect and enhance Wisconsin's abundant natural resources. The program was reauthorized in 2007 Act 20 through Fiscal Year 2020 with an annual bonding authority of $86 million beginning in Fiscal Year 2011. During Fiscal Year 2009, the State used $36.2 million in Stewardship Program financing to acquire over 17,450 acres of public recreational land through acquisition and recreational easements.

In addition to land acquisition through the Stewardship program, Wisconsin's efforts to protect and enhance its natural resources include partnerships with individual landowners. In November 2001, the State entered into an agreement with the U.S. Department of Agriculture for the authority to enroll up to 100,000 acres of Wisconsin farmland in the Conservation Reserve Enhancement Program. The federal government will provide up to $200 million for the program, which will be matched by the State with up to $28 million from the sale of general obligation bonds. Landowners participating in the program receive an upfront payment from the State and annual payments from the federal government to install and maintain riparian buffers, wetlands and other practices that reduce polluted runoff or, in certain areas, improve habitat for grassland birds. Landowners may receive a larger upfront payment if they transfer to the State an easement to permanently maintain the practices. As of October 1, 2009, 40,737 acres had been enrolled in the program, and total payments to landowners amounted to almost $11.8 million.

Wisconsin's Environmental Improvement Fund program provides financial assistance to municipalities for the planning, design and construction of wastewater treatment and drinking water treatment facilities. Most communities applying for assistance receive subsidized loans, although some wastewater projects are eligible for partial grants through a hardship component of the program. Funding is provided from a State-matched federal capitalization grant and through State revenue and general obligation bonds. In Fiscal Year 2009, the Environmental Improvement Fund made awards to municipalities amounting to $251.6 million, bringing the total amount of loans and grants awarded by the program to $3.34 billion since its inception in 1991. The American Recovery and Reinvestment Act of 2009 (ARRA) provided approximately $107.6 million for the Clean Water Fund and over $38 million for the Safe Drinking Water Loan Fund. The funding will finance high priority infrastructure projects to ensure clean water and safe drinking water across the state.

The Petroleum Environmental Cleanup Fund Award program (PECFA) assists owners of leaking petroleum storage tanks with environmental remediation costs and has provided almost $1.5 billion for cleanups at 12,783 locations (11,724 now closed) since 1988. Efforts to minimize claim payment backlogs and improve site closure methodologies have streamlined the program while protecting the environment and public health.

In addition to the PECFA program, Wisconsin has made a strong effort to reclaim contaminated properties, or brownfields. In Fiscal Year 2009, the brownfields site assessment grant program provided $1.7 million to 29 communities across the State to jump-start investigation and redevelopment of brownfield sites. After ten rounds of applications, 440 grants totaling $15 million have been awarded. Since June 1998, the Blight Elimination and Brownfield Redevelopment program has awarded almost $70 million to 178 projects for the redevelopment of brownfields where the environmental clean-up will have a significant economic as well as environmental impact. The completion of these projects will return 1,546 acres of abandoned or under-used environmentally contaminated sites to productive use, increasing taxable property values by over $1.7 billion and creating over 7,015 new jobs.

Wisconsin has historically been a national leader in recycling. Since its inception as one of the nation's first and foremost programs in support of community recycling, over $480 million has been provided to municipalities to help defray the cost of operating effective recycling programs. In addition, the State has provided funds for innovative recycling and waste reduction projects, including $1.5 million annually for the Recycling Efficiency Incentive Grants program. The program rewards municipalities for efficiencies achieved through consolidation of and cooperative agreements between local recycling services.

Human Resources. The Medical Assistance program was expanded during Fiscal Year 2009 to provide health care coverage to adults with no dependent children. In addition, the Department of Health Services continued the statewide expansion of Family Care, the State's managed long-term care program in order to ensure better coordination of services. The department also expanded services to over 3,962 children with long-term care needs, including autism, under the Children's Long-Term Care Medicaid waivers. The waivers provide an array of flexible support services to families and children, including intensive in-home therapy.

On an all funds basis, total Medical Assistance and BadgerCare Plus spending increased by 19.7 percent over Fiscal Year 2008, with the majority of the increase coming from segregated funds and federal expenditures. 2009 Wisconsin Act 2 authorized an assessment on hospital revenues to fund dramatic increases in rates paid by the state to hospitals for services to Medicaid-eligible populations. These expenditures, along with caseload growth, were the primary contributors to the increase in overall spending. Federal expenditures increased by $347 million due to an increase in the federal matching rate for Medicaid implemented under the American Recovery and Reinvestment Act of 2009 (ARRA). Other revenues to these programs were also provided from proceeds associated with refinancing of bonds supported by revenues from the State's share of the Master Settlement Agreement with tobacco companies and a transfer from the State's Medical Malpractice Insurance Fund.

Much of the Medical Assistance and BadgerCare Plus spending growth was the result of growth in caseload due to rapid increases in unemployment and associated loss of private sector health care benefits experienced in 2009. Enrollment grew by 10.7 percent in the Medicaid and BadgerCare Plus programs from June 2008 to June 2009, primarily due to the downturn in the national economy. By the end of Fiscal Year 2009, Medicaid and BadgerCare Plus enrollment was 918,089 recipients, compared to 817,411 in June 2008. SeniorCare enrollment dropped by 3.8 percent to 86,615 recipients by the end of Fiscal Year 2009. This continues the trend experienced in 2008 which showed a 7.2 percent decrease in Fiscal Year 2008 compared to Fiscal Year 2007, due to an increase in the number of seniors seeking drug assistance through the Medicare Part D program rather than SeniorCare.

Fiscal Year 2009 also saw the creation of the new Department of Children and Families, which consolidated into a single comprehensive cabinet-level agency programs for child welfare, child care, child support and economic support services formerly in the Departments of Health and Family Services and Workforce Development. The new department continued the state's commitment to seek permanent placements for children referred to the state's child welfare system. This included finalizing 736 adoptions for children with special needs. In other program areas, the Wisconsin Shares program provided subsidized child care to an average of almost 60,000 children monthly in fiscal year 2009. An average of 6,840 families received cash benefits each month under the Wisconsin Works (W-2) program. In calendar year 2008, state and county child support partnership efforts provided full case management services to 355,000 families and provided financial management services to an additional 113,000 families.

Education. School aids and property tax credits provided to support school districts' 2008-2009 costs for elementary and secondary education totaled $6.3 billion, including $552.3 million in American Recovery and Reinvestment Act (ARRA) funding. As part of this aid commitment, categorical aids to school districts increased by $45.5 million in Fiscal Year 2009, an increase of 7.4 percent. Of this increase, $18.7 million was added to special education aid and $18.4 million went toward new categorical aid programs. These new programs include sparsity aid for small, rural school districts, start-up grants for four-year-old kindergarten programs, and grants to Milwaukee Public Schools to improve pupil academic achievement. The school levy tax credit, which reduces individual taxpayers' local property tax liability, increased by $75 million in Fiscal Year 2009, an increase of 11.2 percent. In addition, $75 million was provided in 2008-09 for a new school levy tax credit, the first dollar credit, for a total increase in property tax credits of $150 million or 22.3 percent.

The 2007-09 biennial budget bill also increased the low revenue ceiling by $300 (3.4 percent) per pupil for the 2008-09 school year, from $8,700 per pupil to $9,000. The low revenue ceiling provides low-spending school districts with more spending flexibility to ensure that their students can continue to receive quality educational services. The increase for the 2008-09 school year benefited 75 of the State's lowest spending school districts. Wisconsin's tradition of promoting equity in financing public schools continues to keep the State at or near the top of national rankings of state financing systems for public education.

The Governor's commitment to significantly increase State financial aid to University of Wisconsin students through the Wisconsin Higher Education Grant, Lawton and Advanced Opportunity programs remains strong. In Fiscal Year 2009, these programs received a combined $5.6 million increase over the previous fiscal year (8.9 percent) enhancing much-needed grant support to help keep higher education affordable for low-income students in Wisconsin. The Governor's continued commitment to financial aid for University of Wisconsin students, combined with maintaining low-to-moderate tuition levels for resident undergraduate students has helped rank the University of Wisconsin - Madison among the top 15 public universities in overall affordability.

In addition, the University of Wisconsin continues to be among the world leaders in cutting edge research. The National Science Foundation's recently released annual Survey of Research and Development Expenditures at Universities and Colleges ranked the Madison campus third among the nation's universities in total federal research and development funds for fiscal year 2008. Other than Johns Hopkins, UW-Madison is the only institution, public or private, that has ranked among the top five research universities for each of the past 20 years. This position will be strengthened by the construction of the Wisconsin Institutes for Discovery. Opening in December 2010, this unique facility houses twin institutes, one private and one public, under one roof. The building is designed to spark collaborations across scientific disciplines that result in breakthrough discoveries to improve human health. An indicator of the high quality research already being done in Wisconsin is the $125 million federal grant awarded to establish the Great Lakes Bioenergy Research Center (GLBRC) at UW- Madison. The GLBRC will allow scientists from across the UW System to conduct basic research in new technologies to help convert cellulosic plant biomass — cornstalks, wood chips and perennial native grasses — into sources of energy for everything from cars to electrical power plants.

AWARDS AND ACKNOWLEDGEMENTS

Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the State of Wisconsin for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. 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 13th year the State has received this award. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

Acknowledgements

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

Sincerely,

Michael L. Morgan
Secretary

Stephen J. Censky, CPA
State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Wisconsin

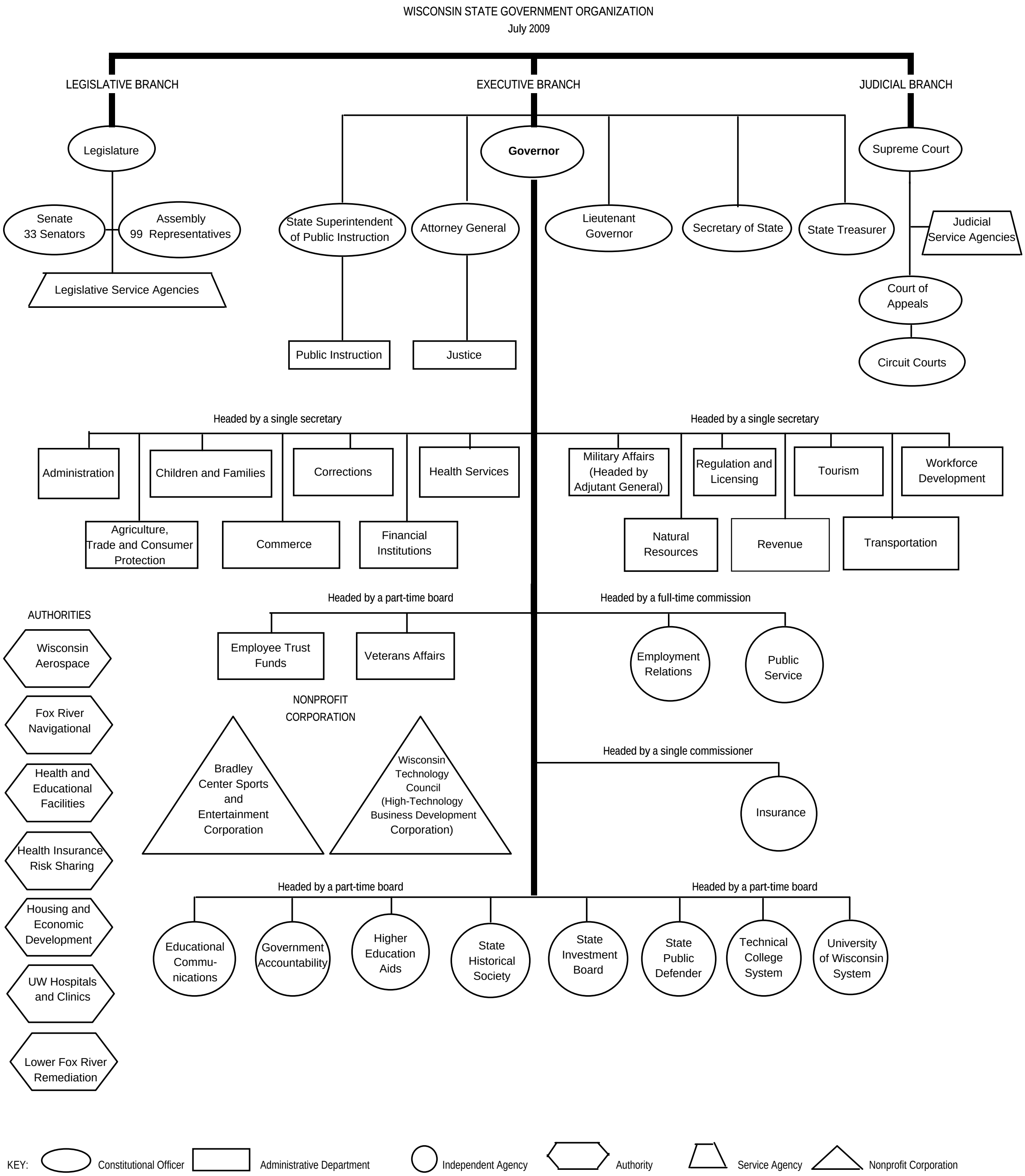
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.

President

Executive Director

Organizational Chart



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

Source: Wisconsin Blue Book 2009 - 2010

Principal State Officials

As of June 30, 2009:

EXECUTIVE

Jim Doyle
Governor

Barbara Lawton
Lieutenant Governor

Douglas J. La Follette
Secretary of State

Dawn Marie Sass
State Treasurer

J. B. Van Hollen
Attorney General

Tony Evers
State Superintendent of Public Instruction

LEGISLATIVE

Fred Risser
President of the State Senate

Michael Sheridan
Speaker of the Assembly

JUDICIAL

Shirley S. Abrahamson
Chief Justice of the Supreme Court

FINANCIAL SECTION

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Legislative Audit Bureau

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Janice Mueller
State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Legislature   The Honorable James Doyle, Governor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Wisconsin's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements for the following: the Wisconsin Department of Transportation Revenue Bond Program and Commercial Paper Program, which represent 12 percent of the liabilities of the governmental activities and 4 percent of the liabilities of the aggregate remaining fund information; the Badger Tobacco Asset Securitization Corporation, which represents 4 percent of the expenditures of the aggregate remaining fund information; the Environmental Improvement Fund, which is a major fund and represents 22 percent of the assets and 18 percent of the liabilities of the business-type activities; or the College Savings Program Trust, which represents 2 percent of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts audited by others, are based solely upon their reports. In addition, we did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors. Our opinion on the aggregate discretely presented component units is based upon the audit reports of the Wisconsin Housing and Economic Development Authority, the University of Wisconsin Hospitals and Clinics Authority, and the University of Wisconsin Foundation.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial positions of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining statements and schedules in the supplementary information section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the State of Wisconsin. The combining statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied within the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

LEGISLATIVE AUDIT BUREAU

December 11, 2009 by Janice Mueller

Janice Mueller
State Auditor

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the State of Wisconsin's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended June 30, 2009. It should be read in conjunction with the transmittal letter located at the front of this CAFR, and the State's financial statements, which follow this part of the CAFR.

FINANCIAL HIGHLIGHTS -- PRIMARY GOVERNMENT

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

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

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

Fund

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

Additional information regarding individual funds begins on Page 27.

Long-term Debt

- The State's total long-term debt obligations (bonds and notes payable) increased by $380.9 million during the current fiscal year which represents the net difference between new issuances, payments and refundings of outstanding debt. The key factors contributing to this increase are the issuance during the fiscal year of $521.9 million of general obligation bonds, a $1.5 billion increase in annual appropriation bonds, and a $1.3 billion decrease in revenue bond obligations, and the early redemption and refunding of general obligation and revenue bonds. Additional detail regarding these activities begins on Page 32.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

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

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

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

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

	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units, reported as follows: • *Governmental Activities* – Most services generally associated with State government fall into this category, including commerce, education, transportation, environmental resources, human relations and resources, general executive, judicial and legislative. • *Business-Type Activities* – Those operations for which a fee is charged to external users for goods and services are reported in this category. • *Discretely Presented Component Units* – These are operations for which the State has financial accountability but that have certain independent qualities. The State's discretely presented component units are discussed in Note 1-B to the financial statements.	These funds report activities of the State that are not proprietary or fiduciary in nature. Most of the basic services provided by the State, which are primarily financed through taxes, intergovernmental revenues, and other nonexchange revenues, are reported as governmental funds. Examples of the State's governmental funds (including the State's three major governmental funds), as reported within their respective fund types, follow: • *General Fund* (a major fund) • *Special Revenue:* -- Transportation (a major fund) • *Debt Service:* -- Bond Security and Redemption • *Capital Projects:* -- Capital Improvement • *Permanent:* -- Common School (a major fund)	The activities the State operates similar to private business. These funds are used to show activities that operate more like those of commercial enterprises. Fees are charged for services provided, both to outside customers and to other units of the State. Examples of the State's proprietary funds, including the State's four major enterprise funds, follow: • *Enterprise:* -- Injured Patients and Families Compensation (a major fund) -- Environmental Improvement (a major fund) -- University of Wisconsin System (a major fund) -- Unemployment Reserve (a major fund) -- Lottery • *Internal services:* -- Technology Services -- Facilities Operations and Maintenance	These funds are used to show assets held by the State as trustee or agent for others and cannot be used to support the State's own programs. Examples of the State's fiduciary funds, as reported within their respective fund types, follow: • *Pension and Other Employee Benefit Trust Funds:* -- Wisconsin Retirement System • *Investment Trust:* -- Local Government Pooled Investment • *Private Purpose Trust:* -- College Savings Program Trust • *Agency:* -- Support Collection Trust
Required financial statements	• Statement of net assets – Presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the state's net assets are an indicator of whether its financial health is improving or weakening, respectively. • Statement of activities – Presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for different identifiable business-type activities of the State.	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Balance sheet • Statement of revenues, expenses and changes in fund equity • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets Because the State can not use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed in the left column.

(Table 1, continued)

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

	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	**Proprietary Funds**	**Fiduciary Funds**
Accounting basis and measurement focus	Accrual accounting and economic resource focus The accrual basis of accounting, which is similar to the methods used by most businesses, takes into account all revenues and expenses associated with the fiscal year even if cash involved has not been received or paid.	Modified accrual accounting and current financial resource focus These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State. Because this information does not encompass the long-term focus of the government-wide statements, reconciliations are provided on the subsequent page of the governmental fund statements.	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	• Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Additional Required Supplementary Information

In addition to this Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements. The required supplementary information includes (1) post-employment benefits - state health insurance program, (2) condition and maintenance data regarding the State's infrastructure, and (2) a budgetary comparison schedule of the General and the Transportation funds, including reconciliations between the statutory and GAAP fund balances at fiscal year-end.

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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

Net Assets

As presented in Table 2, total assets of the State on June 30, 2009 were $32.3 billion, while total liabilities were $20.5 billion, resulting in combined net assets (government and business-type activities) of $11.8 billion. The largest component of the State's total net assets, $17.1 billion or approximately 144.9 percent, reflects its investment in capital assets (i.e., land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Approximately $3.6 billion of net assets were restricted by external sources or the State Constitution or Statutes, and were not available to finance the day-to-day operations of the State.

The unrestricted net assets, which, if positive, could be used at the State's discretion, showed a negative balance of $(8.9) billion. Therefore, based on this measurement, no funds were available for discretionary purposes. A contributing factor to the negative balance is that governments recognize a liability on the government-wide statement of net assets as soon as an obligation is incurred. While financing focuses on when a liability will be paid, accounting is primarily concerned with when a liability is incurred. Accordingly, the State recognizes long-term liabilities (such as general obligation debt, compensated absences, and future benefits and loss liabilities – listed in Note 10 to the financial statements) on the statement of net assets. In addition to the effect of reporting long-term liabilities when incurred, the General Fund's total deficit fund balance of $(2.7) billion at year-end, as discussed on Page 27, also contributed to the deficit unrestricted net assets reported in the statement of net assets.

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

Table 2
Net Assets
(in millions)

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

Changes in Net Assets

The revenues and expenses information, as shown in Table 3, was derived from the government-wide statement of activities and reflects how the State's net assets changed during the fiscal year. The State earned program revenues of $17.2 billion and general revenues of $13.8 billion for total revenues of $31.0 billion during Fiscal Year 2009. Expenses for the State during Fiscal Year 2009 were $32.0 billion. As a result of the excess of expenses over revenues, the total net assets of the State decreased $1.0 billion, net of contributions and transfers.

Table 3
Changes in Net Assets
(in millions)

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

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

Governmental Activities

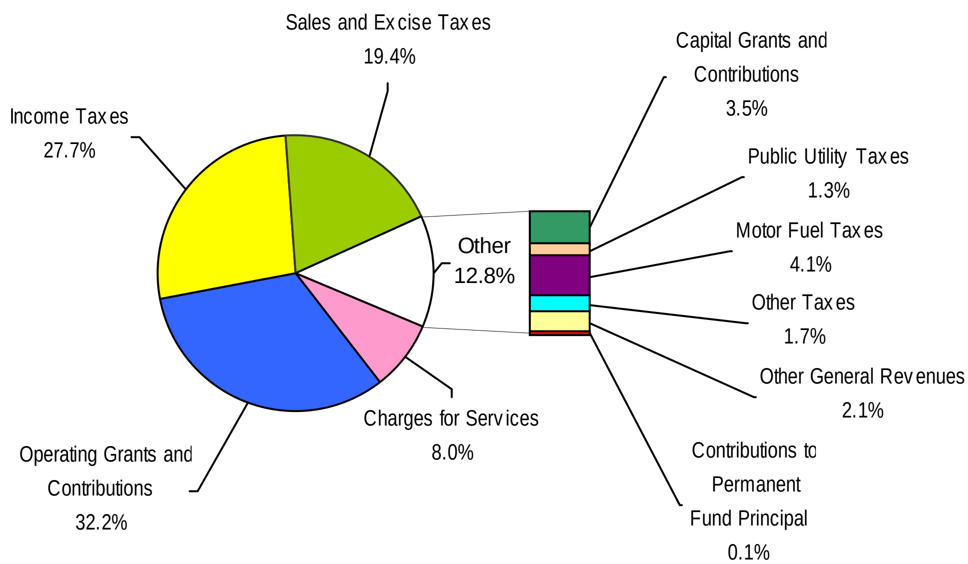
The net assets of governmental activities decreased $0.2 billion in Fiscal Year 2009. Revenues for the governmental activities (including contributions to permanent fund principal) totaled $24.6 billion, while expenses and net transfers totaled $24.8 billion in 2009.

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

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

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

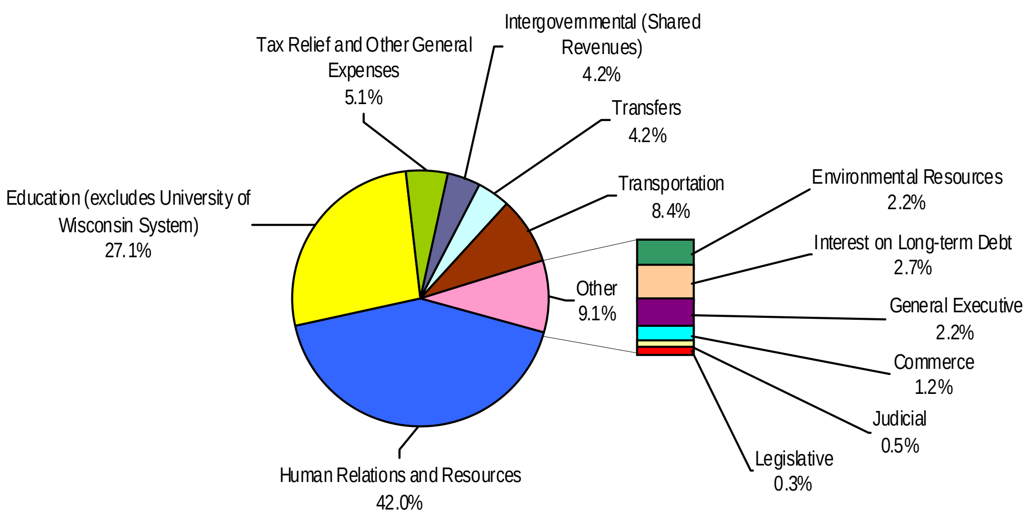
Table 4
Governmental Activities - 2009 Revenues



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

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

Table 5
Governmental Activities - 2009 Expenses



Business-Type Activities

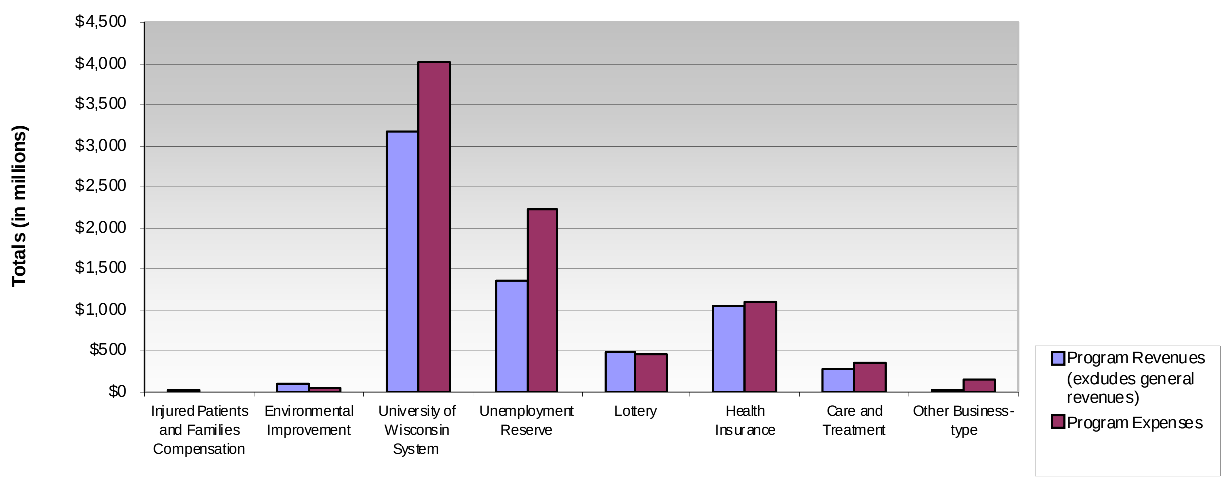
Net assets of the State's business-type activities decreased $748.2 million in Fiscal Year 2009. Total business-type program revenues increased $763.4 million. University of Wisconsin System operating revenues increased $239.7 million due primarily to increases in net student tuition and fees revenue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

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

Revenues of business-type activities totaled $6.5 billion for Fiscal Year 2009. Program revenues consisted of $5.6 billion of charges for services, $743.1 million of operating grants and contributions, and $126.3 million of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal and net transfers totaled $8.5 million, $0.7 million, and $1,052.2 million, respectively. The total expenses for business-type activities were $8.3 billion.

Table 6, below, compares the program revenues and program expenses of the various State business-type activities. This table does not include the transfer in (subsidy) from the General Fund to the University of Wisconsin System or other business-type activities.

Table 6
Fiscal Year 2009
Business-Type Activities
Comparison of Program Revenues to Program Expenses



FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds

At the end of Fiscal Year 2009, the State's governmental funds reported a negative combined fund balance of $(1,857.8) million. Funds with significant changes in fund balance are discussed below:

General Fund

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

Revenues

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

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

Expenditures

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

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

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

Other Financing Sources and Uses

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

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

Special Items

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

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

General Fund Budgetary Highlights

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

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

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

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

Transportation Fund

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

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

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

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

Common School Fund

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

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

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

Proprietary Funds

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

Unemployment Reserve

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

Injured Patients and Families Compensation

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

University of Wisconsin System

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

Lottery

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

Environmental Improvement

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

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the close of Fiscal Year 2009, the State had $21.5 billion invested in capital assets, net of accumulated depreciation of $3.9 billion. This represents an increase of $944.1 million, or 4.6 percent, from Fiscal Year 2009. Depreciation charges totaled $115.0 million and $201.6 million for governmental and business-type activities, respectively, in Fiscal Year 2009. The details of these assets are presented in Table 7, below. Additional information about the State's capital assets is presented in Note 7 to the financial statements.

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

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

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

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

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

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

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

Debt Administration

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. The total general obligation debt outstanding for the State as of June 30, 2009 was $5.4 billion, as shown in Table 8. During Fiscal Year 2009, $521.9 million of these general obligation bonds were issued to provide for the acquisition or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes.

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

Chapter 18 of the Wisconsin Statutes authorizes the State to issue revenue obligations. These obligations, which are not general obligation debt of the State, are secured by a pledge of revenues or property derived from the operations of a program funded by the issuance of the obligations. Revenue bonds of the primary government totaled $2.5 billion outstanding at June 30, 2009, as shown in Table 8. These bonds included $1,591.9 million of Transportation Revenue Bonds, $89.4 million of Petroleum Inspection Revenue Bonds, and $829.3 million of Environmental Improvement Revenue Bonds.

Based on the application of the criteria contained in GASB Statement No. 14, as amended by GASB Statement No. 39 and clarified by GASB Technical Bulletin No. 2004-1, the Badger Tobacco Asset Securitization Corporation (BTASC) is reported as a blended component unit in a debt service fund. The bylaws of BTASC require that the corporation hold itself apart and separate from the State of Wisconsin. Bonds issued by the BTASC are the sole obligation of the BTASC. The State is not legally liable for payment of principal and interest on these bonds nor is the debt dependent upon any dedicated stream of revenue generated by the State. In April, 2009, the BTASC deposited securities in an irrevocable trust with an escrow agent to provide for all future debt service payments on its outstanding bonds. As a result of the transaction, $1.3 billion of BTASC bonds outstanding is legally defeased. BTASC will remain active administratively until 2012 when the bonds are scheduled to be paid in full by the trust.

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

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

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

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

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

INFRASTRUCTURE -- MODIFIED APPROACH

The State reports infrastructure (i.e., roads, bridges, and buildings considered an ancillary part of roads) as capital assets. The State has elected to report its infrastructure assets (11,200 centerline miles of roads and 5,000 bridges with a combined value of $12.2 billion), using the modified approach. Under this method, infrastructure assets are not required to be depreciated if the State manages its eligible infrastructure assets using an asset management system designed to maintain and preserve these assets at a condition level established and disclosed by the State.

All infrastructure assets constructed prior to July 1, 2000 have been recorded at estimated historical cost. Historical cost was determined by calculating current costs of a similar asset and deflating that cost, using a price-index, to the estimated average construction date. Infrastructure costs, which exclude right of way, are expressed in 2000 dollars and deflated back to the average construction date using the Federal Highway Administration's composite index for federal-aid highway construction.

In order to adequately serve the traveling public and support the State economy, it is the State's policy to ensure at least 85 percent of the state-owned roads and bridges are in good or fair condition. As of June 30, 2009, 93.1 percent of the roads and 96.2 percent of bridges were in good or fair condition, consistent with State policies.

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

ECONOMIC FACTORS

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

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

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

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

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

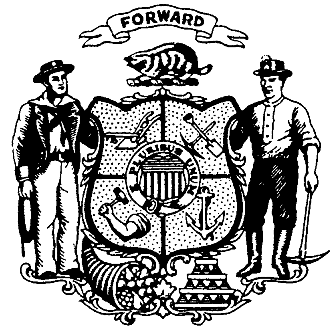
CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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

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

* * * *


FORWARD

Basic Financial Statements

Statement of Net Assets
June 30, 2009

(In Thousands)

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

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

State of Wisconsin

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

(In Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Primary Government:				
Governmental Activities:				
Commerce	$ 298,908	$ 173,231	$ 63,694	$ -
Education	6,707,734	19,859	1,441,834	-
Transportation	2,069,477	676,871	115,249	853,069
Environmental Resources	534,850	214,277	74,703	1,187
Human Relations and Resources	10,398,237	562,382	6,006,784	7,728
General Executive	551,358	244,988	191,833	-
Judicial	130,916	67,096	832	-
Legislative	65,626	1,831	4	-
Tax Relief and Other General Expenses	1,274,940	(456)	6,664	-
Intergovernmental - Shared Revenue	1,035,050	-	-	-
Interest on Debt	665,367	-	-	-
Total Governmental Activities	23,732,463	1,960,077	7,901,598	861,984
Business-type Activities:				
Injured Patients and Families Compensation	(58,215)	26,346	(3,537)	-
Environmental Improvement	48,486	48,332	57,170	-
University of Wisconsin System	4,016,459	2,845,573	207,556	123,385
Unemployment Reserve	2,215,332	772,779	587,306	-
Lottery	465,555	473,670	142	-
Health Insurance	1,086,541	1,075,757	(33,573)	-
Care and Treatment Facilities	361,588	270,316	582	1,876
Other Business-type	143,393	87,350	(72,597)	1,075
Total Business-type Activities	8,279,138	5,600,123	743,051	126,336
Total Primary Government	$ 32,011,601	$ 7,560,200	$ 8,644,649	$ 988,321
Component Units:				
Housing and Economic Development Authority	$ 342,922	$ 195,893	$ 149,189	$ -
Health Care Liability Insurance Plan	(15,790)	6,048	3,157	-
University Hospitals and Clinics Authority	919,024	957,660	1,320	1,163
University of Wisconsin Foundation	244,223	(492,518)	160,979	-
State Fair Park Exposition Center, Inc.	5,473	4,259	-	-
Total Component Units	$ 1,495,852	$ 671,342	$ 314,645	$ 1,163

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

Contributions to Term and Permanent Endowments

Contributions to Permanent Fund Principal

Special Item - Sale of Future Tobacco Settlement Revenues

Special Item - Purchase of Future Tobacco Settlement Revenues

Special Item - Loss on Unamortized Bond Insurance Premium

Transfers

Total General Revenues, Contributions, Special Items and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (61,983)		$ (61,983)	
(5,246,040)		(5,246,040)	
(424,288)		(424,288)	
(244,683)		(244,683)	
(3,821,343)		(3,821,343)	
(114,537)		(114,537)	
(62,988)		(62,988)	
(63,792)		(63,792)	
(1,268,732)		(1,268,732)	
(1,035,050)		(1,035,050)	
(665,367)		(665,367)	
(13,008,803)		(13,008,803)	
	$ 81,025	81,025	
	57,017	57,017	
	(839,944)	(839,944)	
	(855,247)	(855,247)	
	8,257	8,257	
	(44,357)	(44,357)	
	(88,814)	(88,814)	
	(127,565)	(127,565)	
-	(1,809,628)	(1,809,628)	
(13,008,803)	(1,809,628)	(14,818,431)	
			$ 2,160
			24,995
			41,119
			(575,762)
			(1,214)
			(508,702)
6,809,733	-	6,809,733	-
4,755,163	-	4,755,163	-
307,552	-	307,552	-
228,403	-	228,403	-
1,001,921	-	1,001,921	-
197,262	-	197,262	-
40,112	8,455	48,567	12,180
475,415	53	475,468	-
-	742	742	22
22,629	-	22,629	-
1,518,000	-	1,518,000	-
(1,518,000)	-	(1,518,000)	-
-	-	-	(2,541)
(1,051,574)	1,052,151	577	-
12,786,616	1,061,401	13,848,017	9,661
(222,186)	(748,227)	(970,414)	(499,041)
5,880,442	6,921,239	12,801,681	3,544,353
$ 5,658,256	$ 6,173,012	$ 11,831,268	$ 3,045,312

Balance Sheet - Governmental Funds
June 30, 2009

(In Thousands)

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

(Continued)

Balance Sheet - Governmental Funds
June 30, 2009

(Continued)

		Total Governmental
Reconciliation to the Statement of Net Assets:		
Total Fund Balances from previous page	$	(1,857,805)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Infrastructure		12,218,686
Other Capital Assets		5,282,530
Accumulated Depreciation		(943,411)
Other long-term assets that are not available to pay for current period expenditures and, therefore, are deferred in the funds.		85,735
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		294,884
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		(15,482)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Revenue Bonds Payable		(1,579,599)
Appropriation Bonds Payable		(3,378,300)
General Obligation Bonds Payable		(4,091,223)
Accrued Interest on Bonds		(63,933)
Capital Leases		(31,813)
Installment Contracts		(475)
Compensated Absences		(143,829)
Pollution Remediation		(15,610)
Claims and Judgments		(1,188)
Other Postemployment Benefits Liability		(100,911)
Net Assets of Governmental Activities as reported on the Statement of Net Assets (See page 39)	$	5,658,256

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

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

(In Thousands)

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

(Continued)

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

(Continued)

		Total Governmental
Reconciliation to the Statement of Activities:		
Net Change in Fund Balances from previous page	$	(395,029)
Inventories, which are recorded under the purchases method for governmental fund reporting, are reported under the consumption approach on the Statement of Activities. As a result of this change, the Increase (Decrease) in Reserve for Inventories on the fund statement has been reclassified as functional expenses on the government-wide statement.		7,418
Governmental funds report the acquisition or construction of capital assets as expenditures, while governmental activities report depreciation expense to allocate the cost of these assets over their estimated useful life. Donated assets are set up at fair value with a corresponding amount of revenue recognized. In the current period, these amounts are:		
Capital Outlay/Functional Expenditures		770,288
Depreciation Expense		(92,136)
Grants and Contributions (Donated Assets)		2,134
Transfers of capital assets between governmental and business-type activities results in the movement of those assets on the Statement of Net Assets and corresponding recognition of the related transfer in/out on the Statement of Activities.		111
In the Statement of Activities, only the gain/(loss) on the sale/disposal of capital assets is reported, while in the governmental funds, any proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold/disposed.		(39,254)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(10,873)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Bonds Issued		(2,172,974)
Repayment of Bond Principal		1,812,219
Bond Premium		(52,825)
Bonds Discount		371
Bond Issuance Costs (Amortization)		2,712
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net decrease (increase) in accrued interest		44,037
Decrease (increase) in Capital Leases		(4,632)
Decrease (increase) in Installment Contracts		(159)
Decrease (increase) in Compensated Absences		(9,101)
Decrease (increase) in Pollution Remediation Liabilities		(14,570)
Decrease (increase) in Claims and Judgments		246
Decrease (increase) in Postemployment Benefit Liabilities		(51,850)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		(18,320)
Changes in Net Assets of Governmental Activities as reported on the Statement of Activities (See page 41)	$	(222,186)

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

State of Wisconsin

Balance Sheet
Proprietary Funds
June 30, 2009

(In Thousands)

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

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

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

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

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

(In Thousands)

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

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

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

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

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

(In Thousands)

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

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

(Continued)

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

(Continued)

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

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

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

Statement of Fiduciary Net Assets
June 30, 2009

(In Thousands)

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

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

Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2009

(In Thousands)

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

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

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Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

Other Note Disclosures

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

Blended Component Units

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

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

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

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

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

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

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

Discretely Presented Component Units

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

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

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

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

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

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

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

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

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

Related Organizations

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

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

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

World Dairy Center Authority - an authority created to establish a center for the development of dairying in the United States and the world; to analyze worldwide trends in the dairy industry and recommend actions to be taken by the State; promote dairy cattle, technology, products and services; and develop new markets for dairy and dairy-related products.

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

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The State reports the following major funds:

Major Governmental Funds

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

- *Transportation Fund* – a special revenue fund, accounts for the proceeds from motor fuel taxes, vehicle registrations, licensing fees, and federal and local governments which are used to supply and support safe, efficient and effective transportation in Wisconsin.

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

Major Enterprise Funds

- *Injured Patients and Families Compensation Fund* – accounts for the program to provide excess medical malpractice insurance for Wisconsin health care providers. The revenues to finance this insurance are primarily derived from assessments against health care providers.

- *Environmental Improvement Fund* – accounts for financial resources generated and used for clean water projects. Federal capitalization grants, interest earnings, revenue bond proceeds, and general obligation bond proceeds are its primary funding sources.

- *University of Wisconsin System Fund* – accounts for the 13 universities, 13 two-year colleges, the University of Wisconsin Extension and System Administration.

- *Unemployment Reserve Fund* – accounts for unemployment contributions made by employers, federal program receipts, benefit payment recoveries and unemployment benefits paid to laid off workers in the State.

In addition, the State reports the following fund types:

Governmental Funds

- *Special Revenue Funds* – account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes. Examples include the Conservation Fund and the Petroleum Inspection Fund.

- *Debt Service Funds* – account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- *Capital Projects Funds* – account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

- *Permanent Funds* – account for resources that are legally restricted to the extent that only earnings and not principal, may be used for purposes that support the State's programs.

Proprietary Funds

- *Enterprise Funds* – account for the activities for which fees are charged to external users for goods or services. Examples include the Lottery Fund and the Veterans Trust Fund.

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

Fiduciary Funds

- *Pension and Other Employee Benefit Trust Funds* – account for the Wisconsin Retirement System as well as other employee benefit programs including accumulated sick leave, duty disability, employee reimbursement accounts, life insurance, and retiree life insurance.

- *Investment Trust Funds* – account for the local government investment pool managed by the State Treasurer and the Milwaukee Retirement System.

- *Private-purpose Trust Funds* – account for the State-sponsored college savings programs and the BadgerRx for Individuals Fund.

- *Agency Funds* – account for the assets of liquidated insurance companies to insure payments to claimants, transactions of the retiree health insurance program, assets held by the State for inmates and residents of state facilities, deposits of bank and insurance companies doing business in the state, and the collection and disbursement of court-ordered support payments.

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

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

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

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

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

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

1. Cash and Cash Equivalents

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

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

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

2. Investments

Primary Government

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

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

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

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

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

Component Units

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

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

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

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

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

3. Mortgage and Other Loans

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

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

4. Forestation State Tax

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

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

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

5. Interfund Assets/Liabilities

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

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

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

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

6. Inventories and Prepaid Items

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

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

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

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

7. Capital Assets

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

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

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

Exhaustible capital assets of the primary government and the component units generally are depreciated on the straight-line method over the asset's useful life. Select buildings of the University of Wisconsin System are depreciated using the componentized method over the estimated useful life of the related assets. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units. There is no depreciation recorded for land, construction in process, infrastructure, and certain other capital assets including the State Capitol and Executive Residence and associated furnishings, defined as inexhaustible. Generally, estimated useful lives are as follows:

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

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

8. Restricted and Limited Use Assets

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

9. Local Assistance Aids

Municipal and County Shared Revenue Program

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

At June 30, 2009, the State was liable to various local governments for unpaid shared revenue aid. To measure the amount of the program allocable to the State's fiscal year, the amount is prorated over portions of recipient local governments' calendar fiscal years that are within the State's fiscal year. The result is that a liability of $487.0 million representing one-half of the total appropriated amount is reported at June 30, 2009 as Due to Other Governments.

State Property Tax Credit Program

At June 30, 2009, the State was liable to various taxing jurisdictions for property tax credits paid through the State Property Tax Credit Program. Under the program, payments to local taxing jurisdictions provide property tax relief directly to taxpayers in the form of State credits on individual property tax bills. State statutes require that payment to local taxing jurisdictions be made during July. Although the property tax credit is calculated on the property tax levy for school purposes, the State's July payment is paid to an administering municipality who treats the payment the same as other tax collections and distributes the collections to the various tax levying jurisdictions (e.g., cities; towns; villages; school districts; technical colleges).

The school portion of the property tax credit liability represents the amount of the July payment earned over the school districts' previous fiscal year ended June 30. Since the entire school districts' portion of the July payment occurs within the State's fiscal year, 100 percent of the July payment relating to the school taxing jurisdictions' levy is reported as a liability at June 30, 2009.

The general government portion of the property tax credit liability represents the amount of the July payment prorated over the portion of the local governments' calendar year which is within the State's fiscal year. The result is that 50 percent of the July payment based on the general government taxing jurisdictions' levy is reported as a liability at June 30, 2009.

The aggregated State Property Tax Credit Program liability of $566.7 million is reported in the General Fund as Due to Other Governments.

Lottery Property Tax Credit Program

The Lottery Property Tax Credit provides direct property tax relief to taxpayers in the form of State Credits on property tax bills. Under the program, owners of property used as a primary residence receive a tax credit equal to the school property tax on a portion of the dwelling's value.

The State pays municipal treasurers for lottery credits who distribute the moneys to the various taxing jurisdictions. For credits reducing the calendar year 2009 property tax bills, the State made this payment in March 2009.

The Lottery Tax Credit Program is accounted for in the Lottery Fund, an enterprise fund that records revenues and expenses on the accrual basis. A portion of the State's March payment distributed to the general government taxing jurisdictions applies to their fiscal year that ends on December 31. Therefore, part of the March distribution represents an expense of the State in Fiscal Year 2009, while the remaining portion represents a prepaid item. The resulting prepaid item reported within the Lottery Fund totals $28.5 million at June 30, 2009.

State Aid for Exempt Computers

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

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

10. Long-term Debt Obligations

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

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

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

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

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

Debt issuance costs of the State Fair Park Exposition Center, Inc., a discretely presented component unit, are being amortized using the effective-interest method over the life of the related bonds.

11. Compensated Absences

Consistent with the compensated absences reporting standards of GASB Statement No. 16, *Accounting for Compensated Absences,* an accrual for certain salary-related payments associated with annual leave and an accrual for sick leave is included in the compensated absences liability at year end.

Annual Leave

Full-time employees' annual leave days are credited on January 1 of each calendar year in general at a minimum of 15 or 13 days per year, depending on Fair Labor Standards Act (FLSA) status. There is no requirement to use annual leave. However, unused leave is lost unless approval to carry over the unused portion is obtained from the employing agency. Generally, compensatory time accumulates for eligible employees for hours worked in excess of forty hours per week. In general, each full-time employee is eligible for four and one-half personal holidays each calendar year, provided the employee is in pay status for at least one day in the year. If a holiday occurs on a Saturday, employees receive leave time proportional to their working status to use at their discretion.

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

Sick Leave

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

12. Unearned and Deferred Revenue

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

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

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

13. Self-Insurance

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

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

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

Fund Balance Reserves

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

Restricted Net Assets/Fund Equity

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

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

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

During the year ended June 30, 2009, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Balance Sheet – Governmental Funds to the amounts presented in the governmental section of the Statement of Net Assets (in thousands). The differences result primarily from the long-term economic focus of the Statement of Net Assets compared to the current financial focus of the Balance Sheet – Governmental Funds.

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

(1) Long-term asset and liability differences arise because governmental funds focus only on short-term financing (that is, resources that will be available to pay for current period expenditures). In contrast, the Statement of Net Assets has a long-term economic focus and reports on all capital and financial resources.

(2) The adjustment for internal service funds reflects the reclassification of these funds for the government-wide statement. The assets and liabilities of these funds are reported as proprietary activities on the fund statements, but are included as governmental activities on the Statement of Net Assets

(3) Various reclassifications are necessary due to the differing level of detail needed on each of the statements. Eliminations are done on the Statement of Net Assets to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government. The net residual amounts due between governmental and business-type activities are shown as internal balances.

B. Explanation of Differences Between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and the Statement of Activities

During the year ended June 30, 2009, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the amounts presented in the governmental section of the Statement of Activities (in thousands). The differences result primarily from the long-term economic focus of the Statement of Activities compared to the current financial focus of the Statement of Revenues, Expenditures, Changes in Fund Balance – Governmental Funds.

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

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

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

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

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

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

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

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

NOTE 3. BUDGETARY CONTROL

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

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

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

A. Deficit Fund Balance/Fund Equity

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

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

B. Restricted Net Assets

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

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

NOTE 5. DEPOSITS AND INVESTMENTS

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

A. Deposits

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

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

1. Primary Government

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

Uninsured and uncollateralized	$ 458.8

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

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

2. Component Units

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

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

Uninsured and uncollateralized	$ 334.0

B. Investments

1. Primary Government

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

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

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

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

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

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

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

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

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

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

University of Wisconsin System (UWS)

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

Wisconsin Retirement System (WRS)

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

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

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

Custodial Credit Risk

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

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

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

University of Wisconsin System (UWS)

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

Wisconsin Retirement System (WRS)

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

Interest Rate Risk

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

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

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

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

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

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

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

External Investment Pool

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

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

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

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

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

Various Funds
Duration for Fixed Income Securities (in years)

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

University of Wisconsin System (UWS)

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

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

UWS

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

Wisconsin Retirement System (WRS)

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

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

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

WRS

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

Pooled Investments

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

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

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

Credit Quality Risk

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

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

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

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

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

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

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

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

Various Funds

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

University of Wisconsin System (UWS)

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

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

UWS

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

Wisconsin Retirement System (WRS)

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

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

WRS

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

Concentration of Credit Risk

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

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

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

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

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

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

University of Wisconsin System (UWS)

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

Wisconsin Retirement System (WRS)

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

Foreign Currency Risk

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

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

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

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

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

University of Wisconsin System (UWS)

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

Wisconsin Retirement System (WRS)

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

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

Currency Exposure by Investment Type

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

Securities Lending Transactions

Wisconsin Retirement System (WRS)

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

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

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

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

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

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

Derivative Financial Instruments

Various Funds

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

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

Wisconsin Retirement System (WRS)

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

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

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

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

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

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

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

Unfunded Capital Commitments

University of Wisconsin System (UWS)

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

Wisconsin Retirement System (WRS)

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

2. Component Units

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

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

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

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

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

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

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

Custodial Credit Risk

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

Interest Rate Risk

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

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

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

Credit Quality Risk

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

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

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

Securities Lending

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

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

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

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

Other Component Units

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

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

10 years, as deemed appropriate by the investment manager(s) and is not permitted to invest in common stock.

Excluded investments include: bonds rated below A by a major rating service at the time of purchase, foreign bonds not denominated in U.S. currency, futures transactions, short selling, use of margin, derivatives and hedge funds.

The investments of the WHCLIP at December 31, 2008 were $62.2 million consisting of the following (in millions):

Investment Type	Amortized Cost	Estimated Fair Value
U.S. Treasury securities and obligations of the U.S. government corporations and agencies	$ 7.2	$ 9.1
Debt securities issued by foreign governments and corporations	3.0	3.0
Industrial and miscellaneous	21.2	21.0
Public utilities	3.4	3.5
Loan-backed securities	27.4	28.2
Total	$ 62.2	$ 64.8

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the component units will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty, or by the counterparty's trust department or agent but not in the name of the WHCLIP. The WHCLIP had no custodial credit risk exposure for these investments.

The amortized cost and estimated fair value of bonds at December 31, 2008, by contractual maturity are presented in the table below (in millions):

	Amortized Cost	Estimated Fair Value
1 Year or Less	$ 4.0	$ 4.0
1 to 5 Years	13.8	13.7
6 to 10 Years	13.1	14.3
More Than 10 Years	3.9	4.6
	34.8	36.6
Loan-backed securities	27.4	28.2
Total	$ 62.2	$ 64.8

Mortgage-backed securities (includes residential and commercial MBS) consist of the following (in millions):

Pass-through securities:	
Guaranteed by GNMA	$ .1
Issued by FNMA and FHLMC	24.2

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

As of December 31, 2008, the WHCLIP did not own any issues denominated in a foreign currency.

University of Wisconsin Foundation (the Foundation) - Aggregate investments of the Foundation are $1,735.7 million.

The following table summarizes the types of investments of the Foundation at December 31, 2008 (in millions):

Investment Type	Fair Value
Bond and debentures	$ 492.7
Stocks	308.7
Bond funds	99.9
Stock funds	19.8
Hedge funds	460.3
Limited partnerships	210.0
Real asset funds	140.7
Other funds	3.6
Total	$ 1,735.7

Custodial Credit Risk

At December 31, 2008, the reported amount of investments was $1,735.7 million. The Foundation had no custodial credit risk exposure for these investments.

Securities Lending

The Foundation participates in securities lending through a program run by its custodial bank. Under the terms of its securities lending agreement, the program requires brokers who borrow securities from the Foundation to provide collateral of a value at least equal to 102 percent of the then fair value of the loaned securities and accrued interest, if any. This collateral is then reinvested on behalf of the Foundation by the custodial bank.

The prime considerations of the collateral pool in which the collateral has been reinvested are liquidity and principal preservation. However, given the recent stressed fixed income market environment, and the fact that all of the securities are held in the pool are subject to credit risk, the value of the collateral pool has declined. In addition, certain securities in the pool have defaulted and the collateral backing said securities has been placed in a liquidating trust. While the Foundation is still receiving cash flows from this trust, the value of the collateral comprising the trust has incurred significant mark-to-market price declines. This, in conjunction with the general price declines of other securities held in the collateral pool, leaves the Foundation with an outstanding collateral deficiency liability of approximately $3.5 million as of December 31, 2008. There was no collateral deficiency as of December 31, 2007. The ultimate realized loss will depend on the terminal value of the securities held in the liquidation trust. However, the Foundation feels it is likely a realized loss will be incurred; therefore, a liability of $1.5 million has been recorded as of December 31, 2008.

Valuations of the collateral pool are provided to the Foundation by the custodial bank. For purposes of determining the value of collateral investments reflected on a balance sheet, the custodial bank uses financial models, third-party pricing services, or other inputs where quoted prices in an active market are not available. Such calculations reflect hypothetical transactions, are subject to uncertainties, and accordingly do not reflect the amount that would be realized in a current sale. In addition, in light of the judgment involved in the fair value decisions by the custodial bank, and given the current market conditions, the illiquidity of certain of the securities in the collateral pool, and the credit risk associated with securities in the collateral pool, there can be no assurance that a fair value assigned to a particular security by the custodial bank is accurate.

At December 31, 2008 and 2007, the Foundation had equity and fixed income securities with fair values of $25.4 million and $113.0 million, respectively, on loan. The Foundation reflects the collateral received for securities on loan as an asset and its obligation to return the collateral as a liability. As of December 31, 2008 and 2007, an asset of $26.0 million and $117.9 million respectively, and the related liability representing the obligation to return collateral received of $26.0 million and $117.9 million, respectively, are reported.

Income from securities lending for the year ended December 31, 2008 was approximately $375 thousand.

3. State Investment Fund

The State Investment Fund (SIF) functions as the State's cash management fund by "pooling" the idle cash balances of all State funds and other public institutions. In the State's Comprehensive Annual Financial Report, the SIF is not reported as a separate fund; rather, each State fund's share in the "pool" is reported on the balance sheet as "Cash and Cash Equivalents." Shares of the SIF belonging to other participating public institutions are presented in the Local Government Pooled Investment Fund, an investment trust fund.

Wis. Stat. Secs. 25.17(3)(b), (ba), (bd) and (dg) enumerate the various types of securities in which the SIF can invest, which include direct obligations of the United States or its agencies, corporations wholly owned by the Untied States or chartered by an act of Congress, securities guaranteed by the United States, unsecured notes of financial and industrial issuers, direct obligations of or guaranteed by the government of Canada, certificates of deposit issued by banks in the United States and solvent financial institutions in Wisconsin, and bankers acceptances. Other prudent investments may be approved by the State of Wisconsin Investment Board's (the Board) Board of Trustees.

Investments are valued at fair value for financial statement purposes and amortized cost for purposes of calculating income to participants. The custodial bank has compiled fair value information for all securities by utilizing third party pricing services. The fair value of investments is determined at the end of each month. Government and agency securities and commercial paper are priced using matrix pricing. This method estimates a security's fair value by using quoted market prices for securities with similar interest rates, maturities, and credit ratings. Short-term debt investments with remaining maturities of up to 90 days are valued using amortized costs to estimate fair value, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Repurchase agreements and nonnegotiable certificates of deposit are valued at cost because they are nonparticipating contracts that do not capture interest rate changes in their value. In addition, a bond issued by another State agency having a par value of $84.0 thousand is valued at par, which management believes approximates fair value.

For purposes of calculating earnings to each participant, all investments are valued at amortized cost. Specifically, income is distributed to pool participants monthly based on their average daily share balance. Distributed income includes realized investment gains and losses calculated on an amortized cost basis, interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, and investment and administrative expenses. This method differs from the fair value method used to value investments because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the pool's investments.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty or by the counterparty's trust department or agent but not in the name of the Board.

At June 30, 2009, the reported amount of investments was $6,525.6 million. The SIF had no custodial credit risk exposure for these investments.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. The weighted average maturity method is used to analyze interest rate risk and investment guidelines mandate that the weighted average maturity for the entire portfolio will not exceed one year. At June 30, 2009, the following table shows the investments by investment type, amount and the weighted average maturities (in millions):

Investment	Fair Value	Weighted Average Maturity (Days)
Bank NOW account deposits	$ 867.9	0
Repurchase agreements	901.0	1
Government and agency	4,557.7	95
Certificates of deposit	198.9	81
Mortgage backed securities	0.1	331
Total	$ 6,525.6	
Portfolio weighted average maturity		69

Credit Quality Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard and Poor's, Moody's Investors Service, and Fitch Ratings. Investment guidelines establish numerous, very specific maximum exposure limits based on the minimum credit ratings as issued by a nationally recognized rating agency.

The following table presents the SIF's ratings as of June 30, 2009 (in millions):

	Ratings	Fair Value	Percent
Bank NOW Account Deposits	NR	$ 867.9	13.3
Repurchase agreements (collateral):			
U.S. government debt	N/A	676.0	10.4
Government sponsored entity U.S agency	AAA/Aaa	225.0	3.4
Federal Home Loan Board	A-1+/P-1	1,410.5	21.6
Federal Home Loan Mortgage Corporation	A-1+/P-1	1,650.4	25.3
Federal National Mortgage Association	A-1+/P-1	1,496.8	22.9
Certificates of deposit:			
Nonnegotiable (Var Wis Banks)	N/R	198.9	3.1
Mortgage backed securities	N/R	0.1	0.0
Totals		$ 6,525.6	100.0%

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer. The SIF's investment guidelines limit concentrations of credit risk by establishing numerous maximum issuer and/or issue exposure limits based on credit rating. These guidelines do not place a limit on maximum exposure for any U.S. treasury or agency securities. As of June 30, 2009 the SIF has more than five percent of its investments in a BB&T NOW account deposit (9.2 percent), FHLB (21.6 percent), FHLMC (25.3 percent), FNMA (22.9 percent), and repurchase agreement collateral consisting of various securities issued by these same three U.S. agencies (3.4 percent). Since the repurchase agreements mature each day, new collateral, consisting of a different blend of U.S. Treasury and agency securities, is assigned each night.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The SIF is permitted to invest in Canadian or Euro denominated issues provided they are fully hedged against foreign currency risk. At

June 30, 2009 the SIF did not own any issues denominated in foreign currency.

Copies of the separately issued financial report that includes financial statements and other supplementary information for the SIF may be obtained by writing to:

State of Wisconsin Investment Board
PO Box 7842
Madison, WI 53707-7842

4. Lottery Investments and Related Future Prize Obligations

Investments of the State Lottery Fund totaling $72.0 million are held to finance grand prizes payable over a 20-year or 25-year period. The investments in prize annuities are debt obligations of the U.S. government and backed by its full faith and credit as to both principal and interest. Liabilities related to the future prize obligations are presented at their present value and included as Accounts Payable and Other Accrued Liabilities. The following is a schedule of future prize obligations (in thousands):

Fiscal Year	Amount
2010	$ 14,564
2011	9,747
2012	7,284
2013	7,350
2014	6,305
Thereafter	45,198
Total future value	90,448
Less: Present value adjustment	(25,137)
Present value of payments	$ 65,311

NOTE 6. RECEIVABLES AND NET REVENUES

A. Receivables

Receivables at June 30, 2009 were as follows (in thousands):

	Taxes	Loans to Local Governments	Other Loans Receivable: Student Loans	Other Loans Receivable: Veterans Loans	Other Loans Receivable: Mortgage Loans	Other Loans Receivable: Other Loans	Other Receivables	Due From Other Governments	Due From Component Units	Total Receivables
Governmental Activities:										
General	$ 1,041,653	$ 3,641	$ -	$ -	$ -	$ 21,406	$ 543,228	$ 810,585	$ 6	$ 2,420,519
Transportation	93,959	-	-	-	-	28,160	8,800	269,999	-	400,918
Common School	-	555,362	-	-	-	-	4	8,690	-	564,056
Nonmajor Governmental	32,530	21,291	-	-	-	48	34,806	9,916	-	98,592
Total Governmental:	1,168,143	580,294	-	-	-	49,614	586,838	1,099,190	6	3,484,085
Government-wide Adjustments:										
Internal Service Funds	-	-	-	-	-	-	268	734	278	1,281
Accrual Adjustments	-	-	-	-	-	-	3,358	-	-	3,358
Fiduciary Receivables	-	-	-	-	-	-	70,341	-	-	70,341
Total – Governmental Activities	$ 1,168,143	$ 580,294	$ 0	$ 0	$ 0	$ 49,614	$ 660,805	$ 1,099,924	$ 285	$ 3,559,065
Related revenue deferral because the receivable does not meet the availability criteria	$ 228,740	$ 0	$ 0	$ 0	$ 0	$ 0	$ 43,892	$ 0	$ 0	$ 272,632
Business-type Activities:										
Current:										
Injured Patients and Families Compensation	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,307	$ -	$ -	$ 9,307
Environmental Improvement	-	147,975	-	-	-	-	927	8,606	-	157,508
University of Wisconsin System	-	-	33,867	-	-	-	116,363	105,883	1,519	257,633
Unemployment Reserve	-	-	-	-	-	-	141,225	135,881	-	277,106
Nonmajor Enterprise	-	316	-	5,439	7,792	-	94,797	11,585	-	119,928
Total Current:	-	148,291	33,867	5,439	7,792	-	362,620	261,955	1,519	821,483
Noncurrent:										
Environmental Improvement	-	1,645,898	-	-	-	-	-	-	-	1,645,898
University of Wisconsin System	-	-	165,448	-	-	-	5,114	-	-	170,562
Unemployment Reserve	-	-	-	-	-	-	75,283	-	-	75,283
Nonmajor Enterprise	-	2,149	-	14,451	253,453	3,868	80	-	-	274,000
Total Noncurrent	-	1,648,047	165,448	14,451	253,453	3,868	80,477	-	-	2,165,743
Government-wide Adjustments:										
Fiduciary Receivables	-	-	-	-	-	-	15	-	-	15
Total – Business-type Activities	$ 0	$ 1,796,338	$ 199,315	$ 19,890	$ 261,244	$ 3,868	$ 443,111	$ 261,955	$ 1,519	$ 2,987,240

B. Net Revenues

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2009, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	$ 90,705
Sales and Services of Auxiliary Enterprises	17,582
Total	$ 108,287

NOTE 7. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2009 was as follows (in thousands):

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 1,849,174	$ 145,656	$ (648)	$ 1,994,182
Buildings and Improvements	160,256	696	-	160,952
Library Holdings	80,722	893	(29)	81,586
Equipment	652	-	-	652
Construction in Progress	1,474,913	567,511	(1,191,141)	851,283
Infrastructure	11,167,846	1,084,654	(33,814)	12,218,686
Total capital assets, not being depreciated	14,733,564	1,799,409	(1,225,632)	15,307,341
Capital assets, being depreciated:				
Land Improvements	116,413	3,958	-	120,371
Buildings and Improvements	1,826,128	48,511	(427)	1,874,212
Equipment	658,873	125,381	(48,726)	735,529
Totals	2,601,414	177,850	(49,153)	2,730,111
Less accumulated depreciation for:				
Land Improvements	48,679	6,274	-	54,953
Buildings and Improvements	654,060	48,948	(295)	702,713
Equipment	420,511	59,788	(43,273)	437,026
Totals	1,123,250	115,010	(43,569)	1,194,692
Total Capital Assets, being depreciated, net	1,478,163	62,840	(5,584)	1,535,419
Governmental activities capital assets, net	$ 16,211,727	$ 1,862,249	$ (1,231,216)	$ 16,842,761
Business-type activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 124,826	$ 8,528	$ (6)	$ 133,347
Library Holdings	1,071,269	23,483	(6,601)	1,088,150
Construction in progress	364,526	154,681	(280,684)	238,523
Total Capital Assets, not being depreciated	1,560,621	186,691	(287,291)	1,460,020
Capital assets, being depreciated:				
Land Improvements	9,492	4	(4)	9,492
Buildings	4,484,244	459,823	(9,929)	4,934,137
Equipment	912,830	82,623	(43,878)	951,574
Totals	5,406,565	542,449	(53,812)	5,895,203
Less accumulated depreciation for:				
Land Improvements	7,577	262	(4)	7,835
Buildings	1,907,949	133,936	(7,114)	2,034,771
Equipment	650,445	67,370	(33,863)	683,952
Totals	2,565,971	201,568	(40,981)	2,726,557
Total Capital Assets, being depreciated, net	2,840,595	340,882	(12,831)	3,168,646
Business-type activities capital assets, net	$ 4,401,215	$ 527,572	$ (300,122)	$ 4,628,666

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of $2,644 thousand at June 30, 2009, with accumulated depreciation totaling $2,641 thousand.

Depreciation Expense

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

Governmental Activities		
Commerce	$	958
Education		3,053
Transportation		9,998
Environmental Resources		10,079
Human Relations and Resources		55,623
General Executive		9,080
Judicial		2,496
Legislative		918
Depreciation on capital assets held by the internal service funds		22,805
Total depreciation expense - governmental activities	$	115,010

Business-type Activities		
University of Wisconsin System	$	189,335
Lottery		41
Veterans Mortgage Loan Repayment		30
Other Business-Type		12,162
Total depreciation expense - business-type activities	$	201,568

Impaired Capital Assets

The University of Wisconsin System reported one asset meeting the definition of a temporarily impaired asset. The University of Wisconsin - Oshkosh's River Commons, net book value of $0.5 million, was idle as of June 30, 2009. A decision was made on October 7, 2009 that the building will be replaced with expected insurance proceeds of $3.1 million within the next two years.

Construction in Progress

Construction in progress of the primary government reported in the government-wide statement of net assets at June 30, 2009 included the following projects (in thousands):

	Allotments	Expended to June 30, 2009	Encumbrances Outstanding	Unencumbered Allotment Balance
Governmental Activities:				
Reported through capital projects funds:				
Interstate 94 North and South Corridor Reconstruction	$ 48,451	$ 48,451	$ -	$ -
Armed Forces Reserve Center	45,599	6,137	528	38,934
State Highway Rehabilitation	19,421	19,421	-	-
Wild Rose Fish Hatchery Phase 2	17,342	14,359	2,413	570
Madison Crime Lab Remodeling	16,030	14,993	57	980
Winnebago Corrections Facility Replacement	13,900	972	284	12,644
Wisconsin Resource Center - Female Treatment Center	11,982	245	440	11,297
Other projects with allotments totaling less than $10 million		65,173		
		169,751		
Other:				
Transportation-related funded through sources other than capital projects		642,039		
Other		39,493		
Total construction in progress – governmental activities		$ 851,283		
Business-type Activities:				
University of Wisconsin System:				
Biochemistry II Building – Madison	112,450	$ 15,843	79,494	17,113
Union South Replacement-Madison	94,800	7,301	1,442	86,057
Institute for Discovery – Madison	50,129	13,697	-	36,432
Academic Building-Oshkosh	48,267	2,379	1,173	44,715
Chazen Museum of Art-Madison	43,799	4,012	27,105	12,682
Jarvis Science Wing Renovation - Stout	42,921	25,064	12,233	5,624
Academic Building – La Crosse	38,500	2,986	26,258	9,256
Residence Hall - Whitewater	36,960	12,374	19,505	5,081
Suite Style Residence Hall-Stevens Point	35,982	995	1,190	33,797
Education Building Renovation-Madison	33,927	8,697	17,757	7,474
Campus Utility Upgrade – Madison	28,823	28,501	157	165
Academic Building – Superior	26,874	1,976	475	24,423
Rothwell Student Center – Superior	24,758	16,470	5,562	2,726
Sterling Hall Renovation – Madison	17,500	9,648	6,470	1,382
Chadbourne & Barnard Hall – Madison	13,724	4,977	7,863	884
Hovlid Hall Renovation-Stout	13,000	1,824	10,068	1,108
Other projects with allotments totaling less than $10 million:				
University of Wisconsin System		71,124		
Other		10,751		
Total construction in progress – business-type activities		$ 238,619		

Certain construction in progress of the University of Wisconsin System as listed above is reported in the applicable major capital assets categories. Construction in progress of the University of Wisconsin System and of the other business-type activities as reported in the financial statements totaled $227.7 million and $10.8 million as of June 30, 2009, respectively.

Component Units

Capital Assets balance of the Wisconsin Housing and Economic Development Authority at June 30, 2009, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2009, the University of Wisconsin Foundation at December 31, 2008, and the State Fair Park Exposition Center, Inc. at December 31, 2008 were as follows (in thousands)

	Amount
Capital Assets, not being depreciated:	
Land and Land Improvements	$ 15,884
Construction in Progress	13,251
Total Capital Assets, not being depreciated	29,135
Capital Assets, being depreciated:	
Buildings	549,579
Equipment	239,825
Totals	789,404
Less accumulated depreciation for:	
Buildings	199,430
Equipment	152,671
Totals	352,101
Total Capital Assets, being depreciated, net	437,303
Component Units Capital Assets, net	$ 466,438

NOTE 8. ENDOWMENTS

Primary Government

University of Wisconsin System

The University of Wisconsin System invests its trust funds, principally gifts and bequests designated as endowments or quasi-endowments, in two of its own investment pools: the Long Term Fund and the Intermediate Term Fund. Benefiting University of Wisconsin System entities receive quarterly distributions from the Long Term Fund, principally endowed assets, based on an annual spending rate applied to a 12-quarter moving average market value of the fund. The annual spending rate is currently 4.0 percent. Distributions from the Intermediate Term Fund, principally quasi-endowments and unspent income distributions, consist of interest earnings distributed quarterly. Spending rate and interest distributions from both of these funds are transferred to the State Investment Fund, pending near-term expenditures. At June 30, 2009, net appreciation of $12.3 million was available to be spent.

University of Wisconsin System investment policies and guidelines for the Long Term Fund and Intermediate Term Fund are governed and authorized by the Board of Regents. The approved asset allocation policy for the Long Term Fund sets a general target of 24.5 percent marketable equities, 16.5 percent fixed income, 34.0 percent alternatives, and 25.0 percent tactical strategies. Accordingly, the fund includes investments in domestic and non-U.S. stocks and bonds, and limited partnerships consisting of venture capital and other private equity investments. The approved asset allocation for the Intermediate Term Fund is 15.0 percent marketable equities, 65.0 percent fixed income, 10.0 percent alternatives, and 10.0 percent cash.

The fair value of Endowments as of June 30, 2009 was $336.9 million including an unrealized loss of $58.5 million when fair values as of June 30, 2009 are compared to asset acquisition costs. This compares to a fair value as of June 30, 2008 of $398.5 million. The net decrease in fund balance during 2008-09 was $61.6 million.

The book value of Endowments under control of the University of Wisconsin System was $398.5 million as of June 30, 2009 compared to a book value of $420.3 million as of June 30, 2008. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments since realized gains and losses are based on the difference between the selling price and the acquisition cost of the asset. Therefore, when assets are reported at fair value much of the realized gain or loss may have already been included in prior years as part of the overall change in the fair value of investments.

At June 30, 2009, the book value and fair value of principal funds under control of the University of Wisconsin System was (in millions):

Original Contributions and Distributed Net Gains	$ 149.6
Realized Gains – Undistributed	248.9
Book Value	398.5
Unrealized Net Gains/Losses - Undistributed	(61.6)
Fair Value	$ 336.9

On June 30, 2009, the portfolio at market contained 36.7 percent in stocks, 14.4 percent in fixed income obligations, 18.5 percent in alternative assets, 21.6 percent in tactical allocation strategies, and 8.8 percent in short-term investments. The total return on the principal Long Term Fund including capital appreciation was (14.7) percent. The total return on the principal Intermediate Fund including capital appreciation was 2.2 percent. External investment counsel was furnished for funds representing 84.6 percent of market value principal.

Component Unit

University of Wisconsin Foundation

The University of Wisconsin Foundation's (the Foundation) endowment consists of 3,842 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently-restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently-restricted net assets is classified as temporarily-restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UMIFA. In accordance with UMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of December 31, 2008 (in millions):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$30.3	$506.5	$645.4	$1,182.2
Board-designated	9.6	22.1	1.8	33.5
Total	$39.9	$528.6	$647.2	$1,215.7

Endowment Related Activities by Type of Fund as of December 31, 2008 (in millions):

	Donor-Restricted	Board-Designated	Total
Investment return:			
Investment income	$61.1	$9.2	$70.3
Net depreciation, realized and unrealized	(413.4)	(60.1)	(473.5)
Total	(352.3)	(50.9)	(403.2)
Appropriation of endowment assets	(31.4)	(.6)	(32.0)
Other Changes:			
Net transfers	(39.1)	(3.5)	(42.6)
Total Change	$(422.8)	$(55.0)	$(477.8)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $186.5 million as of December 31, 2008. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a diversified equity-related benchmark while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return that outpaces spending, inflation, and expenses annually. Actual returns in any given year will vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4.75 percent of its endowment fund's average fair value over the prior twelve quarters through the quarter-end preceding the quarter in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3.0 percent to 5.0 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Celebrate Children Foundation, Inc

The Celebrate Children Foundation Inc., (CCF) endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the CCF has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the CCF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the CCF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the CCF, and (7) the CCF's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The CCF has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5 percent once the assets in the board designated fund reach $5.0 million, while growing the funds if possible. Therefore, the CCF expects its endowment assets, over time, to produce an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

In accordance with the donor's stipulations, investment return from the permanently restricted endowment assets is unrestricted revenue to the CCF. The CCF chose to place the investment return earned from the permanently restricted assets in a board designated endowment fund. The CCF's spending policy for its board designated endowment indicates that no funds will be spent until the board designated endowment reaches $5.0 million. Thereafter, no more than 5 percent of the interest accumulated annually may be spent. In establishing this policy, the CCF considered the long-term expected return on its investment assets, the nature and duration of the endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The CCF expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3 percent annually. This is consistent with the CCF's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition as of June 30, 2009:

	Unrestricted	Permanently Restricted	Total
Donor-restricted	$ -	$977,239	$977,239
Board-designated	(121,042)	-	(121,042)
Total	$(121,042)	$977,239	$856,197

Changes in endowment net assets as of June 30, 2009 are:

	Permanently Restricted	Board-Designated	Total
Balance July 1, 2008	$866,589	$27,127	$893,716
Contributions	110,650	-	110,650
Investment return:			
Interest and dividends	-	29,261	29,261
Unrealized loss	-	(9,388)	(9,388)
Realized loss	-	(168,042)	(168,042)
End of Year	$977,239	$(121,042)	$856,197

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances as of or for the year ended June 30, 2009 consist of the following (in thousands):

A. Due from/to Other Funds:

Due from Other Funds and the Due to Other Funds represent short-term interfund accounts receivable and payable. The balances in these accounts at June 30, 2009 were as follows (in thousands):

Due from Other Funds:	Due to Other Funds: General	Transportation	Common School	Nonmajor Governmental	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Internal Service	Fiduciary	Total
General	$ -	$ 15,288	$ 1,392	$ 24,708	$ 14	$ 248	$ 45,995	$ 4,551	$ 24,897	$ 2,293	$ 66,429	$ 185,815
Transportation	1,299	-	-	38,840	-	-	269	-	-	30	-	40,438
Common School	216	-	-	144	-	-	-	-	-	-	-	360
Nonmajor Governmental	26,057	14,643	-	96,557	19	1,072	14	-	956	4,605	-	143,924
Environmental Improvement	14	-	-	2	-	-	-	-	-	-	-	15
University of Wisconsin System	42,821	773	-	1,006	-	-	-	-	10	49	-	44,659
Unemployment Reserve	1,228	-	-	-	-	-	-	-	-	-	-	1,228
Nonmajor Enterprise	10,164	52	-	3,164	-	-	-	-	1,154	165	5	14,704
Internal Service	33,195	2,623	-	5,533	4	1	1,669	-	487	413	3,812	47,736
Fiduciary	24,837	1,580	-	2,406	4	5	16,499	-	3,081	642	527	49,582
Total	$ 139,831	$ 34,959	$ 1,392	$ 172,360	$ 41	$ 1,326	$ 64,447	$ 4,551	$ 30,586	$ 8,197	$ 70,772	$ 528,461

The balances in the Due from Other Funds and Due to Other Funds accounts typically result from the time lag between the dates that
(1) interfund goods and services were provided and when the payments occurred, and
(2) interfund transfers were accrued and when the liquidations occurred.

B. Due from/to Component Units

Receivables and payables between funds and component units at June 30, 2009 were as follows (in thousands);

	Due from Component Unit				Due from Primary Government	
	General	University of Wisconsin System	Internal Service	Fiduciary	University of Wisconsin Hospitals and Clinics Authority	Total
Due to Primary Government:						
University of Wisconsin Hospitals and Clinics Authority	$ 6	$ 1,519	$ 258	$ 3,256	$ -	$ 5,039
Wisconsin Housing and Economic Development Authority	-	-	21	-	-	21
Due to Component Unit:						
University of Wisconsin System	-	-	-	-	2,566	2,566
Total	$ 6	$ 1,519	$ 278	$ 3,256	$ 2,566	$ 7,626

C. Interfund Receivables/Payables

Interfund Receivables/Payables represent short-term loans from one fund to another to cover cash overdrafts. Interfund receivables/payables at June 30, 2009 were as follows (in thousands):

	Interfund Receivables:			
	University of Wisconsin System	Transportation	Fiduciary	Total
Interfund Payables:				
General	$ 354,429	$ 90,405	$ -	$ 444,835
Nonmajor Governmental	163	-	-	163
Injured Patients and Families Compensation	76,831	-	-	76,831
Nonmajor Enterprise	72,981	-	-	72,981
Internal Service	60,131	-	-	60,131
Fiduciary	-	-	88,642	88,642
Total	$ 564,536	$ 90,405	$ 88,642	$ 743,584

D. Advances to/from Other Funds

Advances to/from Other Funds represent long-term loans to one fund from another fund. Advances at June 30, 2009 were as follows (in thousands):

	Advances to Other Funds (asset):		
	General	Internal Service	Total
Advances from Other Funds (liability):			
Nonmajor Governmental	$ -	$ 2,814	$ 2,814
Fiduciary	110	-	110
Total	$ 110	$ 2,814	$ 2,924

E. Interfund Transfers

Interfund Transfers in and out that occurred during Fiscal Year 2009 were as follows (in thousands):

	Transfers in: General	Trans-portation	Common School	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Unemploy-ment Reserve	Nonmajor Enterprise	Internal Service	Total
Transfers out:										
General	$ -	$ 3,041	$ 15,000	$ 498,802	$ -	$ 1,042,806	$ 614	$ 72,157	$ 5,711	$ 1,638,132
Transportation	8,443	-	-	46,550	-	6	-	-	-	54,999
Common School	1,363	-	-	-	-	-	-	-	-	1,363
Nonmajor Governmental	206,561	6,322	-	53,348	21,085	206,022	-	8,255	836	502,428
Injured Patients and Families Compensation	128,500	-	-	13	-	-	-	-	-	128,513
Environmental Improvement	-	-	-	6,089	-	-	-	-	-	6,089
University of Wisconsin System	86,420	-	-	45,539	-	-	-	-	339	132,299
Unemployment Reserve	2,157	-	-	-	-	-	-	-	-	2,157
Nonmajor Enterprise	24,129	-	-	5,380	-	-	-	7,111	244	36,863
Internal Service	16,711	-	-	1,708	-	8	-	-	634	19,061
Fiduciary	-	-	-	357	-	-	-	-	-	357
Capital Assets Transferred From Proprietary Funds To Governmental Funds	-	-	-	-	-	-	-	(5)	(120)	(125)
Timing Difference due to Different Fiscal Year-ends	-	-	-	577	-	-	-	-	-	577
Total	$ 474,284	$ 9,363	$ 15,000	$ 658,363	$ 21,085	$ 1,248,841	$ 614	$ 87,517	$ 7,645	$ 2,522,712

Transfers are typically used to move: (1) revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with statute or budgetary authorizations, and (4) accumulated surpluses from other funds to the General Fund when authorized by statute.

Nonroutine and Other Transfers

In the fiscal year ended June 30, 2009, transfers considered non-routine or inconsistent with the fund making the transfer included the following (in thousands):

Transfers in to the General Fund to address revenue shortfalls:

Funds Reporting the Transfer Out	Amount
Injured Patients and Families	$128,500
Petroleum Inspection	16,891
University Wisconsin System	65,204
Recycling	14,773
Environmental	8,806
Transportation	6,803
Technology Services	7,400
Risk Management	4,000
Financial Services	1,750
Agricultural Chemical Cleanup	1,750
Facilities Operations and Maintenance	1,250
Other funds	2,873

Transfer in to the Veterans Trust Fund to extend the solvency of the fund:

Fund Reporting the Transfer Out	Amount
Homes for Veterans	7,000

NOTE 10. CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2009, the following changes occurred in long-term liabilities (in thousands):

Primary Government

Governmental Activities	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds Payable:					
General Obligation Bonds for Governmental Funds	$ 3,801,899	$ 458,909	$ 289,484	$ 3,971,324	$ 322,065
General Obligation Bonds for Internal Services Funds	155,511	3,461	8,725	150,247	9,690
Annual Appropriation Bonds	1,857,120	1,529,065	6,475	3,379,710	20,020
Revenue Bonds	2,929,310	185,000	1,514,436	1,599,874	108,011
Less Deferred Amounts:					
Issuance Premiums and Discounts	227,531	28,023	9,040	246,514	
Refundings	(49,567)	5,213	(1,074)	(43,280)	
Total Bonds Payable	8,921,804	2,209,671	1,827,085	9,304,390	459,786
Other Liabilities:					
Future Benefits and Loss Liability	95,000	41,508	33,389	103,119	34,470
Capital Leases	37,830	20,077	25,644	32,263	9,693
Installment Contracts	316	671	512	475	475
Compensated Absences	138,565	56,151	46,731	147,984	50,107
Other Postemployment Benefits	50,059	52,844	-	102,903	-
Claims, Judgments and Commitments	1,434	-	246	1,188	-
Pollution Remediation Obligations	1,040	14,570	-	15,610	1,250
Total Governmental Activities Long-term Liabilities	$ 9,246,047	$ 2,395,492	$ 1,933,607	$ 9,707,932	$ 555,781

Repayment of the general obligation bonds is made from the Bond Security and Redemption Fund. The amount presented in this fund represents the liability to be paid from resources accumulated to provide debt service payments in Fiscal Year 2009. Repayment of the revenue bonds principal and interest is made from the appropriate debt service fund with payments secured by registration and inspection fees collected by the appropriate program. The compensated absences liability will be liquidated by the State's governmental and internal service funds. Long-term liabilities for claims, judgments and commitments are generally liquidated with resources of the governmental activities.

Business-type Activities	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds Payable:					
General Obligation Bonds	$ 1,136,038	$ 59,505	$ 97,505	$ 1,098,038	$ 41,866
Revenue Bonds	773,825	92,210	60,730	805,305	66,865
Less Deferred Amounts:					
Issuance Premiums and Discounts	62,236	5,470	7,870	59,836	
Refundings	(19,526)	(292)	(3,155)	(16,663)	
Total Bonds Payable	1,952,574	156,893	162,950	1,946,517	108,731
Other Liabilities:					
Future Benefits and Loss Liability	1,088,646	18,925	137,448	970,123	137,448
Capital Leases	116,439	1,910	8,240	110,110	5,939
Compensated Absences	122,576	11,214	3,390	130,399	61,346
Other Postemployment Benefits	53,812	56,759	-	110,571	-
Total Business-type Activities Long-term Liabilities	$ 3,334,046	$ 245,701	$ 312,027	$ 3,267,720	$ 313,464

Component Units

The following table presents the changes in long-term liabilities of the Wisconsin Housing and Economic Development Authority at June 30, 2009, the Wisconsin Health Care Liability Insurance Plan at December 31, 2008, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2009, the University of Wisconsin Foundation at December 31, 2008, and the State Fair Park Exposition Center, Inc. at December 31, 2008:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds and Notes Payable:					
Revenue Bonds and Notes	$ 3,555,778	$ 220,014	$ 564,160	$ 3,211,632	$ 88,941
Future Benefits and Loss Liability	37,122	--	19,510	17,612	4,394
Capital Leases	10,244	--	2,291	7,953	2,076
Compensated Absences	8,059	8,232	7,559	8,732	8,197
Split-interest Agreement	43,143	--	9,922	33,221	--
Other Post Employment Benefits	4,148	3,506	--	7,654	--
Pension Related	71,696	--	6,577	65,119	1,940
Total Component Units Long-term Liabilities	$ 3,730,190	$ 231,752	$ 610,019	$ 3,351,923	$ 105,548

NOTE 11. BONDS, NOTES AND OTHER DEBT OBLIGATIONS

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2009 (in thousands):

Primary Government	
Governmental Activities:	
General Obligation Bonds	$ 4,244,746
Annual Appropriation Bonds	3,378,300
Revenue Bonds:	
Transportation	1,591,971
Petroleum Inspection	89,373
Total Governmental Activities	9,304,390
Business-type Activities:	
General Obligation Bonds:	
University of Wisconsin System	771,172
Other Business-type	346,076
Revenue Bonds:	
Environmental Improvement	829,269
Total Business-type Activities	1,946,517
Total Primary Government	11,250,907
Component Units:	
Wisconsin Housing and Economic Development Authority Revenue Bonds	2,918,578
University of Wisconsin Hospitals And Clinics Authority Revenue Bonds	242,163
State Fair Park Exposition Center, Inc. Revenue Bonds and Notes Payable	40,795
University of Wisconsin Foundation Note Payable	10,096
Total Component Units	3,211,632
Total at June 30, 2009	$14,462,539

A. General Obligation Bonds

Primary Government

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

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

At June 30, 2009, $6,409.1 million of general obligation bonds were authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2009 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
1990	1990 Series D	5/90	7.0	5/10	$ 65,859	$ 4,147
1991	1991 Series B	5/91	6.80 to 6.85	5/11	117,136	13,390
1992	1992 Refunding Issue	3/92	6.25	5/15	448,935	18,270
1993	1992 2;	10/92;	5.125 to 6.5	5/15	423,565	73,485
	1993 1, 2	1/93; 3/93				
1994	1993 Refunding Issues 3, 5, 6;	8/93; 12/93; 10/93	5.2 to 5.35	5/23	502,305	83,140
1998	1997 D;	9/97	5.35 to 7.25	11/28	109,570	19,985
	1998 B and C	5/98; 5/98				
1999	1998 Series 1, E and F;	8/98; 10/98; 10/98	4.8 to 7.25	11/30	274,525	121,660
	1999 Series 1, and B	5/99; 5/99				
2000	1999 C and D; 2000 A	10/99; 11/99; 3/00	5.5 to 7.7	11/30	315,000	20,425
2001	2000 Series B and E;	7/00;11/00;	4.5 to 8.05	11/31	259,030	34,895
	2001 Series A, B, C and D	2/01; 4/01; 6/01; 6/01				
2002	2001 Series 1, E, F;	10/01; 10/01; 10/01;	4.0 to 6.96	5/33	819,545	380,480
	2002 Series 1, A, B, C, D	3/02; 3/02; 3/02; 6/02; 6/02				
2003	2002 Series E, F, G and H;	9/02; 9/02; 10/02; 12/02;	3.2 to 5.25	5/33	415,190	194,020
	2003 Series 1, 2, and A	4/03; 4/03; 5/03				
2004	2003 B, C, and 3;	7/03; 10/03;10/03;	0 to 19.088	5/34	1,305,096	953,101
	2004 1, 2, A, 3 and CWGBC	1/04; 1/04; 3/04; 6/04; 4/04				
2005	2004 Series 4, B, C, D and E;	7/04; 8/04; 8/04; 8/04; 10/04;	3.0 to 5.65	5/35	1,079,440	949,865
	2005 Series 1, A, B and C	2/05; 2/05; 4/05; 4/05				
2006	2005 Series D and E;	8/05; 12/05;	4.0 to 5.25	5/26	662,910	598,085
	2006 Series 1 and A	1/06; 3/06				
2007	2006 Series B, C and D;	7/06; 8/06; 9/06;	4.25 to 5.76	5/37	867,570	855,352
	2007 Series AW, BW and 1;	2/07; 2/07; 2/07;				
	2007 Series A and B	2/07; 6/07				
2008	2007 Series 2,3 and C;	10/07; 10/07;12/07	2.35 to 6.26	5/38	389,315	377,435
	2008 Series 1, A, AW, B and BW	6/08; 4/08;3/08; 5/08; 6/08				
2009	2008 Series C and D	9/08;12/08;	2.0 to 6.2	5/30	521,875	521,875
	2009 Series AW, A and B	1/09;6/09;609				
Total					8,531,866	5,219,610
Premiums/Discounts					--	194,581
Deferred Amount on Refunding					--	(52,198)
Total General Obligation Bonds					$ 8,531,866	$ 5,361,994

As of June 30, 2009, general obligation bond debt service requirements for principal and interest for governmental activities and business - type activities are as follows (in thousands):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2010	$ 311,946	$ 201,247	$ 39,264	$ 54,592
2011	307,471	183,236	40,305	52,648
2012	302,062	168,806	44,635	50,596
2013	294,601	154,780	47,122	48,408
2014	283,306	140,603	46,199	46,095
2015-2019	1,295,368	501,520	284,534	191,861
2020-2024	909,551	225,276	293,118	118,856
2025-2029	392,805	53,459	231,383	47,690
2030-2034	24,462	1,059	58,628	11,472
2035-2039	--	--	12,850	1,229
Total	4,121,571	1,629,986	1,098,038	623,447
Premiums/Discounts	165,758	--	28,823	--
Deferred Amount on Refunding	(42,584)	--	(9,614)	--
Total	$ 4,244,746	$ 1,629,986	$ 1,117,248	$ 623,447

Zero Coupon Bonds

The general obligation bonds of 1990, Series D (Higher Education Series), are zero coupon bonds recorded in the amount of $4.1 million which is the accreted value at June 30, 2009. The bonds mature on May 1 through the year 2010.

The general obligation bonds of 1991, Series B, are zero coupon bonds recorded in the amount of $13.4 million. The bonds mature on May 1 through the year 2011.

Qualified Build America Bonds

The 2009 general obligation bonds, Series B bonds in the amount of $54.5 million, are “qualified Build America Bonds” pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Code). Based on the credit allowed for “qualified Build America Bonds”, the State has elected to receive from the United States Treasury on each payment date a direct payment in the amount of 35 percent of the interest payable by the State with respect to such date, and the credit will not be allowed to the taxpayers holding the bonds. The interest rates on the bonds range from 5.15 percent to 5.40 percent payable semiannually on May 1 and November 1 beginning with the first interest payment date of November 1, 2009. These bonds are callable at par on May 1, 2019 or any date thereafter. The bonds mature beginning May 1, 2023 through 2030.

B. Annual Appropriation Bonds

2003 Annual Appropriation Bonds

In December 2003, the State issued $1.8 billion of General Fund Annual Appropriation Bonds consisting of Series A (Taxable Fixed Rate) and Series B (Taxable Auction Rate Certificates). These appropriation obligations were authorized by Wisconsin Statutes to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability under Wis. Stat. Section 40.05(2)(b) and its unfunded accrued liability for sick leave conversion credits under Wis. Stat. Section 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40. In April and June 2008, the State issued $1.0 billion of General Fund Annual Appropriation Refunding Bonds to refund the Series B (Taxable Auction Rate Certificates) that were issued in 2003. The 2008 issuance consisted of Series A (Taxable Fixed Rate) and Series B and C (Taxable Floating Rate Notes).

These appropriation obligations are not general obligations of the State, and do not constitute "public debt" of the State as that term is used in the Constitution and in the State Statutes. The payment of the principal of, and premium, if any, and interest on the obligations is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service. The Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on such obligations, expresses in Wis. Stat. Section 16.527(10) its expectation and aspiration that it will do so. The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation.

The General Fund Annual Appropriation Bonds, Series A (Taxable Fixed Rate) in the outstanding principal amount of $850.0 million ("2003 Series A Bonds"), bear interest at rates from 4.80 percent to 5.70 percent computed on the basis of a 30 day month and a 360-day year, payable semiannually on each May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Refunding Bonds of 2008, Series A (Taxable Fixed Rate) in the outstanding principal amount of $492.9 million ("2008 Series A Bonds"), bear interest a rates from 3.086 percent to 5.238 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Bonds of 2008, Series B (Taxable Floating Rate Notes), ("2008 Series B Bonds"), in the outstanding principal amount of $300.0 million, bear interest at rates 120 basis points over the one-month LIBOR, computed on the basis of a 360-day year and for the number of days actually elapsed, payable monthly on the first business day of the month.

The General Fund Annual Appropriation Bonds of 2008, Series C (Taxable Floating Rate Notes), ("2008 Series C Bonds") in the outstanding principal amount of $207.7 million, bear interest at rates 110 basis points over the one-month LIBOR computed on the basis of a 360-day year and for the number of days actually elapsed, payable monthly on the first business day of the month.

As of June 30, 2009, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2010	$ 13.8	$ 102.3
2011	20.1	101.8
2012	26.9	101.0
2013	286.5	99.8
2014	72.8	86.3
2015 - 2019	486.6	386.9
2020 - 2024	288.6	261.4
2025 - 2029	478.3	133.0
2030 - 2032	177.0	19.4
Total	1,850.6	1,291.9
Unamortized Prem./Discount	(1.8)	--
Total, net	$ 1,848.8	$ 1,291.9

Interest Rate Swaps

The State has entered into interest rate exchange agreements, or swap agreements, to modify interest rates for nearly all of the 2008 Series B bonds and 2008 Series C bonds. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

Objective – In December 2003, the State entered into four interest rate exchange agreements with four different counterparties in order to reduce the interest rate risk in connection with $595.2 million of the Series B (Taxable Auction Rate Certificates) issued in 2003. In June 2005, the State entered into four additional interest rate exchange agreements with three counterparties in order to reduce the interest rate risk on the balance of the Series B (Taxable Auction Rate Certificates) issued in 2003, ($349.7 million). In April and June 2008, the State issued $509 million of annual appropriation refunding bonds as floating rate notes having variable interest rate set every month (2008 Series B Bonds and 2008 Series C Bonds). In conjunction with issuance in April 2008, at its option the State terminated and made corresponding termination payments in the aggregate amount of $40.0 million on some, and a portion of other, interest rate exchange agreements previously entered into in December 2003 and June 2005. As of June 30, 2009, interest rate exchange agreements remain to reduce the interest rate risk in connection with $499 million in floating rate notes.

Terms – Nearly all of the outstanding 2008 Series B and 2008 Series C bonds are subject to the interest rate exchange agreements. 2008 Series Bond B and Series C bonds mature and a related notional amount of the related interest rate exchange agreements decline from May 1, 2010 through 2032. Based on the interest rate exchange agreements, the State owes to the counterparties an amount calculated at fixed rates ranging from 4.661 percent to 5.47 percent and the counterparties owe the State interest on an amount based on a variable rate, which is the one-month LIBOR. The net amount is paid monthly.

Fair Value – As of June 30, 2009, the aggregate fair value of the interest exchange agreements was negative $90.7 million. The fair value was valued by a third party consultant based on information contained in the broker Interest Rate Swap Confirmations supplied by the three counterparties -- JP Morgan Chase, Citigroup N.A. New York, and UBS AG. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the interest rate exchange agreement. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the interest rate exchange agreements, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the interest rate exchange agreements. The fair value may vary throughout the life of the swap agreements due to any changes in fixed swap interest rates and swap market conditions.

Associated Debt – Using rates as of June 30, 2009, debt service requirements are presented for the 2008 Series B and 2008 Series C bonds that are subject to the interest rate exchange agreements and the net swap payments assuming that interest rates remain the same for their term. As rates vary, interest payments on the floating rate notes and net swap payments will vary.

(in millions)

Fiscal Year Ended June 30	Principal	Interest	Interest Rate Swaps, Net	Totals
2010	$ 2.3	$ 7.4	$ 25.1	$ 34.8
2011	3.4	7.4	25.0	35.8
2012	4.6	7.4	24.8	36.8
2013	5.9	7.3	24.6	37.8
2014	1.1	7.1	24.4	32.7
2015 - 2019	5.5	35.8	121.4	162.6
2020 - 2024	39.9	34.6	117.8	192.3
2025 - 2029	260.8	25.8	88.7	375.3
2030 - 2032	175.2	4.4	15.0	194.6
	$ 498.7	$ 137.2	$ 466.8	$ 1,102.7

Interest Rate Risk – Currently, the State does not have interest rate risk because it is paying a fixed-rate of interest on the interest rate exchange agreements. However, if for some unforeseen reason any of the swaps agreements are terminated prior to maturity, the State will have interest rate risk associated with the outstanding 2008 Series B and 2008 Series C bonds until their maturity.

Credit Risk – As of June 30, 2009, the State was exposed to only a minimal amount of credit risk, as the fair values of all of the four interest rate exchange agreements were negative. Should rates change, the State could have increased exposure in the future. The State has entered into four interest rate agreements with three different counterparties. The lowest rating assigned to these counterparties is, as of June 30, 2009, A1 by Moody's, A+ by Standard & Poor's, and A+ by Fitch Ratings. Under the interest rate exchange agreements and to mitigate the potential for credit risk, if any of the counterparties' credit quality falls below A3 by Moody's Investors Service or A- by either Standard & Poor's or Fitch Ratings, the fair value of the interest rate exchange agreement for that respective counterparty will be fully collateralized by that counterparty. In addition, an event of termination occurs if any of the counterparties' credit quality falls below Baa2 by Moody's investors service or BBB by either Standard & Poor's or Fitch Ratings.

Basis Risk – The interest rate exchange agreements expose the State to basis risk (i.e., a shortfall or surplus between the variable interest rate received on the interest rate exchange agreements and the interest rate paid on the floating rate notes), however this risk is fixed at the spreads for the respective series.

Termination Risk – The interest rate exchange agreements may be terminated by the State, upon two business days written notice, designating to the counterparty the termination date. In addition, the State or the counterparties may terminate the interest rate exchange agreements if the other party fails to perform under the terms of the interest rate exchange agreements or if other various events occur. As of June 30, 2009, there have not been any such events. If any interest rate exchange agreement is terminated, the State would be unhedged and exposed to additional interest rate risk on the 2008 Series B bonds and the 2008 Series C bonds. In addition, if the interest rate exchange agreement has a negative fair value at the time of termination, the State would incur a loss and would be required to make a settlement payment to the related counterparty. Actual termination payments, if required to be made, can be made, at the State's discretion, from the Stabilization Fund, or delayed until funds are available in the Subordinated Payment Obligations Fund or until the next biennium when appropriations can be made in the biennial budget for the termination payments.

Market-access Risk and Rollover Risk – The State's swap agreements are for the term (maturity) of the 2008 Series B bonds and the 2008 Series C bonds and, therefore, there is no market-access risk or rollover risk.

2009 Annual Appropriation Bonds

In April 2009, the State issued $1.5 billion of General Fund Annual Appropriation Bonds. These appropriation obligations were authorized by Wisconsin Statutes for the purpose of purchasing the tobacco settlement revenues that had been sold by the Secretary of Administration to the Badger Tobacco Asset Securitization Corporation pursuant to Wis. Stat. Section 16.63. The 2009 General Fund Annual Appropriation Bonds bear interest rates from 3.00 percent to 6.25 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, commencing November 1, 2009, until their maturity dates.

These appropriation obligations are not general obligations of the State, and do not constitute "public debt" of the State as that term is used in the Constitution and in the State Statutes. The payment of the principal of, and premium, if any, and interest on the obligations is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service. The Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on such obligations, expresses in Wis. Stat. Section 16.527(10) its expectation and aspiration that it will do so. The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation.

As of June 30, 2009, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2010	$ 6.2	$ 92.5
2011	5.8	86.8
2012	5.9	86.6
2013	6.6	86.4
2014	7.5	86.2
2015 - 2019	126.3	418.4
2020 - 2024	173.2	383.3
2025 - 2029	255.1	327.5
2030 - 2034	527.3	224.2
2035 - 2037	415.2	51.6
Total	1,529.1	1,843.5
Unamortized Premium/Discount	.4	-
Total, net	$ 1,529.5	$ 1,843.5

C. Revenue Bonds

Primary Government

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

Transportation Revenue Bonds

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

The Department of Transportation is authorized to issue a total of $3,009.8 million of revenue bonds. Presently, there are fourteen issues of Transportation Revenue Bonds totaling $1,511.1 million. Debt service payments are secured by driver and vehicle registration fees and also a reserve fund, which will be used in the event that a deficiency exists in the redemption fund.

The Transportation Revenue Bonds issued and outstanding as of June 30, 2009 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2008A	8/08	5.0	7/29	$ 185,000	$ 185,000
2007A	3/07	4.25 to 5.0	7/27	148,710	148,710
20071	3/07	4.35 to 5.0	7/22	206,900	206,900
2005B	9/05	4.0 to 5.0	7/25	158,400	143,965
2005A	3/05	3.0 to 5.25	7/25	235,585	234,565
2004 1	9/04	5.25	7/17	95,905	70,920
2003A	11/03	3.0 to 5.0	7/24	166,230	133,645
2002A	10/02	4.0 to 5.0	7/23	119,785	86,365
2002 1& 2	4/02	4.0 to 5.75	7/15 & 7/19	200,080	110,795
2001A	11/01	4.0 to 5.0	7/22	106,450	56,620
1998A&B	8&10/98	5.25 to 5.5	7/9 & 7/16	169,115	98,400
1993A	9/93	4.7 to 5.0	7/12	116,450	35,250
				1,908,610	1,511,135
Unamortized Premium				--	80,836
Total				$1,908,610	$1,591,971

Petroleum Inspection Fee Revenue Bonds

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

As of June 30, 2009, PIF Bonds outstanding are $89.4 million. Debt service payments are secured by petroleum inspection fees.

The PIF revenue bonds issued and outstanding as of June 30, 2009 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2004-A&1	2/04; 5/04	3.0 to 5.0	7/12	$ 140,470	$ 88,740
Deferred amount on refunding				--	(696)
Unamortized Premium				--	1,329
Total				$ 140,470	$ 89,373

Clean Water Revenue Bonds

The Environmental Improvement Fund (the Fund) provides loans and grants to local municipalities to finance wastewater treatment planning and construction. The Fund is authorized to issue up to $2,363.3 million in Revenue Bonds. At June 30, 2009, there were twelve issues of Revenue Bonds outstanding totaling $829.3 million. These bonds are secured by payments on program loans and earnings of investments.

Bonds issued and outstanding for the Environmental Improvement Fund as of June 30, 2009 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2008-3	12/08	3.0 to 5.5	6/26	$ 92,210	$ 92,210
2008-2	2/08	5.0	6/18	27,335	27,335
2008-1	2/08	4.0 to 5.0	6/28	100,000	97,005
2006-2	11/06	4.0 to 5.0	6/27	100,000	93,800
2006-1	3/06	3.5 to 5.0	6/27	80,000	75,040
2004-2	1/05	3.25 to 5.25	6/20	107,025	102,675
2004-1	3/04	4.0 to 5.0	6/24	116,795	85,150
2002-2	8/02	3.0 to 5.5	6/16	85,575	39,745
2002-1	5/02	4.0 to 5.25	6/23	100,000	51,955
2001-1	4/01	4.5 to 5.25	6/21	70,000	21,385
1998-2	8/99	4.0 to 5.5	6/17	104,360	79,450
1991-1	4/91	5.4 to 6.9	6/11	225,000	39,555
				1,208,300	805,305
Unamortized Premium				--	31,042
Less: Unamortized discount and charge				--	(7,078)
Total, net of discount, charge and premium				$1,208,300	$ 829,269

As of June 30, 2009, revenue bond debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

Fiscal Year Ended June 30	Governmental Activities: Transportation Revenue Bonds Principal	Governmental Activities: Transportation Revenue Bonds Interest	Governmental Activities: Petroleum Inspection Fee Revenue Bonds Principal	Governmental Activities: Petroleum Inspection Fee Revenue Bonds Interest	Business-Type Activities: Clean Water Revenue Bonds Principal	Business-Type Activities: Clean Water Revenue Bonds Interest
2010	$ 79,395	$ 73,018	$ 22,350	$ 3,622	$ 66,865	$ 40,677
2011	77,195	69,155	23,470	2,507	70,690	37,110
2012	81,200	65,077	24,635	1,366	50,710	33,370
2013	82,930	60,852	18,285	391	51,490	30,839
2014	87,350	56,425	--	--	48,295	28,299
2015-2019	440,970	213,211	--	--	244,745	104,036
2020-2024	466,270	99,417	--	--	191,490	47,656
2025-2029	181,685	17,373	--	--	81,020	8,548
2030-2034	14,140	354	--	--	--	--
Total	1,511,135	654,882	88,740	7,886	805,305	330,535
Unamortized Premium	80,836	--	1,329	--	31,042	--
Unamortized Discount/Charge	--	--	(696)	--	(7,078)	--
Total, net	$ 1,591,971	$ 654,882	$ 89,373	$ 7,886	$ 829,269	$ 330,535

Component Units – Discrete Presentation

Wisconsin Housing and Economic Development Authority

Bonds and notes payable at June 30, 2009 of the Wisconsin Housing and Economic Development Authority (Authority) consisted of the following (in thousands):

Revenue bonds and notes	$ 2,914,574
Special obligation and subordinated Special obligation	7,545
Total	2,922,119
Less: Deferred amount on refunding	(3,541)
Total, net	$ 2,918,578

Authority's Revenue Bonds and Notes

The Authority's revenue bonds and notes are collateralized by the revenues and assets of the Authority, subject to the provisions of resolutions and note agreements which pledge particular revenues or assets to specific bonds or notes. The bonds are subject to mandatory sinking fund requirements and may be redeemed at the Authority's option at various dates and at prices ranging from 100 percent to 108 percent of par value. Any particular series contains both term bonds and serial bonds which mature at various dates.

The Authority's revenue bonds and notes outstanding at June 30, 2009 consisted of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Housing Revenue Bonds:				
1998 A,B&C	2/98	5.3 to 6.88	2032	$ 14,265
1999 A&B	10/99	5.3 to 6.18	2031	24,935
2002 A,B&C	5/02	4.35 to 5.6	2033	37,440
2003 A&B	12/03	Variable	2034	5,965
2003 C	12/03	3.4 to 5.25	2043	13,400
2003 D&E	12/03	Variable	2044	19,975
2005 A,B&C	12/05	3.2	2035	9,535
2005 D&E	12/05	3.55 to 5.15	2045	39,345
2005 F	12/05	4.31	2030	118,740
2006 A&B	12/06	3.5 to 4.75	2047	18,975
2006 C&D	12/06	Variable	2037	8,805
2007 A&B	12/07	Variable	2042	17,520
2007 C,D&E	12/07	Variable	2038	8,565
2007 F&G	12/07	Variable	2042	16,125
2008 A,B,C,D, E, F&G	6/08	Variable	2033	47,795
				401,385

Home Ownership Revenue Bonds:				
1997 D&E	6/97	5.45 to 5.8	2017	8,460
1998 A,B&C	4/98	5.5	2027	30,460
1998 D&E	6/98	5.35	2028	14,120
1999 C,D&E	4/99	4.65 to 6.17	2029	6,760
1999 F,G&H	7/99	5.65	2024	7,590
2000 A,B&C	3/00	5.7 to 5.8	2022	2,545
2000 D,E&F	6/00	5.75 to 7.91	2029	4,055
2000 F	7/00	Variable	2015	2,780
2000 H	11/00	Variable	2024	8,915
2000 G & H	11/00	7.21	2031	2,390
2001 A,B&C	5/01	4.85 to 6.4	2032	11,670
2002 A&C	2/02	4.375 to 5.5	2032	36,625
2002 B	2/02	Variable	2032	7,305
2002 C	2/02	Variable	2016	6,545
2002 E&G	3/03	3.95 to 4.85	2017	28,800
2002 I	10/02	3.6 to 4.85	2022	16,335
2002 E & F	7/02	Variable	2032	35,750
2002 I	10/02	Variable	2032	34,750
2003 A	4/03	4.95	2024	885
2003 A	4/03	Variable	2033	66,200
2003 B	7/03	Variable	2034	67,265
2003 C	11/03	3.30 to 4.85	2022	2,395
2003 C	11/03	Variable	2034	57,540
2003 D	11/03	Variable	2028	13,350
2004 A	4/04	Variable	2035	79,995
2004 A	4/04	3.40 to 4.2	2012	9,105
2004 C&D	7/04	3.65 to 5.1	2024	15,335
2004 D	7/04	Variable	2035	106,690
2004 E	11/04	Variable	2035	79,055
2005 A	4/05	3.75 to 4.95	2025	18,800
2005 A	4/05	Variable	2036	90,535
2005 C	6/05	Variable	2033	146,985
2005 C	6/05	4.875	2036	32,280
2005 D&E	9/05	Variable	2036	126,660
2006 A&B	1/06	Variable	2037	186,360
2006 C&D	5/06	4.85 to 6.0	2037	220,300
2006 E&F	10/06	4.7 to 5.727	2037	164,005
2007 A&B	4/07	4.65 to 5.75	2038	136,070
2007 B	4/07	Variable	2026	28,785
2007 C&D	4/07	Variable	2038	157,130
2007 C&D	4/07	5.125 to 5.94	2038	50,885
2007 E&F	12/07	4.09 to 6.0	2038	86,800
2007 E&F	12/07	Variable	2038	39,240
2008 A&B	4/07	Variable	2038	104,080
2008 A&B	5/08	5.3 to 5.625	2031	65,155
				2,417,740
Business Development Bonds:				
1995 1-2,4-9	Various	Variable	2015	3,090
				3,090
Multifamily Housing Bonds:				
2006 A&B	7/06	Variable	2036	7,305
2007 A&B	6/07	Variable	2040	11,520
2007 C	8/07	Variable	2048	6,315
2008 A&B	8/08	Variable	2046	13,810
2009 A	6/09	1.5 to3.5	2018	4,115
2009 A	6/09	Variable	2035	15,885
				58,950
Notes Payable	Various	Variable	Various	18,319
Facility Refunding	6/09	Variable	2017	15,300
Authority's Total Revenue Bonds and Notes				$2,914,784

Authority's Special Obligation Bonds

The Authority's Special Obligation Bonds are special limited obligations of the Authority and are collateralized by the revenues and assets of each bond resolution.

Special obligation bonds at June 30, 2009 consist of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Home Ownership Revenue Bonds:				
1998 F&G	10/98	4.65 to 5.51	2029	$ 7,545
Total Special Obligation Bonds				$ 7,545

Debt service requirements for principal and interest for the Authority at June 30, 2009 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2010	$ 76,179	$ 77,880
2011	63,690	71,590
2012	64,780	69,550
2013	59,685	67,484
2014	57,910	65,872
2015-2019	354,510	306,204
2020-2024	459,505	253,640
2025-2029	632,040	181,429
2030-2034	708,385	105,450
2035-2039	399,780	31,573
Thereafter	45,655	9,098
Total	2,922,119	1,239,770
Deferred Amount on Refunding	(3,541)	--
Total	$ 2,918,578	$ 1,239,770

Under a Business Development Program and a Beginning Farmer Program, revenue bonds are issued which do not constitute indebtedness of the Authority within the meaning of any provision or limitation of the Constitution or Statutes of the State of Wisconsin. They do not constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit. They are payable solely out of the revenues derived pursuant to the loan agreement, or in the event of default of the loan agreement, out of any revenues derived from the sale, releasing or other disposition of the mortgaged property. Therefore, the bonds are not reflected in the financial statements. As of June 30, 2009 the Authority had issued 142 series of such bonds in an aggregate principal amount of $82.6 million for economic projects in Wisconsin.

A Construction Plus line of credit bears interest at the rate of 2.51 percent at June 30, 2009. Both line of credit rates are based on the 30 day Eurodollar rate.

The Authority has entered into various interest rate swap agreements. The agreements provide the Authority with synthetic fixed interest rates on a portion of its debt. During the term of the swap agreements, the Authority expects to effectively pay a fixed rate on the debt. In return, the counterparty pays interest based on a contractually agreed upon variable rate. The Authority will be exposed to variable rates on the outstanding bonds if the counterparty to the swap defaults, the swap is terminated such that the bonds outstanding is greater than the swap notional value or the effective interest rate, determined by the remarketing agent used for bond holder payments, increases over the variable rate index used for calculating the interest received from the counterparty. All interest rate swap agreements at June 30, 2009 are classified as effective. The Authority does not intend to terminate these agreements other than at par and for purposes of maintaining a match between bonds outstanding and the swap notional value prior to their maturity.

Using rates as of June 30, 2009, debt service requirements of the Authority outstanding variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ended	Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ 49,105	$ 16,318	$ 55,525	$ 120,948
2011	52,505	12,156	54,104	118,765
2012	49,625	11,817	51,309	112,751
2013	48,695	11,411	50,614	110,720
2014	59,740	10,769	48,829	119,338
2015 - 2048	1,264,265	115,669	547,494	1,927,428
Totals	$1,523,935	$ 178,140	$ 807,875	$2,509,950

The following table outlines information related to agreements in place as of June 30, 2009 (in thousands):

Program and Bond Issue	Notional Value at 6/30/09	Effective Date	Swap Termination Date	Counterparty Credit Rating	Percent Fixed Rate Paid	Variable Rate/Index Received	Swap Termination Market Value at 6/30/09
Housing Revenue Bonds							
2002	$ 21,920	5/21/2002	11/1/2033	AAA/Aa1	4.68	70% of one month London Interbank Offered Rate (LIBOR)	$ (1,445)
2003 Series D	8,430	1/5/2005	5/1/2044	AA-/Aa1	4.21	65% of one month LIBOR + 25 basis points	(569)
2003 Series E	11,335	1/5/2005	5/1/2043	AA-/Aa1	4.05	63.5% of one month LIBOR + 20 basis points	(745)
2005 Series F	79,055	1/17/2006	11/1/2030	AA-/Aa1	5.21	One month LIBOR	(10,932)
2006 Series C	3,820	12/14/2006	11/1/2016	AA-/Aa1	3.64	SIFMA + 2 Basis Points	(191)
2006 Series D	4,985	12/14/2006	11/1/2016	AA-/Aa1	3.64	SIFMA + 2 Basis Points	(250)
2007 Series A	10,165	12/19/2007	11/1/2016	AA-/Aa1	4.72	SIFMA + 6 Basis Points	(64)
2007 Series B	7,355	12/19/2007	11/01/2016	AA-/Aa1	4.58	SIFMA + 2 Basis Points	(55)
2007 Series F	10,950	12/19/2007	11/01/2016	AA-/Aa1	4.01	SIFMA + 2 Basis Points	(610)
2007 Series G	5,175	12/19/2007	11/01/2016	AA-/Aa1	4.01	SIFMA + 6 Basis Points	(289)
							(15,150)
Multifamily Housing Bonds							
2006 Series A&B	7,305	7/19/2006	10/1/2013	AA-/Aa1	4.21	SIFMA + 2 Basis Points	(580)
2007 Series A	7,580	6/29/2007	10/1/2022	AA-/Aa1	4.43	SIFMA + 6 Basis Points	(755)
2007 Series B	3,940	6/29/2007	10/1/2022	AA-/Aa1	5.9	SIFMA + 2 Basis Points	(814)
2007 Series C	6,315	8/2/2007	10/1/2048	AA-/Aa1	4.33	SIFMA + 2 Basis Points	(585)
2008 Series A	6,870	8/28/2008	10/1/2026	AA-/Aa2	3.86	SIFMA + 7 Basis Points	(351)
2008 Series A	4,415	8/28/2008	10/1/2026	AA-/Aa2	3.89	SIFMA + 7 Basis Points	(226)
2008 Series B	2,525	8/28/2008	10/1/2026	AA-/Aa2	5.08	SIFMA + 7 Basis Points	(328)
							(3,639)
1987 Home Ownership Revenue Bonds							
2002 Series B	7,305	2/6/2002	3/1/2020	AA-/Aa1	5.88	One month LIBOR + 35 Basis Points	(662)
2002 Series C	6,545	2/6/2002	9/1/2012	AA-/Aa1	3.69	67 percent of one month LIBOR	(250)
2002 Series I	34,750	10/17/2002	9/1/2032	A+/Aa2	4.07	70 percent of one month LIBOR	(1,861)
2003 Series B	67,265	7/29/2003	9/1/2034	AA-/Aa1	3.94	65 percent of one month LIBOR + 25 Basis Points	(3,960)
2004 Series A	31,020	4/29/2004	9/1/2022	AA-/Aa1	4.47	SIFMA + 8 basis points	(1,956)
2004 Series A	14,190	4/29/2004	9/1/2012	AA-/Aa1	2.87	65 percent of one month LIBOR + 25 Basis Points	(362)
2004 Series A	34,785	4/29/2004	3/1/2035	AA-/Aa1	4.27	65 percent of one month LIBOR + 25 Basis Points	(2,418)
2005 Series A	90,535	4/12/2005	3/1/2036	AAA/Aa1	3.9	65 percent of one month LIBOR + 25 Basis Points	(4,502)
2005 Series D	81,030	9/29/2005	9/1/2036	AAA/Aa1	3.79	65 percent of one month LIBOR + 25 Basis Points	(3,270)
2007 Series B	28,785	4/10/2007	9/1/2026	AAA/Aa1	5.20	One month LIBOR + 35 Basis Points	(3,033)
2007 Series E	27,980	12/18/2007	9/1/2038	AAA/Aa1	3.96	62 percent of one month LIBOR + 38 Basis Points	(1,895)
2007 Series F	11,260	12/18/2007	9/1/2014	AAA/Aa1	4.43	One month LIBOR	(813)
							(24,982)
1988 Home Ownership Revenue Bonds							
2002 Series E	5,135	7/11/2002	3/1/2011	AA-/Aa1	3.24	70 percent of one month LIBOR	(114)
2002 Series E	23,890	7/11/2002	9/1/2032	AA-/Aa1	4.67	70 percent of one month LIBOR	(156)
2002 Series F	6,725	7/11/2002	9/1/2014	AA-/Aa1	5.20	Three months LIBOR + 40 Basis Points	(354)
2003 Series A	16,905	4/3/2003	9/1/2014	AAA/Aa1	2.98	65 percent one month LIBOR + 25 Basis Points	(520)
2003 Series A	31,375	4/3/2003	9/1/2030	AAA/Aa1	4.26	65 percent one month LIBOR + 25 Basis Points	(173)
2003 Series A	17,920	4/3/2003	9/1/2033	AAA/Aa1	4.17	65 percent one month LIBOR + 25 Basis Points	(43)
2003 Series C	18,935	11/4/2003	3/1/2019	AAA/Aa1	3.32	65 percent one month LIBOR + 25 Basis Points	(755)
2003 Series C	38,605	11/4/2003	3/1/2034	AAA/Aa1	4.17	65 percent one month LIBOR + 25 Basis Points	(1,243)
2004 Series D	106,690	7/27/2004	9/1/2035	AAA/Aa1	3.92	65 percent one month LIBOR + 25 Basis Points	(5,128)
2004 Series E	79,055	7/27/2004	9/1/2035	AA-/Aa1	3.99	65 percent one month LIBOR + 25 Basis Points	(4,672)
2005 Series C	84,295	8/3/2005	3/1/2024	AA-/Aa1	3.34	65 percent one month LIBOR + 25 Basis Points	(1,191)
2005 Series C	62,690	8/3/2005	9/1/2033	AA-/Aa1	4.07	65 percent one month LIBOR + 25 Basis Points	(4,373)
2006 Series A	91,915	1/19/2006	3/1/2029	AA-/Aa1	3.65	65 percent one month LIBOR + 25 Basis Points	(5,187)
2006 Series A	59,020	1/9/2006	9/1/2037	AA-/Aa1	4.27	65 percent one month LIBOR + 25 Basis Points	(2,468)
2007 Series C	23,185	6/28/2007	9/1/2017	AA-/Aa1	4.32	SIFMA + 8 Basis Points	(1,103)
2007 Series C	22,575	6/28/2007	9/1/2023	AA-/Aa1	4.63	SIFMA + 8 Basis Points	(1,520)
2007 Series C	43,420	6/28/2007	9/1/2016	AA-/Aa1	4.11	SIFMA + 8 Basis Points	(2,556)

2007 Series D	23,760	6/28/2007	9/1/2027	AA-/Aa1	6.48	100 percent of one month LIBOR	(2,531)
2007 Series D	25,460	6/28/2007	9/1/2016	AA-/Aa1	5.62	100 percent of one month LIBOR	(2,494)
2007 Series D	18,730	6/28/2007	9/1/2028	AA-/Aa1	6.01	100 percent of one month LIBOR	(3,165)
2008 Series A	34,035	5/15/2008	3/1/2019	AA/Aa2	3.35	SIFMA + 8 Basis Points	(1,358)
2008 Series A	52,025	5/15/2008	9/1/2038	AAA/Aa1	3.86	62 percent of one month LIBOR + 38 Basis Points	(1,802)
							(42,906)
							($86,677)

Swap Valuation -- The swap termination market values presented above were estimated by the Authority's counterparties to the swap agreements using proprietary valuation models based on standard valuation methodology. The market values in the table above represent the termination payments that would have been due had the swaps terminated on June 30, 2009. A positive value represents money due to the Authority by the counterparty upon termination while a negative value represents money payable by the Authority.

Termination Risk -- Counterparties to the Authority's swap agreements have ordinary termination rights that require a settlement payment by the Authority or the counterparty based on the market value of the swap agreement at the time of termination. As of June 30, 2009, no termination events have occurred.

Credit Risk -- The Authority is exposed to credit risk, the risk that the counterparty fails to perform according to its contractual obligations, on all swap agreements. To mitigate this risk, the Authority has entered into swap agreements with highly rated counterparties. As of June 30, 2009, the counterparties in 59 percent of the outstanding swaps were rated AA-/Aa1 and the remaining counterparty was rated AAA/Aa1, AA/Aa2, and A+/Aa2 by Standard and Poor's and Moody's Financial Services, respectively.

Basis and Interest Rate Risk -- This risk arises when the amount that is paid by the swap counterparty is different than the variable rate interest payment due to the bondholders. For the Authority, this can happen when the swap counterparty payment is based on a taxable index (LIBOR) while the underlying bonds are traded in the tax exempt market. Based on market conditions, the relationship between taxable and tax exempt rates may vary. To minimize this risk, the Authority has chosen to use the formula that best represents the relationship between the taxable index and the Authority's historical bond rates. In addition, even when the swap counterparty payment is based on a tax exempt index (SIFMA) and the underlying bonds are tax exempt, or the swap counterparty payment is based on a taxable index (LIBOR) and the underlying bonds are taxable, the Authority's variable rate bonds may be traded differently from the market indices.

Rollover Risk -- The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated bond. For the home ownership revenue bonds (HORB) issues, the Authority's swap agreements have limited rollover risk. The swap agreements contain scheduled reductions to the notional amounts that are expected to follow the scheduled and anticipated reductions in the associated bonds under a wide range of mortgage prepayment speeds. In the case of the housing revenue bonds (HRB) and multifamily housing bonds (MHB) issues, the underlying mortgages will adjust at the swap termination date to current market conditions.

The following swaps expose the Authority to rollover risk:

Associated Debt Issuance	Bond Maturity Date	Swap Termination Date
1987 HORB 2002 Series B	9/1/2032	3/1/2020
1987 HORB 2002 Series C	9/1/2016	9/1/2012
1987 HORB 2004 Series A	9/1/2028	9/1/2012
1987 HORB 2007 Series F	9/1/2018	9/1/2014
1988 HORB 2002 Series E	3/1/2028	3/1/2011
1988 HORB 2002 Series F	9/1/2032	9/1/2014
1988 HORB 2003 Series A	3/1/2029	9/1/2014
1988 HORB 2003 Series C	9/1/2033	3/1/2019
1988 HORB 2005 Series C	3/1/2028	3/1/2024
1988 HORB 2006 Series A	9/1/2030	3/1/2029
1988 HORB 2007 Series C	9/1/2035	9/1/2016
1988 HORB 2007 Series D	3/1/2038	9/1/2028
1988 HORB 2008 Series A	9/1/2038	3/1/2019
1974 HRB 2006 Series C&D	5/1/2037	11/1/2016
1974 HRB 2007 Series F&G	5/1/2042	11/1/2025
2006 MHB 2006 Series A&B	10/1/2036	10/1/2013
2006 MHB 2007 Series A&B	10/1/2040	10/1/2022
2006 MHB 2007 Series C	10/1/2048	9/1/2024
2006 MHB 2008 Series A&B	4/1/2046	10/1/2026

University of Wisconsin Hospitals and Clinics Authority (the Hospital)

In April 1997, the Hospital issued $50.0 million of Variable rate Demand Hospital Revenue Bonds, Series 1997 ("Series 1997 Bonds"). The Series 1997 Bonds had bore interest at weekly rates determined by a remarketing agent. Interest was payable monthly. The effective annual interest rate was 4.30 percent in 2008. In May 2008, the Hospital refunded $50.0 million of outstanding Series 1997 with Fixed Rate Hospital Revenue Refunding Bonds, Series 2008A. The refunding of the Series

1997 Bonds resulted in the recognition of a loss of $422 thousand due to the unamortized insurance premium and recognition of a deferred loss of $270 thousand for other unamortized deferred costs of the Series 1997 Bonds.

In March 2000, the Hospital issued $56.5 million of Hospital Revenue Bonds, Series 2000 ("Series 2000 Bonds"). In September 2005, the Hospital refunded $52.5 million of the outstanding bonds with variable Rate Demand Hospital Revenue Bonds, Series 2005. Principal payments on the remaining Series 2000 Bonds are due semiannually in April 2009 through April 2010. Interest rates range from 5.35 percent to 5.50 percent and interest is payable semiannually on April 1 and October 1 of each year. The effective annual interest rate was 5.7 percent and 6.3 percent in 2009 and 2008, respectively.

In October 2002, the Hospital issued $68.5 million of Hospital Revenue Bonds, Series 2002 (Series 2002 Bonds) consisting of $55.6 million Series 2002A Short-term Adjustable Securities and $12.9 million Series 2002B Fixed Interest Rate Bonds. The bond proceeds are designated to finance qualified capital projects. In July 2008, the Hospital exercised it option to convert the interest rate on the Series 2002A Bonds from auction rates to a weekly variable rate mode, secured by a commercial bank Standby Bond Purchase Agreement. Interest on the Bond Issue Series 2002A was payable at the end of each Rate Period. In March 2009, the Hospital refunded $55.6 million of the outstanding Series 2002A bonds with Variable Rate Demand Revenue Bonds, Series 2009A. The refunding of the Series 2002A bonds resulted in the recognition of a loss of $1.7 million due to the unamortized insurance premium and recognition of a deferred loss of $641 thousand for other unamortized deferred costs of the Series 2002A. Principal payments on the Series 2002B Bonds range from $1.6 million to $1.9 million due annually commencing in April 2010 through April 2013. Interest rates for the Series 2002B Bonds range from 5.25 percent to 5.50 percent and interest is payable semiannually on April 1 and October 1 of each year beginning April 1, 2003. The effective annual interest rate of the Series 2002 A Bonds was 2.5 percent in 2009. The effective annual interest rate of the Series 2002B Bonds was 5.5 percent in 2009.

In October 2002, the Hospital entered into an interest rate swap in order to convert a portion of the Series 2002A Short-term Adjustable Rate Securities to fixed rates. The notional amount of this swap agreement was $21.4 million at June 30, 2009 which matures on April 1, 2022. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.85 percent per annum, payable semiannually, and the Hospital to receive a floating rate of 70.0 percent of one-month LIBOR per annum, payable monthly. As of June 30, 2009 the interest rate received by the Hospital was 1.0 percent. The Hospital will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. The swap exposes the Hospital to basis risk should the relationship between LIBOR and auction rate converge, changing the synthetic rate on the bonds. The Hospital does not intend to terminate this agreement. The fair value of the swap is $(2.1) million at June 30, 2009.

In November 2004, the Hospital issued $60.0 million of Hospital Revenue Bonds, Series 2004 consisting of Short-term Adjustable Rate Securities, Series 2004 ("Series 2004 Bonds"). The bond proceeds were designated to finance qualified capital projects. The interest rates and the interest payment date for the Series 2004 Bonds varied depending on if the bonds were in auction mode, daily mode, weekly mode, or in flexible mode. The effective annual interest rate of the Series 2004 Bonds was 4.60 percent through June 2008. In June 2008, the Hospital refunded $60.0 million of the outstanding Series 2004 with Variable Rate Demand Revenue Refunding Bonds, Series 2008B. The refunding of the Series 2004 Bonds resulted in the recognition of a loss of $1.5 million due to the unamortized insurance premium and recognition of a deferred loss of $464 thousand for other unamortized deferred costs of Series 2004 Bonds.

In November 2004, the Hospital entered into an interest rate swap in order to convert a portion of the Series 1997 Variable Rate Demand Bonds to fixed rates. The notional amount of this swap agreement was $26.8 million at June 30, 2009, which matures on April 1, 2021. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.45 percent per annum, payable semiannually, and the Hospital to receive a floating rate of 70.0 percent of one-month LIBOR per annum, payable monthly. In 2009, the effective interest rate received by the Hospital was 1.0 percent. The Hospital will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. The swap exposes the Hospital to basis risk should the relationship between LIBOR and auction rate converge, changing the synthetic rate on the bonds. The Hospital does not intend to terminate this agreement. The fair value of the swap was $(1.9) million at June 30, 2009.

In September 2005, the Hospital issued $59.8 million of Variable Rate Demand Hospital Revenue Bonds, Series 2005 ("Series 2005 Bonds"). The bond proceeds were designated to refund a portion of the Series 2000 Bonds. Principal payments on the Series 2005 Bonds, ranging from $495 thousand to $8.1 million are due annually in April 2009 through April 2029. Series 2005 Bonds bear interest at a weekly rate determined by a remarketing agent. Interest is payable monthly. The effective interest rate was 3.1 percent in 2009. In March 2009, the Hospital refunded $58.1 million of the outstanding Series 2005 bonds with Variable Rate Demand Hospital Revenue Bonds, Series 2009B and transferred the April 2009 principal payment of $495 thousand into escrow. The refunding of the Series 2005 Bonds resulted in the recognition of a loss of $889 thousand due to the unamortized insurance premium and recognition of a deferred loss of $423 thousand for other unamortized deferred costs of the Series 2005 Bonds.

In September 2005, the Hospital entered into an interest rate swap in order to convert the Series 2005 Variable Rate Demand Hospital Revenue Bonds to fixed rates. This swap has been applied to the Series 2009B with the refunding of the Series 2005 Bonds. The notional amount of the swap agreement was $58.1 million at June 30, 2009, which matures on April 1, 2029. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.31 percent per annum, payable monthly, and the Hospital will receive a floating rate of 58.3 percent of one-month LIBOR per annum plus 0.36 percent payable monthly. The effective interest rate received by the Hospital was 1.2 percent in 2009. The Hospital will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. The swap exposes the Hospital to basis risk should the relationship between LIBOR and auction rate converge, changing the synthetic rate of the bonds. The Hospital does not intend to terminate this agreement. The fair value of the swap agreement was $(4.3) million at June 30, 2009.

In March 2009, insurance on the 2005 swap agreement was removed and the collateral posting provisions of the swap agreement became effective. The collateral amount required is determined based on the fair value of the swap, less the applicable threshold of $7.0 million at the Hospital's current rating. Collateral valuations are performed daily, based on the official market closing curve. While the counterparty holds the collateral, the funds will earn the overnight Federal Funds interest rate, payable monthly.

In May 2008, the Hospital issued $50.4 million of Fixed Rate Bonds, Series 2008A ("Series 2008A Bonds") through a private placement. The bond proceeds were used to refund $50.0 million of Variable Rate Demand Hospital Revenue Bonds, Series 1997. Principal payments on the Series 2008 A Bonds, ranging from $315 thousand to $5.2 million are due annually in April 2010 through April 2026. Interest is payable semi-annually. In 2009, the effective interest rate was 5.3 percent.

In June 2008, the Hospital issued $61.0 million of Variable Rate Demand Revenue Refunding Bonds, Series 2008B ("2008B Bonds"). The bonds proceeds were used to refund $60.0 million of Hospital Revenue Bonds consisting of Short-term Adjustable Rate Securities, Series 2004. Principal payments on the Series 2008B Bonds, ranging from $9.95 million to $15.275 million are due annually in April 2030 through April 2034. Series 2008B Bonds bear interest at a daily rate determined by a remarketing agent. Interest is payable monthly. In 2009, the effective interest rate was 1.1 percent.

In September 2008, the Hospital entered into an equipment financing agreement with GE Government Finance, Inc., in the amount of $9.3 million. Principal and interest payments are made monthly commencing on November 1, 2008, for seven years. In 2009, the effective interest rate was 4.6 percent.

In March 2009, the Hospital issued $57.1 million of Variable Rate Demand Revenue Refunding Bonds, Series 2009A ("Series 2009A Bonds"), secured by an irrevocable transferable direct-pay letter of credit issued by a commercial bank. The bond proceeds were used to refund $55.6 million of Hospital Revenue Bonds consisting of Short-Term Adjustable Rate Securities, Series 2002A. Principal payments on the Series 2009A Bonds, ranging from $500 thousand to $4.0 million, are due annually in April 2013 through April 2032. Series 2009A Bonds bear interest at a weekly rate determined by a remarketing agent. Interest is payable monthly. In 2009, the effective interest rate was 0.40 percent.

In March 2009, the Hospital issued $59.3 million of Variable Rate Demand Revenue Refunding Bonds, Series 2009B ("Series 2009B Bonds"). The bond proceeds were used to refund $58.1 million of Variable Rate Demand Revenue Refunding Bonds, Series 2005. Principal payments on the Series 2009B Bonds ranging from $55 thousand to $8.2 million, are due annually in April 2010 through April 2029. Series 2009B Bonds bear interest at a weekly rate determined by a remarketing agent. Interest is payable monthly. In 2009, the effective interest rate was 0.40 percent.

In June 2009, the Hospital issued $5.3 million of Fixed Rate Hospital Revenue Bonds, Series 2009C ("Series 2009C Bonds") through a private placement. The bond proceeds were designated to finance qualified capital projects. Principal payments on the Series 2009C Bonds, ranging from $120 thousand to $248 thousand, are due bi-annually beginning in April 2010 through October 2024. Series 2009C Bonds bear interest from June 30, 2009 through October 1, 2012, at the initial fixed rate of 5.07 percent per annum. The interest rate will be reset every three years and is payable bi-annually.

The Series 2000 Bonds, Series 2002 Bonds, Series 2008A Bonds, Series 2008B, 2009A and 2009B are collateralized by a security interest in substantially all of the Hospital's revenue. The borrowing agreements contain various covenants and restrictions, including compliance with the terms and conditions of a Lease Agreement and provisions limiting the amount of additional indebtedness that may be incurred. The borrowing agreements also require the establishment and maintenance of certain funds under the control of a trustee. The Hospital is in compliance with all debt covenants at June 30, 2009.

The Series 2005 Revenue Bonds with variable interest rates are subject to remarketing provisions that require the Hospital to repurchase the bonds if they cannot be sold to a third party. The Hospital has entered into a standby bond purchase agreement (the "Agreement") with a commercial bank, which expires in 2010, to provide the funding for such repurchases as necessary. In the absence of the Agreement, the Hospital would be required to replace them with similar credit arrangements, convert the related debt from variable to fixed rate debt, or fund required repurchases from available funds. As of and for the year ended June 30, there was no borrowing under the agreement.

The Series 2008B, Series 2009A Bonds, and Series 2009B Bonds with variable interest rates are secured by irrevocable transferable direct-pay letters of credit issued by a commercial bank. The initial letter of credit agreements have stated expiration dates of five (5) years. The letter of credit securing the 2008B bonds requires draws to be repaid on the earliest of the following dates to occur: (A) the date the bond is remarketed; (B) the date sixty (60) months from the date of the draw; or (C) the stated expiration date of the letter of credit. The letters of credit securing the 2009A and 2009B bonds do not require any principal payments within the first year of the draw; interest payments are due monthly. Outstanding principal payments under the letters of credit would revert to a Term Out Loan after the first year. Any obligations under the Term Out Loans are repayable in equal quarterly installments based on a four year straight-line amortization commencing on the 367th day after the draw with final payments of the outstanding balances on the earliest to occur of: (A) the date on which the letter of credit is replaced or substituted; (B) five (5) years following the date of the draw preceding such Term Out Loan; (C) the date the bonds are successfully remarketed; or (D) the date on which all amounts due have been accelerated pursuant to the letters of credit. At June 30, 2009, there were no amounts outstanding under the letters of credit.

Legislation which had limited the Hospital's total borrowings, exclusive of amounts payable to the State, to 235.0 million, with limited exceptions, was amended in April 2008. The statute now requires the Hospital to obtain approval of additional bond issuance from its Board of Directors, maintain an unenhanced bond rating in the category of "A" or better from Standard and Poor's Corporation and Moody's Investor service, Inc., and notify the State Joint Committee on Finance.

Scheduled principal and interest repayments on all of the Hospital's long-term debt, including the effect of the swaps based on the effective interest rate, are as follows (in thousands):

Fiscal Year Ended	Principal	Interest	Interest Rate Swap, Net	Total
2010	$ 7,003	$ 4,472	$ 1,788	$ 13,263
2011	7,481	4,213	1,754	13,448
2012	7,840	3,923	1,716	13,479
2013	8,190	3,633	1,672	13,495
2014	8,562	3,350	1,611	13,523
2015-2019	41,958	13,724	6,225	61,907
2020-2024	48,274	8,384	2,911	59.569
2025-2029	55,503	2,256	1,110	58,869
2030-2034	72,700	599	--	73,299
Deferred loss on refunding of 2000 Bonds	(6,168)	--	--	(6,168)
Deferred loss on refunding of 1997 Bonds	(256)	--	--	(256)
Deferred loss on refunding of 2004 Bonds	(446)	--	--	(446)
Deferred loss on refunding of 2002A Bonds	(632)	--	--	(632)
Deferred loss on refunding of 2005 Bonds	(416)	--	--	(416)
Premium on 2002B Bonds	241	--	--	241
	$249,834	$ 44,554	$ 18,787	$313,175

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

Debt service requirements for principal and interest for the Hospital's revenue bonds at June 30, 2009 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2010	$ 5,201	$ 5,892
2011	5,770	5,694
2012	6,199	5,455
2013	6,903	5,192
2014	7,899	4,907
2015-2019	41,493	19,883
2020-2024	48,172	11,285
2025-2029	55,503	3,365
2030-2034	72,700	599
Total	249,840	62,272
Deferred loss on refunding	(7,918)	--
Premium/Discount	241	--
Total	$ 242,163	$ 62,272

State Fair Park Exposition Center, Inc.

In August 2001, the State Fair Park Exposition Center, Inc. (the Center) issued $44.9 million of City of West Allis, Wisconsin, Variable Rate Demand Revenue Bonds, Series 2001, which were issued to finance the construction of the exposition center. The bonds call for monthly interest-only payments until date of maturity. The bonds have a final maturity date of August 1, 2028, with no set schedule for principal repayment. However, the bonds require mandatory redemption to the extent of unused bond proceeds. Repayment of the bonds is guaranteed by a ground lease and license agreement, and letter of credit issued by US Bank which expired on April 15, 2008. The Center refinanced the bonds on July 1, 2007. The refinance locked in a 6.1 percent interest rate, does not require a letter of credit, and requires interest payments to be made on February 1 and August 1 of each year until the bonds are paid off on August 1, 2028. The Center has not been notified of any event of default with respect to the industrial revenue bonds payable restrictive covenants as of December 31, 2008. The outstanding balance on these bonds was $40.8 million as of December 31, 2008.

Debt service requirements for interest for the Center, at December 31, 2008 are as follows (in thousands):

Year Ended	Principal	Interest
2009	$ --	$ 2,488
2010	--	2,488
2011	--	2,488
2012	--	2,489
2013	--	2,489
2014-2018	2,750	12,366
2019-2023	14,755	10,166
2024-2028	23,290	4,430
Total	$ 40,795	$ 39,404

University of Wisconsin Foundation

Long-term debt of the University of Wisconsin Foundation consists of two notes payable to U.S. Bank, N.A. One of the notes is payable in accreting monthly principal installments with a final balloon payment due February 2010. The note is collateralized by certain investments equal to the outstanding loan balance. The outstanding balance as of December 31, 2008 is $2.0 million.

The second note is a mortgage that was assumed in 2004. The note is payable in monthly installments, including interest, with a final balloon payment due September 2009. The outstanding balance as of December 31, 2008 is $8.1 million.

Future maturities of long-term debt as of December 31, 2008 are as follows (in thousands):

Year ended December 31	Total Principal
2009	$ 8,256
2010	1,840
Total	$ 10,096

D. Refundings, Exchanges and Early Extinguishments

Refunding Provisions of GASB Statement No. 23

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

Current Year Refundings/Component Units

Badger Tobacco Asset Securitization Corporation

In April, 2009, the Badger Tobacco Asset Securitization Corporation's (BTASC) deposited securities in an irrevocable trust with an escrow agent to provide for all future debt service payments on the BTASC bonds. As a result, the $1.3 billion of BTASC bonds are considered to be legally defeased and the liability for those bonds has been removed from the financial statements. Any gain or loss on the refunding has not been determined as the future cash flows of the old debt are not estimable due to the uncertainty of future Tobacco Settlement Revenues (TSRs).

Prior Year Refundings/General Obligation Bonds

Government Accounting Standards Board Statement No. 7 *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. At June 30, 2009, approximately $978.4 million of general obligation bond principal have been defeased.

Prior Year Refundings/Revenue Bonds

For financial reporting purposes, the following primary government revenue bonds have been defeased, and therefore, removed as a liability from the balance sheet:

- Environmental Improvement Fund revenue bonds – At June 30, 2009, revenue bonds outstanding of $256.7 million have been defeased.

- Transportation revenue bonds – At June 30, 2009, revenue bonds outstanding of $509.9 million have been defeased.

Prior Year Refundings/Component Units

Wisconsin Housing and Economic Development Authority

In 1990 the Wisconsin Housing and Economic Development Authority (the Authority) defeased $48.4 million of Insured Mortgage Revenue Bonds, as of June 30, 2009, the remaining outstanding defeased debt is $22.5 million.

University of Wisconsin Hospital and Clinics Authority (the Hospital) - On September 20, 2005, the Hospital issued $59.8 million in Variable Rate Demand Revenue Refunding Bonds, Series 2005 with an initial interest rate of 2.69 percent per annum at the time of issuance to advance refund $52.5 million of outstanding Bond Issue Series 2000 with an interest rate range of 5.6 percent to 5.85 percent. The net proceeds of $58.2 million (after payment of $1.6 million in issuance costs) were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the Fixed Rate Serial and Term Hospital Revenue Bonds, Series 2000 with maturity dates on or after April 1, 2011. As a result, the refunded portion of the Bond Issue Series 2000 is considered to be defeased and the liability for those bonds has been removed from the balance sheet. The amount outstanding related to the defeased portion of the 2000 Series Bond is $52.5 million at June 30, 2009.

Early Extinguishments/Redemptions

Component Units

Wisconsin Housing and Economic Development Authority

During 2009, the Wisconsin Housing and Economic Development Authority (the Authority) redeemed early various outstanding bonds according to the redemption provisions in the bond resolutions. None of these redemptions resulted in extraordinary losses due to the write-off of remaining unamortized deferred debt financing costs.

A summary of these early redemptions follows (in thousands):

Bond Issue	Redemptions 2009
Home Ownership Revenue Bond Resolutions:	
1987	$ 76,420
1988	95,480
All Other	84,792
Housing Revenue Bonds	87,585
Multifamily Housing Bonds	100
General Fund	680

E. Short-term Financing

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, authorize, issue, and sell debt obligations of the State. To date, the Commission has authorized the issuance of notes. When this short-term debt does not meet long-term financing criteria, it is classified among fund liabilities.

General Obligation Commercial Paper Notes

The State has authorized General Obligation Commercial Paper Notes for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes.

The State intends to make annual May 1 payments on the outstanding commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2009, the amount of general obligation commercial paper notes outstanding was $198.6 million which had interest rates ranging from .25 percent to .65 percent and maturities ranging from July 2, 2009 to September 10, 2009.

Short-term debt activity for the year ended June 30, 2009 for the general obligation commercial paper notes was as follows (in millions):

Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
$ 205.2	$ --	$ 6.6	$ 198.6

General Obligation Extendible Municipal Commercial Paper

The State has authorized general obligation extendible municipal commercial paper for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. Periodically, additional extendible municipal commercial papers are issued to pay for maturing extendible municipal commercial paper. The State intends to make annual May 1 payments on the outstanding extendible commercial paper that reflect principal amortization of the paper. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2009, the amount of the general obligation extendible municipal commercial paper outstanding was $422.2 million which had interest rates ranging from .2 percent to .75 percent and maturities ranging from July 7, 2009, to November 9, 2009.

Short-term debt activity for the year ended June 30, 2009 for the general obligation extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
$ 435.3	$ --	$ 13.1	$ 422.2

Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper

The State has authorized petroleum inspection fee revenue extendible municipal commercial paper to pay the costs of claims under the Petroleum Environmental Cleanup Fund Award (PECFA) Program. Periodically, additional extendible municipal commercial paper is issued to pay for maturing paper. The State may periodically deposit money into the Junior Subordinate Principal Account, which represents principal payments to be made on the extendible municipal commercial paper. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing paper. At June 30, 2009, the amount of petroleum inspection fee revenue extendible commercial paper outstanding was $142.3 million which had interest rates ranging from .45 percent to .70 percent and maturities ranging from July 7, 2009 to September 1, 2009.

Short-term debt activity for the year ended June 30, 2009 for the petroleum inspection fee revenue extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
$ 142.3	$ --	$ --	$ 142.3

Transportation Revenue Commercial Paper Notes

The State authorized transportation revenue commercial paper notes to pay the costs of major highway projects and certain State transportation facilities. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes. The State intends to make annual July 1 payments on the commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2009, the amount of transportation revenue commercial paper notes outstanding was $177.6 million which had interest rates ranging from .36 percent to .41 percent and maturities ranging from July 16 to October 6, 2009.

Short-term debt activity for the year ended June 30, 2009 for the transportation revenue commercial paper notes was as follows (in millions):

Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
$ 192.0	$ --	$ 14.4	$ 177.6

F. Certificates of Participation

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by State agencies. This facility is the Third Amended and Restated Master Lease 1992-1. Pursuant to the terms and conditions of this agreement, the trustee for the facility issues parity Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. A common pool of collateral ratably secures all Master Lease certificates. Title in the property and service items purchased under the facility remains with the State and the State grants to the Trustee, for the benefit of all Master Lease certificate holders, a first security interest in the leased items. At June 30, 2009, the following parity Master Lease certificates were outstanding:

- Master Lease Certificates of Participation of 2006, Series A, in the amount of $36.8 million. This series of Master Lease certificates has interest rates ranging from 4.0 percent to 5.0 percent and matures semi-annually through September 1, 2016.

- Master Lease Certificates of Participation of 2007, Series A (Revolving Credit Agreement – Taxable) in the amount of $16.7 million. This Master Lease certificate evidences the State's obligation to repay advances under a Revolving Credit Agreement, dated June 22, 2007, between U.S. Bank National Association (as trustee), the State of Wisconsin, acting by and through its Department of Administration, as lessee, and Dexia Credit Local. The scheduled termination date under the Revolving Credit Agreement, as amended, is September 1, 2010. This Master Lease certificate shall bear interest at the rates and mature on the dates provided for in the Revolving Credit Agreement. The balance of this Master Lease certificate may include some accrued interest that will be payable at the next semi-annual interest payment date.

- Master Lease Certificates of Participation of 2007, Series B (Revolving Credit Agreement-Tax Exempt) in the amount of $15.2 million. This Master Lease certificate of participation evidences the State's obligation to repay certain advances under a Revolving Credit Agreement, dated June 22, 2007, between U.S. Bank National Association, as trustee, the State of Wisconsin, acting by and through its Department of Administration, as lessee, and Dexia Credit Local, as amended. The scheduled termination date under the revolving credit agreement is September 1, 2010. This master lease certificate of participation shall bear interest at the rates and mature on the dates provided for in the Revolving Credit Agreement.

The Third Amended and Restated Master Lease 1992-1 provides that certain lease schedules to the facility can be terminated if the State deposits with the Trustee an amount that is equal to the outstanding amount of the lease schedule, or in amounts that are sufficient to purchase investments that mature on dates and in amounts to make the lease payments when due. At June 30, 2009, the State has deposited with the Trustee amounts, that when invested, will terminate lease schedules having an aggregate outstanding amount of $0.8 million. As a result of terminating these lease schedules, the associated liability is removed from the financial statements.

G. Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of June 30, 2009, a liability for arbitrage rebate did not exist.

H. Moral Obligation Debt

Through legislation enacted in 1999, the State authorized the creation of local districts. These districts (Wisconsin Center District, Southeast Wisconsin Professional Baseball Park District, and the Green Bay/Brown County Professional Football Stadium District) are authorized to issue bonds for their respective purpose, and if the State determines that certain conditions are satisfied, the State may have a moral obligation to appropriate moneys to make up deficiencies in the districts' special debt service reserve funds. To date, the Wisconsin Center District has the authority to issue up to $200.0 million and has issued $125.8 million of bonds that are subject to the moral obligation. The two other local districts each have authority to issue $160.0 million of revenue obligations that, subject to the Secretary of Administration's determination that certain conditions have been met, could carry a moral obligation of the State. All of the districts have issued revenue obligations that do not carry the moral obligation of the State.

Through legislation enacted in 1999, the State authorized the issuance of up to $170.0 million principal amount of bonds to finance the development or redevelopment of sites and facilities to be used for public schools. If certain conditions are satisfied, and if a special debt service reserve fund is created for the bonds, the State will provide a moral obligation pledge, which would restore the special debt reserve fund established for the bonds to an amount not to exceed the maximum annual debt service on the bonds. Three bond issues with an aggregate outstanding balance of $104.8 million have been issued that have a special debt service reserve fund secured by the State's moral obligation.

I. Credit Agreements

Primary Government

The State has, as part of the working bank contract, a letter of credit agreement with the US Bank National Association under which the Bank has agreed to provide to the State an open line of credit in the amount of $50.0 million. The agreement provides for advances in anticipation of bond issuance proceeds. As of June 30, 2009, $50.0 million was unused and available.

The State has entered into a credit agreement to provide a line of credit for liquidity support for up to $233.0 million of general obligation commercial paper notes. The line of credit expires in March, 2013, but is subject to renewal as provided for in the credit agreement. The cost of this line of credit is 0.095 percent per year.

Also, the State has entered into a credit agreement to provide a line of credit for liquidity support for its transportation revenue commercial paper program. The amount of the line of credit is $207.0 million. This line of credit expires in April, 2013, but is subject to termination and renewal as provided for in the credit agreement. The cost of this line of credit is 0.100 percent per year.

NOTE 12. LEASE COMMITMENTS AND INSTALLMENT PURCHASES

The State leases office buildings, space, and equipment under a variety of agreements that vary in lease term, many of which are subject to appropriation from the State Legislature to continue the lease commitment. If such funding, i.e., through legislative appropriation, is judged to be assured, and the likelihood of cancellation through exercise of the fiscal funding clause is remote, leases are considered noncancelable and reported as either a capital lease or an operating lease.

A. Capital Leases

Primary Government

Capital lease commitments in the government-wide and proprietary funds statements are reported as liabilities at lease inception. The related assets along with the depreciation are also reported at that time. Lease payments are reported as a reduction of the liability.

For capital leases in governmental funds, "Other Financing Sources - Capital Lease Acquisitions" and expenditures are recorded at lease inception. Lease payments are recorded as expenditures.

The following is an analysis of the gross minimum lease payments along with the present value of the minimum lease payments as of June 30, 2009 for capital leases (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities
2010	$ 11,341	$ 10,863
2011	8,136	10,519
2012	7,437	10,247
2013	5,318	9,995
2014	2,643	9,963
2015 - 2019	2,083	31,958
2020 - 2024	-	25,308
2025 - 2029	-	30,792
2030 - 2034	-	37,463
2035 - 2039	-	17,167
Total minimum future payments	36,958	194,275
Less: Interest	(4,695)	(84,166)
Present value of net minimum lease payments	$ 32,263	$ 110,110

Assets acquired through capital leases are valued at the lower of fair market value or the present value of minimum lease payments at the inception of the lease. The following is an analysis of capital assets recorded under capital leases as of June 30, 2009 (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities
Land and Land Improvements	$ 376	$ 209
Buildings and Improvements	11,480	147,817
Machinery and Improvements	1,065	8,042
Less: Accumulated Depreciation	(32,276)	(34,349)
Carrying Amount	$ 65,470	$ 121,719

Master Lease Program

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by state agencies. This facility is the Third Amended and Restated Master Lease between the State acting by and through the Department of Administration and U.S. Bank National Association. Lease purchase obligations under the Master Lease are not general obligations of the State, but are payable from appropriations of State agencies participating in the Master Lease Program, subject to annual appropriation. The interest component of each lease/purchase payment is subject to a separate determination. Pursuant to terms of the Master Lease, the Trustee for the facility issues parity Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. The outstanding balance as of June 30, 2009 was as follows:

Balance Due	Average Life (Weighted Term)
$68,821,917	2.83195 Years

Component Unit

University of Wisconsin Hospital and Clinics Authority

Under the terms of a lease agreement, the University of Wisconsin Hospitals and Clinics Authority (the Hospital) leases facilities which were occupied by the Hospital as of June, 1996 (see Note 1B to the financial statements). The initial term of the lease is 30 years to be renewed annually with automatic extensions of one additional year on each July 1 until action is taken to stop the extensions. Included in the consideration for the lease is an amount equal to the debt service during the term of the lease agreement on all outstanding bonds issued by the State for the purpose of financing the acquisition, construction or improvement of the leased facilities. The balance at June 30, 2009 for amounts related to this agreement was $7.7 million.

University of Wisconsin Foundation

The University of Wisconsin Foundation (the Foundation) leases computer hardware and software under a capital lease which expires January 2010. The Foundation also leased a copy machine under a capital lease which expired in April 2009.

The following is a schedule by years of future minimum payments under capital leases as of December 31, 2008:

Year ended December 31	Capital Leases
2009	$ 272,608
2010	21,189
2011	-
Total	293,797
Less: Interest	11,837
	$ 281,960

B. Operating Leases

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

Governmental and business-type activities and fiduciary funds rental expenses under operating leases for Fiscal Year 2009 were $70.7 million. Of this amount, $70.3 million relates to minimum rental payments stipulated in lease agreements, $351 thousand relates to contingent rentals, and $228 thousand relates to sublease rental payments received. Component unit rental expenses under operating leases were $18.6 million, of which $18.6 million relates to minimum rental payments stipulated in lease agreements.

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

Fiscal Year	Govern-mental Activities	Business-type Activities	Fiduciary Funds	Com-ponent Units
2010	$ 43,715	$ 23,734	$ 131	$ 13,297
2011	36,236	12,143	30	7,205
2012	31,185	7,771	21	3,612
2013	25,468	5,601	8	1,542
2014	19,057	5,044	-	674
2015 - 2019	59,183	24,393	-	1,186
2020 - 2024	13,743	24,957	-	-
2025 - 2029	574	24,333	-	-
2030 - 2034	370	17,820	-	-
2035 - 2039	377	-	-	-
2040 - 2044	307	-	-	-
2045 - 2049	523	-	-	-
Minimum lease payments	$ 230,775	$ 145,796	$ 189	$ 27,516

C. Installment Purchases

The State has entered into installment purchase agreements. The following is an analysis of the gross minimum installment payments, along with the present value of the minimum installment payments, as of June 30, 2009 for installment purchases (in thousands):

Fiscal Year	Governmental Activities
2010	$ 478
2011	-
Total minimum future payments	478
Less: Interest	(4)
Present value of net minimum installment payments	$ 475

NOTE 13. POLLUTION REMEDIATION OBLIGATIONS

Effective Fiscal Year 2009, the State implemented the Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement establishes accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation obligations that are required upon retirement of an asset, such as landfill closure and post closure care and nuclear power plant decommissioning.

Measurement of Obligations

GASB 49 requires the State to calculate pollution remediation obligations using the expected cash flow technique. These estimates are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors. Recoveries from other responsible parties may reduce the State's obligation. In accordance with the standard, if the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability. Under specific circumstances capital assets may be created when pollution remediation is performed. The State has adopted a minimum reporting threshold of $1.0 million. Therefore, only remediation sites with outlays estimated to meet or exceed that amount are reported in the financial statements.

The provisions of GASB Statement 49 require the measurement of pollution remediation obligations as of July 1, 2008. The measurement completed by the State identified obligations of $1.0 million existed as of that date. Therefore, the State's beginning net assets have been reduced by $1.0 million as reported in Note 24.

During fiscal year 2009, the State recognized additional estimated liabilities of $14.6 million. The State did not expend any moneys to clean up sites meeting the reporting threshold at the beginning of FY 2009, therefore, there were no recognized adjustments decreasing the beginning liability. Further, there were no recoveries received from other responsible parties during fiscal year 2009 and none are expected for the identified obligations.

Identified Remediation Obligations:

Pollution remediation liabilities are updated annually and are based on engineering studies and the judgment of agency officials. The following table shows liabilities included in the Statement of Net Assets as of June 30, 2009 (in millions):

Nature and Source of Pollution	Estimated Liability	Estimated Recovery
Contract agreement with EPA to clean up Superfund site of former wood treatment facility	$ 1.0	--
Voluntary commencement by the State to clean up heavy metal contamination of canal near former industrial site	7.5	--
State agreement with EPA to clean up PCB sediments in Milwaukee's Lincoln Park	7.1	--
Total estimated obligations	$15.6	--

In addition to the liability reported in the table above, the State expects to incur estimated costs of $27,000 per year indefinitely to pump and treat contamination at a former chrome plating facility. The State also expects to incur estimated costs of $70,000 per year indefinitely to operate and maintain a closed landfill. Both are Superfund sites and estimated total remediation costs for them cannot be reasonably determined. Therefore, a liability has not been reported in the Statement of Net Assets for either site.

NOTE 14. RETIREMENT PLAN

The Wisconsin Retirement System (WRS) was established and is administered by the State of Wisconsin to provide pension benefits for State and local government public employees. The WRS consists of the Core Retirement Investment Trust, the Variable Retirement Investment Trust, and the Police and Firefighters Trust. Although separated for accounting purposes, the assets of these trust funds can be used to pay benefits for any member of the WRS, and are reported as one pension plan.

The WRS is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information for the year ending December 31, 2007, may be obtained by writing to:

Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, WI 53707-7931.

The separately issued financial reports for the year ended December 31, 2008 will be available at a later date.

Plan Description

The WRS, governed by Chapter 40 of the Wisconsin Statutes, is a cost-sharing multiple-employer defined benefit pension plan. It provides coverage to all eligible State of Wisconsin, local government and other public employees. Any employee of a participating employer who is expected to work at least 600 hours per year (440 hours per year for teachers) for at least one year must be covered by the WRS. As of December 31, 2008, the number of participating employers was:

State Agencies	62
Cities	152
Counties	71
4th Class Cities	36
Villages	254
Towns	227
School Districts	426
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	206
Total Employers	1,462

For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested. Employees who retire at or after age 65 (55 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

Accounting Policies and Plan Asset Matters

The financial statements of the WRS have been prepared in accordance with generally accepted accounting principles, using the flow of economic resources measurement focus and a full accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All assets of the WRS are invested by the State of Wisconsin Investment Board. The retirement fund assets consist of shares in the Variable Retirement Investment Trust and the Core Retirement Investment Trust. The Variable Retirement Investment Trust consists primarily of equity securities. The Core Retirement Investment Trust is a balanced investment fund made up of fixed income securities and equity securities. Shares in the Core Retirement Investment Trust are purchased as funds are made available from retirement contributions and investment income, and sold when funds for benefit payments and other expenses are needed.

The assets of the Core and Variable Retirement Investment Trusts are carried at fair value with all market value adjustments recognized in current operations. Investments are revalued monthly to current market value. The resulting valuation gains or losses are recognized as income, although revenue has not been realized through a market-place transaction.

The WRS does not have any investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represent 5.0 percent or more of plan net assets.

State Contributions Required and Contributions Made

Covered State employees in the General/Teacher category are required by statute to contribute 5.0 percent of their salary (3.0 percent for Executives and Elected Officials, 5.0 percent for Protective Occupations with Social Security, and 3.2 percent for Protective Occupations without Social Security) to the plan as of June 30, 2009. Employers may make these contributions to the plan on behalf of employees.

Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. State contributions made for the years ended December 31, 2008, 2007, and 2006 were as follows (in millions):

	2008	2007	2006
Employer current service	$ 196.2	$ 182.9	$ 170.6
Percent of payroll	5.1%	5.1%	5.0%
Employer prior service	$ 3.1	$ 2.8	$ 2.5
Percent of payroll	0.1%	0.1%	0.1%
Employee required	$ 191.2	$ 178.4	$ 169.5
Percent of payroll	5.0%	5.0%	5.0%
Benefit adjustment contributions	$ 33.2	$ 31.0	$ 26.6
Percent of payroll	0.9%	0.9%	0.7%
Percent of Required Contributions	100%	100%	100%

The WRS uses the “Entry Age Normal with Frozen Initial Liability” actuarial method in establishing employer contribution rates. Under this method, the unfunded actuarial accrued liability (UAAL) is generally affected only by the monthly amortization payments, compound interest, the added liability created by new employer units, and any liabilities caused by changes in benefit provisions. The UAAL is being amortized over a 40 year period beginning January 1, 1990. However, periodically, the Employee Trust Funds Board has reviewed and, when appropriate, adjusted the actuarial assumptions used to determine this liability. Changes in the assumptions may affect the UAAL, and the resulting actuarial gains or losses are credited or charged to employers’ unfunded liability accounts.

All actuarial gains or losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost.

As of June 30, 2009 and 2008, the WRS’s unfunded actuarial accrued liability was $0.2 billion and $0.3 billion, respectively. These amounts are presented as Prior Service Contributions Receivable on the financial statements. New prior service liabilities resulting from employers entering the WRS or increasing their prior service coverage are recognized as contributions in the year service is granted and are added to the Prior Service Contributions Receivable. Employer contributions for prior service reduce the receivable. The receivable is increased as of calendar year end with interest at the assumed interest rate of 7.8 percent.

NOTE 15. MILWAUKEE RETIREMENT SYSTEM

The Milwaukee Retirement System (MRS) is reported as an Investment Trust Fund. MRS participants provide assets to the State of Wisconsin, Department of Employee Trust Funds (DETF) for investing in its Core Retirement Investment Trust (CRIT) and the Variable Retirement Investment Trust (VRIT), funds of the Wisconsin Retirement System (WRS). Participation of the MRS in the CRIT and VRIT is described in the DETF Administrative Code, Chapter 10.12. The State of Wisconsin Investment Board (SWIB) manages the CRIT and VRIT with oversight by a Board of Trustees as authorized in Wis. Stat. 25.14 and 25.17. SWIB is not registered with the Securities and Exchange Commission as an investment company.

The investments of the CRIT and VRIT consist of a highly diversified portfolio of securities. Wis. Stat. 25.17(3)(a) allows investments in loans, securities and any other investments as authorized by Wis. Stat. 620.22. Permitted classes of investments include bonds of governmental units or of private corporations, loans secured by mortgages, preferred or common stock, real property and other investments not specifically prohibited by statute.

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

Monthly, the DETF distributes a pro-rata share of the total CRIT and VRIT earnings less administrative expenses to the MRS accounts. The MRS accounts are adjusted to fair value and gains/losses are recorded directly in the accounts per DETF Administrative Code, Chapter 10.12(2).

Neither State statute, a legal provision nor a legally binding guarantee exists to support the value of shares.

Copies of the separately issued financial report that includes financial statements along with the accompanying footnote disclosures and supplementary information for the CRIT and the VRIT may be obtained by writing to:

State of Wisconsin Investment Board
P.O. Box 7842
Madison, Wisconsin 53707-7842

NOTE 16. POSTEMPLOYMENT BENEFITS – STATE HEALTH INSURANCE PROGRAM

Effective Fiscal Year 2008, the State implemented the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefit expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in financial reports of state and local governmental employers.

Plan Description

The State's Health Insurance Program, a cost-sharing multiple employer, defined benefit plan, is an employer-sponsored program (not administered as a trust) offering group medical coverage to eligible employees and retirees of State and participating local government employers. Created under Chapter 40, of the Wisconsin Statutes, the State Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under Wis. Stat. Sections 15.165(2) and 40.03(6). As of January 2007 (most recent actuarial valuation date), there were 55,117 active, and 21,103 retirees and beneficiaries participating in the plan.

Under this plan, retired employees of the State are allowed to pay the same healthcare premium as active employees, creating an implicit rate subsidy for retirees. This implicit rate subsidy, which is calculated to cover pre-age 65 retirees (since at age 65 retirees are required to enroll in Medicare when eligible), is treated as an other postemployment benefit (OPEB).

The Department of Employee Trust Funds issues a publicly available financial report. That report is available at www.etf.wi.gov or may be obtained upon request from:

The Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, Wisconsin 53707-7931

Funding Policy

The health insurance plan is currently funded on a "pay-as-you-go" basis. GASB Statement No. 45 does not require funding of the OPEB expense and the State does not currently intend to prefund the OPEB obligation. Under this plan, retirees contribute premiums directly to the plan either through "out-of-pocket" or from unused accumulated sick leave conversion credits. The value of the sick leave benefit is defined as compensated absences and reported under the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Contribution requirements are established and may be amended by the Group Insurance Board. For retirees that participate in the health insurance plan, premiums, for non-Medicare retirees, are based on an effective rate structure for the health care service provider selected. Rates range from $508.50 to $985.30 for single coverage and $1,267.60 to $2,459.40 for family coverage.

The annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. At December 31, 2008, and 2007, the ARC was $158.7 million and $148.5 million while the employer contributions were $48.8 million and $44.3 million respectively.

Annual OPEB Cost

As of January 1, 2007, (most recent actuarial valuation date) the State's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation were as follows (in thousands):

Year	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$158,699	$48,795	30.8%	$214,068
2008	148,497	44,333	29.9	104,164

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2007 (most recent actuarial valuation date) was as follows (in thousands):

Actuarial accrued liability (AAL)	$1,472,774
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	$1,472,774
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	$2,842,917
UAAL as a percentage of covered payroll	51.8%

The actuarial accrued liability calculation considers the retiree drug subsidy (RDS) provisions of Medicare Part D as a separate transaction. Therefore, the actuarial accrued liability, the annual required contribution of the employer (ARC), and the annual OPEB costs are determined without reduction of RDS payments. At January 1, 2007, (most recent actuarial valuation date) the

Medicare part D portion included in the actuarial accrued liability is $537.7 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2007 actuarial valuation, the entry age normal actuarial costs method (with costs determined as a level dollar amount) was used. Actuarial assumptions included a discount rate of 4.0 percent, determined using an underlying assumption of 3.0 percent for inflation plus 1.0 percent for high quality investments with durations of one year or less, and a 4.1 percent assumed annual payroll growth. The projected annual healthcare cost trend rate is 6.2 percent initially, reduced by decrements to an ultimate rate of 5.0 percent. Other assumptions used, such as mortality, disability and retirement rates for active members, are consistent with an actuarial valuation on the Wisconsin Retirement Plan dated December 31, 2006. In addition, a 30 year, level percent of pay, closed amortization period was used for the initial UAAL, while a 15 year, level percent of pay, closed amortization period was used for any future gains and losses.

Currently, the health insurance plan is not funded by assets held in a separate trust. The discount rate (discussed above) was based on the State's general assets not earmarked for certain uses, such as building funds. The State's general assets are held in short-term fixed income investments. Therefore, the discount rate reflects that type of investment policy.

A Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 17. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The State of Wisconsin, Department of Employee Trust Funds (DETF), administers three postemployment benefit plans other than pension plans – the State Retiree Health Insurance Fund, the Duty Disability Fund, and the Retiree Life Insurance Fund.

Plan Descriptions

State Retiree Health Insurance Fund

The State *Retiree Health Insurance Fund* is a multiple-employer defined benefit OPEB plan offering group health insurance. Disclosures relating to the plan are provided in Note 16 – *Postemployment Benefits of the State Other Than Pensions – Health Insurance Program*.

Duty Disability Fund

The *Duty Disability Fund* is a cost-sharing multiple-employer defined benefit OPEB plan. The plan offers special disability insurance for state and local participants in protective occupations. The plan is self-insured, and risk is shared between the State and local government employers in the plan. The plan is administered under Wis. Stat. Section 40.65. The plan is reported as a pension and other employee benefit trust fund.

Contributions are actuarially determined in accordance with Wis. Stats. Section 40.05 (2)(ar). All contributions are employer paid based on a graduated, experienced-rated formula. During Calendar Year 2008 contribution rates ranged from 1.9 percent to 7.0 percent of covered payroll based on employer experience.

Eligibility for program benefits is based upon whether a duty-related injury or disease is likely to be permanent, which causes a protective occupation participant to retire, accept reduced pay or light duty assignment, or in some cases, that impairs promotional opportunities. Benefits approximate 80 percent of salary (75 percent if partially disabled and not a State Employee), less certain offsets such as; social security, unemployment compensation, worker's compensation and other retirement benefits. Survivor benefits are also offset by certain benefits based on program requirements.

Retiree Life Insurance Fund

The *Retiree Life Insurance Fund* is a cost-sharing multiple-employer defined benefit OPEB plan. The plan provides post-employment life insurance coverage to all eligible employees. The plan is administered under Wis. Stats. Section 40.70. The plan is reported as a pension and other employee benefit trust fund.

Generally, members may enroll during a 30-day enrollment period once they satisfy a six-month waiting period. They may enroll after the initial 30-day enrollment period with evidence of insurability. Members under evidence of insurability enrollment must enroll in group life insurance coverage before age 55 to be eligible for Basic or Supplemental coverage.

Employers are required to pay the following contributions for active members to provide them with basic coverage after age 65. There are no employer contributions for pre-65 annuitant coverage. All contributions are actuarially determined.

	State	Local
50 percent post retirement coverage	28 percent of the employee premium	40 percent of employee premium
25 percent post retirement coverage	N/A	20 percent of employee premium

At retirement, the member must have active group life insurance coverage and satisfy one of the following:

- Wisconsin Retirement System (WRS) coverage prior to January 1, 1989, or
- At least one month of group life insurance coverage in each of five calendar years after 1989 and one of the following:
- Eligible for an immediate WRS benefit, or
- At least 20 years from their WRS creditable service as of January 1, 1990, plus their years of group life insurance coverage after 1989, or
- At least 20 years on the payroll of their last employer.

In addition, terminating members and retirees must continue to pay the employee premiums until age 65 (age 70 if active).

After retirement, basic coverage is continued for life in amounts for the insurance in force before retirement. Additional coverage may be continued until age 65 at 100 percent of the amount of the insurance in force before retirement at the employee's expense, and spouse and dependent coverage benefits is terminated.

Summary of Significant Accounting Policies

Basis of Accounting

The OPEB plans are reported in accordance with GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Method Used to Value Investments

Duty Disability Fund

Investments for the *Duty Disability Fund* are invested in the Core Retirement Investment Trust, which is managed by the State of Wisconsin Investment Board (SWIB). These investments are valued at fair value. Generally, fair value information represents actual bid prices or the quoted yield equivalent at the end of the year for securities of comparable maturity, quality, and type, as obtained from one or more major investment brokers. If quoted market prices are not available, a variety of third-party pricing methods are used, including appraisals, certifications, pricing models, and other methods deemed acceptable by industry standards.

Retiree Life Insurance Fund

Investments for the *Retiree Life Insurance Fund* are held with the insurance carrier (the Company). The Retiree Life Insurance Fund's investment is a share in the investment pool.

Fixed maturity securities, which may be sold prior to maturity, including fixed maturities on loan, are classified as available-for-sale and are carried at fair value. Premiums and discounts are amortized or accreted over the estimated lives of the securities based on the interest yield method.

The Company uses book value as cost for applying the retrospective adjustment method to loan-backed fixed maturity securities purchased. Prepayment assumptions for single class and multi-class mortgage-backed securities were obtained from broker/dealer survey values or internal estimates.

Marketable equity securities are classified as available-for-sale and are carried at fair value. Mutual funds and exchange traded fund investments in select asset classes that are sub-advised are carried at the fair value of the underlying net assets of the funds.

Available-for-sale securities are stated at fair value.

Mortgage loans are carried at amortized cost less any valuation allowances. Premiums and discounts are amortized or accreted over the terms of the mortgage loans based on the effective interest yield method.

Private equity investments in limited partnerships are carried at the amount invested, adjusted to recognize the Company's ownership share of the earnings or losses of the investee after the date of the acquisition, adjusted for any distributions received (equity method accounting).

Investments in partnerships, which represent minority interests owned in certain general agencies, are carried at the amount invested, adjusted to recognize the Company's ownership share of the earnings or losses of the investee after acquisition adjusted for any distributions received (equity method accounting).

Fair values of fixed maturity securities are based on quoted market prices where available. Fair values of marketable equity securities are based on quoted market prices. Fair values of private equity investments are obtained from the financial statement valuations of the underlying fund or independent broker bids. For fixed maturity securities not based on quoted market prices, generally private placement securities, securities that do not trade regularly, and embedded derivatives, an internally developed pricing model using a commercial software application is most often used. The internally developed pricing model is developed by obtaining spreads versus the U.S. Treasury yield for corporate securities with varying weighted average lives and bond ratings.

Real estate is carried at cost less accumulated depreciation.

The Company's derivative instrument holdings are carried at fair value. All derivatives are recorded as non-hedge transactions. Derivative instrument fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using current market assumptions and modeling techniques, which are then compared with quotes from counterparties.

For mortgage-backed securities of high credit quality, excluding interest-only securities, the Company recognizes income using a constant effective yield method based on prepayment assumptions obtained from an outside service provider or upon analyst review of the underlying collateral and the estimated economic life of the securities.

Policy loans are carried at the unpaid principal balance.

Cash and cash equivalents are carried at cost, which approximates fair value. The Company considers all money market funds and commercial paper with original maturity dates of less than three months to be cash equivalents.

Finance receivables that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding unpaid principal balances reduced by any charge-offs.

The Company holds "To-Be-Announced" (TBA) Government National Mortgage Association forward contracts that require the Company to take delivery of a mortgage-backed security at a settlement date in the future. Most of the TBAs are settled at the first available period allowed under the contract. However, the deliveries of some of the Company's TBA securities happen at a later date, thus extending the forward contract date. These securities are reported at fair value as derivative instruments with the changes in fair value reported in net realized investment gains and losses on the consolidated statements of operations.

Required Supplementary Information

Required Supplementary Information about the OPEB plans is presented in the Department of Employee Trust Funds audited financial statements. The December 31, 2008 financial report will be available at a later date.

Separately issued financial reports are available at www.etf.wi.gov and on request from:

The Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, Wisconsin 53707-7931

NOTE 18. PUBLIC ENTITY RISK POOLS ADMINISTERED BY THE DEPARTMENT OF EMPLOYEE TRUST FUNDS

The Department of Employee Trust Funds operates four public entity risk pools: group health insurance, group income continuation insurance, long-term disability insurance, and pharmacy benefits. The information provided in this note applies to the period ending December 31, 2008.

A. Description of Funds

The Health Insurance Fund offers group health insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Approximately 365 local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The fund includes both a self-insured, fee-for-service plan as well as various prepaid plans, primarily Health Maintenance Organizations (HMO's) and a self-insured plan that provides for pharmacy benefits of covered members.

The Income Continuation Insurance Fund offers disability wage continuation insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Approximately 187 local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The plan is self-insured.

The Long-term Disability Insurance Fund offers long-term disability benefits to participants in the Wisconsin Retirement System (WRS). The long-term disability benefits provided by this program are an alternative coverage to that currently provided by the WRS. All new WRS participants on or after October 15, 1992, are eligible only for the long-term disability insurance coverage, while participating employees active prior to October 15, 1992, may elect coverage through WRS or the long-term disability insurance program.

B. Accounting Policies for Risk Pools

Basis of Accounting - All Public Entity Risk Pools are accounted for in enterprise funds using the full accrual basis of accounting and the flow of economic resources measurement focus.

Valuation of Investments - Assets of the Health Insurance Fund Income Continuation Insurance and Long-term Disability Insurance funds are invested in the Core Retirement Investment Trust. Investments are valued at fair value.

Unpaid Claims Liabilities - Claims liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The estimate includes the effects of inflation and other societal and economic factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Unpaid claims liability is presented at face value and is not discounted for health insurance. It is discounted using an interest rate of 7.8 percent for income continuation and long-term disability insurance. The liabilities for income continuation, long-term disability, and health insurance were determined by actuarial methods.

Administrative Expenses - All maintenance expenses are expensed in the period in which they are incurred. Acquisition costs are immaterial and are treated as maintenance expenses. Premium deficiencies are not calculated because acquisition costs are immaterial. Claim adjustment expenses are also immaterial.

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

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

Premium Setting - Premiums are established by the Group Insurance Board in consultation with actuaries.

C. Unpaid Claims Liabilities

As discussed in Section B of this Note, each fund establishes a liability for both reported and unreported insured events, which is an estimate of future payments of losses. The following represents changes in those aggregate liabilities for the nonreinsured portion of each fund during Calendar Year 2008 (in millions):

	Health Insurance		Income Continuation Insurance		Long-term Disability Insurance		Pharmacy Benefits	
	2008	2007 *	2008	2007	2008	2007	2008	2007*
Unpaid claims at beginning of the calendar year	$ 3.5**	$ 10.2	$ 68.7	$ 71.3	$ 135.8	$ 108.3	$ (1.1)	$ (6.7)
Incurred claims:								
Provision for insured events of the current calendar year	30.5	41.6	22.4	27.4	31.1	48.1	124.0	116.5
Changes in provision for insured events of prior calendar years	(0.3)	(3.4)	0.5	(14.7)	(7.9)	(6.2)	2.5	0.4
Total incurred claims	30.2	38.2	22.9	12.7	23.2	41.9	126.5	116.9
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	25.7	35.6	5.1	2.5	1.1	1.1	126.3	119.6
Claims and claim adjustment expenses attributable to insured events of prior calendar years	3.1	6.6	9.8	12.8	19.3	13.3	1.4	(8.3)
Total payments	28.8	42.2	14.9	15.3	20.4	14.4	127.7	111.3
Total unpaid claims expenses at end of the calendar year	$ 4.9	$ 6.2	$ 76.7	$ 68.7	$ 138.6	$ 135.8	$ (2.3)***	$ (1.1)***

* Starting in 2006, in accordance with GASB 43,local retiree health is reported separately in an agency fund and is not included with the active health information in this table.
** Due to a prior period adjustment the unpaid claims at the beginning of 2008 do not match the total unpaid claims at the end of 2001.
*** Total unpaid claims at the end of 2008 is the net of $5.5 million in unpaid claims and $7.8 million in rebates due from pharmaceutical companies; total unpaid claims at the end of 2007 is the net of $6.7 million in unpaid claims and $7.8 million in rebates due from pharmaceutical companies.

D. Trend Information

Historical trend information showing revenue and claims development information is presented in the Department of Employee Trust Funds audited financial statements. The separately issued financial report for the year ended December 31, 2007 is available at www.etf.wi.gov and on request from:

The Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, Wisconsin 53707-7931

The December 31, 2008 financial report will be available at a later date.

NOTE 19. SELF-INSURANCE

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

State Property Damage

Property damages to State-owned properties are covered by the State's self-funded property program up to $2.5 million per occurrence and $2.7 million annual aggregate. When claims, which exceed $25,000 per occurrence, total $2.7 million, the State's private insurance becomes available. Losses to property occurring after the threshold are first subject to a $25,000 deductible. The amount of loss in excess of $25,000 is covered by the State's private insurance company. During Fiscal Year 2009, the excess insurance limits were written to $300 million.

The liabilities for State property damage are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities is based on the reserves on open claims and paid claims. Losses incurred but not reported are expected to be immaterial. Claims incurred but not paid as of June 30, 2009 are estimated to total $9.2 million.

Property Damages and Bodily Injuries to Third Parties

The State is self-funded for third party liability to a level of $4 million per occurrence and purchases insurance in excess of this self-funded retention. The policy limit during Fiscal Year 2009 was $49 million.

The liabilities for property damages and injuries to third parties are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities for the prior fiscal year was the reserves on open claims. The estimate for future benefits and loss liabilities is calculated by an actuary based on the reserves on open claims and prior experience. No liability is reported for environmental impairment liability claims either incurred or incurred but not reported because existing case law makes it unlikely the State would be held liable for material amounts. Because actual claims liabilities depend upon complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Immaterial non-incremental claims adjustment expenses are not included as part of the liability. Claims incurred but not paid as of June 30, 2009 are estimated to total $24.6 million.

Worker's Compensation

The Worker's Compensation Program was created by Wisconsin Statutes Chapter 102 to provide benefits to workers injured on the job. All employees of the State are included in the program. An injury is covered under worker's compensation if it is caused by an accident that arose out of and in the course of employment.

The responsibility for claiming compensation is on the employee. A claim must be filed with the program within two years from the date of injury; otherwise the claim is not allowable.

The worker's compensation liability has been determined by an actuary using paid claims and current claims reserves. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by external factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims incurred but not paid as of June 30, 2009 are estimated to total $74.7 million.

Changes in the balances of claims liability for the Risk Management Fund during the current and prior fiscal years are as follows (in thousands):

	2009	2008
Beginning of fiscal year liability	$ 95,000	$ 95,984
Current year claims and changes in estimates	41,508	34,531
Claim payments	(28,089)	(23,815)
	108,419	106,700
Excess insurance reimbursable	(5,300)	(11,700)
Balance at fiscal year-end	$ 103,119	$ 95,000

Settlements have not exceeded coverages for each of the past three fiscal years.

Annuity Contracts

The Risk Management Fund purchased annuity contracts in various claimants' names to satisfy claim liabilities. The likelihood that the fund will be required to make future payments on those claims is remote and, therefore, the fund is considered to have satisfied its primary liability to the claimants. Accordingly, the annuity contracts are not reported in, and the related liabilities are removed from, the fund's balance sheet. The aggregate outstanding amount of liabilities removed from the financial statements at June 30, 2009 is $8.4 million.

NOTE 20. INSURANCE FUNDS

A. Primary Government

1. Local Government Property Insurance Fund

Created by the Legislature in 1911, the purpose of the Local Government Property Insurance Fund is to provide property insurance coverage to tax-supported local government units such as counties, towns, villages, cities, school districts and library boards. Property insured includes government buildings, schools, libraries and motor vehicles. Coverage is available on an optional basis. As of June 30, 2009 the Local Government Property Insurance Fund insured 1,114 local governmental units. The total amount of insurance in force as of June 30, 2009 was $48.1 billion.

Valuation of Cash Equivalents and Investments - All investments of the Local Government Property Insurance Fund are managed by the State of Wisconsin Investment Board, as discussed in Note 5-B to the financial statements. At June 30, 2009, the fund had $33.6 million of shares in the State Investment Fund which are considered cash equivalents.

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

Unpaid Loss Liabilities - The Local Government Property Insurance Fund establishes the unpaid loss liability titled future benefits and loss liabilities on the financial statements based on estimates of the ultimate cost of losses (including future loss adjustment expenses) that have been reported but not settled, and of losses that have been incurred but not reported. Estimated amounts of excess-of-loss insurance recoverable on unpaid losses are deducted from the liability for unpaid losses. Loss liabilities are recomputed periodically to produce current estimates that reflect recent settlements, loss frequency, and other economic factors. Adjustments to future benefits and loss liabilities are charged or credited to expense in the periods in which they are made.

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

Excess-of-Loss Insurance Coverage - The Local Government Property Insurance Fund purchases excess-of-loss insurance coverage, the operation of which is analogous to “reinsurance,” to reduce its exposure to large losses on all types of insured events. Excess-of-loss insurance permits recovery of a portion of losses from the excess-of-loss insurers, although it does not discharge the primary liability of the fund as direct insurer of the risks reinsured. The fund does not report excess-of-loss insured risks as liabilities unless it is probable that those risks will not be covered by excess-of-loss insurers. As of June 30, 2009 the fund had $425.0 million of per occurrence excess of loss reinsurance in force with a $2.0 million combined single limit retention for each occurrence, and an annual aggregate reinsurance contract with a $22.0 million annual aggregate retention plus a per claim retention of $5 thousand once the aggregate is met, as respects occurrences for the term of the agreement. Premiums ceded to excess-of-loss insurers, which is netted against premium revenue (charges for goods and services in the financial statements), amounted to $4.7 million during the fiscal year. Excess-of-loss and adjusting expense recoveries earned would typically reduce claims paid (benefit expense on the financial statements); however, during the fiscal year the Local Government Property Insurance Fund did not earn any excess-of-loss insurance recoveries, which increased claims paid.

Unpaid Loss Liabilities

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

	2009	2008
Unpaid loss liabilities		
at beginning of the year	$18,118	$16,215
Less: Excess-of-loss insurance		
recoverable	(5,088)	(6,684)
Net unpaid loss liabilities at beginning		
of year	13,030	9,531
Incurred losses and loss		
expenses:		
Provision for insured events of the		
current year	11,372	21,416
Increase (decrease) in provision for		
insured events of prior years	254	522
Total incurred losses and loss		
expenses	11,626	21,938
Payments:		
Losses and loss		
expenses attributable to insured		
events of the current year	6,896	9,917
Losses and loss		
expenses attributable to insured		
events prior years	10,970	8,522
Total payments	17,866	18,439
Net unpaid loss liabilities		
at end of year	6,790	13,030
Plus: Excess-of-loss liabilities		
recoverable	2,716	5,088
Total unpaid loss liabilities		
at end of year	$9,506	$18,118

Trend Information

Historical trend information showing revenue and claims development information is presented in the Office of the Commissioner of Insurance June 30, 2009 financial statements. Copies of these statements may be requested from:

Office of the Commissioner of Insurance
125 South Webster Street
Madison, Wisconsin 53702

2. State Life Insurance Fund

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

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

The costs of policy issuance and underwriting, all of which vary with, and are primarily related to, the production of new business, have been deferred. These deferred acquisition costs are amortized over a forty year period, considered representative of the life of the contract. The amortization is in proportion to the ratio of annual in-force business to the amount of business issued. Such anticipated in-force business was estimated using similar assumptions to those used for computing liabilities for future policy benefits.

Deferred Acquisition Cost Assumptions

Issue Years	Interest Rate	Lapse Rate	Mortality
1913-1966	3.0%	2.0%	None
1967-1976	3.0	2.0	None
1977-1985	4.0	2.0	None
1986-1994	5.0	2.0	None
1995+	4.0	2.0	None

The State Life Insurance Fund does not pay commissions nor does it incur agent expenses.

Future benefits and loss liabilities have been computed by the net level premium method based upon estimated future investment yield and mortality. The composition of liabilities and the more material assumptions pertinent thereto are presented below (in thousands):

Issue Year	Ordinary Life Insurance in Force	Amount of Policy Liability
1913-1966	$ 10,260	$ 7,558
1967-1976	32,634	16,501
1977-1985	76,535	23,099
1986-1994	51,524	8,251
1995-2008	41,925	4,809
2009+	781	24
	$ 213,659	$ 60,242

Bases of Assumptions

Issue Year	Interest Rate	Mortality
1913-1966	3.0%	American Experience, ANB*
1967-1976	3.0	1958 CSO, ALB, Unisex
1977-1985	4.0	1958 CSO, ALB, Female Setback 3 years
1986-1994	5.0	1980 CSO, ALB, Aggregate
1995-2008	4.0	1980 CSO, ALB, Aggregate
2009+	4.0	2001 CSO, ALB, Aggregate

* Age Next Birthday

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

The statutory assets at December 31, 2008 were $87.8 million and the statutory capital and surplus was $6.4 million, and the fund equity at June 30, 2009 was $10.4 million.

3. Injured Patients and Families Compensation Fund

The Injured Patients and Families Compensation Fund was created in 1975 for the purpose of providing excess medical malpractice claims exceeding the legal primary insurance limits prescribed in Wis. Stat. Section 655.23(4), or the maximum liability limit for which the health care provided is insured, whichever limit is greater. Management of the Injured Patients and Families Compensation Fund is vested with a 13-member Board of Governors, which is chaired by the Commissioner of Insurance. Most health care providers permanently practicing or operating in the State of Wisconsin are required to pay Injured Patients and Families Compensation Fund operating fees. Risk of loss is retained by the fund.

The Future Benefits and Loss Liability account includes individual case estimates for reported losses and estimates for incurred but not reported losses based upon the projected ultimate losses recommended by a consulting actuary. Individual case estimates of the liability for reported losses and net losses paid from inception of the Injured Patients and Families Compensation Fund are deducted from the projected ultimate loss liabilities to determine the liability for incurred but not reported losses as of June 30, 2009 as follows (in thousands):

Projected ultimate loss liability	$ 1,428,829
Less: Net loss paid from inception	(766,243)
Less: Liability for reported losses	(33,040)
Liability for incurred but not reported losses	$ 629,546

The Future Benefits and Loss Liability account also includes a provision for the estimated future payment of the costs to settle claims. The actuary estimates the ultimate loss adjustment expense (LAE) using data available through September 30 of the fiscal year. The actuary estimates LAE at 18 percent of the estimated unpaid loss liabilities as of June 30, 2009. Since the actuary estimate occurs before the end of the fiscal year and are based on an estimate of the cumulative payments, the percentage used by the actuary in determining LAE will differ slightly from the percentages used in financial statements since actual LAE payments are used for financial reporting. The LAE paid from the inception of the Injured Patients and Families Compensation Fund are deducted from the projected ultimate loss adjustment expenses provision to determine the liability for loss adjustment expenses as of June 30, 2009 as follows (in thousands):

Projected ultimate loss adjustment expense liability	$ 190,160
Less: Loss adjustment expense paid from inception	(65,263)
Liability for loss adjustment expense	$ 124,897

In accordance with Section Ins. 17.27(3), Wis. Adm. Code, the liability for reported losses, liability for incurred but not reported losses, and liability for loss adjustment expense are maintained on a present value basis with the difference from full value being reported as a contra account to these estimated loss liabilities. These estimated loss liabilities are discounted only to the extent that they are matched by cash and invested assets. Using the actuarially determined discount factor of 0.812, which is based on an investment yield assumption of 5.5 percent approved by the Board of Governors, the discounted loss liability would be as follows as of June 30, 2009 (in thousands):

Estimated liability for Incurred But Not Reported (IBNR)	$ 629,546
Estimated liability for reported losses	33,040
Estimated unpaid loss adjustment expense	124,897
Total estimated loss liabilities	787,483
Less: Amount representing interest	(148,047)
Discounted loss liabilities	$ 639,436

Included in the above estimates of loss liabilities, both undiscounted and discounted, is a 25 percent risk margin, which was recommended by the actuary and approved by the Board of Governors.

On behalf of the Fund's Board, the Office of the Commissioner of Insurance contracted for an actuarial audit of the Injured Patients and Families Compensation Fund, which included a review by another actuary of the reasonableness of the actuarial methodology and assumptions used in developing estimates of the Fund's loss liabilities. The actuarial audit, which was completed on December 3, 2007, concluded that the Fiscal Year 2008 estimate of the Fund's loss liability was at the high end of a reasonable range when combined with a 25 percent risk margin. The audit included recommendations that were implemented in the Fiscal Year 2009 analysis.

In addition to discounted loss liabilities, the Future Benefit and Loss Liabilities account also includes a future medical expenses liability and a contributions being held liability. The future medical expenses liability consists of those accounts required by Wis. Stat. Sec. 655.015 to be established if a settlement or judgment provides for future medical expense payments in excess of $100,000. The accounts are managed by the Fund and earn a proportionate share of the Fund's interest. Any account balance remaining when a claimant dies reverts back the Fund. The contributions being held liability consists of nonrefundable payments, generally in amounts equal to the primary coverage in effect for related claims, that primary insurers have voluntarily presented to the fund and which are negotiable with the fund in exchange for a release of payment for any future defense costs that may be incurred on the claim. This amount is held as a liability to the Fund until a payment on the claim is made.

The breakdown of Future Benefit and Loss Liabilities, including the portions that are estimated as current and noncurrent as of June 30, 2009 (in thousands), is as follows:

Discounted loss liabilities	$ 639,436
Future medical expense liability	34,971
Contributions being held liability	1,000
Total estimated loss liabilities	675,407
Current portion	(84,276)
Noncurrent portion	$ 591,131

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

The estimated amounts included in the balance of Future Benefits and Loss Liabilities are continually reviewed and adjusted as the Injured Patients and Families Compensation Fund gains additional experience. Such adjustments are reflected in current operations. Because of the changes in these estimates, the benefit expense for the fiscal year is not necessarily indicative of the loss experience for the year.

The following is a reconciliation of the change in the balance of Future Benefits and Loss Liabilities during FY 2009 (in thousands):

Liability at the beginning of the year	$ 796,465
Incurred claims and related expenses for the current year and the change in estimated amounts for claims incurred in prior years	104,447
Less: current year payments attributable to claims incurred in current and prior years	(225,505)
Liability at the end of the year	$ 675,407

B. Component Units

Wisconsin Health Care Liability Insurance Plan

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

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

Since the inception of the Plan in 1975, the health care liability coverage limits have increased from $200 thousand per occurrence and $600 thousand annual aggregate to the current limits of $1.0 million per occurrence and $3.0 million annual aggregate. A general liability coverage is also available to participating health care providers with limits of $1.0 million per occurrence and $3.0 million annual aggregate. The Plan is not covered under any reinsurance contracts.

In the event that sufficient funds are not available for the sound financial operation of the Plan, all members shall, on a temporary basis, contribute to the financial needs of the Plan. Members shall participate in the contributions in the proportion of their respective premiums to the aggregate premiums written by all members of the Plan. Such assessments shall be recouped by rate increases applied prospectively. There were no assessments for the year ended December 31, 2008.

The future benefits and loss liability includes amounts determined from individual reported losses (case reserves) and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes that the amounts are adequate, the ultimate liability will differ from the amounts provided. The methods for making such estimates and for establishing the resulting liability are annually reviewed, and any adjustments are reflected in income currently. Specific account balances as of December 31, 2007 and December 31, 2008, are as follows (in thousands):

	2008	2007
Balance at January 1	$ 37,122	$ 29,806
Incurred related to:		
Current year	4,502	10,608
Prior years	(21,877)	(726)
Total Incurred	(17,375)	9,882
Paid related to:		
Current year	108	188
Prior years	2,027	2,378
Total paid	2,135	2,566
Balance at December 31	$ 17,612	$ 37,122

There is inherent uncertainty in medical malpractice claims when establishing the estimates of unpaid losses and unpaid loss adjustment expenses. In 2008 and 2007 the Plan decreased its estimates of unpaid losses and unpaid loss adjustment expenses related to insured events of prior years. These decreases were greater than the estimated losses incurred for the current year, causing negative incurred losses and loss adjustment expenses.

NOTE 21. SPECIAL ITEMS

In April, 2009, the State issued $1.5 billion in general fund annual appropriation bonds to purchase the future right, title, and interest in the Tobacco Settlement Revenues (TSRs) from Badger Tobacco Asset Securitization Corporation (BTASC) as well as pay any issuance expenses. As a result of the transaction, BTASC bonds outstanding as of the State bond issue date were defeased. BTASC will remain active administratively until 2012 when the bonds are scheduled to be paid in full by the trust.

Any gain or loss on the purchase of the TSRs by the State has not been determined because future cash flows from the TSRs are not reasonably estimable due to uncertainty of those TSRs.

NOTE 22. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA

Primary Government

The State issues revenue bonds to finance the Leveraged Loan Program, which is accounted for as part of the Environmental Improvement Fund. Investors in those bonds rely solely on the revenue generated within the Leveraged Loan Program. Assets of this program are used primarily for loans for Wisconsin municipal waste water projects. Condensed financial statement information of the Leveraged Loan Program as of and for the year ended June 30, 2009 is presented below (in thousands):

Condensed Balance Sheet

Assets:		
Current Assets	$	129,757
Other Assets		917,007
Total Assets	$	1,046,764
Liabilities:		
Due to Other Funds	$	2,234
Other Current Liabilities (Including Current Portion of Long-term Debt)		70,254
Noncurrent Liabilities		763,363
Total Liabilities		835,851
Fund Equity:		
Restricted		210,913
Total Fund Equity		210,913
Total Liabilities and Fund Equity	$	1,046,764

Condensed Statement of Revenues, Expenses and Changes in Fund Equity

Operating Revenues (Expenses):		
Interest Income used as Security for Revenue Bonds	$	19,900
Interest Expense		(39,282)
Other Operating Expenses		(2,346)
Operating Income (Loss)		(21,728)
Nonoperating Revenues (Expenses):		
Investment Income		21,526
Income (Loss) before Transfers		(202)
Transfers In (Out)		17,700
Change in Fund Equity		17,498
Beginning Fund Equity		193,415
Ending Fund Equity	$	210,913

Condensed Statement of Cash Flows

Net Cash Provided (Used) by :		
Operating Activities	$	(3,313)
Noncapital Financing Activities		8,529
Investing Activities		(8,041)
Net Increase (Decrease)		(2,825)
Beginning Cash and Cash Equivalents		120,870
Ending Cash and Cash Equivalents	$	118,045

NOTE 23. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION

Significant financial data for the State's five discretely presented component units for the year ended December 31, 2008 or June 30, 2009 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority*	Wisconsin Health Care Liability Insurance Plan	University of Wisconsin Hospitals and Clinics Authority	University of Wisconsin Foundation	State Fair Park Exposition Center	Total
Condensed Balance Sheet						
Assets:						
Cash, Investments and Other Assets	$ 3,604,756	$ 67,963	$ 300,739	$ 2,266,575	$ 6,719	$ 6,246,752
Due from Primary Governments	-	-	2,566	-	-	2,566
Cash and Investments with Other Component Units	-	-	216,672	-	-	216,672
Capital Assets, net	16,534	-	410,395	7,523	31,986	466,438
Total Assets	$ 3,621,290	$ 67,963	$ 930,372	$ 2,274,098	$ 38,705	$ 6,932,428
Liabilities:						
Accounts Payable and Other Current Liabilities	$ 174,744	$ 11,243	$ 80,911	$ 47,640	$ 2,210	$ 316,748
Due to Primary Government	21	-	5,039	-	-	5,060
Amounts Held for Other Component Units	-	-	-	213,384	-	213,384
Long-term Liabilities (Current and Noncurrent portions)	2,919,113	17,612	330,763	43,600	40,836	3,351,924
Total Liabilities	3,093,878	28,856	416,713	304,624	43,046	3,887,116
Fund Equity:						
Invested in Capital Assets, Net of Related Debt	1,234	39,107	163,574	7,523	(8,485)	202,953
Restricted	522,725	-	8,535	1,841,875	-	2,373,135
Unrestricted	3,453	-	341,550	120,076	4,144	469,224
Total Fund Equity	527,412	39,107	513,659	1,969,475	(4,341)	3,045,312
Total Liabilities and Fund Equity	$ 3,621,290	$ 67,963	$ 930,372	$ 2,274,098	$ 38,705	$ 6,932,428
Condensed Statement of Revenues, Expenses and Changes in Fund Equity						
Program Expenses:						
Depreciation	$ 8,001	$ -	$ 44,209	$ 427	$ 1,015	$ 53,652
Payments to Primary Government	-	-	-	203,345	-	203,345
Other	334,921	(15,790)	874,815	40,452	4,458	1,238,856
Total Program Expenses:	342,922	(15,790)	919,024	244,223	5,473	1,495,852
Program Revenues:						
Charges for Goods and Services	7,091	6,018	941,856	-	3,952	958,917
Investment and Interest Income	173,514	3,157	-	(493,024)	-	(316,353)
Operating Grants and Contributions	149,189	-	1,320	160,979	-	311,488
Capital Grants and Contributions	-	-	1,163	-	-	1,163
Miscellaneous	15,288	30	15,804	505	307	31,935
Total Program Revenues	345,082	9,205	960,143	(331,539)	4,259	987,151
Net Program Revenue/(Expense)	2,160	24,995	41,119	(575,762)	(1,214)	(508,702)
General Revenues:						
Interest and Investment Earnings	15,556	-	(3,256)	-	(120)	12,180
Loss on Unamortized Bond Insurance Premium			(2,541)			(2,541)
Contributions to Endowments	-	-	22	-	-	22
Change in Fund Equity	17,716	24,995	35,344	(575,762)	(1,334)	(499,041)
Fund Equity, Beginning of Year	509,696	14,112	478,315	2,545,236	(3,007)	3,544,353
Fund Equity, End of Year	$ 527,412	$ 39,107	$ 513,659	$ 1,969,475	$ (4,341)	$ 3,045,312

* The Wisconsin Housing and Economic Development Authority (the Authority) restated historical financial statements for the fiscal year 2008. The Authority adopted GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. The impact on the fiscal year 2008 balance sheet was to increase total assets and liabilities by $100.9 million and $103.0 million, respectively, and decrease total net assets by $2.0 million. The impact on the fiscal year 2008 statement of income and expenses and changes in fund net assets was to decrease investment income by $2.0 million resulting in a $2.0 million decrease in net interest income.

NOTE 24. RESTATEMENTS OF BEGINNING FUND BALANCES/FUND EQUITY/NET ASSETS AND OTHER CHANGES

The reconciliations that follow summarize restatements of the end-of-year fund balance/fund equity/net assets as reported in the 2008 Comprehensive Annual Financial Report to the beginning-of-year fund balances/fund equity/net assets reported for Fiscal Year 2009 (in thousands):

A. Fund Statements – Governmental Funds

	Major Funds				
	General	Transportation	Common School	Nonmajor Funds	Total Governmental
Fund Balances June 30, 2008 as reported in the 2008 Comprehensive Annual Financial Report	$ (2,502,734)	$ 422,102	$ 753,248	$ (146,588)	$ (1,473,973)
Other adjustments of assets and liabilities as of June 30, 2008	158	-	-	3,620	3,779
Fund Balances July 1, 2008 as restated	$ (2,502,575)	$ 422,102	$ 753,248	$ (142,968)	$ (1,470,194)
Effect of prior period adjustments on the amount of excess revenues and other sources over expenditures and other uses of Fiscal Year 2008	$ 158	$ -	$ -	$ (998)	$ (839)

B. Fund Statements – Proprietary Funds

	Major Funds						
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Funds	Total Enterprise	Internal Service Funds
Fund Equity June 30, 2008 as reported in the 2008 Comprehensive Annual Financial Report	$ (61,490)	$ 1,420,043	$ 4,320,067	$ 608,869	$ 609,912	$ 6,897,402	$ 6,244
Health Insurance Fund correction of information from the third party administrator	-	-	-	-	22,499	22,499	-
Other adjustments of assets and liabilities as of June 30, 2008	-	-	-	-	(417)	(417)	(1,651)
Fund Equity July 1, 2008 as restated	$ (61,490)	$ 1,420,043	$ 4,320,067	$ 608,869	$ 631,994	$ 6,919,485	$ 4,593
Effect of prior period adjustments on the amount of net change in fund equity of Fiscal Year 2008	$ -	$ -	$ -	$ -	$ (426)	$ (426)	$ (1,651)

C. Fund Statements – Fiduciary Funds

		Pension and Other Employee Benefit Trust		Investment Trust		Private Purpose Trust		Total Fiduciary
Net Assets June 30, 2008 as reported in the 2008 Comprehensive Annual Financial Report	$	78,775,655	$	3,795,662	$	2,195,055	$	84,766,371
State Retiree Health Insurance Fund correction of information from the third party administrator		-		-		(20,003)		(20,003)
Local Retiree Life Insurance Fund permanent split between active employees' benefits and other postemployment benefits		(7,774)		-		-		(7,774)
Retiree Life Insurance Fund permanent split between active employees' benefits and other postemployment benefits		(5,031)		-		-		(5,031)
Other adjustments of assets and liabilities as of June 30, 2008		6		-		(267)		(261)
Net Assets July 1, 2008 as restated	$	78,762,855	$	3,795,662	$	2,174,786	$	84,733,302
Effect of prior period adjustments on the amount of net increase (decrease) in net assets of Fiscal Year 2008	$	75	$	-	$	(267)	$	(192)

D. Government-wide Statements

	Primary Government							
		Governmental Activities		Business-type Activities		Totals		Component Units
Net Assets June 30, 2008 as reported in the 2008 Comprehensive Annual Financial Report	$	5,887,562	$	6,899,157	$	12,786,719	$	3,546,407
Health Insurance Fund correction of information provided by a third party administrator		-		22,499		22,499		-
Department of Revenue error in determining revenue estimates		(98,089)		-		(98,089)		-
Department of Transportation restatement of capital assets and infrastructure		88,178		-		88,178		-
Implementation of GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*		(1,040)		-		(1,040)		-
Other adjustments of assets and liabilities as of June 30, 2008		3,831		(417)		3,414		(2,054)
Net Assets July 1, 2008 as restated	$	5,880,442	$	6,921,239	$	12,801,681	$	3,544,353
Effect of prior period adjustments on the amount of net increase (decrease) in net assets of Fiscal Year 2008	$	(101,552)	$	(426)	$	(101,978)	$	(2,054)

NOTE 25. LITIGATION, CONTINGENCIES AND COMMITMENTS

A. Litigation and Contingencies

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

Claims and Judgments Reported in Governmental Activities

The State accrues liabilities related to legal proceedings, if a loss is probable and reasonably estimable. Such losses, totaling $1.1 million on June 30, 2009 reported in the governmental activities, are discussed below:

Other Claims -- Work Injury Supplemental Benefits - The Work Injury Supplemental Benefit Fund, administered by the Department of Workforce Development, provides compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. The liability for annuities to be paid totaled $1.1 million at June 30, 2009.

The U. S. Department of Health and Human Services (U.S. DHHS) determined that the State should refund the federal share of recovered AFDC overpayments. The State of Wisconsin appealed the decision, however in fiscal year 2008 the appeal was denied. A liability for $12.7 million is reported at June 30, 2009, in the General Fund as a "Due to Other Governments".

Other Claims, Judgments, and Contingencies

The State is also named as a party in other legal proceedings where the ultimate disposition and consequence are not presently determinable. The potential liability amount relating to an unfavorable outcome for certain of these proceedings could not be reasonably determined at this time. However, the ultimate dispositions and consequences of any single legal proceeding or all legal proceedings collectively should not have a material adverse effect on the State's financial position.

Federal Share of Billings in Excess of Costs - In September 2006, the U.S. DHHS notified the State that it had determined that the federal share of billings for mainframe, data and voice services provided by the Department of Administration exceeded costs. The U.S. DHHS proposes to collect the billings in excess of costs through several alternative methods. Because a fiscal impact cannot be readily determined and due to uncertainity in predicting an outcome if appeals were to proceed, a liability has not been recorded.

Taxability of Custom Software - On July 11, 2008, the Wisconsin Supreme Court decided in favor of the Menasha Corporation in the case regarding the taxability of custom software. While the actual amount of the liability cannot be reasonably estimated, the State may receive refund claims that could potentially reach up to $135.0 million in tax and interest. A liability for $20.6 million is reported at June 30, 2009, in the General Fund as a tax refund payable.

Transfer from Injured Patients and Families Compensation Fund - 2007 Wisconsin Act 20, which was signed into law October 2007, included a transfer of $200 million from the Injured Patients and Families Compensation Fund. The transfer consisted of $71.5 million, which was transferred in October 2007, and an additional $128.5 million which was transferred in July 2008. Subsequent to the signing of this legislation and the initial transfer, the Wisconsin Medical Society filed a lawsuit on behalf of their members challenging the transfer as unconstitutional. The lawsuit was dismissed in December 2008 and is currently on appeal.

B. Commitments

Primary Government

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

In addition to the amount of encumbrances outstanding at June 30, 2009 reported as Fund Balance - Reserved for Encumbrances, additional obligations at June 30, 2009 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	$ 377,809
Transportation Revenue Bonds Capital Projects Fund	53,358
Capital Improvement Fund – passenger rail equipment	42,900
General Fund – Department of Commerce programs, including economic and community development programs	23,999
Environmental	3,497

The Environmental Improvement Fund (the Fund) was established to administer the Clean Water Fund Loan Program. Loans are made to local units of government for wastewater treatment projects for terms of up to 20 years. These loans are made at a number of prescribed interest rates based on environmental priority. The loans contractually are revenue obligations or general obligations of the local governmental unit. Additionally, various statutory provisions exist which provide further security for payment. The Fund has made financial assistance commitments of $240.2 million as of June 30, 2009. These loan commitments are expected to be met through additional federal grants and proceeds from issuance of revenue obligations.

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

The *Injured Patients and Families Compensation Fund* may be required to purchase an annuity as a result of a claim settlement. Under specific annuity arrangements, the fund may have ultimate responsibility for annuity payments if the annuity company defaults on annuity payments. One of the fund's annuity providers defaulted on $100 thousand in annuity payments through June 30, 2009, which the fund subsequently paid. The annuity provider is currently making the majority of these annuity payments, but the fund continues to make monthly annuity payments to cover defaulted payments. The fund has received reimbursement for these payments, including interest of $93 thousand through June 30, 2009. It is unclear when the annuity provider will be able to make the remaining annuity payments and whether the fund will be able to recover the remaining annuity payments made on the behalf of the annuity provider. The total estimated replacement value of the fund’s annuities as of June 30, 2009 was $32.8 million. The replacement value calculation includes only annuities where the Fund remains the owner. Annuities with qualified assignments are no longer included. The fund reserves the right to pursue collection from State guarantee funds.

State Public Deposit Guarantee - As required by Wis. Stat. Sec. 34.08, the State is to make payments to public depositors for proofs of loss (e.g., loss resulting from a bank failure) up to $400 thousand per depositor above the amount of federal insurance. This statutory requirement guarantees that the State will make payments in favor of the public depositor that has submitted a proof of loss. Payments would be made in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions, until the designated appropriation is exhausted. At June 30, 2009, the appropriation available totaled $40.9 million. Losses become fixed as of the date of the loss. A public depositor experiencing a loss must assign its interest in the deposit, to the extent of the amount paid, to the Department of Financial Institutions. Any recovery made by the Department of Financial Institutions under the assignment is to be repaid to the appropriation. The possibility of a material loss resulting from payments to and recovery from public depositors is remote.

The *Veterans Mortgage Loan Repayment Fund* accounts for the issuance and administration of veterans’ first mortgage loans. The loans are made to veterans for the purchase of homes to terms up to 30 years. The loan interest rates are set by the Board of Veterans Affairs. The loans are secured by real estate mortgages. The fund has commitments for loans of $1.2 million as of June 30, 2009. The loan commitments are expected to be met from current fund assets.

Component Units

The Wisconsin Housing and Economic Development Authority's mission was expanded since its creation to include administration of the Agricultural and Business Programs. These programs administer funds that are legislatively appropriated to subsidize interest and provide guarantees of principal balances of qualifying loans. At June 30, 2009, outstanding loan guarantees totaled $43.1 million.

In April 2003, the Authority approved the Neighborhood Business Revitalization Guarantee program. The guarantee program will provide up to $12.0 million in loan guarantees for revitalization in targeted urban commercial communities with populations greater than 35,000. As of June 30, 2009, $9.7 million of loan guarantees had been approved with outstanding loan guarantees of $5.8 million.

NOTE 26. SUBSEQUENT EVENTS

Primary Government

Short-term Debt

Operating Notes – In July 2009, the State issued $800.0 million of operating notes. The proceeds of the notes were to be used within six months to fund local assistance payments to the State's municipalities and school districts, and finance day-to-day operations in anticipation of revenue received later in the fiscal year. The notes were issued because of an imbalance between the timing of payments disbursed and receipts collected. The imbalance exists because a greater percentage of receipts are received in the second half of the fiscal year, primarily January, March and April. The notes will be paid at maturity on June 15, 2010.

Long-term Debt

General Obligation Bonds - In September 2009, the State issued $197.3 million of 2009 Series C general obligation bonds to be used for the acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes. The interest rates ranged from 3.0 percent to 5.0 percent payable semiannually, beginning May 1, 2010. The bonds mature May 1 of the years 2012 through 2022.

In August 2009, the State issued $225.8 million of 2009 Series D general obligation bonds to be used for the acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes. The interest rates ranged from 4.9 percent to 5.9 percent payable semiannually, beginning May 1, 2010. The bonds mature May 1 of the years 2023 through 2040. These bonds are "qualified Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended. The State will receive 35 percent of the interest payable to bondholders from the United States Treasury.

In September, 2009, the state issued $54.3 million of Series 1 general obligation refunding bonds, the proceeds of which were used to refund certain previously issued general obligation bonds. The interest rates range from 2.5 percent to 5.0 percent and are payable semiannually, beginning May 1, 2010. The bonds mature November 1 of the years 2011 through 2016.

Revenue Bonds - In October 2009, the State issued 2009 Series A Transportation Revenue Bonds in the amount of $17.9 million. Fixed interest rates range from 3.5 percent to 4.0 percent, interest is payable semiannually. The bonds are due in various maturities in 2012, with final maturity in 2014. The bonds are being used to finance certain State transportation facilities and highway projects and to pay costs of issuance.

In October 2009, the State issued 2009 Series B taxable Transportation Revenue Bonds in the amount of $147.1 million. The 2009 Series B Bonds are "qualified Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended. The State will receive 35 percent of the interest payable to bondholders from the United States Treasury. Fixed interest rates range from 3.5 percent to 5.8 percent, interest is payable semiannually. The bonds are due in various maturities beginning in 2015, with final maturity in 2030. The bonds are being used to finance certain State transportation facilities and highway projects and to pay costs of issuance.

In October 2009, the State issued 2009 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds in the amount of $117.5 million. Interest rates range from 2.5 percent to 5 percent with interest payments payable semiannually, beginning July 1, 2010. The bonds mature on July 1 of the years 2013 though 2017.

The proceeds of this issue are being used, along with other funds on deposit with the program trustee, to redeem early or fund obligations that were previously issued. In November, 2009, the remaining $19.0 million of outstanding 2004 Series A Petroleum Inspection Fee Revenue Bonds and the remaining $47.4 million of outstanding 2004 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds will be redeemed early at a redemption price of 102 percent. It is also anticipated that $71.2 million of the $142.3 million in outstanding extendible municipal commercial paper will be funded on or before December 11, 2009.

Unemployment Reserve Fund Borrowing

Subsequent to June 30, 2009, the Unemployment Reserve Fund borrowed an additional $337.7 million from the federal government to be able to meet federal requirements to pay unemployment benefits. Through November 30, 2009, the Fund has borrowed a total of $773.2 million. Under the provisions of the Assistance for Unemployed Workers and Struggling Families Act, the Fund will not incur interest on the loan through 2010. However, starting in 2011 the Fund will incur approximately 5.0 percent annual interest on the amount borrowed. If the Fund has a loan balance outstanding on both January 1, 2010, and 2011, the federal government can begin recovering the loan from employers by incrementally reducing the employers' federal unemployment tax credit beginning with the tax due for 2011. The Fund can avoid these credit reductions for employers by voluntarily repaying certain portions of the loan and meeting other federal requirements.

Component Units

Wisconsin Housing and Economic Development Authority (the Authority) – Subsequent to June 30, 2009, the Authority redeemed the following bonds (in thousands):

Program/Bond Resolution	Amount Redeemed
Home Ownership Revenue Bonds:	
1987	$ 65,675
1988	96,925
All Other	4,200
Multifamily Stand Alone Bonds	105
Line of Credit-Mortgage Financing	155
Housing Revenue Bonds	210
Business Development Bonds (various)	55
Facility Refunding Bond	2,635

In addition, the Authority issued $175 thousand of Line of Credit – Mortgage Financing subsequent to June 30, 2009.

Required Supplementary Information

Postemployment Benefits - State Health Insurance Program

The funding progress for the State of Wisconsin Health Insurance Plan is provided below (in thousands):

Actuarial Valuation Date	Actuarial Valuation Of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
1/1/2007	$ 0	$ 1,472,774	$ 1,472,774	0.0%	$ 2,842,917	51.8%

Infrastructure Assets Reported Using the Modified Approach

The State has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the State can demonstrate that these assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The State owns approximately 11,200 centerline miles of roads and 5,000 bridges.

Road Network

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

Recent condition assessment results are as follows:

Year Ended June 30	Miles of Road	Percent Rated "Poor"	Established Percent	Variance Favorable/ (Unfavorable)
2009	11,200	6.9	15.0	8.1
2008	11,200	6.9	15.0	8.1
2007	11,200	6.4	15.0	8.6
2006	11,200	5.4	15.0	9.6
2005	11,200	5.8	15.0	9.2
2004	11,200	6.1	15.0	8.9
2003	11,200	4.3	15.0	10.7
2002	11,200	4.6	15.0	10.4

Each year the State estimates the costs to maintain and preserve the road network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

Year Ended June 30	Estimated Costs (In millions)	Actual Costs (In millions)	Variance (In millions) Favorable/ (Unfavorable)
2009	$ 647.7	$ 624.4	$ 23.3
2008	531.8	537.3	(5.5)
2007	501.8	441.6	60.2
2006	495.7	367.5	128.2
2005	366.6	333.8	32.8
2004	450.8	341.1	109.7
2003	420.9	336.7	84.2
2002	470.7	437.6	33.1

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years. Estimated costs for 2005 and actual costs for 2005 through 2008 have been restated from amounts reported in prior years due to an error in classification of costs on a capital project as maintenance/preservation costs.

Bridge Network

Condition assessments are completed on a two-year cycle, with more frequent inspections completed if warranted. The most current assessment results are reported for each State bridge, making the overall assessment a blend of measures completed in the current fiscal year and those completed in the prior year.

The structural condition rating is a broad measure of the condition of a bridge. Each bridge is rated using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings. The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. The NBI uses a 10-point scale for condition codes and appraisal ratings. A bridge is considered "structurally deficient" if any condition code is 4 or less, or if either appraisal code is 2 or less.

"Structurally deficient" bridges cause negative impacts for the public by increasing the likelihood that heavy loads will need to be rerouted to less efficient routes, thus increasing logistic costs for

State businesses. It is the State's policy to ensure no more than 15 percent of its bridges are "structurally deficient".

Recent condition assessment results are as follows:

Year Ended June 30	Number of Bridges	Percent Structurally Deficient	Established Percent	Variance Favorable/ (Unfavorable)
2009	5,000	3.8	15.0	11.2
2008	4,900	4.5	15.0	10.5
2007	4,900	4.1	15.0	10.9
2006	4,900	4.3	15.0	10.7
2005	4,900	5.1	15.0	9.9
2004	4,900	5.4	15.0	9.6
2003	4,900	6.2	15.0	8.8
2002	4,900	7.6	15.0	7.4

Each year the State estimates the costs to maintain and preserve the bridge network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

Year Ended June 30	Estimated Costs (In millions)	Actual Costs (In millions)	Variance (In millions) Favorable/ (Unfavorable)
2009	$ 55.9	$ 56.9	$ (1.0)
2008	61.0	46.2	14.8
2007	36.0	46.9	(10.9)
2006	42.4	31.3	11.1
2005	28.3	38.6	(10.3)
2004	47.8	52.3	(4.5)
2003	46.4	45.7	0.7
2002	33.6	38.4	(4.8)

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. The State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 660,560
Revenues and Transfers (Inflows):			
Taxes	$ 13,312,770	$ 12,551,870	12,139,421
Departmental:			
Tribal Gaming	46,251	93,922	93,946
Other	13,031,505 (A)	13,087,696 (A)	12,844,879
Transfers from:			
Transportation Fund	(A)	(A)	6,803
Nonmajor Funds	(A)	(A)	52,541
Total Revenues and Transfers (Inflows)	26,390,526	25,733,489	25,137,590
Amounts Available for Appropriation			25,798,150
Appropriations (Outflows):			
Commerce	367,746	385,008	251,999
Education	11,388,874	12,264,305	11,163,614
Environmental Resources	366,501	362,724	327,208
Human Relations and Resources	9,532,884	11,301,464	10,329,782
General Executive	1,174,939	1,307,258	850,545
Judicial	129,274	132,410	130,982
Legislative	74,625	69,593	65,289
Tax Relief and Other General	2,190,271	2,152,179	2,151,656
Transfers to:			
Nonmajor Funds	22,000	22,000	22,000
Total Appropriations (Outflows)	$ 25,247,114	$ 27,996,941	25,293,075
Fund Balances, End of Year			505,075
Less Encumbrances Outstanding at June 30, 2009			(531,641)
Fund Balances, End of Year Budgetary Basis			$ (26,567)

Reconciliation of the End of Year, Budgetary Basis, Fund Balance to the Detail Reported in the Annual Fiscal Report:	
General Purpose:	
Designated	$ 10,599
Undesignated	89,564
Total General Purpose	100,163
Program Revenue	(126,730)
Fund Balances, End of Year Budgetary Basis	$ (26,567)

(A) Interfund transfers to the General Fund were budgeted under departmental revenue during Fiscal Year 2009.

State of Wisconsin

Budgetary Comparison Schedule
Transportation Fund
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 315,267
Revenues (Inflows):			
Taxes	$ 1,004,989	$ 1,004,989	1,004,989
Departmental	1,707,468	1,707,468	1,707,468
Total Revenues (Inflows)	2,712,457	2,712,457	2,712,457
Amounts Available for Appropriation			3,027,724
Appropriations and Transfers (Outflows):			
Environmental Resources	3,979,808	4,769,536	2,578,336
General Executive	1,882	1,810	1,610
Tax Relief and Other General	46,058	21,494	22,396
Transfers to:			
General Fund	72	6,803	6,803
Total Appropriations and Transfers (Outflows)	$ 4,027,820	$ 4,799,642	2,609,144
Fund Balances, End of Year			418,581
Less Encumbrances Outstanding at June 30, 2009			(1,408,158)
Fund Balances, End of Year Budgetary Basis			$ (989,577)

NOTE 1. BUDGETARY INFORMATION

A. Budgetary – GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedule compares the legally adopted budget (more fully described in RSI Note 1-B) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on the budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of basis and perspective differences as of June 30, 2009 is presented below (in thousands):

	General Fund	Transportation Fund
Fund balance June 30, 2009 (budgetary basis – budgetary fund structure):		
General Purpose Revenue – fund balance per budgetary basis *Annual Fiscal Report*		
Undesignated fund balance	$ 89,564	
Designated fund balance	10,599	
Total General Purpose Revenue fund balance	100,163	
Program Revenue – fund balance per budgetary basis *Annual Fiscal Report*	(126,730)	
Fund balance June 30, 2009 (budgetary basis – budgetary fund structure) As reported on the budgetary comparison schedule	(26,567)	$ (989,577)
Reclassifications:		
To eliminate the effect of encumbrances that were reported as expenditures under budgetary reporting (*basis difference*)	531,641	1,408,158
To reclassify activities of the Medical Assistance Trust, Hospital Assessment, Budget Stabilization, and Permanent Endowment Funds (reported as special revenue funds under budgetary reporting) as part of the General Fund (*perspective difference*)	126,959	--
To reclassify activities reported in another GAAP fund type (*perspective differences*):		
Enterprise funds (except for the University of Wisconsin System)	73,214	--
University of Wisconsin System	(568,706)	--
Internal service funds	30,674	--
Fiduciary funds	(5,843)	--
Transportation Revenue Bonds capital project fund	--	3,206
Fund balance June 30, 2009 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	161,373	421,787
Adjustments (*basis differences*):		
To accrue receivables and establish payables for individual income taxes (net)	(874,219)	--
To defer revenues for gross receipts public utility taxes	(231,167)	--
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(478,978)	(10,276)
To adjust expenditures for the municipal and county shared revenue program	(539,161)	--
To adjust expenditures for State property tax credit program	(621,846)	--
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(155,102)	--
To adjust revenues and expenditures for certain major Health Services, and Children and Families human services payments to local governments	(97,831)	--
To recognize the tobacco settlement revenue receivable	143,287	--
To accrue State educational aids payments deferred until the subsequent year	(75,000)	--
To adjust revenues and expenditures for other items (net)	57,018	120,080
Fund balance June 30, 2009 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements	$(2,711,626)	$ 531,592

B. Budgetary Basis of Accounting

The State's biennial budget is prepared using a modified cash basis of accounting. The final budget is primarily a general purpose revenue and expenditure budget. General purpose revenues consist of general taxes and miscellaneous receipts which are paid into the General Fund, lose their identity, and are then available for appropriation by the Legislature. The remaining revenues consist of program revenues, which are credited by law to an appropriation to finance a specified program or State agency, and segregated revenues which are paid into separate identifiable funds.

While State departments and agencies are required to submit estimates of expected revenues for program revenue and segregated revenue categories, these estimates are not formally incorporated into the adopted budget except for revenue estimates of the Lottery Fund. As a result, legally budgeted revenues for these categories are not available and, consequently, actual amounts are reported in the budget column of the Budgetary Comparison Schedules.

Expenditure budgeting differs for the various types of appropriations. For most appropriations, budgeted expenditures equal the amount from the adopted budget plus any subsequent legislative or administrative revisions. Various supplemental appropriations were approved during the year and have been incorporated into the budget figures.

While State statutes prohibit spending beyond budgetary authority, a provision is made to include the value of accounts receivable, inventories and work in process in identifying available revenues. The State also utilizes nonbudget accounts for which no budget is established but expenditures may be incurred. As a result, actual expenditures may exceed budgeted amounts in certain categories.

The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Other variances arise because the State's biennial budget is developed according to the statutory required fund structure which differs extensively from the fund structure used in the GAAP basis financial statements. This difference is primarily caused by the elimination of the University of Wisconsin System, and various fiduciary, proprietary and other governmental fund activity from the statutory General and Transportation funds. In addition, the Medical Assistance Trust, Hospital Assessment, Budget Stabilization and Permanent Endowment Funds, special revenue funds under statutory reporting, are included as part of the General Fund under GAAP reporting. As a consequence of these differences, a reconciliation between budgetary basis and GAAP basis is provided in Note 1-A of the notes to the required supplementary information.

The Budgetary Comparison Schedules for the General and the Transportation Fund present both the original and final appropriated budgets, as well as the actual inflows, outflows, and fund balance on the budgetary basis. The supplementary budget comparison schedule provides this same information (with the exception of the original budget data) for the nonmajor governmental funds with annual budgets. The capital project and debt service funds are excluded from this schedule because no comprehensive budget is approved for these funds. Two special revenue funds, the Wisconsin Public Broadcasting Foundation and the Celebrate Children Foundation, have been excluded from reporting because they are blended component units that are neither budgeted nor included under statutory reporting. Of the permanent funds, only the Historical Society Fund and a portion of the Common School Fund are budgeted.

The State's biennial budget was passed in October 2007. This legislation is recognized by State officials as the original budget and is treated as such on the Budgetary Comparison Schedules.

While the legal level of budgetary control for the reported funds is maintained at the appropriation line as specified by the Legislature in Chapter 20 of the Wisconsin Statutes, this level of detail is impractical for inclusion in the Comprehensive Annual Financial Report. Accordingly, a supplementary report is available upon request which provides budgetary comparisons at the legal level of control.

Appropriation unexpended balances lapse at year-end or forward to the subsequent fiscal year depending on the type of appropriation involved:

- *Continuing* - unexpended balances automatically forward to ensuing years until fully depleted or repealed by subsequent action of the Legislature.
- *Annual*:
  - *General Purpose Revenue* - unencumbered balances lapse at year end.
  - *Program Revenue* - unexpended cash balances may be forwarded to the next fiscal year.
- *Biennial* - unexpended balances or deficits automatically forward to the second year. At the end of the second year all unencumbered general purpose revenue balances lapse.
- *Sum sufficient* - moneys are appropriated and expended in the amounts necessary to accomplish the purpose specified.

Encumbrances may be carried over to the next fiscal year as a revision to the budgetary appropriation with Department of Administration approval. Under budgetary reporting, encumbrances are treated like expenditures and are shown as a reduction of fund balance. Under GAAP reporting, encumbrances outstanding at year end for purchase orders and contracts expected to be honored in the following year are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Supplementary Information

Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

Nonmajor Governmental Funds

(Continued)

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

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

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

The **2009 Annual Appropriation Bonds Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of, the appropriation obligations issued in Fiscal Year 2009 to purchase tobacco settlement revenues that were previously sold by the State to the Badger Tobacco Asset Securitization Corporation.

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

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

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

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

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

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

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

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

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

The **Other Permanent Fund** accounts for various resources with legal restrictions requiring that principal remain intact and only earnings may be spent, including the following:

- The **Agricultural College** and **University** statutory funds account for federal land grant revenues used as public purpose loans for municipalities and school districts.

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

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

Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2009

(In Thousands)

	Special Revenue Funds				
	Conservation	**Election Administration**	**Utility Public Benefits**	**Petroleum Inspection**	**Wisconsin Public Broadcasting Foundation**
Assets					
Cash and Cash Equivalents	$ 24,662	$ 13,255	$ -	$ 6,795	$ 6,258
Investments	-	-	-	-	4,953
Receivables (net of allowance):					
Taxes	31,164	-	-	-	-
Loans to Local Governments	3,938	-	-	-	-
Other Loans Receivable	48	-	-	-	-
Other Receivables	971	1	7,090	2	207
Due from Other Funds	8,747	-	1,190	13,908	-
Due from Other Governments	9,362	6	-	-	-
Inventories	2,919	-	-	-	7
Prepaid Items	2,270	13	7	140	12
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Other Restricted Assets	-	-	-	-	-
Total Assets	$ 84,081	$ 13,275	$ 8,287	$ 20,844	$ 11,437
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 14,063	$ 74	$ 901	$ 15,841	$ 46
Due to Other Funds	11,915	110	1,703	2,828	244
Interfund Payables	-	-	163	-	-
Due to Other Governments	737	26	223	430	-
Tax Refunds Payable	-	-	-	-	-
Tax and Other Deposits	1,369	-	-	-	-
Unearned Revenue	3,031	-	32	-	6
Deferred Revenue	640	-	-	-	-
Interest Payable	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Short-term Notes Payable	-	-	-	142,300	-
Revenue Bonds and Notes Payable	-	-	-	-	-
Total Liabilities	31,755	210	3,021	161,399	296
Fund Balances:					
Reserved for Encumbrances	31,723	112	1,057	382	-
Reserved for Inventories	2,919	-	-	-	7
Reserved for Prepaid Items	2,270	13	7	140	12
Reserved for Restricted Funds	281	7,806	-	-	103
Reserved for Long-term Receivables	4,062	-	-	-	-
Unreserved:					
Undesignated	11,071	5,133	4,202	(141,077)	11,019
Total Fund Balance	52,326	13,064	5,266	(140,555)	11,142
Total Liabilities and Fund Balance	$ 84,081	$ 13,275	$ 8,287	$ 20,844	$ 11,437

Special Revenue Funds				Debt Service Funds		
Celebrate Children Foundation	Other Environmental Special Revenue	Other Special Revenue	Total Special Revenue Funds	Bond Security and Redemption	Annual Appropriation Bonds	2009 Annual Appropriation Bonds
$ 533	$ 54,844	$ 74,993	$ 181,339	$ 17,188	$ -	$ -
718	-	-	5,671	-	-	-
-	1,366	-	32,530	-	-	-
-	-	-	3,938	-	-	-
-	-	-	48	-	-	-
11	7,452	18,916	34,649	-	-	-
-	20,151	4,434	48,430	16	-	-
-	528	20	9,916	-	-	-
-	1	19	2,946	-	-	-
-	14,878	81	17,401	-	-	-
-	-	-	-	-	-	67
-	-	-	-	-	36,210	-
-	-	-	-	-	-	-
$ 1,262	$ 99,220	$ 98,462	$ 336,868	$ 17,204	$ 36,210	$ 67
$ 93	$ 2,122	$ 2,559	$ 35,699	$ -	$ -	$ -
-	3,242	16,798	36,840	6,194	-	-
-	-	-	163	-	-	-
-	2,137	77	3,629	-	-	-
-	292	-	292	-	-	-
-	9,041	-	10,410	-	-	-
-	-	-	3,069	-	-	-
-	-	7,463	8,104	-	-	-
-	-	-	-	-	-	-
-	-	2,814	2,814	-	-	-
-	-	-	142,300	-	-	-
-	-	-	-	-	-	-
93	16,833	29,711	243,319	6,194	-	-
-	31,276	2,099	66,650	-	-	-
-	1	19	2,946	-	-	-
-	14,878	81	17,401	-	-	-
1,123	-	-	9,314	-	-	-
-	-	-	4,062	-	-	-
45	36,232	66,552	(6,823)	11,010	36,210	67
1,169	82,387	68,751	93,550	11,010	36,210	67
$ 1,262	$ 99,220	$ 98,462	$ 336,868	$ 17,204	$ 36,210	$ 67

(Continued)

State of Wisconsin

Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2009

(Continued)

	Debt Service Funds				Capital Projects Funds
	Badger Tobacco Asset Securitization	Petroleum Inspection Revenue Bonds	Transportation Revenue Bonds	Total Debt Service Funds	Building Trust
Assets					
Cash and Cash Equivalents	$ -	$ -	$ -	$ 17,188	$ 28,858
Investments	-	-	-	-	-
Receivables (net of allowance):					
Taxes	-	-	-	-	-
Loans to Local Governments	-	-	-	-	-
Other Loans Receivable	-	-	-	-	-
Other Receivables	7	-	-	7	142
Due from Other Funds	-	-	90,025	90,041	1,197
Due from Other Governments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid Items	130	-	-	130	-
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	11,828	26,654	55,623	94,172	-
Investments	-	-	-	36,210	-
Other Restricted Assets	-	-	-	-	-
Total Assets	$ 11,965	$ 26,655	$ 145,648	$ 237,748	$ 30,196
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 51	$ -	$ -	$ 51	$ 2,092
Due to Other Funds	-	-	9	6,203	387
Interfund Payables	-	-	-	-	-
Due to Other Governments	2,610	-	-	2,610	-
Tax Refunds Payable	-	-	-	-	-
Tax and Other Deposits	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Interest Payable	-	2,091	37,523	39,614	-
Advances from Other Funds	-	-	-	-	-
Short-term Notes Payable	-	-	-	-	-
Revenue Bonds and Notes Payable	-	22,350	79,395	101,745	-
Total Liabilities	2,661	24,441	116,927	150,223	2,479
Fund Balances:					
Reserved for Encumbrances	-	-	-	-	9,097
Reserved for Inventories	-	-	-	-	-
Reserved for Prepaid Items	-	-	-	-	-
Reserved for Restricted Funds	9,304	-	-	9,304	-
Reserved for Long-term Receivables	-	-	-	-	-
Unreserved:					
Undesignated	-	2,214	28,721	78,222	18,620
Total Fund Balance	9,304	2,214	28,721	87,525	27,717
Total Liabilities and Fund Balance	$ 11,965	$ 26,655	$ 145,648	$ 237,748	$ 30,196

Capital Projects Funds: Capital Improvement	Capital Projects Funds: Transportation Revenue Bonds	Total Capital Projects Funds	Permanent Funds: Historical Society	Permanent Funds: Other Permanent	Total Permanent Funds	Total Nonmajor Governmental Funds
$ 17,547	$ -	$ 46,405	$ 294	$ 515	$ 809	$ 245,741
-	-	-	8,461	4,925	13,386	19,057
-	-	-	-	-	-	32,530
-	-	-	-	17,354	17,354	21,291
-	-	-	-	-	-	48
-	-	142	8	-	8	34,806
3,442	308	4,947	28	478	506	143,924
-	-	-	-	-	-	9,916
-	-	-	-	-	-	2,946
-	-	-	4	-	4	17,535
-	136,803	136,803	-	-	-	230,975
-	-	-	-	-	-	36,210
-	1	1	-	-	-	2
$ 20,989	$ 137,113	$ 188,298	$ 8,795	$ 23,272	$ 32,067	$ 794,982
$ 6,276	$ -	$ 8,367	$ 12	$ -	$ 12	$ 44,129
5,548	123,363	129,299	18	-	18	172,360
-	-	-	-	-	-	163
482	-	482	-	-	-	6,722
-	-	-	-	-	-	292
-	-	-	-	4	4	10,414
-	-	-	-	-	-	3,069
-	-	-	-	-	-	8,104
-	-	-	-	-	-	39,614
-	-	-	-	-	-	2,814
549,612	177,618	727,230	-	-	-	869,530
-	-	-	-	-	-	101,745
561,918	300,981	865,378	29	4	33	1,258,953
62,583	119,043	190,723	11	-	11	257,384
-	-	-	-	-	-	2,946
-	-	-	4	-	4	17,404
-	-	-	-	536	536	19,153
-	-	-	-	16,358	16,358	20,420
(603,511)	(282,911)	(867,803)	8,751	6,375	15,126	(781,279)
(540,929)	(163,868)	(677,080)	8,766	23,268	32,034	(463,971)
$ 20,989	$ 137,113	$ 188,298	$ 8,795	$ 23,272	$ 32,067	$ 794,982

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

(In Thousands)

	Special Revenue Funds				
	Conservation	Election Administration	Utility Public Benefits	Petroleum Inspection	Wisconsin Public Broadcasting Foundation
Revenues:					
Taxes	$ 95,700	$ -	$ -	$ 48,223	$ -
Intergovernmental	50,429	119	-	-	-
Licenses and Permits	109,328	-	94,395	96	-
Charges for Goods and Services	12,103	-	-	64	110
Investment and Interest Income	152	208	27	207	(264)
Fines and Forfeitures	395	-	-	21	-
Gifts and Donations	1,589	-	-	-	8,782
Miscellaneous:					
Tobacco Settlement	-	-	-	-	-
Other	1,702	-	1	24	-
Total Revenues	271,398	327	94,423	48,635	8,628
Expenditures:					
Current:					
Commerce	-	-	-	-	-
Education	-	-	-	-	2,034
Transportation	-	-	-	-	-
Environmental Resources	263,429	-	-	22,072	-
Human Relations and Resources	-	-	-	-	-
General Executive	-	3,731	98,560	-	-
Judicial	-	-	-	-	-
Tax Relief and Other General Expenditures	-	-	-	-	-
Capital Outlay	4,514	71	-	43	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	2,212	-
Other Expenditures	-	-	-	-	-
Total Expenditures	267,943	3,802	98,560	24,327	2,034
Excess of Revenues Over (Under) Expenditures	3,455	(3,475)	(4,136)	24,308	6,594
Other Financing Sources (Uses):					
Long-term Debt Issued	-	-	-	-	-
Discount on Bonds	-	-	-	-	-
Premium on Bonds	-	-	-	-	-
Transfers In	20,041	-	-	-	-
Transfers Out	(25,824)	(26)	(4,299)	(25,183)	(6,153)
Installment Purchase Acquisitions	-	-	-	-	-
Total Other Financing Sources (Uses)	(5,783)	(26)	(4,299)	(25,183)	(6,153)
Special Items:					
Sale of Future Tobacco Settlement Revenues	-	-	-	-	-
Net Change in Fund Balances	(2,328)	(3,501)	(8,436)	(875)	441
Fund Balances, Beginning of Year	54,610	16,565	13,702	(139,679)	10,699
Increase (Decrease) in Reserve for Inventories	44	-	-	-	1
Fund Balances, End of Year	$ 52,326	$ 13,064	$ 5,266	$ (140,555)	$ 11,142

Special Revenue Funds				Debt Service Funds		
Celebrate Children Foundation	Other Environmental Special Revenue	Other Special Revenue	Total Special Revenue Funds	Bond Security and Redemption	Annual Appropriation Bonds	2009 Annual Appropriation Bonds
$ -	$ 27,257	$ 2	$ 171,181	$ -	$ -	$ -
-	1,662	-	52,211	-	-	-
-	55,595	63,281	322,695	-	-	-
-	(50)	3,504	15,730	-	-	-
(143)	707	1,218	2,112	767	2,599	1
-	4,099	2,172	6,687	-	-	-
215	-	16	10,602	-	-	-
-	-	-	-	-	-	-
-	102	923	2,751	-	-	-
72	89,371	71,116	583,970	767	2,599	1
-	-	71,658	71,658	-	-	-
-	-	3,143	5,177	-	-	-
-	-	-	-	-	-	-
-	78,364	-	363,865	-	-	-
95	-	21,715	21,810	-	-	-
-	-	205	102,496	-	-	-
-	-	321	321	-	-	-
-	-	-	-	-	824	-
-	304	-	4,932	-	-	-
-	-	-	-	291,239	6,475	-
-	-	-	2,212	208,114	104,161	-
-	-	-	-	1,771	-	1,344
95	78,668	97,042	572,471	501,123	111,460	1,344
(23)	10,703	(25,926)	11,499	(500,357)	(108,862)	(1,344)
-	-	-	-	-	-	1,411
-	-	-	-	(371)	-	-
-	-	-	-	19,888	-	-
129	15,441	391	36,002	478,200	102,891	-
-	(29,537)	(5,601)	(96,623)	(97)	-	-
-	-	-	-	-	-	-
129	(14,096)	(5,210)	(60,621)	497,620	102,891	1,411
-	-	-	-	-	-	-
106	(3,393)	(31,136)	(49,122)	(2,736)	(5,970)	67
1,063	85,780	99,891	142,630	13,746	42,180	-
-	-	(4)	41	-	-	-
$ 1,169	$ 82,387	$ 68,751	$ 93,550	$ 11,010	$ 36,210	$ 67

(Continued)

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

(Continued)

	Debt Service Funds				Capital Projects Funds
	Badger Tobacco Asset Securitization	Petroleum Inspection Revenue Bonds	Transportation Revenue Bonds	Total Debt Service Funds	Building Trust
Revenues:					
Taxes	$ -	$ 26,050	$ -	$ 26,050	$ -
Intergovernmental	-	-	-	-	9,499
Licenses and Permits	-	-	169,454	169,454	-
Charges for Goods and Services	-	-	-	-	95
Investment and Interest Income	17,168	176	1,363	22,072	600
Fines and Forfeitures	-	-	-	-	-
Gifts and Donations	-	-	-	-	276
Miscellaneous:					
Tobacco Settlement	11,203	-	-	11,203	-
Other	-	-	-	-	958
Total Revenues	28,371	26,226	170,817	228,780	11,428
Expenditures:					
Current:					
Commerce	-	-	-	-	-
Education	-	-	-	-	140
Transportation	-	-	-	-	400
Environmental Resources	-	-	-	-	1,113
Human Relations and Resources	-	-	-	-	4,693
General Executive	-	-	-	-	575
Judicial	-	-	-	-	-
Tax Relief and Other General Expenditures	278	-	26	1,128	304
Capital Outlay	-	-	-	-	16,878
Debt Service:					
Principal	1,412,760	22,350	79,395	1,812,219	-
Interest	261,104	4,181	75,365	652,925	-
Other Expenditures	-	-	-	3,115	-
Total Expenditures	1,674,142	26,531	154,786	2,469,387	24,102
Excess of Revenues Over (Under) Expenditures	(1,645,771)	(305)	16,031	(2,240,606)	(12,674)
Other Financing Sources (Uses):					
Long-term Debt Issued	-	-	-	1,411	-
Discount on Bonds	-	-	-	(371)	-
Premium on Bonds	-	-	-	19,888	-
Transfers In	-	-	5	581,097	11,436
Transfers Out	(154,486)	-	(14,380)	(168,963)	(1,676)
Installment Purchase Acquisitions	-	-	-	-	-
Total Other Financing Sources (Uses)	(154,486)	-	(14,375)	433,062	9,760
Special Items:					
Sale of Future Tobacco Settlement Revenues	1,518,000	-	-	1,518,000	-
Net Change in Fund Balances	(282,257)	(305)	1,657	(289,545)	(2,914)
Fund Balances, Beginning of Year	291,561	2,519	27,064	377,070	30,631
Increase (Decrease) in Reserve for Inventories	-	-	-	-	-
Fund Balances, End of Year	$ 9,304	$ 2,214	$ 28,721	$ 87,525	$ 27,717

Capital Projects Funds			Permanent Funds			
Capital Improvement	Transportation Revenue Bonds	Total Capital Projects Funds	Historical Society	Other Permanent	Total Permanent Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 197,232
-	-	9,499	-	-	-	61,710
-	410	410	-	-	-	492,560
-	-	95	-	276	276	16,101
2,326	1,792	4,718	(1,992)	-	(1,992)	26,910
-	-	-	-	-	-	6,688
-	-	276	-	-	-	10,877
-	-	-	-	-	-	11,203
-	-	958	-	2,951	2,951	6,661
2,326	2,202	15,955	(1,992)	3,228	1,235	829,941
3,678	-	3,678	-	-	-	75,336
1,789	-	1,929	421	-	421	7,527
11,162	31,095	42,657	-	-	-	42,657
34,373	-	35,486	-	-	-	399,351
6,981	-	11,673	-	-	-	33,483
495	-	1,070	-	-	-	103,566
-	-	-	-	-	-	321
3,488	369	4,160	-	-	-	5,288
189,406	136,458	342,743	-	3,563	3,563	351,237
-	-	-	-	-	-	1,812,219
7,841	-	7,841	-	-	-	662,978
581	1,207	1,788	-	-	-	4,903
259,793	169,129	453,025	421	3,563	3,984	3,498,866
(257,468)	(166,928)	(437,069)	(2,414)	(335)	(2,749)	(2,668,925)
458,909	185,000	643,909	-	-	-	645,320
-	-	-	-	-	-	(371)
-	8,438	8,438	-	-	-	28,326
15,448	14,380	41,264	-	-	-	658,363
(232,014)	(3,132)	(236,822)	(20)	-	(20)	(502,428)
671	-	671	-	-	-	671
243,015	204,686	457,461	(20)	-	(20)	829,881
-	-	-	-	-	-	1,518,000
(14,453)	37,758	20,391	(2,433)	(335)	(2,768)	(321,044)
(526,476)	(201,627)	(697,471)	11,199	23,603	34,802	(142,968)
-	-	-	-	-	-	41
$ (540,929)	$ (163,868)	$ (677,080)	$ 8,766	$ 23,268	$ 32,034	$ (463,971)

State of Wisconsin

Budgetary Comparison Schedule
Nonmajor Budgeted Governmental Funds
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Special Revenue							
	Conservation		Election Administration		Medical Assistance Trust		Hospital Assessment	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Unexpended Budgetary Fund Balances, Beginning of Year		$ 47,889		$ 16,564		$ 274		$ -
Revenues (Inflows):								
Taxes	$ 93,035	93,035	$ -	-	$ -	-	$ -	-
Budgeted Transfers from:								
General Fund	-	-	-	-	68,086	68,086	-	-
Injured Patients and Families Compensation Fund	-	-	-	-	128,500	128,500	-	-
University of Wisconsin System Fund	-	-	-	-	15,000	15,000	-	-
Nonmajor Funds	-	-	-	-	463,068	463,068	-	-
Departmental	205,008	205,008	325	325	43,449	43,449	335,961	335,961
Total Revenues	298,043	298,043	325	325	718,103	718,103	335,961	335,961
Amounts Available for Appropriation		345,932		16,889		718,377		335,961
Appropriations and Transfers (Outflows):								
Commerce	1,655	1,654	-	-	-	-	-	-
Education	1,288	500	-	-	-	-	-	-
Environmental Resources	371,831	300,842	-	-	-	-	-	-
Human Relations and Resources	-	-	-	-	709,697	709,697	335,945	165,836
General Executive	-	-	6,778	3,828	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Tax Relief and Other General	15	149	-	-	-	-	-	-
Budgeted Transfers to:								
General Fund	-	-	-	-	8,200	8,200	771	771
Nonmajor Fund	-	-	-	-	-	-	154,068	154,068
Total Appropriations and Transfers	$ 374,788	303,145	$ 6,778	3,828	$ 717,897	717,897	$ 490,784	320,675
Fund Balances End of Year		42,788		13,061		480		15,285
Less Encumbrances Outstanding at June 30, 2009		(32,228)		(112)		-		-
Fund Balances, End of Year Budgetary Basis		$ 10,559		$ 12,949		$ 480		$ 15,285

(Continued)

Special Revenue									
Utility Public Benefits		Petroleum Inspection		Budget Stabilization		Tobacco Permanent Endowment		Other Environmental Special Revenue	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	$ 6,669		$ 10,079		$ 1,286		$ -		$ 55,529
$ -	-	$ 44,739	44,739	$ -	-	$ -	-	$ 27,167	27,167
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
91,776	91,776	489	489	180	180	307,055	307,055	76,745	76,745
91,776	91,776	45,227	45,227	180	180	307,055	307,055	103,912	103,912
	98,445		55,306		1,466		307,055		159,442
404	381	21,319	20,688	-	-	-	-	49,833	23,516
-	-	-	-	-	-	-	-	795	635
-	-	5,761	5,607	-	-	-	-	71,866	57,428
9,232	9,232	1,198	670	-	-	-	-	622	596
101,534	90,555	208	205	-	-	-	-	279	183
-	-	-	-	-	-	-	-	-	-
-	-	6,705	6,705	-	-	-	-	24	24
-	-	16,891	16,891	-	-	-	-	23,578	23,578
-	-	-	-	-	-	309,000	309,000	-	-
$ 111,170	100,167	$ 52,081	50,766	$ -	-	$ 309,000	309,000	$ 146,996	105,961
	(1,722)		4,541		1,466		(1,945)		53,481
	(1,159)		(516)		-		-		(35,206)
	$ (2,881)		$ 4,024		$ 1,466		$ (1,945)		$ 18,275

Budgetary Comparison Schedule
Nonmajor Budgeted Governmental Funds
For the Fiscal Year Ended June 30, 2009

	Special Revenue		Permanent			
	Other Special Revenue		Common School		Historical Society	
	Budget	Actual	Budget	Actual	Budget	Actual
Unexpended Budgetary Fund Balances, Beginning of Year		$ 88,029		$ 744,264		$ 11,199
Revenues (Inflows):						
Taxes	$ 2	2	$ -	-	$ -	-
Budgeted Transfers from:						
General Fund	-	-	15,000	15,000	-	-
Injured Patients and Families Compensation Fund	-	-	-	-	-	-
University of Wisconsin System Fund	-	-	-	-	-	-
Nonmajor Funds	-	-	-	-	-	-
Departmental	72,792	72,792	53,546	53,546	(1,992)	(1,992)
Total Revenues	72,794	72,794	68,546	68,546	(1,992)	(1,992)
Amounts Available for Appropriation		160,823		812,810		9,207
Appropriations and Transfers (Outflows):						
Commerce	72,774	37,291	-	-	-	-
Education	23,870	23,533	40,000	35,300	617	441
Environmental Resources	-	-	-	-	-	-
Human Relations and Resources	23,365	22,083	-	-	-	-
General Executive	20,841	15,952	-	-	-	-
Judicial	756	325	-	-	-	-
Tax Relief and Other General	13	13	-	-	-	-
Budgeted Transfers to:						
General Fund	3,873	3,873	-	-	-	-
Nonmajor Fund	-	-	-	-	-	-
Total Appropriations and Transfers	$ 145,491	103,071	$ 40,000	35,300	$ 617	441
Fund Balances End of Year		57,752		777,510		8,766
Less Encumbrances Outstanding at June 30, 2009		(1,793)		-		(11)
Fund Balances, End of Year Budgetary Basis		$ 55,959		$ 777,510		$ 8,755

Nonmajor Enterprise Funds

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

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

The **Income Continuation Insurance Fund** accounts for long-term and short-term disability benefits for employees of the State and of participating local public employers and operates on a self-insured basis. Contributions and investment activity provide funding for the benefits.

The **Long-term Disability Insurance Fund** accounts for long-term disability benefits paid to State employees and participating local public employees. Contributions and investment activity provide funding for the benefits.

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

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

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

The **Care and Treatment Facilities Funds**, account for various resident facilities including:

- The **Mendota Mental Health Institute Fund** and the **Winnebago Mental Health Institute Fund** account for the diagnosis, care and treatment of individuals with mental and emotional disturbances. The services are provided with funds collected from third parties and contributions from the State.
- The **Homes For Veterans Fund** accounts for nursing home and assisted living facilities for veterans and their spouses. The costs associated with providing this care are funded by private pay charges, the U.S. Department of Veterans Affairs and Medical Assistance.
- The **Northern, Central, and Southern Developmental Disabilities Center Funds** account for services provided to developmentally disabled citizens with the goal of ultimately returning such persons to the community if possible. These services are provided with funds collected from third parties and contributions from the State.

The **Other Enterprise Funds** account for the following programs:

- The **State Fair Park Fund** accounts for the annual State Fair, and various year round major sports events, agricultural and industrial expositions, and other programs of civic interest. Its revenues are derived from admissions, fees, rents and sales, with no contributions from the State.
- The **Institutional Farm Operations Fund** accounts for the revenues and expenses associated with employing inmates in agricultural and other work activities. The associated costs are funded from farm product sales and a General Fund supplement.
- The **Correctional Canteen Operations Fund** accounts for the program which provides goods for the education, recreation, and convenience of inmates. Charges made to inmates are the primary source of funds for these activities.
- The **Local Government Property Insurance Fund** accounts for property insurance coverage provided to local governments. This insurance is financed with premiums collected from policyholders and income on investments.
- The **State Life Insurance Fund** accounts for the program to provide State sponsored life insurance to residents in a manner consistent with private insurers. This insurance is financed with premiums collected from policyholders and investment earnings.
- The **Transportation Infrastructure Loan Fund** accounts for the development of innovative financing mechanisms that will more effectively use federal financial transportation resources. Federal Highway Administration funds, and interest from the fund balance and from loan recipients, are the primary revenues for this fund.
- The **Life Insurance Fund** accounts for the collection and payment of premiums for State and local participating employees' group life insurance contracts with a life insurance carrier.

Combining Balance Sheet - Nonmajor Enterprise Funds
June 30, 2009

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 28,042	$ 72,440	$ 212,999	$ 181,293	$ 28,710
Investments	13,265	-	-	-	-
Receivables (net of allowance):					
Loans to Local Governments	-	-	-	-	-
Loans Receivable	-	-	-	-	5,887
Other Receivables	19,273	3,105	97	6,807	144
Due from Other Funds	227	492	-	-	268
Due from Other Governments	-	-	-	-	-
Inventories	1,621	-	-	-	45
Prepaid Items	28,801	-	-	1,344	168
Deferred Charges	-	-	-	-	1
Other Assets	1,377	-	-	-	-
Total Current Assets	92,606	76,038	213,096	189,444	35,223
Noncurrent Assets:					
Investments	58,767	-	-	-	-
Receivables (net of allowance):					
Loans to Local Governments	-	-	-	-	-
Loans Receivable	-	-	-	-	16,879
Other Receivables	-	-	-	-	-
Prepaid Items	50	-	-	-	-
Deferred Charges	-	-	-	-	2
Depreciable Capital Assets (net of accumulated depreciation)	146	-	-	-	8,206
Nondepreciable Capital Assets	-	-	-	-	1,676
Other Assets	4,045	-	-	-	31
Total Noncurrent Assets	63,009	-	-	-	26,793
Total Assets	$ 155,614	$ 76,038	$ 213,096	$ 189,444	$ 62,016
Liabilities					
Current Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 43,981	$ 241	$ 107	$ 831	$ 761
Due to Other Funds	8,830	13	90	993	628
Interfund Payables	-	-	-	-	-
Due to Other Governments	-	-	-	-	10
Tax and Other Deposits	-	-	-	-	9
Unearned Revenue	904	683	-	93,704	-
Interest Payable	-	-	-	-	5
Short-term Notes Payable	-	-	-	-	1
Current Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	-	16,507	18,941	8,949	-
Compensated Absences	153	-	-	-	108
Capital Leases	-	-	-	-	-
General Obligation Bonds Payable	-	-	-	-	61
Total Current Liabilities	53,868	17,445	19,138	104,477	1,583
Noncurrent Liabilities:					
Accounts Payable and Other Accrued Liabilities	51,059	-	-	-	-
Noncurrent Portion of Long-term Liabilities:					
Future Benefits and Loss Liabilities	-	60,181	119,700	-	-
Compensated Absences	441	-	-	-	256
Capital Leases	-	-	-	-	-
Other Postemployment Benefits	297	-	-	-	219
General Obligation Bonds Payable	-	-	-	-	589
Total Noncurrent Liabilities	51,798	60,181	119,700	-	1,063
Total Liabilities	105,666	77,626	138,838	104,477	2,646
Fund Equity					
Invested in Capital Assets, Net of Related Debt	146	-	-	-	9,233
Restricted for Future Benefits	-	-	74,258	84,967	-
Restricted for Other Purposes	49,802	-	-	-	-
Unrestricted	-	(1,588)	-	-	50,137
Total Fund Equity	49,948	(1,588)	74,258	84,967	59,370
Total Liabilities and Fund Equity	$ 155,614	$ 76,038	$ 213,096	$ 189,444	$ 62,016

	Care and Treatment Facilities				
Veterans Mortgage Loan Repayment	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
$ 75,288	$ 3,366	$ 11	$ 3,427	$ 37,322	$ 642,898
-	-	-	-	-	13,265
-	-	-	-	316	316
7,344	-	-	-	-	13,231
1,647	3,489	8,928	45,266	6,040	94,797
-	2,899	1,885	5,534	3,400	14,704
-	1,494	1,464	8,148	479	11,585
-	501	678	1,990	4,718	9,553
40	750	830	2,969	3,283	38,185
284	-	-	-	-	284
-	-	-	-	-	1,377
84,601	12,499	13,794	67,335	55,559	840,195
-	-	-	-	103,850	162,617
-	-	-	-	2,149	2,149
251,025	-	-	-	3,868	271,771
-	-	-	-	80	80
-	-	-	-	-	50
2,223	-	-	33	657	2,914
103	19,948	11,898	74,620	46,837	161,758
-	1,138	1,751	5,217	4,204	13,985
908	-	-	-	-	4,984
254,259	21,086	13,649	79,869	161,645	620,309
$ 338,860	$ 33,585	$ 27,443	$ 147,204	$ 217,204	$ 1,460,504
$ 170	$ 3,454	$ 3,313	$ 12,748	$ 3,918	$ 69,525
183	3,188	3,274	12,750	636	30,586
-	-	9,737	57,056	6,188	72,981
12	31	583	340	-	976
-	-	-	18	17,684	17,711
-	15	-	-	10,373	105,680
2,588	-	-	83	240	2,916
-	-	-	1,605	409	2,015
-	-	-	-	8,775	53,172
58	701	644	1,933	116	3,712
-	63	40	60	125	287
8,193	-	-	300	2,000	10,553
11,203	7,452	17,593	86,893	50,463	370,115
-	-	-	-	-	51,059
-	-	-	-	61,663	241,544
201	1,505	1,025	3,777	234	7,439
-	311	258	468	138	1,175
146	2,178	2,178	8,699	262	13,979
296,229	-	-	10,612	28,092	335,522
296,575	3,994	3,461	23,556	90,389	650,717
307,778	11,446	21,054	110,449	140,852	1,020,832
103	20,712	13,351	66,824	23,697	134,067
-	-	-	-	51,614	210,839
-	-	-	-	2,694	52,496
30,979	1,427	(6,962)	(30,069)	(1,653)	42,271
31,082	22,138	6,390	36,755	76,352	439,672
$ 338,860	$ 33,585	$ 27,443	$ 147,204	$ 217,204	$ 1,460,504

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

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
Operating Revenues:					
Charges for Goods and Services	$ 473,414	$ -	$ -	$ 13	$ 168
Participant and Employer Contributions	-	14,412	-	1,075,744	-
Investment and Interest Income	-	-	-	-	1,734
Miscellaneous	255	58	-	-	-
Total Operating Revenues	473,670	14,471	-	1,075,758	1,902
Operating Expenses:					
Personal Services	6,506	-	-	-	5,926
Supplies and Services	58,645	1,949	958	9,734	3,085
Lottery Prize Awards	279,599	-	-	-	-
Depreciation	41	-	-	-	731
Benefit Expense	-	23,911	24,860	1,075,828	-
Interest Expense	-	-	-	-	-
Other Expenses	5	266	294	979	392
Total Operating Expenses	344,797	26,126	26,112	1,086,541	10,133
Operating Income (Loss)	128,873	(11,655)	(26,112)	(10,783)	(8,231)
Nonoperating Revenues (Expenses):					
Operating Grants	-	-	-	-	973
Investment and Interest Income	142	(14,077)	(59,689)	(33,573)	345
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-
Interest Expense	(1)	-	-	-	(30)
Gifts and Donations	-	-	-	-	181
Miscellaneous Revenues	-	-	-	-	100
Other Expenses:					
Property Tax Credits	(120,849)	-	-	-	-
Grants Disbursed	-	-	-	-	(3,500)
Other	-	-	-	(1)	-
Total Nonoperating Revenues (Expenses)	(120,708)	(14,077)	(59,688)	(33,573)	(1,931)
Income (Loss) before Transfers	8,165	(25,732)	(85,800)	(44,357)	(10,162)
Capital Contributions	-	-	-	-	1,075
Transfers In	208	-	-	-	7,105
Transfers Out	(15,141)	-	-	-	(134)
Net Change in Fund Equity	(6,769)	(25,732)	(85,800)	(44,357)	(2,116)
Total Fund Equity, Beginning of Year	56,717	24,144	160,058	129,323	61,486
Total Fund Equity, End of Year	$ 49,948	$ (1,588)	$ 74,258	$ 84,967	$ 59,370

	Veterans Mortgage Loan Repayment	Care and Treatment Facilities			Other Enterprise	Total All Nonmajor Funds
		Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities		
	$ -	$ 33,605	$ 29,409	$ 206,040	$ 52,940	$ 795,590
	-	-	-	-	-	1,090,156
	17,285	-	-	-	313	19,332
	-	-	-	-	510	824
	17,285	33,605	29,409	206,040	53,762	1,905,902
	2,577	60,492	51,082	171,929	8,973	307,484
	581	11,520	9,833	46,342	21,769	164,414
	-	-	-	-	-	279,599
	30	1,534	1,013	5,477	3,407	12,233
	-	-	-	-	14,370	1,138,968
	19,116	-	-	-	530	19,646
	1,411	-	-	512	2,748	6,608
	23,715	73,545	61,928	224,260	51,795	1,928,953
	(6,431)	(39,940)	(32,518)	(18,220)	1,967	(23,051)
	-	111	131	71	-	1,285
	1,324	-	-	7	6,238	(99,282)
	-	(20)	-	53	(5)	27
	-	(19)	(15)	(551)	(1,437)	(2,055)
	-	-	14	256	15	465
	40	499	294	469	103	1,505
	-	-	-	-	-	(120,849)
	(452)	-	-	(34)	-	(3,985)
	-	-	-	-	(1)	(2)
	913	571	424	268	4,912	(222,890)
	(5,518)	(39,370)	(32,095)	(17,952)	6,879	(245,941)
	-	-	14	1,876	-	2,965
	10	41,128	32,008	3,325	3,733	87,517
	(77)	(1,769)	(1,717)	(16,562)	(1,462)	(36,863)
	(5,584)	(11)	(1,790)	(29,313)	9,150	(192,322)
	36,666	22,149	8,180	66,068	67,202	631,994
	$ 31,082	$ 22,138	$ 6,390	$ 36,755	$ 76,352	$ 439,672

Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
Cash Flows from Operating Activities:					
Cash Receipts from Customers	$ 477,071	$ 14,432	$ -	$ 1,085,720	$ 168
Cash Payments to Suppliers for Goods and Services	(26,043)	(2,163)	(1,161)	(9,734)	(2,934)
Cash Payments to Employees for Services	(6,113)	-	-	(979)	(5,568)
Cash Payments for Lottery Prizes	(295,242)	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-	(2,535)
Collection of Loans	-	-	-	-	9,572
Interest Income	-	-	-	-	1,744
Cash Payments for Benefits	-	(15,790)	(21,916)	(1,076,173)	-
Other Operating Revenues	-	58	-	-	-
Other Operating Expenses	(33,161)	-	-	-	(244)
Other Sources of Cash	-	-	-	13	-
Net Cash Provided (Used) by Operating Activities	116,513	(3,463)	(23,077)	(1,152)	204
Cash Flows from Noncapital Financing Activities:					
Operating Grants Receipts	-	-	-	-	973
Grants Disbursed	-	-	-	-	(3,682)
Proceeds from Issuance of Debt	-	-	-	-	-
Repayment of Bonds and Notes	-	-	-	-	-
Interest Payments	-	-	-	-	-
Property Tax Credit Payments	(117,775)	-	-	-	-
Interfund Loans Received	-	-	-	-	-
Interfund Loans Repaid	-	-	-	-	-
Transfers In	307	-	-	-	7,000
Transfers Out	(15,247)	-	-	-	(134)
Other Cash Inflows from Noncapital Financing Activities	-	-	-	-	257
Other Cash Outflows from Noncapital Financing Activities: Other	-	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(132,716)	-	-	-	4,415
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Issuance of Debt	-	-	-	-	-
Capital Contributions	-	-	-	-	1,075
Repayment of Bonds and Notes	-	-	-	-	(63)
Interest Payments	-	-	-	-	(35)
Interfund Advances Repaid	-	-	-	-	-
Transfers In	-	-	-	-	-
Capital Lease Obligations	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-
Payments for Purchase of Capital Assets	(89)	-	-	-	(1,190)
Other Cash Inflows from Capital Financing Activities	-	-	-	-	105
Other Cash Outflows from Capital Financing Activities	-	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(89)	-	-	-	(108)
Cash Flows from Investing Activities:					
Proceeds from Sale and Maturities of Investment Securities	17,125	-	-	-	-
Purchase of Investment Securities	-	-	-	-	-
Cash Payments for Loans Originated	-	-	-	-	-
Collection of Loans	-	-	-	-	-
Investment and Interest Receipts	1,011	(14,077)	(59,689)	(33,573)	345
Net Cash Provided (Used) by Investing Activities	18,136	(14,077)	(59,689)	(33,573)	345
Net Increase (Decrease) in Cash and Cash Equivalents	1,844	(17,540)	(82,765)	(34,726)	4,855
Cash and Cash Equivalents, Beginning of Year	26,198	89,980	295,764	216,019	23,855
Cash and Cash Equivalents, End of Year	$ 28,042	$ 72,440	$ 212,999	$ 181,293	$ 28,710

	Care and Treatment Facilities				
Veterans Mortgage Loan Repayment	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
$ -	$ 37,006	$ 27,076	$ 178,246	$ 50,834	$ 1,870,554
(711)	(13,942)	(10,814)	(40,111)	(21,002)	(128,617)
(2,324)	(58,569)	(51,254)	(177,139)	(8,792)	(310,737)
-	-	-	-	-	(295,242)
(38,761)	-	-	-	(251)	(41,547)
55,703	-	-	-	230	65,505
18,287	-	-	-	59	20,090
-	-	-	-	(21,166)	(1,135,044)
-	-	-	-	3,824	3,883
(1,262)	-	-	-	(5,395)	(40,062)
-	3,989	3,973	2,381	157	10,513
30,932	(31,516)	(31,020)	(36,623)	(1,503)	19,296
-	107	138	53	15	1,285
(444)	-	-	(34)	-	(4,160)
-	-	-	-	-	-
(68,315)	-	-	-	-	(68,315)
(18,208)	-	-	-	(530)	(18,738)
-	-	-	-	-	(117,775)
-	-	1,583	37,925	-	39,508
-	(3,800)	-	-	(1,892)	(5,692)
-	41,464	32,164	3,185	2,193	86,311
(87)	(1,764)	(2,026)	(16,672)	(1,444)	(37,374)
63	-	-	256	89	664
-	-	-	-	3	3
(86,992)	36,006	31,859	24,713	(1,566)	(124,282)
-	-	-	-	60	60
-	-	-	1,876	-	2,951
-	-	-	(467)	(2,115)	(2,646)
-	(19)	(15)	(573)	(1,451)	(2,093)
-	-	-	-	-	-
-	-	-	-	1,540	1,540
-	(63)	(38)	-	(125)	(227)
-	-	-	1	946	947
(2)	(1,069)	(811)	(6,409)	(2,068)	(11,638)
-	3	-	464	-	571
-	-	-	-	(75)	(75)
(2)	(1,149)	(864)	(5,108)	(3,290)	(10,610)
-	-	-	-	4,547	21,672
-	-	-	-	(25,013)	(25,013)
-	-	-	-	(246)	(246)
-	-	-	-	152	152
1,318	-	-	7	4,898	(99,761)
1,318	-	-	7	(15,663)	(103,196)
(54,744)	3,342	(24)	(17,012)	(22,021)	(218,792)
130,031	24	35	20,439	59,344	861,690
$ 75,288	$ 3,366	$ 11	$ 3,427	$ 37,322	$ 642,898

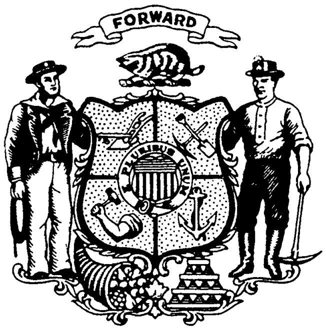
(Continued)

Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2009

(Continued)

	Lottery	Income Continuation Insurance	Long-term Disability Insurance	Health Insurance	Veterans Trust
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:					
Operating Income (Loss)	$ 128,873	$ (11,655)	$ (26,112)	$ (10,783)	$ (8,231)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	41	-	-	-	731
Provision for Uncollectible Accounts	-	-	-	-	143
Operating Income (Investment Income) Classified as Investing Activity	-	-	-	-	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	-	-	-	-
Miscellaneous Nonoperating Income (Expense)	-	-	-	-	-
Changes in Assets and Liabilities:					
Decrease (Increase) in Receivables	2,659	85	31	3,320	7,141
Decrease (Increase) in Due from Other Funds	84	(17)	-	642	(230)
Decrease (Increase) in Due from Other Governments	-	-	-	-	-
Decrease (Increase) in Inventories	(305)	-	-	-	(8)
Decrease (Increase) in Prepaid Items	38	-	-	3,253	(7)
Decrease (Increase) in Other Assets	(106)	-	-	-	(31)
Decrease (Increase) in Deferred Charges	-	-	-	-	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(15,540)	39	30	(277)	(47)
Increase (Decrease) in Due to Other Funds	441	13	90	(242)	590
Increase (Decrease) in Due to Other Governments	-	-	-	-	3
Increase (Decrease) in Tax and Other Deposits	-	-	-	-	4
Increase (Decrease) in Unearned Revenue	56	36	-	6,257	-
Increase (Decrease) in Interest Payable	-	-	-	-	-
Increase (Decrease) in Compensated Absences	119	-	-	-	31
Increase (Decrease) in Postemployment Benefits	154	-	-	-	116
Increase (Decrease) in Future Benefits and Loss Liabilities	-	8,036	2,885	(3,321)	-
Total Adjustments	(12,360)	8,193	3,035	9,631	8,435
Net Cash Provided (Used) by Operating Activities	$ 116,513	$ (3,463)	$ (23,077)	$ (1,152)	$ 204
Noncash Investing, Capital and Financing Activities:					
Assets Acquired through Capital Leases	$ -	$ -	$ -	$ -	$ -
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to Other Funds	-	-	-	-	-
Net Change in Unrealized Gains and Losses	-	-	-	-	-

	Care and Treatment Facilities				
Veterans Mortgage Loan Repayment	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
$ (6,431)	$ (39,940)	$ (32,518)	$ (18,220)	$ 1,967	$ (23,051)
30	1,534	1,013	5,477	3,407	12,233
48	-	-	512	(194)	509
-	-	-	-	(257)	(257)
19,116	-	-	-	530	19,646
-	499	308	1,051	13	1,872
18,399	5,205	799	(21,843)	603	16,398
-	1,887	(496)	(359)	(164)	1,346
-	(1,491)	(1,452)	(5,269)	(155)	(8,366)
-	(139)	(182)	(62)	272	(425)
-	(58)	(148)	(310)	(2,990)	(222)
(314)	-	-	-	-	(450)
101	-	-	-	4	105
(164)	(397)	(4)	1,740	853	(13,768)
60	61	(201)	(4,715)	16	(3,889)
(30)	31	661	195	-	861
-	-	-	(1)	254	256
-	2	-	-	(547)	5,805
-	-	-	-	-	-
50	156	64	584	54	1,058
66	1,133	1,137	4,597	129	7,332
-	-	-	-	(5,294)	2,305
37,363	8,425	1,499	(18,404)	(3,469)	42,347
$ 30,932	$ (31,516)	$ (31,020)	$ (36,623)	$ (1,503)	$ 19,296
$ -	$ 70	$ -	$ -	$ -	$ 70
-	-	14	-	(5)	8
-	-	-	-	1,402	1,402


FORWARD

Internal Service Funds

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

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

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

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

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

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

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

Combining Balance Sheet - Internal Service Funds
June 30, 2009

(In Thousands)

	Technology Services	Fleet Services	Financial Services
Assets			
Current Assets:			
Cash and Cash Equivalents	$ -	$ -	$ 2,257
Receivables (net of allowance):			
Other Receivables	114	-	-
Due from Other Funds	22,229	3,023	1,063
Due from Component Units	15	263	-
Due from Other Governments	652	44	-
Inventories	835	60	-
Prepaid Items	402	30	40
Advances to Other Funds	25	-	-
Deferred Charges	-	-	-
Total Current Assets	24,272	3,421	3,360
Noncurrent Assets:			
Advances to Other Funds	2,789	-	-
Deferred Charges	-	-	-
Depreciable Capital Assets (net of accumulated depreciation)	14,490	24,184	-
Nondepreciable Capital Assets	-	-	-
Total Noncurrent Assets	17,279	24,184	-
Total Assets	$ 41,551	$ 27,605	$ 3,360
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	$ 17,789	$ 593	$ 179
Due to Other Funds	3,518	239	190
Interfund Payables	36,356	22,203	-
Due to Other Governments	-	4	-
Interest Payable	-	-	-
Short-term Notes Payable	-	-	-
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	-	24	-
Compensated Absences	580	51	119
General Obligation Bonds Payable	-	-	-
Total Current Liabilities	58,244	23,114	488
Noncurrent Liabilities:			
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	-	-	-
Capital Leases	-	-	-
Compensated Absences	1,510	109	352
Other Postemployment Benefits	781	119	134
General Obligation Bonds Payable	-	-	-
Total Noncurrent Liabilities	2,291	228	486
Total Liabilities	60,534	23,342	974
Fund Equity			
Invested in Capital Assets, Net of Related Debt	10,619	24,160	-
Unrestricted	(29,603)	(19,897)	2,385
Total Fund Equity	(18,984)	4,263	2,385
Total Liabilities and Fund Equity	$ 41,551	$ 27,605	$ 3,360

Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
$ 958	$ 5,345	$ 4	$ 8,563
92	-	62	268
11,649	6,322	3,451	47,736
-	-	-	278
18	-	20	734
89	-	2,986	3,970
171	19	95	758
-	-	-	25
102	-	-	102
13,079	11,685	6,619	62,435
-	-	-	2,789
509	-	4	512
205,892	-	4,486	249,052
35,862	-	41	35,904
242,263	-	4,531	288,257
$ 255,341	$ 11,685	$ 11,150	$ 350,692
$ 2,693	$ 335	$ 1,620	$ 23,210
3,465	114	670	8,197
-	-	1,572	60,131
73	-	2	80
1,225	-	14	1,239
11,842	-	5	11,846
-	34,470	-	34,470
-	-	90	114
340	26	112	1,228
9,638	-	51	9,690
29,277	34,946	4,137	150,205
-	68,649	-	68,649
-	-	336	336
740	46	171	2,927
566	71	320	1,991
142,999	-	834	143,834
144,305	68,765	1,661	217,737
173,582	103,711	5,798	367,942
77,886	-	3,391	116,056
3,873	(92,026)	1,961	(133,306)
81,759	(92,026)	5,352	(17,250)
$ 255,341	$ 11,685	$ 11,150	$ 350,692

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

(In Thousands)

	Technology Services	Fleet Services	Financial Services
Operating Revenues:			
Charges for Goods and Services	$ 124,483	$ 15,019	$ 8,717
Miscellaneous	27	260	-
Total Operating Revenues	124,509	15,279	8,717
Operating Expenses:			
Personal Services	25,828	2,470	3,969
Supplies and Services	95,576	8,744	3,561
Depreciation	10,615	2,138	-
Benefit Expense	-	-	-
Total Operating Expenses	132,019	13,353	7,530
Operating Income (Loss)	(7,510)	1,927	1,187
Nonoperating Revenues (Expenses):			
Investment and Interest Income	-	-	-
Gain (Loss) on Disposal of Capital Assets	(51)	77	-
Interest Expense	(91)	(3)	-
Miscellaneous Revenues	330	-	1
Other Expenses	-	-	-
Total Nonoperating Revenues (Expenses)	188	74	1
Net Income (Loss)	(7,322)	2,001	1,188
Transfers In	48	548	-
Transfers Out	(8,153)	(621)	(1,826)
Net Change in Fund Equity	(15,427)	1,927	(638)
Total Fund Equity, Beginning	(3,557)	2,335	3,024
Total Fund Equity, Ending	$ (18,984)	$ 4,263	$ 2,385

	Facilities Operations and Maintenance		Risk Management		Badger State Industries		Totals
$	57,958	$	30,098	$	18,491	$	254,767
	-		-		-		287
	57,958		30,098		18,491		255,054
	17,475		1,546		6,166		57,455
	23,055		3,503		13,148		147,586
	9,654		-		470		22,877
	-		36,241		-		36,241
	50,184		41,290		19,783		264,158
	7,775		(11,191)		(1,292)		(9,104)
	60		-		1		60
	-		-		1		27
	(7,742)		-		(66)		(7,903)
	-		6,059		6		6,396
	97		-		-		97
	(7,585)		6,059		(58)		(1,322)
	189		(5,133)		(1,350)		(10,427)
	6,551		-		498		7,645
	(4,120)		(4,078)		(264)		(19,061)
	2,620		(9,211)		(1,116)		(21,844)
	79,139		(82,815)		6,468		4,593
$	81,759	$	(92,026)	$	5,352	$	(17,250)

Combining Statement of Cash Flows - Internal Service Funds
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Technology Services	Fleet Services	Financial Services
Cash Flows from Operating Activities:			
Cash Receipts from Customers	$ 117,935	$ 13,668	$ 7,679
Cash Payments to Suppliers for Goods and Services	(86,168)	(10,177)	(3,647)
Cash Payments to Employees for Services	(25,357)	(2,419)	(3,914)
Cash Payments for Benefits	-	-	-
Other Operating Revenues	27	-	-
Other Sources of Cash	330	260	1
Net Cash Provided (Used) by Operating Activities	6,766	1,333	120
Cash Flows from Noncapital Financing Activities:			
Interest Payments	(2)	-	-
Interfund Loans Received	13,260	1,285	-
Interfund Loans Repaid	-	-	-
Interfund Advances Collected	25	-	-
Transfers In	48	548	-
Transfers Out	(8,153)	(621)	(1,826)
Net Cash Provided (Used) by Noncapital Financing Activities	5,178	1,211	(1,826)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Issuance of Debt	-	-	-
Repayment of Bonds and Notes	-	-	-
Interest Payments	(208)	(3)	-
Capital Lease Obligations	(9,832)	(46)	-
Proceeds from Sale of Capital Assets	-	702	-
Payments for Purchase of Capital Assets	(1,905)	(3,197)	-
Other Cash Inflows from Capital Financing Activities	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(11,944)	(2,544)	-
Cash Flows from Investing Activities:			
Investment and Interest Receipts	-	-	-
Net Cash Flows from Investing Activities	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	(1,707)
Cash and Cash Equivalents, Beginning of Year	-	-	3,964
Cash and Cash Equivalents, End of Year	$ 0	$ 0	$ 2,257

Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
$ 52,752	$ 29,980	$ 18,762	$ 240,777
(22,454)	(3,581)	(12,494)	(138,520)
(17,161)	(1,499)	(5,975)	(56,325)
-	(28,122)	-	(28,122)
-	-	-	27
96	6,059	-	6,746
13,234	2,837	293	24,582
(2)	-	-	(4)
-	-	-	14,544
-	-	(388)	(388)
-	-	-	25
5,801	-	498	6,894
(3,054)	(4,078)	(264)	(17,996)
2,745	(4,078)	(154)	3,075
3,507	-	-	3,507
(12,348)	-	(48)	(12,395)
(8,081)	-	(71)	(8,363)
(225)	-	(90)	(10,193)
-	-	120	822
(3,931)	-	(49)	(9,081)
155	-	-	155
(20,922)	-	(139)	(35,548)
-	-	-	0
-	-	-	0
(4,943)	(1,240)	-	(7,890)
5,901	6,585	4	16,453
$ 958	$ 5,345	$ 4	$ 8,563

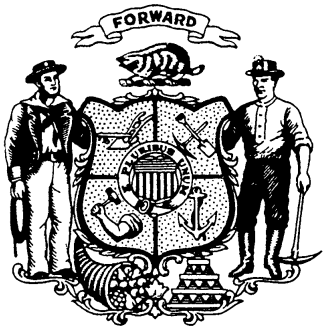
(Continued)

Combining Statement of Cash Flows - Internal Service Funds
For the Fiscal Year Ended June 30, 2009

(Continued)

	Technology Services	Fleet Services	Financial Services
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (7,510)	$ 1,927	$ 1,187
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	10,615	2,138	-
Miscellaneous Nonoperating Income (Expense)	330	-	1
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	(79)	98	-
Decrease (Increase) in Due from Other Funds	(5,955)	(1,175)	(1,038)
Decrease (Increase) in Due from Component Units	(15)	(263)	-
Decrease (Increase) in Due from Other Governments	(499)	(11)	-
Decrease (Increase) in Inventories	132	13	-
Decrease (Increase) in Prepaid Items	(26)	1	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	7,872	(1,436)	3
Increase (Decrease) in Due to Other Funds	1,306	(12)	(102)
Increase (Decrease) in Due to Other Governments	-	(20)	-
Increase (Decrease) in Compensated Absences	224	14	(4)
Increase (Decrease) in Postemployment Benefits	372	57	72
Increase (Decrease) in Future Benefits and Loss Liabilities	-	-	-
Total Adjustments	14,276	(594)	(1,068)
Net Cash Provided (Used) by Operating Activities	$ 6,766	$ 1,333	$ 120
Noncash Investing, Capital and Financing Activities:			
Other	$ -	$ -	$ -

	Facilities Operations and Maintenance	Risk Management	Badger State Industries	Totals
	$ 7,775	$ (11,191)	$ (1,292)	$ (9,104)
	9,654	-	470	22,877
	97	6,059	-	6,487
	(82)	-	(46)	(109)
	(5,196)	(118)	(28)	(13,509)
	-	-	-	(278)
	72	-	1	(436)
	631	-	270	1,046
	(13)	1	(3)	(40)
	(85)	(81)	587	6,860
	52	7	124	1,375
	3	(1)	2	(15)
	40	7	37	318
	287	36	170	994
	-	8,119	-	8,119
	5,459	14,029	1,584	33,687
	$ 13,234	$ 2,837	$ 293	$ 24,582
	$ -	$ -	$ 1	$ 1


FORWARD

Fiduciary Funds

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

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

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

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

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

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

The **Local Retiree Life Insurance Fund** accounts for the accumulation of employer contributions, during the course of local government employees working lifetimes, for postretirement life insurance coverage for retired participants.

The **Retiree Life Insurance Fund** accounts for the accumulation of employer contributions, during the course of State employees working lifetimes, for postretirement life insurance coverage for retired participants.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Combining Statement of Fiduciary Net Assets - Pension and Other Employee Benefit Trust Funds
June 30, 2009

(In Thousands)

	Wisconsin Retirement System	Accumulated Sick Leave	Duty Disability	Reimbursed Employee Expense	Local Retiree Life Insurance	Retiree Life Insurance	Totals
Assets							
Cash and Cash Equivalents	$ -	$ 1,568,867	$ 280,495	$ 4,764	$ 98	$ 73	$ 1,854,297
Securities Lending Collateral	5,038,829	-	-	-	-	-	5,038,829
Prepaid Items	10,053	-	-	442	-	-	10,495
Receivables (net of allowance):							
Prior Service Contributions Receivable	241,170	-	-	-	-	-	241,170
Benefits Overpayment Receivable	3,024	-	-	-	-	-	3,024
Due from Other Funds	46,969	13	70	459	-	-	47,512
Due from Component Units	3,256	-	-	-	-	-	3,256
Interfund Receivables	-	88,642	-	-	-	-	88,642
Due from Other Governments	132,643	-	-	-	-	-	132,643
Interest and Dividends Receivable	188,517	-	-	-	-	-	188,517
Investment Sales Receivable	1,228,096	-	-	-	-	-	1,228,096
Other Receivables	35,720	-	362	-	-	-	36,081
Total Receivables	1,879,397	88,656	431	459	-	-	1,968,943
Investments:							
Fixed Income	17,758,300	-	-	-	-	-	17,758,300
Stocks	35,665,473	-	-	-	-	-	35,665,473
Limited Partnerships	5,323,131	-	-	-	-	-	5,323,131
Preferred Securities	125,770	-	-	-	-	-	125,770
Convertible Securities	27,454	-	-	-	-	-	27,454
Mortgages	51,524	-	-	-	-	-	51,524
Real Estate	390,888	-	-	-	-	-	390,888
Multi-asset Investments	1,293,142	-	-	-	-	-	1,293,142
External Investment Pool	-	-	-	-	219,225	343,540	562,765
Total Investments	60,635,682	-	-	-	219,225	343,540	61,198,446
Inventories	66	-	-	-	-	-	66
Capital Assets	3	-	-	-	-	-	3
Total Assets	67,564,029	1,657,522	280,926	5,665	219,323	343,613	70,071,079
Liabilities							
Accounts Payable and Other Accrued Liabilities	59,034	-	2,317	4,010	-	-	65,361
Securities Lending Collateral Liability	5,038,829	-	-	-	-	-	5,038,829
Annuities Payable	244,853	-	-	-	-	-	244,853
Advance Contributions	186	-	-	-	-	-	186
Due to Other Funds	70,118	-	-	28	11	8	70,164
Interfund Payables	88,642	-	-	-	-	-	88,642
Due to Other Governments	30,817	-	-	-	-	-	30,817
Financial Futures Contracts	6,567	-	-	-	-	-	6,567
Investment Payable	1,110,741	-	-	-	-	-	1,110,741
Unearned Revenue	-	-	-	403	-	-	403
Compensated Absences Payable	-	2,175,990	-	-	-	-	2,175,990
Other Postemployment Benefits	588	-	-	-	-	-	588
Total Liabilities	6,650,376	2,175,990	2,317	4,442	11	8	8,833,143
Net Assets							
Held in Trust for Pension Benefits and Other Purposes	$ 60,913,653	$ (518,468)	$ 278,609	$ 1,224	$ 219,312	$ 343,605	$ 61,237,935

State of Wisconsin

Combining Statement of Changes in Fiduciary Net Assets - Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Wisconsin Retirement System	Accumulated Sick Leave	Duty Disability	Reimbursed Employee Expense	Local Retiree Life Insurance	Retiree Life Insurance	Totals
Additions							
Contributions:							
Employer Contributions	$ 631,198	$ 35,352	$ 51,442	$ -	$ 1,820	$ 1,456	$ 721,268
Employee Contributions	735,511	-	-	24,702	3,857	3,297	767,368
Total Contributions	1,366,709	35,352	51,442	24,702	5,677	4,753	1,488,636
Investment Income:							
Net Appreciation (Depreciation) in Fair Value of Investments	(16,134,968)	-	-	-	-	-	(16,134,968)
Interest	526,911	-	-	-	-	-	526,911
Dividends	617,727	-	-	-	-	-	617,727
Securities Lending Income	106,541	-	-	-	-	-	106,541
Other	69,511	-	-	-	-	-	69,511
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	-	(385,285)	(60,665)	75	12,161	19,130	(414,584)
Less:							
Investment Expense	(225,687)	-	-	-	-	-	(225,687)
Securities Lending Rebates and Fees	(55,170)	-	-	-	-	-	(55,170)
Investment Income Distributed to Other Funds	578,822	-	-	-	-	-	578,822
Net Investment Income	(14,516,311)	(385,285)	(60,665)	75	12,161	19,130	(14,930,895)
Interest on Prior Service Receivable	18,277	-	-	-	-	-	18,277
Miscellaneous Income	559	-	1	9	48	36	652
Total Additions	(13,130,767)	(349,933)	(9,222)	24,785	17,886	23,919	(13,423,331)
Deductions							
Retirement Benefits and Refunds:							
Retirement, Disability, and Beneficiary	3,853,905	-	-	-	-	-	3,853,905
Separations	27,620	-	-	-	-	-	27,620
Total Retirement Benefits and Refunds	3,881,526	-	-	-	-	-	3,881,526
Distributions	-	-	-	23,797	-	-	23,797
Other Benefit Expense	-	120,038	27,969	-	10,366	14,347	172,720
Unusual Write-off of Receivable	18	-	-	-	-	-	18
Administrative Expense	20,280	251	403	896	698	649	23,177
Transfer Out	351	-	-	-	-	-	351
Total Deductions	3,902,175	120,289	28,371	24,693	11,064	14,996	4,101,589
Net Increase (Decrease)	(17,032,942)	(470,223)	(37,593)	92	6,823	8,923	(17,524,920)
Net Assets - Beginning of Year	77,946,595	(48,245)	316,202	1,131	212,490	334,682	78,762,855
Net Assets - End of Year	$ 60,913,653	$ (518,468)	$ 278,609	$ 1,224	$ 219,312	$ 343,605	$ 61,237,935

Combining Statement of Fiduciary Net Assets - Investment Trust Funds
June 30, 2009

(In Thousands)

	Local Government Pooled Investment	Milwaukee Retirement System	Totals
Assets			
Cash and Cash Equivalents	$ 3,222,113	$ 115,651	$ 3,337,764
Total Assets	3,222,113	115,651	3,337,764
Liabilities			
Accounts Payable	3	-	3
Due to Other Funds	114	-	114
Total Liabilities	117	-	117
Net Assets			
Held in Trust for Pool Participants and Other Purposes	$ 3,221,996	$ 115,651	$ 3,337,647

State of Wisconsin

Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Funds
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Local Government Pooled Investment	Milwaukee Retirement System	Totals
Additions			
Deposits	$ 11,432,855	$ 13,900	$ 11,446,755
Investment Income	48,679	(26,651)	22,028
Less: Investment Expense	(1,233)	-	(1,233)
Net Investment Income	47,447	(26,651)	20,796
Total Additions	11,480,301	(12,751)	11,467,550
Deductions			
Distributions	11,914,317	11,000	11,925,317
Administrative Expense	248	-	248
Total Deductions	11,914,565	11,000	11,925,565
Net Increase (Decrease)	(434,264)	(23,751)	(458,015)
Net Assets - Beginning of Year	3,656,260	139,402	3,795,662
Net Assets - End of Year	$ 3,221,996	$ 115,651	$ 3,337,647

Combining Statement of Fiduciary Net Assets - Private-Purpose Trust Funds
June 30, 2009

(In Thousands)

	Tuition Trust	BadgerRx for Individuals	College Savings Program Trust	Retiree Health Insurance	Totals
Assets					
Cash and Cash Equivalents	$ 1,761	$ 141	$ 195,567	$ 8,881	$ 206,350
Prepaid Items	-	-	-	695	695
Receivables (net of allowance):					
Loans Receivable	-	69	-	-	69
Other Receivables	22	-	54	3,266	3,342
Due From Other Governments	-	-	-	4,992	4,992
Total Receivables	22	69	54	8,258	8,404
Investments:					
Investments of Private Purpose Trust Funds	7,259	-	1,711,642	-	1,718,901
Total Investments	7,259	-	1,711,642	-	1,718,901
Capital Assets	-	-	3	-	3
Total Assets	9,043	211	1,907,265	17,834	1,934,353
Liabilities					
Accounts Payable	3	-	67	-	70
Due to Other Funds	-	5	6	238	249
Future Benefit and Loss Liabilities	-	-	-	5,509	5,509
Advances from Other Funds	-	110	-	-	110
Total Liabilities	3	115	73	5,747	5,937
Net Assets					
Held in Trust	$ 9,040	$ 96	$ 1,907,192	$ 12,088	$ 1,928,416

State of Wisconsin

Combining Statement of Changes in Fiduciary Net Assets - Private-Purpose Trust Funds For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Tuition Trust	BadgerRx for Individuals	College Savings Program Trust	Retiree Health Insurance	Totals
Additions					
Contributions:					
Other	$ -	$ 24	$ -	$ -	$ 24
Premiums				160,718	160,718
Federal Subsidy				10,406	10,406
Deposits	-	-	261,920	-	261,920
Investment Income	389	2	(319,241)	1,050	(317,800)
Less:					
Investment Expense	-	-	(6,336)	-	(6,336)
Net Investment Income	389	2	(325,577)	1,050	(324,136)
Total Miscellaneous Income	-	-	-	1	1
Total Additions	389	26	(63,657)	172,175	108,933
Deductions					
Distributions	952	-	178,934	-	179,885
Benefit Expense				164,219	164,219
Administrative Expense	23	3	6,385	4,781	11,193
Transfers Out	-	-	6	-	6
Total Deductions	975	3	185,325	169,000	355,303
Net Increase (Decrease)	(586)	23	(248,981)	3,175	(246,370)
Net Assets - Beginning of Year	9,626	73	2,156,174	8,913	2,174,786
Net Assets - End of Year	$ 9,040	$ 96	$ 1,907,192	$ 12,088	$ 1,928,416

Combining Statement of Fiduciary Net Assets - Agency Funds
June 30, 2009

(In Thousands)

	Insurance Company Liquidation Account	Local Retiree Health Insurance	Inmate and Resident	Bank and Insurance Company Deposits	Support Collection Trust	Totals
Assets						
Cash and Cash Equivalents	$ 6,028	$ 363	$ 10,160	$ -	$ 10,099	$ 26,651
Receivables (net of allowance):						
Due from Other Funds	-	-	1,719	-	351	2,070
Due from Employers	-	208	-	-	-	208
Other Receivables	-	158	3,322	-	5,190	8,670
Total Receivables	-	367	5,041	-	5,541	10,949
Investments	-	-	749	-	-	749
Other Assets	-	-	-	303,128	-	303,128
Total Assets	$ 6,028	$ 730	$ 15,950	$ 303,128	$ 15,640	$ 341,477
Liabilities						
Accounts Payable	$ 6,028	$ 240	$ 2	$ -	$ 15,640	$ 21,910
Due to Other Funds	-	24	222	-	-	245
Tax and Other Deposits	-	466	15,727	303,128	-	319,321
Total Liabilities	$ 6,028	$ 730	$ 15,950	$ 303,128	$ 15,640	$ 341,477

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Insurance Company Liquidation Account				
Assets:				
Cash and Cash Equivalents	$ 2,979	$ 3,178	$ 129	$ 6,028
Total Assets	$ 2,979	$ 3,178	$ 129	$ 6,028
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 2,979	$ 3,178	$ 129	$ 6,028
Total Liabilities	$ 2,979	$ 3,178	$ 129	$ 6,028
Local Retiree Health Insurance				
Assets:				
Cash and Cash Equivalents	$ (154)	$ 20,189	$ 19,672	$ 363
Prepaid Items	13	-	13	-
Receivables (net of allowance):				
Due from Other Funds	-	320	320	-
Due from Employers	369	19,399	19,560	208
Other Receivables	358	397	597	158
Total Assets	$ 586	$ 40,305	$ 40,161	$ 730
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 152	$ 204	$ 117	$ 240
Due to Other Funds	-	83	59	24
Tax and Other Deposits	434	466	434	466
Total Liabilities	$ 586	$ 754	$ 610	$ 730
Inmate and Resident				
Assets:				
Cash and Cash Equivalents	$ 11,837	$ 93,822	$ 95,499	$ 10,160
Investments	788	194	234	749
Receivables (net of allowance):				
Due from Other Funds	1,200	8,416	7,897	1,719
Other Receivables	2,400	7,156	6,234	3,322
Total Assets	$ 16,225	$ 109,588	$ 109,863	$ 15,950
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 4	$ 62	$ 63	$ 2
Due to Other Funds	277	9,914	9,970	222
Tax and Other Deposits	15,944	73,072	73,289	15,727
Total Liabilities	$ 16,225	$ 83,048	$ 83,322	$ 15,950

(Continued)

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2009

(Continued)

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Bank and Insurance Company Deposits				
Assets:				
Other Assets:				
Assets Held in Custody for Others	$ 297,576	$ 63,302	$ 57,749	$ 303,128
Total Assets	$ 297,576	$ 63,302	$ 57,749	$ 303,128
Liabilities:				
Tax and Other Deposits	$ 297,576	$ 63,302	$ 57,749	$ 303,128
Total Liabilities	$ 297,576	$ 63,302	$ 57,749	$ 303,128
Support Collection Trust				
Assets:				
Cash and Cash Equivalents	$ 21,081	$ 1,867,627	$ 1,878,608	$ 10,099
Receivables (net of allowance):				
Due from Other Funds	80	351	80	351
Other Receivables	4,919	65,112	64,841	5,190
Total Assets	$ 26,080	$ 1,933,089	$ 1,943,529	$ 15,640
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 26,080	$ 1,031,463	$ 1,041,903	$ 15,640
Total Liabilities	$ 26,080	$ 1,031,463	$ 1,041,903	$ 15,640
Total - All Agency Funds				
Assets:				
Cash and Cash Equivalents	$ 35,743	$ 1,984,816	$ 1,993,908	$ 26,651
Investments	788	194	234	749
Prepaid Items	13	-	13	-
Receivables (net of allowance):				
Due from Other Funds	1,280	9,087	8,297	2,070
Due from Employers	369	19,399	19,560	208
Other Receivables	7,677	72,665	71,671	8,670
Other Assets:				
Assets Held in Custody for Others	297,576	63,302	57,749	303,128
Total Assets	$ 343,446	$ 2,149,463	$ 2,151,432	$ 341,477
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 29,215	$ 1,034,907	$ 1,042,212	$ 21,910
Due to Other Funds	277	9,997	10,029	245
Tax and Other Deposits	313,953	136,840	131,472	319,321
Total Liabilities	$ 343,446	$ 1,181,745	$ 1,183,714	$ 341,477

STATISTICAL SECTION

Statistical Section Narrative and Table of Contents

Narrative

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

Page

Financial Trends Information

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

Entity-Wide Perspective (Accrual Basis of Accounting)

Fund-Level Perspective (Modified Accrual Basis of Accounting)

Revenue Capacity Information

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

Debt Capacity Information

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

Demographic and Economic Information

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

Statistical Section Narrative and Table of Contents

Page

Operating Information

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

Net Assets by Component
(Accrual Basis of Accounting)

For the Last Eight Fiscal Years

	2009	**2008** (a)	**2007** (b)	**2006**
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	$ 13,492,047	$ 12,900,350	$ 12,275,649	$ 12,291,617
Restricted	1,105,242	1,309,409	1,331,102	1,218,005
Unrestricted	(8,939,033)	(8,322,198)	(8,168,852)	(8,238,766)
Total Governmental Activities Net Assets	$ 5,658,256	$ 5,887,562	$ 5,437,898	$ 5,270,855
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	$ 3,649,767	$ 3,438,954	$ 3,225,114	$ 3,243,637
Restricted	2,494,489	3,161,901	3,503,289	3,336,784
Unrestricted	28,756	298,301	457,089	140,047
Total Business-type Activities Net Assets	$ 6,173,012	$ 6,899,157	$ 7,185,492	$ 6,720,467
Primary Government:				
Invested in Capital Assets, Net of Related Debt	$ 17,141,814	$ 16,339,304	$ 15,500,763	$ 15,535,254
Restricted	3,599,731	4,471,310	4,834,391	4,554,789
Unrestricted	(8,910,277)	(8,023,897)	(7,711,763)	(8,098,719)
Total Primary Government Net Assets	$ 11,831,268	$ 12,786,719	$ 12,623,390	$ 11,991,322

(a) In 2008, the Life Insurance Fund was reclassified from a fiduciary to a proprietary fund.

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

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

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

Prior years have not been restated for periods preceding the 2002 implementation of GASB 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*

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

(In Thousands)

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

Changes in Net Assets
(Accrual Basis of Accounting)

For the Last Eight Fiscal Years

	2009	2008	2007	2006
Expenses				
Governmental Activities				
Commerce	$ 298,908	$ 293,362	$ 289,452	$ 267,195
Education	6,707,734	6,477,194	6,413,120	6,270,218
Transportation	2,069,477	1,911,514	1,850,586	1,774,161
Environmental Resources	534,850	486,531	471,767	466,997
Human Relations and Resources	10,398,237	9,078,665	8,698,915	8,436,702
General Executive	551,358	536,527	540,268	542,303
Judicial	130,916	125,798	119,991	114,853
Legislative	65,626	65,356	62,457	59,938
Tax Relief and Other General Expenses	1,274,940	1,135,551	956,749	857,866
Intergovernmental - Shared Revenue	1,035,050	1,019,275	1,016,313	1,016,718
Interest on Debt	665,367	500,270	479,402	477,465
Total Governmental Activities	23,732,463	21,630,043	20,899,020	20,284,418
Business-type Activities:				
Injured Patients and Families Compensation	(58,215)	137,747	57,873	(2,307)
Environmental Improvement	48,486	43,436	42,671	42,764
University of Wisconsin System	4,016,459	3,920,563	3,663,119	3,519,740
Unemployment Reserve	2,215,332	950,923	882,622	821,122
Other Business-type	2,057,077	1,966,242	1,862,525	2,082,861
Total Business-type Activities	8,279,139	7,018,911	6,508,810	6,464,181
Total Primary Government Expenses	$ 32,011,602	$ 28,648,954	$ 27,407,830	$ 26,748,598
Revenues				
Program Revenues (All Types Consolidated):				
Governmental Activities:				
Charges for Services:				
Commerce	$ 173,231	$ 208,363	$ 196,564	$ 181,332
Education	19,859	23,291	21,614	21,781
Transportation	676,871	610,421	515,046	520,807
Environmental Resources	214,277	201,790	190,149	198,344
Human Relations and Resources	562,382	226,343	233,679	203,413
General Executive	244,988	275,298	248,221	325,570
Judicial	67,096	66,165	61,698	60,777
Other	1,375	5,800	5,854	6,612
Operating Grants and Contributions	7,901,598	6,030,638	5,819,764	5,723,527
Capital Grants and Contributions	861,984	726,671	717,758	600,681
Total Governmental Activities	10,723,661	8,374,780	8,010,347	7,842,844
Business-type Activities:				
Charges for Services:				
University of Wisconsin System	2,845,573	2,606,437	2,515,487	2,403,104
Health Insurance	1,075,757	977,165	907,984	1,009,013
Unemployment Reserve	772,779	735,536	719,517	729,124
Other Activities	906,014	918,147	885,770	1,170,031
Operating Grants and Contributions	743,051	397,889	389,004	332,362
Capital Grants and Contributions	126,336	70,949	112,773	35,719
Total Business-type Activities	6,469,510	5,706,123	5,530,535	5,679,353
Total Primary Government Revenues	$ 17,193,171	$ 14,080,903	$ 13,540,882	$ 13,522,197
Net (Expense)/Revenue				
Governmental Activities	$ (13,008,802)	$ (13,255,263)	$ (12,888,673)	$ (12,441,574)
Business-type Activities	(1,809,629)	(1,312,788)	(978,275)	(784,827)
Total Primary Government Net Expense	$ (14,818,431)	$ (14,568,050)	$ (13,866,946)	$ (13,226,400)

(a) In 2004, Annual Appropriation Bonds were issued to payoff the State's unfunded accrued prior service (pension) liability and its unfunded accrued liability for accumulated sick leave. The 2004 balance for Tax Relief and Other General Expenses includes $782.4 million of employee benefit liability expenses.

(b) In 2005, the Veterans Mortgage Loan Repayment Fund was no longer considered a major fund.

Prior years have not been restated for periods preceding the 2002 implementation of GASB 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*

(In Thousands)

2005	2004	2003	2002
$ 257,112	$ 281,753	$ 224,377	$ 194,927
5,818,372	5,749,391	5,675,138	5,440,440
1,801,595	1,795,548	1,590,710	1,714,215
418,616	444,295	474,969	531,983
8,441,099	8,000,799	8,158,215	7,997,351
478,782	425,265	489,442	416,294
111,690	109,788	107,835	106,954
57,047	57,631	59,758	59,948
837,970	1,572,126 (a)	843,757	820,618
1,011,052	1,058,182	1,107,958	1,095,991
424,217	382,219	292,579	297,572
19,657,549	19,876,997	19,024,739	18,676,293
77,624	36,094	102,878	72,923
39,482	42,246	42,560	42,491
3,425,045	3,278,414	3,075,475	2,935,234
844,869	1,068,647	1,186,584	1,071,756
1,959,230 (b)	1,881,562	1,714,540	1,599,244
6,346,250	6,306,963	6,122,037	5,721,648
$ 26,003,799	$ 26,183,959	$ 25,146,777	$ 24,397,940
$ 158,494	$ 166,249	$ 148,083	$ 145,118
23,298	22,431	22,332	20,187
486,406	478,126	436,929	439,574
184,416	178,603	177,462	171,185
175,584	167,552	130,524	114,293
217,128	231,016	191,304	158,693
61,377	56,606	46,377	41,494
6,896	6,903	9,817	7,603
5,826,288	5,559,517	5,425,725	4,933,780
666,843	635,565	635,402	669,128
7,806,730	7,502,568	7,223,955	6,701,055
2,330,027	2,130,641	1,940,491	1,756,157
947,530	875,475	769,210	671,545
766,985	695,099	614,932	744,891
1,141,562	1,136,024	1,066,996	930,221
356,738	457,859	497,258	297,085
34,523	20,799	35,514	61,776
5,577,365	5,315,897	4,924,400	4,461,674
$ 13,384,095	$ 12,818,465	$ 12,148,355	$ 11,162,729
$ (11,850,819)	$ (12,374,429)	$ (11,800,785)	$ (11,975,239)
(768,884)	(991,065)	(1,197,637)	(1,259,974)
$ (12,619,705)	$ (13,365,494)	$ (12,998,422)	$ (13,235,212)

(Continued)

Changes in Net Assets
(Accrual Basis of Accounting)

For the Last Eight Fiscal Years (Continued)

	2009	2008	2007	2006
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Income Taxes	$ 6,809,733	$ 7,503,616	$ 7,365,400	$ 6,867,020
Sales and Excise Taxes	4,755,163	4,809,262	4,517,594	4,489,663
Public Utility Taxes	307,552	286,501	271,222	250,088
Motor Fuel (Transportation-related) Taxes	1,001,921	1,037,740	1,020,793	990,688
Other Taxes	425,665	575,251	565,583	565,252
Investment Earnings	40,112	75,998	80,472	72,643
Contributions and Miscellaneous	498,044	366,080	422,605	405,356
Special Items - Sale of Future Tobacco Settlement Revenues	1,518,000	-	-	-
Special Items - Purchase of Future Tobacco Settlement Revenues	(1,518,000)	-	-	-
Transfers	(1,051,574)	(1,002,000)	(1,163,529)	(1,022,896)
Total Governmental Activities	12,786,616	13,652,449	13,080,141	12,617,813
Business-type Activities:				
Investment Earnings	8,455	15,460	213,850	49,660
Contributions and Miscellaneous	795	1,283	3,062	9,388
Transfers	1,052,151	1,002,000	1,163,529	1,022,896
Total Business-type Activities	1,061,401	1,018,743	1,380,441	1,081,945
Total Primary Government	$ 13,848,017	$ 14,671,191	$ 14,460,582	$ 13,699,757
Change in Net Assets				
Governmental Activities	$ (222,186)	$ 397,187	$ 191,468	$ 176,239
Business-type Activities	(748,227)	(294,045)	402,166	297,117
Total Primary Government	$ (970,414)	$ 103,141	$ 593,636	$ 473,357

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

Schedule A-2

(In Thousands)

2005	2004	2003	2002
$ 6,467,377	$ 5,956,292	$ 5,502,423	$ 5,415,337
4,395,292	4,249,709	4,102,350	4,048,716
255,727	254,229	273,892	243,970
989,638	950,497	924,503	892,162
564,583	524,729	483,617	443,449
42,710	23,507	22,353	29,019
444,184	466,711	920,407	1,358,785
-	-	-	1,275,002
-	-	-	-
(1,008,160)	(1,007,395)	(1,099,606)	(1,059,422)
12,151,349	11,418,280	11,129,938	12,647,018
11,484	(4,813)	18,192	10,668
678	5,378	2,080	6,511
1,008,160	1,007,395	1,099,606	1,059,422
1,020,323	1,007,961	1,119,877	1,076,600
$ 13,171,672	$ 12,426,241	$ 12,249,815	$ 13,723,618
$ 300,529	$ (956,149)	$ (670,847)	$ 671,779
251,438	16,895	(77,760)	(183,373)
$ 551,967	$ (939,254)	$ (748,608)	$ 488,405

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

For the Last Ten Fiscal Years

	2009	2008	2007	2006
General Fund:				
Reserved	$ 409,756	$ 349,825	$ 419,680	$ 356,451
Unreserved	(3,121,381)	(2,852,559) (a)	(2,863,822) (b)	(2,506,925)
Total General Fund	$ (2,711,626)	$ (2,502,734)	$ (2,444,142)	$ (2,150,474)
All Other Governmental Funds:				
Reserved	$ 1,648,775	$ 1,730,277	$ 1,619,918	$ 1,761,116
Unreserved, Reported in:				
Special Revenue Funds	(302,048)	(232,826)	(158,992) (b)	(265,660)
Debt Service Funds	78,222	82,691	62,612	123,093
Capital Projects Funds	(867,803)	(888,941)	(718,729)	(667,392)
Permanent Funds	296,675	337,560	301,394	230,420
Total All Other Governmental Funds	$ 853,821	$ 1,028,761	$ 1,106,203	$ 1,181,577

(a) In 2008, the Medical Assistance Trust Fund (a special revenue fund with fund balance of $2.7 million at June 30, 2007) was reclassified to the General Fund. Prior years have not been restated.

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

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

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

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

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

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

(In Thousands)

2005	2004	2003	2002	2001	2000
$ 337,245	$ 365,739	$ 395,611	$ 392,995	$ 374,025	$ 609,700
(2,459,480) (c)	(2,296,847)	(2,638,150) (d)	(1,877,328)	(1,588,872)	(1,440,049)
$ (2,122,235)	$ (1,931,108)	$ (2,242,539)	$ (1,484,333)	$ (1,214,847)	$ (830,349)
$ 1,500,475	$ 1,481,174	$ 1,055,003	$ 982,544	$ 814,728	$ 784,021
(157,366)	(526,460)	(94,756) (d)	271,321 (e)	(400,365)	(74,749)
231,994	314,488	25,991	20,484	9,155	7,787
(530,032)	(363,325)	(433,813)	(511,890)	(459,547)	(458,399)
241,776	283,939	386,811	324,733 (f)	-	-
$ 1,286,847	$ 1,189,816	$ 939,236	$ 1,087,192	$ (36,029)	$ 258,660

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

For the Last Ten Fiscal Years

	2009	2008	2007	2006
Revenues:				
Taxes	$ 13,249,082	$ 14,229,280	$ 13,743,355	$ 13,170,610
Intergovernmental	8,680,730	6,638,741	6,428,024	6,230,782
Licenses and Permits	1,606,833	1,202,109	1,141,117	1,123,956
Charges for Goods and Services	316,781	378,769	307,449	361,804
Investment and Interest Income	70,340	109,850	116,123	103,482
Fines and Forfeitures	66,782	58,430	57,976	72,263
Gifts and Donations	19,816	17,447	18,881	18,687
Miscellaneous:				
Intergovernmental Transfer	-	-	-	-
Tobacco Settlement	306,179	150,165	125,908	121,227
Other	238,194	191,087	279,590	274,820
Total Revenues	24,554,736	22,975,877	22,218,423	21,477,631
Expenditures:				
Current Operating:				
Commerce	301,885	294,650	294,861	270,530
Education	6,673,017	6,445,647	6,385,551	6,245,252
Transportation	2,029,347	1,857,435	1,767,266	1,672,697
Environmental Resources	503,411	471,737	462,502	462,841
Human Relations and Resources	10,298,086	8,969,935	8,620,586	8,375,997
General Executive	559,262	535,493	562,573	549,582
Judicial	126,851	121,720	117,289	111,495
Legislative	63,798	63,964	61,949	60,169
Tax Relief and Other General Expenditures:				
Employee Benefit Liability	-	-	-	-
Other	1,275,882	1,085,775	955,796	857,113
Intergovernmental - Shared Revenue	1,035,050	1,019,275	1,016,313	1,016,718
Debt Service:				
Principal	1,812,219	420,188	407,677	426,357
Interest and Other Charges	678,052	542,458	493,397	482,815
Capital Outlay	775,189	688,598	759,780	787,998
Total Expenditures	26,132,047	22,516,874	21,905,540	21,319,565
Excess of Revenues Over (Under) Expenditures	(1,577,311)	459,003	312,883	158,066
Other Financing Sources (Uses):				
Long-term Debt Issued	2,172,974 (d)	284,979	454,408	627,497
Long-term Debt Issued - Refunding Bonds	-	1,007,120	436,193	133,829
Payment to Refunding Bond Escrow Agent	-	(944,850)	(472,849)	(93,592)
Discount on Bonds	(371)	(4,377)	-	-
Premium on Bonds	28,843	15,515	48,898	44,896
Transfers In	1,157,010	1,003,771	1,026,728 (a)	1,454,568
Transfers Out	(2,196,922)	(2,007,375) (a)	(2,192,666) (a)	(2,466,960)
Capital Leases Acquisitions	20,077	8,529	12,712	5,985
Installment Purchase Acquisitions	671	770	653	2,457
Total Other Financing Sources (Uses)	1,182,281	(635,918)	(685,924)	(291,319)
Net Change in Fund Balances	$ (395,029)	$ (176,915)	$ (373,041)	$ (133,253)
Debt Service as a Percentage of Noncapital Expenditures	9.8%	4.4%	4.3%	4.4%

(a) In 2008, the Transportation Fund transferred $155.2 million to the General Fund as required by 2007 Wisconsin Acts 20 and 226. In 2007 and 2006, the Transportation Fund transferred $88.7 million and $338.4 million, respectively, to the General Fund as required by 2005 Wisconsin Act 25. Also in these years, the General Fund transferred $127.8 million in 2007 and $303.4 million in 2006 to the Medical Assistance Trust Fund.

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

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

(d) In 2009, the State issued $1,518.0 million of Annual Appropriation Bonds to purchase tobacco settlement revenues that had been sold to the Badger Tobacco Asset Securitization Corporation. In 2004, the State issued $1,794.9 million of Annual Appropriation Bonds to pay for the unfunded accrued prior service (pension) liability for sick leave conversion credits. General Fund reported a related Employee Benefit Liability expenditure of $1,487.6 million.

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

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

(In Thousands)

2005 (b)	2004	2003	2002 (g)	2001	2000
$ 12,647,472	$ 11,913,325	$ 11,270,818	$ 11,050,658	$ 10,984,512	$ 11,974,334
6,399,774	6,118,198	5,984,658	5,509,834	5,102,944	4,375,513
1,043,742	1,016,729	891,260	855,093	775,022	731,668
230,479	269,649	247,519	224,066	268,347	239,050
70,148	47,654	48,838	45,562	98,244	97,682
66,764	68,737	55,834	55,392 (h)	-	-
17,469	13,006	14,342	38,087	24,271	14,601
87,300	95,000	598,580	969,886	637,000	-
132,055	130,110	153,923	1,431,218 (i)	124,389	167,362
216,117	210,335	139,531	166,569	246,823	207,002
20,911,320	19,882,743	19,405,303	20,346,365	18,261,552	17,807,212
260,077	284,930	226,182	198,291	205,802	205,008
5,792,108	5,726,586	5,649,280	5,417,136	5,201,596	4,900,287
1,684,549	1,653,448	1,519,266	1,664,161	1,170,663	1,765,534
412,322	439,734	464,479	528,699	729,456	530,586
8,370,108	7,966,656	8,113,457	7,957,774	6,945,336	5,889,413
486,351	451,469	490,846	443,114	440,513	410,603
108,184	107,423	104,930	103,069	102,634	103,216
57,174	58,301	60,175	61,989	61,658	60,424
-	1,487,574 (d)	-	-	-	-
837,581	812,498	845,130	822,650	770,035	1,440,464 (m)
1,011,052	1,058,182	1,107,958	1,095,991	1,072,576	1,073,434
337,196	126,358	270,719	173,247	176,766	176,130
425,349	381,145	226,469	209,851	161,774	140,759
778,510	672,955	691,586	669,704	1,042,881 (l)	230,151
20,560,561	21,227,259	19,770,477	19,345,676	18,081,690	16,926,009
350,759	(1,344,516)	(365,174)	1,000,689	179,862	881,203
455,845	2,551,901 (d)	506,524	529,649	281,631	451,886
719,779	524,658	-	596,332	-	-
(780,044)	(534,937)	-	(631,477)	-	-
-	(2,857)	-	- (j)	-	-
96,993	98,214	31,640	60,247 (j)	-	-
1,028,319 (c)	1,274,917 (e)	1,234,157 (f)	2,067,099 (k)	369,342	437,139
(2,038,387) (c)	(2,253,763) (e)	(2,319,188) (f)	(3,135,615) (k)	(1,476,426)	(1,502,681)
5,875	3,379	17,143	6,039	7,330	9,996
1,068	1,124	2,863	1,216	873	1,022
(510,552)	1,662,636	(526,861)	(506,510)	(817,250)	(602,638)
$ (159,793)	$ 318,120	$ (892,035)	$ 494,179	$ (637,388)	$ 278,565
3.9%	2.5%	2.6%	2.1%	2.0%	1.9%

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

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

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

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

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

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

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

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

Personal Income by Industry

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

	2008	2007	2006	2005	2004	2003	2002	2001
Personal Income by Source:								
Farm Earnings	$ 2,172	$ 2,103	$ 1,386	$ 1,671	$ 1,881	$ 1,542	$ 1,066	$ 1,171
Forestry, Fishing, Related Activities	347	328	328	310	313	303	322	343
Mining	225	222	247	226	218	188	181	186
Utilities	1,276	1,204	1,206	1,158	1,165	1,059	1,055	1,014
Construction	9,511	10,368	10,292	9,942	9,650	9,050	8,618	8,454
Manufacturing	31,835	31,478	31,069	30,100	29,696	28,802	28,120	27,977
Wholesale Trade	8,820	8,468	8,198	7,721	7,225	6,727	6,603	6,283
Retail Trade	9,997	9,970	9,861	9,680	9,541	9,329	9,011	8,573
Transportation and Warehousing	5,905	5,854	5,718	5,583	5,273	5,008	4,766	4,726
Information	3,510	3,425	3,166	3,057	2,984	2,770	2,706	2,698
Finance and Insurance	10,154	9,855	9,813	9,037	8,755	8,327	7,852	7,440
Real Estate and Rental and Leasing	1,523	1,577	1,768	1,898	1,829	1,715	1,653	1,605
Professional and Technical Services	9,086	8,718	8,247	7,656	7,211	6,698	6,544	6,476
Management of Companies and Enterprises	4,412	4,401	4,237	3,752	3,703	3,549	3,126	2,922
Administrative and Waste Services	4,654	4,574	4,311	4,015	3,743	3,500	3,502	3,354
Educational Services	2,014	1,886	1,754	1,628	1,632	1,490	1,400	1,273
Health Care and Social Assistance	18,916	17,861	17,166	16,326	15,743	14,644	13,680	12,524
Arts, Entertainment, and Recreation	1,345	1,273	1,233	1,137	1,126	1,081	1,061	948
Accommodations and Food Services	4,045	3,977	3,829	3,698	3,623	3,383	3,170	3,049
Other Services, except Public Administration	5,986	5,761	5,562	5,359	5,017	4,801	4,782	4,305
Federal, Civilian	2,532	2,443	2,401	2,288	2,252	2,072	2,004	1,928
Military	791	707	706	742	679	622	454	362
State and Local	19,678	18,870	18,230	17,392	16,562	16,874	15,798	15,148
Other (b)	53,820	51,877	47,870	42,220	40,518	39,763	40,267	40,031
Total Personal Income	$ 212,553	$ 207,201	$ 198,598	$ 186,595	$ 180,338	$ 173,295	$ 167,742	$ 162,792
Per Capita Personal Income (in Dollars)	$ 37,767	$ 37,008	$ 35,665	$ 33,689	$ 32,736	$ 31,656	$ 30,809	$ 30,102

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

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

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

Personal Income Tax Rates

For the Last Ten Calendar Years

Year	Top Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of: Single	Married Filing Jointly	Head of Household	Average Tax Rate (a)
2009	6.75 %	$ 153,280	$ 204,370	$ 102,190	(b) %
2008	6.75	145,460	193,950	96,980	(b)
2007	6.75	142,650	190,210	95,100	4.47
2006	6.75	137,410	183,210	91,600	4.44
2005	6.75	132,580	176,770	88,390	4.48
2004	6.75	129,150	172,200	86,100	4.47
2003	6.75	126,420	168,560	84,280	4.41
2002	6.75	124,200	165,600	82,800	4.38
2001	6.75	116,330	155,100	77,550	4.40
2000	6.75	116,890	155,850	77,930	4.58

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

Source: Wisconsin Department of Revenue

Personal Income Filers and Liability by Income Level
Calendar Year 2007[a] and Nine Years Prior

2007

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liabilitiy	Percentage of Total	Net Income Tax Rate (b)
$1,000,000 and Higher	3,706	0.13 %	$ 534,579,726	8.71 %	5.69 %
$500,000 to 999,999	7,624	0.26	310,596,285	5.06	6.04
$200,000 to 499,999	41,479	1.44	694,392,132	11.31	5.80
$100,000 to 199,999	217,946	7.54	1,472,290,675	23.99	5.22
$70,000 to 99,999	310,376	10.74	1,226,171,980	19.98	4.75
$50,000 to 69,999	346,818	12.00	883,940,292	14.40	4.29
$30,000 to 49,999	508,836	17.61	731,233,866	11.91	3.66
$10,000 to 29,999	753,249	26.07	274,103,598	4.47	1.87
Less than $10,000	699,837	24.22	9,880,889	0.16	0.59
Total	2,889,871	100.00 %	$ 6,137,189,443	100.00 %	4.47 %

1998

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liabilitiy	Percentage of Total	Net Income Tax Rate (b)
$1,000,000 and Higher	1,787	0.07 %	$ 268,756,699	5.75 %	6.41 %
$500,000 to 999,999	3,908	0.15	167,095,625	3.58	6.37
$200,000 to 499,999	20,477	0.77	366,682,748	7.85	6.16
$100,000 to 199,999	87,612	3.30	650,752,475	13.93	5.73
$70,000 to 99,999	187,110	7.06	817,231,285	17.49	5.34
$50,000 to 69,999	315,408	11.89	951,441,203	20.36	5.11
$30,000 to 49,999	483,102	18.22	914,716,965	19.58	4.81
$10,000 to 29,999	802,171	30.25	516,805,910	11.06	3.35
Less than $10,000	750,108	28.29	18,973,287	0.41	0.74
Total	2,651,683	100.00 %	$ 4,672,456,197	100.00 %	4.92 %

(a) Tax information is gathered on a calendar year basis. Since tax forms are filed in the following year, the information from tax year 2007 is the most current data available.
(b) Net income tax rate equals personal income tax liability as a percentage of Wisconsin Adjusted Gross Income (WAGI).

Source: Wisconsin Department of Revenue

Ratio of Outstanding Debt by Type

For the Last Eight Fiscal Years (In Thousands, except for Net Bonded Debt Per Capita)

	2009	2008	2007 (a)	2006	2005	2004	2003	2002
Governmental Activities:								
General Obligation Bonds	$ 4,244,746	$ 4,080,880	$ 4,066,286	$ 4,041,982	$ 3,763,973	$ 3,560,219	$ 3,090,875	$ 2,962,588
Annual Appropriation Bonds	3,378,300	1,850,802	1,792,686	1,792,488	1,792,290	1,792,092 (b)	-	-
Transportation Revenue Bonds	1,591,971	1,485,849	1,566,842	1,485,558	1,386,493	1,359,849	1,137,467	965,264
Petroleum Inspection Revenue Bonds	89,373	111,142	132,189	190,984	210,446	224,658	188,119	199,797
Badger Tobacco Asset Securitization Corporation Bonds	-	1,388,778	1,436,063	1,474,084	1,520,788	1,566,993 (c)	-	-
Capital Leases	32,263	37,830	41,208	36,840	22,856	20,326	40,315	20,690
Installment Contracts	475	316	451	666	1,571	2,770	3,653	1,249
Business-type Activities:								
General Obligation Bonds	1,117,248	1,154,594	1,122,337	896,268	893,196	859,262	913,452	996,238
Environmental Improvement Revenue Bonds	829,269	797,979	746,181	690,873	652,213	692,111	623,418	659,451
Capital Leases	110,110	116,439	121,183	47,686	48,427	48,577	40,916	37,779
Total Primary Government	$ 11,393,755	$ 11,024,609	$ 11,025,426	$ 10,657,429	$ 10,292,253	$ 10,126,857	$ 6,038,215	$ 5,843,056
Percentage of Personal Income (d)	5.36%	5.32%	5.55%	5.88%	5.89%	6.02%	3.70%	3.68%
Per Capita	2,024	1,969	1,980	1,924	1,868	1,850	1,109	1,080

(a) 2007 bonds restated to report net of issuance premiums/discounts and refundings and to include internal service funds in governmental activities.

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

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

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

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

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

For the Last Ten Fiscal Years

	2009	2008	2007 (a)	2006
General Obligation Bonds:				
Payable from Governmental Funds	$ 4,091,223	$ 3,921,719	$ 3,907,010	$ 3,879,823
Payable from Internal Service Funds	153,523	159,161	159,276	162,159
Payable from Enterprise Funds	1,117,248	1,154,594	1,122,337	896,267
Total General Obligation Bonds	5,361,994	5,235,474	5,188,623	4,938,249
Annual Appropriation Bonds (c)	3,378,300	1,850,802	1,792,686	1,792,488
Bonded Debt to be Paid with General Resources	$ 8,740,294	$ 7,086,276	$ 6,981,309	$ 6,730,737
Personal Income	$ 212,553,339	$ 207,201,190	$ 198,598,447	$ 181,163,246
Ratio of Bonded Debt to Personal Income (d)	4.1%	3.4%	3.5%	3.7%
Population	5,628	5,599	5,569	5,540
Bonded Debt per Capita (in Dollars) (d)	$ 1,553	$ 1,266	$ 1,254	$ 1,215

(a) 2007 bonds restated to report net of issuance premiums/discounts and refundings.

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

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

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

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

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

2005	2004	2003	2002		2001	2000
$ 3,596,453	$ 3,389,177	$ 2,917,331	$ 2,802,708	(b)	$ 1,892,416	$ 1,769,042
167,520	171,042	173,544	159,880		108,224	108,059
893,195	859,261	913,452	996,238	(b)	1,714,566	1,543,094
4,657,168	4,419,480	4,004,327	3,958,826		3,715,206	3,420,195
1,792,290	1,792,092	-	-		-	-
$ 6,449,458	$ 6,211,572	$ 4,004,327	$ 3,958,826		$ 3,715,206	$ 3,420,195
$ 174,655,399	$ 168,120,232	$ 163,308,733	$ 158,888,404		$ 153,547,595	$ 144,702,139
3.7%	3.7%	2.5%	2.5%		2.4%	2.4%
5,511	5,475	5,445	5,409		5,374	5,333
$ 1,170	$ 1,135	$ 735	$ 732		$ 691	$ 641

Legal Debt Margin

For the Last Ten Calendar Years (In Thousands)

Calendar Year	Annual Debt Limit	Total Net Debt Applicable to Limit (a)	Legal Debt Margin	Legal Debt Margin as a Percentage of Debt Limit
2009 (b)	$ 3,839,340	$ 542,765	$ 3,296,575	85.9 %
2008	3,857,955	493,635	3,364,320	87.2
2007	3,734,403	483,280	3,251,123	87.1
2006	3,517,374	891,285	2,626,089	74.7
2005	3,209,502	471,640	2,737,862	85.3
2004	2,933,909	664,435	2,269,474	77.4
2003	2,705,327	499,030	2,206,297	81.6
2002	2,514,949	481,000	2,033,949	80.9
2001	2,343,628	485,645	1,857,983	79.3
2000	2,147,411	538,795	1,608,616	74.9

Calculation of Annual Public Debt Limit for 2009:

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

(1) Three-fourths of one percent of the aggregate value of taxable property	$ 3,839,340
or	
(2) Five percent of aggregate value of taxable property	$ 25,595,599
Less: Net indebtedness at January 1	6,146,978
	$ 19,448,621
The lessor of (1) or (2) is:	$ 3,839,340

(a) Consists of bonds issued less refundings.

(b) Debt issued through December 1, 2009.

SOURCE: Wisconsin Department of Administration

Department of Transportation Revenue Bond Coverage

For the Last Ten Fiscal Years (In Thousands)

Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total Debt Service	Pledged Revenue Coverage
2009	$ 603,548	$ 68	$ 603,480	$ 80,395	$ 70,787	$ 151,182	3.99
2008	544,739	89	544,650	75,065	68,173	143,238	3.80
2007	458,077	78	457,999	71,640	68,460	140,100	3.27
2006	467,368	98	467,270	61,120	63,739	124,859	3.74
2005	436,724	138	436,586	57,885	65,433	123,318	3.54
2004	425,588	55	425,533	46,870	57,083	103,953	4.09
2003	326,266	71	326,195	38,115	52,738	90,853	3.59
2002	324,967	105	324,862	36,560	46,454	83,014	3.91
2001	316,061	36	316,025	33,705	39,488	73,193	4.32
2000	313,155	66	313,089	30,860	41,063	71,923	4.35

The State of Wisconsin, Department of Transportation finances certain state highway projects and related transportation facilities through the issuance of revenue bonds. The revenue bonds, $1,511.1 million outstanding at June 30, 2009, are secured by a pledge of the registration and registration-related fees collected under Wis. Stat. Sec. 341.25 and investments.

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

(b) Includes administrative operating expenses.

SOURCE: Wisconsin Department of Transportation

Environmental Improvement Fund Revenue Bond Coverage

For the Last Ten Fiscal Years (In Thousands)

Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenues	Debt Service: Principal	Debt Service: Interest	Debt Service: Total Debt Service	Pledged Revenue Coverage
2009	$ 106,305	$ 2,346	$ 103,959	$ 60,730	$ 39,282	$ 100,012	1.04
2008	99,761	2,515	97,246	53,810	36,439	90,249	1.08
2007	98,288	2,416	95,872	47,085	36,163	83,248	1.15
2006	86,289	2,348	83,941	44,775	33,197	77,972	1.08
2005	64,321	2,292	62,029	39,340	33,677	73,017	0.85
2004	66,741	2,088	64,653	37,545	34,527	72,072	0.90
2003	72,959	2,065	70,894	36,405	34,646	71,051	1.00
2002	67,330	2,052	65,278	30,975	32,426	63,401	1.03
2001	63,268	1,891	61,377	27,245	31,012	58,257	1.05
2000	58,747	1,497	57,250	23,530	30,905	54,435	1.05

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

(b) Includes allocated administrative and general costs.

SOURCE: Wisconsin Department of Administration

State of Wisconsin — Schedule C-6

Petroleum Inspection Fee Revenue Bond Coverage

For Last Ten Fiscal Years (In Thousands)

Year (a)	Fees Remitted to the Trustees (b)	Debt Service: Principal	Debt Service: Interest	Debt Service: Total Debt Service	Pledged Revenue Coverage
2009	$ 73,359	$ 21,280	$ 6,898	$ 28,178	2.60
2008	76,558	20,270	10,086	30,356	2.52
2007 (c)	75,361	19,775	12,722	32,497	2.32
2006	114,949	18,205	13,728	31,933	3.60
2005	115,901	12,735	13,555	26,290	4.41
2004	116,634	12,070	11,507	23,577	4.95
2003	117,336	11,440	12,632	24,072	4.87
2002	110,689	-	11,304	11,304	9.79
2001	114,304	1,750	10,930	12,680	9.01
2000	32,503	-	-	-	n/a (d)

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

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

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

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

SOURCE: Wisconsin Department of Commerce

State of Wisconsin — Schedule C-7

Badger Tobacco Asset Securitization Corporation Bond Coverage [a]

For Last Eight Fiscal Years (In Thousands)

Year (b)	Revenues	Debt Service: Principal	Debt Service: Interest	Debt Service: Total Debt Service	Pledged Revenue Coverage
2009	$ 28,371	$ 1,412,760	$ 261,104	$ 1,673,864	0.02
2008	159,400	47,600	88,579	136,179	1.17
2007	135,415	38,155	91,061	129,216	1.05
2006	130,043	46,605	93,619	140,224	0.93
2005	140,379	45,975	96,409	142,384	0.99
2004	137,977	-	97,643	97,643	1.41
2003	9,123	-	50,991	50,991	0.18 (c)
2002	32	-	-	-	n/a (d)

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

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

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

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

SOURCE: BTASC annual audit reports

Wisconsin Housing and Economic Development Authority Revenue Bond Coverage

For the Last Ten Fiscal Years (In Thousands)

Year	Gross Revenues (a)	Direct Operating Expenses (b)	Net Revenues	Debt Service: Principal	Debt Service: Interest	Debt Service: Total Debt Service	Pledged Revenue Coverage (c)
Home Ownership Revenue Bonds							
2009	$ 464,514	$ 13,381	$ 451,133	$ 226,545	$ 125,480	$ 352,025	1.28
2008	349,724	13,149	336,575	154,885	114,035	268,920	1.25
2007	291,008	11,359	279,649	138,000	95,035	233,035	1.20
2006	273,512	11,039	262,473	172,640	75,490	248,130	1.06
2005	261,337	9,799	251,538	181,650 (e)	62,099	243,749	1.03
2004	439,960 (d)	9,431	430,529	396,415 (e)	59,809	456,224	0.95
2003	630,290	8,153	622,137	528,825	78,782	607,607	1.02
2002	429,838	8,287	421,551	300,645	88,279	388,924	1.08
2001	286,366	7,731	278,635	178,905	95,138	274,043	1.02
2000	250,352	8,379	241,973	217,333	90,506	307,839	0.79
Housing Revenue Bonds							
2009	$ 88,197	$ 4,692	$ 83,505	$ 43,915	$ 21,892	$ 65,807	1.27
2008	79,701	4,574	75,127	27,092	22,847	49,939	1.50
2007	80,325	3,924	76,401	24,945	21,960	46,905	1.62
2006	87,115	4,313	82,802	44,165 (e)	22,448	66,613	1.25
2005	72,123	3,381	68,742	40,160 (e)	22,384	62,544	1.10
2004	70,811	4,099	66,712	32,040 (e)	22,942	54,982	1.23
2003	66,740	3,772	62,968	22,265 (e)	24,162	46,427	1.35
2002	66,480	3,449	63,031	16,725	25,884	42,609	1.48
2001	59,553	4,346	55,207	15,230	25,919	41,149	1.35
2000	58,054	4,139	53,915	14,749 (e)	26,176	40,925	1.32
Housing Rehabilitation and Home Improvement Revenue Bonds							
2009	$ 2,867	$ 482	$ 2,385	$ -	$ -	$ -	n/a
2008	2,858	516	2,342	-	-	-	n/a
2007	2,826	560	2,266	-	-	-	n/a
2006	2,442	370	2,072	-	-	-	n/a
2005	2,283	333	1,950	-	-	-	n/a
2004	1,941	297	1,644	-	-	-	n/a
2003	1,941	145	1,796	-	-	-	n/a
2002	2,241	69	2,172	-	-	-	n/a
2001	2,177	106	2,071	-	-	-	n/a
2000	2,765	122	2,643	6,125	145	6,270	0.43 (f)

(Continued)

Wisconsin Housing and Economic Development Authority Revenue Bond Coverage

For the Last Ten Fiscal Years (Continued)

Year	Gross Revenues (a)	Direct Operating Expenses (b)	Net Revenues	Debt Service: Principal	Debt Service: Interest	Debt Service: Total Debt Service	Pledged Revenue Coverage (c)
Business Development Revenue Bonds							
2009	$ 1,260	$ 3	$ 1,257	$ 1,150	$ 105	$ 1,255	1.00
2008	765	5	760	605	154	759	1.00
2007	1,521	5	1,516	1,290	224	1,514	1.00
2006	3,894	6	3,888	3,630	256	3,886	1.00
2005	2,734	9	2,725	2,450	271	2,721	1.00
2004	5,240	7	5,233	4,935	288	5,223	1.00
2003	3,075	8	3,067	2,550	505	3,055	1.00
2002	3,660	10	3,650	2,990	642	3,632	1.00
2001	4,657	13	4,644	3,445	1,186	4,631	1.00
2000	11,854	12	11,842	10,905	968	11,873	1.00
Single Family Drawdown Revenue Bonds							
2009	$ 80,832	$ 2	$ 80,829	$ 80,257	$ 566	$ 80,823	1.00
2008	73,891	3	73,888	70,712	3,166	73,878	1.00
2007	28,461	2	28,459	25,677	2,785	28,462	1.00
2006	129,329	2	129,327	127,215	2,092	129,307	1.00
2005	188,601	5	188,596	185,976	2,924	188,900	1.00
2004	212,366	6	212,360	209,050	3,252	212,302	1.00
2003	157,155	5	157,150	154,000	3,114	157,114	1.00
2002	199,567	2	199,565	195,431	4,148	199,579	1.00
2001	92,053	5	92,048	84,350	7,748	92,098	1.00
2000	64,936	5	64,931	57,345	7,382	64,727	1.00

(a) Includes mortgage payments received.
(b) Includes administrative and general costs, mortgage insurance premiums, lender service fees, and for the Housing Revenue Bonds includes the FAF (financial adjustment factor) expense and that portion of the FAF not yet expensed.
(c) 1998 through 2009 include gains/losses due to the increases/decreases in fair market value of investments as a result of the implementation of GASB Statement No. 31. The Pledged Revenue Coverage excludes these amounts.
(d) Gross revenues include revised mortgage payments that exclude mortgage loans between programs.
(e) Revised debt service principal payments exclude debt refunding issues.
(f) Remainder of bonds redeemed in Fiscal Year 2000.

SOURCE: Wisconsin Housing and Economic Development Authority

Demographic and Economic Statistics

For the Last Ten Years

Calendar Year	Population (In Thousands)	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate (a)	Public School Enrollment (b)
2008	5,628	$ 212,553,339	$ 37,767	4.7 %	830,433
2007	5,599	207,201,190	37,008	4.9	836,860
2006	5,569	198,598,447	35,665	4.7	842,879
2005	5,539	186,594,892	33,689	4.8	837,313
2004	5,509	180,338,032	32,736	5.0	853,363
2003	5,474	173,294,515	31,656	5.6	855,139
2002	5,445	167,741,977	30,809	5.3	854,688
2001	5,408	162,791,684	30,102	4.4	855,725
2000	5,374	156,602,874	29,140	3.4	875,038
1999	5,333	147,461,519	27,652	3.1	859,387

(a) Not seasonally adjusted

(b) 2008-2009 school year Kindergarten through Grade 12

Calendar year information is not yet available for 2009.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis
Wisconsin Department of Public Instruction
Wisconsin Department of Workforce Development

Principal Employers
2009 and Nine Years Prior (a)

Employer	2009 Employees (b)	2009 Rank	2000 Employees (b)	2000 Rank
Wal-Mart Associates Inc.	Greater than 9,999	1	Greater than 9,999	1
UW-Madison	Greater than 9,999	2	Greater than 9,999	2
US Postal Service	Greater than 9,999	3		
Milwaukee Public Schools	Greater than 9,999	4	Greater than 9,999	3
Department of Corrections	Greater than 9,999	5	7,500 - 9,999	4
Menard Inc.	7,500 - 9,999	6		
Kohl's Department Stores Inc.	7,500 - 9,999	7		
Ultra Mart Foods LLC	5,000 - 7,499	8		
City of Milwaukee	5,000 - 7,499	9	7,500 - 9,999	7
Marshfield Clinic	5,000 - 7,499	10		
Kohler Co			7,500 - 9,999	5
Shopko Stores			7,500 - 9,999	6
Quad Graphics			5,000 - 7,499	8
County of Milwaukee			5,000 - 7,499	9
Land's End Inc			5,000 - 7,499	10

(a) March data
(b) Number of employees per employer and percentage of total employment is confidential information.

SOURCE: Wisconsin Department of Workforce Development

Full Time Equivalent State Government Employees by Function/Program

For the Last Ten Fiscal Years

Functions/Programs	2009	2008	2007	2006	2005
Commerce	1,424	1,467	1,468	1,476	1,499
Education					
University of Wisconsin System	31,552	30,982	30,668	30,458	30,443
Other Education	859	880	872	886	862
Transportation	3,238	3,315	3,350	3,247	3,348
Environmental Resources	2,470	2,581	2,586	2,609	2,613
Human Relations and Resources	20,191	19,972	19,656	19,337	19,604
General Executive	2,935	2,953	2,990	3,036	2,985
Judicial	804	802	784	783	779
Legislative	734	717	732	732	732
Totals	64,206	63,670	63,106	62,563	62,866
Percentage Change	0.84%	0.89%	0.87%	-0.48%	-1.74%

Totals exclude limited term employees.

Measurement date for most positions is the last full payperiod prior to June 30. In the case of the University of Wisconsin System, an April payperiod is used to better capture individuals who do not have full-year appointments.

Sources: State of Wisconsin, Department of Administration, State Controller's Office
University of Wisconsin System
Wisconsin State Legislature and legislative service agencies

2004	2003	2002	2001	2000	Change from 2000 to 2009
1,571	1,552	1,618	1,706	1,690	-15.77%
30,570	30,489	30,057	29,196	28,382	11.17%
869	902	945	959	948	-9.42%
3,558	3,712	3,803	3,932	3,820	-15.23%
2,738	2,832	2,937	2,964	2,849	-13.29%
20,114	19,958	19,919	19,223	18,284	10.43%
3,055	3,165	3,263	3,285	3,257	-9.89%
777	772	769	782	770	4.42%
726	768	769	796	796	-7.77%
63,978	64,149	64,080	62,843	60,796	5.61%
-0.27%	0.11%	1.97%	3.37%		

Operating Indicators by Function

For the Last Ten Fiscal Years

	2009	2008	2007	2006
Commerce				
Agriculture				
Farm Inspections (Calendar Year)	(a)	21,331	21,134	23,435
State Fair Park				
State Fair Attendance	833,285	872,458	801,420	861,408
Education				
Historical Society				
Visitors to Historic Sites and State Museum	(a)	242,121	244,783	234,515
Public Instruction				
Licensed School Staff	(a)	67,939	68,071	68,284
Ratio of Students to Licensed Staff	(a)	12.9	12.9	12.8
State's Share of Spending per Student	(a)	$6,018	$5,985	$5,847
University of Wisconsin System				
Enrollment (Full Time Equivalent)	149,493	147,956	144,814	144,298
Number of Degrees Conferred	(a)	32,475	32,057	30,703
Technical College System				
Enrollment (Degree/Career Programs)	(a)	178,447	177,126	175,955
Number of Degrees Granted	(a)	23,617	24,063	23,198
Transportation				
Motor Vehicle Registrations (Calendar Year)	(a)	5,402,565	5,455,985	5,326,693
Licensed Drivers (Calendar Year)	(a)	4,079,562	4,075,764	4,066,273
Environmental Resources				
Natural Resources				
Park Visitors (Calendar Year) (Excludes Lakeshore Park)	(a)	13,291,541	13,063,165	13,161,106
Annual Park Admission Stickers (Calendar Year)	(a)	571,844	517,445	516,109
Fishing and Hunting Licenses (License Year)	(a)	4,648,467	3,183,074	3,156,267
State Hatchery Fish Stocked	(a)	7,720,740	18,209,232	9,966,000
Human Relations and Resources				
Corrections (Average Daily Population)				
Adults in Correctional Facilities	23,162	23,341	23,094	22,412
Juveniles in Detention Facilities	563	587	581	596
Health and Family Services				
Medicaid Caseload (Average Monthly)	952,175	873,229	849,630	834,027
Clients in Care and Treatment Centers (e)	1,639	1,681	1,762	1,775
FoodShare Recipients (Average Monthly)	507,228	408,360	379,046	363,678
Children and Families (Calendar Year)				
Wisconsin Works (W-2) Participants	(a)	19,030	19,289	19,174
Workforce Development				
Unemployment Insurance Initial Claims	1,206,008	668,665	630,013	604,013
Unemployment Insurance Benefits (In Thousands)	$2,093,627	$939,832	$803,753	$833,284
Military Affairs				
National Guard Assigned Strength	9,944	9,979	10,035	9,764
Veterans Affairs (Calendar Year)				
Residents of Veterans Homes	(a)	870 (f)	921 (f)	854 (f)
General Executive				
Administration				
Construction Projects Initated (Calendar Year)	(a)	960	817	894
State Patrol Troopers/Inspectors (Authorized)	382/112	382/112	382/112	382/111
State Patrol Citations Issued (Calendar Year)	(a)	142,363	150,053	146,545
Employee Trust Funds (Calendar Year)				
Active Employees in Pension Plan	(a)	72,165	71,162	70,366
Active Employees in Group Health Plan	(a)	71,925	70,119	68,688

(a) Information is currently not available.
(b) Average monthly Medicaid caseload increased due to the start of Badger Care.
(c) Average monthly Medicaid caseload increased due to the start of Family Planning Waiver and SeniorCare.
(d) FoodShare Wisconsin replaced the Food Stamp Program in Wisconsin on October 15, 2004.
(e) Care and Treatment Center population is based on a daily average, except for the Wisconsin Resource Center from 2002 through 2006 (which is based on a client count on the last day of the month). The Sand Ridge Secure Treatment Center opened in June 2001.
(f) Includes Wisconsin Veterans Home at Union Grove.

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies

2005	2004	2003	2002	2001	2000
23,539	24,766	25,608	28,670	29,374	30,905
860,078	879,322	809,484	894,709	773,650	904,059
242,931	235,523	238,591	257,244	276,627	259,931
68,853	68,692	70,079	69,354	68,538	67,254
12.5	12.8	12.6	12.7	12.8	13.1
$5,500	$5,445	$5,392	$5,231	$5,052	$4,809
142,209	141,500	140,000	137,730	135,205	133,235
30,976	32,189	29,237	28,894	28,217	27,026
174,894	176,082	172,415	164,912	158,639	155,990
23,355	21,649	19,741	18,110	16,508	15,952
5,371,800	5,278,402	5,160,673	5,038,541	4,946,305	4,798,056
4,049,450	3,993,348	3,933,924	3,839,930	3,835,549	3,801,798
13,410,803	14,300,000	14,100,000	14,100,000	13,700,000	14,100,000
367,251	346,730	371,710	373,140	380,961	401,565
3,125,816	3,106,580	3,118,324	3,083,839	2,500,105	2,491,340
10,929,000	10,913,000	14,288,000	11,229,000	15,110,000	13,480,000
22,596	22,331	21,825	21,025	20,450	19,805
658	693	799	836	907	896
805,702	775,052	677,800 (c)	553,723	496,116	445,175 (b)
1,825	1,874	1,895	1,904	1,844	1,866
339,820	320,219 (d)	288,855	251,868	208,127	188,094
24,244	27,754	27,308	25,049	23,129	20,962
615,122	631,263	723,018	721,543	744,806	529,993
$846,984	$919,619	$1,209,351	$1,203,352	$856,754	$566,465
9,777	9,936	9,993	9,885	10,051	9,885
730	798	805	744	742	745
780	889	588	822	689	952
372/111	393/115	401/118	401/118	401/118	396/113
158,379	184,220	176,833	173,885	162,856	146,742
70,006	70,933	71,031	71,222	70,512	68,330
68,044	68,758	68,755	68,090	64,619	62,476

Capital Asset Statistics by Function

For the Last Ten Fiscal Years

	2009	2008	2007	2006
Commerce				
State Fair Park				
Number of Buildings	42	41	41	42
Acres of Land	191	188	188	197
Education				
Educational Communications Board				
Communication Tower Sites	19	19	19	18
Historical Society				
Historic Sites Operated by the Historical Society	9	9	9	8
Public Instruction				
Residential Schools	2	2	2	2
University of Wisconsin System				
Number of Campuses	26	26	26	26
Technical College System				
Number of Districts and Campuses	16 and 47	16 and 47	16 and 47	16 and 47
Transportation				
Miles of State Highways	(a)	11,783	11,782	11,782
Environmental Resources				
Natural Resources				
Number of State Parks and Recreational Areas	52	52	50	50
Acres of State Parks and Recreational Areas	85,001	85,001	83,582	83,304
Number of State Forests	12	12	13	13
Acres of State Forests	506,727	506,727	506,727	506,620
Number of State Trails	42	42	35	33
Miles of State Trails	1,898	1,762	1,104	987
Number of Fish Hatcheries	14	13	13	13
Human Relations and Resources				
Corrections				
Number of Adult Correctional Institutions	19	19	19	19
Number of Adult Correctional Centers	16	16	16	16
Number of Juvenile Facilities	4	4	4	4
Health and Family Services				
Number of Care and Treatment Centers	7	7	7	7
Military Affairs				
National Guard Armories (b)	69	77	76	76
Flight Centers	3	3	3	3
Veterans Affairs				
Number of Veterans Homes	2	2	2	2
General Executive				
Administration				
Number of DOA Owned Buidings	26	26	24	24
Number of General Fleet Vehicles (All Agencies)	6,087	6,202	6,285	6,261
Number of Aircraft	19	19	19	19
Public Lands				
Acres of Land	78,000	75,700	76,200	77,845

(a) Information is currently not available.
(b) Current information is from the Department of Military Affairs, data prior to 2004 is from the Wisconsin Blue Book.

SOURCE: Wisconsin Blue Book, Various State Departments/Agencies

2005	2004	2003	2002	2001	2000
42	42	41	46	46	54
197	197	197	197	197	193
17	17	17	17	17	17
8	8	8	8	8	7
2	2	2	2	2	2
26	26	26	26	26	26
16 and 47	16 and 47	16 and 47	16 and 47	16 and 47	16 and 47
11,772	11,772	11,753	11,753	11,752	11,830
50	49	48	48	48	48
82,083	79,250	77,911	78,928	77,431	72,666
13	13	13	13	12	12
506,620	506,620	502,827	501,017	495,626	494,997
33	33	30	27	25	24
984	978	847	825	784	768
14	14	14	14	14	14
19	19	17	16	15	14
16	16	16	16	16	16
4	4	4	5	5	5
7	7	7	7	6	6
(a)	(a)	68	68	68	68
3	3	3	3	3	3
2	2	2	2	1	1
24	24	24	25	26	25
6,350	7,228	7,246	7,688	7,348	7,140
21	27	30	37	34	31
77,755	79,490	79,500	79,162	79,162	79,162

Local Government Property Insurance Fund
Ten-Year Claims Development Information

Fiscal and Policy Year Ended June 30 (In Thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Premium and investment revenues:										
Earned	$ 11,801	$ 13,578	$ 14,518	$ 18,190	$ 26,920	$ 26,291	$ 27,018	$ 24,732	$ 23,929	$ 22,644
Ceded	1,055	2,258	2,815	4,602	5,710	4,506	3,965	3,956	4,739	4,689
Net Earned	10,746	11,320	11,703	13,588	21,210	21,785	23,053	20,776	19,190	17,955
2. Loss expenses	536	621	652	629	618	623	522	404	182	247
3. Estimated incurred claims and allocated expense, end of policy year										
Direct incurred	16,134	14,125	14,837	18,589	11,118	11,367	16,564	22,226	22,037	11,372
Ceded	7,881	1,075	979	4,183	0	1,744	912	5,966	621	0
Net Incurred	8,253	13,050	13,858	14,406	11,118	9,623	15,652	16,260	21,416	11,372
4. Paid (cumulative) as of:										
End of policy year	4,866	5,060	7,278	9,040	7,138	6,074	8,790	7,855	9,917	6,896
One year later	7,344	12,333	13,669	12,431	10,841	9,313	16,498	16,387	19,416	
Two years later	8,088	13,459	14,814	13,002	11,105	9,983	16,286	16,619		
Three years later	7,741	13,437	14,923	13,004	11,105	9,983	16,475			
Four years later	7,760	13,437	14,981	13,004	11,105	10,844				
Five years later	7,760	13,437	14,981	13,004	11,105					
Six years later	7,760	13,437	14,981	13,004						
Seven years later	7,760	13,437	14,981							
Eight years later	7,760	13,437								
Nine years later	7,760									

The table above illustrates how the Local Government Property Insurance Fund's earned revenues (net of insurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

(1) These lines show the total of each fiscal year's earned contribution revenues and investment revenues, amount of reinsurance premium ceded and net earned revenues.
(2) This line shows each fiscal year's other operating cost of the fund including overhead and claims expense not allocable to individual claims.
(3) This section shows the fund's incurred claims and allocated claims adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
(4) This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year.

SOURCE: Wisconsin Office of Commissioner of Insurance

(Continued)

Local Government Property Insurance Fund
Ten-Year Claims Development Information

Fiscal and Policy Year Ended June 30 (Continued)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
5. Reestimated ceded losses and expenses	$ 5,922	$ 2,939	$ 352	$ 3,647	$ 0	$ 1,775	$ 1,639	$ 6,364	$ 0	$ 0
6. Reestimated incurred claims and expense:										
End of policy year	8,253	13,050	13,858	14,406	11,118	9,623	15,652	16,260	21,416	11,372
One year later	7,692	12,773	14,014	12,722	11,024	10,087	16,629	16,923	21,561	
Two years later	8,135	13,459	14,898	13,007	11,977	10,978	16,286	16,619		
Three years later	7,741	13,492	14,995	13,004	11,105	10,978	16,475			
Four years later	7,760	13,437	15,484	13,004	11,105	11,013				
Five years later	7,760	13,437	14,981	13,004	11,105					
Six years later	7,760	13,437	14,981	13,004						
Seven years later	7,760	13,437	14,981							
Eight years later	7,760	13,437								
Nine years later	7,760									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	(493)	387	1,123	(1,402)	(13)	1,390	823	359	145	n/a

(5) This line represents the reestimated losses assumed by reinsurers as of the end of the current fiscal year for each of the policy years presented.

(6) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

(7) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.
The columns of the table show data for successive policy years.

Income Continuation Insurance Risk Pool
Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31 (In Millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Net earned required contributions and investment revenues	$ 19.5	$ 8.2	$ 7.9	$ 3.7	$ 25.5	$ 20.5	$ 17.9	$ 24.4	$ 20.5	$ (9.1)
2. Unallocated expenses	1.5	0.8	1.9	1.7	1.9	2.1	2.1	2.4	2.4	2.4
3. Estimated incurred claims as of the end of the policy year	17.3	21.4	28.9	17.1	23.4	29.2	31.6	29.1	27.4	22.4
4. Paid (cumulative) as of:										
End of policy year	2.4	3.2	5.5	3.5	4.5	4.5	5.1	4.4	2.5	5.1
One year later	4.6	6.4	10.0	7.7	8.8	9.7	12.9	9.3	6.8	
Two years later	5.3	8.0	12.1	9.0	10.5	11.9	17.0	10.4		
Three years later	6.0	9.0	13.0	9.9	11.7	13.1	18.1			
Four years later	6.6	9.6	13.6	10.6	12.3	13.6				
Five years later	7.0	10.0	14.1	11.0	12.6					
Six years later	7.3	10.4	14.3	11.4						
Seven years later	7.6	10.6	14.5							
Eight years later	7.7	10.8								
Nine years later	7.9									
5. Reestimated incurred claims:										
End of policy year	17.3	21.4	28.9	17.1	23.4	29.2	31.6	29.1	27.4	22.4
One year later	9.8	18.0	20.4	15.8	17.0	20.5	25.1	16.7	23.1	
Two years later	10.2	16.3	18.9	14.4	16.6	21.1	25.9	15.6		
Three years later	11.5	14.3	16.7	14.3	17.1	19.7	24.8			
Four years later	10.1	13.1	16.6	14.1	15.8	19.2				
Five years later	9.4	12.7	16.5	13.7	15.5					
Six years later	9.4	12.4	16.1	13.3						
Seven years later	9.5	12.6	15.9							
Eight years later	9.5	12.4								
Nine years later	9.3									
6. Increase (decrease) in estimated incurred claims from end of policy year	(8.0)	(9.0)	(13.0)	(3.8)	(7.9)	(10.0)	(6.8)	(13.5)	(4.3)	0.0

The table above illustrates how the Income Continuation Insurance Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

(1) This line shows the total of each calendar year's earned contribution and investment revenues.
(2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
(3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
(4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
(5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
(6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

SOURCE: Wisconsin Department of Employee Trust Funds

Long-term Disability Insurance Risk Pool
Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31 (In Millions)

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1	Net earned required contributions and investment revenues	$ 36.1	$ (3.0)	$ (6.9)	$ (22.9)	$ 52.5	$ 33.4	$ 24.1	$ 47.3	$ 27.8	$ (88.3)
2	Unallocated expenses	0.6	0.3	1.0	0.8	0.7	1.1	1.0	1.1	1.4	1.3
3	Estimated incurred claims as of the end of the policy year	9.1	9.4	10.0	11.7	15.9	19.4	30.6	34.6	48.3	31.1
4	Paid (cumulative) as of:										
	End of policy year	0.1	0.2	0.5	0.0	0.3	0.1	0.7	1.1	1.4	1.1
	One year later	0.6	0.8	1.0	1.1	1.6	1.9	2.8	3.5	5.8	
	Two years later	1.3	1.5	2.0	2.5	3.9	3.9	5.4	6.8		
	Three years later	2.3	2.6	3.0	3.9	6.0	6.4	8.0			
	Four years later	3.2	3.4	3.9	5.1	8.5	8.0				
	Five years later	4.1	4.2	4.7	6.6	10.6					
	Six years later	4.8	4.9	5.7	8.0						
	Seven years later	5.4	5.7	6.5							
	Eight years later	6.3	6.5								
	Nine years later	7.1									
5	Reestimated incurred claims:										
	End of policy year	9.1	9.4	10.0	11.7	15.9	19.4	30.6	34.6	48.3	31.1
	One year later	6.1	4.9	8.7	8.4	12.0	14.1	22.2	26.2	43.9	
	Two years later	8.2	7.2	8.3	12.7	18.3	14.9	22.1	22.9		
	Three years later	7.8	8.5	10.2	12.9	19.2	16.1	19.5			
	Four years later	9.9	9.3	10.0	13.7	20.3	14.5				
	Five years later	10.6	8.5	10.1	14.3	18.2					
	Six years later	9.6	9.0	10.8	12.9						
	Seven years later	9.9	9.4	10.0							
	Eight years later	10.4	8.6								
	Nine years later	9.6									
6	Increase (decrease) in estimated incurred claims from end of policy year	0.5	(0.8)	0.0	1.2	2.3	(4.9)	(11.1)	(11.7)	(4.4)	0.0

The table above illustrates how the Long-term Disability Insurance Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

(1) This line shows the total of each calendar year's earned contribution and investment revenues.
(2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
(3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
(4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
(5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
(6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

SOURCE: Wisconsin Department of Employee Trust Funds

Health Insurance Risk Pool (Standard Plan)
Ten-Year Claims Development Information

Calendar and Policy Year Ended December 31 (In Millions)

		1999	2000	2001	2002	2003	2004	2005	2006 (a)	2007	2008
1	Net earned required contributions and investment revenues	$ 59.4	$ 64.5	$ 77.6	$ 83.8	$ 85.1	$ 90.4	$ 90.9	$ 82.9	$ 42.1	$ 22.5
2	Unallocated expenses	3.6	3.7	4.8	3.9	5.7	6.8	7.7	4.9	3.4	5.3
3	Estimated incurred claims as of the end of the policy year	64.8	69.9	73.7	70.5	73.2	74.6	73.6	60.1	23.7	30.5
4	Paid (cumulative) as of:										
	End of policy year	51.6	55.9	61.1	62.5	65.1	65.2	65.8	51.8	20.3	25.7
	One year later	62.6	64.4	68.2	69.3	73.4	72.2	73.6	58.3	23.5	
	Two years later	62.7	64.6	68.3	69.4	73.7	72.3	73.7	58.2		
	Three years later	62.7	64.6	68.3	69.4	73.7	72.3	73.7			
	Four years later	62.7	64.6	68.3	69.4	73.7	72.3				
	Five years later	62.7	64.6	68.3	69.4	73.7					
	Six years later	62.7	64.6	68.3	69.4						
	Seven years later	62.7	64.6	68.3							
	Eight years later	62.7	64.6								
	Nine years later	62.7									
5	Reestimated incurred claims:										
	End of policy year	64.8	69.9	73.7	70.5	73.2	74.6	73.6	60.1	23.7	30.5
	One year later	62.8	64.7	68.3	69.5	73.5	72.2	73.7	58.4	23.6	
	Two years later	62.7	64.6	68.3	69.4	73.7	72.3	73.7	58.2		
	Three years later	62.7	64.6	68.3	69.4	73.7	72.3	73.7			
	Four years later	62.7	64.6	68.3	69.4	73.7	72.3				
	Five years later	62.7	64.6	68.3	69.4	73.7					
	Six years later	62.7	64.6	68.3	69.4						
	Seven years later	62.7	64.6	68.3							
	Eight years later	62.7	64.6								
	Nine years later	62.7									
6	Increase (decrease) in estimated incurred claims from end of policy year	(2.1)	(5.3)	(5.4)	(1.1)	0.5	(2.3)	0.1	(1.9)	(0.1)	0.0

The table above illustrates how the Health Insurance Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of each of the last ten years. The rows of the table are defined as follows:

(1) This line shows the total of each calendar year's earned contribution and investment revenues.
(2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
(3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
(4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
(5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
(6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

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

SOURCE: Wisconsin Department of Employee Trust Funds

Health Insurance Risk Pool (Pharmacy Benefit)
Five-Year Claims Development Information

Calendar and Policy Year Ended December 31 (In Millions)

	2004	2005	2006 (a)	2007	2008
1. Net earned required contributions and investment revenues	$ 205.7	$ 191.6	$ 164.7	$ 170.0	$ 138.8
2. Unallocated expenses	7.6	9.5	7.4	8.4	8.8
3. Estimated incurred claims as of the end of the policy year	158.1	160.6	110.1	116.9	124.0
4. Paid (cumulative) as of:					
End of policy year	162.4	168.8	116.8	118.0	126.3
One year later	159.8	159.6	111.0	119.4	
Two years later	159.8	159.6	111.0		
Three years later	159.8	159.6			
Four years later	159.8				
5. Reestimated incurred claims:					
End of policy year	158.1	160.6	110.1	116.9	124.0
One year later	159.8	159.6	111.0	119.4	
Two years later	159.8	159.6	111.0		
Three years later	159.8	159.6			
Four years later	159.8				
6. Increase (decrease) in estimated incurred claims from end of policy year	1.7	(1.0)	0.9	2.5	0.0

The table above illustrates how the BadgerRX for Individuals Fund Risk Pool's earned revenues and investment income compare to related costs of loss assumed by the fund as of the end of the calendar year. The pharmacy benefit plan began operation in 2004. The rows of the table are defined as follows:

(1) This line shows the total of each calendar year's earned contribution and investment revenues.
(2) This line shows each calendar year's other operating costs of the funds including overhead and claims expenses not allocable to individual claims.
(3) This line shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
(4) This section shows the cumulative amounts paid as of the end of successive years for each policy year. Paid claims include payments expected to be reimbursed as rebate payments from participating pharmaceutical companies.
(5) This section shows each policy year's incurred claims as reestimated at the end of each successive policy year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Incurred claims are presented net of anticipated rebates.
(6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy.

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

SOURCE: Wisconsin Department of Employee Trust Funds

Acknowledgments

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Cover photo of Wisconsin's State Capitol courtesy of Man M. Le, photographer.