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**Transportation Revenue Commercial Paper Notes**

The State authorized transportation revenue commercial paper notes to pay the costs of major highway projects and certain State transportation facilities. As of June 30, 2003, the State issued \$157.8 million of transportation revenue commercial paper notes. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes. The State intends to make annual July 1 payments on the commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular payments to the issuing and paying agent that will be equal to the upcoming interest due on maturing notes. At June 30, 2003, the amount of commercial paper notes outstanding was \$131.4 million which had interest rates ranging from 1.0 percent to 1.10 percent and maturities ranging from July 7, 2003 to January 22, 2004.

Short term debt activity for the year ended June 30, 2003 for the transportation revenue commercial paper notes was as follows (in millions):

| Balance<br>July 1, 2002 |       | Additions | Reductions | Balance<br>June 30, 2003 |       |
|-------------------------|-------|-----------|------------|--------------------------|-------|
| \$                      | 136.7 | \$ --     | \$ 5.3     | \$                       | 131.4 |

**E. Certificates of Participation**

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by State agencies. This facility is the Third Amended and Restated Master Lease 1992-1. Pursuant to the terms and conditions of this agreement, the trustee for the facility issues parity Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. A common pool of collateral ratably secures all Master Lease certificates. Title in the property and service items purchased under the facility remains with the State and the State grants to the Trustee, for the benefit of all Master Lease certificate holders, a first security interest in the leased items. At June 30, 2003, the following parity Master Lease certificates were outstanding:

- Master Lease Certificates of Participation of 1996, Series B, in the amount of \$.05 million. This series of Master Lease certificates had an interest rate of 4.9 percent and matures through September 1, 2003.
- Master Lease Certificates of Participation of 1999, Series A, in the amount of \$2.4 million. This series of Master Lease certificates have interest rates ranging from 3.7 percent to 3.9 percent and mature semi-annually through March 1, 2005.

- Master Lease Certificates of Participation of 1999, Series B (Taxable), in the amount of \$5.7 million. This series of Master Lease certificates have interest rates ranging from 5.5 percent to 5.6 percent and mature semi-annually through September 1, 2005.
- Master Lease Certificates of Participation of 2000, Series A, in the amount of \$10.3 million. This series of Master Lease certificates have interest rates ranging from 4.5 percent to 4.75 percent and mature semi-annually through September 1, 2007.
- Master Lease Certificates of Participation of 2000, Series B (Taxable), in the amount of \$6.1 million. This series of Master Lease certificates have interest rates ranging from 6.85 percent to 7.0 percent and mature semi-annually through September 1, 2005.
- Master Lease Certificates of Participation of 2002, Series A, in the amount of \$35.3 million. This series of Master Lease certificates have interest rates ranging from 2.50 percent to 3.75 percent and mature semi-annually through September 1, 2007.
- Master Lease Certificates of Participation of 2002, Series B (Revolving Credit Agreement – Taxable) in the amount of \$60.0 million. This Master Lease certificate evidences the State's obligation to repay revolving loans under a Revolving Credit Agreement, dated July 1, 2002 between U.S. Bank National Association (Trustee) and the Bank of America Leasing and Capital, LLC. This Master Lease certificate shall bear interest at the rates provided for in the Revolving Credit Agreement and matures on September 1, 2017. The balance of this certificate of participation may include some accrued interest that will be payable at the next semi-annual interest payment date.
- Master Lease Certificates of Participation of 2002, Series C (Revolving Credit Agreement – Tax Exempt) in the amount of \$19.8 million. This Master Lease certificate evidences the State's obligation to repay tax-exempt revolving loans under a Revolving Credit Agreement, dated July 1, 2002 between U.S. Bank National Association (Trustee) and the Bank of America Leasing & Capital LLC. This Master Lease certificate shall bear interest at the rates provided for in the Revolving Credit Agreement and matures on March 1, 2013. The balance of this certificate of participation may include some accrued interest that will be payable at the next semi-annual interest payment date.
- Master Lease Certificates of Participation of 2002, Series D, in the amount of \$27.1 million. This series of Master Lease Certificates have interest rates ranging form 2.0 percent to

5.0 percent and mature semi-annually through September 1, 2007.

- Master Lease Certificates of Participation of 2003, Series A (Revolving Credit Agreement – Taxable). This Master Lease certificate evidences the State's obligation to repay revolving loans under a Revolving Credit Agreement, dated July 1, 2002 between U.S. Bank National Association (Trustee) and the Bank of America Leasing & Capital LLC, as amended to extend the Commitment date to June 30, 2004. This Master Lease certificate shall bear interest at the rates provided for in the Revolving Credit Agreement and matures on March 1, 2019. The balance of this certificate of participation may include some accrued interest that will be payable at the next semi-annual interest payment date.

The Third Amended and Restated Master Lease 1992-1 provides that certain lease schedules to the facility can be terminated if the State deposits with the Trustee an amount that is equal to the outstanding amount of the lease schedule, or in amounts that are sufficient to purchase investments that mature on dates and in amounts to make the lease payments when due. At June 30, 2003, the State has deposited with the Trustee amounts, that when invested, will terminate lease schedules having an aggregate outstanding amount of \$4.1 million. As a result of terminating these lease schedules, the associated liability is removed from the financial statements.

#### F. Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of June 30, 2003, no arbitrage rebate liability existed.

#### G. Moral Obligation Debt

Through legislation enacted in 1994, the State authorized the creation of local exposition districts. These districts (Wisconsin Center District, Southeast Wisconsin Professional Baseball Park District, and the Green Bay/Brown County Professional Football Stadium District) are authorized to issue bonds for costs related to an exposition center, and if the State determines that certain conditions are satisfied, the State may have a moral obligation to

appropriate moneys to make up deficiencies in the districts' reserve funds that secure up to \$200 million principal amount of bonds. To date, the Wisconsin Center District has issued \$125.8 million of bonds that are subject to the moral obligation. The two other local exposition districts each have authority to issue \$160.0 million of revenue obligations that, subject to the Secretary of Administration's determination that certain conditions have been met, could carry a moral obligation of the State. Each of these districts have issued revenue obligations that do not carry the moral obligation of the State.

Through legislation enacted in 1999, the State authorized the issuance of up to \$170.0 million principal amount of bonds to finance the development or redevelopment of sites and facilities to be used for public schools. If certain conditions are satisfied, and if a special debt service reserve fund is created for the bonds, the State will provide a moral obligation pledge, which would restore the special debt reserve fund established for the bonds to an amount not to exceed the maximum annual debt service on the bonds. One bond issue of \$33.3 million has been issued that has a special debt service reserve fund secured by the State's moral obligation.

#### H. Credit Agreements

##### Primary Government

The State has, as part of the working bank contract, a letter of credit agreement with the US Bank National Association under which the Bank has agreed to provide to the State an open line of credit in the amount of \$50.0 million. The agreement provides for advances in anticipation of bond issuance proceeds. As of June 30, 2003, \$50.0 million was unused and available.

The State has previously entered into a credit agreement to provide a line of credit for liquidity support for up to \$85.0 million of general obligation commercial paper notes. The line of credit expires in March, 2004, but is subject to annual renewal as provided for in the credit agreement. The cost of this line of credit is .12 percent per year.

Also, the State has entered into a credit agreement with two banks to provide a line of credit for liquidity support for its transportation revenue commercial paper program. The amount of the line of credit is \$140.0 million. This line of credit expires in May, 2004, but is subject to renewal as provided for in the credit agreement. The cost of this line of credit is 0.170 percent per year.

**NOTE 12. LEASE COMMITMENTS AND INSTALLMENT PURCHASES**

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

**A. Capital Leases**

**Primary Government**

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

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

The following is an analysis of the gross minimum lease payments along with the present value of the minimum lease payments as of June 30, 2003 for capital leases (in thousands):

| Fiscal Year                                 | Governmental Activities | Business-type Activities |
|---|-------------------------|--------------------------|
| 2004  | \$ 14,257               | \$ 6,360                 |
| 2005  | 10,498                  | 5,386                    |
| 2006  | 7,774                   | 4,560                    |
| 2007  | 4,791                   | 3,949                    |
| 2008  | 5,117                   | 24,393                   |
| 2009 - 2013                                 | 2,511                   | 2,323                    |
| 2014 - 2018                                 | 303                     | 991                      |
| Total minimum future payments               | 45,251                  | 47,963                   |
| Less: Executory costs                       | (29)                    | --                       |
| Less: Interest                              | (4,907)                 | (7,047)                  |
| Present value of net minimum lease payments | \$ 40,315               | \$ 40,916                |

Assets acquired through capital leases are valued at the lower of fair market value or the present value of minimum lease payments at the inception of the lease. The following is an analysis of capital assets recorded under capital leases as of June 30, 2003 (in thousands):

|                                | Governmental Activities | Business-type Activities |
|--------------------------------|-------------------------|--------------------------|
| Land and Land Improvements     | \$ 376                  | \$ --                    |
| Buildings and Improvements     | 1,060                   | 48,654                   |
| Machinery and Equipment        | 63,418                  | 10,743                   |
| Less: Accumulated Depreciation | (15,864)                | (8,485)                  |
| Carrying Amount                | \$ 48,991               | \$ 50,912                |

**Master Lease Program**

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by state agencies. This facility is the Third Amended and Restated Master Lease between the State acting by and through the Department of Administration and U.S. Bank National Association. Lease purchase obligations under the Master Lease are not general obligations of the State, but are payable from appropriations of State agencies participating in the Master Lease Program, subject to annual appropriation. The interest component of each lease/purchase payment is subject to a separate determination. Pursuant to terms of the Master Lease, the Trustee for the facility issues parity Master Lease Certificates of Participation that evidence proportionate interest of the owners thereof in lease payments. The outstanding balance as of June 30, 2003 was as follows:

| Balance Due   | Average Life (Weighted Term) |
|---------------|------------------------------|
| \$127,148,130 | 3.46196 Years                |

**Component Unit**

Under the terms of a lease agreement, the University of Wisconsin Hospitals and Clinics Authority (the Hospital) leases facilities which were occupied by the Hospital as of June, 1996 (see Note 1B to the financial statements). The initial term of the lease is 30 years to be renewed annually with automatic extensions of one additional year on each July 1 until action is taken to stop the extensions. Included in the consideration for the lease is an amount equal to the debt service during the term of the lease agreement on all outstanding bonds issued by the State for the purpose of financing the acquisition, construction or improvement of the leased facilities. Interest rates on the related bonds range from 4.0 percent to 6.26 percent, with final maturities due beginning in April 2000 through April 2022. Scheduled principal and interest payments through April 2022 are \$22.9 million.

**B. Operating Leases**

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

Governmental and business-type activities rental expenses under operating leases for Fiscal Year 2003 were \$62.8 million. Of this amount, \$62.3 million relates to minimum rental payments stipulated in lease agreements, \$510 thousand relates to contingent rentals, and \$425 thousand relates to subrental payments.

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

| Fiscal Year               | Governmental<br>Activities | Business-<br>type<br>Activities | Component<br>Units |
|---------------------------|----------------------------|---------------------------------|--------------------|
| 2004                      | \$ 43,691                  | \$ 10,499                       | \$ 5,425           |
| 2005                      | 34,606                     | 8,382                           | 5,320              |
| 2006                      | 26,208                     | 6,413                           | 5,013              |
| 2007                      | 20,961                     | 4,521                           | 4,448              |
| 2008                      | 18,454                     | 2,949                           | 3,270              |
| Thereafter                | 44,450                     | 12,585                          | 4,189              |
| Minimum lease<br>payments | <u>\$ 188,369</u>          | <u>\$ 45,349</u>                | <u>\$ 27,665</u>   |

**C. Installment Purchases**

The State has entered into installment purchase agreements. The following is an analysis of the gross minimum installment payments, along with the present value of the minimum installment payments, as of June 30, 2003 for installment purchases (in thousands):

| Fiscal Year  | Governmental<br>Activities |
|--|----------------------------|
| 2004   | \$ 1,282                   |
| 2005   | 1,223                      |
| 2006   | 810                        |
| 2007   | 563                        |
| Total minimum future payments                        | 3,878                      |
| Less: Interest                                       | (224)                      |
| Present value of net minimum<br>installment payments | <u>\$ 3,653</u>            |

**NOTE 13. RETIREMENT PLAN**

The Wisconsin Retirement System (WRS) was established and is administered by the State of Wisconsin to provide pension benefits for State and local government public employees. The WRS consists of the fixed retirement investment trust, the variable retirement investment trust, and the police and firefighters trust. Although separated for accounting purposes, the assets of these trust funds can be used to pay benefits for any member of the WRS, and are reported as one pension plan.

The WRS is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information for the year ending December 31, 2001, may be obtained by writing to:

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

The separately issued financial reports for the year ended December 31, 2002 will be available in Calendar Year 2004.

**Plan Description**

The WRS, governed by Chapter 40 of the Wisconsin Statutes, is a cost-sharing multiple-employer defined benefit pension plan. It provides coverage to all eligible State of Wisconsin, local government and other public employees. Any employee of a participating employer who is expected to work at least 600 hours per year for at least one year must be covered by the WRS. As of December 31, 2002, the number of participating employers was:

|  |              |
|--|--------------|
| State Agencies                                     | 61           |
| Cities   | 153          |
| Counties   | 71           |
| 4 <sup>th</sup> Class Cities                       | 34           |
| Villages   | 219          |
| Towns  | 192          |
| School Districts                                   | 426          |
| Wisconsin Technical College System Board Districts | 16           |
| Cooperative Educational Service Agencies           | 12           |
| Other  | 175          |
| <b>Total Employers</b>                             | <b>1,359</b> |

For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested. Employees who retire at or after age 65 (55 for protective occupation employees,

62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

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

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

**Accounting Policies and Plan Asset Matters**

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

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

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

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

**State Contributions Required and Contributions Made**

Covered State employees in the General/Teacher category are required by statute to contribute 5.0% of their salary (3.1% for Executives and Elected Officials, 4.0% for Protective Occupations with Social Security, and 3.0% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees.

Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits; however, State legislation in 1999 prescribed a \$200 million contribution holiday for employers for the first time in the plan's history. State contributions made for the years ended December 31, 2002, 2001 and 2000 were as follows (in millions):

|                                   | 2002     | 2001     | 2000     |
|-----------------------------------|----------|----------|----------|
| Employer current service          | \$ 127.2 | \$ 122.9 | \$ 124.7 |
| Percent of payroll                | 4.3%     | 4.2%     | 4.6%     |
| Employer prior service            | \$ 38.3  | \$ 15.5  | \$ 0.4   |
| Percent of payroll                | 1.3%     | 0.5%     | 0.0%     |
| Employee required                 | \$ 145.7 | \$ 140.9 | \$ 134.1 |
| Percent of payroll                | 4.9%     | 4.9%     | 4.9%     |
| Benefit adjustment contrib.       | \$ 5.3   | \$ 5.1   | \$ 12.1  |
| Percent of payroll                | 0.2%     | 0.2%     | 0.4%     |
| Percent of Required Contributions | 100%     | 100%     | 100%     |

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

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

As of June 30, 2003 and 2002, the WRS's unfunded actuarial accrued liability was \$1.7 billion and \$2.0 billion, respectively.

These amounts are presented as Prior Service Contributions Receivable on the financial statements. New prior service liabilities resulting from employers entering the WRS or increasing their prior service coverage are recognized as contributions in the year service is granted and are added to the Prior Service Contributions Receivable. Employer contributions for prior service reduce the receivable. The receivable is increased as of calendar year end with interest at the assumed interest rate of 8 percent.

**Employer Pension Costs**

The State's unfunded liability as of June 30, 2003, was \$722.2 million, or 43.8 percent of the total WRS unfunded liability of \$1.7 billion. This liability is determined in accordance with the provisions of GASB Statement No. 27. The State's unfunded liability for prior service is recorded in the governmental activities.

**NOTE 14. MILWAUKEE RETIREMENT SYSTEM**

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

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

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

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

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

FRIT and VRIT at June 30, 2003, categorized in accordance with the level of risk requirements of GASB Statement No. 3 (in millions):

At June 30, 2003, the FRIT and VRIT held \$57,702.7 million of investments of which includes \$3,209.5 million of securities lending collateral. The following tables present investments of the

**Fixed Retirement Investment Trust:**

|  | Category           |              |              | Fair Value         |
|--|--------------------|--------------|--------------|--------------------|
|  | 1                  | 2            | 3            |                    |
| Fixed Income   | \$ 9,307.4         | \$ --        | \$ --        | \$ 9,307.4         |
| Stocks   | 11,633.8           | --           | --           | 11,633.8           |
| Repurchase Agreements                                      | 182.7              | --           | --           | 182.7              |
| Certificates of Deposit                                    | 47.6               | --           | --           | 47.6               |
| Total  | <u>\$ 21,171.5</u> | <u>\$ --</u> | <u>\$ --</u> | <u>21,171.5</u>    |
| Limited Partnerships                                       |                    |              |              | 2,693.1            |
| Pooled Multi-Asset Fund                                    |                    |              |              | 285.0              |
| Pooled Equities  |                    |              |              | 18,062.7           |
| Pooled Bonds   |                    |              |              | 5,260.9            |
| Mortgages  |                    |              |              | 726.7              |
| Real Estate Owned  |                    |              |              | 436.6              |
| Custodial Pooled Cash and Equivalents                      |                    |              |              | 299.0              |
| Investments Held by Broker Dealers under Securities Loans: |                    |              |              |                    |
| Fixed Income   |                    |              |              | 1,914.9            |
| Equities   |                    |              |              | 1,038.2            |
| Securities Lending Cash Collateral Pooled Investments      |                    |              |              | 713.6              |
|  |                    |              |              | <u>\$ 52,602.1</u> |

**Variable Retirement Investment Trust:**

|  | Category          |              |              | Fair Value        |
|--|-------------------|--------------|--------------|-------------------|
|  | 1                 | 2            | 3            |                   |
| Fixed Income   | \$ 101.8          | \$ --        | \$ --        | \$ 101.8          |
| Stocks   | 2,286.6           | --           | --           | 2,286.6           |
| Repurchase Agreements                                      | 9.3               | --           | --           | 9.3               |
| Certificates of Deposit                                    | 2.4               | --           | --           | 2.4               |
| Total  | <u>\$ 2,400.1</u> | <u>\$ --</u> | <u>\$ --</u> | <u>2,400.1</u>    |
| Pooled Equities  |                   |              |              | 2,495.6           |
| Pooled Cash and Equivalents                                |                   |              |              | 37.1              |
| Investments Held by Broker Dealers under Securities Loans: |                   |              |              |                   |
| Equities   |                   |              |              | 149.3             |
| Securities Lending Cash Collateral Pooled Investments      |                   |              |              | 36.4              |
|  |                   |              |              | <u>\$ 5,118.5</u> |

The following schedule provides summary information by investment classification for the FRIT at June 30, 2003 (in thousands):

| Classification             | Interest/Coupon Rates    | Maturity Dates | Cost                 | Fair Value           |
|----------------------------|--------------------------|----------------|----------------------|----------------------|
| Fixed Income               | Variable and 0.1 to 24.0 | 7/03 to 11/49  | \$ 13,146,466        | \$ 14,489,276        |
| Common and Preferred Stock | N/A                      | N/A            | 31,621,935           | 30,734,716           |
| Limited Partnerships       | N/A                      | N/A            | 2,908,360            | 2,693,113            |
| Mortgages                  | 6.77 to 12.25            | 8/04 to 6/22   | 629,232              | 726,725              |
| Real Estate Owned          | N/A                      | N/A            | 334,554              | 436,628              |
| Multi-Asset                | N/A                      | N/A            | 250,000              | 284,967              |
| Total Investments          |                          |                | <u>\$ 48,900,548</u> | <u>\$ 49,365,425</u> |

The following schedule provides summary information by investment classification for the VRIT at June 30, 2003 (in thousands):

| Classification             | Interest/Coupon Rates | Maturity Dates | Cost                | Fair Value          |
|----------------------------|-----------------------|----------------|---------------------|---------------------|
| Fixed Income               | N/A                   | 10/03          | \$ 25               | \$ 25               |
| Common and Preferred Stock | N/A                   | N/A            | 5,179,166           | 4,931,491           |
| Total Investments          |                       |                | <u>\$ 5,179,191</u> | <u>\$ 4,931,516</u> |

Significant financial data for the FRIT and VRIT for the year ended June 30, 2003 is presented below (in thousands):

| Fixed Retirement Investment Trust<br>Condensed Statement of Net Assets<br>As of June 30, 2003 |                      | Fixed Retirement Investment Trust<br>Condensed Statement of Changes in Net Assets<br>For the Year Ended June 30, 2003 |                      |
|---|----------------------|---|----------------------|
| <b>Assets:</b>  |                      | <b>Additions:</b>   |                      |
| Cash and Cash Equivalents   | \$ 890,450           | Net Increase (Decrease) in Fair Value of Investments  | \$ 1,179,730         |
| Securities Lending Collateral   | 3,053,567            | Interest  | 681,870              |
| Investment Receivables  | 252,211              | Dividends   | 237,524              |
| Investments, at Fair Value  | 49,365,425           | Securities Lending Income   | 40,238               |
| Other Assets  | 3,154                | Other   | 98,468               |
| Total Assets  | <u>53,564,807</u>    | Total Additions   | <u>2,237,830</u>     |
| <b>Liabilities:</b>   |                      | <b>Deductions:</b>  |                      |
| Securities Lending Collateral Liability   | 3,053,567            | Investment Expense  | 145,873              |
| Investment Payables   | 239,470              | Securities Lending Rebates and Fees   | 32,011               |
| Total Liabilities   | <u>3,293,037</u>     | Net Withdrawals by Pool Participants  | 1,059,498            |
| <b>Net Assets Held in Trust of:</b>   |                      | Total Deductions  | <u>1,237,382</u>     |
| Internal Investment Pool Participants   | 50,224,150           | Net Increase (Decrease)   | 1,000,447            |
| Milwaukee Retirement System   | 47,620               | Net Assets Held in Trust for Pool Participants  |                      |
|   | <u>\$ 50,271,770</u> | Beginning of Year   | 49,271,323           |
|   |                      | End of Year   | <u>\$ 50,271,770</u> |

**Variable Retirement Investment Trust**  
**Condensed Statement of Net Assets**  
**As of June 30, 2003**

|   |                     |
|---|---------------------|
| <b>Assets:</b>                          |                     |
| Cash and Cash Equivalents               | \$ 135,753          |
| Securities Lending Collateral           | 155,904             |
| Investment Receivables                  | 10,567              |
| Investments, at Fair Value              | 4,931,516           |
| <b>Total Assets</b>                     | <b>5,233,740</b>    |
| <b>Liabilities:</b>                     |                     |
| Securities Lending Collateral Liability | 155,904             |
| Investment Payables                     | 27,327              |
| <b>Total Liabilities</b>                | <b>183,231</b>      |
| <b>Net Assets Held in Trust of:</b>     |                     |
| Internal Investment Pool Participants   | 5,030,104           |
| Milwaukee Retirement System             | 20,405              |
|   | <b>\$ 5,050,509</b> |

**Variable Retirement Investment Trust**  
**Condensed Statement of Changes in Net Assets**  
**For the Year Ended June 30, 2003**

|   |                     |
|---|---------------------|
| <b>Additions:</b>                                     |                     |
| Net Increase (Decrease) in Fair Value of Investments  | \$ (176,967)        |
| Interest  | 1,359               |
| Dividends   | 38,873              |
| Securities Lending Income                             | 1,746               |
| <b>Total Additions</b>                                | <b>(134,989)</b>    |
| <b>Deductions:</b>                                    |                     |
| Investment Expense                                    | 10,425              |
| Securities Lending Rebates and Fees                   | 1,029               |
| Net Withdrawals by Pool Participants                  | 269,992             |
| <b>Total Deductions</b>                               | <b>281,446</b>      |
| <b>Net Increase (Decrease)</b>                        | <b>(416,435)</b>    |
| <b>Net Assets Held in Trust for Pool Participants</b> |                     |
| Beginning of Year                                     | 5,466,944           |
| End of Year   | <b>\$ 5,050,509</b> |

**NOTE 15. OTHER EMPLOYMENT  
BENEFITS**

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

Post retirement life insurance is provided to employees retiring before age 65 if they (1) have 20 years of creditable service, and (2) are eligible for a retirement annuity. This coverage is at the employee's expense (employee must pay the full premium) until age 65 when reduced coverage is provided at no cost. Employees retiring at or after age 65 are immediately eligible for reduced coverage at no cost. Beginning in the month in which an insured annuitant reaches age 65, premiums are no longer collected and coverage is continued for life. Approximately 12,809 State annuitants currently qualify for coverage without premium. Post retirement life insurance is fully insured by an independent insurance carrier. Premiums are prefunded with employer paid premiums during the employee's active career. The amount of premiums is determined by the insurer. The accrued liability and assets specifically related to post employment benefits could not be determined.

In accordance with Chapter 40, Wisconsin Statutes, the State also provides that employees retiring and beginning an immediate annuity are eligible for conversion of unused sick leave to post retirement health insurance. At the time of eligibility for an immediate annuity or employee's death, that employee's accumulated unused sick leave balance may be converted at the employee's current rate of pay to credits for the payment of health insurance premiums for the employee or the employee's surviving dependents. The program also provides partial matching of sick leave accumulation depending on years of service and employment category. Health insurance premiums are paid on the employee, or employee's dependents behalf, until the sick leave conversion credits are exhausted. At that time, the employee has the option to continue coverage by paying the total cost of the premiums. Approximately 8,880 annuitants are currently receiving health insurance coverage through sick leave conversion credits. Accumulated sick leave conversion is prefunded based on an actuarially determined percentage of payroll. The actuarial valuation is based on the entry age actuarial cost method.

Significant actuarial assumptions include an 8 percent assumed interest rate, 4.5 percent assumed annual salary growth, and an average sick leave accumulation of 6.4 days per year for non-University employees and 7.4 days per year for University employees. The assets and reserves of the sick leave conversion program are accounted for in a fiduciary fund. The accrued liability for the post retirement health insurance benefits at December 31, 2002, determined through an actuarial valuation

performed on that date, was \$1,309.7 million. The program's assets on that date were \$773.1 million. The unfunded liability was \$536.6 million.

Assets of the life insurance and health insurance benefit programs are valued at fair value.

The State's postemployment life and health insurance required and actual contributions totaled \$4.3 million and \$45.4 million, respectively, during the calendar year ended December 31, 2002.

**NOTE 16. PUBLIC ENTITY RISK POOLS  
ADMINISTERED BY THE DEPARTMENT  
OF EMPLOYEE TRUST FUNDS**

The Department of Employee Trust Funds operates four public entity risk pools: group health insurance, group income continuation insurance, protective occupation duty disability insurance and long-term disability insurance. The information provided in this note applies to the period ending December 31, 2002.

**A. Description of Funds**

The Health Insurance Fund offers group health insurance for current and retired employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Two hundred ninety-seven local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The fund includes both a self-insured, fee-for-service plan as well as various prepaid plans, primarily Health Maintenance Organizations (HMO's).

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

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

The Long-term Disability Insurance Fund offers long-term disability benefits to participants in the Wisconsin Retirement System (WRS). The long-term disability benefits provided by this program are an alternative coverage to that currently provided by the WRS. All new WRS participants on or after October 15, 1992, are eligible only for the long-term disability insurance coverage, while participating employees active prior to October 15, 1992, may elect coverage through WRS or the long-term disability insurance program.

**B. Accounting Policies for Risk Pools**

*Basis of Accounting* - All Public Entity Risk Pools are accounted for in enterprise funds using the full accrual basis of accounting and the flow of economic resources measurement focus.

*Valuation of Investments* - Assets of the Health Insurance Fund are invested in the State Investment Fund. Assets of the Income Continuation Insurance, Duty Disability and Long-term Disability Insurance funds are invested in the fixed retirement investment trust. Investments are valued at fair value.

*Unpaid Claims Liabilities* - Claims liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The estimate includes the effects of inflation and other societal and economic factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Unpaid claims liability is presented at face value and is not discounted for health insurance. It is discounted using interest rates of 8 percent for income continuation and long-term disability insurance, and 5 percent duty disability insurance. The liabilities for income continuation, long-term disability, health insurance and duty disability insurance were determined by actuarial methods. The Duty Disability Fund's accounting deficit is being amortized over a twenty-three year period beginning January 1, 2000. Face values are not available.

*Administrative Expenses* - All maintenance expenses are expensed in the period in which they are incurred. Acquisition costs are immaterial and are treated as maintenance expenses. Premium deficiencies are not calculated because acquisition costs are immaterial. Claim adjustment expenses are also immaterial.

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

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

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

**C. Unpaid Claims Liabilities**

As discussed in Section B of this Note, each fund establishes a liability for both reported and unreported insured events, which is an estimate of future payments of losses. The following represents changes in those aggregate liabilities for the nonreinsured portion of each fund during Calendar Year 2002 (in millions):

|  | Health Insurance |         | Income Continuation Insurance |        | Duty Disability |         | Long-term Disability Insurance |        |
|--|------------------|---------|-------------------------------|--------|-----------------|---------|--------------------------------|--------|
|  | 2002             | 2001    | 2002                          | 2001   | 2002            | 2001    | 2002                           | 2001   |
| Unpaid claims at beginning of the calendar year  | \$ 12.8          | \$ 14.2 | \$57.0                        | \$46.4 | \$318.3         | \$289.2 | \$34.3                         | \$29.2 |
| Incurred claims:   |                  |         |                               |        |                 |         |                                |        |
| Provision for insured events of the current calendar year  | 70.5             | 73.7    | 17.1                          | 28.9   | 30.7            | 35.4    | 11.7                           | 10.0   |
| Changes in provision for insured events of prior calendar years                                  | (5.4)            | (5.3)   | (2.8)                         | (6.2)  | (6.6)           | 13.9    | 3.0                            | (1.2)  |
| Total incurred claims  | 65.1             | 68.4    | 14.3                          | 22.7   | 24.1            | 49.3    | 14.7                           | 8.8    |
| Payments:  |                  |         |                               |        |                 |         |                                |        |
| Claims and claim adjustment expenses attributable to insured events of the current calendar year | 62.5             | 61.1    | 3.5                           | 5.5    | 0.2             | 0.3     | 0.0                            | 0.5    |
| Claims and claim adjustment expenses attributable to insured events of prior calendar years      | 7.3              | 8.7     | 9.6                           | 6.6    | 21.4            | 19.9    | 5.2                            | 3.2    |
| Total Payments   | 69.8             | 69.8    | 13.1                          | 12.1   | 21.6            | 20.2    | 5.2                            | 3.7    |
| Total unpaid claims expenses at end of the calendar year   | \$ 8.1           | \$ 12.8 | \$58.2                        | \$57.0 | \$320.8         | \$318.3 | \$43.8                         | \$34.3 |

**D. Trend Information**

Historical trend information showing revenue and claims development information is presented in the Department of Employee Trust Funds audited financial statements. The separately issued financial report for the year ended December 31, 2002 will be available in Calendar Year 2004. Copies of these and prior years statements may be requested from:

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

**NOTE 17. SELF-INSURANCE**

It is the general policy of the State not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the State believes it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The fund services most claims for risk of loss to which the State is exposed, including damage to State owned property, liability for property damages and injuries to third parties, and worker's compensation. All funds and agencies of the State participate in the Risk Management Fund.

**State Property Damage**

Property damages to State-owned properties are covered by the State's self-funded property program up to \$2.5 million per occurrence and \$2.7 million annual aggregate. When claims, which exceed \$25,000 per occurrence, total \$2.7 million, the State's private insurance becomes available. Losses to property occurring after the threshold are first subject to a \$25,000 deductible. The amount of loss in excess of \$25,000 is covered by the State's private insurance company. During Fiscal Year 2003, the excess insurance limits were written to \$300 million.

The liabilities for State property damage are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities is based on the reserves on open claims and paid claims. Losses incurred but not reported are expected to be immaterial. Claims incurred but not paid as of June 30, 2003 are estimated to total \$2.8 million.

**Property Damages and Bodily Injuries to Third Parties**

The State is self-funded for third party liability to a level of \$3 million per occurrence and purchases insurance in excess of this self-funded retention. The policy limit during Fiscal Year 2003 was \$50 million.

The liabilities for property damages and injuries to third parties are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities for the prior fiscal year was the reserves on open claims. The estimate for future benefits and loss liabilities is calculated by an actuary based on the reserves on open claims and prior experience. No liability is reported for environmental impairment liability claims either incurred or incurred but not reported because existing case law makes it unlikely the State would be held liable for material amounts. Because actual claims liabilities depend upon complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not

necessarily result in an exact amount. Claims incurred but not paid as of June 30, 2003 are estimated to total \$46.4 million.

**Worker's Compensation**

The Worker's Compensation Program was created by Wisconsin Statutes Chapter 102 to provide benefits to workers injured on the job. All employees of the State are included in the program. An injury is covered under worker's compensation if it is caused by an accident that arose out of and in the course of employment.

The responsibility for claiming compensation is on the employee. A claim must be filed with the program within two years from the date of injury, otherwise the claim is not allowable.

The worker's compensation liability has been determined by an actuary using paid claims and current claims reserves. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by external factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims incurred but not paid as of June 30, 2003 are estimated to total \$69.1 million.

Changes in the balances of claims liability for the Risk Management Fund during the current and prior fiscal years are as follows (in thousands):

|   | 2003              | 2002              |
|---|-------------------|-------------------|
| Beginning of fiscal year liability              | \$ 111,821        | \$ 100,285        |
| Current year claims and changes<br>in estimates | 30,509            | 30,226            |
| Claim payments                                  | (24,065)          | (18,690)          |
| Balance at fiscal year-end                      | <u>\$ 118,265</u> | <u>\$ 111,821</u> |

**Annuity Contracts**

The Risk Management Fund purchased annuity contracts in various claimants' names to satisfy claim liabilities. The likelihood that the fund will be required to make future payments on those claims is remote and, therefore, the fund is considered to have satisfied its primary liability to the claimants. Accordingly, the annuity contracts are not reported in, and the related liabilities are removed from, the fund's balance sheet. The aggregate outstanding amount of liabilities removed from the financial statements at June 30, 2003 is \$ 2.9 million.

**NOTE 18. INSURANCE FUNDS****Primary Government****A. Local Government Property Insurance Fund**

Created by the Legislature in 1911, the purpose of the Local Government Property Insurance Fund is to provide property insurance coverage to tax-supported local government units such as counties, towns, villages, cities, school districts and library boards. Property insured includes government buildings, schools, libraries and motor vehicles. Coverage is available on an optional basis. As of June 30, 2003, the Local Government Property Insurance Fund insured 1,206 local governmental units. The total amount of insurance in force as of June 30, 2003 was \$32.7 billion.

*Valuation of Cash Equivalents and Investments* - All investments of the Local Government Property Insurance Fund are managed by the State of Wisconsin Investment Board, as discussed in Note 5-B to the financial statements. At June 30, 2003, the fund had \$11.5 million of shares in the State Investment Fund which are considered cash equivalents and \$12.4 million of high grade, long-term, fixed income obligations.

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

*Unpaid Claims Liabilities* - The Local Government Property Insurance Fund establishes future benefits and loss liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Claims liabilities are recomputed periodically to produce current estimates that reflect recent settlements, claim frequency, and other economic factors. Adjustments to future benefits and loss liabilities are charged or credited to expense in the periods in which they are made.

*Policy Acquisition Costs* - Since the Local Government Property Insurance Fund has no marketing staff and incurs no sales commissions, acquisition costs are minimal and charged to operations as incurred.

*Premium Deficiency* - Investment income is considered in determining whether a premium deficiency exists. No premium deficiency existed at June 30, 2003.

*Reinsurance* - The Local Government Property Insurance Fund uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits

recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the fund as direct insurer of the risks reinsured. The fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. As of June 30, 2003 the fund had \$240 million of per occurrence excess of loss reinsurance in force with a \$2.0 million combined single limit retention for each occurrence, and an annual aggregate reinsurance contract with a \$18.0 million annual aggregate retention plus a per claim retention of \$5 thousand once the aggregate is met, as respects occurrences for the term of the agreement. Premium ceded to reinsurers during the fiscal year amounted to \$4.6 million. Reinsurance loss and adjusting expense recoveries earned for the year amounted to \$3.7 million.

**Unpaid Claims Liabilities**

As discussed above, the Local Government Property Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the fund during the past two fiscal years (in thousands):

|   | 2003            | 2002            |
|---|-----------------|-----------------|
| Unpaid claims and claim adjustment expenses at beginning of the year                    | \$11,773        | \$14,436        |
| Less: Reinsurance recoverable   | (4,706)         | (6,097)         |
| Net unpaid loss liability at beginning of year  | <u>7,067</u>    | <u>8,339</u>    |
| Incurred claims and claim adjustment expenses:  |                 |                 |
| Provision for insured events of the current year  | 14,406          | 13,858          |
| Increase (decrease) in provision for insured events of prior years                      | 446             | 301             |
| Total incurred claims and claim adjustment expenses                                     | <u>14,852</u>   | <u>14,159</u>   |
| Payments:   |                 |                 |
| Claims and claim adjustment expenses attributable to insured events of the current year | 9,040           | 7,278           |
| Claims and claim adjustment expenses attributable to insured events prior years         | 7,169           | 8,153           |
| Total payments  | <u>16,209</u>   | <u>15,431</u>   |
| Net unpaid claims and claim adjustment expenses at end of year                          | 5,710           | 7,067           |
| Reinsurance recoverable   | 6,468           | 4,706           |
| Total unpaid claims and claim adjustment expenses                                       | <u>\$12,178</u> | <u>\$11,773</u> |

**Trend Information**

Historical trend information showing revenue and claims development information is presented in the Office of the Commissioner of Insurance June 30, 2003 financial statements. Copies of these statements may be requested from:

Office of the Commissioner of Insurance  
 125 South Webster Street  
 Madison, Wisconsin 53702

**B. State Life Insurance Fund**

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

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

The costs of policy issuance and underwriting, all of which vary with, and are primarily related to, the production of new business, have been deferred. These deferred acquisition costs are amortized over a forty year period, considered representative of the life of the contract. The amortization is in proportion to the ratio of annual in-force business to the amount of business issued. Such anticipated in-force business was estimated using similar assumptions to those used for computing liabilities for future policy benefits.

**Deferred Acquisition Cost Assumptions**

| Issue Years | Interest Rate | Lapse Rate | Mortality |
|-------------|---------------|------------|-----------|
| 1913-1966   | 3.0%          | 2.0%       | None      |
| 1967-1976   | 3.0           | 2.0        | None      |
| 1977-1985   | 4.0           | 2.0        | None      |
| 1986-1994   | 5.0           | 2.0        | None      |
| 1995+       | 4.0           | 2.0        | None      |

The State Life Insurance Fund does not pay commissions nor does it incur agent expenses.

Future benefits and loss liabilities have been computed by the net level premium method based upon estimated future investment yield and mortality. The composition of liabilities and the more material assumptions pertinent thereto are presented below (in thousands):

| Issue Year | Ordinary Life Insurance in Force | Amount of Policy Liability |
|------------|----------------------------------|----------------------------|
| 1913-1966  | \$ 13,615                        | \$ 8,934                   |
| 1967-1976  | 39,289                           | 15,577                     |
| 1977-1985  | 84,936                           | 20,253                     |
| 1986-1994  | 55,550                           | 6,090                      |
| 1995+      | 31,754                           | 2,492                      |
|            | <u>\$ 225,144</u>                | <u>\$ 53,346</u>           |

**Bases of Assumptions**

| Issue Year | Interest Rate | Mortality                                |
|------------|---------------|--|
| 1913-1966  | 3.0%          | American Experience, ANB*                |
| 1967-1976  | 3.0           | 1958 CSO, ALB, Unisex                    |
| 1977-1985  | 4.0           | 1958 CSO, ALB, Female Setback<br>3 years |
| 1986-1994  | 5.0           | 1980 CSO, ALB, Aggregate                 |
| 1995+      | 4.0           | 1980 CSO, ALB, Aggregate                 |

\* Age Last Birthday

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

The statutory assets at December 31, 2002 were \$77.7 million and the statutory capital and surplus were \$5.1 million, and the capital and surplus at June 30, 2003 was \$13.5 million.

**C. Patients Compensation Fund**

The Patients Compensation Fund was created in 1975 for the purpose of providing excess medical malpractice insurance for health care providers in the state. The Patients Compensation Fund pays that portion of a medical malpractice claim which is in excess of the legal primary insurance limit prescribed under law, or the maximum liability limit for which the health provider is insured, whichever limit is greater. Most health care providers permanently practicing or operating in the State of Wisconsin are required to pay Patients Compensation Fund operating fees. Risk of loss is retained by the fund.

The Future Benefits and Loss Liability Account includes individual case estimates for reported losses and estimates for incurred but not reported losses based upon the projected ultimate losses. Individual case estimates of the liability for reported losses and net losses paid from inception of the Patients Compensation Fund are deducted from the projected ultimate loss liabilities to determine the liability for incurred but not reported losses as of June 30, 2003 as follows (in thousands):

|  |                   |
|--|-------------------|
| Projected ultimate loss liability              | \$ 1,372,113      |
| Less: Net loss paid from inception             | (540,120)         |
| Less: Liability for reported losses            | (31,966)          |
| Liability for incurred but not reported losses | <u>\$ 800,027</u> |

The Future Benefits and Loss Liability Account also includes a provision for the estimated future payment of the costs to settle claims. These ultimate loss adjustment expenses as of June 30, 2003 are estimated at 5.75 percent of the projected ultimate loss liabilities. The loss reserves are actuarially determined. The loss adjustment expenses paid from the inception of the Patients Compensation Fund are deducted from the projected ultimate loss adjustment expenses provision to determine the liability for loss adjustment expenses as of June 30, 2003 as follows (in thousands):

|  |                  |
|--|------------------|
| Projected ultimate loss adjustment expense liability | \$ 78,897        |
| Less: Loss adjustment expense paid from inception    | (37,751)         |
| Liability for loss adjustment expense                | <u>\$ 41,146</u> |

The uncertainties inherent in projecting the frequency and severity of large claims because of the Patients Compensation Fund's unlimited liability coverage, and extended reporting and settlement periods, makes it likely that the amounts ultimately paid will differ from the recorded estimated liabilities. These differences cannot be quantified.

The liability for reported losses, liability for incurred but not reported losses, and liability for loss adjustment expense are maintained on a present value basis with the difference from full value being reported as a contra account to the loss reserve liabilities. The loss reserve liabilities are discounted only to the extent that they are matched by cash and invested assets. If all loss liabilities are discounted, the discounted loss liability would be as follows as of June 30, 2003 (in thousands):

|  |                   |
|--|-------------------|
| Estimated unpaid loss liabilities        | \$ 800,027        |
| Estimated unpaid loss adjustment expense | 41,146            |
| Total estimated loss liabilities         | 841,173           |
| Less: Amount representing interest       | (218,285)         |
| Discounted loss liabilities              | <u>\$ 622,888</u> |

The future benefits and loss liabilities are continually reviewed as adjustments to these liabilities become necessary. Such adjustments are reflected in current operations. Because of the changes in these estimates, the benefit expense for the fiscal year is not necessarily indicative of the loss experience for the year.

On behalf of the Fund's Board, the Office of the Commissioner of Insurance contracted for an actuarial audit of the Patients Compensation Fund, which includes a review by another actuary of the reasonableness of the actuarial methodology and assumptions used in developing estimates of the Fund's loss liabilities. A committee of the Board is currently in the process of addressing professional disagreements regarding preliminary audit results, which are not expected to be resolved until a later date. The Board believes the current estimate of the Fund's loss liabilities is a reasonable estimate.

**D. Health Insurance Risk Sharing Plan**

The Health Insurance Risk Sharing Plan Fund was established in 1980 to provide major medical and Medicare supplemental insurance for persons unable to obtain this insurance in the private market or who otherwise qualify for eligibility under Section 149.12, Wis. Stats. The Health Insurance Risk Sharing Plan is funded primarily by premiums paid by insureds of the plan, assessments made to participating insurers, reduction of provider payments rates, and general purpose revenue from the State of Wisconsin.

The financial statements of the Health Insurance Risk Sharing Plan fund are prepared in conformity with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board. Premiums are recognized as revenues over the terms of the insurance policies, and a liability for unearned premiums is established to reflect premiums received applicable to subsequent accounting periods.

Participating insurers are assessed every six months, and revenue is recognized in the period covered by the assessments.

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

The following represents changes in the Future Benefit and Loss Liability account balances for the prior two fiscal years (in thousands):

|                            | 2003             | 2002             |
|----------------------------|------------------|------------------|
| Balance, beginning of year | \$ 15,296        | \$ 17,790        |
| Incurred related to:       |                  |                  |
| Current year               | 90,904           | 75,553           |
| Prior years                | (3,815)          | (7,035)          |
| Total Incurred             | <u>87,089</u>    | <u>68,518</u>    |
| Paid related to:           |                  |                  |
| Current year               | 76,344           | 61,161           |
| Prior years                | 10,494           | 9,851            |
| Total Paid                 | <u>86,838</u>    | <u>71,012</u>    |
| Balance, end of year       | <u>\$ 15,547</u> | <u>\$ 15,296</u> |

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

**Component Units**

**E. Wisconsin Health Care Liability Insurance Plan**

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

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

Since the inception of the Plan in 1975, the health care liability coverage limits have increased from \$200 thousand per occurrence and \$600 thousand annual aggregate to the current limits of \$1.0 million per occurrence and \$3.0 million annual aggregate effective July 1, 1998. A general liability coverage is also available to participating health care providers with limits of \$1.0 million per occurrence and \$3.0 million annual aggregate effective July 1, 1990. The Plan is not covered under any reinsurance contracts.

In the event that sufficient funds are not available for the sound financial operation of the Plan, all members shall, on a temporary basis, contribute to the financial needs of the Plan. Members shall participate in the contributions in the proportion of their respective premiums to the aggregate premiums written by all members of the Plan. Such assessments shall be recouped by rate increases applied prospectively. There were no assessments for the year ended December 31, 2002.

The future benefits and loss liability includes amounts determined from individual reported losses (case reserves) and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes that the amounts are adequate, the ultimate liability will differ from the amounts provided. The methods for making such estimates and for establishing the resulting liability are annually reviewed, and any adjustments are reflected in income currently. Specific account balances as of December 31, 2001 and December 31, 2002, are as follows (in thousands):

|                        | 2002      | 2001      |
|------------------------|-----------|-----------|
| Balance at January 1   | \$ 67,212 | \$ 84,028 |
| Incurred related to:   |           |           |
| Current year           | 4,044     | 4,413     |
| Prior years            | (18,892)  | (19,783)  |
| Total Incurred         | (14,848)  | (15,370)  |
| Paid related to:       |           |           |
| Current year           | 62        | 68        |
| Prior years            | 622       | 1,378     |
| Total paid             | 684       | 1,446     |
| Balance at December 31 | \$ 51,680 | \$ 67,212 |

There is inherent uncertainty in medical malpractice claims when establishing the estimates of unpaid losses and unpaid loss adjustment expenses. In 2002 and 2001, the Plan decreased its estimates of unpaid losses and unpaid loss adjustment expenses related to insured events of prior years. These decreases were greater than the estimated losses incurred for the current year, causing negative incurred losses and loss adjustment expenses.

**NOTE 19. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA****Primary Government**

The State issues revenue bonds to finance the Leveraged Loan Program, which is accounted for as part of the Environmental Improvement Fund. Investors in those bonds rely solely on the revenue generated within the Leveraged Loan Program. Assets of this program are used primarily for loans for Wisconsin municipal waste water projects. Condensed financial statement information of the Leveraged Loan Program as of and for the year ended June 30, 2003 is presented below (in thousands):

**Condensed Balance Sheet**

|  |                   |
|--|-------------------|
| <b>Assets:</b>   |                   |
| Current Assets   | \$ 108,856        |
| Other Assets   | 688,350           |
| <b>Total Assets</b>  | <b>\$ 797,206</b> |
| <b>Liabilities:</b>  |                   |
| Due to Other Funds   | \$ 2,017          |
| Other Current Liabilities (Including<br>Current Portion of Long-term Debt) | 40,294            |
| Noncurrent Liabilities   | 588,969           |
| <b>Total Liabilities</b>   | <b>631,280</b>    |
| <b>Fund Equity:</b>  |                   |
| Restricted   | 165,926           |
| <b>Total Fund Equity</b>   | <b>165,926</b>    |
| <b>Total Liabilities and Fund Equity</b>                                   | <b>\$ 797,206</b> |

**Condensed Statement of Revenues, Expenses and Changes in Fund Equity**

|  |                   |
|--|-------------------|
| <b>Operating Revenues (Expenses):</b>    |                   |
| Loan Interest                            | \$ 16,586         |
| Interest Expense                         | (34,646)          |
| Other Operating Expenses                 | (2,064)           |
| <b>Operating Income (Loss)</b>           | <b>(20,124)</b>   |
| <b>Nonoperating Revenues (Expenses):</b> |                   |
| Investment Income                        | 23,366            |
| Transfers                                | 12,000            |
| <b>Change in Fund Equity</b>             | <b>15,242</b>     |
| Beginning Fund Equity                    | 150,684           |
| <b>Ending Fund Equity</b>                | <b>\$ 165,926</b> |

**Condensed Statement of Cash Flows**

|   |                   |
|---|-------------------|
| <b>Net Cash Provided (Used) by :</b>    |                   |
| Operating Activities                    | \$ (2,164)        |
| Noncapital Financing Activities         | (58,626)          |
| Investing Activities                    | (3,843)           |
| <b>Net Increase (Decrease)</b>          | <b>(64,633)</b>   |
| Beginning Cash and Cash Equivalents     | 167,072           |
| <b>Ending Cash and Cash Equivalents</b> | <b>\$ 102,439</b> |

**NOTE 20. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION**

Significant financial data for the State's four component units for the year ended December 31, 2002, May 31, 2003, or June 30, 2003 is presented below (in thousands):

|   | Wisconsin Housing<br>and Economic<br>Development<br>Authority | Wisconsin<br>Health Care<br>Liability<br>Insurance Plan | University of<br>Wisconsin<br>Hospitals and<br>Clinics Authority | Badger<br>Tobacco Asset<br>Securitization<br>Corporation | Total               |
|---|---|---|--|--|---------------------|
| <b>Condensed Balance Sheet</b>  |   |   |  |  |                     |
| <b>Assets:</b>  |   |   |  |  |                     |
| Cash, Investments and Other Assets  | \$ 2,566,149  | \$ 105,267  | \$ 336,460   | \$ 306,071   | \$ 3,313,947        |
| Due from Primary Government   | 63  | --  | 2,912  | --   | 2,975               |
| Capital Assets, Net   | 20,609  | --  | 229,243  | --   | 249,852             |
| <b>Total Assets</b>   | <b>\$ 2,586,821</b>   | <b>\$ 105,267</b>                                       | <b>\$ 568,615</b>  | <b>\$ 306,071</b>  | <b>\$ 3,566,775</b> |
| <b>Liabilities:</b>   |   |   |  |  |                     |
| Accounts Payable and Other<br>Current Liabilities                           | \$ 158,338  | \$ 43,492   | \$ 55,917  | \$ 48,822  | \$ 306,569          |
| Due to Primary Government   | 19  | 16  | 2,183  | --   | 2,218               |
| Long-term Liabilities (Current and<br>Noncurrent Portions)                  | 2,070,099   | 51,680  | 202,352  | 1,567,226  | 3,891,357           |
| <b>Total Liabilities</b>  | <b>2,228,456</b>  | <b>95,188</b>   | <b>260,452</b>   | <b>1,616,048</b>   | <b>4,200,144</b>    |
| <b>Fund Equity:</b>   |   |   |  |  |                     |
| Invested in Capital Assets, Net of<br>Related Debt                          | --  | --  | 85,005   | --   | 85,005              |
| Restricted  | 195,925   | --  | 4,519  | 185,777  | 386,221             |
| Unrestricted  | 162,440   | 10,080  | 218,639  | (1,495,753)  | (1,104,594)         |
| <b>Total Fund Equity</b>  | <b>358,365</b>  | <b>10,080</b>   | <b>308,163</b>   | <b>(1,309,976)</b>                                       | <b>(633,369)</b>    |
| <b>Total Liabilities and Fund Equity</b>                                    | <b>\$ 2,586,821</b>   | <b>\$ 105,267</b>                                       | <b>\$ 568,615</b>  | <b>\$ 306,071</b>  | <b>\$ 3,566,775</b> |
| <b>Condensed Statement of Revenues, Expenses and Changes in Fund Equity</b> |   |   |  |  |                     |
| <b>Program Expenses:</b>  |   |   |  |  |                     |
| Depreciation  | \$ 6,041  | \$ --   | \$ 22,613  | \$ --  | \$ 28,654           |
| Payments to Primary Government  | --  | --  | 500  | --   | 500                 |
| Other   | 265,745   | 13,456  | 510,400  | 98,437   | 888,038             |
| <b>Total Program Expenses</b>   | <b>271,786</b>  | <b>13,456</b>   | <b>533,513</b>   | <b>98,437</b>  | <b>917,192</b>      |
| <b>Program Revenues:</b>  |   |   |  |  |                     |
| Charges for Services  | 3,521   | 1,790   | 536,985  | --   | 542,296             |
| Investment and Interest Income  | 122,239   | 5,664   | --   | --   | 127,903             |
| Operating Grants and Contributions  | 129,210   | --  | 449  | --   | 129,659             |
| Capital Grants and Contributions  | --  | --  | 656  | --   | 656                 |
| Other   | 7,831   | 3,131   | 10,807   | 56,507   | 78,276              |
| <b>Total Program Revenues</b>   | <b>262,801</b>  | <b>10,584</b>   | <b>548,897</b>   | <b>56,507</b>  | <b>878,790</b>      |
| <b>Net Program Revenue/(Expense)</b>  | <b>(8,985)</b>  | <b>(2,872)</b>  | <b>15,384</b>  | <b>(41,930)</b>  | <b>(38,402)</b>     |
| <b>General Revenues:</b>  |   |   |  |  |                     |
| Interest and Investment Earnings  | 16,261  | --  | 9,601  | 8,983  | 34,845              |
| <b>Contributions to Endowments</b>  | <b>--</b>   | <b>--</b>   | <b>20</b>  | <b>--</b>  | <b>20</b>           |
| <b>Change in Fund Equity</b>  | <b>7,276</b>  | <b>(2,872)</b>  | <b>25,005</b>  | <b>(32,946)</b>  | <b>(3,537)</b>      |
| Fund Equity, Beginning of Year  | 351,089   | 12,951  | 283,158  | (1,277,030)  | (629,832)           |
| <b>Fund Equity, End of Year</b>   | <b>\$ 358,365</b>   | <b>\$ 10,080</b>  | <b>\$ 308,163</b>  | <b>\$ (1,309,976)</b>                                    | <b>\$ (633,369)</b> |

**NOTE 21. RESTATEMENTS OF BEGINNING FUND BALANCES/FUND EQUITY/NET ASSETS AND OTHER CHANGES**

The reconciliations that follow summarize restatements of the end-of-year fund balance/fund equity/net assets as reported in the 2002 Comprehensive Annual Financial Report to the beginning-of-year fund balances/fund equity/net assets reported for Fiscal Year 2003 (in thousands).

**A. Fund Statements – Governmental Funds**

|  | Major Funds    |                |                              |                | Total Governmental |
|--|----------------|----------------|------------------------------|----------------|--------------------|
|  | General        | Transportation | Tobacco Settlement Endowment | Nonmajor Funds |                    |
| Fund Balances June 30, 2002 as reported in the 2002 Comprehensive Annual Financial Report  | \$ (1,484,333) | \$ 356,330     | \$ 283,794                   | \$ 447,068     | \$ (397,140)       |
| Fund structure reclassifications:  |                |                |                              |                |                    |
| Employee Trust Fund Administration   | -              | -              | -                            | (842)          | (842)              |
| Building Trust Fund reclassification of capital projects to maintenance and repair expenditures  | -              | -              | -                            | (10,521)       | (10,521)           |
| Other adjustments of assets and liabilities as of June 30, 2002  | (4)            | 1              | -                            | (2,596)        | (2,599)            |
| Fund Balances July 1, 2002 as restated   | \$ (1,484,336) | \$ 356,331     | \$ 283,794                   | \$ 433,110     | \$ (411,102)       |
| Effect of prior period adjustments on the amount of excess revenues and other sources over expenditures and other uses of Fiscal Year 2002 | \$ 984         | \$ -           | \$ -                         | \$ (12,817)    | \$ (11,834)        |

**B. Fund Statements – Proprietary Funds**

|  | Major Funds           |                           |                                  |                                |                                |                |                  | Internal Service Funds |
|--|-----------------------|---------------------------|----------------------------------|--------------------------------|--------------------------------|----------------|------------------|------------------------|
|  | Patients Compensation | Environmental Improvement | Veterans Mortgage Loan Repayment | University of Wisconsin System | Unemployment Insurance Reserve | Nonmajor Funds | Total Enterprise |                        |
| Fund Equity June 30, 2002 as reported in the 2002 Comprehensive Annual Financial Report            | \$ 6,604              | \$ 861,732                | \$ 76,611                        | \$ 3,300,024                   | \$ 1,586,218                   | \$ 323,153     | \$ 6,154,343     | \$ 3,763               |
| University of Wisconsin System capitalization of Energy Initiative capital leases                  | -                     | -                         | -                                | 33,800                         | -                              | -              | 33,800           | -                      |
| University of Wisconsin System restatement for accumulated depreciation of UW Hospital and Clinics | -                     | -                         | -                                | 27,200                         | -                              | -              | 27,200           | -                      |
| Facilities Operations and Maintenance fund adjustments for capital projects and related debt       | -                     | -                         | -                                | -                              | -                              | -              | -                | 9,934                  |
| Other adjustments of assets and liabilities as of June 30, 2002                                    | -                     | -                         | (60)                             | 5,113                          | -                              | 7,832          | 12,884           | (196)                  |
| Fund Equity July 1, 2002 as restated   | \$ 6,604              | \$ 861,732                | \$ 76,551                        | \$ 3,366,137                   | \$ 1,586,218                   | \$ 330,986     | \$ 6,228,227     | \$ 13,501              |
| Effect of prior period adjustments on the amount of net change fund equity of Fiscal Year 2002     | \$ -                  | \$ -                      | \$ (60)                          | \$ -                           | \$ -                           | \$ (75)        | \$ (136)         | \$ 9,934               |

**C. Fund Statements – Fiduciary Funds**

|  | Pension<br>and Other<br>Employee<br>Benefit Trust | Investment<br>Trust | Private<br>Purpose<br>Trust | Total<br>Fiduciary |
|--|---|---------------------|-----------------------------|--------------------|
| Net Assets June 30, 2002 as reported in the 2002 Comprehensive Annual Financial Report             | \$ 56,011,582                                     | \$ 3,832,314        | \$ 479,043                  | \$ 60,322,938      |
| Fund structure reclassification:   |   |                     |                             |                    |
| Employee Trust Funds Administration  | 751   | -                   | -                           | 751                |
| Other adjustments of assets and liabilities as of June 30, 2002                                    | 3,205   | (3,066)             | (123)                       | 15                 |
| Net Assets July 1, 2002 as restated  | \$ 56,015,537                                     | \$ 3,829,248        | \$ 478,919                  | \$ 60,323,704      |
| Effect of prior period adjustments on the amount of net increase in net assets of Fiscal Year 2002 | \$ 3,956  | \$ (3,066)          | \$ -                        | \$ 889             |

**D. Government-wide Statements**

|  | Primary Government         |                             |               | Component<br>Units |
|--|----------------------------|-----------------------------|---------------|--------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Totals        |                    |
| Net Assets June 30, 2002 as reported in the 2002 Comprehensive Annual Financial Report   | \$ 7,652,320               | \$ 6,149,292                | \$ 13,801,612 | \$ (624,985)       |
| Adoption of GASB Statement No. 34, <i>Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments</i> , and other applicable GASB pronouncements | -                          | -                           | -             | (3,491)            |
| Fund structure reclassifications:  |                            |                             |               |                    |
| Employee Trust Fund Administration   | (842)                      | -                           | (842)         | -                  |
| Building Trust Fund project classification changes and cash balance adjustments  | (10,521)                   | -                           | (10,521)      | -                  |
| Facilities Operations and Maintenance fund adjustments for capital projects and related debt   | 9,934                      | -                           | 9,934         | -                  |
| University of Wisconsin System capitalization of Energy Initiative capital leases  | -                          | 33,800                      | 33,800        | -                  |
| University of Wisconsin System restatement for accumulated depreciation of UW Hospital and Clinics   | -                          | 27,200                      | 27,200        | -                  |
| Other adjustments of assets and liabilities of June 30, 2002   | (32,285)                   | 12,884                      | (19,400)      | (1,356)            |
| Net Assets July 1, 2002 as restated  | \$ 7,618,606               | \$ 6,223,176                | \$ 13,841,782 | \$ (629,832)       |
| Effect of prior period adjustments on the amount of net increase in net assets of Fiscal Year 2002   | \$ 11,640                  | \$ (136)                    | \$ 11,505     | \$ (2,889)         |

## NOTE 22. LITIGATION, CONTINGENCIES AND COMMITMENTS

### A. Litigation and Contingencies

The State is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations.

#### Claims and Judgments Reported in Governmental Activities

The State accrues liabilities related to legal proceedings, if a loss is probable and reasonably estimable. Such losses, totaling \$2.2 million on June 30, 2003 reported in the governmental activities, are discussed below:

*Litigation* - The Department of Health and Family Services is involved in various legal proceedings where the ultimate disposition is estimated at \$5 million.

*Other Claims - Work Injury Supplemental Benefits* - The Work Injury Supplemental Benefit Fund, administered by the Department of Workforce Development, provides compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. The liability for annuities to be paid to the above individuals totaled \$1.7 million at June 30, 2003.

#### Other Claims, Judgments, and Contingencies

The State is also named as a party in other legal proceedings where the ultimate disposition and consequence are not presently determinable. The potential liability amount relating to an unfavorable outcome for certain of these proceedings could impact the State by approximately \$5.8 million. However, the ultimate dispositions and consequences of any single legal proceeding or all legal proceedings collectively should not have a material adverse effect on the State's financial position, except as noted below.

*Corporate Tax Measured by Interest from U.S. Securities* - In this corporate franchise tax case, American Family Mutual Insurance Company and American Standard Insurance Company sought refunds of taxes paid that were measured by U.S. interest.

Federal law prohibits an income tax on U.S. interest, but allows a non-discriminatory franchise tax measured on U.S. interest. The insurance companies argued that because bonds authorized by the State for housing and development were exempt from State taxes, that the franchise tax was discriminatory. The State had heretofore held that the exemption applied only to direct State taxes and had uniformly included interest on the State authorized bonds in the franchise tax measure. The Wisconsin Tax Appeals Commission and the County Circuit Court upheld the State.

The Court of Appeals, District IV, reversed the decisions. The Supreme Court reversed the Court of Appeals. The taxpayers maintain that the decision is not applicable to 1993 and 1994. The State maintains the principles of the decision are applicable to the subsequent years.

Due to the uncertainty in predicting the outcome, a liability has not been recorded as of June 30, 2003.

*Federal Pension Income* - The 1984-1988 period settlements with approximately 3,200 military retirees and 14,000 civilian retirees, triggered by the United States Supreme Court ruling in *Davis v. Michigan Department of the Treasury* are essentially completed. The *Davis* case had held that a state government violates the intergovernmental tax immunity clause when it provided for taxation of federal pension benefits. Subsequent litigation with other retirees on a variety of issues has occurred, with the Department prevailing in all instances. Litigation is still in progress on a limited number of issues. The Department of Revenue is confident that it will continue to prevail on this issue. Because a fiscal impact cannot be readily determined if the State were not to prevail, and due to the uncertainty in predicting the outcome, a liability has not been recorded.

*Environmental Clean-up Actions* - The State is involved in environmental clean-up of property owned by the State that has the potential to cause soil and groundwater contamination. Fourteen sites have soil and/or groundwater contamination associated with underground storage tank releases with an estimated remediation cost of \$2.5 million.

The State is also involved in environmental remediations on 6 properties that do not involve releases from underground storage tanks, with an estimated cost of \$2.7 million.

**B. Commitments**

**Primary Government**

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

In addition to the amount of encumbrances outstanding at June 30, 2003 reported as Fund Balance - Reserved for Encumbrances, additional obligations at June 30, 2003 representing multi-year, long-term commitments included (in thousands):

|   |            |
|---|------------|
| Transportation Fund   | \$ 274,396 |
| Transportation Revenue Bonds Capital Projects Fund  | 37,484     |
| General Fund – Department of Commerce programs, including economic and community development programs | 4,657      |

The *Environmental Improvement Fund* (the Fund) was established to administer the Clean Water Fund Loan Program. Loans are made to local units of government for wastewater treatment projects for terms of up to 20 years. These loans are made at a number of prescribed interest rates based on environmental priority. The loans contractually are revenue obligations or general obligations of the local governmental unit. Additionally, various statutory provisions exist which provide further security for payment. The fund has made financial assistance commitments of \$214.0 million as of June 30, 2003. These loan commitments are expected to be met through additional federal grants and proceeds from issuance of revenue obligations.

In addition, the revenue obligation bonds of the Leveraged Loan Program in the Fund are collateralized by a security interest in all the assets of the Leveraged Loan Program. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the Fund's revenue obligation bonds. However, as the loans granted to local units of government are at an interest rate less than the revenue bond rate, the State is obligated by the Fund's General Resolution to fund, at the time each loan is made, a reserve which subsidizes the Leveraged Loan Program in an amount which offsets this interest disparity.

Also, Wisconsin Statutes require that the Fund provide financial hardship assistance for those communities that qualify under Wis. Stat. Sec. 281.58. This assistance may come in the form of reduced interest rates or grants (not to exceed 70 percent of project costs). At fiscal year ended June 30, 2003, future commitments for hardship grants totaled \$369.4 million.

The *Patients Compensation Fund* may be required to purchase an annuity as a result of a claim settlement. Under specific annuity

arrangements, the fund may have ultimate responsibility for annuity payments if the annuity company and the reassignment company default on annuity payments. One of the fund's annuity providers has defaulted on \$600 thousand in annuity payments. The total estimated replacement value of the fund's annuities as of June 30, 2003 was \$133.3 million. The fund reserves the right to pursue collection from State guarantee funds.

*State Public Deposit Guarantee* - As required by Wis. Stat. Sec. 34.08, the State is to make payments to public depositors for proofs of loss (e.g., loss resulting from a bank failure) up to \$400 thousand per depositor above the amount of federal insurance. This statutory requirement guarantees that the State will make payments in favor of the public depositor that has submitted a proof of loss. Payments would be made in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions, until the designated appropriation is exhausted. At June 30, 2003, the appropriation available totaled \$30.2 million. Losses become fixed as of the date of the loss. A public depositor experiencing a loss must assign its interest in the deposit, to the extent of the amount paid, to the Department of Financial Institutions. Any recovery made by the Department of Financial Institutions under the assignment is to be repaid to the appropriation. The possibility of a material loss resulting from payments to and recovery from public depositors is remote.

The *Veterans Mortgage Loan Repayment Fund* accounts for the issuance and administration of veterans' first mortgage loans. The loans are made to veterans for the purchase of homes to terms up to 30 years. The loan interest rates are set by the Board of Veterans Affairs. The loans are secured by real estate mortgages. The fund has commitments for loans of \$5.2 million as of June 30, 2003. The loan commitments are expected to be met from current fund assets.

**Component Units**

The Wisconsin Housing and Economic Development Authority's mission was expanded since its creation to include administration of the Agricultural and Business Programs. These programs administer funds that are legislatively appropriated to subsidize interest and provide guarantees of principal balances of qualifying loans. At June 30, 2003, outstanding loan guarantees totaled \$39.6 million.

**NOTE 23. SUBSEQUENT EVENTS****Primary Government****Short-term Debt**

*Operating Notes* – In September 2003, the State issued \$400.0 million of operating notes. The proceeds of the notes were to be used within six months to fund local assistance payments to the State's municipalities and school districts, and finance day-to-day operations in anticipation of revenue received later in the fiscal year. The notes were issued because of an imbalance between the timing of payments disbursed and receipts collected. The imbalance exists because receipts are received in the second half of the fiscal year, primarily January, March and April. The notes will be paid at maturity on June 15, 2004.

**Long-term Debt**

*State of Wisconsin General Obligation Bonds* – In July 2003, the State issued \$30.0 million of 2003 Series B general obligation bonds to be used to fund veterans primary mortgage home loans. Interest is payable on May 1 and November 1, beginning May 1, 2004, with bonds maturing November 1, 2033.

In October 2003, the State issued \$67.8 million of 2003 Series 3 general obligation refunding bonds, the proceeds of which were used to refund certain general obligation bonds that were previously issued to fund veterans housing bonds and to pay the costs of issuance. Interest is payable May 1 and November 1, beginning May 1, 2004.

In October 2003, the State issued \$285.1 million of 2003 Series C general obligation bonds to be used for the acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes. Interest is payable on May 1 and November 1, beginning May 1, 2004, with bonds maturing May 1, of the years 2026 through 2034.

In July 2003, the State redeemed early \$87.8 million of various veterans loan general obligation bonds outstanding consistent with the redemption provisions of those bonds. These bonds were redeemed from mortgage prepayments and undisbursed bond proceeds.

In October 2003, the State redeemed early \$39.0 million of various veterans loan general obligation bonds outstanding consistent with the redemption provisions of those bonds. These bonds were redeemed from mortgage prepayments.

In December 2003, the State redeemed early \$130.3 million of various veterans loan general obligation bonds outstanding consistent with the redemption provisions of those bonds. These

bonds were redeemed from mortgage prepayments and the proceeds of refunding general obligation bonds Series 2003-3.

**Appropriation Bonds** - On July 24, 2003, Wisconsin Act 33 was enacted and authorized the issuance of appropriation obligations to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability under Wis. Stat. Section 40.05(2)(b) and its unfunded accrued liability for sick leave conversion credits under Wis. Stat. Section 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40. Wisconsin Act 84, enacted on November 21, 2003, increased the authorized amount the State could issue from appropriation bonds. The State anticipates issuing \$1.8 billion of bonds consisting of Series A (Taxable Fixed Rate) and Series B (Taxable Auction Rate Certificates). Most of the proceeds from the sale of the bonds will initially be placed in the General Fund, then used to make payments for the State's unfunded prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits. Some of the proceeds will be deposited in a debt service account held under the Indenture to provide for payment of interest through at least November 1, 2005, and some of the proceeds will be deposited in a stabilization account held under the Indenture.

**Revenue Bonds** - In November 2003, the Department of Transportation issued \$250.0 million of 2003 Series A transportation revenue bonds. The bond proceeds will be used to pay the costs of major highway projects, to finance certain State transportation facilities, to fund reserves and to pay the costs of issuance. Interest rates vary from 2.5 to 5.25 percent, payable January 1 and July 1, beginning July 1, 2004. The bonds mature on July 1 of the years 2005 through 2024.

### Component Units

**Wisconsin Housing and Economic Development Authority** - In July 2003, the Authority issued \$110.0 million of the Variable Rate Demand Home Ownership Revenue Bonds, 2003 Series B. These bonds were issued under the 1987 Home Ownership Revenue Bond Resolution.

The Authority entered into interest rate swap agreements as part of the two bond issues subsequent to June 30, 2003. These agreements include requirements for the pledging of assets based on the Authority's credit rating. As of October 31, 2003, there was no requirement to pledge assets.

In July 2003, the Authority redeemed \$1.3 million of the Housing Revenue Bonds, 1993 Series A and B from mortgage prepayments and the proceeds of the Housing Revenue Bonds 1993 Series A. In July 2003, the Authority redeemed \$.6 million of the Housing Revenue Bonds, 2002 Series A through I from mortgage prepayments and the proceeds of the Housing Revenue Bonds 2002 Series B and G and from a portion of the 2002 Series C. In July 2003, the Authority redeemed \$3.2 million of the Housing Revenue Bonds, 1992 Series A from mortgage

prepayments and the proceeds of the Housing Revenue Bonds 1992 Series A.

In November 2003, the Authority issued \$110.2 million of Home Ownership Revenue Bonds, 2003 Series C and D.

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## Required Supplementary Information

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**Required Supplementary Information**

**Infrastructure Assets Reported Using the Modified Approach**

The State has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the State can demonstrate that these assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The State owns approximately 11,200 centerline miles of roads and 4,900 bridges.

**Road Network**

Condition assessments are completed on a two-year cycle with the most current results reported for each State road. Numerous measures are used to assess the condition of the State's road network. The State has adopted the International Roughness Index (IRI), as defined by the Federal Highway Administration, as its primary condition measure. IRI is measured on a scale of 0 to 5, with an IRI of 2.69 or greater being defined as a "poor" ride. Roads with a "poor" IRI assessment cause negative impacts for the traveling public by decreasing driver comfort and increasing the damage to vehicles and goods. It is the State's policy to ensure no more than 15 percent of its roads receive a "poor" IRI assessment.

Recent condition assessment results are as follows:

| Year Ended June 30 | Miles of Road | Percent Rated "Poor" | Established Percent | Variance Favorable/ (Unfavorable) |
|--------------------|---------------|----------------------|---------------------|-----------------------------------|
| 2003               | 11,200        | 4.3                  | 15.0                | 10.7                              |
| 2002               | 11,200        | 4.6                  | 15.0                | 10.4                              |

Each year the State estimates the costs to maintain and preserve the road network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

| Year Ended June 30 | Estimated Costs (In millions) | Actual Costs (In millions) | Variance (In millions) Favorable/ (Unfavorable) |
|--------------------|-------------------------------|----------------------------|---|
| 2003               | \$ 420.9                      | \$ 336.7                   | \$ 84.2   |
| 2002               | 470.7                         | 437.6                      | 33.1  |

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. Actual costs for the year ended June 30, 2003 reflect a shift from maintenance and preservation projects to capital road construction projects that was not anticipated in the cost estimates. 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.

**Bridge Network**

Condition assessments are completed on a two-year cycle, with more frequent inspections completed if warranted. The most current assessment results are reported for each State bridge, making the overall assessment a blend of measures completed in the current fiscal year and those completed in the prior year. The State has adopted the National Bridge Inventory (NBI) 10-point rating scale as its primary condition measure. Using the Federal Highway Administration's definition, a bridge is considered "structurally deficient" if it has an NBI score of 4 or less on its deck, superstructure, or substructure. "Structurally deficient" bridges cause negative impacts for the public by increasing the likelihood that heavy loads will need to be rerouted to less efficient routes, thus increasing logistic costs for State businesses. It is the State's policy to ensure no more than 15 percent of its bridges are "structurally deficient".

Recent condition assessment results are as follows:

| Year Ended June 30 | Number of Bridges | Percent Structurally Deficient | Established Percent | Variance Favorable/ (Unfavorable) |
|--------------------|-------------------|--------------------------------|---------------------|-----------------------------------|
| 2003               | 4,900             | 6.2                            | 15.0                | 8.8                               |
| 2002               | 4,900             | 7.6                            | 15.0                | 7.4                               |

Each year the State estimates the costs to maintain and preserve the bridge network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

| Year Ended June 30 | Estimated Costs (In millions) | Actual Costs (In millions) | Variance (In millions) Favorable/ (Unfavorable) |
|--------------------|-------------------------------|----------------------------|---|
| 2003               | \$ 46.4                       | \$ 45.7                    | \$ 0.7  |
| 2002               | 33.6                          | 38.4                       | (4.8)   |

Additional bridge maintenance and preservation projects were planned and completed during the year ended June 30, 2003. 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.

*State of Wisconsin*

**Budgetary Comparison Schedule  
General and Major Special Revenue Funds  
For the Fiscal Year Ended June 30, 2003**

(In Thousands)

|  | General Fund         |                      |                     |
|--|----------------------|----------------------|---------------------|
|  | Original<br>Budget   | Final<br>Budget      | Actual<br>Amounts   |
| Unexpended Budgetary Fund Balances,<br>Beginning of Year   |                      |                      | \$ 580,918          |
| <b>Revenues and Transfers (Inflows):</b>   |                      |                      |                     |
| Taxes  | \$ 10,533,755        | \$ 10,241,755        | 10,217,993          |
| Departmental:  |                      |                      |                     |
| Tobacco Settlement   | 157,603              | 149,082              | 153,923             |
| Other  | 10,305,268           | 10,326,705           | 10,312,004          |
| Transfers from:  |                      |                      |                     |
| Transportation Fund  | 12,382               | 12,382               | 12,382              |
| Veterans Mortgage Loan Repayment Fund  | -                    | 224                  | 224                 |
| Nonmajor Funds   | 6,846                | 25,323               | 25,323              |
| <b>Total Revenues and Transfers</b>  | <b>21,015,854</b>    | <b>20,755,471</b>    | <b>20,721,850</b>   |
| Amounts Available for Appropriation  |                      |                      | 21,302,768          |
| <b>Appropriations and Transfers (Outflows):</b>  |                      |                      |                     |
| Commerce   | 267,666              | 296,136              | 225,238             |
| Education  | 9,011,341            | 9,399,817            | 9,112,309           |
| Environmental Resources  | 271,268              | 292,747              | 262,766             |
| Human Relations and Resources  | 7,828,797            | 9,330,380            | 8,624,123           |
| General Executive  | 690,501              | 824,360              | 635,445             |
| Judicial   | 105,162              | 111,102              | 109,672             |
| Legislative  | 64,318               | 66,201               | 61,220              |
| Tax Relief and Other General   | 1,388,892            | 1,927,555            | 1,920,582           |
| Transfers to:  |                      |                      |                     |
| General Fund   | -                    | -                    | -                   |
| Tobacco Control Fund   | 15,345               | 15,345               | 15,345              |
| <b>Total Appropriations and Transfers</b>  | <b>\$ 19,643,289</b> | <b>\$ 22,263,642</b> | <b>20,966,699</b>   |
| Fund Balances, End of Year   |                      |                      | 336,069             |
| Less Encumbrances Outstanding at June 30, 2003   |                      |                      | (499,551)           |
| Fund Balances, End of Year<br>Budgetary Basis  |                      |                      | <u>\$ (163,482)</u> |
| Reconciliation of the End of Year, Budgetary Basis,<br>Fund Balance to the Amount Reported in the<br>Annual Fiscal Report: |                      |                      |                     |
| Amount from Annual Fiscal Report   |                      |                      | \$ (157,206)        |
| Late Audit Adjustment  |                      |                      | (6,276)             |
| Revised End of Year Fund Balance,<br>Budgetary Basis   |                      |                      | <u>\$ (163,482)</u> |

During Fiscal Year 2003, monies that had been budgeted for funding of the Sick Leave Conversion Program were transferred or lapsed by legislation to the General Fund. Rather than reporting these transactions as transfers in the State's annual budgetary report, these employer contributions were shown as functional expenditures of the paying agencies and revenue of the budgetary General Fund. As a result, since the Budgetary Comparison Schedule mirrors the annual budgetary report, it displays data on the budgetary basis and not on a basis consistent with generally accepted accounting principles. Therefore, expenditures and revenues of the General Fund are overstated compared to a presentation made in accordance with generally accepted accounting principles. Likewise, Final Budget revenues and appropriations are similarly overstated.

| Transportation Fund |              |                | Tobacco Settlement Endowment Fund |              |                |
|---------------------|--------------|----------------|-----------------------------------|--------------|----------------|
| Original Budget     | Final Budget | Actual Amounts | Original Budget                   | Final Budget | Actual Amounts |
|                     |              | \$ 365,390     |                                   |              | \$ 595,155     |
| \$ 925,087          | \$ 925,087   | 925,087        | \$ -                              | \$ -         | -              |
| -                   | -            | -              | -                                 | -            | -              |
| 1,266,671           | 1,266,671    | 1,266,671      | 3,353                             | 3,353        | 3,353          |
| -                   | -            | -              | -                                 | -            | -              |
| -                   | -            | -              | -                                 | -            | -              |
| -                   | -            | -              | -                                 | -            | -              |
| 2,191,758           | 2,191,758    | 2,191,758      | 3,353                             | 3,353        | 3,353          |
|                     |              | 2,557,148      |                                   |              | 598,508        |
| 83                  | 89           | 88             | -                                 | -            | -              |
| -                   | -            | -              | -                                 | -            | -              |
| 3,217,324           | 3,534,044    | 2,122,506      | -                                 | -            | -              |
| -                   | -            | -              | -                                 | -            | -              |
| 4,657               | 4,776        | 2,122          | -                                 | -            | -              |
| -                   | -            | -              | -                                 | -            | -              |
| -                   | -            | -              | -                                 | -            | -              |
| 18,559              | 17,980       | 17,980         | 598,300                           | 598,508      | 598,508        |
| 12,382              | 12,382       | 12,382         | 157,603                           | 157,603      | -              |
| -                   | -            | -              | -                                 | -            | -              |
| \$ 3,253,005        | \$ 3,569,272 | 2,155,078      | \$ 755,903                        | \$ 756,111   | 598,508        |
|                     |              | 402,071        |                                   |              | -              |
|                     |              | (1,064,724)    |                                   |              | -              |
|                     |              | \$ (662,653)   |                                   |              | \$ 0           |



Notes To Required Supplementary Information

NOTE 1. BUDGETARY INFORMATION

A. Budgetary – GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedule compares the legally adopted budget (more fully described in RSI Note 1-B) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on the budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of basis and perspective differences as of June 30, 2003 is presented below (in thousands):

|   | General Fund          | Transportation Fund |
|---|-----------------------|---------------------|
| Fund balance June 30, 2003 (budgetary basis – budgetary fund structure)   |                       |                     |
| As reported on the budgetary comparison schedule  | \$ (163,482)          | \$ (662,653)        |
| Reclassifications:  |                       |                     |
| To eliminate the effect of encumbrances that were reported as expenditures under budgetary reporting (basis difference)             | 499,551               | 1,064,724           |
| To reclassify activities reported in another GAAP fund type (perspective differences):  |                       |                     |
| Enterprise funds (except for the University of Wisconsin System)  | 22,734                | --                  |
| University of Wisconsin System  | (291,632)             | --                  |
| Internal service funds  | 4,358                 | --                  |
| Fiduciary funds   | (37,512)              | --                  |
| Transportation Revenue Bonds debt service fund  | --                    | 5,823               |
| Fund balance June 30, 2003 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)      | 34,018                | 407,893             |
| Adjustments (basis differences):  |                       |                     |
| To adjust expenditures for the municipal and county shared revenue program  | (498,043)             | --                  |
| To adjust expenditures for State property tax credit program  | (353,639)             | --                  |
| To accrue receivables and establish payables for individual income taxes (net)  | (738,140)             | --                  |
| To defer revenues for gross receipts public utility taxes   | (154,419)             | --                  |
| To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)                                   | (303,678)             | (844)               |
| To accrue unpaid Medicaid claims (net of receivable from federal government)  | (165,014)             | --                  |
| To adjust expenditures/revenues for certain major Health and Family Services and Workforce Development accruals and deferrals (net) | (15,527)              | --                  |
| To accrue State educational aids payments deferred until the subsequent year  | (75,000)              | --                  |
| To adjust revenues and expenditures for other items (net)   | 26,903                | (20,687)            |
| Fund balance June 30, 2003 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements                       | <u>\$ (2,242,539)</u> | <u>\$ 386,363</u>   |

**B. Budgetary Basis of Accounting**

The State's biennial budget is prepared using a modified cash basis of accounting. The final budget is primarily a general purpose revenue and expenditure budget. General purpose revenues consist of general taxes and miscellaneous receipts which are paid into the General Fund, lose their identity, and are then available for appropriation by the Legislature. The remaining revenues consist of program revenues, which are credited by law to an appropriation to finance a specified program or State agency, and segregated revenues which are paid into separate identifiable funds.

While State departments and agencies are required to submit estimates of expected revenues for program revenue and segregated revenue categories, these estimates are not formally incorporated into the adopted budget except for revenue estimates of the Lottery Fund. As a result, legally budgeted revenues for these categories are not available and, consequently, actual amounts are reported in the budget column of the Budgetary Comparison Schedule.

Expenditure budgeting differs for the various types of appropriations. For most appropriations, budgeted expenditures equal the amount from the adopted budget plus any subsequent legislative or administrative revisions. Various supplemental appropriations were approved during the year and have been incorporated into the budget figures.

While State statutes prohibit spending beyond budgetary authority, a provision is made to include the value of accounts receivable, inventories and work in process in identifying available revenues. The State also utilizes nonbudget accounts for which no budget is established but expenditures may be incurred. As a result, actual expenditures may exceed budgeted amounts in certain categories.

The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Other variances arise because the State's biennial budget is developed according to the statutory required fund structure which differs extensively from the fund structure used in the GAAP basis financial statements. This difference is primarily caused by the elimination of the University of Wisconsin System, and various fiduciary, proprietary and other governmental fund activity from the statutory General and special revenue funds. Consequently, a reconciliation between budgetary basis and GAAP basis is provided in Note 1-A of the notes to the required supplementary information.

The Budgetary Comparison Schedule for the General and the major special revenue funds presents both the original and final appropriated budgets, as well as the actual inflows, outflows, and fund balance on the budgetary basis. The supplementary budget comparison schedule provides this same information (with the exception of the original budget data) for the nonmajor governmental funds with annual budgets. The capital project and debt service funds are excluded from this schedule because no

comprehensive budget is approved for these funds. A special revenue fund, the Wisconsin Public Broadcasting Foundation, has also been excluded from reporting because it is a blended component unit that is neither budgeted nor included under statutory reporting. Of the permanent funds, only the Historical Society Fund and a portion of the Common School Fund are budgeted.

Under biennial budgeting, numerous changes are typically needed in the second year of the biennium to address changing circumstances. The nationwide economic downturn of the past few years accentuated this problem. As a result of revenue shortfalls, a comprehensive budget repair bill, Act 109, was needed for Fiscal Year 2003 to bring expenditures in line with expected revenues. Since this legislation, which was passed in July 2002, had such major effects on budgeted expenditures, it was recognized by State officials as the original budget and is treated as such on the Budgetary Comparison Schedule.

While the legal level of budgetary control for the reported funds is maintained at the appropriation line as specified by the Legislature in Chapter 20 of the Wisconsin Statutes, this level of detail is impractical for inclusion in the Comprehensive Annual Financial Report. Accordingly, a supplementary report is available upon request which provides budgetary comparisons at the legal level of control.

Appropriation unexpended balances lapse at year-end or forward to the subsequent fiscal year depending on the type of appropriation involved:

- *Continuing* - unexpended balances automatically forward to ensuing years until fully depleted or repealed by subsequent action of the Legislature.
- *Annual*:
  - *General Purpose Revenue* - unencumbered balances lapse at year end.
  - *Program Revenue* - unexpended cash balances may be forwarded to the next fiscal year.
- *Biennial* - unexpended balances or deficits automatically forward to the second year. At the end of the second year all unencumbered general purpose revenue balances lapse.
- *Sum sufficient* - moneys are appropriated and expended in the amounts necessary to accomplish the purpose specified.

Encumbrances may be carried over to the next fiscal year as a revision to the budgetary appropriation with Department of Administration approval. Under budgetary reporting, encumbrances are treated like expenditures and are shown as a reduction of fund balance. Under GAAP reporting, encumbrances outstanding at year end for purchase orders and contracts expected to be honored in the following year are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

**C. Excess of Expenditures over Appropriations**

In the General Fund, expenditures exceeded appropriations for the following program (in millions):

UW System – Energy Costs \$ 5.9

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## Supplementary Information

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AMERICAN YACHTING



# Nonmajor Governmental Funds

**SPECIAL REVENUE:** Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specified purpose. The State's special revenue funds are described below:

The **Conservation Fund** accounts for the management of the State's fish, wildlife, parks and other natural resources with funds provided from hunting and fishing licenses, recreational fees and forestry taxes.

The **Heritage State Parks and Forests Fund** accounts for the funding for operations and maintenance of State parks, southern State forests, and recreation areas either by making partial matching grants to "friends groups" or by accepting expenditure transfers from park and forest programs in the Conservation Fund.

The **Wisconsin Health Education Loan Repayment Fund** accounts for administrative expenditures related to issuing Health Education Loan bonds. These expenditures are funded from trustee transfers.

The **Waste Management Fund** accounts for the closure and long-term care of approved landfills from fees imposed on landfill operators.

The **Wisconsin Election Campaign Fund** accounts for taxpayer donated funding for political candidates. The donations are intended to replace special interest funds.

The **Investment and Local Impact Fund** accounts for grants and loans to municipalities where metalliferous minerals exist to offset the negative effects of mining projects. These grants and loans are funded with taxes which have been imposed on mining activities.

The **Election Administration Fund** accounts for federal and State moneys provided to develop, administer and manage a statewide voter registration system allowing all qualified electors, including those with disabilities, the opportunity to vote while maintaining uniform standards within the voting process and safeguarding the vote of all electors.

The **Industrial Building Construction Loan Fund** accounts for economic development grants and loans for the construction of industrial buildings. These grants and loans are funded primarily with investment income.

The **Self-insured Employers Liability Fund** establishes a reserve to cover claims for employees of employers who have become insolvent. These employers were previously determined to be exempt from the requirement to carry accident or death insurance. The reserve is also used to cover the cost of insurance carrier or insurance service organization used to process, investigate, and pay valid claims from the injured employees.

The **Medical Assistance Trust Fund** accounts for moneys received from the Medical Assistance (MA) program via Intergovernmental Transfers. The moneys are used to fund MA eligible activities.

The **Work Injury Supplemental Benefit Fund** accounts for compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. This compensation is provided with funds collected from State employers and insurance carriers.

The **Tobacco Control Fund** accounts for a portion of the moneys received from the settlement of the lawsuit between several states, including Wisconsin, and the tobacco companies. The moneys are used to fund health care related costs including grants for tobacco prevention, research, and intervention.

The **Uninsured Employers Fund** accounts for the administration of insurance enforcement activities and compensation to injured employees of uninsured employers. The revenue is primarily provided by funds collected from uninsured employers.

The **Utility Public Benefits Fund** accounts for voluntary contributions and public benefits fees collected from customers by utilities to assist in funding low income assistance grants and energy conservation and efficiency grants.

The **Mediation Fund** accounts for the resolution of disputes regarding medical malpractice. Dispute filing fees and fees charged to health care providers are the primary revenue sources.

The **Agricultural Chemical Cleanup Fund** accounts for the portion of the costs responsible persons pay to clean up fertilizer and pesticide spills and historical handling areas. Fertilizer and pesticide licenses and registration fees primarily provide the revenue.

(Continued)

# Nonmajor Governmental Funds

(Continued)

The **Agrichemical Management Fund** accounts for the regulation and enforcement of pesticide, feed and fertilizer industries. The revenue is generated by licenses and fees assessed to these industries.

The **Agricultural Producer Security Fund** accounts for the program to secure payments to producers. This fund is supported primarily with fees, surcharges, assessments, reimbursements and bond proceeds of surety bonds.

The **Historical Legacy Trust Fund** accounts for moneys to commemorate the 200th anniversary of statehood. Gifts, grants, and bequests generate the revenue. Also, all moneys received by the State Sesquicentennial Commission after September 30, 1998 are reported in this fund.

The **Petroleum Inspection Fund** accounts for revenues received from inspection fees on petroleum products shipped into Wisconsin and proceeds received from revenue bonds. These resources are used for petroleum inspection programs, environmental cleanup awards, clean air and water administration and other environmental programs in the State.

The **Environmental Fund** accounts for the development and enforcement of groundwater standards, as well as assistance in the emergency response, investigation and clean up of contaminated sites. This assistance is funded by fees on activities or substances which may contaminate groundwater and fees for solid waste tipping, pesticide licenses and oil inspections.

The **Dry Cleaner Environmental Response Fund** accounts for the financial assistance for the remediation of environmental contamination caused by the spillage of dry cleaning solvents. Revenues used to fund this program are dry cleaning facility license and solvent fees.

The **Recycling Fund** accounts for the moneys from the recycling surcharge tax and recycling fees, used to reduce the amount of solid waste disposed of in landfills and incinerators.

The **Information Technology Investment Fund** accounts for revenues, primarily subscription fees from vendors, used to carry out information technology development projects, including paying for costs associated with technology-related equipment, software and support.

The **Universal Service Fund** accounts for various programs that ensure that all State residents receive essential telecommunication services at reasonable prices and that they have access to certain advanced telecommunications service capabilities. Assessment of entities in the telecommunications industry is the primary source of revenues.

The **Budget Stabilization Fund** accounts for moneys reserved to provide State revenue stability during periods of below-normal economic activity when actual State revenues are lower than estimated revenues.

The **Wisconsin Public Broadcasting Foundation (Foundation) Fund** accounts for financial resources generated to support the activities of the Educational Communications Board. The primary revenue sources of the Foundation are from gifts, grants and contributions.

The **Children's Trust Fund** accounts for the program which provides information and encourages the development of child abuse and neglect prevention programs. This fund is supported primarily with investment income and moneys received as contributions, grants, gifts and bequests.

**CAPITAL PROJECTS:** Capital projects funds account for financial resources used for the acquisition, construction, renovation or repair of major capital facilities (other than those financed by proprietary funds and trust funds). The State's capital projects funds are described below:

The **Building Trust Fund** accounts for repair projects of major capital facilities which are funded primarily through General Fund and agency transfers.

The **Energy Efficiency Fund** accounts for improvements on heating plants and loans to State agencies for energy efficiency projects. Revenues are primarily derived from utility rebates, utility matching funds, savings from improvements to heating costs and General Fund supported borrowing.

The **Capital Improvement Fund** accounts for revenues from general obligation bond proceeds, General Fund transfers and investment pool interest earnings which are primarily used for the acquisition or construction of major capital facilities and for repair and maintenance projects.

(Continued)

# Nonmajor Governmental Funds

(Continued)

The **Transportation Revenue Bonds Fund** accounts for the accumulation of financing resources for the construction, maintenance, and repair of certain major highway projects and administrative facilities.

**DEBT SERVICE:** Debt service funds account for the accumulation of resources for, and the payment of, principal, interest and related costs of general long-term obligations.

The **Bond Security and Redemption Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of, general obligation bond debt.

The **Petroleum Inspection Revenue Bonds Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of, petroleum revenue bond obligations.

The **Transportation Revenue Bonds Fund** accounts for the accumulation of resources for, and the payment of principal, interest and related costs of, transportation revenue bond obligations.

**PERMANENT:** Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used to support the State's programs.

The **Agricultural College Fund** accounts for federal land grant revenues used as public purpose loans for municipalities and school districts.

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

The **Normal School Fund** accounts for public purpose loans to municipalities and school districts. These loans are financed with revenues derived from the sale of federally granted land and timber. The interest generated from this fund is used to support and maintain State universities.

The **University Fund** accounts for federal land grant revenues used for public loans to municipalities and school districts.

The **Historical Society Fund** accounts for investment income and donations received by the Wisconsin Historical Society to assist in the operations of the State's archives, research and library services, museums, historic preservation, and executive and administrative services.

The **Benevolent Fund** accounts for investment income used for the care, custody and education of residents committed to the Lincoln Hills School.

**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2003**

(In Thousands)

|  | Special Revenue Funds |                                  |   |                  |                             |
|--|-----------------------|----------------------------------|---|------------------|-----------------------------|
|  | Conservation          | Heritage State Parks and Forests | Wisconsin Health Education Loan Repayment | Waste Management | Wisconsin Election Campaign |
| <b>Assets</b>  |                       |                                  |   |                  |                             |
| Cash and Cash Equivalents                              | \$ 44,654             | \$ 1,177                         | \$ 14                                     | \$ 11,576        | \$ 343                      |
| Investments  | -                     | -                                | -   | -                | -                           |
| Receivables (net of estimated uncollectible accounts): |                       |                                  |   |                  |                             |
| Taxes  | 23,290                | -                                | -   | -                | -                           |
| Loans to Local Governments                             | -                     | -                                | -   | -                | -                           |
| Other Receivables                                      | 1,211                 | -                                | 8   | -                | -                           |
| Due from Other Funds                                   | 10,913                | -                                | -   | -                | -                           |
| Due from Other Governments                             | 7,349                 | -                                | -   | -                | -                           |
| Inventories  | 2,424                 | -                                | -   | -                | -                           |
| Prepaid Items  | 1,706                 | -                                | 1   | -                | -                           |
| Advances to Other Funds                                | -                     | -                                | -   | -                | -                           |
| Other Assets   | -                     | -                                | -   | -                | -                           |
| <b>Total Assets</b>                                    | <b>\$ 91,547</b>      | <b>\$ 1,177</b>                  | <b>\$ 24</b>                              | <b>\$ 11,576</b> | <b>\$ 343</b>               |
| <b>Liabilities and Fund Balances</b>                   |                       |                                  |   |                  |                             |
| <b>Liabilities:</b>                                    |                       |                                  |   |                  |                             |
| Accounts Payable and Other                             |                       |                                  |   |                  |                             |
| Accrued Liabilities                                    | \$ 11,603             | \$ -                             | \$ 1                                      | \$ 5             | \$ 6                        |
| Due to Other Funds                                     | 17,687                | -                                | 6   | -                | -                           |
| Interfund Payables                                     | -                     | -                                | -   | -                | -                           |
| Due to Other Governments                               | 15,972                | -                                | -   | 80               | -                           |
| Tax Refunds Payable                                    | -                     | -                                | -   | -                | -                           |
| Tax and Other Deposits                                 | 955                   | -                                | -   | 5,057            | -                           |
| Deferred Revenue                                       | 4,240                 | -                                | -   | -                | -                           |
| Interest Payable                                       | -                     | -                                | -   | -                | -                           |
| Advances from Other Funds                              | -                     | -                                | -   | -                | -                           |
| Short-term Notes Payable                               | -                     | -                                | -   | -                | -                           |
| General Obligation Bonds Payable                       | -                     | -                                | -   | -                | -                           |
| Revenue Bonds and Notes Payable                        | -                     | -                                | -   | -                | -                           |
| <b>Total Liabilities</b>                               | <b>50,457</b>         | <b>-</b>                         | <b>7</b>                                  | <b>5,142</b>     | <b>6</b>                    |
| <b>Fund Balances:</b>                                  |                       |                                  |   |                  |                             |
| Reserved for:  |                       |                                  |   |                  |                             |
| Encumbrances   | 14,857                | -                                | -   | -                | -                           |
| Reserved for Inventories                               | 2,424                 | -                                | -   | -                | -                           |
| Reserved for Prepaid Items                             | 1,706                 | -                                | 1   | -                | -                           |
| Reserved for Restricted Funds                          | 264                   | -                                | -   | -                | -                           |
| Reserved for Long-term Receivables                     | -                     | -                                | -   | -                | -                           |
| Reserved for Advances to Other Funds                   | -                     | -                                | -   | -                | -                           |
| Unreserved:  |                       |                                  |   |                  |                             |
| Undesignated   | 21,839                | 1,177                            | 15  | 6,434            | 338                         |
| <b>Total Fund Balance</b>                              | <b>41,090</b>         | <b>1,177</b>                     | <b>16</b>                                 | <b>6,434</b>     | <b>338</b>                  |
| <b>Total Liabilities and Fund Balance</b>              | <b>\$ 91,547</b>      | <b>\$ 1,177</b>                  | <b>\$ 24</b>                              | <b>\$ 11,576</b> | <b>\$ 343</b>               |



**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2003**

(Continued)

|  | <b>Special Revenue Funds</b>   |  |                  |  |                                    |   |
|--|--------------------------------|--|------------------|--|------------------------------------|---|
|  | <b>Uninsured<br/>Employers</b> | <b>Utility<br/>Public<br/>Benefits</b> | <b>Mediation</b> | <b>Agricultural<br/>Chemical<br/>Cleanup</b> | <b>Agrichemical<br/>Management</b> | <b>Agricultural<br/>Producer<br/>Security</b> |
| <b>Assets</b>  |                                |  |                  |  |                                    |   |
| Cash and Cash Equivalents                              | \$ 9,805                       | \$ 27,572                              | \$ 151           | \$ 196                                       | \$ 2,367                           | \$ 4,177                                      |
| Investments  | -                              | -                                      | -                | -  | -                                  | -   |
| Receivables (net of estimated uncollectible accounts): |                                |  |                  |  |                                    |   |
| Taxes  | -                              | -                                      | -                | -  | -                                  | -   |
| Loans to Local Governments                             | -                              | -                                      | -                | -  | -                                  | -   |
| Other Receivables                                      | 8,099                          | 3,793                                  | -                | -  | 2                                  | 85  |
| Due from Other Funds                                   | -                              | 88                                     | 3                | 4  | 52                                 | 13  |
| Due from Other Governments                             | -                              | -                                      | -                | -  | -                                  | -   |
| Inventories  | -                              | -                                      | -                | -  | 20                                 | -   |
| Prepaid Items  | -                              | 6                                      | 5                | -  | 37                                 | 7   |
| Advances to Other Funds                                | -                              | -                                      | -                | -  | 1,350                              | -   |
| Other Assets   | -                              | -                                      | -                | -  | -                                  | -   |
| <b>Total Assets</b>                                    | <b>\$ 17,904</b>               | <b>\$ 31,459</b>                       | <b>\$ 159</b>    | <b>\$ 200</b>                                | <b>\$ 3,829</b>                    | <b>\$ 4,281</b>                               |
| <b>Liabilities and Fund Balances</b>                   |                                |  |                  |  |                                    |   |
| <b>Liabilities:</b>                                    |                                |  |                  |  |                                    |   |
| Accounts Payable and Other                             |                                |  |                  |  |                                    |   |
| Accrued Liabilities                                    | \$ 130                         | \$ 6,659                               | \$ 16            | \$ -   | \$ 114                             | \$ 24   |
| Due to Other Funds                                     | 1                              | 28                                     | 7                | -  | 1,483                              | 22  |
| Interfund Payables                                     | -                              | -                                      | -                | -  | -                                  | -   |
| Due to Other Governments                               | 8                              | 106                                    | -                | -  | -                                  | -   |
| Tax Refunds Payable                                    | -                              | -                                      | -                | -  | -                                  | -   |
| Tax and Other Deposits                                 | -                              | -                                      | -                | -  | -                                  | -   |
| Deferred Revenue                                       | 3,791                          | 389                                    | -                | -  | -                                  | -   |
| Interest Payable                                       | -                              | -                                      | -                | -  | -                                  | -   |
| Advances from Other Funds                              | -                              | -                                      | -                | -  | -                                  | 1,350   |
| Short-term Notes Payable                               | -                              | -                                      | -                | -  | -                                  | -   |
| General Obligation Bonds Payable                       | -                              | -                                      | -                | -  | -                                  | -   |
| Revenue Bonds and Notes Payable                        | -                              | -                                      | -                | -  | -                                  | -   |
| <b>Total Liabilities</b>                               | <b>3,930</b>                   | <b>7,182</b>                           | <b>23</b>        | <b>-</b>                                     | <b>1,597</b>                       | <b>1,396</b>                                  |
| <b>Fund Balances:</b>                                  |                                |  |                  |  |                                    |   |
| Reserved for   |                                |  |                  |  |                                    |   |
| Encumbrances   | -                              | 782                                    | -                | -  | 50                                 | -   |
| Reserved for Inventories                               | -                              | -                                      | -                | -  | 20                                 | -   |
| Reserved for Prepaid Items                             | -                              | 6                                      | 5                | -  | 37                                 | 7   |
| Reserved for Restricted Funds                          | -                              | -                                      | -                | -  | -                                  | -   |
| Reserved for Long-term Receivables                     | -                              | -                                      | -                | -  | -                                  | -   |
| Reserved for Advances to Other Funds                   | -                              | -                                      | -                | -  | 1,350                              | -   |
| Unreserved:  |                                |  |                  |  |                                    |   |
| Undesignated   | 13,974                         | 23,489                                 | 131              | 200  | 774                                | 2,879   |
| <b>Total Fund Balance</b>                              | <b>13,974</b>                  | <b>24,277</b>                          | <b>137</b>       | <b>200</b>                                   | <b>2,231</b>                       | <b>2,885</b>                                  |
| <b>Total Liabilities and Fund Balance</b>              | <b>\$ 17,904</b>               | <b>\$ 31,459</b>                       | <b>\$ 159</b>    | <b>\$ 200</b>                                | <b>\$ 3,829</b>                    | <b>\$ 4,281</b>                               |

**Special Revenue Funds**

| Historical<br>Legacy<br>Trust | Petroleum<br>Inspection | Environmental | Dry Cleaner<br>Environmental<br>Response | Recycling | Information<br>Technology<br>Investment |
|-------------------------------|-------------------------|---------------|--|-----------|---|
| \$ 61                         | \$ 20,258               | \$ 26,787     | \$ 3,011                                 | \$ 3,038  | \$ 24                                   |
| -                             | 97                      | -             | -  | -         | -                                       |
| -                             | -                       | -             | -  | 2,032     | -                                       |
| -                             | 104                     | 713           | 65                                       | 3,281     | -                                       |
| -                             | 11,728                  | 7,009         | 17                                       | 3,351     | -                                       |
| -                             | -                       | 449           | -  | 626       | -                                       |
| -                             | -                       | 3             | -  | -         | -                                       |
| -                             | 117                     | 165           | -  | 13,176    | -                                       |
| -                             | -                       | -             | -  | -         | -                                       |
| -                             | -                       | -             | -  | -         | -                                       |
| \$ 61                         | \$ 32,304               | \$ 35,126     | \$ 3,094                                 | \$ 25,503 | \$ 24                                   |
| \$ -                          | \$ 142,884              | \$ 1,683      | \$ 366                                   | \$ 162    | \$ -                                    |
| -                             | 3,157                   | 2,862         | 90                                       | 706       | 24                                      |
| -                             | -                       | -             | -  | -         | -                                       |
| -                             | 810                     | 2,529         | 31                                       | 1,900     | -                                       |
| -                             | -                       | -             | -  | 213       | -                                       |
| -                             | -                       | 572           | -  | -         | -                                       |
| -                             | -                       | -             | -  | 116       | -                                       |
| -                             | -                       | -             | -  | -         | 2,984                                   |
| -                             | 142,300                 | -             | -  | -         | -                                       |
| -                             | -                       | -             | -  | -         | -                                       |
| -                             | -                       | -             | -  | -         | -                                       |
| -                             | 289,151                 | 7,645         | 487                                      | 3,096     | 3,008                                   |
| -                             | 100                     | 15,190        | -  | 317       | -                                       |
| -                             | -                       | 3             | -  | -         | -                                       |
| -                             | 117                     | 165           | -  | 13,176    | -                                       |
| -                             | -                       | -             | -  | -         | -                                       |
| -                             | -                       | -             | -  | -         | -                                       |
| 61                            | (257,064)               | 12,123        | 2,607                                    | 8,914     | (2,984)                                 |
| 61                            | (256,847)               | 27,481        | 2,607                                    | 22,407    | (2,984)                                 |
| \$ 61                         | \$ 32,304               | \$ 35,126     | \$ 3,094                                 | \$ 25,503 | \$ 24                                   |

(Continued)

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2003

(Continued)

|  | Special Revenue Funds |                         |   |                     |  | Total<br>Special<br>Revenue Funds |
|--|-----------------------|-------------------------|---|---------------------|--|-----------------------------------|
|  | Universal<br>Service  | Budget<br>Stabilization | Wisconsin<br>Public<br>Broadcasting<br>Foundation | Children's<br>Trust |  |                                   |
| <b>Assets</b>  |                       |                         |   |                     |  |                                   |
| Cash and Cash Equivalents                              | \$ 4,488              | \$ 3                    | \$ 1,795  | \$ 296              |  | 508,829                           |
| Investments  | -                     | -                       | 3,337   | -                   |  | 3,434                             |
| Receivables (net of estimated uncollectible accounts): |                       |                         |   |                     |  |                                   |
| Taxes  | -                     | -                       | -   | -                   |  | 25,321                            |
| Loans to Local Governments                             | -                     | -                       | -   | -                   |  | -                                 |
| Other Receivables                                      | 1,568                 | -                       | 10  | -                   |  | 20,316                            |
| Due from Other Funds                                   | 8                     | -                       | -   | 10                  |  | 55,958                            |
| Due from Other Governments                             | -                     | -                       | 2   | -                   |  | 8,426                             |
| Inventories  | -                     | -                       | -   | -                   |  | 2,448                             |
| Prepaid Items  | -                     | -                       | 7   | -                   |  | 15,407                            |
| Advances to Other Funds                                | -                     | -                       | -   | -                   |  | 1,350                             |
| Other Assets   | -                     | -                       | 694   | -                   |  | 694                               |
| <b>Total Assets</b>                                    | <b>\$ 6,063</b>       | <b>\$ 3</b>             | <b>\$ 5,845</b>                                   | <b>\$ 305</b>       |  | <b>642,182</b>                    |
| <b>Liabilities and Fund Balances</b>                   |                       |                         |   |                     |  |                                   |
| <b>Liabilities:</b>                                    |                       |                         |   |                     |  |                                   |
| Accounts Payable and Other Accrued Liabilities         | \$ 810                | \$ -                    | \$ 39   | \$ -                |  | 188,392                           |
| Due to Other Funds                                     | 1,058                 | -                       | 493   | -                   |  | 54,626                            |
| Interfund Payables                                     | -                     | -                       | -   | -                   |  | -                                 |
| Due to Other Governments                               | -                     | -                       | -   | -                   |  | 21,437                            |
| Tax Refunds Payable                                    | -                     | -                       | -   | -                   |  | 213                               |
| Tax and Other Deposits                                 | -                     | -                       | -   | -                   |  | 6,584                             |
| Deferred Revenue                                       | -                     | -                       | -   | -                   |  | 15,671                            |
| Interest Payable                                       | -                     | -                       | -   | -                   |  | -                                 |
| Advances from Other Funds                              | -                     | -                       | -   | -                   |  | 4,334                             |
| Short-term Notes Payable                               | -                     | -                       | -   | -                   |  | 142,300                           |
| General Obligation Bonds Payable                       | -                     | -                       | -   | -                   |  | -                                 |
| Revenue Bonds and Notes Payable                        | -                     | -                       | -   | -                   |  | -                                 |
| <b>Total Liabilities</b>                               | <b>1,868</b>          | <b>-</b>                | <b>531</b>  | <b>-</b>            |  | <b>433,557</b>                    |
| <b>Fund Balances:</b>                                  |                       |                         |   |                     |  |                                   |
| Reserved for:  |                       |                         |   |                     |  |                                   |
| Encumbrances   | 1,125                 | -                       | -   | -                   |  | 33,048                            |
| Reserved for Inventories                               | -                     | -                       | -   | -                   |  | 2,448                             |
| Reserved for Prepaid Items                             | -                     | -                       | -   | -                   |  | 15,400                            |
| Reserved for Restricted Funds                          | -                     | -                       | 534   | -                   |  | 798                               |
| Reserved for Long-term Receivables                     | -                     | -                       | -   | -                   |  | -                                 |
| Reserved for Advances to Other Funds                   | -                     | -                       | -   | -                   |  | 1,350                             |
| Unreserved:  |                       |                         |   |                     |  |                                   |
| Undesignated   | 3,070                 | 3                       | 4,780   | 305                 |  | 155,582                           |
| <b>Total Fund Balance</b>                              | <b>4,195</b>          | <b>3</b>                | <b>5,313</b>                                      | <b>305</b>          |  | <b>208,625</b>                    |
| <b>Total Liabilities and Fund Balance</b>              | <b>\$ 6,063</b>       | <b>\$ 3</b>             | <b>\$ 5,845</b>                                   | <b>\$ 305</b>       |  | <b>642,182</b>                    |

2011-2012  
 Capital Projects Funds  
 Summary

**Capital Projects Funds**

|           | Building Trust | Energy Efficiency | Capital Improvement | Transportation Revenue Bonds | Total Capital Projects Funds |
|-----------|----------------|-------------------|---------------------|------------------------------|------------------------------|
| \$        | 28,378         | 204               | 81,581              | 79,240                       | 189,402                      |
|           | -              | -                 | -                   | -                            | -                            |
|           | -              | -                 | 7                   | -                            | 7                            |
|           | 703            | -                 | 493                 | 9                            | 1,204                        |
|           | -              | -                 | -                   | -                            | -                            |
|           | -              | -                 | -                   | -                            | -                            |
|           | -              | 500               | -                   | -                            | 500                          |
|           | -              | -                 | -                   | -                            | -                            |
| <b>\$</b> | <b>29,081</b>  | <b>704</b>        | <b>82,080</b>       | <b>79,249</b>                | <b>191,114</b>               |
| <br>      |                |                   |                     |                              |                              |
| \$        | 2,309          | -                 | 4,839               | -                            | 7,148                        |
|           | 63             | 204               | 437                 | 17,847                       | 18,551                       |
|           | -              | -                 | -                   | 486                          | 486                          |
|           | -              | -                 | 1,668               | -                            | 1,668                        |
|           | -              | -                 | -                   | -                            | -                            |
|           | -              | -                 | -                   | -                            | -                            |
|           | -              | -                 | 269,965             | 131,378                      | 401,343                      |
|           | -              | -                 | -                   | -                            | -                            |
|           | -              | -                 | -                   | -                            | -                            |
|           | 2,372          | 204               | 276,909             | 149,711                      | 429,196                      |
| <br>      |                |                   |                     |                              |                              |
|           | 8,684          | -                 | 96,066              | 90,481                       | 195,231                      |
|           | -              | -                 | -                   | -                            | -                            |
|           | -              | -                 | -                   | -                            | -                            |
|           | -              | -                 | -                   | -                            | -                            |
|           | -              | 500               | -                   | -                            | 500                          |
|           | 18,025         | -                 | (290,895)           | (160,944)                    | (433,813)                    |
|           | 26,709         | 500               | (194,829)           | (70,463)                     | (238,082)                    |
| <b>\$</b> | <b>29,081</b>  | <b>704</b>        | <b>82,080</b>       | <b>79,249</b>                | <b>191,114</b>               |

(Continued)

**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2003**

(Continued)

|  | Debt Service Funds           |                                    |                              |                          | Permanent Funds      |
|--|------------------------------|------------------------------------|------------------------------|--------------------------|----------------------|
|  | Bond Security and Redemption | Petroleum Inspection Revenue Bonds | Transportation Revenue Bonds | Total Debt Service Funds | Agricultural College |
| <b>Assets</b>  |                              |                                    |                              |                          |                      |
| Cash and Cash Equivalents                              | \$ 15,225                    | \$ 19,187                          | \$ 83,098                    | \$ 117,510               | 305                  |
| Investments  | -                            | -                                  | 5,344                        | 5,344                    | -                    |
| Receivables (net of estimated uncollectible accounts): |                              |                                    |                              |                          |                      |
| Taxes  | -                            | -                                  | -                            | -                        | -                    |
| Loans to Local Governments                             | -                            | -                                  | -                            | -                        | -                    |
| Other Receivables                                      | -                            | 2                                  | -                            | 2                        | -                    |
| Due from Other Funds                                   | -                            | -                                  | -                            | -                        | -                    |
| Due from Other Governments                             | -                            | -                                  | -                            | -                        | -                    |
| Inventories  | -                            | -                                  | -                            | -                        | -                    |
| Prepaid Items  | -                            | -                                  | -                            | -                        | -                    |
| Advances to Other Funds                                | -                            | -                                  | -                            | -                        | -                    |
| Other Assets   | -                            | -                                  | -                            | -                        | -                    |
| <b>Total Assets</b>                                    | <b>\$ 15,225</b>             | <b>\$ 19,189</b>                   | <b>\$ 88,443</b>             | <b>\$ 122,856</b>        | <b>305</b>           |
| <b>Liabilities and Fund Balances</b>                   |                              |                                    |                              |                          |                      |
| <b>Liabilities:</b>                                    |                              |                                    |                              |                          |                      |
| Accounts Payable and Other                             |                              |                                    |                              |                          |                      |
| Accrued Liabilities                                    | \$ -                         | \$ -                               | \$ -                         | \$ -                     | -                    |
| Due to Other Funds                                     | 12                           | -                                  | 9                            | 21                       | -                    |
| Interfund Payables                                     | -                            | -                                  | -                            | -                        | -                    |
| Due to Other Governments                               | -                            | -                                  | -                            | -                        | -                    |
| Tax Refunds Payable                                    | -                            | -                                  | -                            | -                        | -                    |
| Tax and Other Deposits                                 | -                            | -                                  | -                            | -                        | -                    |
| Deferred Revenue                                       | -                            | -                                  | -                            | -                        | -                    |
| Interest Payable                                       | 3                            | 5,236                              | 32,567                       | 37,805                   | -                    |
| Advances from Other Funds                              | -                            | -                                  | -                            | -                        | -                    |
| Short-term Notes Payable                               | -                            | -                                  | -                            | -                        | -                    |
| General Obligation Bonds Payable                       | 100                          | -                                  | -                            | 100                      | -                    |
| Revenue Bonds and Notes Payable                        | -                            | 12,070                             | 46,870                       | 58,940                   | -                    |
| <b>Total Liabilities</b>                               | <b>115</b>                   | <b>17,306</b>                      | <b>79,445</b>                | <b>96,866</b>            | <b>-</b>             |
| <b>Fund Balances:</b>                                  |                              |                                    |                              |                          |                      |
| Reserved for:  |                              |                                    |                              |                          |                      |
| Encumbrances   | -                            | -                                  | -                            | -                        | -                    |
| Reserved for Inventories                               | -                            | -                                  | -                            | -                        | -                    |
| Reserved for Prepaid Items                             | -                            | -                                  | -                            | -                        | -                    |
| Reserved for Restricted Funds                          | -                            | -                                  | -                            | -                        | -                    |
| Reserved for Long-term Receivables                     | -                            | -                                  | -                            | -                        | -                    |
| Reserved for Advances to Other Funds                   | -                            | -                                  | -                            | -                        | -                    |
| Unreserved:  |                              |                                    |                              |                          |                      |
| Undesignated   | 15,110                       | 1,883                              | 8,997                        | 25,991                   | 305                  |
| <b>Total Fund Balance</b>                              | <b>15,110</b>                | <b>1,883</b>                       | <b>8,997</b>                 | <b>25,991</b>            | <b>305</b>           |
| <b>Total Liabilities and Fund Balance</b>              | <b>\$ 15,225</b>             | <b>\$ 19,189</b>                   | <b>\$ 88,443</b>             | <b>\$ 122,856</b>        | <b>305</b>           |

**Permanent Funds**

| Common School     | Normal School    | University    | Historical Society | Benevolent   | Total Permanent Funds | Total Nonmajor Governmental Funds |
|-------------------|------------------|---------------|--------------------|--------------|-----------------------|-----------------------------------|
| \$ 150,890        | \$ 19,296        | \$ 234        | \$ 111             | \$ 14        | \$ 170,850            | \$ 986,591                        |
| 132,835           | -                | -             | 9,795              | -            | 142,630               | 151,408                           |
| -                 | -                | -             | -                  | -            | -                     | 25,321                            |
| 236,401           | 126              | -             | -                  | -            | 236,526               | 236,526                           |
| 27                | 20               | -             | -                  | -            | 47                    | 20,372                            |
| 2,534             | 38               | -             | -                  | -            | 2,573                 | 59,735                            |
| 4,841             | -                | -             | -                  | -            | 4,841                 | 13,267                            |
| -                 | -                | -             | -                  | -            | -                     | 2,448                             |
| -                 | -                | -             | -                  | -            | -                     | 15,407                            |
| -                 | -                | -             | -                  | -            | -                     | 1,850                             |
| -                 | -                | -             | -                  | -            | -                     | 694                               |
| <b>\$ 527,528</b> | <b>\$ 19,479</b> | <b>\$ 234</b> | <b>\$ 9,907</b>    | <b>\$ 14</b> | <b>\$ 557,467</b>     | <b>\$ 1,513,619</b>               |
| \$ -              | \$ -             | \$ -          | \$ 13              | \$ -         | \$ 13                 | \$ 195,553                        |
| 1,017             | -                | -             | 7                  | -            | 1,024                 | 74,222                            |
| -                 | -                | -             | -                  | -            | -                     | 486                               |
| -                 | -                | -             | -                  | -            | -                     | 23,105                            |
| -                 | -                | -             | -                  | -            | -                     | 213                               |
| 23                | 68               | -             | -                  | -            | 91                    | 6,675                             |
| -                 | -                | -             | -                  | -            | -                     | 15,671                            |
| -                 | -                | -             | -                  | -            | -                     | 37,805                            |
| -                 | -                | -             | -                  | -            | -                     | 4,334                             |
| -                 | -                | -             | -                  | -            | -                     | 543,643                           |
| -                 | -                | -             | -                  | -            | -                     | 100                               |
| -                 | -                | -             | -                  | -            | -                     | 58,940                            |
| <b>1,040</b>      | <b>68</b>        | <b>-</b>      | <b>20</b>          | <b>-</b>     | <b>1,128</b>          | <b>960,746</b>                    |
| -                 | -                | -             | 11                 | -            | 11                    | 228,289                           |
| -                 | -                | -             | -                  | -            | -                     | 2,448                             |
| -                 | -                | -             | -                  | -            | -                     | 15,400                            |
| -                 | -                | -             | -                  | -            | -                     | 798                               |
| 169,424           | 93               | -             | -                  | -            | 169,517               | 169,517                           |
| -                 | -                | -             | -                  | -            | -                     | 1,850                             |
| <b>357,063</b>    | <b>19,319</b>    | <b>234</b>    | <b>9,876</b>       | <b>14</b>    | <b>386,811</b>        | <b>134,570</b>                    |
| <b>526,487</b>    | <b>19,411</b>    | <b>234</b>    | <b>9,887</b>       | <b>14</b>    | <b>556,339</b>        | <b>552,872</b>                    |
| <b>\$ 527,528</b> | <b>\$ 19,479</b> | <b>\$ 234</b> | <b>\$ 9,907</b>    | <b>\$ 14</b> | <b>\$ 557,467</b>     | <b>\$ 1,513,619</b>               |

*State of Wisconsin*

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

(In Thousands)

|  | Special Revenue Funds |   |   |                     |                                   |
|--|-----------------------|---|---|---------------------|-----------------------------------|
|  | Conservation          | Heritage<br>State<br>Parks and<br>Forests | Wisconsin<br>Health<br>Education<br>Loan<br>Repayment | Waste<br>Management | Wisconsin<br>Election<br>Campaign |
| <b>Revenues:</b>   |                       |   |   |                     |                                   |
| Taxes  | \$ 70,907             | \$ -                                      | \$ -  | \$ -                | -                                 |
| Intergovernmental  | 29,227                | -   | -   | -                   | -                                 |
| Licenses and Permits   | 82,178                | -   | -   | -                   | -                                 |
| Charges for Goods<br>and Services  | 15,876                | -   | 80  | -                   | -                                 |
| Investment and<br>Interest Income  | 605                   | 17  | -   | 100                 | 7                                 |
| Fines and Forfeitures  | 355                   | -   | -   | 4                   | -                                 |
| Gifts and Donations  | 3,259                 | -   | -   | -                   | -                                 |
| Other Revenues   | 1,852                 | 125                                       | -   | -                   | 9                                 |
| <b>Total Revenues</b>  | <b>204,259</b>        | <b>142</b>                                | <b>80</b>   | <b>105</b>          | <b>17</b>                         |
| <b>Expenditures:</b>   |                       |   |   |                     |                                   |
| <b>Current:</b>  |                       |   |   |                     |                                   |
| Commerce   | -                     | -   | -   | -                   | -                                 |
| Education  | -                     | -   | 72  | -                   | -                                 |
| Transportation   | -                     | -   | -   | -                   | -                                 |
| Environmental Resources  | 219,703               | 34  | -   | 5                   | -                                 |
| Human Relations and<br>Resources   | -                     | -   | -   | -                   | -                                 |
| General Executive  | -                     | -   | -   | -                   | 601                               |
| Judicial   | -                     | -   | -   | -                   | -                                 |
| Tax Relief and Other<br>General Expenditures   | -                     | -   | -   | -                   | -                                 |
| Capital Outlay   | 11,628                | -   | -   | -                   | -                                 |
| Debt Service - Principal   | -                     | -   | -   | -                   | -                                 |
| Debt Service - Interest  | -                     | -   | -   | -                   | -                                 |
| Other Expenditures   | -                     | -   | -   | -                   | -                                 |
| <b>Total Expenditures</b>  | <b>231,331</b>        | <b>34</b>                                 | <b>72</b>   | <b>5</b>            | <b>601</b>                        |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b>                                      | <b>(27,072)</b>       | <b>108</b>                                | <b>8</b>  | <b>100</b>          | <b>(584)</b>                      |
| <b>Other Financing Sources (Uses):</b>   |                       |   |   |                     |                                   |
| Long-term Debt Issued  | -                     | -   | -   | -                   | -                                 |
| Premium on Bonds   | -                     | -   | -   | -                   | -                                 |
| Transfers In   | 21,033                | -   | -   | -                   | 329                               |
| Transfers Out  | (15,021)              | -   | (1)   | -                   | -                                 |
| Installment Purchase<br>Acquisitions   | 590                   | -   | -   | -                   | -                                 |
| <b>Total Other Financing<br/>Sources (Uses)</b>  | <b>6,601</b>          | <b>-</b>                                  | <b>(1)</b>  | <b>-</b>            | <b>329</b>                        |
| <b>Excess of Revenues and Other<br/>Sources Over (Under)<br/>Expenditures and Other Uses</b> | <b>(20,471)</b>       | <b>108</b>                                | <b>7</b>  | <b>100</b>          | <b>(255)</b>                      |
| Fund Balances, Beginning<br>of Year  | 61,615                | 1,069                                     | 9   | 6,334               | 593                               |
| Increase (Decrease) in<br>Reserve for Inventories  | (55)                  | -   | -   | -                   | -                                 |
| <b>Fund Balances, End of Year</b>  | <b>\$ 41,090</b>      | <b>\$ 1,177</b>                           | <b>\$ 16</b>  | <b>\$ 6,434</b>     | <b>\$ 338</b>                     |

**Special Revenue Funds**

|    | <b>Investment<br/>and Local<br/>Impact</b> | <b>Election<br/>Administration</b> | <b>Industrial<br/>Building<br/>Construction<br/>Loan</b> | <b>Self-insured<br/>Employers<br/>Liability</b> | <b>Medical<br/>Assistance<br/>Trust</b> | <b>Work Injury<br/>Supplemental<br/>Benefit</b> | <b>Tobacco<br/>Control</b> |
|----|--|------------------------------------|--|---|---|---|----------------------------|
| \$ | -  | \$ -                               | \$ -   | \$ -  | \$ -                                    | \$ -  | \$ -                       |
|    |  |                                    |  |   |   | 2,889   |                            |
|    |  |                                    |  |   |   |   |                            |
|    | 3  | 14                                 | 3  | 5   | 6,068                                   | 70  | 37                         |
|    |  |                                    |  |   |   |   |                            |
|    |  |                                    | 21   | 1   |   | 11  |                            |
|    | 3  | 14                                 | 24   | 6   | 6,068                                   | 2,970   | 37                         |
|    |  |                                    |  |   |   |   |                            |
|    |  |                                    |  |   |   |   |                            |
|    |  |                                    |  |   |   |   |                            |
|    |  |                                    |  | 97  | 383,486                                 | 2,644   | 5,596                      |
|    |  |                                    |  |   |   |   |                            |
|    |  |                                    |  |   |   |   |                            |
|    |  |                                    |  |   |   |   |                            |
|    |  |                                    |  |   |   |   |                            |
|    |  |                                    |  |   |   |   |                            |
|    |  |                                    |  | 97  | 383,486                                 | 2,644   | 5,596                      |
|    | 3  | 14                                 | 24   | (91)  | (377,418)                               | 326   | (5,559)                    |
|    |  |                                    |  |   |   |   |                            |
|    |  |                                    |  |   |   |   |                            |
|    |  |                                    |  |   | 322,465                                 |   | 15,345                     |
|    |  |                                    |  |   | (90)                                    |   | (14,693)                   |
|    |  |                                    |  |   |   |   |                            |
|    |  |                                    |  |   | 322,375                                 |   | 652                        |
|    |  |                                    |  |   |   |   |                            |
|    | 3  | 14                                 | 24   | (91)  | (55,042)                                | 326   | (4,907)                    |
|    | 166  |                                    | 183  | 351   | 360,981                                 | 4,331   | 6,989                      |
|    |  |                                    |  |   |   |   |                            |
| \$ | 168  | \$ 14                              | \$ 207   | \$ 260  | \$ 305,939                              | \$ 4,656  | \$ 2,081                   |

(Continued)

State of Wisconsin

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

(Continued)

|  | Special Revenue Funds  |                              |               |                                     |                            |                                      |
|--|------------------------|------------------------------|---------------|-------------------------------------|----------------------------|--------------------------------------|
|  | Uninsured<br>Employers | Utility<br>Public<br>Benefit | Mediation     | Agricultural<br>Chemical<br>Cleanup | Agrichemical<br>Management | Agricultural<br>Producer<br>Security |
| <b>Revenues:</b>   |                        |                              |               |                                     |                            |                                      |
| Taxes  | \$ -                   | \$ -                         | 2             | \$ -                                | \$ -                       | -                                    |
| Intergovernmental  | -                      | -                            | -             | -                                   | -                          | -                                    |
| Licenses and Permits   | 532                    | 96,637                       | 208           | 2,826                               | 5,437                      | 2,319                                |
| Charges for Goods<br>and Services  | -                      | -                            | -             | -                                   | -                          | 177                                  |
| Investment and<br>Interest Income  | 144                    | 327                          | 4             | 16                                  | 23                         | 53                                   |
| Fines and Forfeitures  | 3,277                  | -                            | -             | -                                   | -                          | 7                                    |
| Gifts and Donations  | -                      | 5                            | -             | -                                   | -                          | -                                    |
| Other Revenues   | 411                    | -                            | -             | -                                   | 7                          | 5                                    |
| <b>Total Revenues</b>  | <b>4,364</b>           | <b>96,969</b>                | <b>213</b>    | <b>2,842</b>                        | <b>5,467</b>               | <b>2,562</b>                         |
| <b>Expenditures:</b>   |                        |                              |               |                                     |                            |                                      |
| <b>Current:</b>  |                        |                              |               |                                     |                            |                                      |
| Commerce   | -                      | -                            | -             | 3,864                               | 5,766                      | 726                                  |
| Education  | -                      | -                            | -             | -                                   | -                          | -                                    |
| Transportation   | -                      | -                            | -             | -                                   | -                          | -                                    |
| Environmental Resources  | -                      | -                            | -             | -                                   | -                          | -                                    |
| Human Relations and<br>Resources   | 2,077                  | -                            | -             | -                                   | -                          | -                                    |
| General Executive  | -                      | 91,087                       | -             | -                                   | -                          | -                                    |
| Judicial   | -                      | -                            | 354           | -                                   | -                          | -                                    |
| Tax Relief and Other<br>General Expenditures   | -                      | -                            | -             | -                                   | -                          | -                                    |
| Capital Outlay   | -                      | 89                           | -             | -                                   | -                          | -                                    |
| Debt Service - Principal   | -                      | -                            | -             | -                                   | -                          | -                                    |
| Debt Service - Interest  | -                      | -                            | -             | -                                   | -                          | -                                    |
| Other Expenditures   | -                      | -                            | -             | -                                   | -                          | -                                    |
| <b>Total Expenditures</b>  | <b>2,077</b>           | <b>91,176</b>                | <b>354</b>    | <b>3,864</b>                        | <b>5,766</b>               | <b>726</b>                           |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b>                                      | <b>2,287</b>           | <b>5,794</b>                 | <b>(141)</b>  | <b>(1,023)</b>                      | <b>(299)</b>               | <b>1,836</b>                         |
| <b>Other Financing Sources (Uses):</b>   |                        |                              |               |                                     |                            |                                      |
| Long-term Debt Issued  | -                      | -                            | -             | -                                   | -                          | -                                    |
| Premium on Bonds   | -                      | -                            | -             | -                                   | -                          | -                                    |
| Transfers In   | -                      | -                            | -             | -                                   | -                          | -                                    |
| Transfers Out  | -                      | (8,378)                      | (3)           | -                                   | (54)                       | (10)                                 |
| Installment Purchase<br>Acquisitions   | -                      | -                            | -             | -                                   | -                          | -                                    |
| <b>Total Other Financing<br/>Sources (Uses)</b>  | <b>-</b>               | <b>(8,378)</b>               | <b>(3)</b>    | <b>-</b>                            | <b>(54)</b>                | <b>(10)</b>                          |
| <b>Excess of Revenues and Other<br/>Sources Over (Under)<br/>Expenditures and Other Uses</b> | <b>2,287</b>           | <b>(2,584)</b>               | <b>(144)</b>  | <b>(1,023)</b>                      | <b>(353)</b>               | <b>1,826</b>                         |
| <b>Fund Balances, Beginning<br/>of Year</b>  | <b>11,687</b>          | <b>26,861</b>                | <b>281</b>    | <b>1,223</b>                        | <b>2,592</b>               | <b>1,059</b>                         |
| <b>Increase (Decrease) in<br/>Reserve for Inventories</b>                                    | <b>-</b>               | <b>-</b>                     | <b>-</b>      | <b>-</b>                            | <b>(8)</b>                 | <b>-</b>                             |
| <b>Fund Balances, End of Year</b>  | <b>\$ 13,974</b>       | <b>\$ 24,277</b>             | <b>\$ 137</b> | <b>\$ 200</b>                       | <b>\$ 2,231</b>            | <b>\$ 2,885</b>                      |