



INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements for the following fiduciary and proprietary funds administered by the Department of Employee Trust Funds as of and for the year ended December 31, 2002: the Wisconsin Retirement System, Deferred Compensation, Accumulated Sick Leave Conversion, Life Insurance, Employee Reimbursement Accounts, Commuter Benefits, Special Death Benefit, Milwaukee Retirement Systems, Duty Disability, Long-Term Disability Insurance, Health Insurance, and Income Continuation Insurance funds. These financial statements are the responsibility of the State of Wisconsin Department of Employee Trust Funds' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Deferred Compensation Plan. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Deferred Compensation Plan, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Deferred Compensation Plan were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to above present the financial position, changes in financial position, and cash flows, where applicable, of only the fiduciary and proprietary funds administered by the Department of Employee Trust Funds and do not purport to, and do not, present fairly the financial position of the State of Wisconsin and the changes in its financial position and its cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of each fiduciary fund and of each proprietary fund as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

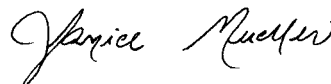
As discussed in Note 2 to the financial statements, for calendar year 2002 the Department of Employee Trust Funds implemented Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments; Statement Number 37, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus; and Statement Number 38, Certain Financial Statement Note Disclosures.

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph. The required supplementary information on the Wisconsin Retirement System’s schedules of funding progress and employer contributions, and the required supplementary information on claims development information for public entity risk pools, are not required parts of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board statements 10 and 25. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

The Introduction and the sections entitled Statistics, Actuarial, Investments, and Employers and Unfunded Actuarial Accrued Balance, as listed in the table of contents, were not audited by us and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards* we also issue a report, dated March 17, 2004, on our consideration of the Department’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report, which is included in a management letter to the Department, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LEGISLATIVE AUDIT BUREAU



by

Janice Mueller
State Auditor

March 17, 2004