



**STATE OF WISCONSIN**  
Legislative Audit Bureau

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Janice Mueller  
State Auditor

February 6, 2008

Senator Jim Sullivan and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Sullivan and Representative Jeskewitz:

We have completed our financial audit of the University of Wisconsin (UW) System for the years ended June 30, 2007 and 2006. UW System's financial statements and our unqualified audit opinion on them, dated December 14, 2007, have been included in UW System's 2007 Annual Financial Report, which is enclosed. This report will be presented to the UW Board of Regents at its meetings on February 7 and 8, 2008.

UW System net assets increased by \$382.6 million in fiscal year (FY) 2006-07, largely because of a \$162.1 million increase in capital contributions, which represent gifts as well as proceeds from the issuance of general purpose revenue (GPR) bonds to finance the construction of capital assets. Capital contributions increased 111.8 percent, from \$145.0 million in FY 2005-06 to \$307.1 million in FY 2006-07.

GPR funding for general operations is shown as State Appropriations on UW System's financial statements. GPR funding increased 2.4 percent, from \$893.4 million in FY 2005-06 to \$914.9 million in FY 2006-07.

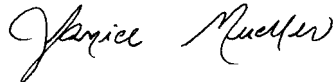
Total revenue earned through UW operations increased by \$114.1 million, or 4.7 percent, from FY 2005-06 to FY 2006-07, primarily because of a \$63.5 million increase in revenue from tuition and fees and a \$33.2 million increase in revenue from sales and services of educational activities, which range from textbook rentals to seminars held by UW-Extension. Revenue from tuition and fees increased from \$772.8 million in FY 2005-06 to \$836.3 million in FY 2006-07, largely because of a 6.8 percent tuition rate increase that was approved by the Board of Regents for the 2006-07 academic year.

UW System's total operating expenses were \$3.6 billion in FY 2006-07. Operating expenses increased \$131.7 million, or 3.8 percent from the FY 2005-06 total, largely because the cost of salaries and fringe benefits increased by nearly \$100.0 million, or 4.2 percent, in FY 2006-07. Salaries and fringe benefits represent 67.7 percent of all UW System operating costs.

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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 three 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 Julie Lassa  
Senator Mark Miller  
Senator Alan Lasee  
Senator Robert Cowles

Representative Samantha Kerkman  
Representative Kitty Rhoades  
Representative David Cullen  
Representative Joe Parisi