



STATE OF WISCONSIN

# Legislative Audit Bureau

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Janice Mueller  
State Auditor

February 9, 2011

Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

We have completed our financial audit of the University of Wisconsin (UW) System for the years ended June 30, 2010 and 2009. UW System's financial statements and our unqualified audit opinion on them, dated December 10, 2010, have been included in UW System's 2010 Annual Financial Report, which is enclosed. This report will be presented to the UW Board of Regents at its meetings on February 10 and 11.

UW System unrestricted net assets, which represent the amount available to be used to meet ongoing obligations, increased by \$120.2 million to \$502.7 million as of June 30, 2010. According to UW System officials, these funds have been designated by the Board of Regents for purposes to fulfill UW System's responsibilities, including academic and research programs and capital projects.

General Purpose Revenue (GPR), which is shown as State Appropriations on UW System's financial statements, decreased 3.7 percent, from \$1,012.1 million in fiscal year (FY) 2008-09 to \$974.4 million in FY 2009-10. This funding does not include GPR funding that is used to repay debt on academic facilities, which is technically debt of the State of Wisconsin and not UW System. Such debt service payments totaled \$52.7 million for FY 2009-10 and \$123.9 million for FY 2008-09.

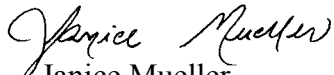
Operating revenues increased by \$237.7 million, or 8.3 percent, from FY 2008-09. Federal grants and contracts revenue accounted for the largest portion of this change, increasing from \$733.4 million in FY 2008-09 to \$813.3 million in FY 2009-10. We also note that tuition and fees increased by \$73.1 million.

UW System's total operating expenses were \$4.1 billion in FY 2009-10. Operating expenses increased by \$92.5 million, or 2.3 percent from FY 2008-09. Salaries and fringe benefits increased by \$67.5 million and supplies and services expenditures decreased by \$27.3 million. Salaries and fringe benefits represented 66.7 percent of all UW System operating costs, while supplies and services accounted for 25.0 percent.

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Enclosed is a management letter, which includes an auditor's report on compliance and internal control over financial reporting, as required by *Government Auditing Standards*. This letter was provided to the UW System and includes four internal control concerns we identified during our audit and that are required to be reported under these standards.

Sincerely,

  
Janice Mueller  
State Auditor

JM/CS/bm

Enclosures

cc: Senator Mary Lazich  
Senator Alberta Darling  
Senator Kathleen Vinehout  
Senator Julie Lassa

Representative Kevin Petersen  
Representative Robin Vos  
Representative Andy Jorgensen  
Representative Jon Richards

Kevin P. Reilly, President  
University of Wisconsin System