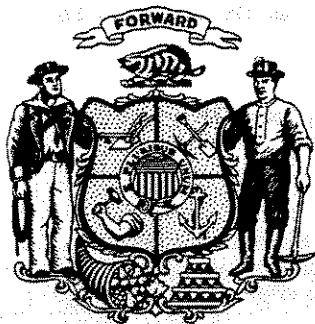


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# STATE OF WISCONSIN

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended June 30, 2003

**Jim Doyle, Governor**

Department of Administration  
Marc J. Marotta, Secretary  
William J. Raftery, State Controller

Prepared by the State Controller's Office

This document is available on the Department of Administration homepage  
on the World Wide Web: <http://www.doa.state.wi.us/debf>

DOA-6082P (R12/03)

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2003


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# Comprehensive Annual Financial Report

## For the Fiscal Year Ended June 30, 2003

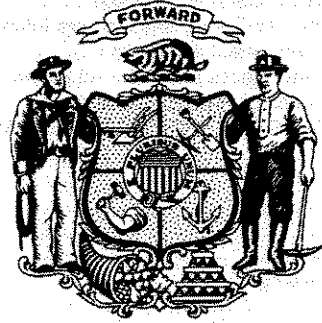
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# INTRODUCTORY SECTION

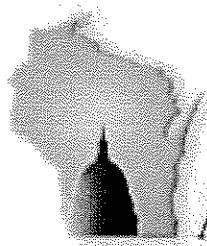
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The first part of the report is devoted to a general introduction of the subject matter. It is followed by a detailed description of the methods used in the study. The results of the study are then presented in a series of tables and figures. The final part of the report is a discussion of the results and their implications.

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**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

**JIM DOYLE**  
GOVERNOR

**MARC J. MAROTTA**  
SECRETARY

Office of the Secretary  
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Madison, WI 53707-7864  
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December 12, 2003

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, 2003. This report is prepared by the Department of Administration, Division of Executive Budget and Finance, State Controller's Office, which is responsible for both the accuracy of the data and the completeness and fairness of its presentation, including disclosures. We believe that the information presented is accurate in all material respects and reported in a manner designed to show the financial position and operating results of the State.

This report has been prepared in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). To report the State's financial activity, the State's budgetary funds are grouped into the fund types required by GAAP. The State's 59 budgetary funds are expanded and have been displayed into the 90 individual GAAP funds, and four discrete component units. The major change has been to reclassify certain activities from the budgetary General Fund and present them in proprietary and fiduciary fund types more appropriate for the financial reporting of transactions related to commercial and trust activities. Note 1-C to the financial statements includes a more detailed discussion of the generic GAAP fund types.

Wisconsin's 2003 Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section, which provides information on the general contents of the report, contains this letter of transmittal, a list of State officials and an organizational chart of State government. The Financial Section is composed of the auditor's report, Management Discussion and Analysis, the basic financial statements, required supplementary information and the combining financial statements. The Statistical Section provides various financial, economic and demographic data about the State, generally on a multi-year basis.

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 GOVERNMENT**

The financial statements present information on the financial position and operations of State government as a single comprehensive reporting entity. The various agencies, departments, boards, commissions and

accounts of the State that constitute the State reporting entity are included in this report in accordance with criteria established by the GASB. The reporting entity consists of all the funds of the primary government (the State of Wisconsin), as well as its component units which are legally separate organizations for which the State is financially accountable. Discretely presented component units include the Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, the University of Wisconsin Hospitals and Clinics Authority, and the Badger Tobacco Asset Securitization Corporation. Blended component units, which are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State, include the Wisconsin Public Broadcasting Foundation, Inc.

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

### **Internal Controls**

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

### **Budgetary Controls**

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

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

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

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

indebtedness at January 1. The total general obligation debt outstanding for the State as of June 30, 2003 was \$4.0 billion.

In addition, Chapter 18 of the Wisconsin Statutes authorizes the State to issue revenue obligations. These obligations, which are not debt of the State, are secured by a pledge of revenues or property derived from the operations of a program funded by the issuance of the obligations. Revenue bonds totaled \$1.9 billion outstanding at fiscal year-end.

### **Cash Management**

The State of Wisconsin Investment Board is responsible for investing in cash resources of the State. On a daily basis, excess cash from all funds is pooled and invested through a variety of investment vehicles. Interest income earned on these investments is allocated to the various funds based on their average daily cash balances. The total amount of investments in the State Investment Fund at June 30, 2003 was \$5.5 billion.

### **Risk Management**

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

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

Currently, the State is essentially self-insured, through its risk management program, against major losses to which it is exposed. The Risk Management Fund, an internal service fund, services most claims for risk of loss, including damage to State owned property, liability for property damages and injuries to third parties, and worker's compensation. Additional disclosures on the State's risk management activities are provided in Note 17.

### **Pension Trust Funds**

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

The most current actuarial valuations of the pension plan indicated that the WRS was funded at 97.1 percent of liabilities for the 525,298 participants of the WRS. The State's contribution represents 30.0 percent of total contributions required of all participating entities.



## **ECONOMIC CONDITION AND OUTLOOK**

In calendar year 2002, the Wisconsin economy mirrored the slow national recovery.

After averaging 2 percent growth annually from 1991 to 2000, Wisconsin's employment declined in 2001 and 2002. Non-farm employment declined -0.7 percent in 2001 and -1.2 percent in 2002. Nationally, employment was flat in 2001 and declined -1.1 percent in 2002.

Personal income growth weakened with the employment losses. The year's income growth averaged 3.4 percent in both 2001 and 2002 compared to 6.3 percent in 2000. Wisconsin's income growth fared somewhat better than national income growth in 2002, 3.4 percent versus 2.8 percent nationally. On a per capita basis, Wisconsin fared even better. Per capita income increased 2.5 percent in Wisconsin compared to 1.8 percent nationally.

Wisconsin's employment situation is stabilizing. By October, Wisconsin non-farm employment was 0.2 percent ahead of a year ago. Nationally, employment was down -0.2 percent. Wisconsin's unemployment rate in October was 5.4 percent compared to 6.0 percent nationally.

Wisconsin's property values were insulated from the recession. Real property values increased significantly in 2002 and 2003. Total values increased 7.5 percent annually in both 2002 and 2003. Commercial, manufacturing and residential real estate all increased significantly in both years.

Despite the recession, Wisconsin has matched or exceeded the nation's economic performance in recent years.

- Wisconsin's unemployment rate remains well below the national rate.
- Since the 2000 census, the state's population growth has been the second highest for Midwest states as people relocate to Wisconsin.
- At 91.6 percent of population, Wisconsin has the second highest health insurance coverage rate in the country.
- Wisconsin has the eleventh lowest poverty rate.
- Wisconsin's median household income of \$46,352 is the fourteenth highest in the country, 7.7 percent above the national average.

Looking ahead, Wisconsin's recovery should match the national recovery. With the stemming of losses in manufacturing, the expansion in services, finance and utilities should increase total nonfarm employment by 0.1 percent in 2003 and by 1.2 percent in 2004. Nationally, nonfarm employment should decrease -0.3 percent in 2003 and increase by 1.1 percent in 2004.

The expansion of employment should strengthen Wisconsin's personal income growth. Total personal income should grow by 3.5 percent in 2003 and by 5.0 percent in 2004. This is comparable to national growth of 3.2 percent in 2003 and 5.2 percent in 2004.

## **MAJOR INITIATIVES**

**Economic Development.** In 2003, the State continued its efforts to expand existing businesses, attract new companies to Wisconsin and provide venture capital to small, high-growth Wisconsin-based firms. Major tools used in these efforts are the Wisconsin Development Fund, the development zone programs and the Certified Capital Companies program (CAPCO). The State awarded \$9.57 million during Fiscal

Year 2003 from the Wisconsin Development Fund, primarily through the major economic development program, customized labor training grants and technology development grants and loans. The Wisconsin Development Fund also provided 333 entrepreneurial training grants to assist in small business development. To date, \$214 million of a total \$275 million in tax credits have been awarded under the Community and Enterprise Development Zone programs, resulting in almost 50,000 jobs created or retained and leveraging \$2.43 billion in private investment. Twelve high-technology firms eligible for \$1.7 million in tax credits were certified under the newest program, the Technology Development Zone program. Since its establishment in 1999, three CAPCOs have invested almost \$20 million in 14 Wisconsin companies.

The State also offers a variety of programs that target minority business development and community-based economic development. Additional economic development funding was provided in Fiscal Year 2003, through the use of Native American gaming compact revenue for grants and loans to Native American and other businesses affected by gaming operations. Also, \$500,000 was made available for the Tech Star initiative, which awards grants to academic institutions in southeastern Wisconsin for research on emerging technologies promoting industrial and economic development. State investment in Tech Star and the Technology Development Zones illustrates Wisconsin's continued commitment to help startup businesses, especially in areas of information technology and biotechnology.

In addition, the State continues to offer residents and visitors many opportunities to enjoy Wisconsin's abundant natural, historical and cultural resources. In Fiscal Year 2003, the State expended over \$9.2 million to market Wisconsin as a national and international tourism destination, assisting a tourism industry that pumped over \$11.7 billion into Wisconsin's economy (a 120 percent increase since 1993) and directly or indirectly supports approximately 323,700 jobs.

**Transportation.** The State continued to make significant investments in transportation infrastructure through expansion in highway capacity and reconstruction of existing highways and bridges. In 2003, almost 844 miles of State Trunk Highway (STH) and local highways were improved and 422 deficient state and local bridges were rehabilitated or replaced. Also, in 2003 the State contributed \$31 million to continue preliminary work on the southeast Wisconsin freeway reconstruction project. In all, more than \$630 million in construction projects on STH and local road systems was contracted through the Wisconsin Department of Transportation.

Wisconsin also distributes State transportation user fee revenues to local governments for transportation infrastructure improvements and transit operating assistance. In Fiscal Year 2003, \$533 million was transferred to local governments for these purposes.

**Environment.** 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. Expenditures for environmental preservation and improvement of recreational opportunities under the Stewardship and Stewardship 2000 programs totaled \$31.4 million in Fiscal Year 2003.

In addition to land acquisition through the Stewardship programs, Wisconsin's efforts to protect and enhance its natural resources include partnerships with individual landowners. In November 2001, the State entered into an agreement with the U.S. Department of Agriculture for the authority to enroll up to 100,000 acres of Wisconsin farmland in the Conservation Reserve Enhancement Program. The federal government will provide up to \$200 million for the program, which will be matched by the State with up to \$40 million from the sale of general obligation bonds. Landowners participating in the program receive an up-front 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 up-front payment if they transfer to the State an easement to permanently maintain the practices. Through Fiscal Year 2003, Wisconsin has enrolled over 600 participants and over 37,000 acres and has made payments of \$6,014,800. The federal government has paid landowners over \$2.9 million.

The first instance of chronic wasting disease in Wisconsin was discovered in February 2002, which led to the passage of 2001 Wisconsin Act 108. The act provided the Department of Natural Resources with \$4 million for broad-based testing and management of the disease. The department has mapped the State into various regions and has identified testing target areas in order to map the disease, stop its spread, and manage the deer herd to ensure successful deer hunts for generations to come. The 2003-05 biennial budget bill (2003 Wisconsin Act 33) provided the department with an additional \$3.1 million to support disease management efforts, including testing and disposal costs, public outreach efforts, law enforcement costs, and a radio telemetry study of deer movement in the chronic wasting disease management area.

Wisconsin's Environmental Improvement Fund program provides financial assistance to municipalities for the planning, design and construction of pollution abatement facilities – primarily for wastewater treatment. Most communities applying for assistance receive subsidized loans, although some are eligible for partial grants through a hardship component of the program. Funding is provided from a State-matched federal capitalization grant authorized through the Water Quality Act, and through State revenue and general obligation bonds. In Fiscal Year 2003, the Environmental Improvement Fund made awards to municipalities amounting to \$205.7 million, bringing the total amount of loans and grants awarded by the program to \$2.0 billion since its inception in 1991.

The Petroleum Environmental Cleanup Fund Award program (PECFA) assists owners of leaking petroleum storage tanks with environmental remediation costs and has provided \$1.292 billion for cleanups at 10,733 locations since 1988. Efforts continue to minimize claim payment backlogs and improve site closure methodologies 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 2003, the brownfields site assessment grant program provided \$1.7 million to 38 local governments to jump-start investigation and redevelopment of brownfield sites. After four rounds of applications, 157 grants totaling \$4.85 million have been awarded. Since June of 1998, the brownfields grant program has awarded \$29.97 million to 72 projects for the redevelopment of brownfields where clean up will have a significant economic as well as environmental impact. The completion of these projects will return 830 acres of abandoned or under-used environmentally contaminated sites to productive use, increase taxable property values by \$385 million and create 4,000 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 \$324.25 million has been provided to municipalities to help defray the cost of operating effective recycling programs. In addition, the State has provided funds for innovative recycling and waste reduction projects, including \$1.9 million annually for

the Recycling Efficiency Incentive Grants program. The program rewards municipalities for efficiencies achieved through consolidation of and cooperative agreements between local recycling services.

**Human Resources.** The Family Care pilot continued in Fiscal Year 2003. Begun in Fiscal Year 2000, Family Care is Wisconsin's innovative redesign of the long-term care system for the elderly and disabled. In Fiscal Year 2003, Family Care's nine resource centers made nearly 9,000 referrals to individuals needing information and assistance related to long-term care services. Family Care's five care management organizations saw enrollment rise to 7,489, up from 6,966 at the end of Fiscal Year 2002.

In Fiscal Year 2003, the Department of Health and Family Services implemented SeniorCare, Wisconsin's new prescription drug assistance programs for the elderly. Applications were accepted beginning in July 2002. As of June 2003, 89,970 low-income seniors were enrolled in the program.

In Fiscal Year 2002, the Department of Health and Family Services facilitated over 1,100 adoptions of special needs children. The Special Needs Adoption Program finds adoptive homes for children with unique needs. These children may be sibling groups of 3 or more placed together, children age 10-18 or children with emotional, behavior and developmental disabilities.

Criminal penalty statutory changes went into effect in Fiscal Year 2003. These changes revise felony classifications to more accurately reflect the crime committed. The changes will improve the criminal justice system and help reduce incarceration costs because the additional classifications will provide better guidance for imposing penalties.

**Education.** State aids and tax credits applied to support 2002-2003 school year costs totaled \$5.3 billion. As part of this state aid commitment, funding for the SAGE program, which provides grants to school districts to lower class size in grades Kindergarten through 3, increased by 19 percent in Fiscal Year 2003, from \$75.9 million in Fiscal Year 2002 to \$95.0 million in Fiscal Year 2003. This allowed 548 individual schools in 231 school districts to lower class sizes in the 2001-2002 school year. Over 25 percent of Wisconsin's schools participate in the SAGE program.

As part of the 2001-2003 biennial budget, the Building Commission was granted authority for up to \$158.5 million in general fund supported borrowing for the University of Wisconsin—Madison's BioStar initiative. Over the next eight years, BioStar will provide \$317 million in state and private funds to build new research laboratories in the biological sciences that will keep the Madison campus at the forefront of biological research and education.

## **OTHER INFORMATION**

### **Independent Audit**

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

### **Award**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the State of Wisconsin for its

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002. 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 seventh year the State of Wisconsin has received this award. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

## ACKNOWLEDGMENTS

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

Sincerely,



Marc J. Marotta  
Secretary



William J. Rattery, 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, 2002

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.

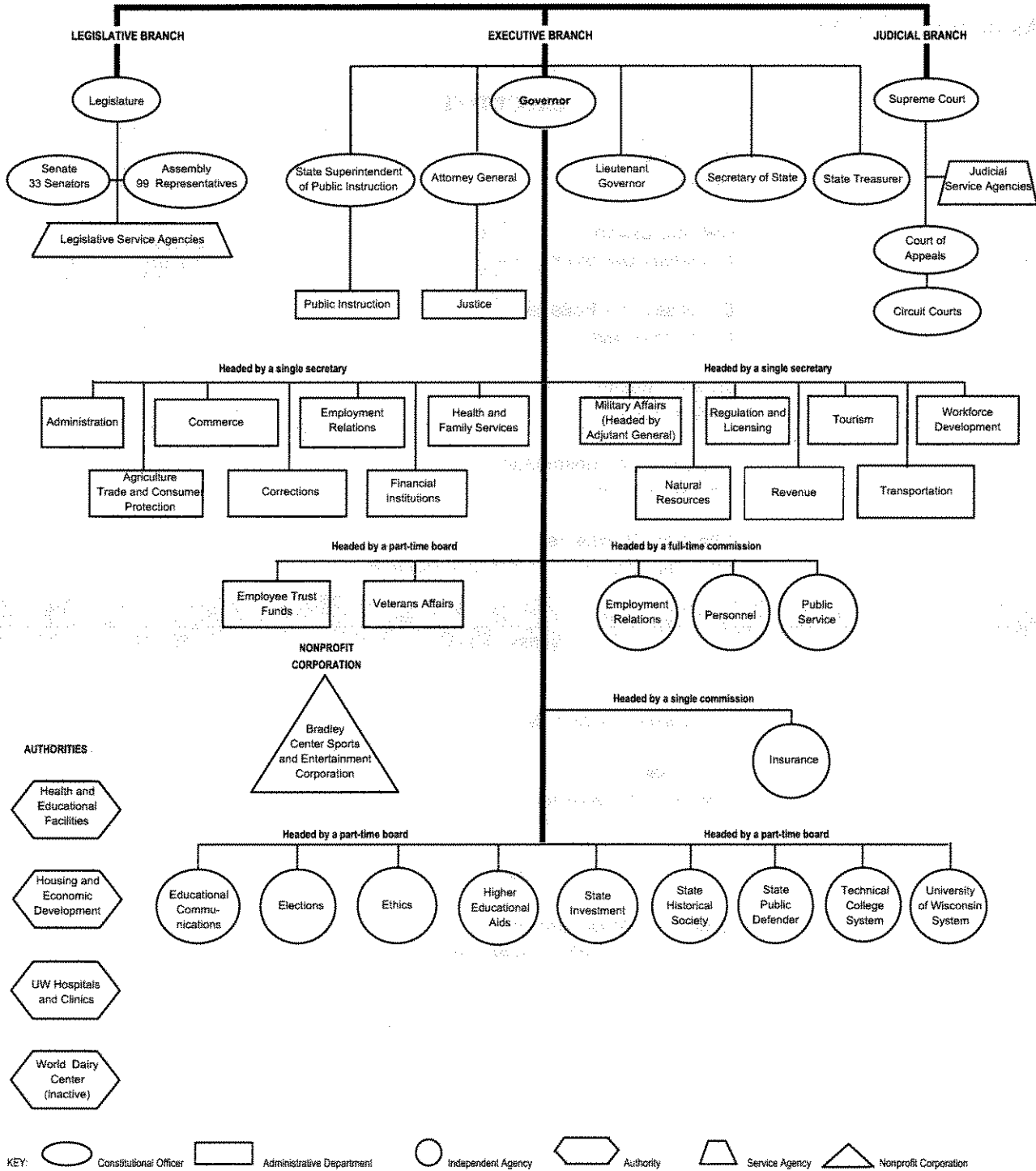


President

Executive Director

# Organizational Chart

WISCONSIN STATE GOVERNMENT ORGANIZATION  
January 2003



# Principal State Officials

As of June 30, 2003:

## EXECUTIVE

Jim Doyle  
*Governor*

Barbara Lawton  
*Lieutenant Governor*

Douglas J. La Follette  
*Secretary of State*

Jack C. Voight  
*State Treasurer*

Peggy A. Lautenschlager  
*Attorney General*

Elizabeth Burmaster  
*State Superintendent of Public Instruction*

## LEGISLATIVE

Alan J. Lasee  
*President of the State Senate*

John Gard  
*Speaker of the Assembly*

## JUDICIAL

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



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# FINANCIAL SECTION

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## 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, 2003, which collectively constitute the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Wisconsin's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the following financial statements: the Wisconsin Department of Transportation Revenue Bond Program and Commercial Paper Program, which represent 12 percent of the liabilities of the governmental activities and 2 percent of the revenues of the aggregate remaining fund information; the Environmental Improvement Fund, which is a major fund and represents 17 percent of the assets and 18 percent of the liabilities of the business-type activities; or the College Savings Program Trust, which represents 1 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 solely upon the reports of the Wisconsin Housing and Economic Development Authority, the Badger Tobacco Asset Securitization Corporation, and the University of Wisconsin Hospitals and Clinics Authority.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements previously referred to present fairly, in all material respects, the respective financial position 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, 2003, 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 18 C to the financial statements, the Patients Compensation Fund's projected ultimate loss liability is an estimate based on recommendations of a consulting actuary. The Patients Compensation Fund Board of Governors believes that the estimated loss liability is reasonable and adequate to cover the cost of claims incurred to date. However, uncertainties inherent in projecting the frequency and severity of large medical malpractice claims because of the Patients Compensation Fund's unlimited liability coverage, and extended reporting and settlement periods, make it likely that amounts paid will ultimately differ from the recorded estimated liabilities. These differences cannot be quantified.

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

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

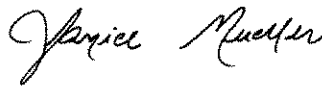
The introductory section and the statistical section listed in the table of contents have not been subjected to the auditing procedures applied within the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have prepared a report dated December 12, 2003, on our consideration of the State of Wisconsin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. A more detailed version of that report will be included in the State's single audit report. The report on internal control and compliance is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this independent auditor's report in considering the results of our audit.

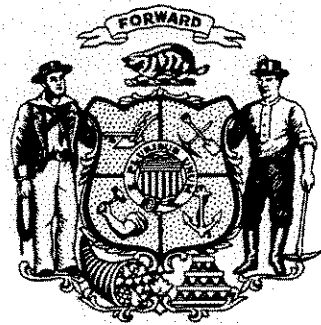
LEGISLATIVE AUDIT BUREAU

December 12, 2003

by



Janice Mueller  
State Auditor



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2003. It should be read in conjunction with the transmittal letter located at the front of this CAFR, and the State's financial statements, which follow this part of the CAFR.

### FINANCIAL HIGHLIGHTS -- PRIMARY GOVERNMENT

#### Government-wide (Tables 2 and 3 on Pages 21 and 22)

- *Net Assets.* The assets of the State of Wisconsin exceeded its liabilities at the close of Fiscal Year 2003 by \$13.1 billion (reported as "net assets"). Of this amount, \$(4.5) 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 \$.7 billion in Fiscal Year 2003. Net assets of governmental activities decreased by \$670.8 million or 8.8 percent, while net assets of the business-type activities showed a decrease of \$77.8 million or 1.2 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities.* During Fiscal Year 2003, the State's total revenues for governmental activities of \$19.4 billion were \$408.0 million more than total expenses for governmental activities of \$19.0 billion. These expenses were \$6.8 billion more than the \$12.2 billion generated in taxes and other "general revenues" for governmental programs (before special items and transfers).

#### Fund

- *Governmental Funds -- Fund Balances.* As of the close of Fiscal Year 2003, the State's governmental funds reported combined ending fund balances of \$(1,303.3) million, a decrease of \$892.2 million in comparison with the prior year. Of this total amount, \$(2.8) billion represents the "unreserved fund balances".
- *General Fund -- Fund Balance.* At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$(2.6) billion, or (16.3) percent of total General Fund expenditures.

#### Long-term Debt

- The State's total long-term debt obligations (bonds and notes payable) increased by \$172.1 million during the current fiscal year which represents the net difference between new issuances, and payments and refundings of outstanding debt. The key factors contributing to this increase was the issuance during the fiscal year of \$415.2 million of general obligation bonds and \$285.6 million of revenue bond obligations, and early redemptions and refundings of general obligation bonds. Additional detail regarding these activities begins on Page 28.

### 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 page:

## 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.

### Government-wide Financial Statements

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 government-wide financial statements include two statements:

- The *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.
- The *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.

These government-wide financial statements are divided into three categories:

- *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 as well. The State's discretely presented component units (all business-type activities) are:
  - Wisconsin Housing and Economic Development Authority,
  - Wisconsin Health Care Liability Insurance Plan,
  - University of Wisconsin Hospitals and Clinics Authority, and
  - Badger Tobacco Asset Securitization Corporation.

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the State's component units are presented in Note 1-B to the financial statements.

The government-wide financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting, which is similar to the methods used by most businesses, takes into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid.

### Fund Financial Statements

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

The State has three kinds of fund categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

- *Governmental Funds* – Most of the basic services provided by the State are financed through governmental funds. Governmental funds report information using the flow of current financial resources measurement focus and the modified accrual basis of accounting. 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. The State has three major governmental funds – the General Fund, the Transportation Fund, and the Tobacco Settlement Endowment Fund. Examples of non-major governmental funds include the Conservation Fund, the Bond Security and Redemption Fund, and the Capital Improvement Fund.

- **Proprietary Funds** – 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. Proprietary funds, like the government-wide statements, use the accrual basis of accounting. The State has five major proprietary funds – the Patients Compensation Fund, the Environmental Improvement Fund, the Veterans Mortgage Loan Repayment Fund, the University of Wisconsin System and the Unemployment Insurance Reserve Fund. Examples of the State's non-major proprietary funds include the Lottery and the Health Insurance Fund.
- **Fiduciary Funds** – These funds are used to show assets held by the State as trustee or agent for others outside the State, such as the Wisconsin Retirement System and the Local Government Pooled Investment Fund. Similar to proprietary funds, these funds use the accrual basis of accounting. Because the State can not use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed above.

Table 1, below, shows how the required parts of this financial report are arranged and relate to one another.

<p align="center"><b>Table 1</b>  <b>Major Features of State of Wisconsin's Government-wide and Fund Financial Statements</b></p>				
	<p align="center"><b>GOVERNMENT-WIDE STATEMENTS</b></p>	<p align="center"><b>FUND STATEMENTS</b></p>		
		<p><b>Governmental Funds</b></p>	<p><b>Proprietary Funds</b></p>	<p><b>Fiduciary Funds</b></p>
<b>Scope</b>	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary. Governmental activities are primarily financed through taxes, intergovernmental revenues, and other nonexchange revenues. Examples of governmental funds include: <ul style="list-style-type: none"> <li>• General</li> <li>• Transportation</li> <li>• Bond Security and Redemption</li> <li>• Capital Improvement</li> <li>• Common School</li> </ul>	The activities the State operates similar to private business. Examples of proprietary funds include: <ul style="list-style-type: none"> <li>• Enterprise funds: <ul style="list-style-type: none"> <li>-- Patients Compensation</li> <li>-- Environmental Improvement</li> <li>-- University of Wisconsin System</li> <li>-- Lottery</li> </ul> </li> <li>• Internal service funds: <ul style="list-style-type: none"> <li>-- Technology Services</li> <li>-- Facilities Operations and Maintenance</li> </ul> </li> </ul>	Instances in which the State is the trustee or agent for someone else's resources. Examples of fiduciary funds include: <ul style="list-style-type: none"> <li>• Wisconsin Retirement System</li> <li>• Local Government Pooled Investment</li> <li>• Unclaimed Property</li> <li>• College Savings Program Trust</li> </ul>
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenses and changes in fund equity</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resource focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	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
<b>Type of inflow-outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> <li>• Revenues for which cash is received during or soon after the end of the year</li> <li>• Expenditures when goods or services have been received and payment is due during the year or soon thereafter</li> </ul>	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

## **Additional Required Supplementary Information**

In addition to this Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements. The required supplementary information includes (1) condition and maintenance data regarding the State's infrastructure, and (2) a budgetary comparison schedule of the General, Transportation and Tobacco Settlement Endowment 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 proprietary funds, internal service funds and fiduciary funds, each of which are added together and presented in single columns in the basic financial statements.



## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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

### Net Assets

As presented in Table 2, total assets of the State on June 30, 2003 were \$27.3 billion, while total liabilities were \$14.2 billion, resulting in combined net assets (government and business-type activities) of \$13.1 billion. The largest component of the State's total assets, \$13.9 billion or approximately 106.3 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 \$3.7 billion were restricted by external sources or the State Constitution, 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 \$(4.5) billion. Therefore, 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, employer pension related debt, 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 \$(2.2) billion at year-end, as discussed on Page 25, also contributed to the deficit unrestricted net assets reported in the statement of net assets.

The State's general obligation bonds outstanding increased by \$415.2 million for Fiscal Year 2003. These bonds were issued primarily for the acquisition or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes, to refund a portion of outstanding general obligation bonds, and to fund veterans housing loans. Outstanding revenue bonds, which are not considered general obligation debt of the State, were \$1.9 billion at June 30, 2003.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2002-2003
	2003	2002	2003	2002	2003	2002	
Current and Other Assets	\$ 4,346.8	\$ 5,176.4	\$ 6,475.1	\$ 6,642.2	\$ 10,821.9	\$ 11,818.5	(8.4) %
Capital Assets	13,313.6	12,785.2	3,130.5	3,017.1	16,444.1	15,802.3	4.1
Total Assets	17,660.4	17,961.5	9,605.7	9,659.3	27,266.0	27,620.8	(1.3)
Long-term Liabilities	5,407.1	5,074.5	2,830.8	2,845.5	8,237.9	7,920.0	4.0
Other Liabilities	5,305.5	5,268.4	629.4	590.6	5,935.0	5,859.1	1.3
Total Liabilities	10,712.6	10,342.9	3,460.2	3,436.1	14,172.8	13,779.0	2.9
<b>Net Assets:</b>							
Invested in Capital Assets							
Net of Related Debt	11,090.1	10,657.6	2,828.4	2,693.0	13,918.5	13,350.6	4.3
Restricted	657.6	551.0	3,012.9	3,038.8	3,670.4	3,589.8	2.2
Unrestricted (deficit)	(4,799.9)	(3,590.0)	304.2	491.3	(4,495.8)	(3,098.7)	45.1
Total Net Assets	\$ 6,947.8	\$ 7,618.6	\$ 6,145.4	\$ 6,223.2	\$ 13,093.2	\$ 13,841.8	(5.4)

## 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 \$12.1 billion and general revenues of \$12.2 billion for total revenues of \$24.3 billion during Fiscal Year 2003. Expenses for the State during Fiscal Year 2003 were \$25.1 billion. As a result of the excess of expenses over revenues, the total net assets of the State decreased \$ .7 billion, net of contributions, transfers, and special items.

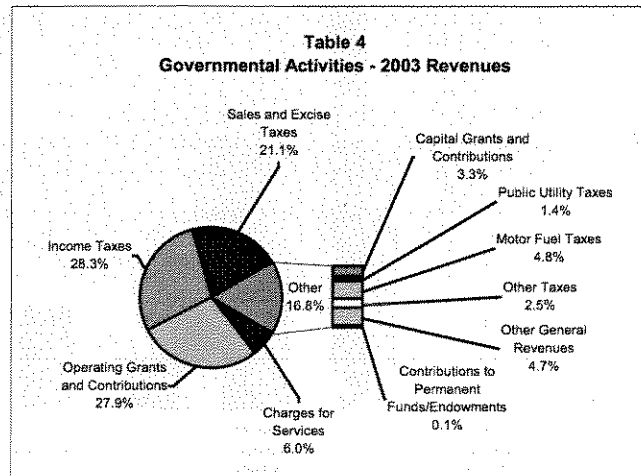
**Table 3**  
**Changes in Net Assets**  
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2002-2003
	2003	2002	2003	2002	2003	2002	
<b>Program Revenues:</b>							
Charges for Goods and Services	\$ 1,162.8	\$ 1,109.7	\$ 4,391.6	\$ 4,101.7	\$ 5,554.5	\$ 5,211.4	6.6 %
Operating Grants and Contributions	5,425.7	4,933.8	497.3	297.1	5,923.0	5,230.9	13.2
Capital Grants and Contributions	635.4	669.1	35.5	61.8	670.9	730.9	(8.2)
<b>General Revenues:</b>							
Income Taxes	5,502.4	5,415.3	-	-	5,502.4	5,415.3	1.6
Sales and Excise Taxes	4,102.4	4,048.7	-	-	4,102.4	4,048.7	1.3
Public Utility Taxes	273.9	244.0	-	-	273.9	244.0	12.3
Motor Fuel Taxes	924.5	892.2	-	-	924.5	892.2	3.6
Other Taxes	483.6	443.4	-	-	483.6	443.4	9.1
Other General Revenues	922.0	1,366.9	18.2	11.1	940.2	1,377.9	(31.8)
<b>Total Revenues</b>	<b>19,432.7</b>	<b>19,123.1</b>	<b>4,942.6</b>	<b>4,471.6</b>	<b>24,375.3</b>	<b>23,594.8</b>	<b>3.3</b>
<b>Program Expenses:</b>							
Commerce	224.4	194.5	-	-	224.4	194.5	15.4
Education	5,675.1	5,444.9	-	-	5,675.1	5,444.9	4.2
Transportation	1,590.7	1,714.2	-	-	1,590.7	1,714.2	(7.2)
Environmental Resources	475.0	532.0	-	-	475.0	532.0	(10.7)
Human Relations and Resources	8,158.2	7,987.4	-	-	8,158.2	7,987.4	2.1
General Executive	489.4	423.5	-	-	489.4	423.5	15.6
Judicial	107.8	106.4	-	-	107.8	106.4	1.3
Legislative	59.8	59.9	-	-	59.8	59.9	(0.3)
Tax Relief and Other General Expenditures	1,951.7	1,919.9	-	-	1,951.7	1,919.8	1.7
Interest on Long-term Debt	292.6	297.0	-	-	292.6	297.0	(1.5)
Patients Compensation	-	-	102.9	72.9	102.9	72.9	41.1
Environmental Improvement	-	-	42.6	42.5	42.6	42.5	0.2
Veterans Mortgage Loan Repayment	-	-	47.3	53.9	47.3	53.9	(12.3)
University of Wisconsin System	-	-	3,075.5	2,935.2	3,075.5	2,935.2	4.8
Unemployment Insurance Reserve	-	-	1,186.6	1,071.8	1,186.6	1,071.8	10.7
Lottery	-	-	418.9	407.5	418.9	407.5	2.8
Health Insurance	-	-	762.0	655.8	762.0	655.8	16.2
Other Business-type	-	-	486.3	482.0	486.3	482.0	0.9
<b>Total Expenses</b>	<b>19,024.7</b>	<b>18,679.7</b>	<b>6,122.0</b>	<b>5,721.6</b>	<b>25,146.8</b>	<b>24,401.3</b>	<b>3.1</b>
<b>Excess (deficiency) Before Special Items and Transfers</b>	<b>408.0</b>	<b>443.4</b>	<b>(1,179.4)</b>	<b>(1,250.0)</b>	<b>(771.5)</b>	<b>(806.6)</b>	<b>(4.4)</b>
Contributions to Term and Permanent Endowments	-	-	2.1	6.5	2.1	6.5	(68.0)
Contributions to Permanent Funds/Endowments	20.8	19.0	-	-	20.8	19.0	9.5
Transfers	(1,099.6)	(1,060.1)	1,099.6	1,060.1	-	-	-
Special Items	-	1,275.0	-	-	-	1,275.0	(100.0)
<b>Increase (decrease) in Net Assets</b>	<b>(670.8)</b>	<b>677.4</b>	<b>(77.8)</b>	<b>(183.4)</b>	<b>(748.6)</b>	<b>493.9</b>	<b>(251.6)</b>
Net Assets - Beginning (2003 Restated)	7,618.6	6,941.3	6,223.2	6,406.6	13,841.8	13,347.9	3.7
<b>Net Assets - Ending</b>	<b>\$ 6,947.8</b>	<b>\$ 7,618.6</b>	<b>\$ 6,145.4</b>	<b>\$ 6,223.2</b>	<b>\$ 13,093.2</b>	<b>\$ 13,841.8</b>	<b>(5.4)</b>

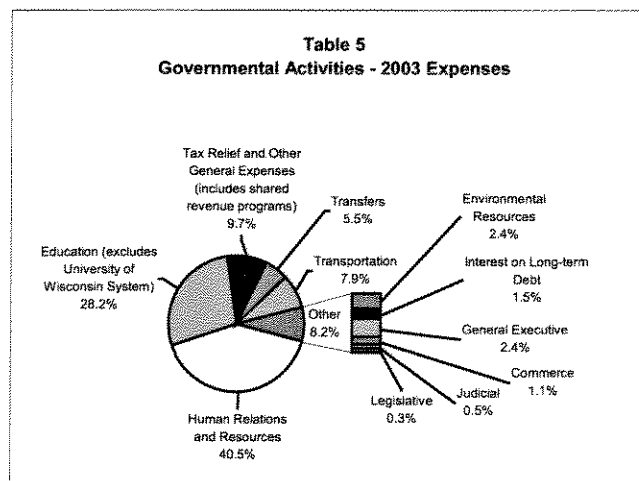
## Governmental Activities

The net assets of governmental activities decreased \$ .7 billion in Fiscal Year 2003. Revenues for the governmental activities (including Contributions to Permanent fund) totaled \$19.5 billion, while expenses and net transfers totaled \$20.1 billion in 2003.

As shown in Table 4, below, approximately 58.1 percent of revenues from all sources earned came from taxes (sales and use, income, public utility, motor fuel, and other taxes). Operating and capital grants and contributions, which represent amounts received from other governments/entities – primarily the federal government – provided 31.2 percent of total revenues. Charges for services contributed 6.0 percent, and various other revenues provided 4.7 percent of the remaining governmental activity revenue sources.

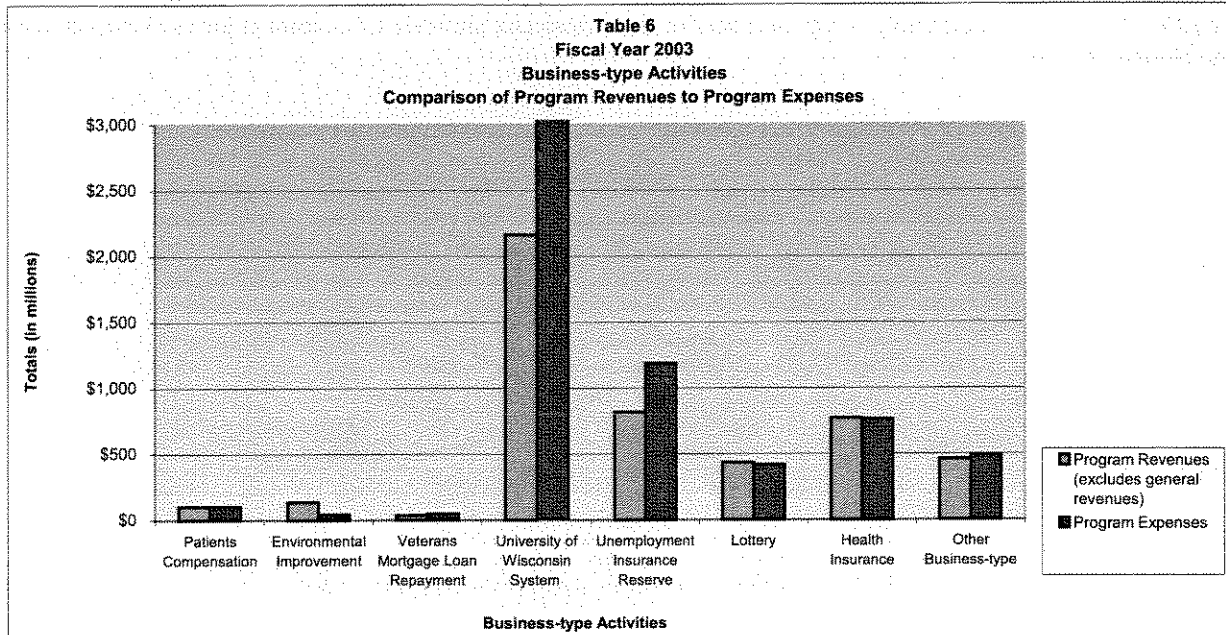


As shown in Table 5, below, expenses for Human Relations and Resources programs make up the largest portion – 40.5 percent – of total governmental expenses and transfers. Included in this function are various programs such as Medical Assistance, the prison system, and the temporary assistance to needy families “TANF” program. Educational expenses, which include various school aids but exclude expenses of the University of Wisconsin System, make up 28.2 percent. Tax Relief and Other General Expenses, which include the municipal and county shared revenue program, represent 9.7 percent of the total, while Transportation expenses represent 7.9 percent. Net transfers to business-type activities, which include a general purpose revenue “GPR” subsidy to the University of Wisconsin System for various programs, make up 5.5 percent of the total expenses/transfers. The interest on long-term debt and remaining functional expenses total 8.2 percent. The interest on long-term debt and remaining functional expenses total 8.2 percent.



## Business-Type Activities

Revenues of business-type activities totaled \$4.9 billion for Fiscal Year 2003. These activities generated program revenues of \$4.9 billion and general revenues of \$.02 billion. The program revenues consisted of \$4.4 billion of charges for services, \$.5 billion of operating grants and contributions, and \$.04 billion of capital grants and contributions. General revenues consisted solely of \$.02 billion of other general revenues. The total expenses for business-type activities were \$6.1 billion. Table 6, below, compares the program revenues and program expenses of the various State business-type activities.



## FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

### Governmental Funds

At the end of Fiscal Year 2003, the State's governmental funds reported a combined fund balance of \$(1,303.3) million. Funds with significant changes in fund balance are discussed below:

#### General Fund

The General Fund is the chief operating fund of the State. At June 30 2003, the State's General Fund reported a total fund balance of \$(2,242.5) million. The net change in fund balance during Fiscal Year 2003 was \$(758.7) million. While certain revenue sources increased over the previous fiscal year, the change in other factors, such as the increase in expenditures, outweighed the positive direction of revenues. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

#### *Revenues*

Revenues of the General Fund totaled \$16,695.8 million in Fiscal Year 2003, an increase of \$247.1 million from Fiscal Year 2002. Factors contributing to the increase included the following:

- Revenues from taxes increased \$168.9 million from Fiscal Year 2002 to Fiscal Year 2003. The most significant increase related to individual income tax withholdings, which increased \$158.9 million or 3 percent. This increase was due to the growth in wages in the State during that period.
- Intergovernmental revenues (e.g., federal assistance) increased \$494.1 million in Fiscal Year 2003, primarily due to an increase in expenditures that were eligible for Federal reimbursement. These items included an increase in benefits paid related to Medical Assistance and the Waiver Program.
- Intergovernmental transfers decreased \$371.3 million during Fiscal Year 2003. This change was due primarily to a decrease in the supplementary nursing home Medical Assistance payments that could be made under federal law with funds received through intergovernmental transfers (IGT) from certain counties.
- Other revenues, such as charges for goods and services, and gifts and grants decreased \$44.6 million.

#### *Expenditures*

Expenditures of the General Fund totaled \$16,195.9 million in Fiscal Year 2003, an increase of \$314.1 million from Fiscal Year 2002. The factors contributing to the increase included the following:

- An increase in education expenditures of \$248.3 million primarily resulted from a 3.41 percent increase to the general equalization assistance provided to the State's 426 school districts.
- Other functional expenditures increased \$65.9 million.

#### *Other Financing Sources and Uses*

Other financing sources/uses and increases/decreases totaled a net \$(1,258.6) million in Fiscal Year 2003, a change of \$(492.7) from the prior year. The components of this change included the following:

- In Fiscal Year 2003, the State transferred to the General Fund \$287.1 million from the Tobacco Settlement Endowment Fund. This amount represents the remaining balance of the original proceeds that had been created from the sale of a portion of the State's right to the Attorneys General Master Settlement Agreement of 1998. A similar Transfer In during Fiscal Year 2002 totaled \$992.3 million.

- During this fiscal year, contributions initially intended to be paid to the accumulated unused sick leave credit program were instead transferred to the General Fund. The amount transferred from various funds to the General Fund totaled \$38.6 million.
- Transfers out of the General Fund totaled \$1,746.8 million, a decrease of \$146.3 million from the prior year. The largest decrease in transfers out related to transfers to the Medical Assistance Trust Fund.
- Other financing sources/uses and other increases/decreases resulted in a net increase of \$27.5 million from the prior fiscal year.

As of June 30, 2003, the General Fund reported \$(2,638.2) million in its "Unreserved" Fund Balance. This compares to a General Fund Unreserved Fund Balance of \$(1,877.3) million as of June 30, 2002. An unreserved fund balance represents the excess of the assets of the General Fund over its liabilities 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 and prepaid items.

Due to a shortfall of revenues beginning in prior fiscal years, the State has taken steps to reduce expenditures. However, this did not prevent the deficit in the General Fund from increasing \$758.2 million. As a result, the State may be required to make significant changes in future budgets, which may reduce expenditures to recognize revenue shortfalls or examine alternative funding strategies.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were significant (a \$2.6 billion increase in appropriations). This was due primarily to the fact that several of the State's largest programs (including Custody Accounts, Food Stamps and the majority of Interagency Aids – see the Items \*, below) are not included in the original budget. In addition, numerous adjustments to spending estimates were needed as the year progressed because of changing circumstances (spending needs can change dramatically over a one-year period). The largest variances incurred in the following programs (in millions):

Program	Variance
General Equalization Aids	\$ (54.9)
Federal Educational Aids; Local Aid	100.4
UW System General Program Operations – Comprehensive Universities	51.0
UW System Academic Student Fees	80.2
UW System Federal Aid – Special Projects	87.3
Department of Health and Family Services Interagency Aids	599.6 *
Federal Aid, Medical Assistance	181.9
Department of Workforce Development Interagency and Intra-agency Aids	56.0 *
Food Stamps, Electronic Benefit Transfer	226.6 *
Department of Administration Federal Aid; Local Assistance	93.2
Custody Accounts	598.6 *

Actual charges to appropriations (expenditures) were \$1.3 billion below the final budgeted estimates. The most significant positive variance occurred in UW System Federal Aid – Special Projects (\$57.5 million).

During the past fiscal year the budgetary-based fund balance decreased for the General Fund, primarily due to increases in ongoing entitlement programs and a shortfall in tax revenues of \$23.8 million. The decline in the General Fund balance was indicative of the general downturn in economic conditions nation-wide.

## **Tobacco Settlement Endowment Fund**

The Tobacco Settlement Endowment Fund accounts for all of the proceeds from the sale of the State's right to receive payments under the Attorneys General Master Tobacco Settlement of 1998 and all investment earnings on the proceeds. The fund generated by the proceeds totaled \$3.4 million in interest earnings for Fiscal Year 2003. A transfer out of the Tobacco Settlement Endowment Fund to the General Fund, totaling \$287.1 million in Fiscal Year 2003, represents the Tobacco Settlement Endowment Fund portion to be applied to the municipal and county shared revenue program payment.

## **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 2002 to Fiscal Year 2003 include the following:

- Due to the increasing unemployment and extended benefits payments in the State, the Unemployment Insurance Reserve benefit expenses increased from \$1,071.7 million in Fiscal Year 2002 to \$1,186.6 million in Fiscal Year 2003.
- In Fiscal Year 2003, the Health Insurance Fund's revenues increased to \$769.2 million and expenses increased to \$762.0 million, reflecting a \$97.7 million and \$106.2 million increase, respectively, due to the rising cost of health insurance premiums paid to health insurance providers.
- Due to a decline in new mortgage loans and an increase in mortgage prepayments, the Veterans Mortgage Loan Repayment Fund's mortgage loans receivable has declined \$238.8 million or 39.0 percent and its cash balance has increased \$106.0 million or approximately 73 percent over the previous fiscal year.
- In Fiscal Year 2003, the University of Wisconsin System's Tuition and Fees revenue increased \$63.0 million or approximately 12.3 percent and its Federal Grants and Contracts revenue increased \$144.3 million or approximately 29.8 percent.

## **Fiduciary Funds**

Significant changes to balances of fiduciary funds from Fiscal Year 2002 to Fiscal Year 2003 include the following:

- At June 30, 2003, assets held in trust for pension and other employee benefits totaled \$56.2 billion, which represents a \$233.4 million increase (0.42 percent) from June 30, 2002. This change reflects an increase in investments of the pension and other employee benefit trusts of \$1.3 billion or 2.3 percent from the previous year.
- Net assets of the College Savings Program Trust Fund, a private purpose fund, increased from \$440.5 million as of June 30, 2002, to \$856.5 million as of June 30, 2003.

## **GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the close of Fiscal Year 2003, the State had \$16.4 billion invested in capital assets, net of accumulated depreciation of \$2.6 billion. This represents an increase of \$694.5 million, or 4.4 percent, from Fiscal Year 2002. Depreciation charges totaled \$97.8 million and \$130.8 million for governmental and business-type activities, respectively, in Fiscal Year 2003. 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	
	2003	2002	2003	2002	2003	2002
	Land and Land Improvements	\$ 1,268	\$ 1,149	\$ 114	\$ 109	\$ 1,382
Buildings and Improvements	1,277	1,203	1,804	1,673	3,081	2,876
Library Holdings	75	74	987	968	1,061	1,041
Machinery and Equipment	243	212	198	192	440	404
Infrastructure	9,352	9,206	-	-	9,352	9,206
Construction in Progress	1,098	955	29	10	1,127	965
<b>Totals</b>	<b>\$ 13,314</b>	<b>\$ 12,798</b>	<b>\$ 3,131</b>	<b>\$ 2,952</b>	<b>\$ 16,444</b>	<b>\$ 15,750</b>

The major capital asset additions completed during Fiscal Year 2003 included the New Lisbon Correctional Institution (\$37.9 million expended), the University of Wisconsin-Madison Engineering Centers (\$22.7 million expended), and the University of Wisconsin-Madison Chemistry Building Addition (\$19.1 million expended). In addition to these completed projects, construction in progress as of June 30, 2003 for governmental and business-type activities totaled \$1,098.5 million and \$158.2 million, respectively. (For business-type activities, \$129.2 million of construction in progress for the University of Wisconsin System is reported within various other categories of capital assets.) A list of construction in progress projects is provided in Note 7. The State's proposed major capital projects for Fiscal Year 2004 include the Cogeneration Plant - University of Wisconsin-Madison (estimated budget of \$90.0 million).

## Debt Administration

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. The total general obligation debt outstanding for the State as of June 30, 2003 was \$4.0 billion, as shown in Table 8.

During Fiscal Year 2003, \$415.2 million of these general obligation bonds were issued to provide for the acquisition or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes and refund current outstanding bonds.

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 \$1.9 billion outstanding at June 30, 2003, as shown in Table 8. These bonds included \$1,137.5 million of Transportation Revenue Bonds, \$188.1 million of Petroleum Inspection Revenue Bonds, and \$623.4 million of Environmental Improvement Revenue Bonds.

**Table 8**  
**Outstanding Debt as of June 30, 2003 and 2002**  
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
	General obligation bonds and notes	\$ 3,090.9	\$ 2,963.4	\$ 913.5	\$ 993.3	\$ 4,004.4
Revenue bonds and notes	1,325.6	1,165.1	623.4	659.5	1,949.0	1,824.6
<b>Totals</b>	<b>\$ 4,416.5</b>	<b>\$ 4,128.5</b>	<b>\$ 1,536.9</b>	<b>\$ 1,652.8</b>	<b>\$ 5,953.4</b>	<b>\$ 5,781.3</b>



Article VIII of the Wisconsin Constitution and Wis. Stat. Sec. 18.05 limits 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 aggregate value of taxable property or five percent of aggregate value of taxable property less net indebtedness at January 1.

At June 30, 2003, State of Wisconsin fixed bonds had a rating of Aa3 from Moody's Investors Services, AA- from Standard and Poor's Corporation, and AA from Fitch Investors Service, L.P. Variable bonds had a rating of P-1 from Moody's, A-1 from Standard and Poor's Corporation, and F-1 from Fitch Investors Services, L.P.

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

## **INFRASTRUCTURE -- MODIFIED APPROACH**

The State reports infrastructure (i.e., roads, bridges, and buildings considered an ancillary part of roads) as capital assets. The State has elected to report its infrastructure assets (11,200 centerline miles of roads and 4,900 bridges with a combined value of \$9.4 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, 2003, 95.7 percent of the roads and 93.8 percent of bridges were in good or fair condition, consistent with State policies.

For the fiscal year ended June 30, 2003, actual maintenance and preservation costs for the State's road network were \$336.7 million, or \$84.2 million less than the estimated amount. On that same date, actual maintenance and preservation costs for the State's bridge network were \$45.7 million, or \$0.7 million less 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. Actual maintenance and preservation costs for the road network reflect an unanticipated shift from maintenance/preservation projects to capital construction projects during the Fiscal Year 2003. In addition, the State of Wisconsin, Department of Transportation's multi-year budgeting 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 2002 and 2003, the Wisconsin economy reflected the slow national recovery. After averaging 2 percent growth annually from 1991 to 2000, Wisconsin's employment declined (1.2) percent in 2002. Employment recovered in early 2002 and then began a second decline in 2002 that continued through mid-2003. Expansion again took hold in April. By October 2003, employment increased 0.2 percent over the prior year. Unemployment averaged 5.5 percent of the labor force in both 2002 and 2003. However, unemployment was on the rise at the end of 2002 and on the decline in 2003. Job gains in business services and health care are offsetting losses in manufacturing and construction.

Personal income growth weakened with the employment losses. Personal income growth slowed throughout 2001. It steadily improved throughout 2002. Income growth averaged 3.2 percent in 2002. Wisconsin's income growth outpaced the US average, 2.5 percent, and the average for its region, 2.4 percent. Through the first half of 2003, income growth is still averaging 3.2 percent and remains ahead of the rest of the region and the U.S. as a whole.

Wisconsin's property values have been insulated from the recession. Real property values increased significantly in 2002. Total values increased 7.5 percent in 2002. Commercial, manufacturing, residential and forest real estate all increased significantly. In 2002, new construction added \$8.7 billion to real property values in Wisconsin up from \$7.5 billion in 2001.

Inflation in Wisconsin has been modest. As measured by the Milwaukee-Racine CSA consumer price index, inflation in 2002 dropped to 1.3 percent from a year earlier. In the first half of 2003, inflation has increased to 3.0 percent.

## **CONTACTING THE STATE'S FINANCIAL MANAGEMENT**

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

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

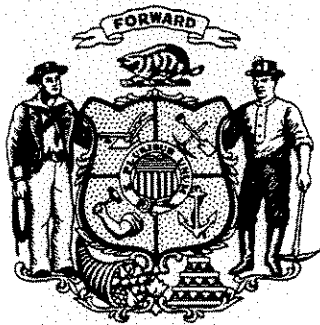
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## **Basic Financial Statements**

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# FORWARD



State of Wisconsin

Statement of Net Assets  
June 30, 2003

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,402,063	\$ 2,692,035	\$ 4,094,098	\$ 198,900
Investments	152,290	1,326,563	1,478,853	478,449
Receivables (net)	2,362,964	2,200,837	4,563,801	1,852,294
Internal Balances	6,619	(6,619)	-	-
Inventories	46,488	37,310	83,798	6,485
Prepaid Items	349,491	116,458	465,949	2,848
Capital Leases Receivable - Component Units	-	22,927	22,927	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	-	64,135	64,135	97,374
Investments	-	-	-	642,484
Other Receivables	-	-	-	90
Deferred Charges	26,182	13,300	39,482	28,034
Capital Assets:				
Depreciable	1,420,315	2,003,958	3,424,273	224,023
Nondepreciable:				
Infrastructure	9,352,302	-	9,352,302	-
Other	2,540,944	1,126,561	3,667,505	25,829
Other Assets	694	8,198	8,892	9,965
<b>Total Assets</b>	<b>17,660,352</b>	<b>9,605,663</b>	<b>27,266,015</b>	<b>3,566,775</b>
<b>Liabilities</b>				
Accounts Payable and Other Accrued Liabilities	1,630,876	369,724	2,000,600	128,873
Due to Other Governments	1,643,165	27,521	1,670,686	1,556
Tax Refunds Payable	1,013,459	-	1,013,459	-
Tax and Other Deposits	30,873	15,549	46,422	101,889
Deferred Revenue	349,712	189,148	538,860	1,100
Interest Payable	62,680	11,544	74,224	75,369
Short-term Notes Payable	574,769	15,932	590,701	-
Long-term Liabilities:				
Current Portion	402,087	366,615	768,702	87,593
Noncurrent Portion	5,004,974	2,464,212	7,469,187	3,803,764
<b>Total Liabilities</b>	<b>10,712,594</b>	<b>3,460,247</b>	<b>14,172,841</b>	<b>4,200,144</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	11,090,111	2,828,388	13,918,499	85,005
Restricted for:				
Transportation Programs	66,744	-	66,744	-
Debt Service	25,991	-	25,991	-
Unemployment Compensation	-	1,217,032	1,217,032	-
Environmental Improvement	-	953,656	953,656	-
Permanent Trusts:				
Expendable	9,414	181,388	190,802	3,704
Nonexpendable	546,925	99,079	646,004	815
Other Purposes	8,504	561,705	570,208	381,702
Unrestricted	(4,799,930)	304,167	(4,495,763)	(1,104,594)
<b>Total Net Assets</b>	<b>\$ 6,947,758</b>	<b>\$ 6,145,416</b>	<b>\$ 13,093,174</b>	<b>\$ (633,369)</b>

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, 2003

(In Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Commerce	\$ 224,377	\$ 148,083	\$ 35,549	\$ -
Education	5,675,138	22,332	614,241	-
Transportation	1,590,710	436,929	93,974	627,000
Environmental Resources	474,969	177,462	61,896	1,022
Human Relations and Resources	8,158,215	130,524	4,329,717	7,380
General Executive	489,442	191,304	234,556	-
Judicial	107,835	46,377	631	-
Legislative	59,758	1,419	-	-
Tax Relief and Other General Expenses	843,757	5,940	55,161	-
Intergovernmental	1,107,958	-	-	-
Interest on Debt	292,579	2,458	-	-
<b>Total Governmental Activities</b>	<b>19,024,739</b>	<b>1,162,827</b>	<b>5,425,725</b>	<b>635,402</b>
<b>Business-type Activities:</b>				
Patients Compensation	102,878	104,221	-	-
Environmental Improvement	42,560	34,818	103,116	-
Veterans Mortgage Loan Repayment	47,280	35,541	-	-
University of Wisconsin System	3,075,475	1,940,491	191,277	33,443
Unemployment Insurance Reserve	1,186,584	614,932	202,466	-
Lottery	418,944	435,133	-	-
Health Insurance	761,995	769,210	-	-
Other Business-type	486,321	457,283	397	2,071
<b>Total Business-type Activities</b>	<b>6,122,037</b>	<b>4,391,628</b>	<b>497,258</b>	<b>35,514</b>
<b>Total Primary Government</b>	<b>\$ 25,146,777</b>	<b>\$ 5,554,455</b>	<b>\$ 5,922,983</b>	<b>\$ 670,916</b>
<b>Component Units:</b>				
Housing and Economic Development Authority	271,786	133,591	129,210	-
Health Care Liability Insurance Plan	13,456	10,585	-	-
University Hospitals and Clinics Authority	533,513	547,792	449	656
Badger Tobacco Asset Securitization Corporation	98,437	56,507	-	-
<b>Total Component Units</b>	<b>\$ 917,192</b>	<b>\$ 748,475</b>	<b>\$ 129,659</b>	<b>\$ 656</b>

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  
     Grants and Contributions Not Restricted to Specific Programs  
     Interest and Investment Earnings  
     Miscellaneous  
 Contributions to Term and Permanent Endowments  
 Contributions to Permanent Fund Principal  
 Transfers  
 Total General Revenues, Contributions, Special and  
 Extraordinary 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		Total	Component Units
Governmental Activities	Business-Type Activities		
\$ (40,745)	\$ -	(40,745)	
(5,038,565)	-	(5,038,565)	
(432,807)	-	(432,807)	
(234,589)	-	(234,589)	
(3,690,594)	-	(3,690,594)	
(63,582)	-	(63,582)	
(60,828)	-	(60,828)	
(58,339)	-	(58,339)	
(782,656)	-	(782,656)	
(1,107,958)	-	(1,107,958)	
(290,122)	-	(290,122)	
<u>(11,800,786)</u>		<u>(11,800,786)</u>	
-	1,343	1,343	
-	95,374	95,374	
-	(11,740)	(11,740)	
-	(910,264)	(910,264)	
-	(369,186)	(369,186)	
-	16,189	16,189	
-	7,215	7,215	
-	(26,570)	(26,570)	
-	<u>(1,197,637)</u>	<u>(1,197,637)</u>	
<u>(11,800,786)</u>	<u>(1,197,637)</u>	<u>(12,998,423)</u>	
			\$ (8,985)
			(2,872)
			15,384
			(41,930)
			<u>(38,402)</u>
5,502,423	-	5,502,423	-
4,102,350	-	4,102,350	-
273,892	-	273,892	-
277,633	-	277,633	-
924,503	-	924,503	-
205,984	-	205,984	-
2	-	2	-
22,353	18,192	40,544	34,845
899,636	5	899,640	-
-	2,075	2,075	20
20,769	-	20,769	-
<u>(1,099,606)</u>	<u>1,099,606</u>	-	-
<u>11,129,938</u>	<u>1,119,877</u>	<u>12,249,815</u>	<u>34,865</u>
<u>(670,848)</u>	<u>(77,760)</u>	<u>(748,609)</u>	<u>(3,537)</u>
<u>7,618,606</u>	<u>6,223,176</u>	<u>13,841,782</u>	<u>(629,832)</u>
\$ 6,947,758	\$ 6,145,416	\$ 13,093,174	\$ (633,369)

State of Wisconsin

Balance Sheet - Governmental Funds

June 30, 2003

(In Thousands)

	General	Transportation	Tobacco Settlement Endowment	Nonmajor Governmental	Total Governmental
<b>Assets</b>					
Cash and Cash Equivalents	\$ 9,495	\$ 370,835	\$ -	\$ 986,591	\$ 1,366,920
Investments	882	-	-	151,408	152,290
Receivables (net of estimated uncollectible accounts):					
Taxes	1,095,198	93,636	-	25,321	1,214,155
Loans to Local Governments	14,892	-	-	236,526	251,418
Other Receivables	180,439	5,176	-	20,372	205,987
Due from Other Funds	171,272	21,357	-	59,735	252,364
Due from Component Units	5	-	-	-	5
Interfund Receivables	-	486	-	-	486
Due from Other Governments	552,235	90,645	-	13,267	656,146
Inventories	13,010	20,885	-	2,448	36,343
Prepaid Items	304,826	2,781	-	15,407	323,014
Advances to Other Funds	-	-	-	1,850	1,850
Other Assets	-	-	-	694	694
<b>Total Assets</b>	<b>\$ 2,342,253</b>	<b>\$ 605,801</b>	<b>\$ -</b>	<b>\$ 1,513,619</b>	<b>\$ 4,461,672</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable and Other					
Accrued Liabilities	\$ 597,620	\$ 101,317	\$ -	\$ 195,553	\$ 894,490
Due to Other Funds	152,020	43,508	-	74,222	269,749
Due to Component Units	1,400	-	-	-	1,400
Interfund Payables	636,405	-	-	486	636,891
Due to Other Governments	1,557,111	62,264	-	23,105	1,642,480
Tax Refunds Payable	1,009,648	3,598	-	213	1,013,459
Tax and Other Deposits	23,667	531	-	6,675	30,873
Deferred Revenue	606,922	8,219	-	15,671	630,812
Interest Payable	-	-	-	37,805	37,805
Advances from Other Funds	-	-	-	4,334	4,334
Short Term Notes Payable	-	-	-	543,643	543,643
General Obligation Bonds Payable	-	-	-	100	100
Revenue Bonds and Notes Payable	-	-	-	58,940	58,940
<b>Total Liabilities</b>	<b>4,584,792</b>	<b>219,438</b>	<b>-</b>	<b>960,746</b>	<b>5,764,976</b>
<b>Fund Balances:</b>					
Reserved for Encumbrances	209,241	613,035	-	228,289	1,050,565
Reserved for Inventories	13,010	20,885	-	2,448	36,343
Reserved for Prepaid Items	173,360	2,781	-	15,400	191,541
Reserved for Restricted Funds	-	-	-	798	798
Reserved for Long-term Receivables	-	-	-	169,517	169,517
Reserved for Advances to Other Funds	-	-	-	1,850	1,850
Unreserved, Reported In:					
General Fund	(2,638,150)	-	-	-	(2,638,150)
Special Revenue Funds	-	(250,338)	-	155,582	(94,756)
Capital Projects Funds	-	-	-	(433,813)	(433,813)
Debt Service Funds	-	-	-	25,991	25,991
Permanent Funds	-	-	-	386,811	386,811
<b>Total Fund Balances</b>	<b>(2,242,539)</b>	<b>386,363</b>	<b>-</b>	<b>552,872</b>	<b>(1,303,304)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,342,253</b>	<b>\$ 605,801</b>	<b>\$ -</b>	<b>\$ 1,513,619</b>	<b>\$ 4,461,672</b>

(Continued)



Balance Sheet - Governmental Funds

June 30, 2003

(Continued)

	Total Governmental
<b>Reconciliation to the Statement of Net Assets:</b>	
Total Fund Balances from previous page	\$ (1,303,304)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Infrastructure	9,352,302
Other Capital Assets	4,237,904
Accumulated Depreciation	(587,172)
Other long-term assets that are not available to pay for current period expenditures and, therefore, are deferred in the funds.	31,265
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.	290,550
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.	(2,016)
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	(1,266,646)
General Obligation Bonds Payable	(2,917,231)
Accrued Interest on Bonds	(24,874)
Capital Leases	(34,658)
Installment Contracts	(2,644)
Compensated Absences	(101,294)
Claims and Judgments	(2,174)
Employer Pension Related Debt Costs	(722,248)
Net Assets of Governmental Activities as reported on the Statement of Net Assets (See page 33)	<u>\$ 6,947,758</u>

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

State of Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2003

(In Thousands)

	General	Transportation	Tobacco Settlement Endowment	Nonmajor Governmental	Total Governmental
<b>Revenues:</b>					
Taxes	\$ 10,139,810	\$ 925,137	\$ -	\$ 206,072	\$ 11,270,818
Intergovernmental	5,224,798	721,617	-	38,243	5,984,658
Licenses and Permits	219,985	310,361	-	360,914	891,260
Charges for Goods and Services	207,382	22,986	-	17,150	247,519
Investment and Interest Income	727	3,771	3,353	40,986	48,838
Fines and Forfeitures	27,419	494	-	27,921	55,834
Gifts and Donations	2,026	-	-	12,316	14,342
Other Revenues:					
Intergovernmental Transfer	598,580	-	-	-	598,580
Tobacco Settlement	153,923	-	-	-	153,923
Other	121,370	13,621	-	4,539	139,531
<b>Total Revenues</b>	<b>16,695,820</b>	<b>1,997,987</b>	<b>3,353</b>	<b>708,141</b>	<b>19,405,302</b>
<b>Expenditures:</b>					
Current Operating:					
Commerce	183,753	-	-	42,429	226,182
Education	5,621,309	-	-	27,972	5,649,280
Transportation	7,320	1,497,686	-	14,261	1,519,266
Environmental Resources	114,877	-	-	349,602	464,479
Human Relations and Resources	7,715,005	-	-	398,452	8,113,457
General Executive	399,051	-	-	91,795	490,846
Judicial	104,577	-	-	354	104,930
Legislative	60,175	-	-	-	60,175
Tax Relief and Other General Expenditures	843,155	-	-	1,975	845,130
Intergovernmental	1,107,958	-	-	-	1,107,958
Debt Service:					
Principal	-	-	-	270,719	270,719
Interest and Other Charges	-	-	-	226,469	226,469
Capital Outlay	38,741	430,585	-	222,260	691,586
<b>Total Expenditures</b>	<b>16,195,920</b>	<b>1,928,271</b>	<b>-</b>	<b>1,646,287</b>	<b>19,770,479</b>
Excess of Revenues Over (Under) Expenditures	499,900	69,716	3,353	(938,146)	(365,177)
<b>Other Financing Sources (Uses):</b>					
Long-term Debt Issued	-	-	-	506,524	506,524
Premium/Discount on Bonds	-	-	-	31,640	31,640
Transfers In	470,947	118	-	763,092	1,234,157
Transfers Out	(1,746,799)	(39,171)	(287,147)	(246,071)	(2,319,188)
Installment Purchase Acquisitions	70	-	-	2,793	2,863
Capital Leases Acquisitions	17,143	-	-	-	17,143
<b>Total Other Financing Sources (Uses)</b>	<b>(1,258,639)</b>	<b>(39,053)</b>	<b>(287,147)</b>	<b>1,057,977</b>	<b>(526,862)</b>
<b>Net Change in Fund Balances</b>	<b>(758,739)</b>	<b>30,663</b>	<b>(283,794)</b>	<b>119,831</b>	<b>(892,038)</b>
Fund Balances, Beginning of Year	(1,484,336)	356,331	283,794	433,110	(411,102)
Increase (Decrease) in Reserve for Inventories	536	(631)	-	(68)	(164)
<b>Fund Balances, End of Year</b>	<b>\$ (2,242,539)</b>	<b>\$ 386,363</b>	<b>\$ 0</b>	<b>\$ 552,872</b>	<b>\$ (1,303,304)</b>

(Continued)

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Fiscal Year Ended June 30, 2003**

(Continued)

	<b>Total Governmental</b>
<b>Reconciliation to the Statement of Activities:</b>	
Net Change in Fund Balances from previous page	\$ (892,038)
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.	(164)
Repayment of bond principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.	270,719
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	682,223
Depreciation Expense	(74,565)
Grants and Contributions (Donated Assets)	1,672
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.	741
In the Statement of Activities, only the gain on the sale of capital assets is reported, while in the governmental funds, the 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.	(71,072)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	7,662
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	
Bonds Issued	(506,524)
Bond Premium	(31,640)
Bond Issuance Costs	2,861
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 increase in accrued interest	(2,176)
Increase in Capital Leases	(7,904)
Decrease in Installment Contracts	(1,395)
Increase in Compensated Absences	(13,235)
Increase in Claims and Judgments	(202)
Increase in Employer Pension Related Debt Costs	(15,245)
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.	(20,568)
Changes in Net Assets of Governmental Activities as reported on the Statement of Activities (See page 35)	<u>\$ (670,848)</u>

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

**State of Wisconsin**  
**Balance Sheet**  
**Proprietary Funds**  
**June 30, 2003**

(In Thousands)

	Business-type Activities		
	Patients Compensation	Environmental Improvement	Veterans Mortgage Loan Repayment
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 6,094	\$ 197,832	\$ 252,006
Investments	10,802	30,661	-
Receivables (net of estimated uncollectible accounts):			
Loans Receivable	-	76,609	16,688
Other Receivables	8,534	330	6,751
Due from Other Funds	-	304	32
Due from Component Units	16	-	-
Due from Other Governments	-	6,343	-
Inventories	1	-	-
Prepaid Items	7	4	69
Capital Leases Receivable - Component Units	-	-	-
Deferred Charges	-	-	101
<b>Total Current Assets</b>	<b>25,454</b>	<b>312,083</b>	<b>275,646</b>
<b>Noncurrent Assets:</b>			
Investments	641,986	116,321	-
Receivables (net of estimated uncollectible accounts):			
Loans Receivable	-	1,119,900	375,587
Prepaid Items	-	-	-
Advances to Other Funds	-	-	-
Capital Leases Receivable - Component Units	-	-	-
Restricted and Limited Use Assets:			
Cash and Cash Equivalents	-	64,135	-
Deferred Charges	-	2,731	4,473
Capital Assets (net of accumulated depreciation)	6	-	135
Other Assets	-	-	287
<b>Total Noncurrent Assets</b>	<b>641,992</b>	<b>1,303,086</b>	<b>380,483</b>
<b>Total Assets</b>	<b>\$ 667,446</b>	<b>\$ 1,615,169</b>	<b>\$ 656,129</b>
<b>Liabilities and Fund Equity</b>			
<b>Current Liabilities:</b>			
Accounts Payable and Other Accrued Liabilities	\$ 312	\$ 81	\$ 1,218
Due to Other Funds	23	1,638	1,182
Due to Component Units	-	-	-
Interfund Payables	-	-	-
Due to Other Governments	-	-	-
Tax and Other Deposits	-	-	2
Advances from Other Funds	-	-	-
Deferred Revenue	2,832	-	98
Interest Payable	-	2,749	5,888
Short Term Notes Payable	-	-	-
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	74,375	-	-
Capital Leases	-	-	-
Installment Contracts Payable	-	-	-
Compensated Absences	9	63	111
General Obligation Bonds Payable	-	-	113,120
Revenue Bonds and Note Payable	-	37,545	-
<b>Total Current Liabilities</b>	<b>77,551</b>	<b>42,075</b>	<b>121,619</b>
<b>Noncurrent Liabilities:</b>			
Accounts Payable and Other Accrued Liabilities	-	-	-
Due to Other Governments	-	3,141	-
Deferred Revenue	-	-	96
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	581,940	-	-
Capital Leases	-	-	-
Installment Contracts Payable	-	-	-
Compensated Absences	23	28	163
General Obligation Bonds Payable	-	-	467,255
Revenue Bonds and Notes Payable	-	585,873	-
<b>Total Noncurrent Liabilities</b>	<b>581,963</b>	<b>589,042</b>	<b>467,514</b>
<b>Total Liabilities</b>	<b>659,514</b>	<b>631,117</b>	<b>589,133</b>
<b>Fund Equity:</b>			
Invested in Capital Assets, Net of Related Debt	-	-	135
Restricted for Unemployment Compensation	-	-	-
Restricted for Environmental Improvement	-	953,656	-
Restricted for Expendable Trusts	-	-	-
Restricted for Nonexpendable Trusts	-	-	-
Restricted for Future Benefits	7,932	-	-
Restricted for Other Purposes	-	-	-
Unrestricted	-	30,395	66,861
<b>Total Fund Equity</b>	<b>7,932</b>	<b>984,052</b>	<b>66,996</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 667,446</b>	<b>\$ 1,615,169</b>	<b>\$ 656,129</b>

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

Business-type Activities				Governmental
University of Wisconsin System	Unemployment Insurance Reserve	Nonmajor Enterprise	Totals	Activities - Internal Service Funds
\$ 559,344	\$ 1,084,171	\$ 592,589	\$ 2,692,035	\$ 36,142
-	-	16,673	58,136	-
27,503	-	8,506	129,307	-
79,926	150,623	47,224	293,387	368
40,846	500	32,503	74,185	26,680
1,931	-	-	1,946	266
48,917	8,740	6,135	70,135	265
29,496	-	7,813	37,310	6,102
24,891	-	91,488	116,458	12,185
2,967	-	-	2,967	-
5,156	-	-	5,257	7
820,975	1,244,034	802,931	3,481,123	81,014
289,653	-	220,467	1,268,428	-
149,567	-	60,827	1,705,881	-
-	-	-	-	14,293
19,960	-	-	19,960	2,984
-	-	-	64,135	-
-	-	839	8,943	804
2,962,055	-	168,323	3,130,519	310,527
-	-	7,911	8,198	-
3,421,236	-	458,367	6,205,164	328,607
\$ 4,242,211	\$ 1,244,034	\$ 1,261,298	\$ 9,686,287	\$ 409,621
\$ 158,851	\$ 18,125	\$ 51,430	\$ 230,017	\$ 15,652
38,181	1,970	36,545	79,538	4,542
1,560	-	11	1,572	3
17,401	6,907	28,824	28,824	37,846
1,459	-	73	24,381	100
500	-	14,088	15,549	-
94,820	-	-	500	-
2,566	-	91,503	189,052	4,498
14,151	-	342	11,544	1,758
-	-	1,781	15,932	31,126
-	-	72,947	147,322	23,475
4,157	-	358	4,515	3,453
-	-	-	-	252
43,883	-	3,383	47,449	1,063
14,910	-	1,754	129,784	7,495
-	-	-	37,545	-
392,239	27,002	303,039	963,524	131,263
-	-	107,375	107,375	11,872
-	-	-	3,141	-
-	-	-	96	5,637
-	-	438,137	1,020,077	94,790
34,339	-	2,063	36,401	2,204
-	-	-	-	757
33,455	-	4,524	38,193	1,587
276,217	-	40,196	783,667	166,049
-	-	-	585,873	-
344,011	-	592,295	2,574,824	282,897
736,250	27,002	895,333	3,538,349	414,160
2,705,850	-	122,402	2,828,388	74,653
-	1,217,032	-	1,217,032	-
-	-	-	953,656	-
181,388	-	-	181,388	-
99,079	-	-	99,079	-
-	-	263,127	271,059	-
222,981	-	67,650	290,631	-
296,662	-	(87,214)	306,704	(79,192)
3,505,961	1,217,032	365,965	6,147,938	(4,539)
\$ 4,242,211	\$ 1,244,034	\$ 1,261,298	\$ 9,686,287	\$ 409,621
Total Fund Equity Reported Above			\$ 6,147,938	
Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds			(2,523)	
Net Assets of Business-type Activities			\$ 6,145,415	

*State of Wisconsin*

**Statement of Revenues, Expenses, and Changes in  
Fund Equity - Proprietary Funds  
For the Fiscal Year Ended June 30, 2003**

(In Thousands)

	Business-type Activities		
	Patients Compensation	Environmental Improvement	Veterans Mortgage Loan Repayment
<b>Operating Revenues:</b>			
Charges for Goods and Services	\$ 29,520	\$ -	-
Participant and Employer Contributions	-	-	-
Tuition and Fees	-	-	-
Federal Grants and Contracts	-	-	-
Local and Private Grants and Contracts	-	-	-
Sales and Services of Educational Activities	-	-	-
Sales and Services of Auxiliary Enterprises	-	-	-
Sales and Services to UW Hospital Authority	-	-	-
Investment and Interest Income	74,504	34,784	35,541
<b>Other Income:</b>			
Federal Aid for Unemployment Insurance Program	-	-	-
Reimbursing Financing Revenue	-	-	-
Other	-	34	-
<b>Total Operating Revenues</b>	<b>104,024</b>	<b>34,818</b>	<b>35,541</b>
<b>Operating Expenses:</b>			
Personal Services	487	4,533	3,710
Supplies and Services	449	1,960	984
Lottery Prize Awards	-	-	-
Scholarships and Fellowships	-	-	-
Depreciation	6	-	43
Benefit Expense	101,937	-	-
Interest Expense	-	34,646	39,283
Other Expenses	-	-	2,858
<b>Total Operating Expenses</b>	<b>102,879</b>	<b>41,140</b>	<b>46,879</b>
<b>Operating Income (Loss)</b>	<b>1,145</b>	<b>(6,322)</b>	<b>(11,338)</b>
<b>Nonoperating Revenues (Expenses):</b>			
Operating Grants	-	78,002	-
Investment and Interest Income	-	25,334	2,503
Gain (Loss) on Disposal of Capital Assets	(4)	(1)	-
Interest Expense	-	-	-
Gifts and Donations	-	-	-
Other Revenues	197	-	-
<b>Other Expenses:</b>			
Property Tax Credits	-	-	-
Grants Disbursed	-	(1,425)	(434)
Other	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>193</b>	<b>101,910</b>	<b>2,069</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>1,337</b>	<b>95,589</b>	<b>(9,269)</b>
Capital Contributions	-	-	-
Additions to Endowments	-	-	-
Transfers In	-	32,800	-
Transfers Out	(9)	(6,069)	(286)
<b>Net Change in Fund Equity</b>	<b>1,328</b>	<b>122,320</b>	<b>(9,555)</b>
<b>Total Fund Equity-Beginning of Year</b>	<b>6,604</b>	<b>861,732</b>	<b>76,551</b>
<b>Total Fund Equity-End of Year</b>	<b>\$ 7,932</b>	<b>\$ 984,052</b>	<b>\$ 66,996</b>

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

Business-type Activities				Governmental Activities - Internal Service Funds
University of Wisconsin System	Unemployment Insurance Reserve	Nonmajor Enterprise	Totals	
\$ -	\$ -	809,387	\$ 838,907	\$ 249,330
-	484,503	816,527	1,301,030	-
577,442	-	-	577,442	-
625,844	-	-	625,844	-
105,899	-	-	105,899	-
195,845	-	-	195,845	-
232,437	-	-	232,437	-
32,291	-	-	32,291	-
-	75,989	33,845	254,663	1
-	202,466	-	202,466	-
-	49,294	-	49,294	-
170,733	5,146	123	176,037	1,103
1,940,491	817,398	1,659,882	4,592,155	250,434
2,150,948	-	231,900	2,391,579	46,485
724,051	-	140,512	867,957	140,730
-	-	248,520	248,520	-
62,180	-	-	62,180	-
120,122	-	10,661	130,831	23,437
-	1,186,584	916,403	2,204,924	30,527
-	-	618	74,548	-
4,901	-	7,341	15,100	-
3,062,202	1,186,584	1,555,955	5,995,639	241,178
(1,121,711)	(369,186)	103,927	(1,403,484)	9,256
-	-	397	78,399	-
9,473	-	11,578	48,887	21
(15,973)	-	(11)	(15,989)	3,213
(15,874)	-	(1,105)	(16,979)	(10,091)
185,696	-	-	185,696	-
-	-	1,744	1,940	403
-	-	(105,767)	(105,767)	-
-	-	(6,133)	(7,991)	-
(749)	-	(8)	(757)	(2,984)
162,573	-	(99,305)	167,440	(9,437)
(959,138)	(369,186)	4,622	(1,236,044)	(181)
33,443	-	2,071	35,514	-
2,075	-	-	2,075	-
1,102,549	-	68,624	1,203,973	10,237
(39,104)	-	(40,338)	(85,806)	(28,095)
139,824	(369,186)	34,980	(80,289)	(18,040)
3,366,137	1,586,218	330,986	6,228,227	13,501
\$ 3,505,961	\$ 1,217,032	\$ 365,965	\$ 6,147,938	\$ (4,539)
Total Net Change in Fund Equity Reported Above			\$ (80,289)	
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds			2,528	
Change in Net Assets of Business-Type Activities			\$ (77,761)	

State of Wisconsin

Statement of Cash Flows - Proprietary Funds  
For the Fiscal Year Ended June 30, 2003

(In Thousands)

	Business-type Activities		
	Patients Compensation	Environmental Improvement	Veterans Mortgage Loan Repayment
<b>Cash Flows from Operating Activities:</b>			
Cash Receipts from Customers	\$ 32,619	\$ -	\$ -
Cash Payments to Suppliers for Goods and Services	(461)	(1,201)	(935)
Cash Payments to Employees for Services	(462)	(5,435)	(3,793)
Tuition and Fees	-	-	-
Grants and Contracts	-	-	-
Cash Payments for Lottery Prizes	-	-	-
Cash Payments for Loans Originated	-	-	(61,146)
Collection of Loans	-	-	293,296
Interest Income	-	-	37,390
Cash Payments for Benefits	(27,695)	-	-
Sales and Services of Educational Activities	-	-	-
Sales and Services of Auxiliary Enterprises	-	-	-
Sales and Services of Hospitals	-	-	-
Scholarships and Fellowships	-	-	-
Other Operating Revenues	-	34	-
Other Operating Expenses	-	-	(2,922)
Other Sources of Cash	176	-	-
Other Uses of Cash	-	-	-
Net Cash Provided (Used) by Operating Activities	4,177	(6,602)	261,890
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Grants Receipts	-	77,644	-
Grants for Loans to Governments	-	-	-
Grants Disbursed	-	(1,425)	(544)
Proceeds from Issuance of Long-term Debt	-	92,266	29,889
Retirement of Long-term Debt	-	(36,405)	(147,272)
Escrow Deposit	-	(92,044)	-
Interest Payments	-	(34,443)	(40,219)
Property Tax Credits	-	-	-
Noncapital Gifts and Grants	-	-	-
Interfund Loans Received	-	-	-
Interfund Loans Repaid	-	-	-
Interfund Borrowings to Other Funds	-	-	-
Repayment of Interfund Borrowings	-	-	-
Interfund Advances Collected	-	-	-
Transfers In	-	32,800	-
Transfers Out	(9)	(6,069)	(286)
Student Direct Lending Receipts	-	-	-
Student Direct Lending Disbursements	-	-	-
Other Cash Inflows from Noncapital Financing Activities	-	-	-
Other Cash Outflows from Noncapital Financing Activities	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(9)	32,324	(158,432)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from Issuance of Long-term Debt	-	-	-
Capital Contributions	-	-	-
Repayment of Long-term Debt	-	-	-
Repayment of Short-term Notes	-	-	-
Interest Payments	-	-	-
Capital Lease Obligations	-	-	-
Proceeds from Sale of Capital Assets	-	-	-
Payments for Purchase of Capital Assets	-	-	(44)
Other Cash Inflows from Capital Financing Activities	-	-	-
Other Cash Outflows from Capital Financing Activities	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(44)
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Sale and Maturities of Investment Securities	177,348	54,422	-
Purchase of Investment Securities	(223,820)	(58,775)	-
Cash Payments for Loans Originated	-	(185,553)	-
Collection of Loans	-	72,367	-
Investment and Interest Receipts	31,230	50,191	2,503
Net Cash Provided (Used) by Investing Activities	(15,242)	(67,348)	2,503
Net Increase (Decrease) in Cash and Cash Equivalents	(11,075)	(41,625)	105,917
Cash and Cash Equivalents, Beginning of Year	17,168	303,592	146,088
Cash and Cash Equivalents, End of Year	\$ 6,094	\$ 261,966	\$ 252,006



Business-type Activities				Governmental
University of Wisconsin System	Unemployment Insurance Reserve	Nonmajor Enterprise	Totals	Activities - Internal Service Funds
\$ -	\$ 475,660	\$ 1,614,647	\$ 2,122,926	\$ 260,587
(781,541)	-	(135,322)	(919,460)	(149,676)
(2,136,056)	-	(236,812)	(2,382,558)	(46,173)
557,915	-	-	557,915	-
771,503	-	-	771,503	-
-	-	(263,785)	(263,785)	-
(39,055)	-	(19,372)	(119,572)	-
37,801	-	21,374	352,472	-
-	-	4,440	41,830	-
-	(1,182,672)	(906,992)	(2,117,358)	(24,084)
196,383	-	-	196,383	-
239,936	-	-	239,936	-
31,602	-	-	31,602	-
(62,180)	-	-	(62,180)	-
163,091	251,767	1,786	416,678	3,325
-	(558)	(32,004)	(35,484)	-
-	-	6,882	7,058	397
-	-	(43)	(43)	(2,978)
(1,020,600)	(455,803)	54,799	(1,162,139)	41,399
-	-	344	77,988	-
-	-	30	30	-
-	-	(6,393)	(8,362)	-
-	-	-	122,155	-
-	-	-	(183,677)	-
-	-	-	(92,044)	-
-	-	(618)	(75,280)	-
-	-	(106,042)	(106,042)	-
188,591	-	-	188,591	-
-	-	2,587	2,587	-
-	-	(433)	(433)	(7,559)
-	-	5,795	5,795	-
-	-	20,474	20,474	-
-	-	-	-	24
1,063,805	-	68,825	1,165,430	9,414
-	-	(35,766)	(42,130)	(28,095)
119,598	-	-	119,598	-
(119,533)	-	-	(119,533)	-
-	-	130	130	-
(2,755)	-	(7)	(2,763)	-
1,249,705	-	(51,075)	1,072,513	(26,216)
137,502	-	22,668	160,170	16,978
29,085	-	2,071	31,156	-
(76,525)	-	(1,031)	(77,556)	(7,810)
-	-	-	-	(21,893)
(53,945)	-	(1,129)	(55,074)	(10,501)
-	-	(389)	(389)	(3,560)
-	-	14	14	12,145
(208,265)	-	(32,852)	(241,161)	(18,026)
-	-	14	14	-
-	-	(603)	(603)	-
(172,148)	-	(11,238)	(183,430)	(32,667)
536,970	-	35,884	804,623	-
(549,085)	-	(18,651)	(850,331)	-
-	-	(206)	(185,759)	-
-	-	290	72,657	-
9,512	75,989	29,107	198,531	21
(2,603)	75,989	46,423	39,721	21
54,354	(379,814)	38,908	(233,335)	(17,463)
504,991	1,463,986	553,680	2,989,505	52,606
\$ 559,344	\$ 1,084,171	\$ 592,589	\$ 2,756,170	\$ 35,142

(Continued)

State of Wisconsin

Statement of Cash Flows - Proprietary Funds  
For the Fiscal Year Ended June 30, 2003

(Continued)

	Business-type Activities		
	Patients Compensation	Environmental Improvement	Veterans Mortgage Loan Repayment
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:</b>			
Operating Income (Loss)	\$ 1,145	\$ (6,322)	\$ (11,338)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	6	-	43
Amortization	-	580	-
Provision for Uncollectible Accounts	-	-	(64)
Operating Income (Investment Income) Classified as Investing Activity	(76,639)	(34,784)	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	34,300	39,283
Miscellaneous Nonoperating Income (Expense)	197	-	-
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	2,162	-	240,554
Decrease (Increase) in Due from Other Funds	14	(51)	(24)
Decrease (Increase) in Due from Component Units	(1)	-	-
Decrease (Increase) in Due from Other Governments	-	-	-
Decrease (Increase) in Inventories	-	-	-
Decrease (Increase) in Prepaid Items	-	-	(21)
Decrease (Increase) in Other Assets	-	-	276
Decrease (Increase) in Deferred Charges	-	(128)	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(78)	(1)	(6,623)
Increase (Decrease) in Compensated Absences	7	-	32
Increase (Decrease) in Due to Other Funds	2	(7)	(102)
Increase (Decrease) in Due to Component Units	-	-	-
Increase (Decrease) in Due to Other Governments	-	44	-
Increase (Decrease) in Tax and Other Deposits	-	-	-
Increase (Decrease) in Deferred Revenue	1,188	-	(124)
Increase (Decrease) in Interest Payable	-	(234)	-
Increase (Decrease) in Future Benefits and Loss Liabilities	76,175	-	-
Total Adjustments	3,032	(280)	273,228
Net Cash Provided (Used) by Operating Activities	\$ 4,177	\$ (6,602)	\$ 261,890
<b>Noncash Investing, Capital and Financing Activities:</b>			
Capital Leases (Initial Year):			
Fair Market Value	\$ -	\$ -	\$ -
Current Year Cash Receipts (Payments)	-	-	-
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to other Funds	-	-	-
Net change in unrealized gains and losses	39,585	-	-
Other	-	-	-

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