



STATE OF WISCONSIN

Legislative Audit Bureau

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Janice Mueller
State Auditor

February 8, 2006

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

We have completed our financial audit of the University of Wisconsin (UW) System for the years ended June 30, 2005 and 2004. UW System's financial statements and our unqualified audit opinion on them dated December 14, 2005, were included in the UW System's 2005 Annual Financial Report, which is enclosed. The annual report will be presented to the UW Board of Regents at its February 2006 meeting. In accordance with new accounting standards implemented in fiscal year (FY) 2003-04, condensed financial information for the UW Foundation is also included in Note 13 of UW System's financial statements.

General purpose revenue (GPR), which is shown as State Appropriations on UW System's financial statements, decreased 0.5 percent from \$901.9 million in FY 2003-04 to \$897.0 million in FY 2004-05. 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. For FY 2004-05, such debt service payments totaled \$89.8 million.

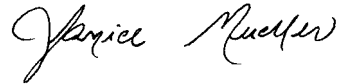
Total revenue earned through UW operations, such as tuition and fees, increased from \$2.1 billion in FY 2003-04 to \$2.3 billion in FY 2004-05. This increase can largely be attributed to two factors: an increase in student tuition and fees revenue and an increase in federal grant and contract revenue. From FY 2003-04 to FY 2004-05, tuition and fees revenue increased from \$653.3 million to \$721.6 million, primarily the result of a 15 percent increase in tuition. During that time period, with several new federally-funded projects, federal grant and contract revenue increased from \$612.9 million to \$654.7 million, a 6.8 percent increase.

Total operating expenses for FY 2004-05 were \$3.4 billion, which reflects an increase of 3.4 percent over the prior year. This increase is largely the result of two types of expenses: supplies and services increased \$64.1 million (7.9 percent) and salaries and fringe benefits, which represent 67.6 percent of all operating costs, increased \$67.9 million (3.0 percent).

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Government Auditing Standards require us to provide an auditor's report on compliance and internal control over financial reporting, which accompanies this letter. As noted in the report, we did not identify any compliance or control concerns that are required to be reported under these standards.

Sincerely,



Janice Mueller
State Auditor

JM/JG/bm

Enclosures

cc: Senator Robert Cowles	Representative Samantha Kerkman
Senator Scott Fitzgerald	Representative Dean Kaufert
Senator Mark Miller	Representative David Travis
Senator Julie Lassa	Representative David Cullen