



STATE OF WISCONSIN

Legislative Audit Bureau

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Janice Mueller
State Auditor

February 4, 2009

Senator Kathleen Vinehout and
Representative Peter Barca, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Vinehout and Representative Barca:

We have completed our financial audit of the University of Wisconsin (UW) System for the years ended June 30, 2008 and 2007. UW System's financial statements and our unqualified audit opinion on them, dated December 11, 2008, have been included in UW System's 2008 Annual Financial Report, which is enclosed. This report will be presented to the UW Board of Regents at its meetings on February 5 and 6, 2009.

General Purpose Revenue (GPR) funding for general operations, which is shown as State Appropriations on UW System's financial statements, increased 4.2 percent, from \$914.9 million in FY 2006-07 to \$953.6 million in FY 2007-08. This funding does not include GPR that is used to repay debt on academic facilities, which is technically debt of the State of Wisconsin and not the UW System. For FY 2007-08, GPR funding for these debt service payments totaled \$121.0 million.

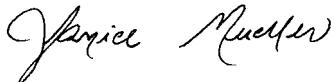
UW System's total operating revenues were \$2.6 billion in FY 2007-08. Operating revenues increased by \$92.3 million, or 3.6 percent, from FY 2006-07. Tuition and fees accounted for the largest portion of this change, increasing from \$836.3 million in FY 2006-07 to \$885.0 million in FY 2007-08, largely because of a 5.5 percent tuition rate increase that was approved by the Board of Regents for the 2007-08 academic year. We also note that sales and services of auxiliary enterprises, which includes revenues collected for residence halls, food service, and student unions, increased by \$28.1 million and revenue from sales and services of educational activities, which range from laboratory fees to revenues for training and workshops, increased by \$23.3 million.

UW System's total operating expenses were \$3.9 billion in FY 2007-08. Operating expenses increased \$226.4 million, or 6.2 percent from FY 2006-07. Salaries and fringe benefits increased by \$117.2 million and supplies and services expenditures increased by \$92.0 million. Salaries and fringe benefits represent 66.8 percent of all UW System operating costs, while supplies and services account for 26.3 percent.

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Government Auditing Standards require us to provide an auditor's report on compliance and internal control over financial reporting. That report accompanies this letter and includes two internal control concerns that 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 Robert Jauch
Senator Mark Miller
Senator Robert Cowles
Senator Mary Lazich

Representative Andy Jorgensen
Representative Mark Pocan
Representative Bill Kramer
Representative Samantha Kerkman