STATE OF WISCONSIN
CONTINUING DISCLOSURE
ANNUAL REPORT

FILED PURSUANT TO UNDERTAKINGS PROVIDED TO PERMIT COMPLIANCE WITH SECURITIES EXCHANGE COMMISSION RULE 15C2-12

GENERAL OBLIGATIONS
(Base CUSIPs 977055, 977056, and 97705L)

MASTER LEASE CERTIFICATES OF PARTICIPATION
(Base CUSIP 977087)

TRANSPORTATION REVENUE OBLIGATIONS
(Base CUSIP 977123)

CLEAN WATER REVENUE BONDS
(Base CUSIP 977092)

PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS
(Base CUSIP 977109)

GENERAL FUND ANNUAL APPROPRIATION BONDS
(Base CUSIP 977100)

DECEMBER 23, 2009

JIM DOYLE
GOVERNOR

MICHAEL L. MORGAN
SECRETARY

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December 23, 2009

Thank you for your interest in the State of Wisconsin.

This is the Continuing Disclosure Annual Report for the fiscal year ending June 30, 2009 (**2009 Annual Report**).

The 2009 Annual Report provides information on different securities that the State issues and fulfills the State's continuing disclosure undertakings. These undertakings of the State are intended to help dealers and brokers comply with Rule 15c2-12 under the Securities Exchange Act of 1934. As of this date, the State has filed the 2009 Annual Report with the Municipal Securities Rulemaking Board (**MSRB**) through the MSRB's Electronic Municipal Market Access (**EMMA**) system. EMMA receives, and makes available to the public, continuing disclosure documents and related information that is provided by issuers and obligated persons.

Official Statements for securities that the State issues during the next year may incorporate parts of this 2009 Annual Report by reference.

Organization of the 2009 Annual Report

The 2009 Annual Report is divided into eight parts. The first two parts present general information.

- **Part I** presents the **State's continuing disclosure undertakings**. A Master Agreement on Continuing Disclosure (Amended and Restated July 1, 2009) establishes a general framework. Separate addenda describe the information to be provided for specific types of securities.

- **Part II** presents **general information about the State**, including its operations and financial results. This part includes the General Purpose External Financial Statements portion of the audited Comprehensive Annual Financial Report for the fiscal year ending June 30, 2009. This part also includes the results of the 2008-09 fiscal year and information on the biennial budget for 2009-11.

The remaining parts present information about different types of securities that the State issues.

- **Part III — General obligations (including bonds, commercial paper, and extendible municipal commercial paper)**
- **Part IV — Master lease certificates of participation**
- **Part V — Transportation revenue obligations (including bonds and commercial paper)**
- **Part VI — Clean water revenue bonds**
- **Part VII — Petroleum inspection fee revenue obligations (including bonds and extendible municipal commercial paper)**
- **Part VIII – General fund annual appropriation bonds (including bonds and variable rate notes)**

Please note that certain terms may have different meanings in different parts.

Ratings on the State's Securities
The following chart presents a summary of the long-term ratings currently assigned to different types of securities that the State issues.

Security	Fitch Ratings	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services
General Obligations	AA–	Aa3[1]	AA
Master Lease Certificates of Participation	A+	A1[1]	AA–
Transportation Revenue Bonds	AA	Aa3	AA+
Clean Water Revenue Bonds	AA+	Aa1	AA+
Petroleum Inspection Fee Revenue Bonds	AA–	Aa3	AA
General Fund Annual Appropriation Bonds	A+	A1[1]	AA–

[1] On March 17, 2008, Moody's Investors Services, Inc. changed its rating outlook on the State's general obligations, master lease certificates of participation, and general fund annual appropriation bonds from "stable" to "negative".

How to Get Additional Information

If you are interested in information about securities that the State issues, please contact the Capital Finance Office. *The Capital Finance Office is the only party authorized to speak on the State's behalf about the State's securities.*

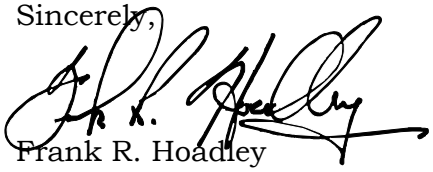
The Capital Finance Office maintains a web site that provides access to both disclosure and non disclosure information.

www.doa.wi.gov/capitalfinance

The Capital Finance Office posts to this web site monthly general fund cash flow reports. The Capital Finance Office also posts to this web site all information and material event filings that it makes with each nationally recognized municipal securities information repository.

We welcome your comments or suggestions about the format and content of the 2009 Annual Report. The general telephone number of the Capital Finance Office is (608) 266-2305. The e-mail address is **DOACapitalFinanceOffice@wisconsin.gov.**

Sincerely,



Frank R. Hoadley
Capital Finance Director

SUMMARY OF OUTSTANDING STATE OF WISCONSIN OBLIGATIONS AS OF DECEMBER 15, 2009

	Principal Balance 12/15/2008	Principal Issued 12/15/2008 – 12/15/09	Principal Matured, Redeemed, or Defeased 12/1/2008 – 12/15/09	Principal Balance 12/15/2009
GENERAL OBLIGATIONS[a]				
Total	**$5,939,381,430**	**$697,120,000**	**$413,708,686**	**$6,222,792,744**
General Purpose Revenue (GPR)	4,154,544,870	432,691,497	284,614,791	4,302,621,576
Self-Amortizing: Veterans	348,105,000	—	69,720,000	278,385,000
Self-Amortizing: Other	1,436,731,559	264,428,503	59,373,895	1,641,786,167
MASTER LEASE CERTIFICATES OF PARTICIPATION				
Total	**$ 74,135,428**	**$12,886,729**	**$23,150,830**	**$63,871,327**
TRANSPORTATION REVENUE OBLIGATIONS[a]				
Total	**$1,688,753,000**	**$165,000,000**	**$94,515,000**	**$1,759,238,000**
CLEAN WATER REVENUE BONDS				
Total	**$ 866,035,000**	**—**	**$60,730,000**	**$805,305,000**
PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS[a]				
Total	**$ 231,040,000**	**$117,460,000**	**$159,890,000**	**$188,610,000**
GENERAL FUND ANNUAL APPROPRIATION BONDS[a]				
Total	**$1,857,120,000**	**$1,529,065,000**	**$6,475,000**	**$3,379,710,000**

(a) This table includes variable rate obligations that have been issued by the State. Please see the respective part of this Annual Report for more information on the variable rate obligations issued for each credit.

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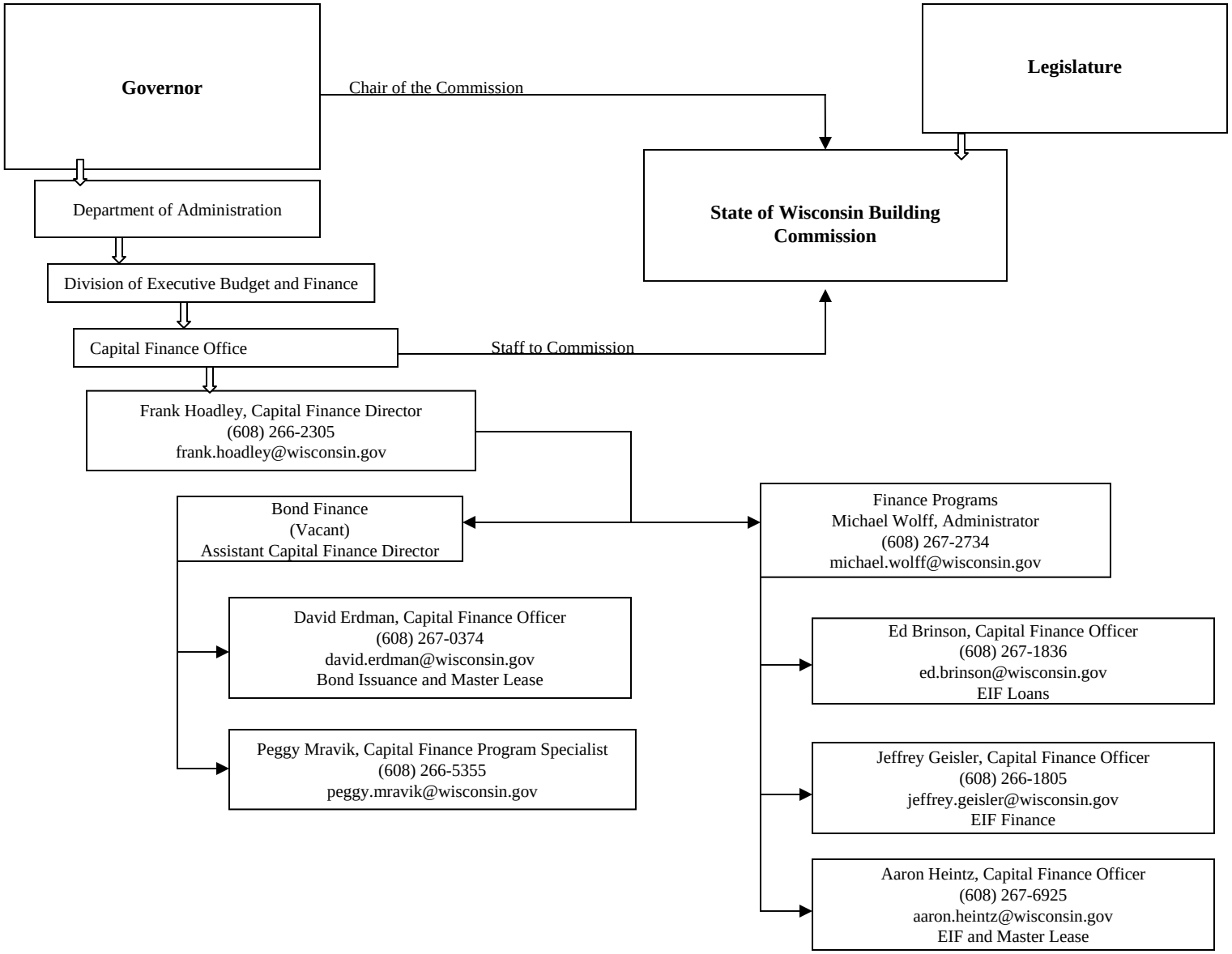
Capital Finance Office Staff (December 23, 2009)



STATE OFFICIALS PARTICIPATING IN ISSUANCE AND SALE OF BONDS AND NOTES

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Jim Doyle, Chairperson	January 2, 2011
Senator Fred A. Risser, Vice-Chairperson	January 6, 2013
Senator Ted Kanavas	January 6, 2013
Senator Jeffrey Plale	January 2, 2011
Representative Spencer Black	January 2, 2011
Representative Gordon Hintz	January 2, 2011
Representative Dean Kaufert	January 2, 2011
Mr. Terry McGuire, Citizen Member	At the pleasure of the Governor
Nonvoting, Advisory Members	
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	——
Mr. Dave Haley, State Chief Architect Department of Administration	——
Building Commission Secretary	
Mr. David W. Helbach, Administrator Division of State Facilities Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration

OTHER PARTICIPANTS

Mr. J.B. Van Hollen State Attorney General	January 2, 2011
Mr. Michael L. Morgan, Secretary Department of Administration	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

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Capital Finance Office
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Madison, WI 53707-7864
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Finance Programs Administrator
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Mr. David R. Erdman
Capital Finance Officer
(608) 267-0374
david.erdman@wisconsin.gov

PART I

STATE'S CONTINUING DISCLOSURE UNDERTAKINGS

This Part I of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2009 **(2009 Annual Report)** provides information on the undertakings the State of Wisconsin **(State)** has made to enable brokers, dealers, and municipal securities dealers, in connection with their participation in the offerings of securities issued by the State, to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission **(SEC)** under the Securities Exchange Act of 1934 **(Rule 15c2-12)**.

This Part I of the 2009 Annual Report includes the State's Master Agreement on Continuing Disclosure (Amended and Restated July 1, 2009), which establishes a general framework under which the State will provide continuing disclosure on various types of securities the State has issued, and also includes six addenda that describe information to be provided in an annual report about the following types of securities:

- General Obligations
- Master Lease Certificates of Participation
- Transportation Revenue Bonds
- Clean Water Revenue Bonds
- Petroleum Inspection Fee Revenue Obligations
- General Fund Annual Appropriation Bonds

The State has provided, and may continue to provide, annual reports and notices required under its Master Agreement on Continuing Disclosure (Amended and Restated July 1, 2009) to the Municipal Securities Rulemaking Board (**MSRB**) through the MSRB's Electronic Municipal Market Access (**EMMA**) system. EMMA receives, and makes available to the public, continuing disclosure documents and related information that is provided by issuers and obligated persons, pursuant to continuing disclosure undertakings entered into consistent with Rule 15c2-12. The State's Master Agreement on Continuing Disclosure (Amended and Restated July 1, 2009) reflects changes to Rule 15c2-12 that became effective July 1, 2009. With respect to undertakings made prior to July 1, 2009, the State has provided annual reports and notices under its Master Agreement on Continuing Disclosure to each nationally recognized municipal securities information repository. Effective July 1, 2009, the MSRB was designated as the sole nationally recognized municipal securities information repository.

Requests for additional information about the State's undertakings may be directed as follows:

Contact: Capital Finance Office
Attn: Capital Finance Director
Phone: (608) 266-2305
Mail: State of Wisconsin Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Web site: www.doa.wi.gov/capitalfinance

The 2009 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part I of the 2009 Annual Report

may differ from that of the same terms used in another part. Any information or resource referred to in this 2009 Annual Report is not part of the 2009 Annual Report unless expressly included by reference.

MASTER AGREEMENT ON CONTINUING DISCLOSURE (AMENDED AND RESTATED JULY 1, 2009)

This Master Agreement on Continuing Disclosure (**Disclosure Agreement**) is executed and delivered by the State of Wisconsin (**Issuer**), a municipal securities issuer and a sovereign government. The Issuer covenants and agrees as follows:

1. Definitions. The following capitalized terms shall have the following meanings:

"Addendum Describing Annual Report" shall mean an addendum, substantially in the form of Exhibit A hereto, that describes the contents of an Annual Report for a particular type of obligation.

"Annual Report" shall mean any report provided by the Issuer pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"Bonds" shall mean any issue of the Issuer's obligations to which this Disclosure Agreement applies.

"Bondholders" shall mean the beneficial owners from time to time of the Bonds.

"Commission" shall mean the U.S. Securities and Exchange Commission.

"Disclosure Agreement" shall mean this agreement.

"EMMA" shall mean the Electronic Municipal Market Access system for municipal securities disclosure, a Commission-approved electronic database established and operated by the MSRB to accommodate the collection and availability of required filings of secondary market disclosures under the Rule.

"Event Notice" shall mean a notice of an occurrence of a Material Event provided under Section 6(b) hereof or a notice provided under Sections 4(c), 6(c), 7, 8, or 9.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Issuer" shall mean the municipal securities issuer described above, namely, the State of Wisconsin.

"Material Event" shall mean any of the events listed in Section 6(a) of this Disclosure Agreement that is material to the Owners, as materiality is interpreted under the Exchange Act.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Owners" shall mean the beneficial owners from time to time of the Bonds.

"Participating Underwriter" shall mean any broker, dealer, or municipal securities dealer that is required to comply with the Rule when acting as an underwriter in connection with a primary offering of an issue of Bonds.

"Resolution" shall mean the resolution or resolutions of the State of Wisconsin Building Commission or the trust indenture entered into by the Issuer, pursuant to which the Bonds are issued.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Exchange Act.

"Supplemental Agreement" shall mean an agreement, substantially in the form of Exhibit B hereto, that either (i) determines that the Disclosure Agreement and a specific Addendum Describing Annual Report shall apply to a specific issue of Bonds or (ii) determines that the Disclosure Agreement (other than Sections 4 or 5, which concern Annual Reports) shall apply to a specific issue of Bonds.

2. Purpose of the Disclosure Agreement. The purpose of this Disclosure Agreement is to assist Participating Underwriters in complying with the Rule in connection with a primary offering of an issue of Bonds.

3. Application of the Disclosure Agreement. This Disclosure Agreement shall apply to an issue of Bonds when the Issuer executes and delivers a Supplemental Agreement. This Disclosure Agreement may apply in whole or in part, as specified by the Supplemental Agreement. This Disclosure Agreement may apply to more than one issue of Bonds but shall be construed as a separate agreement for each issue of Bonds. The purpose of having this Disclosure Agreement apply to more than one issue of Bonds is to promote uniformity of the Issuer's obligations with respect to all issues of Bonds.

4. Provision of Annual Reports.

a. The Issuer shall, not later than 180 days following the close of the Issuer's fiscal year, provide to the MSRB an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Agreement.

b. If Issuer's audited financial statements are not publicly available at the time the Annual Report is submitted, the Issuer shall submit them to the MSRB within ten business days after the statements are publicly available.

c. If the Issuer fails to provide an Annual Report to the MSRB by the date required in subsection (a), the Issuer shall send an Event Notice to the MSRB.

5. Content and Submission of Annual Reports.

a. The Annual Report shall be provided for each obligated person described in the Addendum Describing Annual Report, and it shall contain or incorporate by reference, the financial statements and operating data, and use the accounting principles, described in the Addendum Describing Annual Report.

b. The Annual Report shall be submitted to the MSRB in an electronic format, and accompanied by identifying information, as prescribed by the MSRB. As of the date of this Disclosure Agreement, the MSRB prescribes that all submissions of secondary disclosure be made through EMMA. The Annual Report may be submitted as a single document or as a package comprising separate documents. Any or all of the items constituting the Annual Report may be incorporated by reference from other documents available to the public on the MSRB's Internet Web site or filed with the Commission. The Issuer shall clearly identify each document so incorporated by reference.

c. Each time the Issuer submits information to the MSRB in accordance with this Disclosure Agreement, it shall confirm, in the manner it deems appropriate, the MSRB's prescriptions concerning the electronic format and accompanying identifying information. As of the date of this Disclosure Agreement, information on the MSRB's required electronic format and submission procedures through EMMA can be found on the MSRB's Internet Web site at www.emma.msrb.org.

d. To allow for uniformity of the contents of Annual Reports with respect to obligations that are similar in character, the Issuer may from time to time describe the contents in an Addendum Describing Annual Report and shall incorporate a description by reference in a Supplemental Agreement.

6. Reporting of Significant Events.

a. This Section 6 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, if material:

i. Principal and interest payment delinquencies.

ii. Non-payment related defaults.

iii. Unscheduled draws on debt service reserves reflecting financial difficulties.

iv. Unscheduled draws on credit enhancements reflecting financial difficulties.

v. Substitution of credit or liquidity providers, or their failure to perform.

vi. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.

vii. Modifications to rights of Bondholders.

viii. Bond calls.

ix. Defeasances.

x. Release, substitution, or sale of property securing repayment of the Bonds.

xi. Rating changes.

b. Whenever the Issuer obtains knowledge of the occurrence of a Material Event, the Issuer shall promptly file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material Events described in subsections (a)(8) and

(9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to affected Bondholders if it is required pursuant to the Resolution.

c. Similarly, if the Issuer determines that it failed to give notice as required by this section, it shall promptly file an Event Notice with respect to such occurrence to the MSRB.

7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement with respect to an issue of Bonds shall terminate upon the legal defeasance, prior redemption, or payment in full of all Bonds of the issue or if the Rule shall be revoked or rescinded by the Commission or declared invalid by a final decision of a court of competent jurisdiction. If such termination occurs prior to the stated maturity of the Bonds, then the Issuer shall give an Event Notice with respect to such termination to the MSRB.

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if the following conditions are met:

a. The amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or an obligated person, or the type of business conducted; and

b. This Disclosure Agreement, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c. The amendment or waiver does not materially impair the interests of Bondholders, as determined by an opinion of nationally recognized bond counsel, a certificate from an indenture trustee for the Bonds, or an approving vote of Bondholders pursuant to the terms of the Resolution at the time of the amendment or waiver.

In the event this Disclosure Agreement is amended or waived for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees to give an Event Notice with respect to such amendment or waiver to the MSRB in connection with the next Annual Report it files after such event, explaining the reasons for the amendment or waiver and the impact, if any, of the change in the type of financial statements or operating data being provided.

9. Additional Information. The Issuer may from time to time choose to disseminate other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or include other information in any Annual Report or Event Notice, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or Event Notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or Event Notice.

10. Default. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy of a Bondholder under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance. The Issuer reserves any defense it may have to any such action including that

this Disclosure Agreement violates sovereign rights or that no funds have been appropriated for performance.

11. Beneficiaries. The Issuer intends to be contractually bound by this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Participating Underwriters, and Owners and shall create no rights in any other person or entity.

12. Responsible Officer. Pursuant to a resolution adopted by the State of Wisconsin Building Commission on August 9, 1995, the Capital Finance Director has been authorized to execute this Disclosure Agreement on behalf of the Issuer and the Capital Finance Office has been designated the office of the Issuer responsible for providing Annual Reports and giving notice of Listed Events, to the extent required hereunder. Any inquiries regarding this Disclosure Agreement should be directed to the Capital Finance Office, Department of Administration, Division of Executive Budget and Finance, 101 East Wilson Street, Madison, Wisconsin 53702, Phone: (608) 266-5355, Fax: (608) 266-7645 or such other address, telephone number, or fax number as the Issuer may from time to time provide by an addendum hereto.

13. Satisfaction of Conditions. This Disclosure Agreement amends and restates the Master Agreement on Continuing Disclosure (Prior Agreement), executed and delivered by the Issuer and dated September 25, 1995. The Issuer finds and determines that the conditions stated under Section 8 of the Prior Agreement for amendment of the Prior Agreement have been satisfied and, more particularly:

a. The amendments are being made in connection with a change in circumstances that arises from a change in legal requirements or a change in law (namely, amendments to the Rule);

b. This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account the amendments to the Rule; and

c. The amendments do not materially impair the interests of the Bondholders, as determined by an opinion of nationally recognized bond counsel.

IN WITNESS WHEREOF, the Issuer has caused this Master Agreement on Continuing Disclosure to be executed by its duly authorized officer.

Date: July 1, 2009

STATE OF WISCONSIN
Issuer

By: /S/ FRANK R. HOADLEY
Frank R. Hoadley
Capital Finance Director

EXHIBIT A

FORM OF ADDENDUM DESCRIBING ANNUAL REPORT

ADDENDUM DESCRIBING ANNUAL REPORT
FOR [TYPE OF OBLIGATIONS]

This Addendum Describing Annual Report for [Type of Obligation] (Addendum) is delivered by the State of Wisconsin (Issuer) pursuant to the Master Agreement on Continuing Disclosure (Disclosure Agreement), executed and delivered by the Issuer and dated September 25, 1995[, as amended and restated as of July 1, 2009]. This Addendum describes the content of an Annual Report prepared with respect to [type of obligation]. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person(s): [None] [Each of the entity named or described by objective criteria below is an obligated person: _____]

Content of Annual Report for Issuer. Accounting Principles. The following accounting principles shall be used for the financial statements: _____.

Financial Statements. The financial statements shall present the following information: _____.

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented: _____ _____.

Content of Annual Report for Additional Obligated Person(s). Accounting Principles. The following accounting principles shall be used for the financial statements: _____.

Financial Statements. The financial statements shall present the following information: _____.

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented: _____.

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: _____, 20___

STATE OF WISCONSIN
Issuer

By:_____
Name:_____
Title:_____

EXHIBIT B

FORM OF SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is executed and delivered by the State of Wisconsin (Issuer) to supplement the Master Agreement on Continuing Disclosure (Disclosure Agreement), executed and delivered by the Issuer and dated September 25, 1995[, as amended and restated as of July 1, 2009]. Pursuant to the provisions of the Disclosure Agreement, the Issuer hereby [determines that the Disclosure Agreement and the Addendum Describing Annual Report for [Type of Obligation] shall apply to the following issue of obligations] [determines that the Disclosure Agreement (other than Sections 4 and 5, which concern Annual Reports) shall apply to the following issue of obligations]:

Name of Obligations:

_____

_____

Date of Issue: _____, _____

CUSIPs _____

IN WITNESS WHEREOF, the Issuer has caused this Supplemental Agreement to be executed by its duly authorized officer.

Date: _____, 20___

STATE OF WISCONSIN
Issuer

By:_____
Name:_____
Title:_____

ADDENDUM DESCRIBING ANNUAL REPORT FOR GENERAL OBLIGATIONS

This Addendum Describing Annual Report for General Obligations (Addendum) is delivered by the State of Wisconsin (Issuer) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of July 1, 2009 (Disclosure Agreement). This Addendum describes the content of an Annual Report prepared with respect to general obligations. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person(s): None

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: Generally Accepted Accounting Principles.

Financial Statements. The financial statements shall present the following information: General Purpose External Financial Statements section of the Comprehensive Annual Financial Report.

Operating Data. In addition to the financial statements, unaudited operating data about the following matters shall be presented: (i) revenues received by the State, (ii) expenditures made by the State, (iii) budgets, (iv) selected financial data concerning the General Fund, (v) information concerning temporary reallocation, (vi) pertinent information on significant pending litigation, (vii) balances of outstanding State obligations, and (viii) statistical information on the State's economic condition, veterans housing loan program and Wisconsin Retirement System.

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: September 3, 2009

STATE OF WISCONSIN
Issuer

By: /S/ FRANK R. HOADLEY
Name: Frank R. Hoadley
Title: Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT FOR MASTER LEASE CERTIFICATES OF PARTICIPATION

This Addendum Describing Annual Report for Master Lease Certificates of Participation (Addendum) is delivered by the State of Wisconsin (Issuer) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of July 1, 2009 (Disclosure Agreement). This Addendum describes the content of an Annual Report prepared with respect to master lease certificates of participation. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person in this respect: it is required to make lease payments from any source of legally available funds, subject to annual appropriation, which lease payments will be used to pay, when due, the semi-annual principal and interest due with respect to the Master Lease Certificates of Participation. No other entity is an obligated person.

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: Generally Accepted Accounting Principles.

Financial Statements. The financial statements shall present the following information: The General Purpose External Financial Statements section of the Comprehensive Annual Financial Report.

Operating Data. In addition to the financial statements, unaudited operating data concerning the following matters shall be presented: (i) revenues received by the State, (ii) expenditures made by the State, (iii) budgets, (iv) selected financial data concerning the General Fund, (v) information concerning temporary reallocation, and (vi) pertinent information on significant pending litigation.

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: December 23, 2009

STATE OF WISCONSIN
Issuer

By: /s/ FRANK R. HOADLEY
Frank R. Hoadley
Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT FOR TRANSPORTATION REVENUE BONDS

This Addendum Describing Annual Report for Transportation Revenue Bonds (Addendum) is delivered by the State of Wisconsin (Issuer) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of July 1, 2009 (Disclosure Agreement). This Addendum describes the content of an Annual Report prepared with respect to transportation revenue bonds. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person(s): None

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: generally accepted accounting principles or in accordance with another comprehensive basis of accounting.

Financial Statements. The financial statements shall present the following information: Audited financial statements of the transportation revenue bond program and supplemental information to the audited financial statement.\

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented:

(a) History of Section 341.25 registration fees for last 10 years.
(b) Estimated Section 341.25 registration fees for next 10 years.
(c) Historical and estimated amounts of other pledged revenues consisting of certain vehicle registration-related fees.
(d) Debt service on all outstanding transportation revenue bonds and estimated revenue coverage based on estimated pledged revenues for next 10 years.
(e) Demographic information for the State of Wisconsin relating to vehicle registrations

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: October 1, 2009

STATE OF WISCONSIN
Issuer

By: /S/ FRANK R. HOADLEY
Name: Frank R. Hoadley
Title: Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT FOR CLEAN WATER REVENUE BONDS

This Addendum Describing Annual Report for Clean Water Revenue Bonds (Addendum) is delivered by the State of Wisconsin (Issuer) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of July 1, 2009 (Disclosure Agreement). This Addendum describes the content of an Annual Report prepared with respect to clean water revenue bonds. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person(s): Each entity described by the objective criteria below is an obligated person (Additional Obligated Person): Any person, including an issuer of municipal securities, who directly or indirectly at the close of the Issuer's fiscal year, is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of 20 percent or more of the cash flow servicing the then outstanding clean water revenue bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

Any Additional Obligated Person, other than the Issuer, will be required by the Issuer to enter into an undertaking agreement to provide each Repository, not later than 180 days following the close of that Additional Obligation Person's fiscal year, an annual report meeting the requirements outlined below under "Content of Annual Report for Additional Obligated Person".

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: Generally Accepted Accounting Principles.

Financial Statements. The financial statements shall present the following information:

(a) Audited financial statements of the clean water fund program and supplemental information to the audited financial statement.

Operating Data. In addition to the financial statements, operating data about the following clean water fund program matters shall be presented:

(a) List of outstanding loans
(b) List of financial assistance commitments
(c) Information concerning the investments of the Loan Credit Reserve Fund

Content of Annual Report for Additional Obligated Person.

Accounting Principles. The following accounting principles shall be used for the financial statements: Generally Accepted Accounting Principles.

Financial Statements. The financial statements shall present the following information: Audited financial statements of the Additional Obligated Person.

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented: None.

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: December 23, 2009

STATE OF WISCONSIN
Issuer

By: /s/ FRANK R. HOADLEY

Frank R. Hoadley
Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT FOR PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS

This Addendum Describing Annual Report for Petroleum Inspection Fee Revenue Obligations (Addendum) is delivered by the State of Wisconsin (Issuer) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of July 1, 2009 (Disclosure Agreement). This Addendum describes the content of an Annual Report prepared with respect to petroleum inspection fee revenue obligations. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person(s): None

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: generally accepted accounting principles or in accordance with another comprehensive basis of accounting.

Financial Statements. The financial statements shall present the following information: Audited financial statements of the petroleum inspection fee revenue obligations program and supplemental information to the audited financial statement.

Operating Data. Operating data about the following matters shall be presented:

(a) A description of petroleum products inspected and Petroleum Inspection Fees collected for the last five years.

(b) A description of all authorized and outstanding petroleum inspection fee revenue obligations.

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: October 20, 2009

STATE OF WISCONSIN
Issuer

By: /S/ FRANK R. HOADLEY
Name: Frank R. Hoadley
Title: Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT FOR GENERAL FUND ANNUAL APPROPRIATION BONDS

This Addendum Describing Annual Report for General Fund Annual Appropriation Bonds (Addendum) is delivered by the State of Wisconsin (Issuer) pursuant to the Master Agreement on Continuing Disclosure executed and delivered by the Issuer and dated September 25, 1995, as amended and restated as of July 1, 2009 (Disclosure Agreement).

This Addendum describes the content of an Annual Report prepared with respect to general fund annual appropriation bonds issued under Section 16.527 of the Wisconsin Statutes. This Addendum consolidates but does not amend the Addendum Describing Annual Report for General Fund Annual Appropriation Bonds, dated December 10, 2003, and the Addendum Describing Annual Report for General Fund Annual Appropriation Bonds Issued Under 1, 2009 Indenture, dated April 8, 2009. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer. The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person: None

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: generally accepted accounting principles.

Financial Statements. The financial statements shall present the following information: The General Purpose External Financial Statements section of the audited Comprehensive Annual Financial Report.

Operating Data. In addition to the financial statements, unaudited operating data concerning the following maters shall be presented:

(i) a determination, with supporting information, of the "Annual Appropriation Amount," as defined in the Trust Indenture, dated as of December 1, 2003 (the "2003 Indenture"), as amended, between the Issuer and Deutsche Bank Trust Company Americas, as trustee, and of the "Annual Appropriation Amount", as defined in the Trust Indenture, dated as of April 1, 2009 (the "2009 Indenture"), between the Issuer and Deutsche Bank Trust Company Americas, as trustee, for each fiscal year in the current biennium and, in the second fiscal year of a biennium, for the upcoming biennium (for fiscal years before the 2011-12 fiscal year, the "Annual Appropriation Amount" for purposes of the 2009 Indenture shall be presented as though it applied to such fiscal years);

(ii) the amounts appropriated by the legislature in each fiscal year with respect to appropriation obligations issued under Section 16.527 of the Wisconsin Statutes; provided, however, that not more than ten years in which amounts have been appropriated need be presented;

(iii) revenues received by the State;

(iv) expenditures made by the State;

(v) budgets;

(vi) selected financial data concerning the General Fund;

(vii) information concerning temporary reallocations;

(viii) pertinent information on significant pending litigation;

(ix) balances of outstanding State obligations; and

(x) statistical information on the State's economic condition, veterans housing loan program, and Wisconsin Retirement System.

Reporting of Significant Events: The Issuer agrees that it will treat each of the following events as though it were a Listed Event under the Disclosure Agreement:

(i) the event of a Budget Bill failing to include the Annual Appropriation Amount (as such terms are defined in each Indenture);
(ii) an Event of Nonappropriation (as such term is defined in each Indenture); and
(iii) any failure to make a payment when due under a Swap Agreement (as such term is defined in each Indenture).

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: December 23, 2009

STATE OF WISCONSIN
Issuer

By: /s/ FRANK R. HOADLEY

Frank R. Hoadley
Capital Finance Director

PART II

GENERAL INFORMATION ABOUT THE STATE OF WISCONSIN

This Part II of the 2009 Annual Report provides general information about the State of Wisconsin **(State)**. It describes the following:

- Revenues
- Expenditures
- Accounting and Financial Reporting
- Budgeting Process and Fiscal Controls
- Results of 2008-09 Fiscal Year
- 2009-11 Biennial State Budget
- General Fund Information
- State Government Organization
- State Obligations
- Statistical Information

APPENDIX A to this Part II of the 2009 Annual Report includes the audited general purpose external financial statements for the fiscal year ending June 30, 2009 and the independent auditor's report that is provided by the State Auditor.

Requests for additional information about the State may be directed as follows:

Contact: Capital Finance Office
Attn: Capital Finance Director
Phone: (608) 266-2305
Mail: State of Wisconsin Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Web site: www.doa.wi.gov/capitalfinance

The State has independently provided, since July 2001, monthly reports on general fund financial information. These monthly reports are not required by any of the State's undertakings provided to permit compliance with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. These monthly reports are available on the State's Capital Finance Office web site that is listed above and are generally filed as material information notices with the MSRB (and prior to July 1, 2009 with each nationally recognized municipal securities information repository); however, such reports are not incorporated by reference into this Part II of the 2009 Annual Report, and the State is not obligated to continue providing such monthly reports in the future.

This Part II of the 2009 Annual Report presents financial information about the State in various formats. Some financial information is presented on a budgetary basis or an agency recorded basis, while other information is presented on a cash basis. Some financial information relates to the General Fund, while other information relates to all funds. The reader should be aware of these different formats when using the financial information presented within the 2009 Annual Report.

The 2009 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part II of the 2009 Annual Report may differ from those of the same terms used in another part. Any information or resource referred to in this 2009 Annual Report is not part of the 2009 Annual Report unless expressly included.

REVENUES

Revenue Structure

The State raises revenues from diverse sources:

- Various taxes levied by the State
- Federal government payments (see "STATE BUDGET" for discussion on federal economic stimulus payments received by the State)
- Various kinds of fees, licenses, permits, and service charges paid by users of specific services, privileges, or facilities
- Investment income
- Gifts, donations, and contributions

Table II-1 identifies the specific sources of revenue (all funds) and the amounts raised from each source for each of the last five years. There can be no assurance that future receipts will correlate with historical data.

Tax Structure

The State collects a diverse variety of taxes. The most significant taxes are based on individual income and on general sales and use. The following discussion briefly describes certain taxes that appear in Table II-1.

Individual Income Tax

The tax brackets and rates for the 2009 and 2010 tax years are as follows. The 2009-11 biennial budget created a fifth tax bracket, which is the bracket show below for the highest income with the marginal tax rate of 7.75%. The taxable income brackets have been indexed for changes in the consumer price index.

2009 Taxable Income Brackets[a]		2009 Marginal Tax Rate
Single	**Married Filing Jointly[b]**	
0 to 10,220	0 to 13,620	4.60%
10,220 to 20,440	13,620 to 27,250	6.15
20,440 to 153,280	27,250 to 204,370	6.50
153,280 to 225,000	204,370 to 300,000	6.75
225,000+	300,000	7.75

2010 Taxable Income Brackets[a]		2010 Marginal Tax Rate
Single	**Married Filing Jointly[b]**	
0 to 10,070	0 to 13,420	4.60%
10,070 to 20,130	13,420 to 26,850	6.15
20,130 to 151,000	26,850 to 201,340	6.50
151,000 to 221,660	201,340 to 295,550	6.75
221,6600+	295,550+	7.75

[a] Taxable income in dollars

[b] Brackets for married filing separately are half of the brackets for married filing jointly.

Table II-1

REVENUES (ALL SOURCES)[a]

	2008-09	2007-08	2006-07	2005-06	2004-05
State Collected Taxes					
Individual Income	$ 6,222,734,631	$ 6,713,681,316	$ 6,573,777,561	$ 6,144,298,451	$ 5,650,109,424
General Sales and Use	4,083,958,633	4,268,045,204	4,158,611,820	4,127,584,502	4,038,715,364
Corporate Franchise and Income	629,523,404	837,807,078	890,056,403	780,320,708	764,053,392
Public Utility	320,395,065	297,467,163	284,959,340	275,104,369	254,437,679
Excise	647,621,004	540,258,780	365,848,384	368,693,206	359,443,539
Inheritance and Gift	20,853,110	158,788,699	121,113,660	108,570,770	112,345,511
Insurance Companies	136,291,544	156,606,088	141,405,453	134,665,536	129,838,587
Motor Fuel	1,013,552,216	1,046,962,146	1,047,149,847	1,045,437,021	1,042,150,611
Forest	93,032,745	89,819,018	87,405,411	84,001,009	81,739,715
Miscellaneous	141,390,558	152,888,679	159,748,328	159,449,623	147,891,451
Subtotal	13,309,352,909	14,262,324,171	13,830,076,207	13,228,125,195	12,580,725,273
Federal Aid					
Medical Assistance	3,942,775,227	3,075,496,190	3,043,708,414	2,885,996,975	2,841,262,571
AFDC/W2	301,726,136	333,240,980	374,577,319	411,227,833	448,154,411
Transportation	975,604,268	827,688,250	779,233,666	773,152,018	755,659,339
Education	2,243,391,257	1,694,591,971	1,621,624,190	1,574,934,049	1,503,395,791
Other	2,011,468,231	1,795,311,711	1,550,011,689	1,535,906,709	1,642,411,725
Subtotal	9,474,965,119	7,726,329,102	7,369,155,278	7,181,217,584	7,190,883,836
Fees					
University of Wisconsin System	1,232,247,037	1,189,573,176	1,104,929,700	1,040,358,601	960,481,330
Other	611,597,812	522,256,257	462,295,973	427,060,300	427,786,023
Subtotal	1,843,844,850	1,711,829,432	1,567,225,673	1,467,418,901	1,388,267,353
Licenses and Permits					
Vehicles and Drivers	497,890,497	433,571,153	388,656,396	358,350,142	352,220,463
Hunting and Fishing	116,593,950	115,131,275	102,848,677	101,375,980	95,320,908
Other	833,185,906	519,392,387	555,460,289	561,072,535	527,761,924
Subtotal	1,447,670,353	1,068,094,815	1,046,965,362	1,020,798,657	975,303,294
Miscellany					
Service Charges	731,084,712	642,584,866	680,620,012	846,656,031	679,698,283
Sales of Products	798,401,411	816,218,495	787,903,733	799,739,375	735,620,836
Investment Income[b]	(14,949,817,996)	(4,432,460,670)	13,879,927,078	8,542,093,790	7,173,240,239
Gifts and Grants	586,570,088	414,079,565	498,194,701	384,897,037	375,899,897
Employee Benefit Contributions [c]	2,826,103,756	2,672,069,440	2,540,833,629	2,672,969,933	2,063,105,741
General Obligation Proceeds	721,041,070	524,288,377	973,119,276	1,197,760,905	734,440,646
Other Revenues	2,529,447,931	2,047,138,313	2,060,407,739	1,779,638,241	2,293,743,096
Subtotal	(6,757,169,029)	2,683,918,386	21,421,006,168	16,223,755,312	14,055,748,739
Summary					
TOTAL NET REVENUE	19,318,664,202	27,452,495,906	45,234,428,688	39,121,315,649	36,190,928,494
Transfers	999,470,444	1,213,609,468	1,029,552,107	812,004,157	828,212,783
Gross Revenue	$ 20,318,134,646	$ 28,666,105,374	$ 46,263,980,795	$ 39,933,319,806	$ 37,019,141,277

(a) The amounts shown are based on statutorily required accounting and not on GAAP. The amounts are unaudited.

(b) The amounts include net pension investment losses of $15,095,373,443 for fiscal year 2008-09 and $4,696,238,376 for 2007-08.

(c) Figures include all State and non-State employer and employee contributions. State contributions for State employees totaled $1,458,671,648 for fiscal year 2008-09, $1,334,524,228 for 2007-08, $1,263,140,598 for 2006-07, $1,406,452,694 for 2005-06, and $823,519,064 for 2004-2005.

Source: Wisconsin Department of Administration

General Sales and Use Tax

A 5% tax is imposed on the sale or use of services and all tangible personal property unless specifically exempted. The most notable exemptions are food, prescription drugs, and motor and heating fuel. In 2009, the State adopted the Streamlined Sales and Use Tax Agreement, which is a multi-state agreement with a goal to simplify and modernize sales and use tax administration and to promote the voluntary collection of sales tax by out-of-state businesses.

Corporate Income and Franchise Taxes

Both the franchise tax measured by net income and the income tax are levied at a rate of 7.9% of corporate net income. The net tax liability is determined by subtracting allowable credits.

Public Utility Taxes

There are two methods used for taxing public utilities. An ad valorem method on property is used for pipeline companies, conservation and regulation companies, association of municipal electric, railroads, and airlines. The State assesses the value of the property, then the average statewide property tax rate is applied to derive the tax. An ad valorem tax on the real and tangible personal property is used for telephone companies.

The gross receipts tax is 3.19% for electric cooperatives and municipal power companies. Private light, heat, and power companies pay a gross receipts license fee at the rates of 0.97% of revenues from gas services, 3.19% of revenues from electric services, and 1.59% of revenues from wholesale electric. Each year's fee is based on revenues collected in the previous year. Revenue received from utilities is deposited to the General Fund; however, revenue from railroads and airlines is deposited in the segregated Transportation Fund. Car line companies, which are businesses that furnish or lease car line equipment to a railroad but do not operate a railroad, are subject to a tax at a rate equal to the State average net tax rate on property, which is deposited into the Transportation Fund.

Excise Taxes

Cigarettes are taxed at the rate of $2.52 cents per pack of 20, moist snuff is taxed at the rate of 100% of the manufacturer's list price, and other tobacco products are taxed at the rate of 71% of the manufacturer's list price, with the tax on cigars capped at $0.50 per cigar. The cigarette and tobacco products taxes are collected from distributors and subjobbers.

Wine is taxed at $0.25 or $0.45 per gallon (or $0.066 or $0.119 per liter), depending on its alcohol content. Liquor is taxed at $3.25 per gallon (or $0.859 per liter). The wine and liquor tax is collected from wholesalers. Beer is taxed at the rate of $2 per barrel, and the tax is paid monthly by brewers.

Estate, Inheritance, and Gift Taxes

For deaths occurring after September 30, 2002 and before January 1, 2008, the State imposed an estate tax in an amount equal to the credit allowed for state inheritance or estate taxes under federal law in effect on December 31, 2000. For deaths occurring on or after January 1, 2008, State estate taxes were based on the federal credit computed under federal law in effect on the date of death, which based on federal law in effect since January 1, 2008 resulted in the current elimination of State estate taxes for deaths occurring on or after January 1, 2008.

Insurance Company Premium Tax

Wisconsin-based life insurance companies pay a tax of 2% of the premiums received less a credit equal to 50% of personal property taxes. Small companies may choose to pay 2.5% of all income except premiums less the personal property tax credit. Nondomestic life insurance companies pay the 2% rate with no personal property tax credit.

Domestic and nondomestic property and casualty insurance companies are taxed 2% on allocated fire insurance premiums received. The 2% tax levied on fire insurance premiums is redistributed to local governments as a "fire department dues" tax. Nondomestic casualty insurance companies are taxed an additional 2.375% on allocated fire insurance premiums received, 2% on all forms of casualty premiums, and 0.5% on ocean marine coverages.

Domestic mortgage guaranty insurance companies pay a tax of 2% of premiums received.

Nondomestic companies are also subject to retaliation and reciprocation. If a nondomestic company's state of domicile assesses a Wisconsin domestic company, in aggregate, a greater amount than these rates,

then Wisconsin retaliates. If a nondomestic company's state of domicile assesses a Wisconsin domestic company, in aggregate, a lesser amount than these rates, then Wisconsin reciprocates, subject to a minimum of the 2% "fire department dues," 0.375% for ocean marine and allocated fire insurance premiums, 0% for all forms of casualty premiums, and 2% for life premiums.

Motor Vehicle Fuel Tax

Motor vehicle fuel is taxed at the rate of 30.9 cents per gallon. Prior to April, 2006, the motor vehicle fuel tax was subject to an indexed adjustment using an inflation-only factor based on the Consumer Price Index; however, due to a statutory change, this adjustment no longer occurs. The tax is collected from the wholesaler but is specifically passed through to the user. The revenues are deposited in the Transportation Fund, where they are used primarily for highway purposes.

Forest Tax

The forest tax is the only State tax upon general property. It is a levy on all taxable property in the State. The tax is collected by municipal treasurers and remitted to the State during property tax settlements. After its receipt in the General Fund, it is transferred to the segregated Conservation Fund.

Miscellaneous Taxes

The State collects other miscellaneous taxes and fees, the largest of which is the real estate transfer fee. This fee is assessed at the time of a sale or transfer of real estate and at the rate of 30.0 cents per $100 value.

Tax Credits

Complementing the State's tax structure are tax credits designed to relieve certain taxes. These credits are reflected as expenditures for budgeting purposes. A brief description of the principal tax credits follows.

Homestead Tax Credit

Property tax relief is provided to low-income homeowners and renters through a homestead tax credit. The maximum household income limit is $24,500. The maximum amount of aidable property taxes is $1,450, and the amount of farm acreage on which the property tax is based is 120 acres. For renters, the amount of rent allocated as property tax is 25%, or 20% if heat is included in rent. In the 2008-09 fiscal year, low-income homeowners and renters received $125 million in homestead tax credit relief.

Earned Income Tax Credit

The earned income tax credit provides assistance to lower-income workers. The tax credit supplements the wages and self-employment income of such families. It offsets the impact of the social security tax and increases the incentive to work. As of November 30, 2009, the State was one of 23 states that offered an earned income tax credit. Twenty-one of those states, including the State, offered a refundable earned income tax credit.

The State's earned income tax credit is calculated as a percentage of the federal tax credit. The federal earned income tax credit varies by income and family size. In addition to the federal standards, the State's tax credit varies the percent of the federal credit by the number of children: 4% of the federal credit for one child, 14% for two, and 43% for three or more. The maximum State tax credit in tax year 2008 ranged from $117 for one child, $675 for two children, and $2,074 for three or more children. In the 2008-09 fiscal year, low-income wage earners received $98 million in earned income tax credits.

Farmland Preservation Tax Credit

The farmland preservation program provides property tax relief to farmland owners and encourages local governments to develop farmland preservation policies. The tax credit reduces income tax liability or is rebated if the credit exceeds income tax due. The credit formula is based on household income, the amount of property tax levied by all governments, and the type of land use provisions protecting the

farmland (either a preservation agreement or exclusive agricultural zoning). Claimants may receive a tax credit on up to $6,000 of property taxes. The maximum potential credit is $4,200. In the 2008-09 fiscal year, farmland owners received $12 million in farmland preservation tax credits.

School Levy Tax Credit

The school levy tax credit is distributed based on each municipality's share of statewide levies for school purposes and is provided to all classes of taxpayers (residential, commercial, industrial, and others). For property taxes levied in December 2008, $747 million of school levy tax credits was distributed statewide. A new first dollar credit, which offsets the first $3,900 of property taxes on an improved parcel, provided an additional $73 million of property tax relief for property taxes levied in December 2008. These tax credits lowered school property taxes paid by taxpayers by 8.5% of the total gross tax levy for all purposes. The tax credits are paid to counties or municipalities to reduce the amount due from all property taxpayers.

Lottery Property Tax Credit.

The net proceeds of the state lottery are reserved for property tax relief. The lottery property tax credit is paid to counties or municipalities to reduce the amount due from local taxpayers. The lottery property tax credit is paid only for property taxes on primary residences. The total lottery property tax credit was approximately $116 million in December 2008.

School Property Tax Credit

The school property tax credit is equal to 12% of the first $2,500 in property taxes, or rent relating to allocable property taxes, for a maximum credit of $300. In the 2008-09 fiscal year, the school property tax credit totaled $395 million.

Tax Collection Procedure (Delinquencies)

If a taxpayer does not file a valid return when requested, the Department of Revenue may estimate the amount of tax due and send the taxpayer an assessment of the amount owing. The taxpayer has 60 days to appeal the amount owed, and absent an appeal, the account is considered delinquent on the due date. A delinquency also occurs when a taxpayer fails to properly pay taxes on a filed return or under-computes the tax due. In that case, the taxpayer is billed for the shortfall, and there is no appeal process. An assessment can also result from office or field audits. A taxpayer has 60 days to appeal an audit adjustment.

DOR uses a computer system to record payment and collection information for income, franchise, sales, and use taxes. Revenue agents around the state can access the case records for delinquent accounts.

Collection of a delinquent account begins with a notice of overdue tax, which is sent to the taxpayer. This notice informs the taxpayer that failure to pay within 10 days may result in a warrant being filed in the county of residence and other involuntary collection actions that may be taken. The account is assigned to a revenue agent, who may contact the taxpayer to attempt to solicit payment in full or set up an installment payment plan. Records of all collection contacts and actions are maintained in the statewide computer system.

If voluntary payments cannot be arranged, the revenue agent may proceed to a variety of involuntary collection actions, such as attachment of wages, levy, or garnishment of assets. Depending on the circumstances of the account, the Department of Revenue may move directly to an involuntary collection action after the notice of overdue tax is sent. If the amount owed is greater than $5,000, the account will be posted on a DOR web site that identifies delinquent taxpayers. If the delinquent taxpayer has a refund coming from any tax program administered by DOR, the refund is applied to the delinquent balance. Federal tax refunds are also applied to the delinquent balance.

Other actions that may be recommended to resolve a delinquent account include:

- Revocation of a business seller's permit
- Withholding of a business's liquor license
- Denial of a state-issued occupational license
- Referral to a private collection agency

If the revenue agent cannot collect the delinquent taxes, and it is unknown whether the taxpayer has any assets that may be garnished, then a supplemental hearing may be called before the court commissioner in the taxpayer's county of residence, in order to determine the taxpayer's ability to pay. If assets are discovered, the Department of Revenue may request appointment of a receiver to sell the assets. If the taxpayer is without any assets, the proceedings may be stayed and the account periodically reviewed until either the taxpayer has assets to pay or a determination is made to write off the account.

An analysis of the overall delinquency rate for the income, franchise, and sales and use taxes is shown in Table II-28 of "STATISTICAL INFORMATION".

EXPENDITURES

General

State expenditures are categorized under eight functional categories and the general obligation bond program. They are subcategorized by three distinct types of expenditures. The eight functional categories, which are listed in Table II-2, are described later in this Part II of the 2009 Annual Report. See "STATE GOVERNMENT ORGANIZATION; Description of Services Provided by State Government". The three types of expenditures are described below.

- *State Operations.* Direct payments by State agencies to carry out State programs for expenses such as salaries, supplies, services, debt service, and permanent property, including the University of Wisconsin System.
- *Aids to Individuals and Organizations*. Payments from a State fund made directly to, or on behalf of, an individual or private organization (for example, Medicaid, parent choice and charter school programs, or student financial assistance).
- *Local Assistance*. Payments from a State fund to, or on behalf of, local units of government and school districts, including payments associated with State programs administered by local governments and school districts (for example, elementary and secondary school aids, shared revenues, and school levy and first dollar tax credits).

Table II-2 shows the amounts expended (all funds) by function and type for each of the last five years.

General Fund Expenditures

In the 2008-09 fiscal year, about 57% of all general-fund taxes collected by the State were returned to local units of government. The remaining funds were used for aids to individuals and organizations (17%) and state operations and programs, including the University of Wisconsin System (26%). For the 2009-11 biennium, these percentages are expected to be about 55% returned to local units of government, 18% for aids to individuals and organizations, and 27% for state operations and programs, including the University of Wisconsin System.

Table II-2

EXPENDITURES BY FUNCTION AND TYPE (ALL FUNDS)[a]

	2008-09	2007-08	2006-07	2005-06	2004-05
Commerce					
State Operations	$ 162,533,607	$ 187,653,993	$ 191,501,974	$ 295,051,390	$ 177,270,715
Aids to Individuals and Organizations	154,196,111	103,744,671	143,445,023	118,049,619	134,274,721
Local Assistance	81,796,002	84,134,604	84,802,058	84,622,827	67,653,798
Subtotal	398,525,720	375,533,268	419,749,055	497,723,836	379,199,233
Education					
State Operations	4,377,769,866	4,233,533,822	4,019,108,540	3,783,691,755	3,680,666,682
Aids to Individuals and Organizations	636,000,157	698,924,143	633,206,998	601,027,490	569,282,647
Local Assistance	6,195,999,965	6,001,123,979	5,954,573,981	5,823,094,342	5,478,892,197
Subtotal	11,209,769,988	10,933,581,944	10,606,889,519	10,207,813,587	9,728,841,526
Environmental Resources					
State Operations	2,466,422,363	2,160,632,869	1,705,817,188	1,860,775,134	1,557,135,085
Aids to Individuals and Organizations	21,396,674	21,858,028	33,438,386	27,226,419	18,632,315
Local Assistance	1,144,909,938	1,174,800,437	1,108,055,130	1,092,290,371	1,111,255,497
Subtotal	3,632,728,976	3,357,291,334	2,847,310,704	2,980,291,924	2,687,022,898
Human Relations and Resources					
State Operations	2,569,901,520	2,517,798,022	2,394,696,169	2,211,919,381	2,338,807,640
Aids to Individuals and Organizations	8,997,219,620	7,731,541,267	7,470,421,798	7,324,304,971	7,236,447,598
Local Assistance	803,642,585	730,956,471	733,922,070	735,653,544	696,794,647
Subtotal	12,370,763,725	10,980,295,760	10,599,040,037	10,271,877,896	10,272,049,886
General Executive					
State Operations	6,405,607,097	6,382,779,221	5,732,317,622	5,394,516,734	5,156,121,321
Aids to Individuals and Organizations	410,146,216	390,323,539	433,449,569	429,604,138	374,960,654
Local Assistance	186,142,107	177,907,683	146,382,522	184,678,416	129,264,670
Subtotal	7,001,895,420	6,951,010,443	6,312,149,713	6,008,799,288	5,660,346,645
Judicial					
State Operations	106,263,715	102,370,371	97,376,449	91,336,070	90,426,703
Local Assistance	24,603,200	24,529,305	24,304,178	24,274,774	24,166,300
Subtotal	130,866,915	126,899,676	121,680,627	115,610,844	114,593,003
Legislative					
State Operations	65,288,990	65,045,988	63,371,991	61,342,707	58,234,658
Subtotal	65,288,990	65,045,988	63,371,991	61,342,707	58,234,658
General					
State Operations	873,302,876	826,058,802	798,270,888	871,018,049	663,012,446
Aids to Individuals and Organizations	290,017,352	269,882,203	244,774,255	244,294,326	242,099,193
Local Assistance	1,834,977,446	1,764,087,991	1,588,904,161	1,626,825,051	1,636,174,533
Subtotal	2,998,297,674	2,860,028,997	2,631,949,304	2,742,137,426	2,541,286,173
General Obligation Bond Program					
State Operations	688,245,655	649,532,375	932,693,348	898,483,799	818,835,725
Subtotal	688,245,655	649,532,375	932,693,348	898,483,799	818,835,725
Summary Totals					
State Operations	17,715,335,688	16,475,873,088	15,935,154,170	15,468,135,019	14,540,510,976
Aids to Individuals and Organizations	10,508,976,131	9,216,273,852	8,958,736,029	8,744,506,963	8,575,697,130
Local Assistance	10,272,071,243	9,957,540,470	9,640,944,100	9,571,439,325	9,144,201,642
GRAND TOTAL	$ 38,496,383,062	$ 36,299,219,785	$ 34,534,834,299	$ 33,784,081,307	$ 32,260,409,747

(a) The amounts shown are based on statutorily required accounting and not on GAAP. The amounts are unaudited.

Source: Wisconsin Department of Administration

ACCOUNTING AND FINANCIAL REPORTING

Statutory Basis

The State accounts for, reports, and budgets its operations as set forth in the Wisconsin Statutes. The Annual Fiscal Report (which is unaudited) must be published each year on or before October 15th. Except as noted in the following paragraph, under statutory accounting, receipts are recorded only at the time money or checks are deposited in the State Treasury, and disbursements are recorded only at the time a check is drawn. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore the amounts reported in a fiscal year.

For budgeting and Wisconsin Constitutional compliance purposes, the State's records are maintained in conformity with statutory requirements. The more important legal provisions are:

- In all cases the date of the contract or order determines the fiscal year in which it is charged unless it is determined that the purpose of the contract or order is to prevent lapsing of appropriations or to otherwise circumvent budgeting intent.
- The current year records must remain open until July 31 to permit departments to certify for payment bills applicable to the year ended June 30 and to deposit revenues applicable to such year, with the following exceptions: (1) amounts withheld for income taxes prior to July 1, and (2) taxes imposed on sales prior to July 1 are deemed to be accrued tax receipts as of the close of the fiscal year, provided such revenue is deposited on or before August 15.
- On July 31 all outstanding encumbrances entered for the previous year must be transferred to the new fiscal year and an equivalent prior year appropriation balance must also be forwarded to the new fiscal year.
- Revenues and expenditures are reported on a net basis. Overcollections refunded are deducted from revenues and current year overpayments made are deducted from expenditures.
- General Fund investments are carried at the lower of cost or par with discounts, premiums, and earnings recorded on an accrual basis.
- Encumbrances are treated as expenditures in the year of initiation.

Generally Accepted Accounting Principles

The State also accounts for and reports on its operations using generally accepted accounting principles (**GAAP**). For the fiscal year ended June 30, 2009 the State has prepared a Comprehensive Annual Financial Report (**CAFR**) in accordance with GAAP. The General Purpose External Financial Statements section of the CAFR for the fiscal year ended June 30, 2009 has been audited and is included as APPENDIX A to this Part II of the 2009 Annual Report.

Financial statements prepared in accordance with GAAP differ from those prepared in accordance with the Wisconsin Statutes. A notable difference pertains to the General Fund balance. The undesignated, unreserved balance for the fiscal year ended June 30, 2009 was $90 million on a budgetary basis. Under GAAP, the total fund balance of the General Fund for the fiscal year ended June 30, 2009 was a deficit of $2.712 billion. The difference results primarily because GAAP recognizes accrued liabilities that are not taken into account under the statutory basis. The single largest accrued liability for the fiscal year ended June 30, 2009 was $874.2 million and related to the State's individual income tax accruals.

BUDGETING PROCESS AND FISCAL CONTROLS

Appropriations are made through the enactment of the State budget. Most of the budget process derives from statutory laws or custom and practice, and thus the process is subject to change.

The State budget is the legislative document that sets the level of authorized state expenditures for the two fiscal years in a biennium and the corresponding level of revenues (primarily taxes) projected to be available to finance those expenditures. A biennium begins on July 1 of each odd-numbered year and ends on June 30 of the subsequent odd-numbered year. The requirement for a state budget is linked directly to the Wisconsin Constitution, which provides that "No money shall be paid out of the treasury except in pursuance of an appropriation by law." The Wisconsin Constitution requires a balanced budget. It also requires that, if final budgetary expenses of any fiscal year exceed available revenues, then the Legislature must take actions to pay the deficiency in the succeeding fiscal year.

Budget Requests from Agencies

The formal budget process begins when the State Budget Office in the State of Wisconsin Department of Administration **(DOA** or **Department of Administration)** issues instructions to State agencies for submission of their budget requests for the next biennium. Larger agencies actually begin their internal processes for development of their budget requests several months prior to the issuance of these instructions.

Pursuant to the Wisconsin Statutes, agency budget requests are to be submitted no later than September 15 of each even-numbered year. Agencies are also required to submit copies of their budget requests to the Legislative Fiscal Bureau **(LFB)** at the same time that copies are delivered to the State Budget Office.

Executive Budget

Pursuant to the Wisconsin Statutes, the Secretary of Administration is required, to provide to the Governor or Governor-Elect and to each member of the next Legislature, by November 20 of each even-numbered year, a compilation of the total amount of each agency's biennial budget request. The Wisconsin Statutes also require that DOR compile and provide, by November 20 of each even-numbered year, information on the actual and estimated revenues for the current and forthcoming biennium. These revenue estimates are used by the Governor as the basis on which total General Fund biennial budget spending levels are recommended. The State Budget Director (who is an appointee of the Secretary of Administration) is involved in the review of agency requests and the development of the Governor's budget recommendations for appropriations. In addition to proposing a biennial budget, the Governor's budget recommendations also include any statutory language changes needed to accomplish the policy initiatives and program or appropriation changes that are part of the Governor's recommendations. A draft bill is prepared by the Legislative Reference Bureau incorporating the Governor's fiscal and statutory recommendations.

The Governor is required to deliver the biennial budget message and executive budget bill or bills to the Legislature on or before the last Tuesday in January of the odd-numbered year. However, upon request of the Governor, a later submission date may be allowed by the Legislature upon passage of a joint resolution. It is common for the Governor to request a later submission date; a late submission date was requested, and allowed, for each of the last ten executive budget bills.

The Wisconsin Statues provide that immediately after delivery of the Governor's budget message, the executive budget bill or bills must be introduced by the Joint Committee on Finance, without change, into one of the two houses of the Legislature. Upon introduction, the bill or bills must be referred to that committee for review. Because of both the complexity of the budget and its significance, committee review of the budget bill is the most extensive and involved review given to any bill in a legislative session.

Legislative Consideration

LFB usually provides initial overview briefings on the budget for the Joint Committee on Finance. The committee holds public hearings on the proposed budget, including both hearings at which agencies present informational briefings and hearings to allow public comment. Other legislative committees may

hold meetings, at the discretion of the committee chairperson, to inform committee members of particular aspects of the budget that may affect the substantive interests of the committee.

Upon conclusion of the public hearings, the Joint Committee on Finance commences executive sessions of the Governor's recommended budget. The committee invariably adopts a budget that contains numerous changes to the Governor's recommendations. The form of the committee's budget is usually a substitute amendment to the Governor's budget bill rather than being a separately identified new bill.

The two houses of the Legislature rarely pass identical versions of the budget in their first consideration. There are alternative methods available for achieving resolution of the differences between the two houses on bills. A common method is for one house to seek a committee of conference on the bill wherein a specified number of members from each house are delegated to meet as a bargaining committee with the goal of producing a report reconciling the differences. Another method that has been used from time to time has been to successively pass, between the houses, narrowing amendments dealing only with the points of difference between the respective budgets as initially recommended by the two houses.

While the Wisconsin Statutes require that summary information be compiled by DOR on the actual and estimated revenues for the current and forthcoming biennium and that this summary information be available on November 20th of each even-numbered year, LFB may use its discretion to provide updated revenue estimates at any time for the current and forthcoming biennium.

Governor's Partial Veto Power

The Wisconsin Constitution grants the Governor the power of partial veto for any appropriation bill. This means that rather than having to approve or reject the budget bill in its entirety, the Governor may selectively delete portions of the budget bill. Thus, both language and dollar amounts in a budget bill may be eliminated by the Governor's veto, and dollar amounts may be reduced. The power of the partial veto was reduced by an amendment to the Wisconsin Constitution approved by Wisconsin voters on April 1, 2008. This amendment prohibits the Governor from using the partial veto to create a new sentence by combining parts of two or more sentences.

The budget bill (less any items deleted or reduced by the Governor's partial veto) then becomes the State's fiscal policy document for the next two years. Just as it may do with a Governor's veto of a bill in its entirety, the Legislature may, with a two-thirds vote by each house, override a partial veto and enact the vetoed portion into law. This action may be taken before or after the budget becomes effective.

Continuing Authority

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. Under Wisconsin law an existing appropriation continues in effect until it is amended or repealed. Thus, in the event that a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time as a new one is enacted. Once a newly enacted budget becomes effective, the continuing authority is superseded by the newly enacted appropriations.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. The 2009-11 biennial budget was enacted on June 29, 2009, which was prior to the start of the 2009-10 fiscal year. Prior to that, the last ten biennial budgets of the State were enacted after the start of the biennium, with the 2007-09 biennial budget being enacted on October 26, 2007, which was nearly four months after the start of the 2007-08 fiscal year.

Fiscal Controls

No money shall be paid out of the State Treasury except as appropriated by law. The Wisconsin Statutes require that the Secretary of Administration and the State Treasurer must approve all payments. The Secretary of Administration is also responsible for audit of expenditures prior to disbursement. The Legislative Audit Bureau has postaudit responsibility.

The Department of Administration maintains separate accounts for all appropriations, showing the amounts appropriated, the amounts allotted, the amounts encumbered, the amounts expended, and certain other data necessary for the financial management and control of all State accounts. The Department of Administration also maintains the general ledgers of the General Fund and all other funds of the State.

State law prohibits the enactment of legislation that would cause the estimated General Fund balance to be less than a specified amount or percentage of the general purpose revenue appropriations for that fiscal year. The specified amount for the 2009-10 and 2010-11 fiscal years is $65 million. State law currently requires that the amount remain $65 million each year through the 2012-13 fiscal year, and beginning with the 2013-14 fiscal year, the statutory required reserve should be 2.0% of the general purpose revenue appropriations for that fiscal year.

The budget could move out of balance if estimated revenues are less than anticipated in the budget or if expenditures for open-ended appropriations are greater than anticipated. The Wisconsin Statutes provide that, following the enactment of the budget, if the Secretary of Administration determines that budgeted expenditures will exceed revenues by more than one-half of one percent of general purpose revenues (consisting of general taxes, miscellaneous receipts, and revenues collected by state agencies which lose their identity and are available for appropriation by the Legislature), then no approval of expenditure estimates can occur. Further, the Secretary of Administration must notify the Governor and the Legislature, and the Governor must submit a bill correcting the imbalance. If the Legislature is not in session, then the Governor must call a special session to take up the matter.

The Secretary of Administration also has statutory power to order reductions in the appropriations of state agencies (which represent less than one-fourth of the General Fund budget). The Secretary of Administration may also temporarily reallocate free balances of certain funds to other funds that have insufficient balances and, further, may prorate or defer certain payments in the event current or projected balances are insufficient to meet current obligations. See "GENERAL FUND INFORMATION, General Fund Cash Flow." The Department of Administration may also request, upon making certain determinations and receiving approval of the Legislature's Joint Committee on Finance, the issuance of operating notes by the State of Wisconsin Building Commission (**Commission**).

Budget Stabilization Fund

Statutory provisions require, for each fiscal year, the transfer of 50% of general purpose revenues received over the original budget estimate to the State's Budget Stabilization Fund, provided that the statutory required balance for that fiscal year is maintained. The transfers to the Budget Stabilization Fund, which only occur when general purpose revenues exceed the original budget estimates, are required to continue until the balance in the Budget Stabilization Fund is at least equal to 5% of the estimated expenditures from the General Fund.

Pursuant to this requirement, a transfer of nearly $56 million was made at the end of the 2006-07 fiscal year from the General Fund to the Budget Stabilization Fund (which is a "rainy day fund"). In May, 2008, the entire $57 million balance of the Budget Stabilization Fund was transferred to the General Fund as part of a budget adjustment bill for the 2007-09 biennium (2007 Wisconsin Act 226).

RESULTS OF 2008-09 FISCAL YEAR

Annual Fiscal Report

The Annual Fiscal Report (Budgetary Basis) for the fiscal year ending June 30, 2009 was published October 15, 2009. It reports that the State's actual General Fund tax collections for the 2008-09 fiscal year, on a budgetary basis, were $12.113 billion compared to $13.043 billion for the 2007-08 fiscal year. This is a decrease of $930 million, or 7.1%. The Annual Fiscal Report also reports that the State ended the 2008-09 fiscal year on a statutory and unaudited basis with an undesignated balance of $90 million.

The State issued $800 million of operating notes during the 2008-09 fiscal year. These operating notes matured June 15, 2009.

The Annual Fiscal Report for the fiscal year ended June 30, 2009 is not part of this 2009 Annual Report. A complete copy of the Annual Fiscal Report may be obtained at the following address:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
DOACapitalFinanceOffice@wisconsin.gov
www.doa.wi.gov/capitalfinance

Tables II-4 and II-7 in the section "STATE BUDGET" provide a summary of the results for the 2008-09 fiscal year.

General Fund Tax Collections

The actual General Fund tax collections for the 2008-09 were less than those included in the original budget estimates, but were only $4 million less than LFB projections from May 2009. The following table provides a summary of the actual General Fund tax collections for the 2008-09 fiscal year, along with a summary of prior revisions to General Fund tax revenue estimates that occurred after enactment of the 2007-09 biennial budget (the following table does not include LFB projections from February 2008).

Table II-3
Actual General Fund Tax Revenues Compared to Previous Projections
2008-09 Fiscal Year
(in Millions)

	2008-09 Actual	LFB Projections May 2009	LFB Projections January 2009	DOR Projections November 2008	2007-09 Biennial Budget
Individual Income	$ 6,222.7	$ 6,185.0	$ 6,585.0	$ 6,705.4	$ 7,105.5
Sales and Use	4,084.0	4,130.0	4,025.0	4,097.4	4,479.4
Corp. Income & Franchise	629.5	615.0	650.0	720.0	860.3
Public Utility	320.1	320.7	327.0	309.1	214.4
Excise					
Cigarettes	551.4	558.8	565.0	565.4	531.0
Liquor & Wine	44.1	44.0	44.0	43.5	43.0
Tobacco Products	42.2	41.0	41.5	39.9	41.2
Beer	9.9	10.0	10.0	9.8	9.4
Insurance Company	136.3	140.0	170.0	184.7	144.0
Estate	20.9	21.0	22.0	25.4	25.0
Miscellaneous Taxes	52.1	52.0	55.7	61.7	73.0
TOTAL	$12,113.2	$12,117.5	$12,495.2	$12,762.3	$13,626.2

STATE BUDGET

Budget for 2009-11 Biennium

On June 26, 2009 the Wisconsin legislature adopted a budget bill for the 2009-11 biennium. Governor Doyle signed this bill into law, with some partial vetoes, on June 29, 2009 (2009 Wisconsin Act 28). The following tables includes the actual General Fund condition statement for the 2008-09 fiscal year and the projected General Fund condition statements for the 2009-10 and 2010-11 fiscal years. The following reflects all enacted legislation through and including 2009 Wisconsin Act 28.

Table II-4
General Fund Condition Statement
2008-09, 2009-10, and 2010-11 Fiscal Years
(in Millions)

	Actual 2008-09 Fiscal Year	Budget 2009-10 Fiscal Year	Budget 2010-11 Fiscal Year
Revenues			
Opening Balance	$ 130.7	$ 70.4	$ 368.9
Prior Year Designation of Cont. Balance	27.4	n/a	n/a
Taxes	12,113.1	12,346.2	12,882.3
Department Revenues			
Tribal Gaming	93.9	19.5	22.6
Other	479.3	811.8	790.4
Total Available	12,884.5	13,247.9	14,064.2
Appropriations			
Gross Appropriations	14,069.4	13,423.6	14,104.8
Compensation Reserves	121.3	47.3	96.0
Less: Lapses	(1,435.8)	(591.8)	(411.8)
Net Appropriations	12,754.9	12,879.0	13,789.0
Balances			
Gross Balance	89.6	368.9	275.1
Less: Required Statutory Balance	n/a	(65.0)	(65.0)
Net Balance, June 30	$ 89.6	$ 303.9	$ 210.1

Note: The Opening Balance for the 2009-10 fiscal year reflects the projected 2008-09 ending balance at the time the 2009-11 biennial budget was enacted.

Table II-7 contains detailed information on actual 2008-09 fiscal year General Fund results and on the General Fund budget for the 2009-10 and 2010-11 fiscal years. Additional information on the budget for the 2009-10 and 2010-11 fiscal years may also be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
DOACapitalFinanceOffice@wisconsin.gov

Federal Economic Stimulus Money

The General Fund budget for the 2009-11 biennium currently reflects approximately $1.002 billion and $366 million of federal economic stimulus money that the State has received or expects to receive in the 2009-10 and 2010-11 fiscal years, respectively, as summarized in the following table. This table also includes a summary of federal economic stimulus money the State received in the 2008-09 fiscal year. The federal economic stimulus money included below is only a portion of the federal money the State expects to receive; other amounts are received and expended through other funds of the State, see "STATE BUDGET; Budget Format".

Table II-5
General Fund Use of Certain Federal Economic Stimulus Money
2008-09 Fiscal Year and 2009-11 Biennium[a]
(in Millions)

	2008-09 Fiscal Year	2009-10 Fiscal Year	2010-11 Fiscal Year
Medical Assistance/Senior Care	$ 346.9	$ 605.9	$ 317.0
General School Aids/Education	552.3	236.8	
Shared Revenue		76.1	
Various Other Purposes	3.2	83.2	49.0
Totals	$ 902.4	$ 1,002.0	$ 366.0

[a] The amounts reflect provisions of all legislation through and including 2009 Wisconsin Act 28. The amounts further reflect actions of the Legislature's Joint Committee on Finance subsequent to enactment of 2009 Wisconsin Act 28. The amounts reflect only a portion of the total federal economic stimulus money received, or to be received, by the State.

General Fund Tax Revenue Estimates

On May 11, 2009, LFB released a memorandum that included revised General Fund tax revenue estimates for the 2009-11 biennium, namely, $11.719 billion for the 2009-10 fiscal year and $12.251 billion for the 2010-11 fiscal year. These projections are lower by $573 million and $622 million, respectively, than the General Fund tax revenue projections provided by LFB on January 29, 2009. On May 14, 2009, LFB released a memorandum that included two modifications to the May 11, 2009 estimates, which further reduced the General Fund tax revenue estimates for the 2009-11 biennium by $51 million. Provisions of the 2009-11 biennial budget had an impact on the projected General Fund tax revenues for the 2009-11 biennium.

The following is a summary of the General Fund tax revenue estimates for the 2009-11 biennial budget, reflecting the estimates provided by LFB in May 2009 and the provisions from the 2009-11 biennial budget.

Table II-6
Projected General Fund Tax Revenues
2009-11 Biennium
(in Millions)

	2009-10 Fiscal Year	Projected % Change	2010-11 Fiscal Year	Projected % Change
Individual Income	$ 6,231.0	0.1%	$ 6,432.4	3.2%
Sales and Use	4,089.2	0.1	4,320.7	5.7
Corp. Income & Franchise	717.2	13.9	808.3	12.7
Public Utility	318.2	(0.6)	327.4	2.9
Excise				
Cigarettes	687.6	24.7	684.7	(0.4)
Liquor & Wine	45.8	3.9	47.6	3.9
Tobacco Products	52.3	23.9	55.2	5.5
Beer	10.0	1.0	10.0	0.0
Insurance Company	148.0	8.6	148.0	0.0
Miscellaneous Taxes	47.0	(9.8)	48.0	2.1
TOTAL	$12,346.2	1.9%	$12,882.3	4.3%

Note: The projected percentage change for the 2009-10 fiscal year reflects the percentage change from actual General Fund tax revenues for the 2008-09 fiscal year.

Table II-7
STATE BUDGET–GENERAL FUND

	Actual 2008-09[a]	Budget 2009-10 (2009 Wisconsin Act 28)	Budget 2010-11 (2009 Wisconsin Act 28)
RECEIPTS			
Fund Balance from Prior Year	$ 130,696,000	$ 70,420,400 [b]	$ 368,881,200
Tax Revenue			
State Taxes Deposited to General Fund			
Individual Income	6,222,735,000	6,230,973,000	6,432,371,000
General Sales and Use	4,083,959,000	4,089,220,000	4,320,730,000
Corporate Franchise and Income	629,523,000	717,150,000	808,300,000
Public Utility	320,110,000	318,200,000	327,400,000
Excise			
Cigarette/Tobacco Products	593,575,000	739,880,000 [c]	739,900,000 [c]
Liquor and Wine	44,133,000	45,800,000	47,600,000
Malt Beverage	9,913,000	10,000,000	10,000,000
Inheritance, Estate & Gift	20,853,000 [d]	- [d]	- [d]
Insurance Company	136,291,000	148,000,000	148,000,000
Other	78,329,000	47,000,000	48,000,000
Subtotal	12,139,421,000	12,346,223,000	12,882,301,000
Nontax Revenue			
Departmental Revenue			
Tribal Gaming Revenues[e]	n/a	19,476,600	22,580,300
Other	412,465,000	811,810,300	790,411,400
Program Revenue-Federal	8,411,740,000	8,451,323,200	7,950,453,600
Program Revenue-Other	4,114,620,000	4,250,781,200	4,310,399,600
Subtotal	12,938,825,000	13,533,391,300	13,073,844,900
Total Available	$ 25,208,942,000	$ 25,950,034,700	$ 26,325,027,100
DISBURSEMENTS AND RESERVES			
Commerce	$ 263,080,000	$ 307,224,700	$ 292,866,000
Education	11,130,263,000	11,428,901,400	11,558,214,700
Environmental Resources	327,566,000	330,460,100	341,297,800
Human Relations and Resources	10,361,591,000	10,195,574,700	10,418,320,400
General Executive	844,724,000	1,306,939,400	1,118,318,600
Judicial	130,541,000	136,201,700	136,586,600
Legislative	65,289,000	73,817,900	73,917,600
General Appropriations	2,156,962,000	2,346,576,300	2,426,149,100
Subtotal	25,280,016,000	26,125,696,200	26,365,670,800
Less: (Lapses)	n/a	(591,821,800)	(411,750,200)
Compensation Reserves	n/a	47,279,100	95,962,700
Required Statutory Balance	n/a	65,000,000	65,000,000
Biennial Appropriation Adjustment	n/a	n/a	n/a
Sum Sufficient Reesitmates	n/a	n/a	n/a
Changes in Continuing Balance	(171,237,000)	n/a	n/a
Total Disbursements & Reserves	$ 25,108,779,000	$ 25,646,153,500	$ 26,114,883,300
Fund Balance	$ 100,163,000	$ 303,881,200	$ 210,143,800
Undesignated Balance	$ 89,564,000	$ 368,881,200	$ 275,143,800

(a) The amounts shown are unaudited, rounded to the nearest thousand dollars and are based on statutorily required accounting and not on GAAP.

(b) Reflects projected fund balance for the 2008-09 fiscal year at time the 2009-11 biennial budget was enacted.

(c) Reflects an increase in the cigarette tax of $0.75 per pack and increases in the moist snuff and tobacco products taxes.

(d) State estate taxes are based on the federal credit under federal law. For deaths occurring on or after January 1, 2008, the State estate tax has been eliminated.

(e) Tribal gaming revenues are budgeted separately; however, when the payments are received by the State, they are not specifically reported but rather included within the category entitled "Nontax Revenue - Departmental Revenue".

Sources: Legislative Fiscal Bureau and Department of Administration

Tobacco Settlement Revenues

In 2002 the State sold to the Badger Tobacco Asset Securitization Corporation **(BTASC)**, pursuant to authority granted under Section 16.63 of the Wisconsin Statutes, the right to receive tobacco settlement revenues to be made by the participating cigarette manufacturers under the **Master Settlement Agreement**, which was entered into among the participating cigarette manufacturers and the attorneys general of 46 states and six other U.S. jurisdictions on November 23, 1998 in connection with the settlement of certain smoking-related litigation.

In May 2002, BTASC issued $1.591 billion principal amount of bonds to finance the purchase and to fund necessary reserves, operating costs, and costs of issuance. The proceeds that the State received for selling its right to receive the tobacco settlement revenues have been expended. The bonds issued by BTASC were payable from the tobacco settlement revenues that the State had sold and assigned to BTASC.

On April 8, 2009, the State, acting by and through its Department of Administration, issued $1.529 billion principal amount of general fund annual appropriation bonds to purchase from BTASC the State's right to those such tobacco settlement revenues pursuant to the Master Settlement Agreement. As a result of the State's purchase, all obligations previously issued by BTASC have been defeased. Furthermore, the State's 2009-11 biennial budget includes appropriations for payment of debt service on the general fund annual appropriation bonds issued for this purpose.

BTASC is a special purpose nonstock, nonprofit corporation, organized under the general nonstock corporation law of the State by the Secretary of Administration. A three-member board of directors governs BTASC. The Secretary of Administration appoints all directors. Financial reports and further information may be obtained from BTASC, 101 East Wilson Street, 10th Floor, P.O. Box 7864, Madison, WI 53707-7864. The e-mail address is btasc@btasc.org and the web site address is www.btasc.org. BTASC's web site is not incorporated by reference into this Part II of the 2009 Annual Report.

Potential Effect of Litigation

APPENDIX A to this Part II of the 2009 Annual Report includes the General Purpose External Financial Statements for the fiscal year ended June 30, 2009. The notes to the General Purpose External Financial Statements include a description of various legal proceedings, claims, and tax refunds that may have a potential budgetary effect. The potential budgetary impact of these legal proceedings and claims, and any updates to those proceedings subsequent to June 30, 2009, are outlined below. The following also includes a description of various other legal proceedings, claims, and tax refunds that were not included in the notes to the General Purpose External Financial Statements but may have a potential budgetary effect.

Litigation Regarding Transfer from Injured Patients and Families Compensation Fund

The 2007-09 biennial budget (2007 Wisconsin Act 20) provided for a $200 million transfer from the Injured Patients and Families Compensation Fund to the State's Medical Assistance Trust Fund. This transfer has been completed in the amounts of $72 million and $128 million, respectively, during the 2007-08 and 2008-09 fiscal years. On October 29, 2007, the Wisconsin Medical Society, Inc. filed a suit in Dane County Circuit Court challenging this transfer as unconstitutional. On December 19, 2008, the Dane County Circuit Court granted the State's motion for summary judgment, thus dismissing this case. On March 17, 2009, the Wisconsin Medical Society, Inc. filed an appeal of the dismissal with a Wisconsin court of appeals. On December 10, 2009, the court of appeals sent the case to and asked the Wisconsin Supreme Count to directly decide the appeal. The 2009-11 biennial budget does not provide for appropriations or other means in the event the State should not prevail on this matter.

Taxability of Customized Computer Software

On July 11, 2008, the Wisconsin Supreme Court affirmed a Wisconsin court of appeals' decision that sales of certain customized software are not subject to the State's sales tax (in the case of Wisconsin

Department of Revenue v. Menasha Corporation). The projections of GPR tax revenues provided by LFB in May 2009 reflect the estimated timing and estimate of refunds yet-to-be made in the 2009-11 biennium as a result of this decision. Furthermore, the projections of GPR tax revenues provided by LFB in May 2009 reflect this decision.

Other

The State, its officers, and its employees are defendants in numerous other lawsuits. It is the opinion of the Attorney General that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially impair its financial position. Potential liability for such pending litigation does not constitute a significant impairment of the State's financial position or payment of debt service.

Employment Relations

Of the State's approximately 39,455 full-time equivalency classified civil service employees, approximately 35,233 are employees whose wage rates, fringe benefits, hours of work, and conditions of employment are determined by collective bargaining agreements. An additional 2,204 unclassified employees are also covered by collective bargaining agreements. All the classified employees are either assigned to a collective bargaining unit (as are the represented unclassified employees) or are exempted from bargaining unit coverage due to their "confidential" or "management" designation. Covered employees are assigned to one of 22 bargaining units set up by occupational groupings based on their civil service classification. An exclusive bargaining agent represents 19 of the bargaining units (two of these 19 bargaining units represent unclassified employees). Eighteen of the 19 represented bargaining units are working under extensions of their 2007-2009 collective bargaining agreements, which expired June 30, 2009, and have begun negotiations on 2009-11 agreements. The remaining bargaining unit is working under an extension of its 2005-2007 collective bargaining agreement, which expired June 30, 2007, and is continuing negotiations on its 2007-09 agreement.

The employment of nonrepresented civil service employees is covered by civil service statutes, the administrative code, and the nonrepresented compensation plan.

Each collective bargaining agreement contains a no-strike and no-lockout provision, and state law specifies that it is illegal for a state employee "to engage in, induce, or encourage any employee to engage in a strike or a concerted refusal to work or perform their usual duties as employees." Also, the State and its agencies have established contingency plans to staff and operate the various state agencies, programs, and institutions should an incident occur that could disrupt the delivery of critical state services and necessary agency functions. These plans covering various situations, including strikes and work stoppages, are updated annually.

The budget provides for salary and fringe benefits in an amount that is expected to be sufficient to meet all contractual obligations. The Wisconsin Statutes require the agreements between the State and the individual bargaining units to be two-year contracts that coincide with the State's biennium. Each collective bargaining agreement requires ratification by the members of the respective labor union, approval by the Joint Committee on Employment Relations, passage by both houses of the Legislature, and signature of the Governor.

State Budget Assumptions

Tax revenues for the 2009-11 biennial budget (2009 Wisconsin Act 28) were based on May 11, 2009 estimates from LFB (as modified on May 14, 2009). See "STATE BUDGET". The estimates are based on the State tax structure and on assumptions about basic economic factors and their historical relationships to State tax receipts. Revenue sources other than taxes are estimated in the preparation of the budget. The all-funds budget establishes estimates of these nontax revenues and presumes that an equal amount of expenditures will be made. Any variation from that expected level of revenue will result in a corresponding increase or decrease in expenditures.

State disbursements for the budget are based on assumptions relating to economic and demographic factors, desired levels of services, and the success of expenditure control mechanisms applied by the Secretary of Administration pursuant to statutory authority in controlling disbursements for State operations. Factors that may affect the level of disbursements in the budgets and make the projected levels difficult to maintain include uncertainties relating to the economy of the nation and the State.

Economic Assumptions

The economic forecast underlying the updated projections of General Fund tax revenues provided by LFB on May 11, 2009 (as modified on May 14, 2009) reflected certain projections presented in the May, 2009 national economic forecast by Global Insight, Inc. **(Global Insight)**, which provides national economic forecasts, data base support, and consulting services. Table II-8 contains excerpts from Global Insight's May, 2009 national economic forecast and a summary of information from DOR's Wisconsin Econometric Model **(Model)**.

Wisconsin Econometric Model

The Model is a forecasting tool used for assessing the future of the State's economy, measured primarily by income and employment. The Model provides DOR with information about how the State's economy responds to changes in the national economic conditions and plays a critical role in the revenue estimating process. The Model was first designed in 1976 by a predecessor of Global Insight (Data Resources Inc.). DOR has periodically redesigned the Model to improve its performance and also to correspond to changes in national modeling concepts in the Global Insight macro model of the U.S. economy and to incorporate new data definitions as embodied in the national and regional income accounts.

The Model provides forecasts of the major components of Wisconsin income and employment. Income measures correspond to the measures of State personal income provided by the U.S. Department of Commerce, Bureau of Economic Analysis. Employment measures correspond to the North American Industry Classification System **(NAICS)** as provided by the U.S. Department of Labor, Bureau of Labor Statistics through their current employment statistics program. The Model is a structural model that employs accounting identities and theoretical constructs for predictions on each economic variable. It is driven by a set of variables that are exogenous, or determined outside the Model. These variables include forecasts of both national and State data. The forecast data are used in the Model to generate forecasts of State employment, income, tax revenue, and other economic indicators.

The Model is similar to many economic models in that the economy is described by a set of mathematical equations. There are equations for employment, wages, proprietary income, transfer payments, industrial production, housing permits, and taxes among others. The Model currently consists of 125 equations, 65 of which are econometric regressions.

The equations of the Model are a mixture of definitional equations and stochastic equations. Definitional equations are used to formulate accounting relationships (for example, total employment is the sum of employment for each industry). Stochastic equations are used to specify probability or statistical relationships in which the relation between any two economic measures cannot be defined exactly. Stochastic equations within the Model are determined using regression techniques. Both types of equations rely on an extensive historical database that contains both national and State measures.

Forecasts of economic variables at the national level are required to solve the Model's equations. National forecast data include measures of industry output, factor costs, tax levels and rates, interest rates, inflation, etc. Currently, the Model uses forecasts provided by Global Insight for these national variables.

Other exogenous data come from both federal and State agencies. These data are principally measures of State personal income, employment, population, wages, milk prices, and State tax rates and collections. After the data are compiled into the Model, the system of equations can be simultaneously solved for income, employment, and other economic variables.

DOR maintains the Model through a process of keeping the Model's database up to date and re-examining the Model's equations when historical data are revised significantly. The Model is calibrated to be temporally consistent with current data estimates either by adjusting the equations to accurately reflect current levels or by re-estimating the system of equations.

Updating and revising the Model is necessary to keep the Model's forecasts as reliable as possible. It is believed that if the Model can account for previous changes in income and employment, then it should be able to accurately forecast current levels of income and employment barring any large, unforeseen changes in the structure of the economy.

Table II-8
ECONOMIC FORECASTS

U.S. Economic Forecast

	Calendar Year				
	2008	**2009**	**2010**	**2011**	**2012**
Real GDP and its Components (Amounts in Billions of 2000 Dollars)					
GDP	$11,652.0	$11,249.9	$11,458.7	$11,846.8	$12,292.8
Percent Change	1.1	(3.1)	1.5	3.4	3.8
Consumer Spending	8,272.1	8,237.8	8,384.2	8,562.8	8,766.5
Investment (including inventory)	1,689.1	1,276.3	1,390.9	1,668.5	1,921.7
Real Nonresidential Construction	338.8	266.3	231.7	244.0	279.5
Equipment	1047.0	853.7	911.8	1,067.5	1,212.1
Fixed Residential	359.9	274.3	304.9	392.0	456.6
Change in Inventories	(29.1)	(80.0)	0.2	36.7	52.2
Exports	1,514.1	1,303.1	1,304.1	1,425.3	1,579.5
Goods & Services Imports	1,904.3	1,638.4	1,739.7	1,865.2	1,991.2
Federal Government Purchases	798.2	830.2	838.7	807.7	793.5
State & Local Govt. Purchases	1,273.0	1,252.5	1,248.7	1,242.2	1,245.0
GDP (Current Dollars)	14,264.6	14,017.6	14,339.4	15,017.5	15,797.8
Employment, Unemployment, Wages, and Prices					
Nonfarm Employment (Millions)	137.0	132.0	131.2	133.2	136.3
Percent Change	(0.4)	(3.7)	(0.6)	1.5	2.4
Unemployment Rate (%)	5.8	9.2	10.1	9.5	8.6
Nonfarm Comp. /Hour (% Change)	3.7	4.2	2.7	2.1	2.4
Consumer Price Index (% Change)	3.8	(1.2)	1.5	2.3	2.4
Industrial Production (% Change)	(2.2)	(10.6)	0.8	4.6	5.2

Table II-8—Continued

Money and Interest Rates					
Money Supply (M2) (billions)	$7,718.6	$8,391.8	$8,871.3	$9,387.5	$9,899.7
Percent Change	6.7	8.7	5.7	5.8	5.5
Prime Rate	5.1	3.3	3.3	4.7	6.3
3-Month Treasury Bills (rate)	1.4	0.2	0.6	2.2	3.4
10-Year Treasury Note Yield (rate)	3.7	3.0	3.1	3.7	4.5
Aaa Municipal Bond (rate)	4.6	4.6	4.7	5.1	5.4
30-Year Fixed Mortgage (rate)	6.0	4.9	4.9	5.6	6.2
Income, Profits and Savings (Amounts in Billions)					
Personal Income	$12,102.7	$12,078.3	$12,294.7	$12,779.2	$13,433.5
Percent Change	3.8	(0.2)	1.8	3.9	5.1
Personal Income ($ 2000)	9,953.4	9,961.6	10,026.3	10,234.2	10,566.3
Percent Change	0.4	0.1	0.6	2.1	3.2
Household Saving Rate	1.8	4.5	3.0	2.2	2.1
Before-Tax Economic Profits	1,476.5	1,222.5	1,329.4	1,521.2	1,613.5

Source: Global Insight, May 2009

Wisconsin Employment Forecast

	Calendar Year				
	2008	**2009**	**2010**	**2011**	**2012**
Annual Industry Detail Average (Thousands of Workers)					
Manufacturing	492.7	438.0	410.9	418.1	436.7
Percent Change	(1.7)	(11.1)	(6.2)	1.7	4.5
Trade, Transportation & Utilities	539.8	522.0	524.9	528.3	537.5
Percent Change	(1.5)	(3.3)	0.6	0.6	1.7
Government	420.4	423.2	423.6	420.4	421.5
Percent Change	1.1	0.7	0.1	(0.8)	0.3
Total Nonfarm	2,870.3	2,760.1	2,752.2	2,800.7	2,864.5
Percent Change	(0.5)	(3.8)	(0.3)	1.8	2.3

Source: Department of Revenue, May 2009

Wisconsin Income Forecast

	Calendar Year				
	2008	**2009**	**2010**	**2011**	**2012**
Components of Personal Income (Amounts in Billions)					
Total Personal Income	$209.999	$208.208	$213.305	$222.099	$233.299
Wages and Salaries	114.038	112.601	115.122	120.016	125.885
Supplements to Wages/Salaries	27.037	24.465	28.630	29.680	30.817
Proprietor's Income	13.028	12.117	12.674	13.360	13.873
Property Income	37.522	34.521	33.629	34.868	37.324
Personal Current Transfer	32.031	34.902	36.834	38.291	40.169
Residence Adjustment	3.909	3.944	4.129	4.408	4.726
Contributions for Govt. Social Ins.	17.632	17.342	17.713	18.525	19.496
Personal Taxes	25.713	23.698	24.044	25.371	27.241
Disposable Personal Income	184.286	184.510	189.260	196.728	206.058

Table II-8—Continued

Related Income Measures (Chained 2000 Dollars)					
Personal Income (billions)	$172.706	$171.815	$173.849	$177.978	$183.774
Percent Change	0.1	(0.5)	1.2	2.4	3.3
Per Capita Income	30,722	30,380	30,558	31,105	31,939
Percent Change	(0.6)	(1.1)	0.6	1.8	2.7
Per Capita Income (current $)	37,356	36,814	37,493	38,815	40,545
Percent Change	2.8	(1.4)	1.8	3.5	4.5
Per Capita Income as % of U.S.	94.3	93.7	94.6	95.2	95.4

Source: Department of Revenue, May 2009

Budget Format

The State prepares two budgets—a general-fund budget and an all-funds budget—as well as subbudgets for each fund.

The general-fund budget includes the money appropriated for the fiscal year from:

- All state-collected general taxes
- Revenues collected by State agencies that are deposited into the General Fund and lose their identity (departmental revenues)
- Various miscellaneous receipts

A portion of these revenues is returned to local governments in the form of shared tax payments and to school districts in the form of general equalization aid payments. Additionally, some of the revenues are used for aids to individuals. The remaining portion constitutes the operating budget for State agencies conducting State-administered programs.

The all-funds budget includes all money appropriated for the fiscal year from:

- All revenues included in the general-fund budget
- Revenues collected by State agencies that are paid into a specific fund (such as the Transportation or Conservation Fund)
- Federal funds that are estimated to be received and either paid into a specific fund (such as the Transportation or Conservation Fund) for a specified program or purpose, or credited to an appropriation to finance a specific program or agency
- Revenues resulting from the contracting of public debt

The all-funds budget assumes that certain categories of revenues are expended in like amounts. These categories include federal funds, revenues paid into specific funds (other than the General Fund) for a specified program or purpose or which are credited to an appropriation to finance a specific program or agency, and proceeds of general obligation debt. In any given fiscal year, there may be a balance at year-end in the funds, specific program, or agency. Because it includes only estimates of federal funds to be received and expended, the all-funds budget may vary during the course of the fiscal year.

Impact of Federal Programs

The State does not typically receive substantial amounts of Federal aid. Any reduction in Federal aid would have a more immediate effect on individuals, local governments, and other service providers than on the State directly. Any reduction would, however, increase the likelihood of the State being asked to increase its support of the affected parties, which could not happen without the Legislature's approval.

Supplemental Appropriations

Even after the budget is adopted, the State may increase appropriations or reduce taxes. However, it has been the State's practice that supplemental appropriations adopted by the Legislature will be within revenue projections for that fiscal period or balanced by reductions in other appropriations.

No legislation directly or indirectly affecting general purpose revenue may be enacted if it would cause the estimated General Fund balance at the end of the fiscal year to be less than the required statutory reserve.

GENERAL FUND INFORMATION

General Fund Cash Flow

Many of the budgetary tables presented thus far in this Part II of the 2009 Annual Report have reported information on a budgetary basis. The following tables present information primarily on a cash basis.

The State has experienced and expects to continue to experience certain periods when the General Fund is in a negative cash position. The Wisconsin Statutes provide certain administrative remedies to deal with these periods. The Secretary of Administration may temporarily reallocate cash in other funds (up to 7% of the general-purpose revenue appropriations then in effect) to the General Fund. This amount is approximately $940 million for the 2009-10 fiscal year. The 2009-11 biennial budget increased the limit of general-purpose revenue appropriations then in effect that can be used for temporary reallocation of cash from 5% to 7%. In addition, the Secretary of Administration may also temporarily reallocate an additional amount of up to 3% of the general-purpose revenue appropriations then in effect (approximately $403 million for the 2009-10 fiscal year) for a period of up to 30 days. In aggregate, the limit on the amount available from temporary reallocations for the 2009-10 fiscal year is $1.343 billion.

The Secretary of Administration may set priorities for payments from the General Fund as well as prorate certain payments. The Wisconsin Statutes provide that all payments shall be in accordance with the following order of preference:

- All direct and indirect payments of principal and interest on State general obligation debt have first priority and may not be prorated or reduced.
- All direct and indirect payments of principal and interest on operating notes have second priority and may not be prorated or reduced.
- All State employee payrolls have third priority and may be prorated or reduced.
- All other payments shall be paid in a priority determined by the Secretary of Administration and may be prorated or reduced. The Secretary of Administration has covenanted to give high priority to payments due under the Master Lease Program and debt service due on the General Fund Annual Appropriation Bonds, pursuant to contracts entered into in connection with the issuance of those obligations.

Table II-9 is presented over two pages and includes the detailed actual cash flow for the 2008-09 fiscal year and the detailed actual cash flow (through November 30, 2009) and projected cash flow (December 1, 2009 through June 30, 2010) for the 2009-10 fiscal year. Table II-10 provides year-to-date receipts and disbursement on a cash basis along with a comparison to estimates for the same period and actual receipts and disbursements for the same period of the previous fiscal year. Table II-11 presents a monthly summary of the General Fund from July 1, 2007 through November 30, 2009 and a projected summary for December 1, 2009 through June 30, 2010.

Operating notes were issued in the 2007-08 fiscal year in the amount of $600 million, in the 2008-09 fiscal year in the amount of $800 million, and to date in the 2009-10 fiscal year in the amount of $800 million. The operating notes for the current fiscal year mature on June 15, 2010.

Tables II-9, II-10, and II-11 should be read in conjunction with other information concerning the State budget set forth elsewhere in this Part II of the 2009 Annual Report, including "BUDGETING PROCESS AND FISCAL CONTROLS", "STATE BUDGET", and "STATE OBLIGATIONS; Operating Notes". As noted above, there has been and will continue to be differences in the amounts shown for the cash-flow basis and the budgetary basis presentations. For example, the cash-flow basis presentation in the following tables includes all tax receipts as revenues and tax refunds as disbursements, while the budgetary basis presentations in Tables II-4 and II-7 include tax revenues that are net of tax refunds.

Monthly projections of cash flow for the 2009-10 fiscal year reflect 2009 Wisconsin Act 2, the 2009-11 biennial budget (2009 Wisconsin Act 28), $1.002 billion of certain federal economic stimulus money the State has received or is expected to receive for its medical assistance program, education, shared revenue, and various other programs, and revised General Fund tax revenue estimates released by LFB on May 11, 2009 (as modified on May 14, 2009).

Unforeseen events or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month and thus may adversely affect the projection of cash flow for the time shown. Additionally, the timing of transactions from month to month may vary from the forecast.

Table II-12 presents the actual cash balances available for temporary reallocation (which has been previously referred to as interfund borrowing) from July 31, 2007 through November 30, 2009 and the projected balances for December 31, 2009 through June 30, 2010.

Tables II-13 and II-14 present recorded revenues deposited into the General Fund and recorded expenditures made from the General Fund, as recorded by State agencies, for the period of July 1, 2009 to November 30, 2009 as compared to the period of July 1, 2008 to November 30, 2008. These tables present information that is based on the revenues and expenditures that are recorded in, or processed through, the State's central accounting system.

FY10 Year-To-Date General Fund Recorded Revenues.

LFB's May 2009 General Fund tax revenue estimates provided an annual change of negative 3.3% in General Fund tax revenue collections between the 2008-09 and 2009-10 fiscal year. However, it cannot be assumed that any annual change also applies to collections year-to-date on either a budgetary or agency recorded basis. For example, the 2009-11 biennial budget (2009 Wisconsin Act 28) includes several General Fund tax increases. However, many of these projected General Fund tax revenue increases (including, but not limited to, changes to capital gains exclusion and an additional top income tax bracket) will not be realized until final tax year 2009 settlements in April, 2010.

Table II-9
ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2008 TO JUNE 30, 2009[a]

(Amounts in Thousands)

	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
BALANCES[a][b]												
Beginning Balance	$ 24,835	$ 172,120	$ 464,375	$ 895,808	$ 1,403,014	$ 1,127,538	$ 410,515	$ 1,092,877	$ 806,618	$ (495,304)	$ 25,401	$ 46,102
Ending Balance [c]	172,120	464,375	895,808	1,403,014	1,127,538	410,515	1,092,877	806,618	(495,304)	25,401	46,102	(147,352)
Lowest Daily Balance [c]	17,165	(74,304)	125,448	395,498	868,079	(238,871)	410,515	779,066	(495,304)	(624,085)	(272,003)	(1,018,864)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 599,419	$ 416,459	$ 852,654	$ 635,921	$ 448,743	$ 530,156	$ 1,006,460	$ 545,149	$ 670,829	$ 998,549	$ 401,364	$ 742,893
Sales & Use	424,497	414,465	400,891	405,299	372,531	327,928	401,249	317,588	294,522	331,356	329,407	366,707
Corporate Income	29,250	34,416	144,769	36,415	25,102	137,104	22,307	23,474	136,888	48,873	23,157	181,269
Public Utility	61	150	1,178	4,977	166,701	115	128	191	4	1,474	160,996	195
Excise	68,383	58,369	61,880	62,978	52,292	50,023	54,133	49,301	49,764	48,873	50,277	55,632
Insurance	712	1,106	37,504	440	1,372	36,557	3,671	18,941	17,457	26,148	643	31,179
Inheritance	12,093	10,971	7,118	3,216	458	453	754	580	650	143	169	464
Subtotal Tax Receipts	$ 1,134,415	$ 935,936	$ 1,505,994	$ 1,149,246	$ 1,067,199	$ 1,082,336	$ 1,488,702	$ 955,224	$ 1,170,114	$ 1,455,416	$ 966,013	$ 1,378,339
NON-TAX RECEIPTS												
Federal[a]	$ 563,248	$ 566,365	$ 480,475	$ 697,621	$ 505,320	$ 695,264	$ 617,061	$ 736,395	$ 626,896	$ 978,945	$ 752,133	$ 1,199,101
Other & Transfers	514,783	206,097	514,202	574,653	260,962	248,921	417,508	497,953	431,782	817,033	290,015	610,664
Note Proceeds[d]	801,840	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 1,879,871	$ 772,462	$ 994,677	$ 1,272,274	$ 766,282	$ 944,185	$ 1,034,569	$ 1,234,348	$ 1,058,678	$ 1,795,978	$ 1,042,148	$ 1,809,765
TOTAL RECEIPTS	$ 3,014,286	$ 1,708,398	$ 2,500,671	$ 2,421,520	$ 1,833,481	$ 2,026,521	$ 2,523,271	$ 2,189,572	$ 2,228,792	$ 3,251,394	$ 2,008,161	$ 3,188,104
DISBURSEMENTS												
Local Aids	$ 1,172,822	$ 130,313	$ 881,727	$ 181,686	$ 1,026,759	$ 1,344,140	$ 232,877	$ 276,002	$ 1,395,788	$ 144,399	$ 237,762	$ 2,092,430
Income Maintenance	636,352	425,402	352,616	720,279	433,319	506,686	437,842	455,947	446,256	1,166,590	635,765	374,712
Payroll and Related	474,451	427,624	275,539	508,109	287,731	447,779	537,623	394,529	280,478	414,839	383,485	401,305
Tax Refunds	76,352	67,223	47,309	69,728	92,804	127,611	176,175	615,597	496,215	485,844	182,151	82,951
Debt Service	104,317	0	158,589	-	0	-	-	0	358,264	-	12,047	-
Miscellaneous	392,867	365,581	353,458	434,512	268,344	317,328	456,392	538,342	348,045	313,316	330,530	430,160
Note Repayment[d]	9,840	-	-	-	-	-	-	195,414	205,668	205,701	205,720	-
TOTAL DISBURSEMENTS	$ 2,867,001	$ 1,416,143	$ 2,069,238	$ 1,914,314	$ 2,108,957	$ 2,743,544	$ 1,840,909	$ 2,475,831	$ 3,530,714	$ 2,730,689	$ 1,987,460	$ 3,381,558

(a) Projections previously included in this table reflected the budget (2007 Wisconsin Act 20), the budget adjustment bill (2007 Wisconsin Act 226), the economic stimulus and budget repair legislation (2009 Wisconsin Act 2), the updated General Fund tax collections provided by LFB on January 29, 2009 (as updated on February 11, 2009), and the State's economic stimulus and budget repair bill for the 2009-09 fiscal year, the 2009-11 biennium (2009 Wisconsin Act 2), the revised General Fund tax revenue estimates included in the May 11, 2009 LFB memorandum, and provisions of 2009 Wisconsin Acts 11 and 23, which collectively authorized the State to use $553 million of federal economic stimulus money received from the U.S. Department of Education. The projections also had reflected approximately $281 million of federal economic stimulus money the State received for its medical assistance program, the assumption that the State will receive approximately $75 million pursuant to the amended gaming compacts with tribal governments, and the additional receipts resulting from lapses and timing of transfers during June 2009. The federal economic stimulus money referenced above is only a portion of such federal money the State received, or expects to receive. This table does not include amounts for temporary reallocation (previously referred to as interfund borrowing).

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds were expected to range from $206 to $350 million during the 2008-09 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds were expected to average approximately $10 million during the 2008-09 fiscal year.

(c) The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund; for the 2008-09 fiscal year the amount available for temporary reallocation was, pursuant to provisions of 2009 Wisconsin Act 11, up to 7% of the general-purpose revenue appropriations then in effect, or approximately $965 million. In addition, the Secretary of Administration may also temporarily reallocate for a period of up to 30 days an additional amount up to 3% of the general-purpose revenue appropriations then in effect, or approximately $414 million for fiscal year 2008-09. If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate and defer certain payments.

(d) Includes $800 million of operating note proceeds issued on July 1, 2008 and impoundment payments made on February 27, 2009, March 31, 2009, April 30, 2009, and May 29, 2009. The February 27, 2009 impoundment payment reflected the premium received on July 1, 2008 and deposited into the Operating Note Redemption Fund.

Table II-9—(Continued)
ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2009 TO NOVEMBER 30, 2009
PROJECTED GENERAL FUND CASH FLOW; DECEMBER 1, 2009 TO JUNE 30, 2010[a]

(Amounts In Thousands)

	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010
BALANCES[a][b]												
Beginning Balance	$ (147,352)	$ (209,782)	$ 260,309	$ 497,287	$ 1,217,274	$ 1,231,002	$ 497,760	$ 1,219,074	$ 929,663	$ (504,132)	$ 232,918	$ 657,433
Ending Balance [c]	(209,782)	260,309	497,287	1,217,274	1,231,002	497,760	1,219,074	929,663	(504,132)	232,918	657,433	33,659
Lowest Daily Balance [c]	(360,039)	(231,168)	207,024	326,671	797,022	(199,287)	464,878	890,178	(504,132)	(684,230)	83,976	(370,238)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 584,331	$ 510,851	$ 643,062	$ 510,233	$ 614,846	$ 551,400	$ 898,500	$ 517,700	$ 507,600	$ 1,133,200	$ 592,800	$ 578,400
Sales & Use	384,080	377,755	373,531	364,188	352,567	321,200	397,100	311,100	288,500	305,600	309,600	334,600
Corporate Income	33,814	25,608	140,812	54,329	65,449	145,400	23,700	24,900	145,100	26,500	17,200	147,100
Public Utility	18	13	77	6,378	170,474	500	700	-	200	2,700	165,900	500
Excise	62,971	58,649	54,576	81,812	67,087	66,000	73,700	59,800	61,900	72,900	67,700	66,800
Insurance	150	1,568	32,229	753	1,685	37,400	2,700	20,300	25,000	29,400	1,400	32,000
Inheritance	236	96	326	164	5,373	-	-	-	-	-	-	-
Subtotal Tax Receipts	$ 1,065,600	$ 974,540	$ 1,244,613	$ 1,017,857	$ 1,277,481	$ 1,121,900	$ 1,396,400	$ 933,800	$ 1,028,300	$ 1,570,300	$ 1,154,600	$ 1,159,400
NON-TAX RECEIPTS												
Federal	$ 808,446	$ 793,084	$ 680,650	$ 576,443	$ 738,467	$ 776,393	$ 691,691	$ 830,620	$ 698,644	$ 912,641	$ 852,753	$ 879,968
Other & Transfers	586,306	173,702	702,693	792,105	338,944	249,100	469,100	538,900	355,100	488,100	280,200	644,277
Note Proceeds[d]	807,585	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 2,202,337	$ 966,786	$ 1,383,343	$ 1,368,548	$ 1,077,411	$ 1,025,493	$ 1,160,791	$ 1,369,520	$ 1,053,744	$ 1,400,741	$ 1,132,953	$ 1,524,245
TOTAL RECEIPTS	$ 3,267,937	$ 1,941,326	$ 2,627,956	$ 2,386,405	$ 2,354,892	$ 2,147,393	$ 2,557,191	$ 2,303,320	$ 2,082,044	$ 2,971,041	$ 2,287,553	$ 2,683,645
DISBURSEMENTS												
Local Aids	$ 1,231,927	$ 161,676	$ 876,945	$ 124,811	$ 1,018,143	$ 1,342,870	$ 259,721	$ 304,721	$ 1,378,521	$ 148,621	$ 184,021	$ 1,995,121
Income Maintenance	877,082	616,363	564,447	622,636	610,394	565,965	525,298	484,579	539,701	539,066	413,969	293,611
Payroll and Related	536,684	280,644	325,623	525,134	290,275	439,015	465,977	411,060	404,954	537,172	314,658	377,719
Tax Refunds	62,484	56,397	72,047	94,976	118,210	205,432	120,117	651,100	526,146	459,071	182,417	189,417
Debt Service	212,413	0	99,930	-	64	258.00	-	7,172	104,977	-	92,260	258.00
Miscellaneous	394,192	356,155	451,986	298,861	304,078	327,095	464,763	544,907	356,761	345,284	470,936	451,293
Note Repayment[d]	15,585	-	-	-	-	-	-	189,193	204,778	204,778	204,777	-
TOTAL DISBURSEMENTS	$ 3,330,367	$ 1,471,235	$ 2,390,978	$ 1,666,418	$ 2,341,164	$ 2,880,635	$ 1,835,876	$ 2,592,732	$ 3,515,838	$ 2,233,992	$ 1,863,038	$ 3,307,419

(a) The projections in this table reflect 2009 Wisconsin Act 2, budget for the 2009-11 biennium (2009 Wisconsin Act 28), actions of the Legislature's Joint Committee on Finance relating to the certain federal economic stimulus money the State is expected to receive in the fiscal year, and revised General Fund tax revenue estimates included in the May 11, 2009 LFB memorandum (as modified on May 14, 2009). With respect to federal economic stimulus money, this table reflects $1.002 billion of such money the State has received or is expected to receive in the fiscal year ($606 million for medical assistance programs and SeniorCare, $237 million for education aids, $76 million for shared revenues, and $83 million for other various purposes). The federal economic stimulus money discussed above is only a portion of such money that the State has received or expects to receive. This table does not include any temporary reallocations of cash.

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds are expected to range from $220 to $400 million during the 2009-10 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $5 million during the 2009-10 fiscal year.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 7% of the total general-purpose revenue appropriations then in effect with an additional 3% for a period of up to 30 days. The amounts available for temporary reallocation are approximately $940 million and $403 million, respectively, for the 2009-10 fiscal year. If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to

(d) Includes proceeds from $800 million of operating notes issued on July 1, 2009 and impoundment payments due by February 26, 2010, March 31, 2010, April 30, 2010, and May 28, 2010. The February 26, 2010 impoundment payment reflects the premium received on July 1, 2009 and deposited into the Operating Note Redemption Fund.

Table II-10

GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[a]
(Cash Basis)
As of November 30, 2009

	FY09 through November 2008	FY10 through November 2009			
	Actual	Actual	Estimate[b]	Variance	Adjusted Variance[c]
RECEIPTS					
Tax Receipts					
Individual Income	$ 2,953,196	$ 2,863,323	$ 3,016,200	$ (152,877)	$ (152,877)
Sales	2,017,683	1,852,121	1,983,600	(131,479)	(131,479)
Corporate Income	269,952	320,012	286,200	33,812	33,812
Public Utility	173,067	176,960	160,200	16,760	16,760
Excise	303,902	325,095	351,100	(26,005)	(26,005)
Insurance	41,134	36,385	33,500	2,885	2,885
Inheritance	33,856	6,195	-	6,195	6,195
Total Tax Receipts	$ 5,792,790	$ 5,580,091	$ 5,830,800	$ (250,709)	$ (250,709)
Non-Tax Receipts					
Federal	$ 2,813,029	$ 3,597,090	$ 3,129,394	$ 467,696	$ 467,696
Other and Transfers	2,070,697	2,593,750	2,316,300	277,450	277,450
Note Proceeds	801,840	807,585	807,585	-	-
Total Non-Tax Receipts	$ 5,685,566	$ 6,998,425	$ 6,253,279	$ 745,146	$ 745,146
TOTAL RECEIPTS	$ 11,478,356	$ 12,578,516	$ 12,084,079	$ 494,437	$ 494,437
DISBURSEMENTS					
Local Aids	$ 3,393,307	$ 3,413,502	$ 3,551,258	$ 137,756	$ 137,756
Income Maintenance	2,567,968	3,293,255	2,942,714	(350,541)	(350,541)
Payroll & Related	1,973,454	1,958,360	2,012,788	54,428	54,428
Tax Refunds	353,416	404,114	290,100	(114,014)	(114,014)
Debt Service	262,906	312,407	342,361	29,954	29,954
Miscellaneous	1,814,762	1,802,939	1,665,716	(137,223)	(137,223)
Note Repayment	9,840	15,585	15,585	-	-
TOTAL DISBURSEMENTS	$ 10,375,653	$ 11,200,162	$ 10,820,522	$ (379,640)	$ (379,640)
2009-10 FISCAL YEAR VARIANCE YEAR-TO-DATE				$ 114,797	$ 114,797

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.

(b) Projections included in this table reflect 2009 Wisconsin Act 2, the budget for the 2009-11 biennium (2009 Wisconsin Act 28), certain federal economic stimulus money in the amount of $1.002 billion that the State has received or expects to receive in the 2009-10 fiscal year ($606 million for medical assistance programs, $237 million for education aids, $76 million for shared revenue, and $83 million for other various purposes), the revised General Fund tax revenue estimates included in the May 11, 2009 LFB memorandum (as modified on May 14, 2009), and $800 million of operating note proceeds received on July 1, 2009 and the resulting impoundment payments due in February, March, April, and May 2010. The federal economic stimulus money discussed above is only a portion of such funds that the State has received or expects to receive.

(c) Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates cannot be changed, which may result in large variances. This column includes adjustments to the variances to more accurately reflect the variance between the estimated and actual amounts.

Source: Wisconsin Department of Administration

Table II-11

GENERAL FUND MONTHLY CASH POSITION
July 1, 2007 through November 30, 2009 — Actual
December 1, 2009 through June 30, 2010 — Estimated[a]
(Amounts in Thousands)

	Starting Date	Starting Balance		Receipts[c]	Disbursements[c]
2007	July	$ 49,149		$ 2,746,602	$ 2,446,001
	August	349,750	[d]	1,772,536	1,483,505
	September	638,781		2,185,645	2,100,805
	October	723,621		2,124,755	1,430,699
	November	1,417,677		1,962,257	2,248,605
	December	1,131,329	[d]	1,769,558	2,454,032
2008	January	446,855		2,699,255	1,782,044
	February	1,364,066		2,155,175	2,401,752
	March	1,117,489	[d]	1,953,094	3,283,120
	April	(212,537)	[d]	2,462,984	1,837,549
	May	412,898		1,987,901	1,816,466
	June	584,333	[d]	2,614,345	3,173,842
	July	24,836		3,014,286	2,867,001
	August	172,121	[d]	1,708,398	1,416,143
	September	464,376		2,500,671	2,069,238
	October	895,809		2,421,520	1,914,314
	November	1,403,015		1,833,481	2,108,957
	December	1,127,539	[d]	2,026,521	2,743,544
2009	January	410,516		2,523,271	1,840,909
	February	1,092,878		2,189,572	2,475,831
	March	806,619	[d]	2,228,792	3,530,714
	April	(495,303)	[d]	3,251,394	2,730,689
	May	25,402	[d]	2,008,161	1,987,460
	June	46,103	[d]	3,188,104	3,381,558
	July	(147,352)	[d]	3,267,937	3,330,367
	August	(209,782)	[d]	1,941,326	1,471,235
	September	260,309		2,627,956	2,390,978
	October	497,287		2,386,405	1,666,418
	November	1,217,274		2,354,892	2,341,164
	December	1,231,002	[d]	2,147,393	2,880,635
2010	January	497,760		2,557,191	1,835,876
	February	1,219,076		2,303,320	2,592,732
	March	929,664	[d]	2,082,044	3,515,838
	April	(504,130)	[d]	2,971,041	2,233,992
	May	232,919		2,287,553	1,863,038
	June	657,433	[d]	2,683,645	3,307,419

[a] The General Fund balances presented in this table are not based on generally accepted accounting principles (GAAP).

[b] The projections in this table for the 2009-10 fiscal year reflect 2009 Wisconsin Act 2, the budget for the 2009-11 biennium (2009 Wisconsin Act 28), certain federal economic stimulus money in the amount of $1.002 billion that the State has received or expects to receive in the fiscal year ($606 million for medical assistance programs, $237 million for education aids, $76 million for shared revenue, and $83 million for other various purposes), and the revised General Fund tax revenue estimates included in the May 11, 2009 LFB memorandum (as modified on May 14, 2009). The federal economic stimulus money discussed above is only a portion of such funds that the State has received or expects to receive.

[c] Operating notes were issued for the 2007-08, 2008-09, and 2009-10 fiscal years.

[d] At some period during this month, the General Fund was in a negative cash position. Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund up to 7% of the general purpose revenue appropriations then in effect (approximately $940 million for the 2009-10 fiscal year). In addition, the Secretary of Administration may also temporarily reallocate an additional amount of up to 3% of the general-purpose revenue appropriations then in effect (approximately $403 million for the 2009-10 fiscal year) for a period of up to 30 days. If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate or defer certain payments.

Source: Wisconsin Department of Administration

Table II-12
CASH BALANCES IN FUNDS AVAILABLE FOR TEMPORARY REALLOCATION[a]
July 31, 2007 to November 30, 2009 — Actual
December 31, 2009 to June 30, 2010 — Estimated
(Amounts in Millions)

The following two tables show, on a monthly basis, the cash balances available for temporary reallocation (which has been previously referred to as interfund borrowing). The first table does not include balances in the Local Government Investment Pool **(LGIP)**, and the second table does include such balances. Though amounts in the LGIP are available for temporary reallocation, funds in the LGIP are deposited and withdrawn by local units of government, and thus are outside the control of the State. The monthly average daily balances in the LGIP for the past five years have ranged from a low of $2.2 billion during November 2005 to a high of $4.3 billion in August 2008. The Secretary of Administration may not exercise the authority to make temporary reallocations if doing so would jeopardize the cash flow of any fund or account from which a temporary reallocation would be made.

Available Balances; Does Not Include Balances in the LGIP

Month (Last Day)	2007	2008	2009	2010
January		$ 1,203	$ 1,045	$ 1,045
February		1,265	1,180	1,180
March		1,298	1,124	1,298
April		1,210	1,020	1,211
May		1,166	1,191	1,191
June		1,079	1,167	1,079
July	$ 1,141	910	981	
August	1,204	944	1,064	
September	1,204	1,081	1,233	
October	1,110	906	1,035	
November	1,229	1,011	1,118	
December	1,244	1,072	1,072	

Available Balances; Includes Balances in the LGIP

Month (Last Day)	2007	2008	2009	2010
January		$ 4,943	$ 5,372	$ 5,372
February		5,255	5,543	5,543
March		5,453	5,440	5,453
April		5,273	4,852	5,273
May		5,010	4,632	4,632
June		4,813	4,474	4,813
July	$ 4,862	5,422	5,102	
August	4,383	4,589	4,189	
September	4,264	4,479	4,076	
October	3,900	3,900	3,438	
November	4,017	3,936	3,500	
December	4,141	4,461	4,461	

[a] The amounts shown reflect a reduction in the aggregate cash balances available to the extent any fund had a negative balance and a temporary reallocation was made from such fund.

Source: Department of Administration.

Table II-13

GENERAL FUND RECORDED REVENUES[a]
(Agency Recorded Basis)
July 1, 2009 to November 30, 2009 compared with previous year[b]

	Annual Fiscal Report Revenues 2007-08 FY[b]	Projected Revenues 2008-09 FY[c]	Recorded Revenues July 1, 2008 to November 30, 2008[d]	Recorded Revenues July 1, 2009 to November 30, 2009[e]
Individual Income Tax	$ 6,222,735,000	$ 6,230,973,000	$ 2,499,872,478	$ 2,422,196,583
General Sales and Use Tax	4,083,959,000	4,089,220,000	1,484,361,279	$1,349,041,998
Corporate Franchise and Income Tax	629,523,000	717,150,000	169,499,549	194,784,014
Public Utility Taxes	320,110,000	318,200,000	159,743,861	172,879,583
Excise Taxes	647,621,000	795,680,000	234,088,349	260,944,508
Inheritance Taxes	20,853,000	-	20,566,928	278,603
Insurance Company Taxes	136,291,000	148,000,000	37,865,240	33,712,654
Miscellaneous Taxes	52,059,000	47,000,000	48,205,881	39,722,786
SUBTOTAL	12,113,151,000	12,346,223,000	4,654,203,566	4,473,560,729
Federal and Other Inter-Governmental Revenues[f]	8,411,740,000	8,451,323,200	2,839,454,355	3,607,711,001
Dedicated and Other Revenues[g]	4,553,355,000	5,082,068,100	1,886,442,627	2,013,948,562
TOTAL	$ 25,078,246,000	$ 25,879,614,300	$ 9,380,100,549	$ 10,095,220,292

(a) The revenues in this table are presented on an agency recorded basis and not a budgetary basis. None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2008-09 fiscal year, dated October 15, 2009.

(c) The projections in this table reflect 2009 Wisconsin Act 2, the budget for the 2009-11 biennium (2009 Wisconsin Act 28), certain federal economic stimulus money in the amount of $1.002 billion that the State has received or expects to receive in the 2009-10 fiscal year ($606 million for medical assistance programs, $237 million for education aids, $76 million for shared revenue, and $83 million for other various purposes), and the revised General Fund tax revenue estimates included in the May 11, 2009 LFB memorandum (as modified on May 14, 2009).

(d) The amounts shown are 2008-09 fiscal year revenues as recorded by all State agencies. There may be differences between the tax revenues shown in this table and those reported by the Department of Revenue from time to time in their monthly general purpose revenue collections report; the Department of Revenue report only includes general purpose revenues or taxes that are actually collected by the Department of Revenue.

(e) The amounts shown are 2009-10 general purpose revenues and program revenue taxes collected across all State agencies. There may be differences between the tax revenues shown in this table and those reported by the Department of Revenue from time to time in their monthly general purpose revenue collections report; the Department of Revenue report only includes general purpose revenues or taxes that are actually collected by the Department of Revenue.

(f) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

(g) Certain transfers between general fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

Source: Wisconsin Department of Administration

Table II-14

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[a]
(Agency Recorded Basis)
July 1, 2009 to November 30, 2009 compared with previous year[b]

	Annual Fiscal Report Expenditures 2006–07 FY[b]	Appropriations 2007–08 FY[c]	Recorded Expenditures July 1, 2008 to November 30, 2008[d]	Recorded Expenditures July 1, 2009 to November 30, 2009[e]
Commerce	$ 263,800,000	$ 307,224,700	$ 94,825,317	$ 101,469,276
Education	11,130,263,000	11,428,901,400	3,334,834,947	3,228,611,132
Environmental Resources	327,566,000	330,460,100	111,752,530	65,880,920
Human Relations & Resources	10,361,591,000	10,195,574,700	4,215,696,844	4,676,766,149
General Executive	844,724,000	1,306,939,400	414,728,119	527,141,723
Judicial	130,541,000	136,201,700	56,991,717	57,754,858
Legislative	65,289,000	73,817,900	21,221,851	22,574,040
General Appropriations	2,156,962,000	2,346,576,300	1,780,496,890	1,844,809,364
TOTAL	$ 25,280,736,000	$ 26,125,696,200	$ 10,030,548,214	$ 10,525,007,462

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2008-09 fiscal year, dated October 15, 2009.

(c) The estimates in this table reflect 2009 Wisconsin Act 2 and the budget for the 2009-11 biennium (2009 Wisconsin Act 28).

(d) The amounts shown are 2008-09 fiscal year expenditures as recorded by all State agencies.

(e) The amounts shown are 2009-10 fiscal year expenditures as recorded by all State agencies.

Source: Wisconsin Department of Administration

General Fund History

Table II-15 presents the General Fund condition for the previous five years.

Table II-15
COMPARATIVE CONDITION OF THE GENERAL FUND[(a)]
(As of June 30; Amounts in Thousands)

	2009	2008	2007	2006	2005
ASSETS					
Cash & Investment Pool Shares	$ (142,628)	$ 29,559	$ 53,874	$ 9,240	$ (133,959)
Contingent Fund Advances	3,123	3,128	3,128	3,077	3,080
Investments		255	255	255	255
Receivables					
Accounts Receivable	1,131,883	1,105,242	947,740	992,426	1,074,269
Due from Other Funds	289,751	103,115	31,131	143,541	22,014
Inventory	660	460	327	404	330
Prepayments	92,088	85,226	75,134	80,028	64,332
Other Assets	153,098	155,844	2,347	(2)	5
TOTAL ASSETS	$ 1,527,975	$ 1,482,829	$ 1,113,936	$ 1,228,969	$ 1,030,326
LIABILITIES					
Accounts Payable	$ 678,702	$ 531,477	$ 347,758	$ 437,990	$ 541,033
Operating Notes Payable	8,000	8,000	6,000		
Due to Other Funds	110,144	118,633	120,299	121,883	37,607
Tax and Other Deposits	53,713	60,175	41,986	29,128	33,908
Deferred Revenue	172,343	103,985	20,942	41,493	24,589
TOTAL LIABILITIES	$ 1,022,902	$ 822,270	$ 536,985	$ 630,494	$ 637,137
FUND BALANCE					
Reserves					
Encumbrances & GPR Balances	$ 122,067	$ 122,384	$ 124,009	$ 132,679	$ 102,211
Program Revenue Balances	420,173	427,751	416,475	430,782	422,653
Total Reserves	$ 542,240	$ 550,135	$ 540,484	$ 563,461	$ 524,864
Unreserved Balance-Undesignated	(37,167)	110,424	36,467	35,014	(131,675)
TOTAL FUND BALANCE	$ 505,073	$ 660,559	$ 576,951	$ 598,475	$ 393,189
TOTAL LIABILITIES AND FUND BALANCE	$ 1,527,975	$ 1,482,829	$ 1,113,936	$ 1,228,969	$ 1,030,326

[(a)] The amounts shown are based on statutorily required accounting and not GAAP. The amounts are unaudited.

Source: Department of Administration

STATE GOVERNMENT ORGANIZATION

The State is located in the Midwest. The State ranks 20th among the states in population and 25th in land area. Wisconsin attained statehood in 1848, its capital is Madison, and its largest city is Milwaukee. The following is a summary of the general organization of, and services provided by, State government.

General Organization

Executive Branch

The executive branch is under the direction of the Governor. The Governor is the chief executive officer of the State and is assisted by five elected constitutional officers (each elected to a four-year term):

- *Lieutenant Governor*. The Governor and Lieutenant Governor are elected on the same ballot. The Lieutenant Governor serves as Acting Governor during the absence or incapacity of the Governor.

- *Attorney General*. The Attorney General heads the State of Wisconsin Department of Justice, which provides all State agencies with legal advice and counsel.
- *State Treasurer*. The State Treasurer receives and disburses all money of the State Treasury in accordance with law.
- *Secretary of State*. The Secretary of State keeps a record of the official acts of the Legislature and executive agencies.
- *Superintendent of Public Instruction*. The Superintendent of Public Instruction heads the State of Wisconsin Department of Public Instruction, which supervises the operations of and establishes standards for schools throughout the State.

The executive branch consists of 18 departments (including two headed by other constitutional officers) and 12 independent agencies.

Legislative Branch

The legislative branch consists of the Legislature and its subordinate service agencies. The Legislature is bicameral, composed of the Senate and the Assembly. The 33 members of the Senate serve staggered four-year terms, and the 99 members of the Assembly serve identical two-year terms. Both the Senate and the Assembly operate on a committee system. The Legislature's biennial session begins in odd-numbered years on the first Monday in January (or January 3 if the first Monday is January 1 or January 2). By a joint resolution, the biennial session is divided into floor periods interspersed with committee work periods. In odd-numbered years, the Joint Committee on Legislative Organization develops a schedule for the two-year period. The Legislature also meets in special session when so called by the Governor and in extraordinary session when a majority from each branch signs a petition; at these times the Legislature may transact only that business for which the special or extraordinary session is called.

Judicial Branch

The judicial branch consists of:

- *Supreme Court*. The Supreme Court is composed of seven justices who are elected statewide for staggered ten-year terms.
- *Court of Appeals*. The Court of Appeals is composed of 16 judges who are elected district-wide for staggered six-year terms, generally sitting in three-judge panels.
- *Circuit Courts.* There are 69 Circuits (the State's trial courts). Each has one or more branches and judges who are locally elected for six-year terms, and all are administered from ten administrative districts. A recently enacted law provides for an increase in the number of judges over multiple years, with the last branch to be added in calendar year 2010.

The State pays all costs of the Supreme Court and Court of Appeals and certain costs of the Circuit Courts.

Description of Services Provided by State Government

The State provides a wide range of services to its residents and to its local government units. These services are organized for both budgetary and financial reporting of the General Fund into eight functional groupings. Each State agency is categorized into one of these functions. There are some agency activities that fit into more than one function. Listed below is a description of each function, an identification of those State agencies within each function, and a brief summary of the responsibilities of each State agency.

Commerce

The State's involvement in the commerce function is in the regulation of conduct of commercial transactions. The objective is to protect the public as consumers of agricultural and manufactured goods and services and as participants in financial transactions. The State also actively promotes economic development by working with companies seeking to expand or move to the State and broadening markets for State goods and services. These objectives are met in several ways:

- Inspection of raw products and conditions under which they are grown or obtained, including conducting research in areas such as animal or plant diseases, grading of products, and establishing standards for contents of processed foods.
- Licensing of members of various trades and professions whose activities affect the health of individuals, such as doctors and nurses, or whose actions are considered important for public safety, such as architects and engineers.
- Maintaining an orderly market in which to conduct business and specifying methods of fair competition by:
    - regulating the rates that public utilities may charge for their services
    - setting standards for the operation of banks, savings and loan companies, and credit unions to protect depositors
    - regulating the sale of securities and insurance offered for sale in the State
    - approving or disapproving the establishment or discontinuance of transportation routes

Several State agencies participate in the field of commerce:

- *Department of Agriculture, Trade and Consumer Protection* provides consumer protection and regulates the conditions of the growth and processing of food and fair trade practices in general.
- *Department of Regulation and Licensing* supervises a variety of examining boards in various trades and professions.
- *Department of Financial Institutions* regulates securities transactions and supervises banks, credit unions, and savings and loans.
- *Public Service Commission* regulates the rates and services offered by railroads and heat, light, power, and water companies.
- *Department of Commerce* promotes industrial development in the State and coordinates relations between the State and local governments and between the Federal Government and State and local governments.
- *Department of Tourism* promotes the State's many attributes to visitors.

Education

The State views its responsibilities in education to encompass all levels and nearly all types of education and related activities. As a result the State provides significant financial support to primary and secondary schools, technical colleges operated at the local level, assists private higher educational institutions, and operates the University of Wisconsin system.

- *Primary and Secondary Schools.* There were 426 school districts in the State for the 2008-09 school year, which administer the elementary and secondary schools within those districts. There were approximately 860,477 students attending public elementary and secondary schools in the

2008-09 school year. Elementary and secondary schools are operated by district boards, with supervision of the system provided by the Department of Public Instruction.

- *Technical Colleges.* The State is divided into 16 technical college districts. In the 2008-09 academic year, 375,944 full- and part-time students were enrolled in the technical college system. The technical colleges are operated by district boards, with supervision of the system provided by the Technical College System Board.
- *University of Wisconsin System.* The University of Wisconsin System consists of its doctoral campuses in Madison (the largest campus in the State) and Milwaukee as well as 11 other four-year degree-granting institutions and 13 two-year colleges. The system's total enrollment in 2008-09 was 178,537 students.

Other agencies and boards concerned with the education function of the State include the Educational Communications Board (operates the State public radio network, the State public television network, and the State educational television network), the State Historical Society, the Arts Board, and the Higher Educational Aids Board (management and oversight of the State's student financial aid system for residents attending institutions of higher education).

Environmental Resources and Transportation

Two major State agencies, the Department of Transportation and the Department of Natural Resources, are concerned with the development or protection of the land, forest, water, air, and minerals of the State.

The State works with municipalities and industries to treat sewage or industrial wastes to retain the purity of State lakes and streams. Smokestack and automobile exhausts are monitored to prevent air pollution. Parks and forests have been established and are maintained both to preserve unusual phenomena of nature and to provide the public with recreational and educational opportunities. Private forest owners are given incentives to observe scientific conservation practices so that new growth may replace cut timber. Hunting and fishing limits are set, and hunters and fishermen licensed, to preserve the fish and wildlife from extinctive practices. Farming methods that preserve the quality and stability of the soil are encouraged.

Governmental activities for preserving and protecting the State's natural resources are largely the province of the Department of Natural Resources, but the Department of Agriculture, Trade and Consumer Protection is also actively involved.

The State has an elaborate system of highways. It consists of interstate highways financed from federal and State funds and of State highways, county trunk highways, town roads, city and village streets, and park and forest roads. Closely connected with the highway building functions of the State government and the aid granted to local units for streets and highways are the objects for which these roads are built—the motor vehicle and its occupants. While the State is concerned with the building and maintenance of an adequate number of roads of certain standards to meet the traffic demands, it is also very much concerned with the safety and convenience of the people who are using those roads. More than 5.7 million vehicles are currently registered.

The Department of Transportation also gives various forms of driver examination tests when driver licenses are issued or renewed to ensure drivers know the laws, are physically fit to drive, and have the required driving skills. Road building and motor vehicle regulation are also responsibilities of the Department of Transportation, which also has charge of the State's aeronautical activities, the administration of funds to assist mass transit, railroad preservation, and intermodal transportation planning.

Human Relations and Resources

Various State agencies have responsibilities to maximize human growth and development, including health, living standards, safety, and working relationships with each other.

Public health covers the prevention and detection of disease, health education programs, assistance in hospital construction, maintenance of institutions for the care and treatment of the mentally handicapped, the setting of standards of cleanliness of public facilities and safety in construction, and the maintenance of public health records.

Improving living standards for needy, aged, handicapped, and minors in need of assistance is also a goal of the State. Such health and welfare activities are primarily the work of the Department of Health Services, including the State's Badger Care Plus Program, which provides health insurance coverage for all children under the age of 19 (regardless of income) and low-income adults, and a prescription drug program for the elderly. The Board of Aging and Long Term Care make recommendations on programs to benefit the aged and those individuals needing long term care services. The Department of Veterans Affairs operates additional assistance programs for military service veterans.

As a worker, the individual comes in contact with the State in many ways, mostly through the Department of Workforce Development:

- Minimum wages and maximum hours are set by law.
- State worker's compensation provides financial assistance if a worker is injured on the job.
- Unemployment compensation is provided to the worker if the worker's job is lost.
- Employment services are provided by the State (in partnership with the Federal Government) to help a worker find a job or to acquire the skills necessary for employment.
- Investigation of discrimination occurs if a worker suspects employment discrimination based on race, age, gender, creed, or handicap.

The State mediates or arbitrates labor disputes between workers and their employers, which is the task of the Employment Relations Commission. The State's agent in protecting and assisting the worker is the Department of Workforce Development, which is also currently responsible for the State's employment and training services.

The Department of Children and Families began operations in July, 2008. The department focuses exclusively on helping and protecting children and families within the State. It unified more than 30 services that were divided between the-then Department of Health and Family Services and the Department of Workforce Development including, but not limited to, child welfare and the Wisconsin Works (W-2) program.

To promote the general welfare of citizens and insure peaceable relations among them, the State seeks to protect citizens from lawless elements in society by maintaining those conditions of stability and order necessary for a well-functioning society. Law enforcement is largely a local matter, but the State's Department of Corrections is responsible for segregating convicted adult and juvenile criminals in its penal institutions and rehabilitating them for eventual return to society. The Department of Justice furnishes legal services to State agencies and provides technical assistance to local law enforcement agencies. The Office of the State Public Defender makes determinations of indigence and provides legal representation for specified defendants who are unable to afford a private attorney.

The State also provides an armed military force to protect the populace in times of State or national emergencies, natural or man-made, and to supplement the federal armed forces in time of war. These activities come under the jurisdiction of the Department of Military Affairs.

General Executive

The administrative or staff functions that support the direct services provided to Wisconsin residents and local governments are included in this functional group. While each operating agency may conduct some staff functions, some agencies perform staff functions almost exclusively.

- *Department of Administration* duties include budgeting, information technology, data processing, accounting, payroll, financial reporting, processing the receipt and disbursement of monies received or expended by the State, engineering, and facilities management and planning.
- *Office of State Employment Relations* supervises State personnel practices.
- *Government Accountability Board* combines the duties of the previous Ethics Board and State Elections Board, which includes administering a code of ethics for State public officials, overseeing the election processes of the State, administering public funding of campaigns, monitoring candidate expenditures, and keeping election records.
- *Department of Revenue* collects the taxes imposed by Wisconsin Statutes, distributes that part of the revenue that is to be returned to the local units of government, and calculates the equalized value of the property that has been assessed by local government.
- *Department of Employee Trust Funds* manages the State's public employee retirement system.
- *Office of the State Treasurer* serves as custodian of unclaimed property and administers the EdVest Program, which is a Section 529 college savings program.
- *Office of the Secretary of State* keeps and authenticates various state records.
- *State of Wisconsin Investment Board* invests the assets of the Wisconsin Retirement System and various State funds, including by not limited to the State Investment Fund.

Legislative

The legislative function provides for the operation of the State Legislature, its committees, and service agencies.

General Appropriations

The function of general appropriations is assigned those appropriations that do not fit easily into any of the other functions. Most general appropriations are for payments to local governments of taxes collected by the State, whose revenues are shared with local governments, and for other payments intended to relieve local taxes.

The major portion of this reporting area relating to State operations is the funding of any planned adjustments to employee compensation, which is budgeted centrally but transferred to and ultimately paid by each agency.

STATE OF WISCONSIN BUILDING COMMISSION

The Commission supervises all matters relating to the State's issuance of general obligations, revenue obligations, and operating notes. In addition, the Commission also oversees the planning, improvement, major maintenance, and renovation of State facilities.

Limitations in the Wisconsin Constitution severely restricted the issuance of direct State debt until 1969, when the Wisconsin Constitution was amended to authorize the State to borrow money. Chapter 18 of the Wisconsin Statutes delegates powers to the Commission and establishes the procedures for the issuance of debt.

The Commission is composed of eight members. The Governor serves as the chairperson. Each house of the Legislature appoints three members. One citizen member is appointed by the Governor and serves at the Governor's pleasure. State law provides for the two major political parties to be represented in the membership from each house, and one member appointed from each house must be a member of the Legislative State Supported Program Study and Advisory Committee. The members act without liability except for misconduct.

The Department of Administration assists the Commission. The Administrator of the Division of State Facilities, with the concurrence of the Secretary of Administration, serves as the Secretary to the Building Commission. The Secretary of Administration, the head of the engineering function, and the ranking architect in the Department of Administration serve as nonvoting advisory members. Employees of the Division of Executive Budget and Finance serve as the Capital Finance Director and staff responsible for managing the State's various borrowing programs.

The Commission's office is located at the Administration Building, 7th Floor, 101 East Wilson Street, its mailing address is P.O. Box 7866, Madison, Wisconsin 53707-7866, and its telephone number is (608) 266-1855.

STATE OBLIGATIONS

General Obligations

The State, acting through the Commission, may issue general obligation bonds and notes or enter into loans that are secured by the State's full faith, credit, and taxing power. Payments of debt service on State general obligations are paramount to all other obligations of the State. As of December 15, 2009, the State had $6.223 billion of outstanding general obligations.

The State has never defaulted in the punctual payment of principal or interest on any general obligation indebtedness and has never attempted to prevent or delay such required payments. The State has reserved no right to reduce or modify any terms with respect to security or source of payment of general obligation bonds or notes. See Part III of this 2009 Annual Report for additional information on general obligations.

Operating Notes

The Commission may issue operating notes to fund operating expenses upon the request of the Department of Administration if it determines that a deficiency will occur in the funds of the State that will not permit the State to pay its operating expenses in a timely manner. The Governor and the Joint Finance Committee of the Legislature must also approve the request for issuance.

Operating notes may be issued in an amount not exceeding 10% of budgeted appropriations of general purpose and program revenues in the year in which operating notes are issued. Operating notes are not general obligations of the State and are not on parity with State general obligations. The General Fund may be pledged for the repayment of operating notes, and money of the General Fund may be impounded for future payment of principal and interest; however, any such repayment or impoundment must be made subsequent to the payment of the amounts due the Bond Security and Redemption Fund securing the repayment of State general obligation bonds. All payments and impoundments securing the operating notes are also subject to appropriation. Owners of the operating notes have a right to file suit against the State in accordance with procedures established in the Wisconsin Statutes.

The State has issued to date in the 2009-10 fiscal year $800 million of operating notes. These operating notes mature on June 15, 2010.

Master Lease Program

The State, acting by and through the Department of Administration, has entered into a master lease for the purpose of acquiring property (and in limited situations, prepaid service contracts) for State agencies through installment payments. The State's obligation to make lease payments is subject to annual

appropriation by the Legislature. The full faith and credit of the State are not pledged to the lease payments; the State is not obligated to levy or pledge any tax to pay the lease payments. The State's obligation to make the lease payments does not constitute debt for purposes of the Wisconsin Constitutional debt limit, and there is no limit to the amount of such obligations that the State can incur. Although an effort is made to use the master lease program for all property acquired by the State through nonappropriation leases, it is possible that state agencies may separately incur such obligations through other lease arrangements. Certificates of participation have been issued that evidence a proportionate interest in certain lease payments to be made by the State. As of December 15, 2009, the outstanding principal amount of the State's obligations under the master lease program was approximately $64 million. See Part IV of this 2009 Annual Report for additional information on master lease certificates of participation.

State Revenue Obligations

Subchapter II of Chapter 18 of the Wisconsin Statutes authorizes the State, acting through the Commission, to issue revenue obligations. Revenue obligations may be in one of the following forms:

- *Enterprise obligations.* Secured by a pledge of revenues or property derived solely from the operation of a program funded by the issuance of the revenue obligations.
- *Special fund obligations.* Secured by a pledge of revenues or property derived from any program or any pledge of revenues.

Any such program to be undertaken or obligations to be issued must be specifically authorized by the Legislature. The resulting obligations are not general obligations of the State.

Revenues pledged to the repayment of revenue obligations are deposited with a trustee for the obligations. Because these revenues are pledged to the owners of revenue obligations, who have a first lien on all such monies, the owners of State general obligations have no claim to the revenues pledged for the repayment of such revenue obligations.

Three such programs have been authorized and are currently outstanding:

- *Transportation revenue bond program.* This program finances a portion of the costs of the State highways and related transportation facilities. The obligations are secured by motor vehicle registration fees and other registration-related fees. The Commission has issued 25 series of bonds (which include refunding bond issues) and two series of commercial paper notes for this program, which were outstanding in the aggregate amount of $1.759 billion as of December 15, 2009. See Part V of this 2009 Annual Report for additional information on transportation revenue obligations.
- *Clean water fund program.* This program makes loans to municipalities in the State for the construction or improvement of their water pollution control facilities. The Commission has issued 18 series of bonds for this program (which include refunding bond issues), which were outstanding in the amount of $805 million as of December 15, 2009. See Part VI of this 2009 Annual Report for additional information on clean water revenue bonds.
- *Petroleum inspection fee revenue obligations program.* This program funds environmental remediation claims submitted under the Petroleum Environmental Cleanup Fund Award Program. Obligations issued for this program are secured by petroleum inspection fees. The Commission has issued five series of bonds (which include refunding bond issues) and two series of extendible municipal commercial paper for this program, which were outstanding in the aggregate amount of $189 million as of December 15, 2009. See Part VII of this 2009 Annual Report for additional information on petroleum inspection fee revenue obligations.

General Fund Annual Appropriation Bonds

The State is authorized to issue general fund annual appropriation bonds (i) to pay the State's unfunded accrued prior service (pension) liability and the State's unfunded accrued liability for sick leave conversion, and (ii) to finance the purchase of tobacco settlement revenues that had been previously sold by the Secretary of Administration. The general fund annual appropriation bonds are not a debt of the State, and the State's obligation to make debt service payments is subject to annual appropriation by the Legislature. The full faith and credit of the State are not pledged, and the State is not obligated to levy or pledge any tax, to make the debt service payments.

The State has issued five series of general fund annual appropriation bonds (which include refunding bond issues) to pay the State's unfunded accrued prior service (pension) liability, determined as of January 1, 2003, and the State's unfunded accrued liability for sick leave conversion, determined as of October 1, 2003. See "STATE OBLIGATIONS; Prior Service Pension Liabilities and Other Post Employment Benefits". The general fund annual appropriation bonds issued for this purpose were outstanding in the aggregate amount of $1.851 billion as of December 15, 2009 and are in the form of taxable bonds and taxable floating rate notes. With respect to the outstanding general fund annual appropriation bonds that are in the form of taxable floating rate notes, the State has hedged nearly all of its variable-rate exposure by entering into interest rate exchange agreements (commonly called swap agreements).

The State has issued one series of general fund annual appropriation bonds to finance the purchase of tobacco settlement revenues that the State previously sold to BTASC. See "STATE BUDGET; Tobacco Settlement Revenues". The general fund annual appropriation bonds issued for this purpose were outstanding in the aggregate amount of $1.529 billion as of December 15, 2009 and in the form of bonds.

See Part VIII of this 2009 Annual Report for additional information on general fund annual appropriation bonds.

Independent Authorities

State law creates and grants to three independent special purpose authorities the power to issue bonds and notes. None of these entities is a department or agency of the State, and none can issue bonds or notes that are legal obligations of the State. By law, the Commission serves as financial advisor for two of these independent authorities in the issuance of their debt.

Wisconsin Housing and Economic Development Authority

The Wisconsin Housing and Economic Development Authority (**WHEDA**) acts as a funding vehicle for the development of housing for low- and moderate-income families and economic development projects. WHEDA is also authorized to administer the State's agricultural production loan guaranty and interest subsidy program.

WHEDA may issue bonds and notes, which are to be general obligations of WHEDA (except for bonds for the housing rehabilitation loan program) unless WHEDA chooses to limit the obligation. The State is expressly not liable on WHEDA obligations. Repayment may be secured by capital reserve funds, which may be created for each bond issue in an amount that is appropriate for the type of projects being funded. Invasion of this reserve triggers a moral obligation pledge on the part of the State and prevents further WHEDA borrowing until the reserve is replenished. In the event a capital reserve fund is not established for a particular bond issue, the moral obligation pledge would not be applicable. WHEDA has borrowing authority for several specific programs:

- *Programs secured by capital reserve fund.* Borrowing authority of $600 million, excluding debt issued to refund other debt, of which $415 million of borrowing authority was available on November 30, 2009.

- *Housing rehabilitation programs.* Borrowing authority of $100 million, of which $100 million of borrowing authority was available on November 30, 2009.
- *Single-family home ownership mortgage loan program.* WHEDA has issued $7.300 billion in such bonds as of November 30, 2009. In the one-year period ending November 30, 2009, no single-family issues were sold.
- *Residential facilities for the elderly and chronically disabled.* Borrowing authority of $99 million, and as of November 30, 2009, WHEDA had sold three bond issues totaling $5 million.
- *Economic development and agriculture loans.* Borrowing authority of $217 million of which, as of November 30, 2009, WHEDA had sold 142 series of bonds for economic development and agriculture totaling $83 million, which are not general obligations of WHEDA, and 56 series of bonds, totaling $92 million, which are general obligations of WHEDA.
- *General programs not secured by capital reserve fund.* Approximately $15 million of obligations issued for this purpose remain outstanding as of November 30, 2009.

WHEDA is directed by a twelve-member board comprising the Secretary of the Department of Administration, the Secretary of the Department of Commerce, two representatives to the Assembly and two State Senators who are appointed in the same manner as the members of standing committees in their respective houses and equally represent the two major political parties, and six public members serving staggered terms, nominated by the Governor and confirmed by the Senate. Financial reports may be obtained from the Wisconsin Housing and Economic Development Authority, P.O. Box 1728, Madison, WI 53701. The phone number is (608) 266-7884, the e-mail address is info@wheda.com, and the web site address is www.wheda.com.

Wisconsin Health and Educational Facilities Authority

The Wisconsin Health and Educational Facilities Authority (**WHEFA**) provides revenue bond financing for hospitals, nursing homes, other health-related organizations, and private educational facilities. It may finance any qualifying capital project and may refinance any qualifying outstanding indebtedness. As of June 30, 2009, WHEFA had outstanding 289 issues totaling approximately $8.258 billion. All bonds are limited obligations of WHEFA, payable only from revenues specified in the documents pertaining to each bond financing and are not State debt. There is no capital reserve fund or authorization for a moral obligation pledge. An annual program and financial report to the Legislature and the Governor is required. The State Auditor is empowered to investigate WHEFA's financial affairs and prescribe methods of accounting. The governance of WHEFA is by a seven-member, staggered-term board nominated by the Governor and confirmed by the Senate. The Governor annually appoints the chairperson. Financial reports may be obtained from Wisconsin Health and Educational Facilities Authority, 18000 West Sarah Lane, Suite 300, Brookfield, WI 53045-5841. The phone number is (262) 792-0466, the e-mail address is info@whefa.com, and the web site address is www.whefa.com.

University of Wisconsin Hospitals and Clinics Authority

The University of Wisconsin Hospitals and Clinics Authority (**UWHCA**) operates the University of Wisconsin hospital and a number of clinics. It provides instruction for medical and other health related professions, students, and sponsors. It also supports medical research and assists health care programs and personnel throughout the State. As of November 30, 2009, UWHCA had outstanding six issues totaling approximately $242 million.

UWHCA may issue bonds and notes payable solely from the funds pledged in the bond resolution or any trust indenture or mortgage or deed of trust that secures the obligations. The State is not liable for the payment of principal or interest on the debt, nor is it liable for the performance of any pledge, mortgage, obligation, or agreement entered into by UWHCA.

UWHCA is directed by an eighteen-member board that consists of the Secretary of the Department of Administration (or a designee), a faculty member of a University of Wisconsin-Madison (**UW**) health professions school (other than the Medical School) appointed by the UW Chancellor, a chairperson of a department of the Medical School appointed by the UW Chancellor, the dean of the Medical School, the UW Chancellor, three members appointed by the Board of Regents, the co-chairs of the Legislature's joint committee on finance (or their designees), six members serving three-year terms nominated by the Governor and confirmed by the Senate, and two nonvoting members from labor organizations that represent UWHCA employees. Financial reports can be obtained from the University of Wisconsin Hospitals and Clinics Authority, Room H5/803, 600 Highland Avenue, Madison, WI 53792-8360. The phone number is (608) 263-8025.

Local Districts

The Legislature has authorized the creation of the following types of local districts, which may be created by one or more local units of government:

- *Exposition center district.* A district is authorized to issue bonds for costs related to an exposition center. If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's reserve funds that secure up to $200 million principal amount of bonds in the event that project revenues and tax revenues received by the district are inadequate to pay debt service on the bonds. To date, one such district has been created (the Wisconsin Center District).
- *Local professional baseball park district.* A district's territory consists of each county with a population of more than 600,000 and all contiguous counties. A district is authorized to issue bonds for costs related to a baseball park. If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's reserve funds that secure up to $160 million principal amount of bonds in the event the project revenues and tax revenues received by the district are inadequate to pay debt service. To date, one such district has been created (the Southeast Wisconsin Professional Baseball Park District).
- *Local professional football park district.* A district's territory consists of any county with a population of more than 150,000 that includes the principal site of a stadium that is the home of a professional football team. A district is authorized to issue revenue bonds for costs related to a football park. If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's reserve funds that secure up to $160 million principal amount of bonds in the event the project revenues and tax revenues received by the district are inadequate to pay debt service. To date, one such district has been created (the Green Bay-Brown County Professional Football Stadium District).

Moral Obligations

In certain situations where the State does not have a legal obligation to make a payment, the Legislature has recognized a moral obligation to make an appropriation for the payment and has expressed its expectation and aspiration that, if ever called upon to do so, it would. These situations and amount of outstanding obligations that are subject to the State's moral obligation include:

- Payments to reserve funds securing certain obligations of WHEDA. Currently there are 8 issues outstanding in the aggregate amount of $395 million that carry a moral obligation of the State.

Name of WHEDA Issue	Maturity Date	Principal Issued	Outstanding Balance
Housing Revenue Bonds			
1998 Series A, B & C	11/1/2032	$ 39,895,000	$ 13,845,000
1999 Series A & B	11/1/2031	41,400,000	23,765,000
2002 Series A-I	5/1/2034	169,160,000	35,785,000
2003 Series A-E	5/1/2044	41,975,000	38,860,000
2005 Series A-F	11/1/2045	179,535,000	165,690,000
2006 Series A-D	5/1/2037	28,580,000	27,535,000
2007 Series A-G	5/1/2042	42,570,000	42,050,000
2008 Series A-G	11/1/2034	56,155,000	47,505,000
Totals			$395,035,000

- In its legislation authorizing the issuance of the petroleum inspection fee revenue obligations, the Legislature, recognizing a moral obligation to do so, expressed its expectation that, if the Legislature were to reduce the rate of the petroleum inspection fee (which has happened) and if the petroleum inspection fee were insufficient to pay debt service on the petroleum inspection fee revenue obligations when due (which has not happened), then the Legislature would make an appropriation from the general fund sufficient to pay such debt service. The petroleum inspection fee revenue obligations are currently outstanding in the principal amount of $189 million.

- Payments to reserve funds securing certain obligations of different types of local districts, subject to the Secretary of Administration's determination that certain conditions have been met. Currently there is one issue from a local district (Wisconsin Center District) that is outstanding in the amount of $126 million that carries a moral obligation of the State. Two other local districts (the Southeast Wisconsin Professional Baseball Park District and the Green Bay-Brown County Professional Football Stadium District) each have authority to issue $160 million of revenue obligations that, subject to the Secretary of Administration's determination that certain conditions have been met, could carry a moral obligation of the State. Both districts have issued revenue obligations, but those obligations do not carry the moral obligation of the State.

- Payments to reserve funds securing obligations issued by certain redevelopment authorities, subject to the Secretary of Administration's determination that certain conditions have been met. Currently there are three issues by a redevelopment authority (Redevelopment Authority of the City of Milwaukee) for the Milwaukee Public Schools Neighborhood Schools Initiative that are outstanding in the total amount of $105 million that carry a moral obligation of the State.

- Payments required to be made by municipalities on loans from the Clean Water Fund Program, if so designated by the State. Currently no Clean Water Fund Program loan carries a moral obligation of the State.

Employee Pension Funds

The State's pension obligations are defined by formulas that establish monthly retirement benefits as a function of annual compensation and years of service. The State's current contributions to meet these pension obligations are established first by a yearly actuarial determination of the value of the retirement benefits that have accrued to State employees and will have to be paid out in the future. After deducting the fixed contributions of employees, the State then contributes an amount sufficient to meet the remaining value of the obligations. A description of the Wisconsin Retirement System **(WRS)** and an identification of the State's obligation follows. This is supplemented with additional statistical material in Tables II-16 through II-22.

The actuarial method used to determine the size of the contributions is known as "Frozen Initial Liability" for prior service liability and "Entry Age Normal" for current contributions. Actuarial assumptions that have been adopted in application of this method are shown in Tables II-23, II-24, and II-25.

The Department of Employee Trust Funds administers the pension programs of both the State and local governments, and the State of Wisconsin Investment Board is responsible for investment of all the funds. Although the State provides pension and investment management staff for its own and local government employees, *the State has no financial obligation for payment of any local government contribution.*

WRS covers all full-time employees of the State. The total retirement contribution consists of a member (employee) contribution and an employer contribution. Member contributions for calendar year 2010 are set at the following rates:

- 5.0% of salary for general employees including teachers
- 3.2% for elected officials, judges, and certain other positions in State government
- 5.5% for protective occupation participants who are also covered by Social Security
- 3.9% for protective occupation participants not covered by Social Security

Employer funding of some or all of the member's required contribution is permitted by the Wisconsin Statutes. Currently the entire member contribution of 5% of each State employee's salary is assumed by the State. An additional 1.2% nonrefundable contribution is required from general employees, including teachers.

The employer contribution is actuarially determined each year by an independent actuarial firm. As of December 1, 2009, the calendar year 2010 employer contributions have been established at the following rates:

- 8.6% for protective participants with Social Security
- 11.3% for protective participants without Social Security
- 8.7% for elected officials and judges
- 4.8% for general employees

In addition, the State is also charged 3.9% of its protective payroll for special duty disability coverage.

Monthly benefits upon retirement at normal retirement age (65 for general employees, 62 for elected officials and certain other state positions, and 55 for protective occupation participants) are computed on a formula basis (the formula varies by the particular class of participation). Some inactive members and a small number of currently active employees may have benefits computed on some other basis when they apply for benefits.

Contributions into the Wisconsin Retirement System are invested by the State of Wisconsin Investment Board as provided by law, and are maintained in two separate funds: the Core Retirement Investment Trust and the Variable Retirement Investment Trust. Investments are recorded pursuant to the Wisconsin Statutes as follows:

- The assets of the Core Retirement Trust are carried by a hybrid method providing for the amortization of capital gains and losses as well as deferred items over a five-year period.
- The Variable Retirement Investment Trust assets are recorded at market value with all market adjustments included in current operations.

Except for certain protective occupation employees and a few other minor exceptions, employees under the Wisconsin Retirement System are also covered by Social Security.

Table II-16 provides comparative actuarial balance sheets for the most recent reporting periods. The unfunded accrued liability presented is solely the responsibility of local governments and is not an obligation of the State.

Prior Service Pension Liabilities and Other Post Employment Benefits.

Pension Liabilities in Accompanying Financial Statements

Liabilities of WRS are reported in the accompanying financial statements. While WRS covers most public employers and employees in the State, including local governments, the State and its participants account for 27% of the all participants in the system. WRS tracks unfunded prior service liabilities in separate accounts for each employer. The unfunded prior service liabilities reported in the accompanying financial statements are entirely attributable to other units of government and not to the State of Wisconsin.

Pension and Sick Leave Conversion Benefits

Prior to 2004, the State recognized for accounting and disclosure purposes an unfunded prior service liability for the State's account within WRS. The State also recognized for accounting and disclosure purposes an unfunded prior service liability for sick leave conversion, which permits employees, at retirement, to use the value of unused sick leave to pay for health insurance premiums. Proceeds from the State's issuance of General Fund Annual Appropriation Bonds in calendar year 2003 fully funded both of these prior service liabilities, and the State currently has no prior service liabilities associated with these benefits.

Implied Subsidy of Group Health Insurance-January 1, 2007 Actuarial Valuation

In August 2008, the State released a report presenting the results of an actuarial valuation (as of January 1, 2007) of the State of Wisconsin Retiree Health Program. It provides the information required to be disclosed, pursuant to the requirements of GASB Statement No. 45. The report shows a total unfunded liability for other post employment benefits of $1.473 billion, consisting of a liability in the amount of $935 million for an implicit rate subsidy (previously referred to as implied subsidy of group health insurance) and a liability in the amount of $538 million for a Medicare Part D subsidy, which reflects future subsidy reimbursement payments from the federal government. A complete copy of the report was filed at that time with each nationally recognized municipal securities information repository.

Implied Subsidy of Retiree Life Insurance Program

A Retiree Life Insurance Program may also have an implied subsidy component. The State provides post-retirement life insurance coverage to retired plan participants over the age of 65 at no cost to the employee. An actuarial valuation of this plan as of January 1, 2008 calculated an unfunded liability of approximately $53 million.

Table II-16

WISCONSIN RETIREMENT SYSTEM
ACTUARIAL STATEMENT OF ASSETS AND LIABILITIES
December 31, 2008 (Unaudited)
(Amounts in Millions)

	12/31/2008	12/31/2007	Increase (Decrease)
Assets and Employer Obligations:			
Net Assets			
Cash, Investments & Receivables			
Less: Payables & Suspense Items			
Core Division	$73,119.7	$72,754.8	$ 364.9
Variable Division	4,039.7	7,037.1	(2,997.4)
Totals	77,159.4	79,791.9	(2,632.5)
Obligations of Employers			
Unfunded Accrued Liability	252.6	287.8	(35.2)
TOTAL ASSETS	$77,412.0	$80,079.7	$(2,667.7)
Reserves and Surplus:			
Reserves			
Actuarial Present Value of Projected Benefits Payable to Terminated Vested Participants and Active Members:			
Member Normal Contributions	$15,897.3	$16,627.9	$ (730.6)
Member Additional Contributions	148.0	167.5	(19.5)
Employer Contributions	22,994.1	23,609.2	(615.1)
Total Contributions	$39,039.4	$40,404.6	$(1,365.2)
Actuarial Present Value of Projected Benefits Payable to Current Retirees And Beneficiaries:			
Core Annuities	$36,551.5	$32,877.5	$ 3,674.0
Variable Annuities	4,491.0	4,563.7	(72.7)
TOTAL ANNUITIES	41,042.5	37,441.2	3,601.3
TOTAL RESERVES	$80,081.9	$77,845.8	$ 2,236.1
Surplus			
Core Annuity Reserve Surplus	$ (753.4)	$ 2,172.6	$(2,926.0)
Variable Annuity Reserve Surplus	(1,916.5)	61.3	(1,977.8)
TOTAL SURPLUS	(2,669.9)	2,233.9	(4,903.8)
TOTAL RESERVES AND SURPLUS	$77,412.0	$80,079.7	$(2,667.7)

Notes to Wisconsin Retirement System

All eligible State of Wisconsin employees participate in the Wisconsin Retirement system **(System)**, a cost-sharing multiple-employer public employee retirement system **(PERS)**. The payroll for employees covered by the system for the year ended December 31, 2008 was $3.83 billion.

All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees are required by statute to contribute 5.0% of their salary (2.9% for Executive and Elected Officials, 5.1% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security), to the plan. Participants are also required to make a non-refundable Benefit Adjustment Contribution to the plan. Employers may make these contributions to the plan on behalf of the employees. Employers are required to contribute the remaining amounts necessary to pay the projected cost of future benefits. The total required contribution for the year ended December 31, 2007 was $424 million, which consisted of $199 million or 5.2% of payroll from the employer and $225 million or 5.9% of payroll from employees.

Employees who retire at or after age 65 (55 for protective occupation employees) are entitled to receive a retirement benefit. The benefit is calculated as 1.6% (2.0% for Executives, Elected Officials, and Protective Occupations with social security and 2.5% for protective occupations without social security) of final average earnings for each year of creditable service after December 31, 1999. Service earned before January 1, 2000 accrues benefits at a rate of 1.765% (2.165% for Executives, Elected Officials, and Protective Occupations with social security and 2.665% for protective occupations without social security). Final Average Earnings is the average of the employee" three highest years' earnings. Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefit. Benefits are fully vested upon entry into the System.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes.

The System utilizes the "Entry Age Normal with Frozen Initial Liability" actuarial method in establishing employer contribution rates. Under this method, the Unfunded Accrued Actuarial Liability is affected only by the monthly amortization payments, compound interest, the added liability created by new employer units, and any added liabilities caused by changes in benefit provisions. All actuarial gains or losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost. The unfunded accrued actuarial liability is being amortized over a 40-year period beginning January 1, 1990. However, periodically, the Employee Trust Funds Board has reviewed and, when appropriate, adjusted the actuarial assumptions used to determine this liability. Changes in the assumptions affect the unfunded accrued actuarial liability, and the resulting actuarial gains or losses are credited or charged to employer's unfunded liability accounts. The State of Wisconsin, as of December 31, 2008, had no unfunded liability. The total system unfunded liability of $253 million, as of December 31, 2008, is attributable to local governments.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 2008 Comprehensive Annual Financial Report.

The preceding provides a comparative actuarial balance sheet for the most recent reporting periods.

Table II-17

WISCONSIN RETIREMENT SYSTEM
FUNDING RATIO
(Amounts in Thousands)

Year	A Net Real Assets	B Unfunded Actuarial Liability	C Reserve Requirement (A+B)	D Funding Ratio (A÷C)
1999	$ 49,403,700	$ 2,145,800	$ 51,549,500	95.8
2000	51,824,600	2,169,000	53,993,600	96.0
2001	58,024,300	2,110,400	60,134,700	96.5
2002	57,861,900	1,756,900	59,618,800	97.1
2003	62,685,300	526,400	63,211,700	99.2
2004	66,209,400	412,900	66,622,300	99.4
2005	68,615,100	372,500	68,987,500	99.5
2006	73,415,300	320,500	73,735,800	99.6
2007	79,791,900	287,800	80,079,700	99.6
2008	77,159,400	252,600	77,412,000	99.7

Source: Department of Employee Trust Funds

Table II-18

WISCONSIN RETIREMENT SYSTEM
COVERED EMPLOYEES

Year	Active State	Active Local	Retired
1999	66,716	186,582	102,817
2000	68,330	189,710	107,425
2001	70,512	193,371	112,142
2002	71,222	195,128	116,289
2003	71,031	194,119	121,582
2004	70,933	193,667	126,211
2005	70,006	193,116	131,674
2006	70,366	192,490	137,117
2007	71,162	192,219	142,906
2008	72,165	193,556	144,033

Source: Department of Employee Trust Funds

Table II-19

WISCONSIN RETIREMENT SYSTEM
REQUIRED CONTRIBUTIONS BY SOURCE[a]
(Amounts in Thousands)

	State		Local		Total	
Year	**Employee**	**Employer**	**Employee**	**Employer**	**Employee**	**Employer**
1999	$ 886	$294,436	$3,564	$863,003	$4,450	$1,157,439
2000	800	305,049	3,543	754,516	4,343	1,059,565
2001	739	283,567	3,467	765,541	4,206	1,049,108
2002	763	315,782	3,679	733,748	4,442	1,049,530
2003	860	304,740	3,871	758,829	4,731	1,063,569
2004	937	324,297	4,106	784,860	5,043	1,109,156
2005	1,038	344,760	4,339	829,156	5,377	1,173,916
2006	1,169	368,020	4,606	863,256	5,775	1,231,276
2007	1,622	393,386	4,934	902,112	6,556	1,295,498
2008	1,748	421,936	5,217	937,406	6,965	1,359,342

[a] Employer contributions include employer pick-up of employee contributions.

Source: Department of Employee Trust Funds

Table II-20

WISCONSIN RETIREMENT SYSTEM
STATE EMPLOYER CONTRIBUTION RATES[a]

Employee Classification	Current Service	Prior Service	Total
Protective	8.6%	0.0%	8.6%
Elected	8.7	0.0	8.7
General	4.8	0.0	4.8

[a] Effective January 1, 2010

Source: Department of Employee Trust Funds

Table II-21

WISCONSIN RETIREMENT SYSTEM
REVENUES BY TYPE
(Amounts in Thousands)

	Contributions						
Year	Required Employee	Required Employer[a]	Additional Employee	Investment Income	Supplemental	Misc.	Total
1999	$ 505,411	$ 656,478	$ 8,802	$ 9,235,371	$ 6,272	$ 205	$10,412,539
2000	511,661	561,052	10,441	(1,032,185)	5,496	184	56,649
2001	496,012	557,303	5,086	(1,990,408)	4,517	211	(927,279)
2002	513,038	910,181	13,593	(5,880,598)	3,873	184	(4,439,279)
2003	564,754	1,737,816	6,329	12,043,429	3,301	3,563	14,359,192
2004	605,184	645,476	18,236	7,512,872	3,082	191	8,785,131
2005	623,250	603,012	17,468	5,492,548	3,039	173	6,739,490
2006	614,726	653,849	16,891	10,962,280	1,764	127	12,249,637
2007	688,044	646,615	18,462	6,495,914	1,422	401	7,850,858
2008	722,534	684,731	14,139	(22,744,110)	1,160	1,618	(21,319,928)

(a) The amount in 2003 reflects payment made by the State from proceeds of obligations issued to fund the State's unfunded accrued prior service liability, as of January 1, 2003. Employer contributions include current service and, for employers other than the State, amounts required to reduce their respective unfunded accrued liability over a 40–year amortization period beginning in 1990.

Source: Department of Employee Trust Funds

Table II-22

WISCONSIN RETIREMENT SYSTEM
BENEFIT EXPENDITURES BY TYPE[a]
(Amounts in Thousands)

Year	Separations	Death	Annuities	Supplemental[b]	Misc.	Total
1999	$ 35,609	$ 13,858	$1,844,479	$ 6,272	$ 12,328	$1,912,546
2000	49,814	25,724	2,237,824	5,496	183,350	2,502,208
2001	40,740	22,308	2,467,690	4,517	15,635	2,550,890
2002	38,470	27,551	2,603,193	3,873	18,667	2,691,754
2003	28,847	32,725	2,627,877	3,301	16,392	2,729,142
2004	24,967	28,028	2,797,263	3,082	13,496	2,866,836
2005	25,221	26,633	3,041,029	3,039	17,859	3,113,781
2006	25,072	37,507	3,195,279	1,764	16,316	3,275,938
2007	24,172	36,874	3,480,104	1.422	17,689	3,560,261
2008	27,375	28,802	3,793,740	1,160	17,970	3,869,047

(a) Amounts include payments from employee additional contributions.

(b) Supplemental benefits were granted to certain employees by the Legislature in 1974. These benefits are paid out of the State General Fund.

Source: Department of Employee Trust Funds

ACTUARIAL ASSUMPTIONS

The following set forth the actuarial assumptions that will be applied in the determination of contribution levels required for the funding of the Wisconsin Retirement System effective January 1, 2007.

Table II-23

WISCONSIN RETIREMENT SYSTEM
SEPARATION BEFORE AGE AND SERVICE RETIREMENT

Select and Ultimate Withdrawal

	% of Active Participants Terminating								
	Protective		Public Schools		University			Others	
Age & Service	With Soc. Sec.	Without Soc. Sec.	Males	Females	Males	Females	Executive &Elected	Males	Females
0	12.0%	5.0%	14.0%	11.0%	20.0%	20.0%	16.0%	21.0%	20.0%
1	6.5	3.0	11.0	9.0	16.0	17.0	14.0	13.0	14.0
2	4.5	2.0	7.0	7.0	13.0	14.0	12.0	9.5	10.0
3	4.1	1.5	5.2	6.0	11.0	12.0	10.0	7.5	8.0
4	3.2	1.4	4.0	5.0	9.0	10.0	9.5	5.5	7.0
5 & over									
25	2.0	0.9	2.0	2.5	3.5	5.5	7.0	3.0	4.0
30	2.0	0.8	1.8	2.2	3.5	5.5	7.0	3.0	3.7
35	1.8	0.8	1.4	1.8	3.5	5.5	7.0	2.6	3.2
40	1.4	0.8	1.2	1.4	3.4	4.7	5.8	2.0	2.7
45	1.2	0.7	1.1	1.2	2.8	3.4	4.7	1.6	2.2
50	1.0	0.7	0.9	1.0	1.9	2.1	4.2	1.3	1.9
55	1.0	0.7	0.9	1.0	1.5	1.6	4.0	1.3	1.8
60	1.0	0.7	0.9	1.0	1.5	1.6	4.0	1.3	1.8

Disability Rates

	% of Active Participants Becoming Disabled							
	Protective		Public Schools		University		Others	
Age	With Soc. Sec.	Without Soc. Sec.	Males	Females	Males	Females	Males	Females
20	0.02%	0.05%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
25	0.02	0.05	0.01	0.01	0.01	0.01	0.01	0.01
30	0.02	0.05	0.01	0.01	0.01	0.01	0.01	0.04
35	0.03	0.06	0.01	0.01	0.01	0.04	0.02	0.05
40	0.05	0.08	0.02	0.02	0.01	0.06	0.05	0.07
45	0.07	0.16	0.05	0.08	0.03	0.05	0.10	0.10
50	0.11	0.92	0.14	0.16	0.05	0.10	0.23	0.15
55	1.73	0.68	0.26	0.23	0.15	0.15	0.43	0.28
60	2.92	0.20	0.43	0.34	0.20	0.23	0.77	0.39

Source: Department of Employee Trust Funds

Table II-24

WISCONSIN RETIREMENT SYSTEM
RETIREMENT PATTERNS

Rates of Retirement for Those Eligible to Retire
(Normal Retirement Pattern)

	% Retiring Next Year								
	General		Public Schools		University		Protective		
							With	Without	Executive
Age	Males	Females	Males	Females	Males	Females	Soc. Sec.	Soc. Sec.	& Elected
50							8%	3%	
51							8	3	
52							8	7	
53							30	25	
54							20	30	
55							20	30	
56							18	30	
57	25%	20%	40%	30%	20%	15%	18	35	15%
58	25	20	35	30	15	15	18	30	15
59	25	20	30	30	15	15	18	20	15
60	25	20	30	30	15	15	18	20	15
61	20	20	30	35	17	25	18	20	15
62	35	30	40	40	17	25	20	20	10
63	35	30	40	35	17	20	30	20	10
64	25	25	25	25	17	20	20	20	10
65	25	25	25	30	20	20	30	40	10
66	25	25	25	25	20	20	25	40	20
67	10	15	15	25	20	20	25	40	20
68	10	10	15	20	20	20	25	40	20
69	10	10	20	20	20	20	25	40	20
70	10	10	20	20	20	20	100	100	10
71	10	10	20	20	20	20	100	100	10
72	10	10	20	20	20	20	100	100	10
73	10	10	20	20	20	20	100	100	10
74	10	10	20	20	20	20	100	100	10
75	100	100	100	100	100	100	100	100	100

Source: **Department of Employee Trust Funds**

Table II-25

WISCONSIN RETIREMENT SYSTEM
OTHER ASSUMPTIONS

Mortality Rates

Active & Retired Life Mortality Rates

Sample Attained Ages	Future Life Expectancy (years) Males	Females
40	40.9	45.3
45	36.2	40.5
50	31.5	35.7
55	27.0	30.9
60	22.7	26.4
65	18.5	22.0
70	14.5	17.8
75	11.0	13.9
80	8.1	10.4
85	5.7	7.4

Salary Scale

	% Increases in Salaries Next Year								
	Merit					Total			
Age	Other	Teachers	Protective	Executive & Elected	Base (Economy)	Other	Teachers	Protective	Executive & Elected
1	3.5%	3.5%	5.0%	1.2%	4.1%	7.6%	7.6%	9.1%	5.3%
2	3.5	3.5	5.0	1.2	4.1	7.6	7.6	9.1	5.3
3	3.2	3.4	4.4	1.2	4.1	7.3	7.5	8.5	5.3
4	2.9	3.3	3.7	1.2	4.1	7.0	7.4	7.8	5.3
5	2.6	3.2	3.1	1.1	4.1	6.7	7.3	7.2	5.2
10	1.6	2.9	1.6	1.0	4.1	5.7	7.0	5.7	5.1
15	1.3	2.4	1.0	0.9	4.1	5.4	6.5	5.1	5.0
20	1.1	1.9	0.9	0.8	4.1	5.2	6.0	5.0	4.9
25	0.9	1.3	0.7	0.6	4.1	5.0	5.4	4.8	4.7
30	0.7	1.2	0.7	0.4	4.1	4.8	5.3	4.8	4.5

Future Annual Investment Return

For purposes of the above tables, the future annual invested return is assumed to be 7.8%.

For benefit calculation purposes, an assumed benefit rate of 5.0% is used.

Source: Department of Employee Trust Funds

STATE OF WISCONSIN INVESTMENT BOARD

The State of Wisconsin Investment Board (**SWIB**) invests the assets of the State Investment Fund, the Wisconsin Retirement System, and several smaller trust funds established by the State. Overall policy direction for SWIB is established by an independent, nine-member Board of Trustees (**Trustees**). The Trustees establish long-term investment polices, set guidelines for each investment portfolio, and monitor investment performance.

Pursuant to Wisconsin Statutes, the State Investment Fund consists of cash balances of the General Fund, State agencies and departments, and Wisconsin Retirement System reserves. In addition, the State Investment Fund also includes investment deposits from elective participants consisting of over 1,000 municipalities and other public entities, which are accounted for in the LGIP, which is a subset of the State Investment Fund.

The objectives of the State Investment Fund are to provide (in order of priority):

- Safety of principal
- Liquidity
- Reasonable rate of return

This fund includes the cash balances from retirement trust funds while they are pending longer-term investment. This fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The State Investment Fund is strategically managed as a money market fund, but has the ability to have a longer average maturity than a typical money market fund. This strategy is made possible by the mandatory investment of State funds for which the cash-flow requirements can be determined significantly in advance. Because of the role played by the State Investment Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

With regard to investments of the State Investment Fund, the Wisconsin Statutes establish parameters, and the Trustees establish and monitor policies covering:

- Types of assets and the amount that can be acquired
- Delegation of powers to purchase and sell and specific guidelines for various types of investments
- Emergency powers in the event the Trustees are unable to meet
- Guidelines pertaining to use of derivatives, financial futures, and related options

The policies seek to achieve safety of principal and liquidity by attention to quality standards, maturity, and marketability. The policies seek to enhance return through portfolio management that considers, among other things, anticipated changes in interest rates and the yield curve.

SWIB's executive director is appointed by the Trustees. The executive director is responsible for oversight of staff activities and developing and recommending policies for adoption by the Trustees. The portfolio managers and analysts are all responsible for daily investment decisions in their markets. Their activities are monitored by SWIB's chief investment officer, who is appointed by the executive director with participation of the Trustees.

The nine members of the Board of Trustees include:

- The Secretary of Administration or a designee.
- Two members are participants in the Wisconsin Retirement System. One of these is a teacher who is appointed by the Teacher Retirement Board. The other represents non-teacher participants and is appointed by the Wisconsin Retirement Board.
- Six members, called public members, are appointed by the Governor. Of these public members, four are required to have at least ten years of investment experience and one is required to be a non-elected government official from a smaller Local Government Investment Pool participant, with at least ten years of financial experience.

All appointed members serve six-year terms. The Trustees usually meet on a monthly basis.

As a public agency, SWIB is not registered under the Investment Company Act of 1940, the Investment Advisor Act of 1940, or the Commodity Exchange Act. However, a description of LGIP and State Investment Fund risk factors, guidelines, and investment objectives may be obtained from the State of

Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842 . The phone number is (608) 266-2381, the e-mail address is info@swib.state.wi.us, and the web site address is www.swib.state.wi.us.

Table II-26 presents unaudited financial and statistical information for the State Investment Fund. A copy of SWIB's annual report or information on the Local Government Investment Pool and the State Investment Fund may be obtained from SWIB.

Table II-26
STATE INVESTMENT FUND
(As of October 31, 2009; Unaudited)
Holdings Detail Report

	Amortized Cost	Market Value	Percent of Portfolio at Amortized Cost
NOW Accounts	$ 366,425,000	$ 366,425,000	5.5%
U.S. Governments Agencies	3,939,125,051	3,940,296,147	59.4
U.S. Repurchase Agreements	1,767,000,000	1,767,000,000	26.7
U.S. Governments Treasuries	498,792,889	499,196,000	7.5
Certificates of Deposit and Bankers	56,800,000	56,800,000	0.9
Mortgage-Backed	62,574	62,574	0.0
	$6,628,205,514	$6,629,779,721	100.0%

Accrued Gross Income: $1,270,848

Average Maturity for the Last Six Months

Reporting Date	Average Maturity (Days)	Reporting Date	Average Maturity (Days)
10/31/2009	57	7/31/2009	75
9/30/2009	61	6/30/2009	69
8/31/2009	61	5/31/2009	59

Summary of Investment Fund Participants

	Par Amount	Percent of Portfolio
Mandatory Participants		
State of Wisconsin and Agencies	$ 2,795,059,000	37.4%
State of Wisconsin Investment Board	2,278,988,000	30.5
Elective Participants		
Local Government Investment Pool	2,403,218,000	32.1
	$ 7,477,265,000	100.0%

NOTE: The difference between the total of the participants' share ($7,477,265,000) and the amortized cost of the State Investment Fund holdings detail report ($6,628,205,514) is the result of (i) check float (checks written and posted at the Department of Administration that have not cleared the bank) and a timing delay by the State in posting bank receipts that have already been invested by SWIB and (ii) approximately $985 million in cash in the State Investment Fund as of October 31, 2009.

Source: State of Wisconsin Investment Board

STATISTICAL INFORMATION

The following tables present information pertaining to the State's economic condition, including property value, population, income, and employment.

Table II-27
STATE ASSESSMENT
(EQUALIZED VALUE)
OF TAXABLE PROPERTY

Calendar Year	Value of Taxable Property	Rate of Increase (Decrease)
2000	$286,321,491,800	—
2001	312,483,706,600	9.1%
2002	335,326,478,700	7.3
2003	360,710,211,300	7.6
2004	391,187,814,700	8.4
2005	427,933,562,000	9.4
2006	468,983,199,800	9.6
2007	497,920,348,700	6.2
2008	514,393,963,700	3.3
2009	511,911,983,100	(0.5)

Source: Department of Revenue

Table II-28
DELINQUENCY RATE:
INCOME, FRANCHISE, GIFT, SALES, AND USE TAXES

Fiscal Year	Total Revenues Expected (Amounts in Thousands)	Delinquent Balance[a] (Amounts in Thousands)	Delinquent Balance as a Percent of Total Revenues Expected
2000	$10,144,899	$ 644,310	5.08%
2001	9,327,051	665,826	5.78
2002	9,255,488	767,243	6.65
2003	9,264,797	691,613	6.09
2004	9,775,264	679,552	5.99
2005	10,480,113	682,265	5.37
2006	11,049,893	702,961	5.30
2007	11,712,103	794,238	5.45
2008[b]	11,978,322	1,016,825	8.49
2009	10,957,071	1,128,139	10.30

[a] The collectible delinquent balance is generally less than shown. The collectible delinquent balance is determined by decreasing the delinquent balance by various factors to address amounts owed by taxpayers in bankruptcy, amounts owed by deceased taxpayers, amounts owed by defunct corporations, and amounts owed by accounts assigned to field revenue agents.

[b] The delinquent balance increased starting with the 2007-08 fiscal year due to a new integrated audit, processing, and collection system and a change in the way DOR records accruing interest. In the previous system, accruing interest was only posted to the delinquent tax account when a payment or credit was received. In the new system, accruing interest is posted each month to the delinquent accounts.

Source: Department of Revenue

Table II-29
POPULATION TREND

	Wisconsin Total (Amounts in Thousands)	Rank	% Change Wisconsin	% Change U.S.	Population Per Sq. Mile Wisconsin	Population Per Sq. Mile U.S.
1910	2,334	13	12.8	21.0	42.2	26.0
1920	2,632	13	12.8	15.0	47.6	29.9
1930	2,939	13	11.7	16.2	53.7	34.7
1940	3,138	13	6.8	7.3	57.3	37.2
1950	3,435	14	9.5	14.5	62.8	42.6
1960	3,952	15	15.1	18.5	72.6	50.6
1970	4,418	16	11.8	13.3	81.1	57.5
1980	4,706	16	6.5	11.4	86.5	64.0
1990	4,892	16	4.0	9.8	90.1	70.3
2000	5,364	18	9.6	13.2	98.8	79.6
2001	5,404	18	0.8	1.3	99.5	80.6
2002	5,439	20	0.6	1.0	100.2	81.4
2003	5,472	20	0.6	1.0	100.8	82.2
2004	5,504	20	0.6	1.0	101.4	83.0
2005	5,536	20	0.6	1.0	101.9	84.0
2006	5,557	20	0.9	0.9	103.0	85.0
2007	5,602	20	0.8	1.0	103.5	86.4
2008	5,628	20	0.5	0.9	103.9	87.1

Source: Decennial census and land area statistics—2000 Census of Population and Housing, and U.S. Bureau of the Census World Wide Web Site; Tables GCT-T1-R and TM-M2

Table II-30
POPULATION CHARACTERISTICS
(April 2000)

	Wisconsin	U.S.
% Urban	68.3	79.0
% Rural/nonfarm	29.1	19.9
% Rural/farm	2.6	1.1
% Foreign-born	3.6	11.1
Dependency Ratio [(a)]	1.59	1.62

Years of School Completed
(as % of population age 25 and over)

	Wisconsin	U.S.
Grade School - 8 years	94.6	92.5
High School - 4 years	85.0	80.4
Bachelor's Degree	22.5	24.4

[(a)] Population age 18-64 years of age divided by population less than 18 years of age and population 65 years of age and older.

Source: 2000 Census of Population and Housing, U.S. Bureau of the Census World Wide Web Site

Table II-31
POPULATION BY AGE GROUP
(2008)

	Wisconsin	U.S.
Under 5	6.4%	6.9%
5-14	12.7	13.2
15-44	40.5	41.4
45-59	22.0	20.7
60 and over	18.3	17.8
Total	100.0	100.0

Source: 2008 Census Population Estimates Table T-6

Table II-32
ESTIMATED PERSONAL INCOME

Year	Wisconsin Total (Amounts in Millions)	Per Capita Wisconsin	Per Capita U.S.	Percentage Wis. To U.S.
1999	$143,589	$26,926	$27,880	96.6%
2000	153,548	28,570	29,845	95.7
2001	158,888	29,392	30,575	96.1
2002	163,273	30,011	30,814	97.4
2003	167,586	30,613	31,487	97.2
2004	176,630	32,063	33,041	97.0
2005	185,821	33,511	34,586	96.8
2006	191,567	34,701	36,276	95.6
2007	203,008	36,241	38,564	94.0
2008	209,999	37,314	39,750	93.9

Source: Bureau of Economic Analysis, U.S. Department of Commerce, World Wide Web Site

Table II-33
MEDIAN INCOME FOR FOUR-PERSON FAMILY

Year[(a)]	Wisconsin	U.S.	Percentage Wis. To U.S.
1999	$52,986	$51,518	102.8%
2000	57,270	53,350	107.3
2001	58,000	56,061	103.5
2002	63,436	59,981	105.8
2003	66,725	62,228	107.2
2004	65,441	63,278	103.4
2005	66,988	62,732	106.8
2006	69,010	65,093	106.0
2007	71,267	66,111	107.7
2008	71,064	67,019	106.0

[(a)] Year refers to the time period used for eligibility for the Department of Health and Human Services' Low Income Home Energy Assistance Program (LIHEAP).

Source: U.S. Bureau of the Census for Low Income Home Energy Assistance Program of the U.S. Department of Health and Human Services; World Wide Web Site

Table II-34
DISTRIBUTION OF EARNINGS BY INDUSTRY
(By Place of Work)

	Wisconsin Distribution		U.S. Distribution	
	2007	2008	2007	2008
Farm	0.7%	0.7%	0.3%	0.3%
Nonfarm				
Natural Resources & Mining	0.2	0.2	1.0	1.2
Utilities	0.8	0.8	0.7	0.7
Construction	5.6	5.3	5.8	5.6
Manufacturing	21.5	21.1	11.8	11.3
Wholesale Trade	5.7	5.8	5.8	5.8
Retail Trade	6.5	6.3	6.6	6.4
Transportation & Warehousing	3.5	3.4	3.2	3.2
Information	2.3	2.3	3.3	3.3
Financial Activities & Real Estate	7.6	7.6	9.7	9.4
Professional & Business Services	11.4	11.3	15.8	16.0
Educational & Health Services	13.5	14.0	11.6	12.1
Leisure & Hospitality	3.5	3.5	4.5	4.4
Other Services	3.0	3.1	3.1	3.2
Government	14.3	14.6	16.8	17.2
Total Earnings by Industry	100.0	100.0	100.0	100.0

Note: This table reflects NAICS and items may not total due to rounding.
Source: Bureau of Economic Analysis, U.S. Department of Commerce Table SA07, World Wide Web Site

Table II-35
ESTIMATED EMPLOYEES IN WISCONSIN ON NONAGRICULTURAL PAYROLLS[(a)]
(2008 Annual Average)

	Wisconsin		U.S.	
	(Amounts in Thousands)	%	(Amounts in Thousands)	%
Natural Resources & Mining	18.9	0.5	2,014	1.1
Construction	190.4	5.4	11,151	6.2
Manufacturing	510.1	14.5	14,091	7.9
Retail Trade	393.4	11.2	18,862	10.9
Wholesale Trade	134.1	3.8	6,571	3.7
Transportation, Warehousing & Utilities	133.8	3.8	6,610	3.7
Information	57.6	1.9	3,530	2.0
Financial Activities	310.8	8.8	17,393	9.7
Professional & Business Services	384.9	10.9	25,340	14.2
Educational & Health Services	454.7	12.9	22,470	12.6
Leisure & Hospitality	312.7	8.9	16,175	9.0
Other Services	190.5	5.4	10,329	5.8
Government	432.4	12.3	24,577	13.7
Total	3,524.1	100.0	179,113	100.0

[(a)] Not seasonally adjusted.

Source: Department of Workforce Development

Table II-36
GENERAL STATISTICS OF MANUFACTURING[a]

	2000	2006
New Capital Expenditures (millions)	$ 4,363.4	$ 3,902.8
Number of Employees (thousands)	574.9	471.3
Total Payroll (millions)	$ 21,012.9	$ 20,775.3
Number of Production Workers (thousands)	425.6	342.9
Value Added by Manufacturer (millions)	$ 63,684.4	$ 71,864.9
Value of Shipments (millions)	$131,754.9	$153,782.0

[a] Data for 2000 and 2006 is from census of manufacturers.

Source: U.S. Bureau of the Census; World Wide Web Site

Table II-37
ESTIMATED PRODUCTION WORKERS
IN MANUFACTURING: HOURS AND EARNINGS
(Annual Average)

	Wisconsin			United States		
	2002	2008	% Change	2002	2008	% Change
Weekly Earnings	$642.3	$718.2	11.8	$618.8	$724.2	17.0
Weekly Hours	40.5	40.0	(1.2)	40.5	40.8	0.7
Hourly Earnings	$ 15.9	$ 18.0	13.2	$ 15.30	$ 17.7	15.7

Source: Department of Workforce Development

Table II-38
TOTAL NEW HOUSING UNITS AUTHORIZED
IN PERMIT–ISSUING PLACES

		% Change	
Year	Wisconsin	Wisconsin	U.S.
1999	35,570	0.4	3.2
2000	34,154	(4.0)	(4.3)
2001	37,773	10.6	2.8
2002	38,208	1.2	6.8
2003	40,884	7.0	8.1
2004	39,992	(2.2)	8.6
2005	35,334	(11.6)	4.1
2006	27,329	(19.8)	(14.6)
2007	21,837	(20.1)	(24.0)
2008	15,509	(29.0)	(35.1)

Source: U.S. Bureau of the Census, World Wide Web Site

Table II-39
UNEMPLOYMENT RATE COMPARISON[a]
By Month 2004 To 2009
By Quarter 2000 To 2003

	2009		2008		2007		2006		2005		2004	
	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.
January	7.7	8.5	5.5	5.4	5.5	5.0	5.1	5.1	5.5	5.7	5.9	6.3
February	8.8	8.9	5.8	5.2	5.8	4.9	5.7	5.1	6.0	5.8	6.2	6.0
March	9.4	9.0	5.6	5.2	5.6	4.5	5.6	4.8	5.6	5.4	6.3	6.0
April	8.8	8.6	4.4	4.8	5.2	4.3	4.9	4.5	4.9	4.9	5.3	5.4
May.....	8.7	9.1	4.2	5.2	4.7	4.3	4.5	4.4	4.6	4.9	4.9	5.3
June	9.2	9.7	4.9	5.7	5.1	4.7	4.9	4.8	4.9	5.2	5.3	5.8
July	8.7	9.6	4.8	6.0	4.8	4.9	4.7	5.0	4.7	5.2	4.9	5.7
August	8.4	9.6	4.7	6.1	4.7	4.6	4.5	4.6	4.3	4.9	4.6	5.4
September..	7.7	9.5	4.4	6.0	4.3	4.5	4.2	4.4	4.1	4.8	4.2	5.1
October.....	7.6	9.5	4.4	6.1	4.2	4.4	3.9	4.1	3.9	4.6	4.1	5.1
November..			5.2	6.5	4.3	4.5	4.3	4.3	4.4	4.8	4.3	5.2
December ..			5.8	7.1	4.6	4.8	4.5	4.3	4.6	4.6	4.5	5.1
Annual Average ...			4.7	5.8	4.9	4.6	4.7	4.6	4.8	5.1	5.0	5.5

2003 Quarters	Wis.	U.S.	2002 Quarters	Wis.	U.S.
I	6.5	6.4	I	6.2	6.2
II	5.9	6.0	II	5.4	5.7
III	5.3	6.0	III	4.8	5.7
IV	4.8	5.5	IV	4.7	5.6

2001 Quarters	Wis.	U.S.	2000 Quarters	Wis.	U.S.
I	4.6	4.6	I	3.9	4.4
II	4.3	4.3	II	3.4	3.9
III	4.1	4.8	III	3.2	4.0
IV	4.5	5.2	IV	3.0	3.7

[a] Figures show the percentage of labor force that is unemployed and are *not seasonally adjusted*.

Source: Department of Workforce Development and U.S. Bureau of Labor Standards

APPENDIX A

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

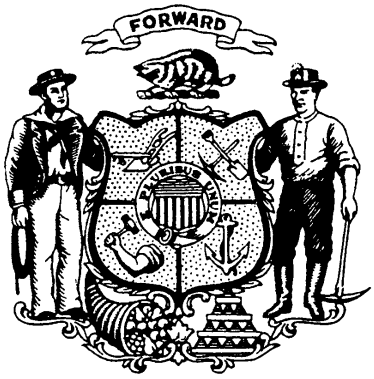
The following material is a reprint of the "General Purpose External Financial Statements" section of the audited CAFR for the fiscal year ended June 30, 2009 The entire CAFR is available from the State Controller's Office, Department of Administration, P.O. Box 7864, Madison, WI 53707-7864. The entire CAFR is also available on the internet at:

www.doa.wi.gov/capitalfinance

{This page number is the last sequential page number of the 2009 Annual Report to be used in this Part II of the 2009 Annual Report. The following uses page numbers from the general purpose external financial statements. The sequential page numbers for the 2009 Annual Report continue in Part III.}

WISCONSIN

General Purpose External Financial Statements



For the fiscal year ended June 30, 2009

STATE OF
WISCONSIN

General Purpose External Financial Statements

For the fiscal year ended June 30, 2009

Jim Doyle, Governor

Department of Administration
Michael L. Morgan, Secretary
Stephen J. Censky, State Controller

Prepared by the State Controller's Office DOA-6082AP (R12/09)

General Purpose External Financial Statements
For the Fiscal Year Ended June 30, 2009

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WISCONSIN DEPARTMENT OF
ADMINISTRATION

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GOVERNOR
MICHAEL L. MORGAN
SECRETARY
Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842

December 11, 2009

The Honorable Jim Doyle
The Honorable Members of the Legislature
Citizens of the State of Wisconsin

We are pleased to submit the General Purpose External Financial Statements of the State of Wisconsin for the fiscal year ended June 30, 2009. They are part of the audited Comprehensive Annual Financial Report and present financial information in conformity with generally accepted accounting principles.

The General Purpose External Financial Statements include management's discussion and analysis (MD&A), the basic financial statements, and required supplementary information (RSI).

- MD&A presents a discussion and analysis of the State's financial performance during the fiscal year.
- The basic financial statements include an overview of the government as a whole (excluding the State's fiduciary activities) as well as detailed information on all governmental, proprietary, and fiduciary fund activity. Notes, which are considered part of the basic financial statements, provide additional information and should be used in conjunction with the financial statements.
- RSI includes information on post-employment health insurance benefits, infrastructure and the budgetary comparison schedule with accompanying notes.

The General Purpose External Financial Statements, as well as the Comprehensive Annual Financial Report, are on file at the office of the State Controller and will benefit users requiring summary information about our State's finances. The Comprehensive Annual Financial Report is available on the Department of Administration's website at: http://www.doa.state.wi.us/debf under the "financial reporting" category.

Sincerely,

Michael L. Morgan
Secretary

Stephen J. Censky, CPA
State Controller

STATE OF WISCONSIN
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Janice Mueller
State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Legislature The Honorable James Doyle, Governor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Wisconsin's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements for the following: the Wisconsin Department of Transportation Revenue Bond Program and Commercial Paper Program, which represent 12 percent of the liabilities of the governmental activities and 4 percent of the liabilities of the aggregate remaining fund information; the Badger Tobacco Asset Securitization Corporation, which represents 4 percent of the expenditures of the aggregate remaining fund information; the Environmental Improvement Fund, which is a major fund and represents 22 percent of the assets and 18 percent of the liabilities of the business-type activities; or the College Savings Program Trust, which represents 2 percent of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts audited by others, are based solely upon their reports. In addition, we did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors. Our opinion on the aggregate discretely presented component units is based upon the audit reports of the Wisconsin Housing and Economic Development Authority, the University of Wisconsin Hospitals and Clinics Authority, and the University of Wisconsin Foundation.

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. The following financial statements, which were audited by other auditors, were also audited in accordance with these standards: the Wisconsin Department of Transportation Revenue Bond Program and Commercial Paper Program, the College Savings Program Trust, and the Wisconsin Housing and Economic Development Authority. The financial statements of the other entities that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. Auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial positions of the governmental activities, the business-type activities, the aggregate discretely presented component units,

each major fund, and the aggregate remaining fund information of the State of Wisconsin as of June 30, 2009, 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 20A(3) to the financial statements, the Injured Patients and Families Compensation Fund's loss liabilities are estimates based on recommendations of a consulting actuary. The Injured Patients and Families Compensation Fund's Board of Governors and management believe the estimated loss liabilities are reasonable and represent the most probable estimate of the losses the Fund will pay for the claims incurred to date. However, uncertainties inherent in projecting the frequency and severity of large medical malpractice claims because of the Fund's unlimited liability coverage and extended reporting and settlement periods make it likely that amounts paid will ultimately differ from the reported estimated liabilities. These differences cannot be quantified.

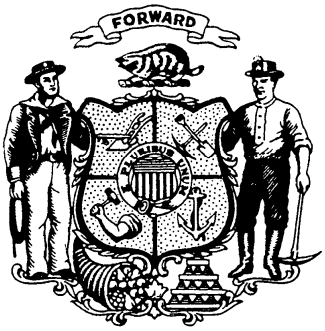
Management's discussion and analysis, the schedule of funding progress for the state retiree health insurance other postemployment benefit plan, the infrastructure narrative, and the budgetary comparison schedule with related notes, as listed in the table of contents, are not required parts of the basic financial statements of the State of Wisconsin but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have prepared a report dated December 11, 2009, on our consideration of the State's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report on internal control and compliance is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

LEGISLATIVE AUDIT BUREAU

December 11, 2009 by Janice Mueller

Janice Mueller
State Auditor


FORWARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the State of Wisconsin's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended June 30, 2009. It should be read in conjunction with the transmittal letter located at the front of this CAFR, and the State's financial statements, which follow this part of the CAFR.

FINANCIAL HIGHLIGHTS -- PRIMARY GOVERNMENT

The State of Wisconsin, like the rest of the nation, experienced an economic decline in Fiscal Year 2009. To assist in stimulating the economy, the federal 2009 American Recovery and Reinvestment Act (ARRA) provided tax relief and additional funding for approximately 132 federal programs administered by at least 16 different state agencies. Both events impacted the financial results reported for the State.

Government-wide (Tables 2 and 3 on Pages 8 and 9)

- *Net Assets.* The assets of the State of Wisconsin exceeded its liabilities at the close of Fiscal Year 2009 by $11.8 billion (reported as "net assets"). Of this amount, $(8.9) billion was reported as "unrestricted net assets". A positive balance in unrestricted net assets would represent the amount available to be used to meet a government's ongoing obligations to citizens and creditors.
- *Changes in Net Assets.* The State's total net assets decreased by $970.4 million in Fiscal Year 2009. Net assets of governmental activities decreased by $222.2 million or 3.8 percent, while net assets of the business-type activities showed a decrease of $748.2 million or 10.8 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities.* During Fiscal Year 2009, the State's total revenues for governmental activities of $24.5 billion were $0.81 billion more than total expenses (excluding transfers) for governmental activities of $23.7 billion. Of these expenses, $10.7 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled $13.8 billion.

Fund

- *Governmental Funds -- Fund Balances.* As of the close of Fiscal Year 2009, the State's governmental funds reported combined ending fund balances of $(1,857.8) million, a decrease of $387.6 million in comparison with the prior year. Of this total amount, $(3,916.3) million represents the "unreserved fund balances".
- *General Fund -- Fund Balance*. At the end of the current fiscal year, total fund balance was $(2,711.6) million, a change of $(209.1) million from $(2,502.6) million reported in the prior year. The unreserved fund deficit for the General Fund was $(3,121.4) million, or (15.4) percent of total General Fund expenditures.

Additional information regarding individual funds begins on Page 13.

Long-term Debt

- The State's total long-term debt obligations (bonds and notes payable) increased by $380.9 million during the current fiscal year which represents the net difference between new issuances, payments and refundings of outstanding debt. The key factors contributing to this increase are the issuance during the fiscal year of $521.9 million of general obligation bonds, a $1.5 billion increase in annual appropriation bonds, and a $1.3 billion decrease in revenue bond obligations, and the early redemption and refunding of general obligation and revenue bonds. Additional detail regarding these activities begins on Page 18.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this CAFR consists of four parts: (1) **management's discussion and analysis** (this section), (2) **basic financial statements**, (3) additional **required supplementary information,** and (4) optional **other supplementary information.** Parts (2), (3), and (4) are briefly described on the following pages:

Basic Financial Statements

The basic financial statements include two sets of statements that present different views of the State -- the ***government-wide financial statements*** and the ***fund financial statements***. These financial statements also include notes that explain some of the information in the financial statements and provide more detail.

- The *government-wide financial statements* provide a broad view of the State's operations. The statements provide both short-term and long-term information about the State's financial status, which assists in assessing the State's financial condition at the end of the fiscal year.

- The *fund financial statements* focus on individual parts of the State government, reporting the State's operations in greater detail than the government-wide statements. The basic fund financial statements provide more detailed information on the State's most significant funds.

Table 1, below, summarizes the major features of the financial statements.

Table 1

Major Features of State of Wisconsin's Government-wide and Fund Financial Statements

	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire State government (except fiduciary funds) and the State's component units, reported as follows: • *Governmental Activities* – Most services generally associated with State government fall into this category, including commerce, education, transportation, environmental resources, human relations and resources, general executive, judicial and legislative. • *Business-Type Activities* – Those operations for which a fee is charged to external users for goods and services are reported in this category. • *Discretely Presented Component Units* – These are operations for which the State has financial accountability but that have certain independent qualities. The State's discretely presented component units are discussed in Note 1-B to the financial statements.	These funds report activities of the State that are not proprietary or fiduciary in nature. Most of the basic services provided by the State, which are primarily financed through taxes, intergovernmental revenues, and other nonexchange revenues, are reported as governmental funds. Examples of the State's governmental funds (including the State's three major governmental funds), as reported within their respective fund types, follow: • *General Fund* (a major fund) • *Special Revenue:* -- Transportation (a major fund) • *Debt Service:* -- Bond Security and Redemption • *Capital Projects:* -- Capital Improvement • *Permanent:* -- Common School (a major fund)	The activities the State operates similar to private business. These funds are used to show activities that operate more like those of commercial enterprises. Fees are charged for services provided, both to outside customers and to other units of the State. Examples of the State's proprietary funds, including the State's four major enterprise funds, follow: • *Enterprise:* -- Injured Patients and Families Compensation (a major fund) -- Environmental Improvement (a major fund) -- University of Wisconsin System (a major fund) -- Unemployment Reserve (a major fund) -- Lottery • *Internal services:* -- Technology Services -- Facilities Operations and Maintenance	These funds are used to show assets held by the State as trustee or agent for others and cannot be used to support the State's own programs. Examples of the State's fiduciary funds, as reported within their respective fund types, follow: • *Pension and Other Employee Benefit Trust Funds:* -- Wisconsin Retirement System • *Investment Trust:* -- Local Government Pooled Investment • *Private Purpose Trust:* -- College Savings Program Trust • *Agency:* -- Support Collection Trust
Required financial statements	• Statement of net assets – Presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the state's net assets are an indicator of whether its financial health is improving or weakening, respectively. • Statement of activities – Presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for different identifiable business-type activities of the State.	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Balance sheet • Statement of revenues, expenses and changes in fund equity • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets Because the State can not use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed in the left column.

(Table 1, continued)

Table 1 (Continued)
Major Features of State of Wisconsin's Government-wide and Fund Financial Statements

	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Accounting basis and measurement focus	Accrual accounting and economic resource focus The accrual basis of accounting, which is similar to the methods used by most businesses, takes into account all revenues and expenses associated with the fiscal year even if cash involved has not been received or paid.	Modified accrual accounting and current financial resource focus These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State. Because this information does not encompass the long-term focus of the government-wide statements, reconciliations are provided on the subsequent page of the governmental fund statements.	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	• Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Additional Required Supplementary Information

In addition to this Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements. The required supplementary information includes (1) post-employment benefits - state health insurance program, (2) condition and maintenance data regarding the State's infrastructure, and (2) a budgetary comparison schedule of the General and the Transportation funds, including reconciliations between the statutory and GAAP fund balances at fiscal year-end.

Other Supplementary Information

The Other Supplementary Information includes combining financial statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds and fiduciary funds, each of which are added together and presented in single columns in the basic financial statements.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Tables 2 and 3 present summary information of the State's net assets and changes in net assets.

Net Assets

As presented in Table 2, total assets of the State on June 30, 2009 were $32.3 billion, while total liabilities were $20.5 billion, resulting in combined net assets (government and business-type activities) of $11.8 billion. The largest component of the State's total net assets, $17.1 billion or approximately 144.9 percent, reflects its investment in capital assets (i.e., land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Approximately $3.6 billion of net assets were restricted by external sources or the State Constitution or Statutes, and were not available to finance the day-to-day operations of the State.

The unrestricted net assets, which, if positive, could be used at the State's discretion, showed a negative balance of $(8.9) billion. Therefore, based on this measurement, no funds were available for discretionary purposes. A contributing factor to the negative balance is that governments recognize a liability on the government-wide statement of net assets as soon as an obligation is incurred. While financing focuses on when a liability will be paid, accounting is primarily concerned with when a liability is incurred. Accordingly, the State recognizes long-term liabilities (such as general obligation debt, compensated absences, and future benefits and loss liabilities – listed in Note 10 to the financial statements) on the statement of net assets. In addition to the effect of reporting long-term liabilities when incurred, the General Fund's total deficit fund balance of $(2.7) billion at year-end, as discussed on Page 13, also contributed to the deficit unrestricted net assets reported in the statement of net assets.

During Fiscal Year 2009, the State issued $521.9 million of general obligation bonds, primarily for the acquisition or improvement of land, water, property, highways, buildings, and equipment. General obligation bonds outstanding at June 30, 2009 totaled $5.4 billion. Outstanding annual appropriation bonds were $3.4 billion at June 30, 2009. In Fiscal Year 2009, appropriation bonds of $1.5 billion were issued to purchase the future right, title and interest in Tobacco Settlement Revenues (TSRs). Outstanding revenue bonds, which are not considered general obligation debt of the State, totaled $2.5 billion at June 30, 2009.

Table 2
Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2009	2008	2009	2008	2009	2008	2009-2008
Current and Other Assets	$ 4,698.8	$ 4,677.3	$ 6,172.1	$ 6,583.0	$ 10,870.9	$ 11,260.2	(3.5) %
Capital Assets	16,842.8	16,211.7	4,628.7	4,401.2	21,471.4	20,612.9	4.2
Total Assets	21,541.6	20,889.0	10,800.8	10,984.2	32,342.4	31,873.2	1.5
Long-term Liabilities	9,707.9	9,245.8	3,267.7	3,334.3	12,975.7	12,580.1	3.1
Other Liabilities	6,175.4	5,762.7	1,360.1	728.7	7,535.4	6,491.4	16.1
Total Liabilities	15,883.3	15,008.5	4,627.8	4,063.0	20,511.1	19,071.5	7.5
Net Assets:							
Invested in Capital Assets Net of Related Debt	13,492.0	12,983.9	3,649.8	3,439.0	17,141.8	16,422.9	4.4
Restricted	1,105.2	1,309.4	2,494.5	3,161.9	3,599.7	4,471.3	(19.5)
Unrestricted (deficit)	(8,939.0)	(8,412.9)	28.8	320.4	(8,910.3)	(8,092.5)	10.1
Total Net Assets	$ 5,658.3	$ 5,880.4	$ 6,173.0	$ 6,921.2	$ 11,831.3	$ 12,801.7	(7.6)

Changes in Net Assets

The revenues and expenses information, as shown in Table 3, was derived from the government-wide statement of activities and reflects how the State's net assets changed during the fiscal year. The State earned program revenues of $17.2 billion and general revenues of $13.8 billion for total revenues of $31.0 billion during Fiscal Year 2009. Expenses for the State during Fiscal Year 2009 were $32.0 billion. As a result of the excess of expenses over revenues, the total net assets of the State decreased $1.0 billion, net of contributions and transfers.

Table 3
Changes in Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2009	2008	2009	2008	2009	2008	2009-2008
Program Revenues:							
Charges for Goods and Services	$ 1,960.1	$ 1,617.5	$ 5,600.1	$ 5,237.3	$ 7,560.2	$ 6,854.8	10.3 %
Operating Grants and Contributions	7,901.6	6,030.6	743.1	397.9	8,644.6	6,428.5	34.5
Capital Grants and Contributions	862.0	728.2	126.3	70.9	988.3	799.2	23.7
General Revenues:							
Income Taxes	6,809.7	7,405.5	-	-	6,809.7	7,405.5	(8.0)
Sales and Excise Taxes	4,755.2	4,809.3	-	-	4,755.2	4,809.3	(1.1)
Public Utility Taxes	307.6	286.5	-	-	307.6	286.5	7.3
Motor Fuel Taxes	1,001.9	1,037.7	-	-	1,001.9	1,037.7	(3.5)
Other Taxes	425.7	575.3	-	-	425.7	575.3	(26.0)
Other General Revenues	515.5	422.5	8.5	15.5	524.0	437.9	19.7
Total Revenues	24,539.2	22,913.1	6,478.0	5,721.6	31,017.2	28,634.7	8.3
Program Expenses:							
Commerce	298.9	293.3	-	-	298.9	293.3	1.9
Education	6,707.7	6,477.2	-	-	6,707.7	6,477.2	3.6
Transportation	2,069.5	1,911.5	-	-	2,069.5	1,911.5	8.3
Environmental Resources	534.9	487.6	-	-	534.9	487.6	9.7
Human Relations and Resources	10,398.2	9,078.1	-	-	10,398.2	9,078.1	14.5
General Executive	551.4	536.5	-	-	551.4	536.5	2.8
Judicial	130.9	125.8	-	-	130.9	125.8	4.1
Legislative	65.6	65.4	-	-	65.6	65.4	0.4
Tax Relief and Other General Expenditures	1,274.9	1,135.6	-	-	1,274.9	1,135.6	12.3
Intergovernmental - Shared Revenue	1,035.1	1,019.3	-	-	1,035.1	1,019.3	1.5
Interest on Long-term Debt	665.4	500.3	-	-	665.4	500.3	33.0
Injured Patients and Families Compensation	-	-	(58.2)	137.7	(58.2)	137.7	(142.3)
Environmental Improvement	-	-	48.5	43.4	48.5	43.4	11.6
University of Wisconsin System	-	-	4,016.5	3,920.6	4,016.5	3,920.6	2.4
Unemployment Reserve	-	-	2,215.3	950.9	2,215.3	950.9	133.0
Lottery	-	-	465.6	487.7	465.6	487.7	(4.5)
Health insurance (a)	-	-	1,086.5	-	1,086.5	-	
Care and Treatment Facilities (a)	-	-	361.6	-	361.6	-	
Other Business-type (a)	-	-	143.4	1,479.4	143.4	1,479.4	(90.3)
Total Expenses	23,732.5	21,630.5	8,279.1	7,019.8	32,011.6	28,650.3	11.7
Excess (deficiency) before Contributions and Transfers	806.8	1,282.6	(1,801.1)	(1,298.3)	(994.4)	(15.6)	
Contributions to Term and Permanent Endowments	-	-	0.7	1.3	0.7	1.3	
Contributions to Permanent Fund Principal	22.6	19.7	-	-	22.6	19.7	
Transfers	(1,051.6)	(1,002.5)	1,052.2	1,002.5	0.6	-	
Special Items - Sale of Future Tobacco Settlement Revenues	1,518.0	-	-	-	1,518.0	-	
Special Items - Purchase of Future Tobacco Settlement Revenues	(1,518.0)	-	-	-	(1,518.0)	-	
Increase (decrease) in Net Assets	(222.2)	299.9	(748.2)	(294.5)	(970.4)	5.4	
Net Assets - Beginning (Restated)	5,880.4	5,580.6	6,921.2	7,215.7	12,801.7	12,796.3	
Net Assets - Ending	$ 5,658.3	$ 5,880.4	$ 6,173.0	$ 6,921.2	$ 11,831.3	$ 12,801.7	(7.6)

(a) In 2008, Health Insurance and the Care and Treatment Centers were reported with "Other Business-type".

Governmental Activities

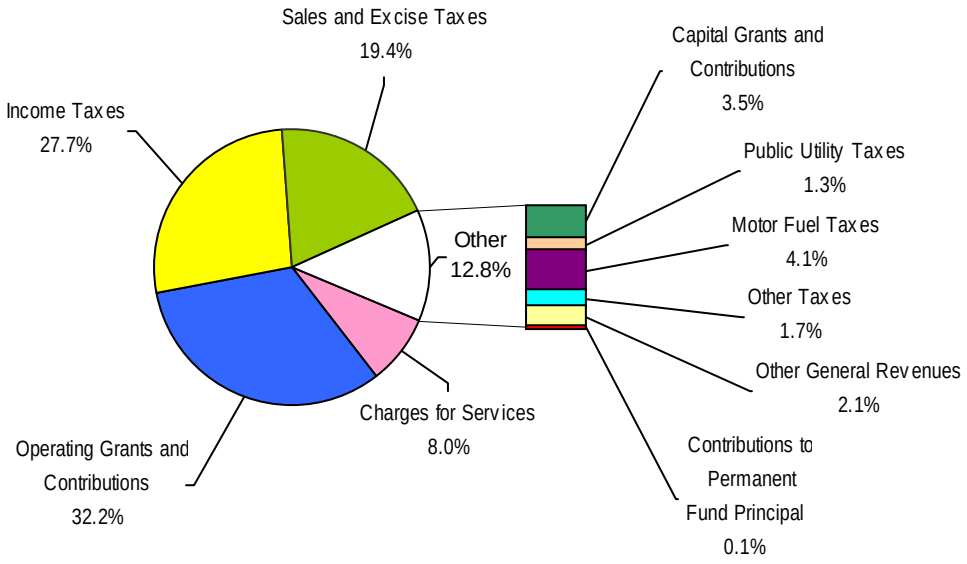
The net assets of governmental activities decreased $0.2 billion in Fiscal Year 2009. Revenues for the governmental activities (including contributions to permanent fund principal) totaled $24.6 billion, while expenses and net transfers totaled $24.8 billion in 2009.

General and program revenues of governmental activities increased $1.6 billion during this fiscal year. Operating grants and contributions increased by $1.9 billion as a result of the enactment of the federal American Recovery and Reinvestment Act (ARRA) of 2009. During the same period, tax revenues declined by $814.2 million which included a reduction of $595.8 million in income tax revenues.

The State's governmental activities program expenses increased $2.1 billion during Fiscal Year 2009. Human relations and resources expenditures increased $1.3 billion. Expenditure increases for the Medical Assistance program and correctional services contributed to this rise. In addition, education expenditures grew $230.5 million, reflecting increased state aid payments to schools.

As shown in Table 4, below, approximately 54.1 percent of revenues from all sources earned came from taxes (sales and excise, income, public utility, motor fuel, and other taxes). Operating grants and contributions represent amounts received from other governments/entities – primarily the federal government. Operating grants and contributions for non-capital purposes provided 32.2 percent of total revenues. Capital grants provided 3.5 percent, charges for services contributed 8.0 percent, and various other revenues provided 2.2 percent of the remaining governmental activity revenue sources.

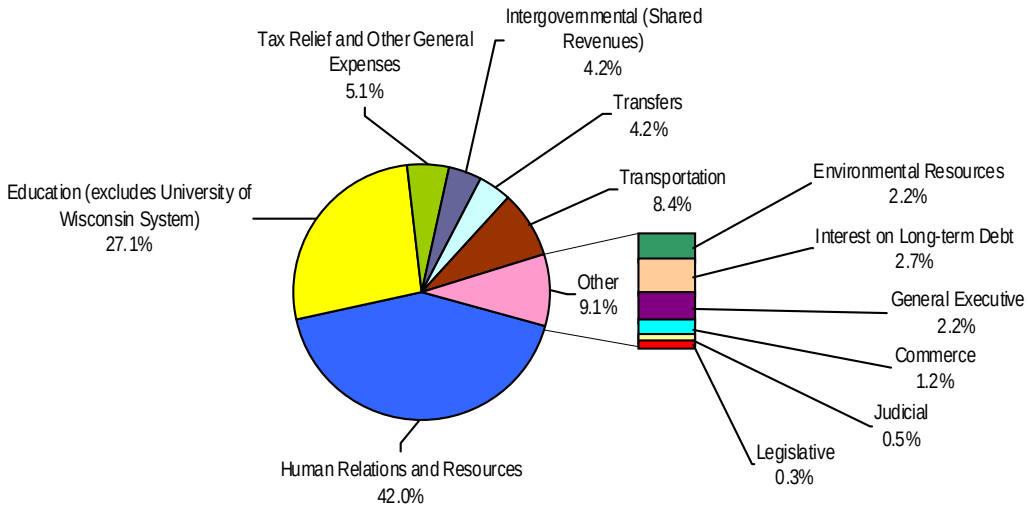
Table 4
Governmental Activities - 2009 Revenues



As shown in Table 5, below, expenses for human relations and resources programs make up the largest portion – 42.0 percent – of total governmental expenses and transfers. Included in this cost function are programs such as Medical Assistance and Temporary Assistance for Needy Families as well as costs for state correctional facilities and services.

Educational expenses, which include various school aids but exclude expenses of the University of Wisconsin System, make up 27.1 percent of total expenses. Tax relief and other general expenses and the municipal and county shared revenue program represent 9.3 percent of the total, while transportation expenses represent 8.4 percent. Net transfers to business-type activities, which include a general purpose revenue subsidy to the University of Wisconsin System, make up 4.2 percent of the total expenses and transfers. The interest on long-term debt and remaining functional expenses total 9.1 percent.

Table 5
Governmental Activities - 2009 Expenses



Business-Type Activities

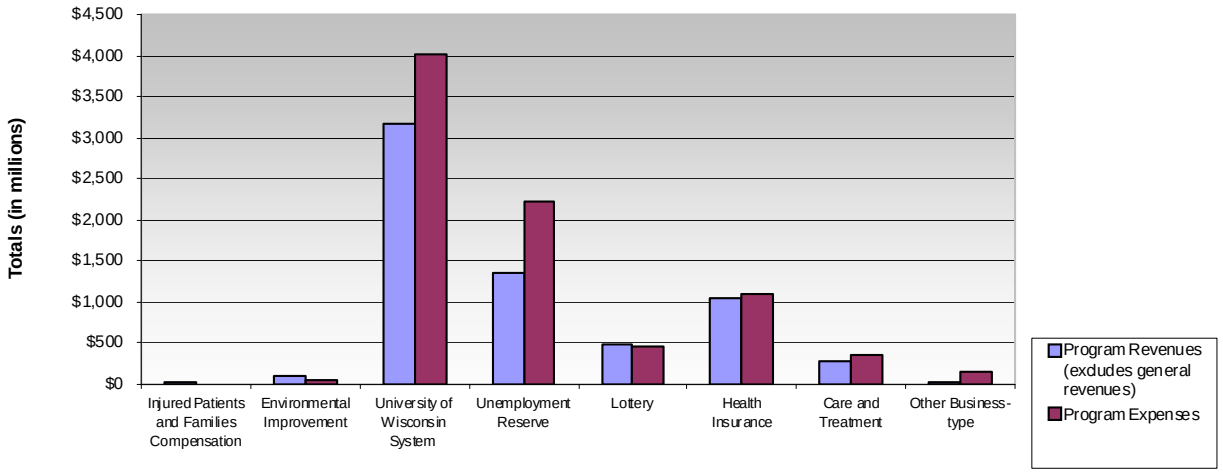
Net assets of the State's business-type activities decreased $748.2 million in Fiscal Year 2009. Total business-type program revenues increased $763.4 million. University of Wisconsin System operating revenues increased $239.7 million due primarily to increases in net student tuition and fees revenue (5.6 percent), federal grants and contracts (11.2 percent), local and private grants and contracts (49.4 percent), and sales and services of auxiliary enterprises (8.3 percent). Unemployment Reserve Fund operating revenues increased $541.1 million due to an increase in federal aid. Participant contributions for non-major funds increased by $100.1 million during Fiscal Year 2009. This increase was primarily the result of increased contributions reported in the Health Insurance Fund.

Program expenses of business-type activities increased $1,259.3 million from Fiscal Year 2008 to 2009. The largest increase in program expenses, $1,264.4 million, related to increased benefit expenses for the Unemployment Reserve Fund. In addition, the University of Wisconsin System program expenses increased by $95.9 million. Offsetting those increases was a $196.8 million reduction in benefit expenses of the Injured Patients and Families Compensation fund.

Revenues of business-type activities totaled $6.5 billion for Fiscal Year 2009. Program revenues consisted of $5.6 billion of charges for services, $743.1 million of operating grants and contributions, and $126.3 million of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal and net transfers totaled $8.5 million, $0.7 million, and $1,052.2 million, respectively. The total expenses for business-type activities were $8.3 billion.

Table 6, below, compares the program revenues and program expenses of the various State business-type activities. This table does not include the transfer in (subsidy) from the General Fund to the University of Wisconsin System or other business-type activities.

Table 6
Fiscal Year 2009
Business-Type Activities
Comparison of Program Revenues to Program Expenses



FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds

At the end of Fiscal Year 2009, the State's governmental funds reported a negative combined fund balance of $(1,857.8) million. Funds with significant changes in fund balance are discussed below:

General Fund

The General Fund is the chief operating fund of the State. In Fiscal Year 2009, the downturn in the economy, the receipt of additional funds under ARRA, and the development of new state revenue sources (hospital assessments and tobacco settlement revenues) had a significant impact on the activity reported in the General Fund. At June 30, 2009, the State's General Fund reported a total fund deficit of $(2,711.6) million. The net change in fund balance during Fiscal Year 2009 was $(209.1) million, in contrast to $(108.1) million in Fiscal Year 2008. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

Revenues

Revenues of the General Fund totaled $21,178.0 million in Fiscal Year 2009, an increase of $1,604.2 million from Fiscal Year 2008. Factors contributing to the increase included the following:

- Intergovernmental revenues (i.e., federal assistance) increased $1,917.2 million in Fiscal Year 2009, primarily due to an increase in expenditures that were eligible for federal reimbursement. The most significant changes related to human relations and resources programs (e.g., Medical Assistance), which increased $1,239.8 million and education, which increased by $647.1 million.
- License and permits revenue increased $356.7 million in Fiscal Year 2009. This increase relates primarily to the start of the hospital assessment program which reported revenue of $447.6 million in Fiscal Year 2009.
- Miscellaneous revenue increased $349.2 million in Fiscal Year 2009, primarily due to the receipt of $295.0 million of tobacco settlement revenues, which previously had been received and reported in the Badger Tobacco Asset Securitization Fund. In addition, the Unclaimed Property program recorded a $15.6 million increase in miscellaneous revenues for the current year.
- Charges for Goods and Services revenue decreased $56.3 million in Fiscal Year 2009, primarily because Fiscal Year 2008 revenues included the $60.0 million court settlement of the gaming compact with the Ho-Chunk Nation.
- Revenues from taxes decreased $949.1 million from Fiscal Year 2008 to Fiscal Year 2009. The most significant decrease relates to income tax, which decreased $725.3 million or 9.6 percent from Fiscal Year 2008 collections. Other changes included a precipitous decrease in estate taxes of $137.9 million or 86.8 percent. This reduction is due to statutory provisions that effectively eliminated the estate tax for deaths that occurred on or after January 1, 2008. Finally, sales and excise tax revenues decreased 1.9 percent, or approximately $91.4 million from Fiscal Year 2008 to Fiscal Year 2009.
- Other revenues, such as fines and forfeitures, gifts and donations, and investment income decreased $13.5 million.

Expenditures

Expenditures of the General Fund totaled $20,252.5 million in Fiscal Year 2009, an increase of $1,801.9 million from Fiscal Year 2008. The factors contributing to the increase included the following:

- Human relations and resources expenditures increased substantially ($1,324.2 million) in Fiscal Year 2009. The increases related primarily to additional Medical Assistance payments, particularly increased rate payments to hospitals for services to Medicaid-eligible individuals.
- An increase in education expenditures of $225.6 million largely due to the increase in state and federal assistance to school districts, which boosted school aids by $273.0 million in Fiscal Year 2009.
- Tax relief and other general expenditures increased by $192.3 million, partially due to a budgeted increase in the state property tax credit program of $79.4 million, from $593.0 million in Fiscal Year 2008 to $672.4 million in Fiscal Year 2009.

- Other functional expenditures, including general executive, judicial and commerce, increased by $35.0 million. In addition, intergovernmental expenditures increased $15.8 million, debt service expenditures increased $10.2 million, while capital outlay expenditures decreased by $1.3 million between Fiscal Years 2008 and 2009.

Other Financing Sources and Uses

Other financing sources/uses and increases/decreases totaled a net $383.4 million in Fiscal Year 2009, a change of $1,614.7 million from the prior year. The components of this change included the following:

- In Fiscal Year 2009, the General Fund issued new appropriation bonds to finance the purchase of the rights to receive future tobacco settlement revenues. The amount of debt issued totaled $1,527.7 million.
- Transfers in to the General Fund increased by $148.5 million (from $325.7 million in Fiscal Year 2008 to $474.3 million in Fiscal Year 2009). The majority of this increase relates to the transfer of residual assets from the Badger Tobacco Asset Securitization Fund of $155.1 million.
- Transfers out of the General Fund totaled $1,638.1 million, an increase of $75.0 million from the prior year. The majority of this increase relates to additional general purpose revenue supplements to other funds of $62.6 million.
- Other financing sources/uses and increases/decreases resulted in a net increase to fund balance of $13.6 million from the prior fiscal year.

Special Items

- In Fiscal Year 2009, the State purchased the rights to receive future revenue streams of the tobacco settlement agreement, which decreased fund balance by $1,518.0 million.

As of June 30, 2009, the General Fund reported a deficit of $(3,121.4) million in its unreserved fund balance. This compares to a General Fund unreserved fund deficit of $(2,852.6) million as of June 30, 2008. A deficit unreserved fund balance represents the excess of the liabilities of the General Fund over its assets and reserved fund balance accounts. Reservations of fund balances of governmental funds represent amounts that are not available for appropriation. Examples of fund balance reservations reported in the General Fund include reserves for encumbrances, inventories, prepaid items, and the Budget Stabilization Fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were significant (a $2.7 billion increase in appropriations). The receipt of funds under ARRA was a significant factor that contributed to appropriation changes during the fiscal year. Also contributing to the variance is the fact that several of the State's programs and various transfers (including Food Stamps - see the items denoted with *, below) are not included in the original budget. In addition, numerous adjustments to spending estimates were needed as the year progressed because of changing circumstances (spending needs can change dramatically over a one-year period). The largest variances occurred in the following appropriations (in millions):

Program	Variance
Federal Aid, Medical Assistance	$ 898.3
Medical Assistance Program Benefits	(239.8)
Public Instruction, Federal Aids; State Allocation	552.3
Public Instruction, Federal Aids; Local Aids	126.1
Food Stamps, Electronic Benefit Transfer	589.8 *

Actual charges to appropriations (expenditures) were $2.7 billion below the final budgeted estimates. The most significant positive variance occurred in the Public Instruction – General Equalization Aids ($654.6 million). This large variance occurred because ARRA funds, in the amount of $552.3 million, were used to supplement these aid payments to school districts.

During the past fiscal year, the budgetary-based fund balance decreased by $155.5 million for the General Fund, in part, because of lower than expected tax collections, but also due to higher expenditures as a result of the economic downturn.

Transportation Fund

In Fiscal Year 2009, the Transportation Fund reported a net increase in fund balance of $109.5 million. This compares to a $37.0 million decrease in fund balance in Fiscal Year 2008. This increase resulted primarily from the following factors:

- The decrease in transfers out of $147.3 million from 2008 to 2009 was the largest contributing factor for the increase. Under 2007 Wisconsin Acts 20 and 226, $155.2 million was transferred to the General Fund in Fiscal Year 2008. This compares to 2007 Wisconsin Act 20 and 2009 Wisconsin Act 2 transfers of $6.8 million in 2009 (a reduction of $148.4 million).

- Revenues of this fund increased $129.3 million, primarily relating to the Fiscal Year 2009 increase in federal funding for the I-94 North-South Freeway Reconstruction and State Highway Rehabilitation projects, as well as an increase in vehicle licensing fees. These increases in revenue were partially offset by an increase in expenditures of $126.9 million. Expenditures totaled $2,344.4 million in Fiscal Year 2009 compared to $2,217.5 million in Fiscal Year 2008.

Capital outlay expenditures funded with general obligation bonds and reported in the Capital Improvement Fund (a capital projects fund) rather than the Transportation Fund, totaled $83.9 million in Fiscal Year 2009, an increase of $55.1 million from Fiscal Year 2008. In addition, capital outlay expenditures of $364.7 million were reported in the Transportation Fund in Fiscal Year 2009, a decrease of $23.1 million from Fiscal Year 2008.

Common School Fund

Common School, a permanent fund, is reported as a major fund for the first time in Fiscal Year 2009. The primary purpose of this fund is to provide low cost loans to municipalities and school districts for public purposes. This fund reported a net increase of $33.0 million in fund balance for the year. This compares to a $34.0 million increase in fund balance in Fiscal Year 2008. Significant changes to the accounts of this fund include:

- Outstanding loans to local governments showed a substantial increase of $80.1 million in Fiscal Year 2009 (from $475.2 million in Fiscal Year 2008 to $555.3 million in the current year). This is a 16.9 percent increase in loans over the prior year.

- Investments of the fund decreased $37.9 million or approximately 38.0 percent in Fiscal Year 2009, from $99.9 million in Fiscal Year 2008 to $62.0 million in Fiscal Year 2009. This reduction was due to a call of outstanding bonds.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Significant changes to balances of proprietary funds from Fiscal Year 2008 to Fiscal Year 2009 include the following:

Unemployment Reserve

- Fund equity of the Unemployment Reserve Fund decreased by $856.8 million during Fiscal Year 2009 from $608.9 million at June 30, 2008 to $(247.9) million at June 30, 2009. Benefit expenses increased from $950.9 million in Fiscal Year 2008 to $2,215.3 million in Fiscal Year 2009, an increase of $1,264.4 million (133.0 percent). The increase in benefits is the result of the unemployment rate increasing from 4.7 percent in June 2008 to 9.2 percent in June 2009. In addition, benefit periods were extended during the current fiscal year from 26 weeks to a possible 79 weeks. Total operating revenues increased by $541.1 million from $754.4 million in Fiscal Year 2008 to $1,295.5 million in Fiscal Year 2009. While federal aid for the unemployment program increased by $558.1 million to $577.0 million, tax receipts decreased by $36.6 million to $635.2 million in Fiscal Year 2009. Law changes that took effect in calendar year 2009, that were intended to strengthen the fund, were insufficient to counter the effects of the significant increase in the unemployment rate. As a result, the Fund depleted its reserves and as of June 30, 2009, had borrowed $435.5 million from the federal government to continue to pay benefits.

Injured Patients and Families Compensation

- Fund equity of the Injured Patients and Families Compensation Fund declined by $47.5 million to a deficit balance of $(109.0) million at June 30, 2009. Benefit expenses decreased $196.8 million to $(61.1) million during Fiscal Year 2009. The decrease was caused largely by an actuarially-determined reduction in the future benefits and loss liability of $121.1 million. The reduction in the future benefits and loss liability is attributed to the Fund releasing reserves from prior years based upon an actuarial analysis which concluded a previous level of conservatism in the liability was not warranted since the Fund uses a 25 percent risk margin. The risk margin is established to ensure that reserves will remain adequate in the event a court decision or law change could adversely affect the amount of future claim payments. Transfers out increased $57.0 million from $71.5 million in Fiscal Year 2008 to $128.5 million in Fiscal Year 2009 pursuant to 2007 Wisconsin Act 20. While operating revenues increased slightly by $0.7 million, investment and interest income dropped by $31.2 million due to a decline in investment balances and market conditions.

University of Wisconsin System

- In Fiscal Year 2009, operating revenues of the University of Wisconsin System increased $239.7 million or approximately 9.2 percent. Revenue was enhanced by an increase in federal grants and contracts of $81.6 million (11.2 percent) and local and private gifts, grants, and contracts, which increased by $62.0 million (49.4 percent). Sales and services of auxiliary enterprises also increased $26.2 million (8.3 percent). Finally, increased student tuition and fees revenue of $49.8 million (5.6 percent) were reported. The net increase in student tuition and fees is primarily due to a 5.5 percent increase in tuition rates approved by the Board of Regents. Fiscal Year 2009 operating expenses increased $198.3 million or 5.1 percent from Fiscal Year 2008. The increase is due primarily to an increase of personal services, supplies and services, and depreciation expenses of $116.0 million, $57.0 million, and $14.6 million, respectively. In addition, expenses for scholarships and fellowships increased by $10.2 million (11.5 percent).

Lottery

- The Lottery Fund reported a decrease in operating revenues of $21.5 million, or 4.3 percent, in Fiscal Year 2009. The decrease is attributable to a decrease in consumer spending associated with the recession and lower than expected Powerball jackpots which, in turn, resulted in lower sales for that game. Operating expenses decreased by $9.4 million or 2.6 percent primarily due to a 2.5 percent decrease in lottery prize awards. The property tax credit, which serves to provide property tax relief through application of net proceeds from the Wisconsin Lottery, totaled $120.8 million in Fiscal Year 2009 in contrast to $133.5 million in Fiscal Year 2008, reflecting a decrease of $12.6 million or 9.5 percent. The amount of the credit is determined and distributed before the end of the fiscal year and based upon the prior year's balance carryover and the current year's estimated performance. Therefore, it is possible that increases or decreases in the property tax credit will differ from the increases and decreases in revenue reported for the current fiscal year.

Environmental Improvement

- The Environmental Improvement Fund issued new revenue bonds of $92.2 million in Fiscal Year 2009, which contributed to a net increase of the fund's liabilities of $29.2 million or approximately 3.6 percent over Fiscal Year 2008. A primary purpose of this fund is to provide loans to local governments for environmental purposes (e.g., clean water projects), therefore loans receivable reported a corresponding increase of $78.3 million or 4.6 percent over Fiscal Year 2008.

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the close of Fiscal Year 2009, the State had $21.5 billion invested in capital assets, net of accumulated depreciation of $3.9 billion. This represents an increase of $944.1 million, or 4.6 percent, from Fiscal Year 2009. Depreciation charges totaled $115.0 million and $201.6 million for governmental and business-type activities, respectively, in Fiscal Year 2009. The details of these assets are presented in Table 7, below. Additional information about the State's capital assets is presented in Note 7 to the financial statements.

Table 7
Capital Assets, Net of Depreciation, as of June 30
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land and Land Improvements	$ 2,060	$ 1,914	$ 135	$ 127	$ 2,195	$ 2,041
Buildings and Improvements	1,332	1,334	2,899	2,577	4,232	3,911
Library Holdings	82	81	1,088	1,071	1,170	1,152
Machinery and Equipment	299	243	268	262	567	505
Infrastructure	12,219	11,208	-	-	12,219	11,208
Construction in Progress	851	1,346	239	365	1,090	1,711
Totals	$ 16,843	$ 16,126	$ 4,629	$ 4,401	$ 21,471	$ 20,527

The major capital asset additions completed during Fiscal Year 2009 included the:

- Marquette Interchange ($773.2 million),
- Interdisciplinary Center – UW-Madison ($178.8 million),
- University Square Development – UW-Madison ($56.6 million), and
- Business and Economics Building- UW-Whitewater ($37.5 million).

In addition to these completed projects, construction in progress as of June 30, 2009 for governmental and business-type activities totaled $851.3 million and $238.6 million, respectively. A list of construction in progress projects is provided in Note 7.

The State's continuing or proposed major capital projects for Fiscal Year 2009 through 2017 include the:

- Wisconsin Institute for Discovery (2005-2015) – UW-Madison (estimated budget of $150 million),
- Academic Buildings (2008-2010) – UW-La Crosse, Oshkosh, Parkside and Superior (estimated budget of $160.0 million),
- Union South Replacement (2008-2011) – UW-Madison (estimated budget of $85.7 million),
- Davies Center Addition (2008-2011) – UW-Eau Claire (estimated budget of $31.4 million),
- Sand Ridge Secure Treatment Center (2007-2011) Mauston – (estimated budget of $25.0 million),
- Wisconsin Energy Institute – Madison (estimated cost $100 million),
- Wisconsin Institutes for Medical Research – Center Tower – Madison (estimated cost $135 million),
- UW Milwaukee Facilities Master Plan ($240 million over the period for various projects), and
- Renovation and Remodeling of the Charter Street Heating Plant (estimated cost $251 million).

Debt Administration

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. The total general obligation debt outstanding for the State as of June 30, 2009 was $5.4 billion, as shown in Table 8. During Fiscal Year 2009, $521.9 million of these general obligation bonds were issued to provide for the acquisition or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes.

In Fiscal Year 2004, the State issued $1.8 billion of annual appropriation bonds to pay the State's unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits. The first payment of principal on these bonds was due in Fiscal Year 2009. In Fiscal Year 2009, the State issued $1.5 billion of annual appropriation bonds to purchase the future right, title, and interest in the Tobacco Settlement Revenues (TSRs) from Badger Tobacco Asset Securitization Corporation (BTASC) as well as pay any issuance expenses.

Chapter 18 of the Wisconsin Statutes authorizes the State to issue revenue obligations. These obligations, which are not general obligation debt of the State, are secured by a pledge of revenues or property derived from the operations of a program funded by the issuance of the obligations. Revenue bonds of the primary government totaled $2.5 billion outstanding at June 30, 2009, as shown in Table 8. These bonds included $1,591.9 million of Transportation Revenue Bonds, $89.4 million of Petroleum Inspection Revenue Bonds, and $829.3 million of Environmental Improvement Revenue Bonds.

Based on the application of the criteria contained in GASB Statement No. 14, as amended by GASB Statement No. 39 and clarified by GASB Technical Bulletin No. 2004-1, the Badger Tobacco Asset Securitization Corporation (BTASC) is reported as a blended component unit in a debt service fund. The bylaws of BTASC require that the corporation hold itself apart and separate from the State of Wisconsin. Bonds issued by the BTASC are the sole obligation of the BTASC. The State is not legally liable for payment of principal and interest on these bonds nor is the debt dependent upon any dedicated stream of revenue generated by the State. In April, 2009, the BTASC deposited securities in an irrevocable trust with an escrow agent to provide for all future debt service payments on its outstanding bonds. As a result of the transaction, $1.3 billion of BTASC bonds outstanding is legally defeased. BTASC will remain active administratively until 2012 when the bonds are scheduled to be paid in full by the trust.

Table 8
Outstanding Debt as of June 30, 2009 and 2008
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
General obligation bonds	$4,244.7	$4,080.9	$1,117.2	$1,154.6	$ 5,361.9	$ 5,235.5
Annual appropriation bonds	3,378.3	1,850.8	--	--	3,378.3	1,850.8
Revenue bonds	1,681.4	2,985.8	829.3	797.9	2,510.7	3,783.7
Totals	$9,304.4	$8,917.5	$1,946.5	$1,952.5	$11,250.9	$10,870.0

Article VIII of the Wisconsin Constitution and Wis. Stat. Sec. 18.05 limit the amount of general obligation bond debt the State can contract in total and in any calendar year. In total, debt cannot exceed five percent of the value of all taxable property in the State. The amount of debt contracted in any calendar year is limited to the lesser of three-quarters of one percent of the aggregate value of taxable property or five percent of the aggregate value of taxable property less net indebtedness at January 1.

At June 30, 2009, State of Wisconsin fixed bonds had a rating of Aa3/Negative Outlook from Moody's Investors Services, AA from Standard and Poor's Rating Services, and AA- from Fitch Ratings. Variable notes had a rating of P-1 from Moody's, A-1+ from Standard and Poor's Corporation, and F1+ from Fitch Investors Services, L.P.

Detailed information about the State's long-term debt activity is presented in Note 11 to the financial statements.

INFRASTRUCTURE -- MODIFIED APPROACH

The State reports infrastructure (i.e., roads, bridges, and buildings considered an ancillary part of roads) as capital assets. The State has elected to report its infrastructure assets (11,200 centerline miles of roads and 5,000 bridges with a combined value of $12.2 billion), using the modified approach. Under this method, infrastructure assets are not required to be depreciated if the State manages its eligible infrastructure assets using an asset management system designed to maintain and preserve these assets at a condition level established and disclosed by the State.

All infrastructure assets constructed prior to July 1, 2000 have been recorded at estimated historical cost. Historical cost was determined by calculating current costs of a similar asset and deflating that cost, using a price-index, to the estimated average construction date. Infrastructure costs, which exclude right of way, are expressed in 2000 dollars and deflated back to the average construction date using the Federal Highway Administration's composite index for federal-aid highway construction.

In order to adequately serve the traveling public and support the State economy, it is the State's policy to ensure at least 85 percent of the state-owned roads and bridges are in good or fair condition. As of June 30, 2009, 93.1 percent of the roads and 96.2 percent of bridges were in good or fair condition, consistent with State policies.

For the fiscal year ended June 30, 2009, actual maintenance and preservation costs for the State's road network were $624.4 million, or $23.3 million less than the estimated amount. On that same date, actual maintenance and preservation costs for the State's bridge network were $56.9 million, or $1.0 million more than the estimated amount. In developing estimated costs at the beginning of the fiscal year it is difficult to predict the types of projects that will actually incur costs during the year. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

ECONOMIC FACTORS

In calendar year 2008, the Wisconsin economy was impacted by the national recession.

Wisconsin employment declined slightly in 2008. Wisconsin employment increased 0.9 percent in 2006 and 0.6 percent in 2007, and decreased 0.5 percent in 2008. Wisconsin's employment growth has been similar to the national trend. Nationally, employment increased 1.8 percent in 2006 and 1.1 percent in 2007, and decreased 0.4 percent in 2008.

The changes in employment performance affected income growth. Wisconsin personal income increased 6.4 percent in 2006, 4.3 percent in 2007 and 2.6 percent in 2008. Nationally, income growth was 7.5 percent in 2006, 5.6 percent in 2007 and 2.9 percent in 2008. On a per capita basis, Wisconsin's performance is also similar to the nation's. Per capita income in Wisconsin increased 5.9 percent in 2006, 3.8 percent in 2007 and 2.1 percent in 2008, compared to 6.4 percent, 4.5 percent, and 2.0 percent nationally. Since 2000, Wisconsin's per capita income has moved slightly away from the national average - from 95.7 percent in 2000 to 93.9 percent in 2008.

The national recession continues to impact employment nationally and in Wisconsin. Through October 2009, Wisconsin non-farm employment is down 4.5 percent compared to a year ago. Nationally, employment was down 4.4 percent over the same period. Wisconsin's seasonally adjusted unemployment rate in October 2009 was 8.4 percent compared to 10.2 percent nationally.

Wisconsin's property values reflect the slowing economy. Real property values continued to increase, but at a slower pace in 2008, up 3.3 percent. In 2009, real property values declined 0.5 percent, primarily due to a reduction of 1.3 percent in residential real estate values. Commercial real estate values increased by 2.4 percent in 2009.

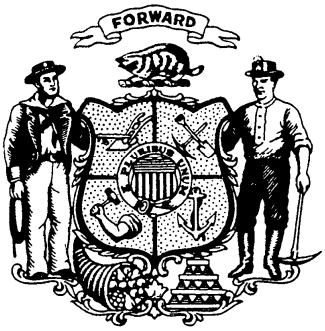
CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide Wisconsin's citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to: State of Wisconsin, State Controller's Office, 101 E. Wilson Street, 5th Floor, Madison, WI 53707.

Some state agencies, such as Department of Employee Trust Funds, issue stand-alone audited financial statements for certain state funds. The information contained in those statements may vary from this document due to scope and application of generally accepted accounting principles. Questions about how to obtain the separately issued financial statements should be directed to individual agencies or to the State Controller's Office.

The State's component units issue their own separate audited financial statements. These statements may be obtained by directly contacting the component unit through their administrative offices identified in Note 1-B.

* * * *


FORWARD

Statement of Net Assets
June 30, 2009

(In Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Assets				
Cash and Cash Equivalents	$ 739,534	$ 1,185,351	$ 1,924,884	$ 595,696
Investments	81,704	1,326,283	1,407,987	261,370
Cash and Investments with Other Component Units	-	-	-	216,672
Receivables (net of allowance)	3,559,065	2,987,240	6,546,305	3,159,502
Internal Balances	(392,185)	392,185	-	-
Inventories	41,082	49,664	90,746	8,537
Prepaid Items	291,126	77,757	368,883	6,490
Capital Leases Receivable - Component Units	-	7,671	7,671	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	230,975	125,995	356,971	286,327
Investments	36,210	-	36,210	1,801,126
Other Restricted Assets	2	-	2	4,164
Deferred Charges	81,996	13,610	95,606	11,857
Capital Assets:				
Depreciable	1,535,419	3,168,646	4,704,065	437,303
Nondepreciable:				
Infrastructure	12,218,686	-	12,218,686	-
Other	3,088,656	1,460,020	4,548,676	29,135
Other Assets	29,314	6,361	35,675	114,250
Total Assets	21,541,584	10,800,781	32,342,365	6,932,428
Liabilities				
Accounts Payable and Other Accrued Liabilities	1,287,073	444,624	1,731,697	166,101
Due to Other Governments	2,181,979	111,530	2,293,509	381
Tax Refunds Payable	1,267,089	-	1,267,089	-
Tax and Other Deposits	74,304	19,764	94,068	93,724
Amounts Held in Trust by Component Unit for Other Component Units	-	-	-	213,384
Amounts Held in Trust by Component Unit for Others	-	-	-	13,819
Unearned Revenue	380,029	276,833	656,862	3,195
Interest Payable	103,547	12,333	115,880	44,588
Short-term Notes Payable	881,376	59,418	940,794	-
Advance from Federal Government	-	435,547	435,547	-
Long-term Liabilities:				
Current Portion	555,781	313,464	869,245	105,548
Noncurrent Portion	9,152,151	2,954,256	12,106,407	3,246,376
Total Liabilities	15,883,328	4,627,769	20,511,097	3,887,116
Net Assets				
Invested in Capital Assets, Net of Related Debt	13,492,047	3,649,767	17,141,814	202,953
Restricted for:				
Transportation Programs	18,401	-	18,401	-
Conservation Related	60,331	-	60,331	-
Capital Projects	27,717	-	27,717	-
Debt Service	87,525	-	87,525	-
Environmental Improvement	-	1,468,880	1,468,880	-
Permanent Trusts:				
Expendable	9,824	219,998	229,822	7,366
Nonexpendable	808,410	122,924	931,333	1,169
Future Benefits	-	210,845	210,845	-
Other Purposes	93,034	471,842	564,876	2,364,600
Unrestricted	(8,939,033)	28,756	(8,910,276)	469,224
Total Net Assets	$ 5,658,256	$ 6,173,012	$ 11,831,268	$ 3,045,312

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the Fiscal Year Ended June 30, 2009

(In Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Primary Government:				
Governmental Activities:				
Commerce	$ 298,908	$ 173,231	$ 63,694	$ -
Education	6,707,734	19,859	1,441,834	-
Transportation	2,069,477	676,871	115,249	853,069
Environmental Resources	534,850	214,277	74,703	1,187
Human Relations and Resources	10,398,237	562,382	6,006,784	7,728
General Executive	551,358	244,988	191,833	-
Judicial	130,916	67,096	832	-
Legislative	65,626	1,831	4	-
Tax Relief and Other General Expenses	1,274,940	(456)	6,664	-
Intergovernmental - Shared Revenue	1,035,050	-	-	-
Interest on Debt	665,367	-	-	-
Total Governmental Activities	23,732,463	1,960,077	7,901,598	861,984
Business-type Activities:				
Injured Patients and Families Compensation	(58,215)	26,346	(3,537)	-
Environmental Improvement	48,486	48,332	57,170	-
University of Wisconsin System	4,016,459	2,845,573	207,556	123,385
Unemployment Reserve	2,215,332	772,779	587,306	-
Lottery	465,555	473,670	142	-
Health Insurance	1,086,541	1,075,758	(33,573)	-
Care and Treatment Facilities	361,588	270,316	582	1,876
Other Business-type	143,393	87,350	(72,597)	1,075
Total Business-type Activities	8,279,139	5,600,124	743,051	126,336
Total Primary Government	$ 32,011,602	$ 7,560,201	$ 8,644,649	$ 988,321
Component Units:				
Housing and Economic Development Authority	$ 342,922	$ 195,893	$ 149,189	$ -
Health Care Liability Insurance Plan	(15,790)	6,048	3,157	-
University Hospitals and Clinics Authority	919,024	957,660	1,320	1,163
University of Wisconsin Foundation	244,223	(492,518)	160,979	-
State Fair Park Exposition Center, Inc.	5,473	4,259	-	-
Total Component Units	$ 1,495,852	$ 671,342	$ 314,645	$ 1,163

General Revenues:
- Dedicated for General Purposes:
  - Income Taxes
  - Sales and Excise Taxes
  - Public Utility Taxes
  - Other Taxes
- Motor Fuel/Other Taxes Dedicated for Transportation
- Other Dedicated Taxes
- Interest and Investment Earnings
- Miscellaneous

Contributions to Term and Permanent Endowments
Contributions to Permanent Fund Principal
Special Item - Sale of Future Tobacco Settlement Revenues
Special Item - Purchase of Future Tobacco Settlement Revenues
Special Item - Loss on Unamortized Bond Insurance Premium
Transfers

Total General Revenues, Contributions, Special Items and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (61,983)		$ (61,983)	
(5,246,040)		(5,246,040)	
(424,288)		(424,288)	
(244,683)		(244,683)	
(3,821,343)		(3,821,343)	
(114,537)		(114,537)	
(62,988)		(62,988)	
(63,792)		(63,792)	
(1,268,732)		(1,268,732)	
(1,035,050)		(1,035,050)	
(665,367)		(665,367)	
(13,008,803)		(13,008,803)	
	$ 81,025	81,025	
	57,017	57,017	
	(839,944)	(839,944)	
	(855,247)	(855,247)	
	8,257	8,257	
	(44,356)	(44,356)	
	(88,814)	(88,814)	
	(127,566)	(127,566)	
-	(1,809,628)	(1,809,628)	
(13,008,803)	(1,809,628)	(14,818,431)	
			$ 2,160
			24,995
			41,119
			(575,762)
			(1,214)
			(508,702)
6,809,733	-	6,809,733	-
4,755,163	-	4,755,163	-
307,552	-	307,552	-
228,403	-	228,403	-
1,001,921	-	1,001,921	-
197,262	-	197,262	-
40,112	8,455	48,567	12,180
475,415	53	475,468	-
-	742	742	22
22,629	-	22,629	-
1,518,000	-	1,518,000	-
(1,518,000)	-	(1,518,000)	-
-	-	-	(2,541)
(1,051,574)	1,052,151	577	-
12,786,616	1,061,401	13,848,017	9,661
(222,186)	(748,227)	(970,414)	(499,041)
5,880,442	6,921,239	12,801,681	3,544,353
$ 5,658,256	$ 6,173,012	$ 11,831,268	$ 3,045,312

Balance Sheet - Governmental Funds
June 30, 2009

(In Thousands)

	General	Transportation	Common School	Nonmajor Governmental	Total Governmental
Assets					
Cash and Cash Equivalents	$ 8,694	$ 315,326	$ 161,210	$ 245,741	$ 730,971
Investments	682	-	61,965	19,057	81,704
Receivables (net of allowance):					
Taxes	1,041,653	93,959	-	32,530	1,168,143
Loans to Local Governments	3,641	-	555,362	21,291	580,294
Other Loans Receivable	21,406	28,160	-	48	49,614
Other Receivables	543,228	8,800	4	34,806	586,838
Due from Other Funds	185,815	40,438	360	143,924	370,537
Due from Component Units	6	-	-	-	6
Interfund Receivables	-	90,405	-	-	90,405
Due from Other Governments	810,585	269,999	8,690	9,916	1,099,190
Inventories	12,520	20,650	-	2,946	36,117
Prepaid Items	269,085	3,749	-	17,535	290,369
Advances to Other Funds	110	-	-	-	110
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	230,975	230,975
Investments	-	-	-	36,210	36,210
Other Restricted Assets	-	-		2	2
Other Assets	29,314	-	-	-	29,314
Total Assets	$ 2,926,739	$ 871,487	$ 787,591	$ 794,982	$ 5,380,799
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 983,183	$ 205,767	$ -	$ 44,129	$ 1,233,079
Due to Other Funds	139,831	34,959	1,392	172,360	348,541
Interfund Payables	444,835	-	-	163	444,997
Due to Other Governments	2,103,944	71,313	-	6,722	2,181,979
Tax Refunds Payable	1,261,488	5,309	-	292	1,267,089
Tax and Other Deposits	63,360	531	-	10,414	74,304
Unearned Revenue	354,825	21,140	-	3,069	379,034
Deferred Revenue	286,900	875	-	8,104	295,879
Interest Payable	-	-	-	39,614	39,614
Advances from Other Funds	-	-	-	2,814	2,814
Short-term Notes Payable	-	-	-	869,530	869,530
Revenue Bonds and Notes Payable	-	-	-	101,745	101,745
Total Liabilities	5,638,364	339,895	1,392	1,258,953	7,238,604
Fund Balances:					
Reserved for Encumbrances	203,904	802,418	-	257,384	1,263,706
Reserved for Inventories	12,520	20,650	-	2,946	36,117
Reserved for Prepaid Items	185,430	3,749	-	17,404	206,583
Reserved for Budget Stabilization Fund	1,466	-	-	-	1,466
Reserved for Restricted Funds	6,325	-	164	19,153	25,642
Reserved for Long-term Receivables	-	-	504,487	20,420	524,907
Reserved for Advances to Other Funds	110	-	-	-	110
Unreserved, Reported In:					
General Fund	(3,121,381)	-	-	-	(3,121,381)
Special Revenue Funds	-	(295,225)	-	(6,823)	(302,048)
Debt Service Funds	-	-	-	78,222	78,222
Capital Projects Funds	-	-	-	(867,803)	(867,803)
Permanent Funds	-	-	281,549	15,126	296,675
Total Fund Balances	(2,711,626)	531,592	786,199	(463,971)	(1,857,805)
Total Liabilities and Fund Balances	$ 2,926,739	$ 871,487	$ 787,591	$ 794,982	$ 5,380,799

(Continued)

Balance Sheet - Governmental Funds
June 30, 2009

(Continued)

		Total Governmental
Reconciliation to the Statement of Net Assets:		
Total Fund Balances from previous page	$	(1,857,805)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Infrastructure		12,218,686
Other Capital Assets		5,282,530
Accumulated Depreciation		(943,411)
Other long-term assets that are not available to pay for current period expenditures and, therefore, are deferred in the funds.		85,735
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		294,884
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		(15,482)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Revenue Bonds Payable		(1,579,599)
Appropriation Bonds Payable		(3,378,300)
General Obligation Bonds Payable		(4,091,223)
Accrued Interest on Bonds		(63,933)
Capital Leases		(31,813)
Installment Contracts		(475)
Compensated Absences		(143,829)
Pollution Remediation		(15,610)
Claims and Judgments		(1,188)
Other Postemployment Benefits Liability		(100,911)
Net Assets of Governmental Activities as reported on the Statement of Net Assets (See page 23)	$	5,658,256

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	General	Transportation	Common School	Nonmajor Governmental	Total Governmental
Revenues:					
Taxes	$ 12,049,278	$ 1,002,572	$ -	$ 197,232	$ 13,249,082
Intergovernmental	7,650,646	968,369	5	61,710	8,680,730
Licenses and Permits	628,338	485,935	-	492,560	1,606,833
Charges for Goods and Services	282,478	18,181	20	16,101	316,781
Investment and Interest Income	7,793	3,378	32,259	26,910	70,340
Fines and Forfeitures	37,021	444	22,629	6,688	66,782
Gifts and Donations	8,925	14	-	10,877	19,816
Miscellaneous:					
Tobacco Settlement	294,976	-	-	11,203	306,179
Other	218,508	12,340	685	6,661	238,194
Total Revenues	21,177,963	2,491,234	55,599	829,941	24,554,736
Expenditures:					
Current Operating:					
Commerce	226,549	-	-	75,336	301,885
Education	6,630,190	-	35,300	7,527	6,673,017
Transportation	6,917	1,979,773	-	42,657	2,029,347
Environmental Resources	104,060	-	-	399,351	503,411
Human Relations and Resources	10,264,603	-	-	33,483	10,298,086
General Executive	455,696	-	-	103,566	559,262
Judicial	126,530	-	-	321	126,851
Legislative	63,798	-	-	-	63,798
Tax Relief and Other General Expenditures	1,270,594	-	-	5,288	1,275,882
Capital Outlay	58,300	364,668	984	351,237	775,189
Debt Service:					
Principal	-	-	-	1,812,219	1,812,219
Interest	-	-	-	662,978	662,978
Other Expenditures	10,171	-	-	4,903	15,074
Intergovernmental - Shared Revenue	1,035,050	-	-	-	1,035,050
Total Expenditures	20,252,456	2,344,441	36,284	3,498,866	26,132,047
Excess of Revenues Over (Under) Expenditures	925,507	146,793	19,315	(2,668,925)	(1,577,311)
Other Financing Sources (Uses):					
Long-term Debt Issued	1,527,654	-	-	645,320	2,172,974
Discount on Bonds	-	-	-	(371)	(371)
Premium on Bonds	517	-	-	28,326	28,843
Transfers In	474,284	9,363	15,000	658,363	1,157,010
Transfers Out	(1,638,132)	(54,999)	(1,363)	(502,428)	(2,196,922)
Capital Lease Acquisitions	18,634	1,442	-	-	20,077
Installment Purchase Acquisitions	-	-	-	671	671
Total Other Financing Sources (Uses)	382,957	(44,194)	13,637	829,881	1,182,281
Special Items:					
Sale of Future Tobacco Settlement Revenues	-	-	-	1,518,000	1,518,000
Purchase of Future Tobacco Settlement Revenues	(1,518,000)	-	-	-	(1,518,000)
Net Change in Fund Balances	(209,536)	102,599	32,952	(321,044)	(395,029)
Fund Balances, Beginning of Year	(2,502,575)	422,102	753,248	(142,968)	(1,470,194)
Increase (Decrease) in Reserve for Inventories	486	6,891	-	41	7,418
Fund Balances, End of Year	$ (2,711,626)	$ 531,592	$ 786,199	$ (463,971)	$ (1,857,805)

(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2009

(Continued)

		Total Governmental
Reconciliation to the Statement of Activities:		
Net Change in Fund Balances from previous page	$	(395,029)
Inventories, which are recorded under the purchases method for governmental fund reporting, are reported under the consumption approach on the Statement of Activities. As a result of this change, the Increase (Decrease) in Reserve for Inventories on the fund statement has been reclassified as functional expenses on the government-wide statement.		7,418
Governmental funds report the acquisition or construction of capital assets as expenditures, while governmental activities report depreciation expense to allocate the cost of these assets over their estimated useful life. Donated assets are set up at fair value with a corresponding amount of revenue recognized. In the current period, these amounts are:		
Capital Outlay/Functional Expenditures		770,288
Depreciation Expense		(92,136)
Grants and Contributions (Donated Assets)		2,134
Transfers of capital assets between governmental and business-type activities results in the movement of those assets on the Statement of Net Assets and corresponding recognition of the related transfer in/out on the Statement of Activities.		111
In the Statement of Activities, only the gain/(loss) on the sale/disposal of capital assets is reported, while in the governmental funds, any proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold/disposed.		(39,254)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(10,873)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Bonds Issued		(2,172,974)
Repayment of Bond Principal		1,812,219
Bond Premium		(52,825)
Bonds Discount		371
Bond Issuance Costs (Amortization)		2,712
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net decrease (increase) in accrued interest		44,037
Decrease (increase) in Capital Leases		(4,632)
Decrease (increase) in Installment Contracts		(159)
Decrease (increase) in Compensated Absences		(9,101)
Decrease (increase) in Pollution Remediation Liabilities		(14,570)
Decrease (increase) in Claims and Judgments		246
Decrease (increase) in Postemployment Benefit Liabilities		(51,850)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		(18,320)
Changes in Net Assets of Governmental Activities as reported on the Statement of Activities (See page 25)	$	(222,186)

The notes to the financial statements are an integral part of this statement.

Balance Sheet
Proprietary Funds
June 30, 2009

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System
Assets			
Current Assets:			
Cash and Cash Equivalents	$ -	$ 215,426	$ 327,027
Investments	65,930	45,552	-
Loans to Local Governments (net of allowance)	-	147,975	-
Other Loans Receivable (net of allowance)	-	-	33,867
Other Receivables (net of allowance)	9,307	927	116,363
Due from Other Funds	-	15	44,659
Due from Component Units	-	-	1,519
Interfund Receivables	-	-	564,536
Due from Other Governments	-	8,606	105,883
Inventories	2	-	40,108
Prepaid Items	7	22	39,257
Advances to Other Funds	-	-	-
Capital Leases Receivable - Component Units	-	-	1,803
Deferred Charges	-	-	7,205
Other Assets	-	-	-
Total Current Assets	75,247	418,523	1,282,227
Noncurrent Assets:			
Investments	569,901	160,350	308,667
Loans to Local Governments (net of allowance)	-	1,645,898	-
Other Loans Receivable (net of allowance)	-	-	165,448
Other Receivables	-	-	5,114
Prepaid Items	-	235	-
Advances to Other Funds	-	-	-
Capital Leases Receivable - Component Units	-	-	5,868
Restricted and Limited Use Assets:			
Cash and Cash Equivalents	-	99,385	-
Deferred Charges	-	3,206	-
Depreciable Capital Assets (net of accumulated depreciation)	-	-	3,006,887
Nondepreciable Capital Assets	-	-	1,446,035
Other Assets	-	-	-
Total Noncurrent Assets	569,901	1,909,075	4,938,019
Total Assets	$ 645,148	$ 2,327,598	$ 6,220,246
Liabilities and Fund Equity			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	$ 397	$ 121	$ 219,732
Due to Other Funds	41	1,326	64,447
Due to Component Units	-	-	2,566
Interfund Payables	76,831	-	-
Due to Other Governments	-	146	3,034
Tax and Other Deposits	-	-	2,053
Unearned Revenue	1,386	-	169,768
Interest Payable	-	3,389	6,027
Short-term Notes Payable	-	-	57,403
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	84,276	-	-
Capital Leases	-	-	5,651
Compensated Absences	11	27	57,596
General Obligation Bonds Payable	-	-	31,312
Revenue Bonds and Notes Payable	-	66,865	-
Total Current Liabilities	162,942	71,875	619,591
Noncurrent Liabilities:			
Accounts Payable and Other Accrued Liabilities	-	-	-
Due to Other Governments	-	959	-
Advance from Federal Government	-	-	-
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	591,131	-	-
Capital Leases	-	-	102,996
Compensated Absences	34	58	61,523
Other Postemployment Benefits	24	18	96,550
General Obligation Bonds Payable	-	-	739,860
Revenue Bonds and Notes Payable	-	762,404	-
Total Noncurrent Liabilities	591,188	763,439	1,000,929
Total Liabilities	754,130	835,314	1,620,520
Fund Equity:			
Invested in Capital Assets, Net of Related Debt	-	-	3,515,700
Restricted for Environmental Improvement	-	1,468,880	-
Restricted for Expendable Trusts	-	-	219,998
Restricted for Nonexpendable Trusts	-	-	122,924
Restricted for Future Benefits	-	-	-
Restricted for Other Purposes	-	-	419,346
Unrestricted	(108,982)	23,404	321,758
Total Fund Equity	(108,982)	1,492,284	4,599,726
Total Liabilities and Fund Equity	$ 645,148	$ 2,327,598	$ 6,220,246

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Unemployment Reserve	Nonmajor Enterprise	Totals	
$ -	$ 642,898	$ 1,185,351	$ 8,563
-	13,265	124,748	-
-	316	148,291	-
-	13,231	47,098	-
141,225	94,797	362,620	268
1,228	14,704	60,606	47,736
-	-	1,519	278
-	-	564,536	-
135,881	11,585	261,955	734
-	9,553	49,664	3,970
-	38,185	77,472	758
-	-	0	25
-	-	1,803	-
-	284	7,489	102
-	1,377	1,377	-
278,334	840,195	2,894,527	62,435
-	162,617	1,201,535	-
-	2,149	1,648,047	-
-	271,771	437,219	-
75,283	80	80,477	-
-	50	285	-
-	-	0	2,789
-	-	5,868	-
26,610	-	125,995	-
-	2,914	6,121	512
-	161,758	3,168,646	249,052
-	13,985	1,460,020	35,904
-	4,984	4,984	-
101,893	620,309	8,139,197	288,257
$ 380,228	$ 1,460,504	$ 11,033,724	$ 350,692
$ 81,634	$ 69,525	$ 371,409	$ 23,210
4,551	30,586	100,951	8,197
-	-	2,566	-
-	72,981	149,813	60,131
106,416	976	110,571	80
-	17,711	19,764	-
-	105,680	276,833	-
-	2,916	12,333	1,239
-	2,015	59,418	11,846
-	53,172	137,448	34,470
-	287	5,939	114
-	3,712	61,346	1,228
-	10,553	41,866	9,690
-	-	66,865	-
192,600	370,115	1,417,122	150,205
-	51,059	51,059	-
-	-	959	-
435,547	-	435,547	
-	241,544	832,675	68,649
-	1,175	104,171	336
-	7,439	69,053	2,927
-	13,979	110,571	1,991
-	335,522	1,075,382	143,834
-	-	762,404	-
435,547	650,717	3,441,821	217,737
628,148	1,020,832	4,858,943	367,942
-	134,067	3,649,767	116,056
-	-	1,468,880	-
-	-	219,998	-
-	-	122,924	-
-	210,839	210,839	-
-	52,496	471,842	-
(247,920)	42,271	30,531	(133,306)
(247,920)	439,672	6,174,780	(17,250)
$ 380,228	$ 1,460,504	$ 11,033,724	$ 350,692

Total Fund Equity Reported Above	$ 6,174,780
Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds	(1,768)
Net Assets of Business-type Activities	$ 6,173,012

Statement of Revenues, Expenses, and Changes in Fund Equity - Proprietary Funds
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System
Operating Revenues:			
Charges for Goods and Services	$ 26,346	$ -	$ -
Participant and Employer Contributions	-	-	-
Tuition and Fees	-	-	934,843
Federal Grants and Contracts	-	-	810,636
Local and Private Grants and Contracts	-	-	187,341
Sales and Services of Educational Activities	-	-	279,487
Sales and Services of Auxiliary Enterprises	-	-	340,324
Sales and Services to UW Hospital Authority	-	-	47,491
Investment and Interest Income	-	28,382	-
Interest Income Used as Security for Revenue Bonds	-	19,900	-
Miscellaneous:			
Federal Aid for Unemployment Insurance Program	-	-	-
Reimbursing Financing Revenue	-	-	-
Other	-	50	245,451
Total Operating Revenues	26,346	48,332	2,845,573
Operating Expenses:			
Personal Services	613	4,348	2,740,791
Supplies and Services	598	1,931	1,037,929
Lottery Prize Awards	-	-	-
Scholarships and Fellowships	-	-	99,129
Depreciation	-	-	189,335
Benefit Expense	(61,116)	-	-
Interest Expense	-	39,282	-
Other Expenses	-	-	4,961
Total Operating Expenses	(59,905)	45,561	4,072,145
Operating Income (Loss)	86,251	2,771	(1,226,571)
Nonoperating Revenues (Expenses):			
Operating Grants	-	33,675	-
Investment and Interest Income	(3,537)	2,197	(43,960)
Investment Income Used as Security for Revenue Bonds	-	21,526	-
Gain (Loss) on Disposal of Capital Assets	-	-	(16,395)
Interest Expense	(1,693)	-	(36,972)
Gifts and Donations	-	-	251,516
Miscellaneous Revenues	-	-	-
Other Revenues (Expenses):			
Property Tax Credits	-	-	-
Grants Disbursed	-	(2,925)	-
Other	-	-	111,371
Total Nonoperating Revenues (Expenses)	(5,230)	54,473	265,561
Income (Loss) Before Contributions and Transfers	81,021	57,245	(961,011)
Capital Contributions	-	-	123,385
Additions to Endowments	-	-	742
Transfers In	-	21,085	1,248,841
Transfers Out	(128,513)	(6,089)	(132,299)
Net Change in Fund Equity	(47,492)	72,241	279,658
Total Fund Equity, Beginning of Year	(61,490)	1,420,043	4,320,067
Total Fund Equity, End of Year	$ (108,982)	$ 1,492,284	$ 4,599,726

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Unemployment Reserve	Nonmajor Enterprise	Totals	
$ -	$ 795,590	$ 821,936	$ 254,767
635,188	1,090,156	1,725,345	-
-	-	934,843	-
-	-	810,636	-
-	-	187,341	-
-	-	279,487	-
-	-	340,324	-
-	-	47,491	-
-	19,332	47,714	-
-	-	19,900	-
576,934	-	576,934	-
75,305	-	75,305	-
8,074	824	254,399	287
1,295,502	1,905,902	6,121,655	255,054
-	307,484	3,053,236	57,455
-	164,414	1,204,872	147,586
-	279,599	279,599	-
-	-	99,129	-
-	12,233	201,568	22,877
2,215,332	1,138,968	3,293,185	36,241
-	19,646	58,928	-
-	6,608	11,569	-
2,215,332	1,928,953	8,202,086	264,158
(919,830)	(23,051)	(2,080,431)	(9,104)
-	1,285	34,960	-
10,372	(99,282)	(134,209)	60
-	-	21,526	-
-	27	(16,368)	27
-	(2,055)	(40,720)	(7,903)
-	465	251,982	-
54,211	1,505	55,716	6,396
-	(120,849)	(120,849)	-
-	(3,985)	(6,910)	-
-	(2)	111,369	97
64,583	(222,890)	156,497	(1,322)
(855,247)	(245,941)	(1,923,933)	(10,427)
-	2,965	126,350	-
-	-	742	-
614	87,517	1,358,058	7,645
(2,157)	(36,863)	(305,921)	(19,061)
(856,790)	(192,322)	(744,704)	(21,844)
608,869	631,994	6,919,485	4,593
$ (247,920)	$ 439,672	$ 6,174,780	$ (17,250)

Total Net Change in Fund Equity Reported Above	$ (744,704)
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds	(3,523)
Change in Net Assets of Business-Type Activities	$ (748,227)

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Injured Patients and Families Compensation	**Environmental Improvement**	**University of Wisconsin System**
Cash Flows from Operating Activities:			
Cash Receipts from Customers	$ 27,742	$ -	$ -
Cash Payments to Suppliers for Goods and Services	(860)	(2,655)	(1,032,416)
Cash Payments to Employees for Services	(599)	(4,378)	(2,698,899)
Tuition and Fees	-	-	933,075
Grants and Contracts	-	-	1,032,507
Cash Payments for Lottery Prizes	-	-	-
Cash Payments for Loans Originated	-	-	(22,932)
Collection of Loans	-	-	21,296
Interest Income	-	-	-
Cash Payments for Benefits	(59,942)	-	-
Sales and Services of Educational Activities	-	-	277,882
Sales and Services of Auxiliary Enterprises	-	-	338,402
Sales and Services to UW Hospital Authority	-	-	47,207
Scholarships and Fellowships	-	-	(99,129)
Other Operating Revenues	-	50	249,035
Other Operating Expenses	-	-	-
Other Sources of Cash	-	-	-
Net Cash Provided (Used) by Operating Activities	(33,660)	(6,983)	(953,971)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Receipts	-	33,662	-
Grants Disbursed	-	(2,925)	-
Proceeds from Issuance of Debt	-	94,974	-
Repayment of Bonds and Notes	-	(60,730)	-
Interest Payments	(1,693)	(43,415)	-
Property Tax Credit Payments	-	-	-
Noncapital Gifts and Grants	-	-	252,258
Interfund Loans Received	41,493	-	-
Interfund Loans Repaid	-	-	-
Interfund Borrowings to Other Funds	-	-	(112,952)
Interfund Advances Collected	-	-	-
Transfers In	-	21,085	1,169,217
Transfers Out	(128,513)	(6,089)	(132,187)
Student Direct Lending Receipts	-	-	94,319
Student Direct Lending Disbursements	-	-	(94,320)
Other Cash Inflows from Noncapital Financing Activities	-	-	110,264
Other Cash Outflows from Noncapital Financing Activities	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(88,713)	36,563	1,286,599
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Issuance of Debt	-	-	61,906
Capital Contributions	-	-	202,350
Repayment of Bonds and Notes	-	-	(118,877)
Interest Payments	-	-	(88,189)
Transfers In	-	-	-
Capital Lease Obligations	-	-	-
Proceeds from Sale of Capital Assets	-	-	-
Payments for Purchase of Capital Assets	-	-	(407,500)
Other Cash Inflows from Capital Financing Activities	-	-	100,862
Other Cash Outflows from Capital Financing Activities	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(249,448)
Cash Flows from Investing Activities:			
Proceeds from Sale and Maturities of Investment Securities	95,699	126,899	122,791
Purchase of Investment Securities	(7,308)	(142,119)	(142,111)
Cash Payments for Loans Originated	-	(215,215)	-
Collection of Loans	-	136,885	-
Investment and Interest Receipts	33,982	75,749	15,408
Net Cash Provided (Used) by Investing Activities	122,372	(17,801)	(3,912)
Net Increase (Decrease) in Cash and Cash Equivalents	-	11,779	79,269
Cash and Cash Equivalents, Beginning of Year	-	303,032	247,757
Cash and Cash Equivalents, End of Year	$ 0	$ 314,811	$ 327,027

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Unemployment Reserve	Nonmajor Enterprise	Totals	
$ 613,631	$ 1,870,554	$ 2,511,926	$ 240,777
-	(128,617)	(1,164,548)	(138,520)
-	(310,737)	(3,014,614)	(56,325)
-	-	933,075	-
-	-	1,032,507	-
-	(295,242)	(295,242)	-
-	(41,547)	(64,478)	-
-	65,505	86,801	-
-	20,090	20,090	-
(2,211,706)	(1,135,044)	(3,406,692)	(28,122)
-	-	277,882	-
-	-	338,402	-
-	-	47,207	-
-	-	(99,129)	-
646,631	3,883	899,599	27
-	(40,062)	(40,062)	-
-	10,513	10,513	6,746
(951,445)	19,296	(1,926,762)	24,582
-	1,285	34,947	-
-	(4,160)	(7,084)	-
-	-	94,974	-
-	(68,315)	(129,045)	-
-	(18,738)	(63,846)	(4)
-	(117,775)	(117,775)	-
-	-	252,258	-
-	39,508	81,001	14,544
-	(5,692)	(5,692)	(388)
-	-	(112,952)	-
-	-	0	25
-	86,311	1,276,614	6,894
(7,204)	(37,374)	(311,366)	(17,996)
-	-	94,319	-
-	-	(94,320)	-
501,447	664	612,375	-
-	3	3	-
494,243	(124,282)	1,604,410	3,075
-	60	61,966	3,507
-	2,951	205,301	-
-	(2,646)	(121,522)	(12,395)
-	(2,093)	(90,282)	(8,363)
-	1,540	1,540	-
-	(227)	(227)	(10,193)
-	947	947	822
-	(11,638)	(419,138)	(9,081)
-	571	101,433	155
-	(75)	(75)	-
-	(10,610)	(260,058)	(35,548)
-	21,672	367,061	-
-	(25,013)	(316,551)	-
-	(246)	(215,461)	-
-	152	137,037	-
10,372	(99,761)	35,750	-
10,372	(103,196)	7,835	-
(446,830)	(218,792)	(574,574)	(7,890)
446,830	861,690	1,859,309	16,453
$ 0	$ 642,898	$ 1,284,736	$ 8,563

(Continued)

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2009

(Continued)

	Business-type Activities - Enterprise Funds		
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:			
Operating Income (Loss)	$ 86,251	$ 2,771	$ (1,226,571)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	-	189,335
Amortization		(2,680)	-
Provision for Uncollectible Accounts	-	-	-
Operating Income (Investment Income) Classified as Investing Activity	-	(48,282)	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	44,117	-
Miscellaneous Nonoperating Income (Expense)	-	-	-
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	13	122	(19,510)
Decrease (Increase) in Due from Other Funds	-	199	6,785
Decrease (Increase) in Due from Component Units	-	-	(284)
Decrease (Increase) in Due from Other Governments	-	-	789
Decrease (Increase) in Inventories	(1)	-	(2,653)
Decrease (Increase) in Prepaid Items	-	17	(3,029)
Decrease (Increase) in Other Assets	-	-	-
Decrease (Increase) in Deferred Charges	-	(792)	(1,608)
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	52	(21)	4,765
Increase (Decrease) in Due to Other Funds	(313)	(299)	9,435
Increase (Decrease) in Due to Component Units	-	-	1,065
Increase (Decrease) in Due to Other Governments	-	2	(16,729)
Increase (Decrease) in Tax and Other Deposits	-	-	-
Increase (Decrease) in Unearned Revenue	1,382	-	48,080
Increase (Decrease) in Interest Payable	-	(2,155)	-
Increase (Decrease) in Compensated Absences	4	9	6,753
Increase (Decrease) in Postemployment Benefits	11	9	49,407
Increase (Decrease) in Future Benefits and Loss Liabilities	(121,058)	-	-
Total Adjustments	(119,910)	(9,754)	272,601
Net Cash Provided (Used) by Operating Activities	$ (33,660)	$ (6,983)	$ (953,971)
Noncash Investing, Capital and Financing Activities:			
Assets Acquired through Capital Leases	$ -	$ -	$ 1,408
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to Other Funds	-	-	-
Net Change in Unrealized Gains and Losses	(22,100)	-	(58,584)
Other	(873)	-	27,743

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Unemployment Reserve	Nonmajor Enterprise	Totals	
$ (919,830)	$ (23,051)	$ (2,080,431)	$ (9,104)
-	12,233	201,568	22,877
-	-	(2,680)	-
4,793	509	5,302	-
-	(257)	(48,540)	-
-	19,646	63,763	-
-	1,872	1,872	6,487
(34,026)	16,398	(37,003)	(109)
(294)	1,346	8,036	(13,509)
-	-	(284)	(278)
(131,696)	(8,366)	(139,273)	(436)
-	(425)	(3,079)	1,046
-	(222)	(3,235)	(40)
-	(450)	(450)	-
-	105	(2,295)	-
26,507	(13,768)	17,536	6,860
2,971	(3,889)	7,905	1,375
-	-	1,065	-
100,130	861	84,264	(15)
-	256	256	-
-	5,805	55,266	-
-	-	(2,155)	-
-	1,058	7,824	318
-	7,332	56,759	994
-	2,305	(118,753)	8,119
(31,614)	42,347	153,669	33,687
$ (951,445)	$ 19,296	$ (1,926,762)	$ 24,582
$ -	$ 70	$ 1,478	$ -
-	8	8	-
-	1,402	(79,282)	-
-	-	26,870	1

Statement of Fiduciary Net Assets
June 30, 2009

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust	Agency
Assets				
Cash and Cash Equivalents	$ 1,854,297	$ 3,337,764	$ 206,350	$ 26,651
Securities Lending Collateral	5,038,829	-	-	-
Prepaid Items	10,495	-	695	-
Receivables (net of allowance):				
Loans Receivable	-	-	69	-
Prior Service Contributions Receivable	241,170	-	-	-
Benefits Overpayment Receivable	3,024	-	-	-
Due from Other Funds	47,512	-	-	2,070
Due from Component Units	3,256	-	-	-
Interfund Receivables	88,642	-	-	-
Due from Other Governments	132,643	-	4,992	-
Due from Employers	-	-	-	208
Interest and Dividends Receivable	188,517	-	-	-
Investment Sales Receivable	1,228,096	-	-	-
Other Receivables	36,081	-	3,342	8,670
Total Receivables	1,968,943	-	8,404	10,949
Investments:				
Fixed Income	17,758,300	-	-	-
Stocks	35,665,473	-	-	-
Limited Partnerships	5,323,131	-	-	-
Preferred Securities	125,770	-	-	-
Convertible Securities	27,454	-	-	-
Mortgages	51,524	-	-	-
Real Estate	390,888	-	-	-
Investments of Private Purpose Trust Funds	-	-	1,718,901	-
Investments of Agency Funds	-	-	-	749
Multi-asset Investments	1,293,142	-	-	-
External Investment Pool	562,765	-	-	-
Total Investments	61,198,446	-	1,718,901	749
Inventories	66	-	-	-
Capital Assets	3	-	3	-
Other Assets	-	-	-	303,128
Total Assets	70,071,079	3,337,764	1,934,353	$ 341,477
Liabilities				
Accounts Payable and Other Accrued Liabilities	65,361	3	70	$ 21,910
Securities Lending Collateral Liability	5,038,829	-	-	-
Annuities Payable	244,853	-	-	-
Advance Contributions	186	-	-	-
Due to Other Funds	70,164	114	249	245
Interfund Payables	88,642	-	-	-
Due to Other Governments	30,817	-	-	-
Tax and Other Deposits	-	-	-	319,321
Future Benefits and Loss Liabilities	-	-	5,509	-
Financial Futures Contracts	6,567	-	-	-
Investment Payable	1,110,741	-	-	-
Unearned Revenue	403	-	-	-
Advances from Other Funds	-	-	110	-
Compensated Absences Payable	2,175,990	-	-	-
Other Postemployment Benefits	588	-	-	-
Total Liabilities	8,833,143	117	5,937	$ 341,477
Net Assets				
Held in Trust for Pension Benefits, Pool Participants and Other Purposes	$ 61,237,935	$ 3,337,647	$ 1,928,416	

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust
Additions			
Contributions:			
Employer Contributions	$ 721,268	$ -	$ -
Employee Contributions	767,368	-	-
Other	-	-	24
Total Contributions	1,488,636	-	24
Deposits	-	11,446,755	261,920
Premiums			160,718
Federal Subsidy			10,406
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	(16,134,968)	-	-
Interest	526,911	-	-
Dividends	617,727	-	-
Securities Lending Income	106,541	-	-
Other	69,511	-	-
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	(414,584)	22,028	(317,800)
Less:			
Investment Expense	(225,687)	(1,233)	(6,336)
Securities Lending Rebates and Fees	(55,170)	-	-
Investment Income Distributed to Other Funds	578,822	-	-
Net Investment Income	(14,930,895)	20,796	(324,136)
Interest on Prior Service Receivable	18,277	-	-
Miscellaneous Income	652	-	1
Total Additions	(13,423,331)	11,467,550	108,933
Deductions			
Retirement Benefits and Refunds:			
Retirement, Disability, and Beneficiary	3,853,905	-	-
Separations	27,620	-	-
Total Retirement Benefits and Refunds	3,881,526	-	-
Distributions	23,797	11,925,317	179,885
Other Benefit Expense	172,720	-	164,219
Unusual Write-off of Receivable	18	-	-
Administrative Expense	23,177	248	11,193
Transfers Out	351	-	6
Total Deductions	4,101,589	11,925,565	355,303
Net Increase (Decrease)	(17,524,920)	(458,015)	(246,370)
Net Assets - Beginning of Year	78,762,855	3,795,662	2,174,786
Net Assets - End of Year	$ 61,237,935	$ 3,337,647	$ 1,928,416

The notes to the financial statements are an integral part of this statement.

Notes To The Financial Statements

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying basic financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB).

B. Financial Reporting Entity

For GAAP purposes, the State of Wisconsin includes all funds, elected offices, departments and agencies of the State, as well as boards, commissions, authorities and universities. The State has also considered all potential "component units" for which it is financially accountable, and other affiliated organizations for which the nature and significance of their relationship, including their ongoing financial support, with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the State's reporting entity is based on the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 39*, Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*. GASB Statement No. 14 criteria include the ability to appoint a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. GASB Statement No. 39 provisions relate to separately legal, tax-exempt organizations and include: (1) the economic resources received or held are entirely or almost entirely for the direct benefit of the State, (2) the State is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (3) the economic resources received or held by an individual organization that the State is entitled to, or has the ability to otherwise access, are significant to the State.

In addition, GASB Technical Bulletin No. 2004-1 (TB), *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, clarified guidance on whether a Tobacco Settlement Authority (TSA) that is created to obtain the rights to all or a portion of future tobacco settlement resources is a component unit of the government that created it. This guidance resulted in the Badger Tobacco Asset Securitization Corporation (BATSC) to be reported as a blended component unit in the primary government in a debt service fund. The State has no legal liability for the obligations of BTASC.

Based upon the application of the criteria contained in GASB Statement No. 14, as amended by GASB Statement No. 39 and clarified by GASB Technical Bulletin No. 2004-1, the Wisconsin Public Broadcasting Foundation, Inc., Celebrate Children Foundation, Inc., and the Badger Tobacco Asset Securitization Corporation are reported as blended component units; and the Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, the University of Wisconsin Hospitals and Clinics Authority, the University of Wisconsin Foundation and the State Fair Park Exposition Center, Inc., are presented as discrete component units, as discussed below.

Complete financial statements of the individual component units that issue separate statements can be obtained from their respective administrative offices:

Wisconsin Public Broadcasting Foundation Inc.
Wisconsin Educational Communications Board
3319 West Beltline Highway
Madison, WI 53702

Celebrate Children Foundation, Inc.
110 East Main Street, Suite 614
Madison, WI 53703

Badger Tobacco Asset Securitization Corporation
10 East Doty Street, Suite 800
Madison, WI 53703

Wisconsin Housing and Economic Development Authority
201 West Washington Avenue, Suite 700
Madison, WI 53702

Wisconsin Health Care Liability Insurance Plan
Office of the Commissioner of Insurance
125 South Webster Street
Madison, WI 53702

University of Wisconsin Hospitals and Clinics Authority
635 Science Drive, Room 310
Madison, WI 53711

University of Wisconsin Foundation
Attn: Finance
PO Box 8860
Madison, WI 53708-8860

State Fair Park Exposition Center, Inc.
8200 West Greenfield Avenue
West Allis, WI 53214

Blended Component Units

Blended component units are entities that are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. The blended component unit serves or benefits the primary government. They are reported as part of the State and blended into the appropriate funds.

Wisconsin Public Broadcasting Foundation, Inc. – The Wisconsin Public Broadcasting Foundation, Inc. (Foundation), created in 1983 by the Wisconsin Legislature, is a private, nonstock, nonprofit Wisconsin Corporation, wholly owned by the Wisconsin Educational Communications Board (ECB), a unit of the State. The Foundation solicits funds in the name of, and with the approval of, the ECB. The Foundation's funds are managed by a five-member board of trustees consisting of the executive director of the ECB and four members of the ECB board. The Foundation is reported as a special revenue fund.

Celebrate Children Foundation, Inc. (CCF) – The Celebrate Children Foundation, Inc., was organized as a nonstock, nonprofit corporation for the exclusive purposes of soliciting and accepting contributions, grants, gifts and bequests for the State's Children's Trust Fund or for deposit into a fund maintained by the CCF. The Child Abuse and Neglect Prevention Board administers the Children's Trust Fund, a statutory fund included in the State's CAFR as a special revenue fund. In addition to the State appointing a voting majority of the CCF, the State is able to impose its will on the CCF and a financial benefit/burden relationship exists. The CCF is reported as a special revenue fund.

Badger Tobacco Asset Securitization Corporation (BTASC) – A nonstock public corporate entity created under Chapter 181 of the Wisconsin Statutes was created for the purpose of making a one-time purchase of Tobacco Settlement Revenues (TSRs) from the State. In May 2002, BTASC issued bonds to provide sufficient funds for carrying out its purpose. Bonds issued by the BTASC are the sole obligation of the BTASC. The State is not legally liable for payment of principal and interest on these bonds nor is the debt dependent upon any dedicated stream of revenue generated by the State. Directors of the corporation are appointed by the Secretary of Administration for staggered three-year terms. Once appointed, directors can only be removed for cause. At least one of the directors must be determined to be "independent" for federal bankruptcy law purposes. The State appoints the BTASC board and a financial benefit exists. BTASC reports on a fiscal year ended May 31. BTASC is reported as a debt service fund (Badger Tobacco Asset Securitization).

Pursuant to a Purchase and Sale Agreement with the State, BTASC acquired all of the State's right, title, and interest in the TSRs under the Master Settlement Agreement and the Consent Decree and Final Judgment (MSA). The MSA was entered into on November 23, 1998, among the attorneys general of 46 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Commonwealth of the Northern Mariana Islands (the "Settling States") and the four largest United States tobacco manufacturers.

On May 23, 2002 the State sold the TSRs to BTASC for $1.3 billion and a residual certificate. Upon discharge of BTASC's obligations under its May 1, 2002 bond indenture, all subsequent TSRs are owned by the State pursuant to the residual certificate.

In April, 2009, BTASC legally defeased its outstanding bonds as a result of a sale of its TSRs to the State. BTASC will remain active to pay remaining costs associated with the defeased bonds held until 2012 when the bonds are scheduled to be paid in full by the trust.

Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the State, but are financially accountable to the State, whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, the University of Wisconsin Hospitals and Clinics Authority, the University of Wisconsin Foundation and the State Fair Park Exposition Center, Inc., are reported in a separate column and in separate rows in the government-wide statements to emphasize that they are legally separate.

Wisconsin Housing and Economic Development Authority – The Wisconsin Housing and Economic Development Authority (Authority) was established by the Wisconsin Legislature in 1972 to help meet the housing needs of Wisconsin's low and moderate income citizens. The State has significantly expanded the scope of services of the Authority by adding programs that include financing for farmers and for economic development projects.

While the Authority receives no State tax dollars for its bond-supported programs and the State is not liable on bonds the Authority issues, the State has the ability to impose its will on the Authority through legislation. The State appoints the Authority's Board. The Authority reports on a June 30 fiscal year-end.

Wisconsin Health Care Liability Insurance Plan – The Wisconsin Health Care Liability Insurance Plan (Plan) was established by rule of the Commissioner of Insurance of the State of Wisconsin to provide health care liability insurance and liability coverage normally incidental to health care liability insurance to eligible health care providers in the State. Eight out of 13 members of the Board of Directors are appointed by the Governor, and the State has the ability to impose its will upon the Plan. The Plan reports on a fiscal year ended December 31.

University of Wisconsin Hospitals and Clinics Authority – The University of Wisconsin Hospitals and Clinics Authority (Hospital) is a not-for-profit academic medical center. The Hospital operates an acute-care hospital with approximately 480 available beds, numerous specialty clinics, and seven ambulatory facilities providing comprehensive health care to patients, education programs, research and community service to residents of southern Wisconsin. Prior to June 1996, the Hospital was a unit of the University of Wisconsin-Madison. In June 1996, in accordance with legislation enacted by the State Legislature, the Hospital was restructured as a Public Authority, a public body corporate and politic created by State statutes. The State appoints a majority of the Hospital's Board of Directors and a financial benefit/burden relationship exists between the Hospital and the State. The Hospital reports on a June 30 fiscal year-end.

The legislation that created the Hospital Authority also provided, among other things, for the Board of Regents of the University of Wisconsin System to execute various agreements with the Hospital. These agreements include an Affiliation Agreement, a Lease Agreement, a Conveyance Agreement and a Contractual Services Agreement and Operating and Service Agreement.

The Affiliation Agreement requires the Hospital to continue to support the educational, research and clinical activities of the University of Wisconsin-Madison, which are administered by the Hospital. Under the terms of a Lease Agreement, the Hospital leases facilities, which were occupied by the Hospital as of June 29, 1996 (see Note 12A to the financial statements). Under a Conveyance Agreement, certain assets and liabilities related to the Hospital were identified and transferred to the Hospital effective July 1, 1996. Subject to the Contractual Services Agreement and Operating and Service Agreement between the Board of Regents and the Hospital, the two parties have entered into contracts for the continuation of services in support of programs and operations.

University of Wisconsin Foundation – The University of Wisconsin Foundation (the Foundation) is a legally separate, tax-exempt component unit of the State. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University of Wisconsin-Madison and several other units of the University of Wisconsin System (a fund of the State) in support of its programs. These include scientific, literary, athletic and educational program purposes. Although the State does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the University of Wisconsin-Madison and other units of the University of Wisconsin System by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University of Wisconsin-Madison and several other units of the University of Wisconsin System, the Foundation is considered a component unit of the State. The Foundation reports on a fiscal year ended December 31.

State Fair Park Exposition Center, Inc. – In October 2000, the State Fair Park Exposition Center, Inc. (the Center) was organized by the State of Wisconsin State Fair Park as a nonstock, not-for-profit corporation under the Internal Revenue Code 501(c)(3). Authorization for the Center's organization is found under Chapter 42, Wis. Stats. The Center has broad general powers that include approving the sale, lease, or purchase of any real estate and obtaining financing through loans or other methods. The board of the Center includes the chairperson of the State Fair Park Board, and three members appointed by the Center's Board. In addition to the State appointing a voting majority of the Center, the State is able to impose its will on the Center, and a financial benefit relationship exists. The Center reports on a fiscal year ended December 31.

Related Organizations

These related organizations are excluded from the reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members. Financial statements are available from the respective organizations.

Wisconsin Health and Educational Facilities Authority – a public body politic and corporate that provides financing for capital expenditures and refinancing of indebtedness for Wisconsin health care and educational institutions.

Bradley Center Sports and Entertainment Corporation – a public body politic and corporate that operates the Bradley Center.

World Dairy Center Authority - an authority created to establish a center for the development of dairying in the United States and the world; to analyze worldwide trends in the dairy industry and recommend actions to be taken by the State; promote dairy cattle, technology, products and services; and develop new markets for dairy and dairy-related products.

Fox River Navigational System Authority – created under Chapter 237 as a public body corporate and politic to oversee the navigational system on the Fox River after the federal government (the U.S. Army Corps of Engineers) transferred the system to the State.

Health Insurance Risk-Sharing Plan Authority – created under 2005 Wisconsin Act 74, Chapter 149, to assume all responsibilities for administration of the health insurance risk-sharing plan.

C. Government-wide and Fund Financial Statements

The *government-wide* financial statements consist of the statement of net assets and the statement of activities.

These statements report information on all activities, except for fiduciary activities, of the primary government and its component units. The statement of net assets and the statement of activities distinguish between the governmental and business-type activities of the State. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are generally financed in whole or in part by fees charged to external parties for goods and services. The focus of the government-wide statements is the primary government. A separate column on the statement of net assets and the statement of activities reports activities for all discretely presented component units.

The *fund* financial statements provide detailed information on all governmental, proprietary and fiduciary funds. Separate columns are presented for all major governmental and enterprise funds. Nonmajor governmental and enterprise funds are aggregated and presented as a single column on the respective governmental or proprietary statements. Internal service funds are exempt from the major fund reporting requirements and are aggregated and ultimately reported as a single column on the proprietary statement. Fiduciary funds are also exempt from major fund reporting and are aggregated by fund type and ultimately reported as single columns on the fiduciary statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The *government-wide* statement of net assets and statement of activities, as well as the *proprietary and fiduciary fund* statements, are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

In the University of Wisconsin System's enterprise fund, revenues and expenses of an academic term that spans two fiscal years are recognized in two years based on a proration of summer session days.

In reporting the financial activity of its enterprise funds and business-type activities, the State applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. Further, except for the State Life Insurance Fund, the State has elected not to apply the provisions of relevant pronouncements of FASB issued after November 30, 1989 for its enterprise funds and business-type activities. The State Life Insurance Fund is reported as an insurance enterprise fund and, accordingly, applies the provisions of relevant pronouncements of FASB, including those issued after November 30, 1989.

The University of Wisconsin Foundation, Wisconsin Health Care Liability Insurance Plan (Plan) and the State Fair Park Exposition Center, Inc. (the Center) are reported as component units, and in applying GAAP, have elected to apply the provisions of relevant pronouncements of FASB including those issued after November 30, 1989.

Governmental fund financial statements are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net available financial resources.

Governmental funds are reported on the modified accrual basis of accounting. This basis of accounting recognizes revenues generally when they become measurable and available to pay current reporting period liabilities. For this purpose, the State considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Other revenues are considered to be available if received within one year after the fiscal year end. Material revenue sources susceptible to accrual include individual and corporate income taxes, sales taxes, public utility taxes, motor fuel taxes and federal revenues.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due.

The State reports the following major funds:

Major Governmental Funds

- *General Fund* – the primary operating fund of the State, accounts for all financial transactions except those required to be accounted for in another fund.

- *Transportation Fund* – a special revenue fund, accounts for the proceeds from motor fuel taxes, vehicle registrations, licensing fees, and federal and local governments which are used to supply and support safe, efficient and effective transportation in Wisconsin.

- Common School Fund – a permanent fund, accounts for revenues received from the sale of federally granted land, fines and forfeitures from penal law branches, and the disposal of escheated property. These moneys are used for public purpose loans to municipalities and school districts. Earnings of this fund are distributed to local school districts and to cover administrative costs incurred by the Public Lands Commission.

Major Enterprise Funds

- *Injured Patients and Families Compensation Fund* – accounts for the program to provide excess medical malpractice insurance for Wisconsin health care providers. The revenues to finance this insurance are primarily derived from assessments against health care providers.

- *Environmental Improvement Fund* – accounts for financial resources generated and used for clean water projects. Federal capitalization grants, interest earnings, revenue bond proceeds, and general obligation bond proceeds are its primary funding sources.

- *University of Wisconsin System Fund* – accounts for the 13 universities, 13 two-year colleges, the University of Wisconsin Extension and System Administration.

- *Unemployment Reserve Fund* – accounts for unemployment contributions made by employers, federal program receipts, benefit payment recoveries and unemployment benefits paid to laid off workers in the State.

In addition, the State reports the following fund types:

Governmental Funds

- *Special Revenue Funds* – account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes. Examples include the Conservation Fund and the Petroleum Inspection Fund.

- *Debt Service Funds* – account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- *Capital Projects Funds* – account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

- *Permanent Funds* – account for resources that are legally restricted to the extent that only earnings and not principal, may be used for purposes that support the State's programs.

Proprietary Funds

- *Enterprise Funds* – account for the activities for which fees are charged to external users for goods or services. Examples include the Lottery Fund and the Veterans Trust Fund.

- *Internal Service Funds* – account for the operations of State agencies which provide goods or services to other State units or other governments on a cost-reimbursement basis. These services include technology, fleet management, financial, facilities management, and risk management. Additional goods and services are provided by the inmate work experience program, Badger State Industries.

Fiduciary Funds

- *Pension and Other Employee Benefit Trust Funds* – account for the Wisconsin Retirement System as well as other employee benefit programs including accumulated sick leave, duty disability, employee reimbursement accounts, life insurance, and retiree life insurance.

- *Investment Trust Funds* – account for the local government investment pool managed by the State Treasurer and the Milwaukee Retirement System.

- *Private-purpose Trust Funds* – account for the State-sponsored college savings programs and the BadgerRx for Individuals Fund.

- *Agency Funds* – account for the assets of liquidated insurance companies to insure payments to claimants, transactions of the retiree health insurance program, assets held by the State for inmates and residents of state facilities, deposits of bank and insurance companies doing business in the state, and the collection and disbursement of court-ordered support payments.

Amounts reported as program revenues on the government-wide statement of activities include (a) charges for services – amounts received from customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by the State; including interest earnings from various loan funds/ component units, (b) program-specific operating grants, contributions, and restricted interest, and (c) program-specific capital grants, contributions, and restricted interest. General revenues consist of taxes and all other revenues that do not meet the definition of program revenues. Special items, if any, are significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. This includes all internal service fund activity, as well as, other internal allocations. Exceptions to this general rule are certain charges between various functions of the government, whose elimination would distort the direct costs and program revenues reported for the various functions concerned.

The revenues and expenses shown on the proprietary fund statements are identified as either operating or nonoperating. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's primary mission. The State's enterprise funds are involved in many diverse fields including patient care, insurance programs, loan programs, the University of Wisconsin System, employee benefit plans, and the lottery. The internal service funds provide services and goods to other State agencies and departments.

A significant portion of operating revenues for the proprietary funds is recorded under charges for goods and services. In the case of the State's loan program enterprise funds, investment and interest income is an important component of operating revenue. Operating revenues of the University of Wisconsin include tuition and fees, certain grants and contracts resulting from exchange transactions, and sales and services of educational activities and auxiliary enterprises. In regards to the employee benefit plans, the primary operating revenue source is participant and employer contributions. Operating expenses for the proprietary funds include the costs of sales and services, benefit expenses, administration expenses and depreciation on capital assets. All revenues and expenses not related to a fund's primary purpose are reported as nonoperating.

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, and Net Assets/Fund Balances/Fund Equity

1. Cash and Cash Equivalents

Cash balances of most funds are deposited with the Department of Administration where the available balances beyond immediate needs are pooled in the State Investment Fund for short-term investment purposes. Balances pooled are restricted to legally stipulated investments valued consistent with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Cash balances not controlled by the Department of Administration may be invested where permitted by statute.

Cash and cash equivalents, reported on the balance sheet and statement of cash flows, include bank accounts, petty cash, cash in transit, short-term investments with an original maturity of three months or less such as certificates of deposit, money market certificates and repurchase agreements and individual funds' shares in the State Investment Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosure of risks associated with deposit and investment balances and the policies applied to mitigate such risks. Specific disclosures are included in Note 5, Deposits and Investments.

2. Investments

Primary Government

The State may invest in direct obligations of the United States and Canada, securities guaranteed by the United States, certificates of deposit issued by banks in the United States and solvent financial institutions in the State, commercial paper and nonsecured corporate notes and bonds, bankers acceptances, participation agreements, privately placed bonds and mortgages, common and preferred stock and other securities approved by applicable sections of the Wisconsin Statutes, bond resolutions, and various trust indentures (see Note 5 to the financial statements).

Generally, investments of the primary government are reported at fair value consistent with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Typically, fair value information is determined using quoted market prices. However, when quoted market prices are not available for certain securities, fair values are estimated through techniques such as discounted future cash flows, matrix pricing and multi-tiers.

There are a certain number of securities carried at cost. Certain non-public or closely held stocks are carried at cost since no independent quotation is available to price these securities. Further, certain investment agreements are reported on a cost basis because the State cannot readily determine whether these agreements meet the definition of interest-earning investment contracts as defined by GASB Statement No. 31. However, the impact on the financial statements is immaterial.

Under Wisconsin Statutes, the investment earnings of certain Permanent Funds are assigned to other funds. The following table shows the funds earning the investment income and the ultimate recipients of that income:

Fund Generating Investment Income	Fund Receiving Investment Income
Agricultural College	University of Wisconsin System
Normal School	General
University	University of Wisconsin System
Benevolent	General

Component Units

Investments (reported as cash equivalents) of the Badger Tobacco Asset Securitization Corporation, a blended component unit, are reported at fair value.

Investments of the Wisconsin Housing and Economic Development Authority (the Authority) are reported at fair value based on quoted market prices. Collateralized and uncollateralized investment agreements are not transferable and are considered nonparticipating contracts. As such, both types of investment agreements are reported at contract value.

Investments of the University of Wisconsin Hospitals and Clinics Authority (the Hospital) in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices.

Certain investments of the Wisconsin Health Care Liability Insurance Plan are reported on a cost basis; however, the impact on the financial statements is not material.

Investments of the University of Wisconsin Foundation are reported at fair value.

3. Mortgage and Other Loans

Mortgage loans of the Wisconsin Housing and Economic Development Authority, a component unit, are carried at their unpaid principal balance, less allowance for possible loan losses. Loan origination fees and associated costs are deferred and recognized as income or expenses over the projected life of the loan.

Mortgage loans of the Veterans Mortgage Loan Repayment Fund and the Veterans Trust Fund programs, business-type activities, are stated at the outstanding loan balance less an allowance for doubtful accounts.

4. Forestation State Tax

The State levies an annual tax of two-tenths of one mill for each dollar of the assessed valuation of the property in the State, as described in Wis. Stat. Sec. 70.58. This tax is levied for the purpose of acquiring, preserving and developing the forests of the state; for forest crop law and county forest law administration and aid payments; and for the acquisition, purchase and development of forests. The proceeds of the tax are paid to the Conservation Fund.

This tax, the only property tax levied by the State, is levied to each county on or before the fourth Monday in August of each year on assessed valuation as of January 1 of that year. The tax is due and payable January 31 or on the due dates established through an installment option permitted under Wis. Stat. Sec. 74.12.

Consistent with the requirements of GASB Interpretation No. 5, *Property Tax Revenue Recognition in Governmental Funds,* collections received July 1 through August 31 that were due but unpaid at June 30 are accrued.

5. Interfund Assets/Liabilities

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The balance sheet classifies these receivables and payables as "Due from Other Funds" or "Due to Other Funds." Short-term interfund loans are classified as "Interfund Receivables" or "Interfund Payables."

Long-term interfund loans are classified as "Advances to Other Funds" and "Advances from Other Funds." Advances to Other Funds, as reported in the governmental fund financial statements, are offset with a fund balance reserve to indicate that they are neither available for appropriation nor expendable available financial resources.

Balances that exist between the primary government and component units are classified as "Due to/from Primary Government" and, correspondingly, "Due to/from Component Units". Further, cash and investments invested by one component unit with another component unit are reported on the statement of net assets as "Cash and Investments with Other Component Units" and "Amounts Held in Trust by Component Units for Other Component Units".

Amounts reported in the funds as interfund assets/liabilities are eliminated in the governmental and business-type columns of the Statement of Net Assets, except for the net residual amount due between governmental and business-type activities which is shown as internal balances.

6. Inventories and Prepaid Items

Inventories of governmental and proprietary funds are valued at cost, which approximates market, using the first-in/first-out, last in/first out, or weighted-average method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Inventories of the University of Wisconsin System held by central stores are valued at average cost, fuels are valued at market, and other inventories held by individual institutional cost centers are valued using a variety of cost flow assumptions that, for each type of inventory, are consistently applied from year to year.

Prepaid items reflect payments for costs applicable to future accounting periods.

The fund balances of governmental funds are reserved for inventories and prepaid items, except in cases where prepaid items are offset by unearned revenues, to indicate that these accounts do not represent expendable available financial resources.

7. Capital Assets

Capital assets, which include property, plant, equipment, land and infrastructure assets (roads, bridges, and buildings considered an ancillary part of roads), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets of the primary government, other than infrastructure and land purchased for the construction of infrastructure assets, are capitalized when they have a unit cost of $5,000 or more (except for a collection of library resources that must have a cumulative value equal to or greater than $5.0 million) and a useful life of two or more years. Assets of the discretely presented component units are capitalized when they have a unit cost of $5,000 or more, except for the University of Wisconsin Foundation, which capitalizes assets greater than $2,500, and the State Fair Park Exposition Center, Inc., which capitalizes assets greater than $500.

Purchased or constructed capital assets are valued at cost or estimated historical cost if actual historical cost is not practicably determinable. Donated capital assets are recorded at their fair value at the time received.

The State has elected to report infrastructure assets (roads, bridges and buildings considered an ancillary part of roads) using the modified approach. Under this method infrastructure assets are not required to be depreciated if the State manages its eligible infrastructure assets using an asset management system designed to maintain and preserve its infrastructure assets at a condition level established and disclosed by the State. All infrastructure assets constructed prior to July 1, 2000 have been recorded at estimated historical cost. The estimated historical cost was determined by calculating current cost of a similar asset and deflating that cost through the use of a price-index to the estimated average construction date. Costs, which exclude right of way, are expressed in 2000 dollars and deflated back to the average construction date using the Federal Highway Administration's composite index for federal-aid highway construction. The costs of maintenance and preservation that do not add to the asset's capacity or efficiency are not capitalized. Interest incurred during construction is not capitalized.

Exhaustible capital assets of the primary government and the component units generally are depreciated on the straight-line method over the asset's useful life. Select buildings of the University of Wisconsin System are depreciated using the componentized method over the estimated useful life of the related assets. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units. There is no depreciation recorded for land, construction in process, infrastructure, and certain other capital assets including the State Capitol and Executive Residence and associated furnishings, defined as inexhaustible. Generally, estimated useful lives are as follows:

Buildings and improvements	2 - 40 years
Equipment, machinery and furnishings	2 - 40 years

Collections of works of art, historical treasures, and similar assets, which are on public display, used in furtherance of historical education, or involved in advancement of artistic or historical research, are not capitalized unless these collections were already capitalized at June 30, 1999. Collections range from memorabilia on display in the Wisconsin Veterans Museum, the Wisconsin Historical Society Museum and other museums to buildings such as the Villa Louis Mansion and the Fur Trade Museum located at the Villa Louis historical site. In addition, works of art or historical treasures on display in the various State office buildings, as well as statues on display outside the State Capitol, also are not capitalized.

8. Restricted and Limited Use Assets

Governmental fund and proprietary fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions, and donor specifications have been reported as Restricted and Limited Use Assets. Likewise, assets of the Wisconsin Housing and Economic Development Authority, the University of Wisconsin Hospitals and Clinics Authority, and the University of Wisconsin Foundation (discretely presented component units) that meet similar criteria have been reported as Restricted and Limited Use Assets. These assets are classified into four categories: Cash and Cash Equivalents, Investments, Cash and Investments with Other Component Units, and Other Restricted Assets.

9. Local Assistance Aids

Municipal and County Shared Revenue Program

Through the Municipal and County Shared Revenue Program, the State distributes general revenues collected from general State tax sources to municipal and county governments to be used for providing local government services. State statutes require that payment to local governments be made during July and November.

At June 30, 2009, the State was liable to various local governments for unpaid shared revenue aid. To measure the amount of the program allocable to the State's fiscal year, the amount is prorated over portions of recipient local governments' calendar fiscal years that are within the State's fiscal year. The result is that a liability of $487.0 million representing one-half of the total appropriated amount is reported at June 30, 2009 as Due to Other Governments.

State Property Tax Credit Program

At June 30, 2009, the State was liable to various taxing jurisdictions for property tax credits paid through the State Property Tax Credit Program. Under the program, payments to local taxing jurisdictions provide property tax relief directly to taxpayers in the form of State credits on individual property tax bills. State statutes require that payment to local taxing jurisdictions be made during July. Although the property tax credit is calculated on the property tax levy for school purposes, the State's July payment is paid to an administering municipality who treats the payment the same as other tax collections and distributes the collections to the various tax levying jurisdictions (e.g., cities; towns; villages; school districts; technical colleges).

The school portion of the property tax credit liability represents the amount of the July payment earned over the school districts' previous fiscal year ended June 30. Since the entire school districts' portion of the July payment occurs within the State's fiscal year, 100 percent of the July payment relating to the school taxing jurisdictions' levy is reported as a liability at June 30, 2009.

The general government portion of the property tax credit liability represents the amount of the July payment prorated over the portion of the local governments' calendar year which is within the State's fiscal year. The result is that 50 percent of the July payment based on the general government taxing jurisdictions' levy is reported as a liability at June 30, 2009.

The aggregated State Property Tax Credit Program liability of $566.7 million is reported in the General Fund as Due to Other Governments.

Lottery Property Tax Credit Program

The Lottery Property Tax Credit provides direct property tax relief to taxpayers in the form of State Credits on property tax bills. Under the program, owners of property used as a primary residence receive a tax credit equal to the school property tax on a portion of the dwelling's value.

The State pays municipal treasurers for lottery credits who distribute the moneys to the various taxing jurisdictions. For credits reducing the calendar year 2009 property tax bills, the State made this payment in March 2009.

The Lottery Tax Credit Program is accounted for in the Lottery Fund, an enterprise fund that records revenues and expenses on the accrual basis. A portion of the State's March payment distributed to the general government taxing jurisdictions applies to their fiscal year that ends on December 31. Therefore, part of the March distribution represents an expense of the State in Fiscal Year 2009, while the remaining portion represents a prepaid item. The resulting prepaid item reported within the Lottery Fund totals $28.5 million at June 30, 2009.

State Aid for Exempt Computers

The Aid for Exempt Computers compensates local governments for tax base lost due to the property tax exemption for computers, software and related equipment. Aid payments are calculated using a procedure that results in an aid amount equal to the amount of taxes that would be paid if the property were taxable. Payments to local governments are made on the fourth Monday in July.

At June 30, 2009, the State was liable to various local governments and other taxing jurisdictions for unpaid exempt computer aid payments of $52.1 million.

10. Long-term Debt Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt is reported as a liability. Bond premiums and discounts, as well as issuance costs, are deferred and amortized using the effective interest rate method on a prospective basis beginning in Fiscal Year 2004, except for the annual appropriation bonds that are amortized ratably over the life of the obligations to which they relate. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and other financing uses, respectively.

Debt issuance costs, as well as bond premiums and discounts, relating to revenue obligations of the Environmental Improvement Fund, an enterprise fund, were deferred and are being amortized using the effective interest rate method.

Debt issuance costs relating to general obligation bonds of the University of Wisconsin System Fund and the Veterans Mortgage Loan Repayment Fund, both enterprise funds, are amortized using the effective interest method. On the government-wide financial statements, bond premiums and discounts, as well as issuance costs, related to the Transportation Revenue Bonds and the Petroleum Inspection Fee Obligation Revenue Bonds (which finance programs in a capital projects fund and a special revenue fund, respectively) are also amortized ratably over the life of the obligations to which they relate. Results from the use of this method do not vary materially from those that would be obtained by use of the effective interest rate method.

Debt issuance costs, and bond premiums and discounts, of the Wisconsin Housing and Economic Development Authority and the University of Wisconsin Hospitals and Clinics Authority, both discretely presented component units, are amortized ratably over the life of the obligations to which they relate.

Debt issuance costs of the State Fair Park Exposition Center, Inc., a discretely presented component unit, are being amortized using the effective-interest method over the life of the related bonds.

11. Compensated Absences

Consistent with the compensated absences reporting standards of GASB Statement No. 16, *Accounting for Compensated Absences,* an accrual for certain salary-related payments associated with annual leave and an accrual for sick leave is included in the compensated absences liability at year end.

Annual Leave

Full-time employees' annual leave days are credited on January 1 of each calendar year in general at a minimum of 15 or 13 days per year, depending on Fair Labor Standards Act (FLSA) status. There is no requirement to use annual leave. However, unused leave is lost unless approval to carry over the unused portion is obtained from the employing agency. Generally, compensatory time accumulates for eligible employees for hours worked in excess of forty hours per week. In general, each full-time employee is eligible for four and one-half personal holidays each calendar year, provided the employee is in pay status for at least one day in the year. If a holiday occurs on a Saturday, employees receive leave time proportional to their working status to use at their discretion.

The State's compensated absence liability at June 30 consists of accumulated unpaid annual leave, compensatory time, personal holiday hours, and Saturday/legal hours earned and vested during January through June. The liability is reported in the government-wide, proprietary fund types and fiduciary funds.

Sick Leave

Full-time employees earn sick leave at a rate of five hours per pay period. Unused sick leave is accumulated from year to year without limit until termination or retirement. Accumulated sick leave is not paid. However, at employee retirement the accumulated sick leave may be converted to pay for the retiree's health insurance premiums. The State accumulates resources to pay for the expected health insurance premiums of retired employees. The portion of the health insurance obligation funded through the sick leave conversion and accumulated resources are presented in the Accumulated Sick Leave Fund, a pension and other employee benefit trust fund.

12. Unearned and Deferred Revenue

In both the government-wide and fund financial statements unearned revenue represents amounts for which asset recognition criteria have been met, but not revenue recognition criteria. Unearned revenue arises when resources are received by the State before it has a legal claim to them, as when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the State has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Unearned revenue of the University of Wisconsin System consists of payments received but not earned at June 30, 2009, primarily for summer session tuition, tuition and room deposits for the next fall term, advance ticket sales for upcoming intercollegiate athletic events, and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement.

Deferred revenue, reported in the governmental fund statements, represents revenues that are unavailable and consequently not susceptible to accrual. Primarily, this relates to items like long-term receivables, which represent amounts owed to the State that will not be collectible for many years. That is, under modified accrual accounting, revenue is not recognized until it is both measurable and available to finance expenditures of the current period.

13. Self-Insurance

Consistent with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* the State's risk management activities are reported in an internal service fund, and the claims liabilities associated with that fund are reported therein.

The State's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, State management believes it is more economical to manage its own risks internally. The Risk Management Fund, an internal service fund, is used to pay for losses incurred by any State agency and for administrative costs incurred to manage a state-wide risk management program. These losses include damage to property owned by the agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, and worker's compensation costs for State employees. A limited amount of insurance is purchased to limit the exposure to catastrophic losses. Annually, a charge is allocated to each agency for its proportionate share of the estimated cost attributable to the program per Wis. Stat. Sec. 16.865(8).

14. Fund Balance Reserves and Restricted Net Assets/Fund Equity

Fund Balance Reserves

Reservations of fund balances of governmental funds represent amounts that are not available for appropriation. Examples of fund balance reservations include reserves for encumbrances, inventories, and prepaid items.

Restricted Net Assets/Fund Equity

Restricted Net Assets (presented in the government-wide statement of net assets) and Restricted Fund Equity (presented in the balance sheet of proprietary funds) are reported when constraints placed on net assets or fund equity use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Unrestricted net assets or fund equity may be used at the State's discretion but often have limitations on use based on State statutes.

NOTE 2. DETAILED RECONCILIATION OF THE GOVERNMENT-WIDE AND FUND STATEMENTS

A. Explanation of Differences Between the Balance Sheet – Governmental Funds and the Statement of Net Assets

During the year ended June 30, 2009, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Balance Sheet – Governmental Funds to the amounts presented in the governmental section of the Statement of Net Assets (in thousands). The differences result primarily from the long-term economic focus of the Statement of Net Assets compared to the current financial focus of the Balance Sheet – Governmental Funds.

	Total Governmental Funds	Long-term Assets and Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations (3)	Total Amount for Statement of Net Assets
Assets:					
Cash and Cash Equivalents	$ 730,971	$ -	$ 8,563	$ -	$ 739,534
Investments	81,704	-	-	-	81,704
Receivables (net of allowance):					
Taxes	1,168,143	-	-	(1,168,143)	-
Loans to Local Governments	580,294	-	-	(580,294)	-
Other Loans Receivable	49,614	-	-	(49,614)	-
Other Receivables	586,838	3,358	1,281	2,967,588	3,559,065
Due from Other Funds	370,537	-	50,550	(421,087)	-
Due from Component Units	6	-	-	(6)	-
Interfund Receivables	90,405	-	-	(90,405)	-
Due from Other Governments	1,099,190	-	-	(1,099,190)	-
Internal Balances	-	-	1,768	(393,953)	(392,185)
Inventories	36,117	995	3,970	-	41,082
Prepaid Items	290,369	-	758	-	291,126
Advances to Other Funds	110	-	-	(110)	-
Restricted Assets:					
Cash and Cash Equivalents	230,975	-	-	-	230,975
Investments	36,210	-	-	-	36,210
Other Restricted Assets	2	-	-	-	2
Deferred Charges	-	81,381	615	-	81,996
Depreciable Capital Assets	-	1,286,368	249,052	-	1,535,419
Infrastructure	-	12,218,686	-	-	12,218,686
Other Non-depreciable Capital Assets	-	3,052,752	35,904	-	3,088,656
Other Assets	29,314	-	-	-	29,314
Total Assets	$ 5,380,799	$ 16,643,540	$ 352,460	$ (835,215)	$ 21,541,584
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 1,233,079	$ -	$ 24,529	$ 29,465	$ 1,287,073
Due to Other Funds	348,541	-	68,328	(416,869)	-
Interfund Payables	444,997	-	-	(444,997)	-
Due to Other Governments	2,181,979	-	-	-	2,181,979
Tax Refunds Payable	1,267,089	-	-	-	1,267,089
Tax and Other Deposits	74,304	-	-	-	74,304
Unearned Revenue/Deferred Revenue	674,912	(294,884)	-	-	380,029
Interest Payable	39,614	63,933	-	-	103,547
Advances from Other Funds	2,814	-	-	(2,814)	-
Short-term Notes Payable	869,530	-	11,846	-	881,376
Long-term Liabilities:					
Current Portion	101,745	408,533	45,502	-	555,781
Noncurrent Portion	-	8,934,414	217,737	-	9,152,151
Total Liabilities	7,238,604	9,111,997	367,942	(835,215)	15,883,328
Fund Balances/Net Assets	(1,857,805)	7,531,542	(15,482)	-	5,658,256
Total Liabilities and Fund Balances/Net Assets	$ 5,380,799	$ 16,643,540	$ 352,460	$ (835,215)	$ 21,541,584

(1) Long-term asset and liability differences arise because governmental funds focus only on short-term financing (that is, resources that will be available to pay for current period expenditures). In contrast, the Statement of Net Assets has a long-term economic focus and reports on all capital and financial resources.

(2) The adjustment for internal service funds reflects the reclassification of these funds for the government-wide statement. The assets and liabilities of these funds are reported as proprietary activities on the fund statements, but are included as governmental activities on the Statement of Net Assets

(3) Various reclassifications are necessary due to the differing level of detail needed on each of the statements. Eliminations are done on the Statement of Net Assets to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government. The net residual amounts due between governmental and business-type activities are shown as internal balances.

B. Explanation of Differences Between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and the Statement of Activities

During the year ended June 30, 2009, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the amounts presented in the governmental section of the Statement of Activities (in thousands). The differences result primarily from the long-term economic focus of the Statement of Activities compared to the current financial focus of the Statement of Revenues, Expenditures, Changes in Fund Balance – Governmental Funds.

	Total Governmental Funds	Long-term Revenues and Expenses (1)	Capital-Related Items (2)
Revenues:			
Taxes	$ 13,249,082	$ -	$ -
Income Taxes	-	14,520	-
Sales & Excise Taxes	-	37,832	-
Public Utility Taxes	-	-	-
Other Taxes	-	(778)	-
Motor Fuel (Transportation) Taxes	-	(652)	-
Other Dedicated Taxes	-	30	-
Intergovernmental	8,680,730	-	-
Operating Grants	-	-	750
Capital Grants	-	-	1,384
Licenses and Permits	1,606,833	-	-
Charges for Goods and Services	316,781	2,807	-
Investment and Interest Income	70,340	(21)	-
Fines and Forfeitures/Contributions to Permanent Fund	66,782	-	-
Gifts and Donations	19,816	-	-
Miscellaneous:		(64,612)	(4,703)
Tobacco Settlement	306,179	-	-
Other	238,194	-	-
Total Revenues	24,554,736	(10,873)	(2,568)
Expenditures/Expenses:			
Current Operating:			
Commerce	301,885	2,607	1,017
Education	6,673,017	1,606	3,127
Transportation	2,029,347	5,730	40,942
Environmental Resources	503,411	6,183	10,309
Human Relations and Resources	10,298,086	36,370	61,187
General Executive	559,262	(11,612)	11,592
Judicial	126,851	1,679	2,496
Legislative	63,798	847	918
Tax Relief and Other General Expenditures	1,275,882	-	-
Capital Outlay	775,189	-	(775,189)
Debt Service:			
Principal	1,812,219	-	-
Interest and Other Charges	678,052	1,427	-
Intergovernmental - Shared Revenue	1,035,050	-	-
Total Expenditures/Expenses	26,132,047	44,837	(643,601)
Excess of Revenues Over (Under) Expenditures/Expenses	(1,577,311)	(55,709)	641,033
Other Financing Sources (Uses):			
Net Transfers	(1,039,912)	-	111
Long-term Debt Issued	2,172,974	-	-
Premium/Discount on Bonds	28,472	-	-
Capital Lease Acquisitions	20,077	(20,077)	-
Installment Purchase Acquisitions	671	(671)	-
Total Other Financing Sources (Uses)	1,182,281	(20,748)	111
Net Change in Fund Balance	(395,029)	$ (76,457)	$ 641,144
Change in Reserve for Inventories	7,418		
Net Change for the Year	$ (387,611)		

(1) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," while government-wide statements report revenues when earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, while government-wide statements report using the accrual basis of accounting.

(2) Capital-related adjustments consist of the difference between proceeds for the sales of capital assets and the gain or loss from the sales of capital assets, and from the difference between capital outlay expenditures recorded in the governmental funds and depreciation expense recorded in the government-wide statements.

(3) The adjustment for internal service funds reflects the elimination of these funds from the government-wide statement, which is accomplished by charging/refunding additional amounts to participating governmental activities to completely offset the internal service funds' cost for the year.

Internal Service Funds (3)	Long-term Debt Transactions (4)	Eliminations (5)	Revenue/Expense Reclassifications (6)	Total Amount for Statement of Activities
$ -	$ -	$ -	$ (13,249,082)	$ -
-	-	-	6,795,213	6,809,733
-	-	-	4,717,331	4,755,163
-	-	-	307,552	307,552
-	-	-	229,181	228,403
-	-	-	1,002,572	1,001,921
-	-	-	197,232	197,262
-	-	-	(8,680,730)	-
-	-	30,635	7,870,213	7,901,598
-	-	-	860,600	861,984
-	-	-	(1,606,833)	-
4,474	-	(14,970)	1,650,986	1,960,077
60	-	-	(30,267)	40,112
-	-	-	(44,153)	22,629
-	-	-	(19,816)	-
-	-	-	544,730	475,415
-	-	-	(306,179)	-
-	-	-	(238,194)	-
4,534	-	15,665	357	24,561,850
(785)	-	(5,376)	(440)	298,908
777	-	29,274	(67)	6,707,734
169	204	-	(6,916)	2,069,477
320	14,688	(111)	50	534,850
1,610	(246)	1,361	(131)	10,398,237
1,648	-	(9,484)	(49)	551,358
(108)	-	-	-	130,916
(94)	158	-	-	65,626
(2)	1,795	-	(2,735)	1,274,940
-	-	-	-	-
-	(1,812,219)	-	-	-
7,903	(24,884)	-	2,869	665,367
-	-	-	-	1,035,050
11,437	(1,820,504)	15,665	(7,418)	23,732,463
(6,903)	1,820,504	-	7,774	829,388
(11,417)	-	-	(357)	(1,051,574)
-	(2,172,974)	-	-	-
-	(28,472)	-	-	-
-	-	-	-	-
-	-	-	-	-
(11,417)	(2,201,446)	-	(357)	(1,051,574)
$ (18,320)	$ (380,942)	$ 0	7,418	(222,186)
			(7,418)	-
			$ 0	$ (222,186)

(4) Long-term debt transaction differences consist of bond proceeds and principal repayments reported as other financing sources and expenditures in governmental funds, but as increases and decreases in liabilities in the government-wide statements.

(5) Intra-entity activity within the same function is eliminated to remove the grossing up of both direct expenses and program revenues within that category.

(6) Revenue and expense reclassifications are necessary due to the differing level of detail needed on each of the statements. In addition, the Statement of Activities focuses on program revenue, which has been redefined from the traditional revenue source categories.

NOTE 3. BUDGETARY CONTROL

The legal level of budgetary control for Wisconsin is at the function, agency, program, appropriation-level. Supplemental appropriations require the approval of the Joint Finance Committee of the Legislature. Routine adjustments, such as pay plan supplements and rent increases, are distributed by the Division of Executive Budget and Finance from non-agency specific appropriations authorized by the Legislature. Various supplemental appropriations were approved during the year and have been incorporated into the budget figures.

The budgetary comparison schedule and related disclosures for the General and Transportation funds are reported as Required Supplementary Information. This schedule presents the original budget, the final budget and actual data of the current period. The related disclosures describe the budgetary practices of the State, as well as, provide a detailed reconciliation between the General and Transportation funds' equity balance on the budgetary basis compared to the GAAP basis as shown on the governmental fund statements.

NOTE 4. DEFICIT FUND BALANCE/FUND EQUITY AND RESTRICTED NET ASSETS

A. Deficit Fund Balance/Fund Equity

In addition to the General Fund, funds reporting a deficit fund balance, fund equity, or net assets position at June 30, 2009 are (in thousands):

Special Revenue:		
Petroleum Inspection	$	140,555
VendorNet		2,814
Capital Projects:		
Capital Improvement		540,929
Transportation Revenue Bonds		163,868
Enterprise:		
Injured Patients and Families Compensation		108,982
Unemployment Reserve		247,920
Income Continuation Insurance		1,588
Northern Developmental Disabilities Center		10,852
Southern Developmental Disabilities Center		3,231
Life Insurance		309
Internal Service:		
Technology Services		18,984
Risk Management		92,026
Pension and Other Employee Benefit Trust:		
Accumulated Sick Leave		518,468

B. Restricted Net Assets

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, which amends GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* provides guidance in determining when net assets have been restricted to a particular use by the passage of enabling legislation and how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. Net assets restricted (1) by external parties or for constitutional purposes or (2) by enabling legislation were as follows on June 30, 2009 (in thousands):

Governmental Activities:		
Net Assets Restricted by External Parties or for Constitutional Purposes	$	986,022
Net Assets Restricted by Enabling Legislation		119,219
Business-type Activities:		
Net Assets Restricted by External Parties or for Constitutional Purposes		2,285,462
Net Assets Restricted by Enabling Legislation		209,027

NOTE 5. DEPOSITS AND INVESTMENTS

The State maintains a short-term investment "pool", the State Investment Fund, for the State, its agencies and departments, and certain other public institutions which elect to participate. The investment "pool" is managed by the State of Wisconsin Investment Board (the Board) which is further authorized to carry out investment activities for certain enterprise, trust and agency funds. A small number of State agencies and the University of Wisconsin System also carry out investment activities separate from the Board.

A. Deposits

Deposits include cash and cash equivalents on deposit in banks or other financial institutions, and nonnegotiable certificates of deposit. The majority of the State's deposits are under the control of the Department of Administration. The Department of Administration maintains multiple accounts with an agreement with the bank that allows an overdraft in one account if the overdraft is offset by balances in other accounts.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The State's policy regarding custodial credit risk is detailed in Chapter 34 of the State Statutes. In brief, any federal or state bank, credit union or savings bank may be designated a public depository. A surety bond may be required. The State's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and an appropriation for losses on public deposits. In the event of loss, the division of banking makes payments up to $400,000 per depositor for the excess of the payments made by the Federal Deposit Insurance Corporation or the Wisconsin Credit Union Savings Insurance Corporation. Payments are made, until the funds available in the appropriation are exhausted, in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions.

1. Primary Government

As of June 30, 2009, $458.8 million of the primary government's bank balance of $479.6 million (excluding two bank overdrafts totaling $.29 million in bank accounts that are covered by compensating balances in other accounts) was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	$	458.8

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Deposits in foreign currency at June 30, 2009 are immaterial. The primary government does not have a formal policy specifically related to foreign currency risk.

The State's Unemployment Reserve Fund had $26.6 million on deposit with the U.S. Treasury. This amount is presented as Cash and Cash Equivalents and is not included in the carrying amount of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

2. Component Units

The bank balance of deposits of the Wisconsin Housing and Economic Development Authority at June 30, 2009, the Wisconsin Health Care Liability Insurance Plan at December 31, 2008, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2009, the University of Wisconsin Foundation at December 31, 2008, and the State Fair Park Exposition Center, Inc. at December 31, 2008 was $337.2 million.

As of their fiscal year end, $334.0 million of the component units' bank balance of $337.2 million was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	$	334.0

B. Investments

1. Primary Government

Wisconsin Statutes, program policy provisions, appropriate governing boards, and general resolutions contained in revenue bond indenture documents define the types of securities authorized as appropriate investments and the conditions for making investment transactions.

Investments of the State are managed by various portfolios. For disclosure purposes, the following investment portfolios are discussed separately:

- Primary government, excluding the University of Wisconsin System, the Wisconsin Retirement System and the State Investment Fund. The primary government portfolios include various funds managed by the State of Wisconsin Investment Board consisting of the following:
  -- Local Government Property Insurance Fund (LGPIF)
  -- State Life Insurance Fund (SLF)
  -- Injured Patients and Families Compensation Fund (IPFCF)
  -- Historical Society Fund
  -- Tuition Trust Fund
- University of Wisconsin System (UWS)
- Wisconsin Retirement System (WRS)
- State Investment Fund (SIF) -- functions as the State's cash management fund by "pooling" the idle cash balances of all State funds and other public institutions. Investments of the SIF are discussed in section B 3 of this note disclosure.

Primary Government *(excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF))*

For the primary government, except for the various funds discussed later, permitted investments include: direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) for which the payment of the principal and interest are unconditionally guaranteed by the full faith and credit of the United States; bonds or other obligations of any state or the United States of America or of any agency, instrumentality or local governmental unit of any such state including the State of Wisconsin; bonds, debentures, participation certificates, notes or similar evidences of indebtedness of any of the Federal Financing Bank, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; public housing bonds issued by public agencies or municipalities; commercial paper; interest-bearing time deposits, certificates of deposit or other similar banking arrangements; shares of a diversified open-end management investment company; repurchase agreements; common and preferred stock; bankers acceptances; corporate commercial paper; bonds issued by a local district created under Wisconsin Act 229; and investment agreements with a bank, bank holding company, insurance company or other financial institution.

The State of Wisconsin Investment Board (the Board) has exclusive control over the investments of the Local Government Property Insurance Fund (LGPIF), the State Life Insurance Fund (SLF), the Injured Patients and Families Compensation Fund (IPFCF), the Historical Society Fund, and the Tuition Trust Fund, which are collectively known as the “various funds”.

Wisconsin Statutes allows investments of the LGPIF in direct obligations of the United States and Canada, securities guaranteed by the United States, unsecured notes of financial and industrial issuers, Yankee/Euro dollar issues, and certificates of deposit issued by banks in the United States, and solvent financial institutions in this State.

Permitted classes of investments of the SLF and the IPFCF include bonds of government units or of private corporations, loans secured by mortgages, preferred or common stocks, real property and other investments not specifically prohibited by statutes.

Funds available for the Historical Society Fund are authorized to be invested in every kind of property, real, personal or mixed, and every kind of investment specifically including but not limited to bonds, debentures and other corporate obligations, preferred or common stocks, and shares of investment companies and investment trusts.

The Board is directed to invest moneys held in the Tuition Trust Fund in investments with maturities and liquidity that are appropriate for the needs of the fund as reported by the State Treasurer.

University of Wisconsin System (UWS)

The University of Wisconsin System (UWS) investment policies and guidelines are governed and authorized by the Board of Regents. The current approved asset allocation policy for long-term funds sets a general target of 24.5 percent marketable equities, 16.5 percent fixed income, 34.0 percent alternatives, and 25.0 percent tactical strategies. The approved asset allocation for intermediate term funds is 15.0 percent marketable equities, 65.0 percent fixed income, 10.0 percent alternatives and 10.0 percent cash. These target allocations were last affirmed/approved in December 2008.

Wisconsin Retirement System (WRS)

All assets of the WRS are invested by the State of Wisconsin Investment Board (the Board). The WRS consists of shares in the core retirement trust fund and the variable retirement trust fund.

The investments of the core retirement trust fund consist of a highly diversified portfolio of securities. Wis. Stat. Sec. 25.182 authorizes the Board to manage the core retirement trust fund in accordance with "prudent investor" standard of responsibility as described in Wis. Stat. Sec. 25.15(2) which requires that the Board manage the funds with the diligence, skill and care that a prudent person acting in a similar capacity and with the same resources would use in managing a large public pension fund.

Investments of the variable retirement trust fund are authorized under Wis. Stat. Sec. 25.14 and 25.17. Wis. Stat. Sec. 25.17(5) states assets of the variable retirement trust fund shall be invested primarily in equity securities which shall include common stocks, real estate or other recognized forms of equities whether or not subject to indebtedness, including securities convertible into common stocks and securities of corporations in the venture capital stage. The variable retirement trust fund consists primarily of common stock and bonds convertible into common stock, although, because of existing conditions in the securities market, there may temporarily be other types of investments.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Primary Government *(excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF))*

At June 30, 2009, the reported amount of investments of the primary government, including the various funds, was $4,137.9 million, of which $388.7 million is reported as cash equivalents and $331.3 million is reported as "Other Assets". The primary government, including the various funds, does not have an investment policy specifically for custodial credit risk, however, at June 30, 2009, the primary government had no custodial credit risk exposure for these investments.

University of Wisconsin System (UWS)

At June 30, 2009, the UWS investments were $336.1 million, of which $27.4 million is reported as cash equivalents. The UWS's investments are registered in the name of the UWS and the UWS does not participate in any securities lending programs through its custodian bank. Investment securities underlying the UWS's investment in shares of external investment pools or funds are in custody at those funds. The shares owned in these external investment pools are registered in the name of the UWS.

Wisconsin Retirement System (WRS)

At June 30, 2009, the WRS investments were $60.6 billion. The WRS does not have a formal policy for custodial credit risk. As of June 30, 2009, the WRS held twelve tri-party repurchase agreements totaling $1.25 billion. The securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of a repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreements is the counterparty, the securities are not held in the WRS's name. They are held in the counterparty's name and held by the counterparty's agent.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Primary Government *(excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF))*

Although the primary government, except for the various funds discussed later, does not have a formal policy on limiting the exposure to changes in interest rates, it is the primary government's policy to comply with the provisions contained within the general resolutions of revenue bond indentures and other program policy investment criteria. For example, the Lottery Fund acquires investments with maturity dates that significantly coincide with scheduled payment dates of prize annuities. Investments are held to maturity unless an annuitant requests premature termination of an annuity, then any loss or gain due to market fluctuations are passed through to the redeeming annuitant. Therefore, the Lottery Fund has minimal interest rate risk exposure. Further, as a means of limiting its exposure to interest rate risks, certain funds are required to limit at least half of the fund's investment portfolio to maturities of less than one year. In addition, interest rate risk of certain other funds such as the Retiree Life Insurance Fund is minimized by maintaining a diversified portfolio of investments and monitoring cash flow patterns in order to approximately match the expected maturity of liabilities.

The following table provides information about the interest rate risks associated with the primary government's investments, except those of the various funds. The investments include certain short-term cash equivalents, and various long-term items.

At June 30, 2009, the primary government's investments were (in millions):

Primary Government (excluding Badger Tobacco Securitization Corporation, the various funds, UWS, WRS, SIF, and investments in an external investment pool)

	Investment Maturities				
Investment Type	**Less Than 1 Year**	**1 to 5 Years**	**6 to 10 years**	**More Than 10 Years**	**Fair Value**
U.S. Government and U.S. agency holdings	$ 130.5	$ 28.9	$ 21.6	$ 10.0	$ 191.0
State and municipal bonds and notes	1.8	116.7	41.9	66.9	227.3
Corporate bonds and notes	.1	--	--	--	.1
Negotiable certificates of deposit	.7	--	--	--	.7
Repurchase agreements	7.6	--	--	--	7.6
Forward delivery agreements	45.6	--	--	--	45.6
Guaranteed investment agreements	21.8	--	--	--	21.8
Money market funds	230.9	--	--	--	230.9
Mutual funds – open ended	37.3	411.3	1.3	.1	450.0
Total	$ 476.3	$ 556.9	$ 64.8	$ 77.0	$ 1,175.0

External Investment Pool

Investments of the Retiree Life Insurance Fund and the Life Insurance Fund (reported as pension and other employee benefit trust funds) are held in an external investment pool with the investment objective of maintaining levels in its general account sufficient to guarantee principal amounts of reserves. The interest rate exposure of this pool expressed in terms of duration and the weighted average life is 4.3 and 5.4 years respectively.

As of May 31, 2009, the Badger Tobacco Asset Securitization Corporation's investments were as follows (in millions):

Investment	**Fair Value**	**Weighted Average Maturity (Years)**
Dreyfus Cash Mgmt 288 Inst'l	$ 10.0	0.09
Federated Tax-free Obligations Fund 15	1.8	0.01
Total Fair Value	$ 11.8	
Portfolio weighted average maturity		0.10

The various funds, which are managed by the Board, use the duration method to identify and manage interest rate risk. Three of the various funds have investment guidelines relating to interest rate risk. The LGPIF guidelines provide that a bond's maturity must not exceed ten years. The SLF guidelines provide the weighted average maturity (WAM), including cash, shall be a minimum of ten years. The IPFCF guidelines provide that the average duration of the aggregate bond portfolio shall be less than ten years.

As of June 30, 2009, the various funds had interest rate risk statistics as detailed below (in millions):

Various Funds
Duration for Fixed Income Securities (in years)

	LGPIF		SLF		IPFCF		Historical Society		Tuition Trust	
	Fair Value	Duration	Fair Value	WAM	Fair Value	Duration	Fair Value	Duration	Fair Value	Duration
Government/ Agency	$ 8.3	1.97	$ 33.6	16.04	$ 221.3	4.68	$ --	--	$ 6.4	4.65
Corporate	10.6	2.52	51.3	17.06	325.8	5.02	--	--	0.8	4.07
Bond Funds	--	--	--	--	--	--	1.9	5.06	--	--
Total/Average	$ 18.9	2.28	$ 84.9	16.65	$ 547.1	4.88	$ 1.9	5.06	$ 7.2	4.59

University of Wisconsin System (UWS)

The UWS uses the option adjusted duration method to analyze interest rate risk.

As of June 30, 2009, the UWS had interest rate risk statistics as detailed below (in millions):

UWS

Fixed Income Sector	Fair Value	Modified Duration
Corporate and other credit	$ 16.9	4.11
Government	2.5	7.42
Collateralized mortgage obligations: U. S. Agencies	8.3	2.92
U.S. private placements	3.2	3.28
Asset backed securities	.8	3.70
Collateralized mortgage obligations: Corporate	4.4	1.91
U.S. Agencies	4.2	4.91
Commercial mortgage backed securities	2.1	3.33
Treasury inflation protected securities	23.9	3.61
Total	$ 66.3	
Fixed Income Commingled		
Seix Advisors High Yield Fund	$ 18.4	4.1

Wisconsin Retirement System (WRS)

Generally, analysis of long or intermediate term portfolios' interest rate risk is performed using various duration calculations. Modified duration, which is stated in years, is the measure of price sensitivity of a fixed income security to an interest rate change of 100 basis points. The calculation is based on the weighted average of present values for all cash flows. Some pooled investments are analyzed using an option adjusted duration calculation which is similar to the modified duration method. Option adjusted duration incorporates the duration shortening effect of any embedded call provisions in the securities.

On the other hand, short term portfolios use the weighted average maturity to analyze interest rate risk. Weighted average maturity is the maturity of each position in a portfolio weighted by the dollar value of the position to compute an average maturity for the portfolio as a whole. This measure indicates a portfolio's sensitivity to interest rate changes: a longer average weighted maturity implies greater volatility in response to interest rate changes. SWIB's investment guidelines related to interest rate risk vary by portfolio. Some fixed income portfolios are required to be managed within a range of a targeted duration, while others are required to maintain a weighted average maturity at or below a specified number of days or years.

Interest rate risk exposure as of June 30, 2009, stated in terms of modified duration and weighted average maturity, is presented below (in millions):

WRS		
Investment Type	**Fair Value**	**Modified Duration (Years)**
Asset backed securities	$ 72.2	3.263
Commercial paper	44.3	0.246
Corporate bonds	3,332.9	4.624
Corporate bonds	10.9	N/A
Municipal bonds	4.2	8.342
Government agency	352.7	4.520
Commercial mortgages	51.5	2.701
Private placements	437.5	4.937
Private placements	8.9	N/A
Repurchase agreements	36.0	N/A
Sovereign debt	2,880.3	6.825
Sovereign debt	1.6	N/A
U.S. Treasury securities	3,239.0	7.657
Total	$10,472.0	

Pooled Investments		
Pooled Investment	**Fair Value**	**Modified Duration (Years)**
Emerging market fixed income	$ 314.2	4.981
Global fixed income	429.1	4.870
Domestic fixed income	6,839.1	5.249
	$ 7,582.4	

Securities Lending Collateral Pool	**Fair Value**	**Weighted Average Maturity (Days)**
Asset backed securities	$ 337.0	20
Certificate of deposit	567.0	83
Commercial paper	185.3	61
Corporate bonds	1,486.8	35
Repurchase agreements	1,212.5	4
Pooled investments	1,028.1	14
US Treasury Securities	132.9	153
	$ 4,949.6	

	Fair Value	**Modified Duration (Days)**
Short-term pooled investments	$ 62.7	36

Credit Quality Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Primary Government *(excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF)*

The primary government, except for the various funds discussed later, follows Wisconsin Statutes, program policy provisions, appropriate governing boards, and general resolutions contained in revenue bond indenture documents limits investments in public housing bonds issued by public agencies or municipalities, the State of Wisconsin, interest-bearing time deposits, certificates of deposit or other similar banking arrangement, shares of a diversified open-end management investment company repurchase agreements and investment agreements to a rating no lower than the rating assigned to the bonds. Investments in all other permitted debt securities are required to bear the highest rating available from each nationally recognized rating agency. In addition, credit risk of certain funds such as the Retiree Life Insurance Fund is minimized by monitoring portfolio diversification by asset class, creditor and industry and by complying with investment limitations governed by insurance laws and regulations.

As of June 30, 2009, the above mentioned investments for the primary government including the various funds were rated by Standard and Poor's, Moody's Investors Service, and Fitch Ratings and the ratings are presented below using the Standard and Poor's rating scale (in millions):

Primary Government (excluding the various funds, UWS, WRS and SIF)	
Credit Quality Ratings	**Fair Value**
AAA	$ 197.2
AA	577.4
A	111.9
B	.1
Not Rated	622.5
Total	$ 1,509.1

The various funds' (except for the Tuition Trust Fund) investments guidelines provide that issues be rated "A-" or better at the time of purchase based on the minimum credit ratings as issued by nationally recognized rating agencies. IPFCF guidelines provide that at the time of purchase at least 80 percent of the bond portfolio must be rated "A3/A1-" or better. The Tuition Trust Fund guidelines do not specifically list a minimum credit quality.

The following schedule displays the credit ratings at June 30, 2009, for the various funds (in millions):

	Various Funds				
	LGPIF	SLF	IPFCF	Historical Society	Tuition Trust
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
AAA	$ 18.9	$ 34.6	$ 230.5	$ --	$ 6.4
AA	--	8.2	37.8	--	.2
A	--	25.5	162.8	--	.3
BBB	--	14.6	94.0	--	.2
BB	--	1.4	19.2	--	.2
B	--	.6	2.8	--	--
CCC	--	--	--	--	--
Not rated	--	--	--	1.9	--
Totals	$ 18.9	$ 84.9	$ 547.1	$ 1.9	$ 7.3

University of Wisconsin System (UWS)

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the Long Term Fund, fund-level asset allocation constraints limit exposure to below investment grade debt securities to no more than 10.0 percent; for the Intermediate Term Fund, exposure is limited to 6.0 percent. In addition, actively-managed, investment grade fixed income separate accounts must maintain an average portfolio quality of AA by Standard & Poor's and/or Aa by Moody's, and hold only securities rated BBB- by Standard & Poor's and/or Baa3 by Moody's or higher. Credit risk guidelines for all mutual or commingled funds used are carefully reviewed and monitored. As of June 30, 2009, the actively-managed, investment grade fixed income separate accounts held a CIT Group Inc. security in the amount of $115 thousand rated Ba2 by Moody's and BB- by Standard & Poor's and a Windsor Financing, LLC security in the amount of $90 thousand rated Ba3 by Moody's and BB by Standard & Poor's. The CIT Group Inc. security was disposed of on August 3, 2009 and the Windsor Financing, LLC security was disposed of on July 16, 2009.

The following schedule displays the credit rating as provided by Moody's Investor Service on debt securities held as of June 30, 2009 (in millions). Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the AAA rating below although they are considered to be without credit risk.

UWS	
Ratings	Fair Value
Aaa	$ 52.6
Aa2	1.6
Aa3	1.1
A1	1.5
A2	5.2
A-3	4.8
Baa1	.9
Baa2	3.7
Baa3	1.3
Ba1	2.5
Ba2	2.5
Ba3	4.4
B1	3.4
B2	2.6
B3	2.3
Caa1	.9
Unrated and Unrated Pooled Cash	29.9
Total	$ 121.2

Wisconsin Retirement System (WRS)

With the exception of derivative instrument credit risk, there are no fund-wide or system-wide investment guidelines related to credit risk exposures for investments of the WRS. Fixed income credit risk investment guidelines spell out the minimum ratings at the time of purchase by individual portfolios or groups of portfolios based on the portfolios' investment objectives. In addition, some fixed income portfolios are required to carry a minimum weighted average rating at all times.

The following schedule displays the lowest credit rating available as rated by several nationally recognized statistical rating organizations on debt securities held as of June 30, 2009 (in millions). Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the AAA rating below although they are considered to be without credit risk.

WRS	
Ratings	**Fair Value**
P-1 or A-1	$ 885.2
Aaa or AAA	5,533.2
Aa3 to Aa1 or AA- to AA+	2,083.2
A3 to A1 or A- to A+	2,344.1
Baa3 to Baa1 or BBB- to BBB+	1,046.3
Ba3 to Ba1 or BB- to BB+	415.3
B3 to B1 or B- to B+	271.5
Caa1 to Caa3 or CCC- to CCC+	103.0
Ca1 to Ca3 or CC- to CC+	16.1
C	10.7
D	7.5
Commingled or pooled	8,673.2
Not rated	1,677.5
Total	$ 23,066.8

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Primary Government *(excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF)*

Although the primary government, except for the various funds discussed later, does not have a formal policy on limiting the exposure to concentrations of credit risk, it is the primary government's policy to comply with the provisions contained within the general resolutions of revenue bond indentures and other program policy investment criteria. For example, the College Savings Program Trust Fund's exposure to a particular industry is limited to no more than double that industry's percentage in the ML All Corporate Index (COAO).

The primary government's, except for the various funds, largest concentration by a single issuer is the State of Wisconsin Global Certificates with approximately 4.7 percent and State of Wisconsin general obligation bonds with approximately 1.98 percent of investments.

With the exception of the Tuition Trust Fund, the various funds investment guidelines limit concentrations of credit risk by establishing maximum issuer and/or sector exposure limits. Generally, the guidelines provide that no single issuer may exceed 5 percent of the fund investments, with the exception of U.S. Government and its agencies, which may be unlimited. The LGPIF further limits AAA-rated mortgage-backed, AAA-rated asset-backed and individual corporate issuers to 3 percent of the market value of the fund investments.

Excluding investments issued or explicitly guaranteed by the U.S. Government, as of June 30, 2009, none of the various funds had more than five percent of their total investments in a single issuer.

University of Wisconsin System (UWS)

Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. Actively-managed, fixed income separate accounts are limited to holding no more than 7.0 percent in any one issuer (U.S. Government/Agencies are exempted). Credit concentration guidelines for all mutual or commingled funds used are carefully reviewed and monitored. During fiscal year 2009 and 2008, the largest concentration by a non-U.S. Government/Agency was Wachovia Bank with 0.6 percent and 0.9 percent, respectively, of total Trust Funds assets.

Wisconsin Retirement System (WRS)

For investments of the WRS, concentration of credit risk is limited by establishing investment guidelines for individual portfolios or groups of portfolios that generally restrict issuer concentrations in any one company or Rule 144A securities below 5 percent of assets.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

Primary Government *(excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF)*

The primary government, except for the various funds discussed later, does not have a formal policy to limit foreign currency risk, however, certain funds such as the Environmental Improvement Fund are not permitted to invest in foreign currency based on provisions contained in its bond indenture general resolution. However, foreign currency risk of the Retiree Life Insurance Fund is minimized by utilizing short-duration spot forward contracts to minimize the adverse impact of foreign currency exchange rate risks inherent in the elapsed time between trade processing and trade settlement.

At June 30, 2009, the primary government, except for the various funds, did not own any issues denominated in a foreign currency.

The various fund's investment guidelines do not specifically address foreign currency risk with the exception that SLF only allows investments in U.S. dollar denominated instruments. As of June 30, 2009, the various funds did not own any issues denominated in a foreign currency.

University of Wisconsin System (UWS)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2009, the Long Term and Intermediate Term Funds held equity securities denominated in foreign currencies within pooled investment vehicles only, with market values totaling $76.0 million and $4.2 million, respectively, compared to prior fiscal year amounts of $94.3 million and $1.2 million, respectively. Some of the trades for such foreign positions will not settle in foreign currencies until after the fiscal year end. For the Long Term and Intermediate Term Funds, it is generally expected and desired that foreign currency exposure is not hedged, as this enhances the diversification benefits from non-U.S. investments. Foreign currency management practices and policies for mutual or commingled funds used are carefully reviewed and monitored.

Wisconsin Retirement System (WRS)

The WRS held foreign currency denominated cash and securities directly in designated actively managed portfolios and indirectly through its investment in certain commingled invest funds.

As of June 30, 2009, the following assets were denominated in the following currencies (in millions):

Currency Exposure by Investment Type

Currency	Cash and Cash Equivalents	Commercial Mortgages	Convert-ible Securities	Stocks	Fixed Income	Financial Futures	Multi-Asset	Preferred Securities	Limited Partnerships	Real Estate	Total
Australian Dollar	6.2	--	--	297.7	121.3	.2	--	--	--	--	425.5
Brazil Real	2.6	--	--	26.7	22.5	--	--	94.7	--	--	146.4
British Pound Sterling	4.0	--	.1	1,300.4	226.1	.1	--	--	97.4	--	1,628.1
Canadian Dollar	4.4	--	--	419.3	102.8	--	--	--	24.2	--	550.6
Columbian Peso	--	--	--	--	9.7	--	--	--	--	--	9.7
Czech Koruna	.2	--	--	9.3	--	--	--	--	--	--	9.5
Danish Krone	1.7	--	--	61.6	25.4	--	--	--	--	--	88.6
Euro Currency Unit	12.7	--	--	2,318.8	1,182.1	1.2	--	20.1	452.9	--	3,987.8
German Mark	--	--	--	--	.1	--	--	--	--	--	.1
Hong Kong Dollar	3.7	--	--	309.8	--	--	--	--	--	--	313.5
Hungarian Forint	.1	--	--	7.1	3.8	--	--	--	--	--	11.0
Iceland Krona	.1	--	--	--	1.5	--	--	--	--	--	1.6
Indian Rupee	2.9	--	--	123.3	--	--	--	--	--	--	126.2
Indonesian Rupian	.2	--	--	9.4	13.7	--	--	--	--	--	23.3
Israeli Shekel	.3	--	--	8.2	--	--	--	--	--	--	8.5
Italian Lira	--	--	--	--	.6	--	--	--	--	--	.6
Japanese Yen	24.3	--	--	1,418.4	860.3	.4	--	--	--	--	2,303.4
Malaysian Ringgit	2.3	--	--	18.6	38.6	--	--	--	--	--	59.5
Mexican New Peso	.3	--	--	48.0	17.5	--	--	--	--	--	65.8
Moroccan Dirham	.1	--	--	2.0	--	--	--	--	--	--	2.1
New Taiwan Dollar	9.1	--	--	164.2	--	--	--	--	--	--	173.4
New Turkish Lira	.2	--	--	34.8	1.8	--	--	--	--	--	36.9
New Zealand Dollar	.4	--	--	.7	8.1	--	--	--	--	--	9.1
Norwegian Krone	.5	--	--	97.1	5.8	--	--	--	--	--	103.4
Philippines Peso	.3	--	--	5.3	--	--	--	--	--	--	5.6
Polish Zloty	.2	--	--	11.7	24.8	--	--	--	--	--	36.7
South African Rand	.7	--	--	41.4	5.7	--	--	--	--	--	47.9
Singapore Dollar	2.8	--	--	84.2	--	--	--	--	--	--	87.0
South Korean Won	1.0	--	--	165.6	--	--	--	3.7	--	--	170.4
Swedish Krona	1.3	--	--	88.9	27.1	--	--	--	.9	--	118.2
Swiss Franc	1.5	--	--	379.2	--	--	--	--	--	--	380.6
Thailand Baht	.7	--	--	40.4	--	--	--	--	--	--	41.1
United States Dollar	441.3	51.5	27.3	28,173.4	15,053.8	(8.4)	1,293.1	7.3	4,747.7	390.9	50,178.0
Uruguayan Peso	--	--	--	--	5.3	--	--	--	--	--	5.3
Total Investments by Currency Exposure	526.3	51.5	27.4	35,665.5	17,758.3	(6.6)	1,293.1	125.8	5,323.1	390.9	61,155.4

Securities Lending Transactions

Wisconsin Retirement System (WRS)

Securities Lending Transactions – State statutes and Board policies permit the use of investments of the WRS to enter into securities lending transactions. These transactions involve the lending of securities to broker-dealers and other entities for collateral, in the form of cash or securities, with the simultaneous agreement to return the collateral for the same securities in the future. The securities custodian is an agent in lending the domestic and international securities. When domestic securities are delivered to a borrower as part of a securities lending agreement, the borrower is required to place collateral equal to 102 percent of the loaned securities' fair value, including interest accrued, as of the delivery date with the lending agent. In the event that foreign securities are loaned, the borrower is required to place collateral totaling 105 percent of the loaned securities' fair value, including interest accrued, as of the delivery date with the lending agent except when the collateral is denominated in the same currency as the loaned security. In this case, collateral is required to total 102 percent of the loaned securities' fair value including interest accrued, as of the delivery date.

The cash collateral is reinvested by the lending agent or its affiliate in accordance with the contractual investment guidelines, which are designed to insure the safety of principal and obtain a moderate rate of return. The investment guidelines include very high credit quality standards and also allow for a portion of the collateral investments to be invested with short-term securities. The earnings generated from the collateral investments, less the amount of rebates paid to the dealers and fees paid to agents, results in the gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

In accordance with money market mutual fund industry standards, the cash collateral reinvestment pools are valued at amortized cost. The amortized or book value of a fund's assets and underlying fair market value of the assets may differ based on market conditions. The pools' market value relative to its amortized cost is expressed as net asset value (NAV) and is derived by dividing total market value by amortized cost. In Fiscal Year 2009, the securities lending reinvestment pools' NAV fell below the typical money market fund floor value of 99.50 percent. As of June 30, 2009, the U.S. dollar cash collateral reinvestment pools' NAV was 98.43 percent while the foreign reinvestment pool had a NAV of 97.63 percent.

At year end, no credit risk exposure to borrowers existed because the amounts owed the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent requires it to indemnify if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent. Losses resulting from violations of investment guidelines are also indemnified.

The majority of securities loans can be terminated on demand. The average term of the loans is approximately one week, which is shorter than the weighted average maturity of 35 days for investments made with the U.S. dollar cash collateral and the weighted average maturity of 14 days for investments made with foreign cash collateral.

Pledging or selling collateral securities cannot be done without a borrower default. The quantity of dollar value of securities lending contracts entered into is not restricted.

Derivative Financial Instruments

Various Funds

Interest Only Strips — Interest only strips are securities that derive cash flow from the payment of interest on underlying debt securities. The Tuition Trust Fund held several interest only strips for yield enhancing purposes. Because the underlying securities are United States Treasury obligations, the credit risk is low. On the other hand, interest only strips are more volatile in terms of pricing, and thus the market risk is higher than traditional United States Treasury obligations.

As of June 30, 2009 the Tuition Trust Fund held interest only strips valued at $6.3 million representing approximately 70.5 percent of portfolio investments.

Wisconsin Retirement System (WRS)

Derivatives offer a very liquid, low cost and effective way to establish or hedge existing portfolio positions. Investment guidelines define allowable derivative activity for each portfolio and are based on the investment objectives which have been established by the Board. Where derivatives are permitted, guidelines stipulate allowable instruments and the manor in which they are to be used. For those portfolios given the authority to utilize derivatives, all derivative issuers or counterparties used must be a recognized exchange or a bank or broker dealer with an actual credit rating of at least: (1) 'A1/P1' or better on short term debt from S&P or Moody's; or (2) 'A' or better on long term debt from S&P or Moody's.

Foreign Currency Forwards and Options – Currency exposure management is permitted through the use of exchange traded currency instruments, and through the use of spot and forward contracts in foreign currencies. Losses may arise from future changes in the value of the underlying currency, or if the counterparties do not perform under the terms of the contract.

Discretionary currency overlay strategies may be employed when currency market conditions suggest such strategies are warranted. Direct currency hedging is permitted to hedge currency exposure back to the U.S. dollar when consistent with

the strategy of the portfolio. Cross-currency exposure management to transfer out of an exposed currency and into a benchmark currency is permitted. In certain cases, currencies of non-benchmark countries may be held through the use of forward contracts provided that the notional value of any single non-benchmark currency does not exceed 5 percent of the market value of the portfolio. Losses may arise from future changes in the value of the underlying currency, or if the counterparties do not perform under the terms of the contract.

During Fiscal Year 2009, currency exposure management involved foreign currency spot and forward contracts only. Generally, these contracts are entered into to hedge foreign exchange risk. At June 30, 2009, the fair value of foreign currency forward contract assets totaled $3.3 billion, while the liabilities totaled $3.2 billion.

Futures Contracts – A financial futures contract is an exchange traded agreement to buy or sell a financial instrument at an agreed upon price and time in the future. Upon entering into a futures contract, collateral is deposited with the broker in accordance with the initial margin requirements of the broker. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin. Losses may arise from future changes in the value of the underlying instrument, or if the counterparties do not perform under the terms of the contract.

Asset Backed Securities – Asset backed securities are debt securities whose value is derived from payments and prepayments of principal and interest generated from whole loan mortgages, mortgage pass-through securities, credit card receivables, car loans and leases receivables, insurance proceeds receivable, as well as, airline and railroad car loans receivable. In some cases, cash flows are distributed to different investment classes or traunches in accordance with the security's established payment order. Some traunches have more stable cash flows relative to changes in interest rates while others are significantly more sensitive to interest rate fluctuations. In a declining interest rate environment, some asset backed securities may be subject to a reduction in interest payments as a result of prepayment of underlying mortgages, leases or loans that make up the collateral pool. A reduction in interest payments causes a decline in cash flows and thus a decline in the fair value of the security. Rising interest rates may cause an increase in anticipated interest payments, thus an increase in fair value of the security. Only high quality, senior traunches, resulting in minimal risks of default and prepayment are held for the WRS. The degree of prepayment risk also varies with the type of underlying assets. Mortgage backed securities tend to have a higher degree of prepayment risk due to the long term nature of the security. At June 30, 2009, mortgage backed securities with a fair value totaling $65.4 million were held for the WRS.

Options – Option contracts give the purchaser of the contract the right to buy (call) or sell (put) the security or index underlying the contract at an agreed upon price on or before the expiration of the option contract. The seller of the contract is subject to market risk, while the purchaser is subject to credit risk and market risk to the extent of the premium paid to enter into the contract. Internal U.S. equity portfolios are allowed to buy put options and sell call options in connection with existing portfolio positions. Call options may be purchased or put options sold on investments that could be held in the portfolio if the options were exercised. Domestic fixed income portfolios are permitted to enter into option contracts for the purpose of adjusting duration, taking or modifying positions, or investing anticipated cash flows. At June 30, 2009, the WRS held no options.

Unfunded Capital Commitments

University of Wisconsin System (UWS)

The UWS has unfunded limited partnership commitments of $30.6 million as of June 30, 2009.

Wisconsin Retirement System (WRS)

The Board has committed to fund various limited partnerships and side-by-side agreements related to its private equity and real estate holdings. Commitments that have not been funded as of June 30, 2009 totaled $5.3 billion.

2. Component Units

Component Units *except for the Wisconsin Health Care Liability Insurance Plan and the University of Wisconsin Foundation (Other Component Units)*

Wisconsin Housing and Economic Development Authority (Authority) – The Authority is required by statute to invest at least fifty percent of its General Fund funds in obligations of the State, of the United States, or of agencies or instrumentalities of the United States, or obligations, the principal and interest of which are guaranteed by the United States, or agencies or instrumentalities of the United States. Each investment portfolio specifies what constitutes a permitted investment and such investments may include obligations of the U.S. government and agencies securities; corporate bonds and notes; money market mutual funds; commercial paper; and repurchase agreements and investment agreements.

The Authority enters into collateralized investment contracts with various financial institutions. The investment contracts are generally collateralized by obligations of the United States government.

The Authority is also authorized to invest its funds in the State Investment Fund.

The Authority's aggregate investments at June 30, 2009 were $731.5 million of which $540.1 million are reported as cash equivalents.

University of Wisconsin Hospital and Clinics Authority – The University of Wisconsin Hospitals and Clinics Authority's (the Hospital) aggregate investments at June 30, 2009 were $288.9 million of which $216.7 million (invested with the University of Wisconsin Foundation, see investment disclosure discussion for the University Wisconsin Foundation) are reported as "Cash and Investments with Other Component Units." The board of directors has authorized management to invest in debt and equity securities.

State Fair Park Exposition Center, Inc. – The aggregate investments at December 31, 2008 were $4.8 million, consisting of $3.8 million of money market funds that are reported as cash equivalents.

Custodial Credit Risk

The component units do not have a formal policy for custodial credit risk. At fiscal year end, the reported amount of investments was $ 808.6 million, of which $543.9 million are reported as cash and cash equivalents.

Interest Rate Risk

It is the component units' policy to comply with the provisions contained within the general resolutions of revenue bond indentures and other program policy investment criteria. For example, investment maturities will coincide with the anticipated debt service payment dates and cash flow obligations associated with the life of bonds outstanding. Market conditions, rates of return, interest rate spreads within and across asset classes, and other factors will influence maturity selection for all funds in excess of those required to meet the projected cash flow obligations. No investment will mature after the final bond maturity of the issue.

The following table provides information about the interest rate risks associated with the component units' investments. The investments include certain short-term cash equivalents, and various long-term items. As of fiscal year end, the component units had the following debt investments and maturities (in millions):

	Investment Maturities				
Investment Type	**Less Than 1 Year**	**1 to 5 Years**	**6 to 10 years**	**More Than 10 Years**	**Fair Value**
U.S. Government and U.S. agency holdings	$ 77.2	$ 13.9	$ .9	$ 3.1	$ 95.1
Corporate notes and bonds	--	1.7	--	--	1.7
Money market funds	617.1	--	--	--	617.1
Noncollateralized investment contracts	--	28.0	--	--	28.0
Mortgage-backed securities	--	1.4	6.4	14.1	21.9
Collateralized investment contracts	29.6	--	1.2	1.2	32.0
Negotiable certificates of deposit	7.1	5.6	--	--	12.7
Total	$ 731.0	$ 50.6	$ 8.5	$ 18.4	$ 808.5

Credit Quality Risk

The component units have established different investment policies for different investment types that generally include minimum rating requirements. For example, corporate bonds and notes are limited to U.S. domestic corporations having been rated not less than AA category or its equivalent as to investment quality by two or more nationally recognized investment rating firms. At least one rating must be in the top two short- or long-term rating categories and all other ratings must be in the top three rating categories. Further, money market funds are limited to AAA rated money market mutual funds and non-rated funds with portfolios restricted to only those investments specifically authorized by the policy. Money market funds are regulated by the Securities & Exchange Commission and have a dollar weighted-average portfolio maturity of 90 days or less that fully invest dollar-for-dollar all funds without sales commissions or loads. The Authority invests in money market mutual funds whose investment objectives include seeking to maintain a stable net asset value of $1 per share. The Authority may not invest

funds under its control in an amount that exceeds 10 percent of total assets of any individual money market mutual fund.

The following table presents the component units' ratings at fiscal year end (in millions):

		Credit Quality Ratings				
Investment Type	**Fair Value**	**AAA**	**AA**	**A**	**BBB**	**Unrated**
Corporate notes and bonds	$ 1.7	$ --	$ 0.7	$ 1.0	$ --	$ --
Money market funds	617.1	540.1	77.0	--	--	--
Noncollateralized investment contracts	28.0	--	28.0	--	--	--
Negotiable certificates of deposit	12.8	--	--	--	--	12.8
Mortgage-backed securities	21.8	21.8	--	--	--	--
Collateralized investment contracts	31.9	--	3.2	22.8	5.9	--

Concentration of Credit Risk

Investment policies generally limit the concentration of credit risk with an issuer to a predetermined dollar value and/or percent. For example, the investment policy outlined in a general resolution requires that for funds not invested in government securities or money market mutual funds, no more than 5 percent of total portfolio market value can be invested with any issuer or secured by any one guarantor, and not more than 15 percent of the portfolio's market value will be invested in any municipal or industry sector, and no more than 25 percent of the total portfolio's value will be invested in bank certificates of deposit. There were no non-government investments that exceeded 5 percent of the total portfolio.

Foreign Currency Risk

The component units' policy generally prohibits investments traded in foreign currencies. Although trading in foreign currencies may be acceptable for a limited number of portfolios, no exposure to foreign currency existed at fiscal year end.

Securities Lending

The Wisconsin Housing and Economic Development Authority's (Authority) Finance committee approved the use of a security-lending program with the trust department of a bank acting as an agent. As of June 30, 2009 the Authority had $20.8 million of securities on loan to broker-dealers for a fee.

Security lending transactions involve the lending of securities to broker-dealers and other entities for collateral, in the form of cash or securities, with the simultaneous agreement to return the collateral for the same securities in the future. The securities custodian is an agent in lending the domestic and international securities for collateral of 102 percent and 105 percent, respectively, of the loaned securities' market value. The lending agent in accordance with contractual investment guidelines, which are designed to insure the safety of principal and obtain a moderate rate of return, reinvests the collateral. The investment guidelines include very high credit quality standards and also allow for a portion of the collateral investments to be invested with short-term securities. The Authority has the following types of securities on loan: U.S. agency securities, U.S. government securities and corporate notes. The Authority receives cash collateral for securities lent. The fair value of the investment securities loaned was $20.8 million as of June 30, 2009, and the fair value of the collateral received was $17.2 million. The Authority may request the bank to terminate any loan of securities for any reason at any time.

As of June 30, 2009, no credit risk exposure to borrowers existed because the amounts owed the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent states that in the event that a borrower fails to return the lent security, the bank will indemnify the Authority for the following amounts: a) The difference between the closing market value of security on the date it should have been returned to the account and the cash collateral substituted for the lent securities, or b) In the case of collateral received in kind, the difference between the closing market value of the security on the date it should have been returned to the account and the closing market value of the collateral in kind on the same date.

The Authority assumes all risk of loss arising out of collateral investment loss and any resulting collateral deficiencies. The bank expressly assumes the risk of loss arising from negligent or fraudulent operations of its securities lending program. The bank operates the securities lending program as a business trust investment pool with open and matched components. In the matched portion of the investment pool, the maturities of the securities lent and collateral are the same. The open portions of the pool maintain a weighted average maturity of the portfolio at approximately 15 days, with a range from one day to 25 days. The open portions of the pool generally have a 15-day mismatch between the portfolio coverage maturity and the open loans. As of June 30, 2009 approximately 100 percent of the securities lent were in the open portion of the investment pool. No restrictions on the amount of the loans exist or can be made. The earnings generated from the securities lending program is reported as other income. During the year ended June 30, 2009, the Authority received $130 thousand of income related to security lending transactions.

Other Component Units

Wisconsin Health Care Liability Insurance Plan (WHCLIP) – Aggregate investments of the WHCLIP were $67.0 million, of which $4.8 million are money market and other highly liquid debt instruments reported as cash equivalents.

The board of governors is responsible for and establishment of appropriate investment policies relating to the investment of the WHCLIP's assets. The following investment guidelines are established: a minimum of 30 percent of the loss reserves must be invested in U.S. treasuries or agency securities and AAA rated CMOs, investments must be in the form of marketable debt issues, at the time of purchase all bonds must be rated no lower than A by a major rating bond agency, at least 80 percent of the bond portfolio must be rated A or better, adequate corporate diversification by issuer and sector must be maintained (the securities of any issuer should not exceed 1.5 percent of the bond portfolio based on market value at the time of purchase, excluding government or government agency securities), the average duration of the aggregate bond portfolio shall be less than

10 years, as deemed appropriate by the investment manager(s) and is not permitted to invest in common stock.

Excluded investments include: bonds rated below A by a major rating service at the time of purchase, foreign bonds not denominated in U.S. currency, futures transactions, short selling, use of margin, derivatives and hedge funds.

The investments of the WHCLIP at December 31, 2008 were $62.2 million consisting of the following (in millions):

Investment Type	Amortized Cost	Estimated Fair Value
U.S. Treasury securities and obligations of the U.S. government corporations and agencies	$ 7.2	$ 9.1
Debt securities issued by foreign governments and corporations	3.0	3.0
Industrial and miscellaneous	21.2	21.0
Public utilities	3.4	3.5
Loan-backed securities	27.4	28.2
Total	$ 62.2	$ 64.8

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the component units will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty, or by the counterparty's trust department or agent but not in the name of the WHCLIP. The WHCLIP had no custodial credit risk exposure for these investments.

The amortized cost and estimated fair value of bonds at December 31, 2008, by contractual maturity are presented in the table below (in millions):

	Amortized Cost	Estimated Fair Value
1 Year or Less	$ 4.0	$ 4.0
1 to 5 Years	13.8	13.7
6 to 10 Years	13.1	14.3
More Than 10 Years	3.9	4.6
	34.8	36.6
Loan-backed securities	27.4	28.2
Total	$ 62.2	$ 64.8

Mortgage-backed securities (includes residential and commercial MBS) consist of the following (in millions):

Pass-through securities:	
Guaranteed by GNMA	$ .1
Issued by FNMA and FHLMC	24.2

The WHCLIP does not hold investments in any one issuer that exceeds 5 percent of total assets.

As of December 31, 2008, the WHCLIP did not own any issues denominated in a foreign currency.

University of Wisconsin Foundation (the Foundation) - Aggregate investments of the Foundation are $1,735.7 million.

The following table summarizes the types of investments of the Foundation at December 31, 2008 (in millions):

Investment Type	Fair Value
Bond and debentures	$ 492.7
Stocks	308.7
Bond funds	99.9
Stock funds	19.8
Hedge funds	460.3
Limited partnerships	210.0
Real asset funds	140.7
Other funds	3.6
Total	$ 1,735.7

Custodial Credit Risk

At December 31, 2008, the reported amount of investments was $1,735.7 million. The Foundation had no custodial credit risk exposure for these investments.

Securities Lending

The Foundation participates in securities lending through a program run by its custodial bank. Under the terms of its securities lending agreement, the program requires brokers who borrow securities from the Foundation to provide collateral of a value at least equal to 102 percent of the then fair value of the loaned securities and accrued interest, if any. This collateral is then reinvested on behalf of the Foundation by the custodial bank.

The prime considerations of the collateral pool in which the collateral has been reinvested are liquidity and principal preservation. However, given the recent stressed fixed income market environment, and the fact that all of the securities are held in the pool are subject to credit risk, the value of the collateral

pool has declined. In addition, certain securities in the pool have defaulted and the collateral backing said securities has been placed in a liquidating trust. While the Foundation is still receiving cash flows from this trust, the value of the collateral comprising the trust has incurred significant mark-to-market price declines. This, in conjunction with the general price declines of other securities held in the collateral pool, leaves the Foundation with an outstanding collateral deficiency liability of approximately $3.5 million as of December 31, 2008. There was no collateral deficiency as of December 31, 2007. The ultimate realized loss will depend on the terminal value of the securities held in the liquidation trust. However, the Foundation feels it is likely a realized loss will be incurred; therefore, a liability of $1.5 million has been recorded as of December 31, 2008.

Valuations of the collateral pool are provided to the Foundation by the custodial bank. For purposes of determining the value of collateral investments reflected on a balance sheet, the custodial bank uses financial models, third-party pricing services, or other inputs where quoted prices in an active market are not available. Such calculations reflect hypothetical transactions, are subject to uncertainties, and accordingly do not reflect the amount that would be realized in a current sale. In addition, in light of the judgment involved in the fair value decisions by the custodial bank, and given the current market conditions, the illiquidity of certain of the securities in the collateral pool, and the credit risk associated with securities in the collateral pool, there can be no assurance that a fair value assigned to a particular security by the custodial bank is accurate.

At December 31, 2008 and 2007, the Foundation had equity and fixed income securities with fair values of $25.4 million and $113.0 million, respectively, on loan. The Foundation reflects the collateral received for securities on loan as an asset and its obligation to return the collateral as a liability. As of December 31, 2008 and 2007, an asset of $26.0 million and $117.9 million respectively, and the related liability representing the obligation to return collateral received of $26.0 million and $117.9 million, respectively, are reported.

Income from securities lending for the year ended December 31, 2008 was approximately $375 thousand.

3. State Investment Fund

The State Investment Fund (SIF) functions as the State's cash management fund by "pooling" the idle cash balances of all State funds and other public institutions. In the State's Comprehensive Annual Financial Report, the SIF is not reported as a separate fund; rather, each State fund's share in the "pool" is reported on the balance sheet as "Cash and Cash Equivalents." Shares of the SIF belonging to other participating public institutions are presented in the Local Government Pooled Investment Fund, an investment trust fund.

Wis. Stat. Secs. 25.17(3)(b), (ba), (bd) and (dg) enumerate the various types of securities in which the SIF can invest, which include direct obligations of the United States or its agencies, corporations wholly owned by the Untied States or chartered by an act of Congress, securities guaranteed by the United States, unsecured notes of financial and industrial issuers, direct obligations of or guaranteed by the government of Canada, certificates of deposit issued by banks in the United States and solvent financial institutions in Wisconsin, and bankers acceptances. Other prudent investments may be approved by the State of Wisconsin Investment Board's (the Board) Board of Trustees.

Investments are valued at fair value for financial statement purposes and amortized cost for purposes of calculating income to participants. The custodial bank has compiled fair value information for all securities by utilizing third party pricing services. The fair value of investments is determined at the end of each month. Government and agency securities and commercial paper are priced using matrix pricing. This method estimates a security's fair value by using quoted market prices for securities with similar interest rates, maturities, and credit ratings. Short-term debt investments with remaining maturities of up to 90 days are valued using amortized costs to estimate fair value, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Repurchase agreements and nonnegotiable certificates of deposit are valued at cost because they are nonparticipating contracts that do not capture interest rate changes in their value. In addition, a bond issued by another State agency having a par value of $84.0 thousand is valued at par, which management believes approximates fair value.

For purposes of calculating earnings to each participant, all investments are valued at amortized cost. Specifically, income is distributed to pool participants monthly based on their average daily share balance. Distributed income includes realized investment gains and losses calculated on an amortized cost basis, interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, and investment and administrative expenses. This method differs from the fair value method used to value investments because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the pool's investments.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty or by the counterparty's trust department or agent but not in the name of the Board.

At June 30, 2009, the reported amount of investments was $6,525.6 million. The SIF had no custodial credit risk exposure for these investments.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. The weighted average maturity method is used to analyze interest rate risk and investment guidelines mandate that the weighted average maturity for the entire portfolio will not exceed one year. At June 30, 2009, the following table shows the investments by investment type, amount and the weighted average maturities (in millions):

Investment	Fair Value	Weighted Average Maturity (Days)
Bank NOW account deposits	$ 867.9	0
Repurchase agreements	901.0	1
Government and agency	4,557.7	95
Certificates of deposit	198.9	81
Mortgage backed securities	0.1	331
Total	$ 6,525.6	
Portfolio weighted average maturity		69

Credit Quality Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard and Poor's, Moody's Investors Service, and Fitch Ratings. Investment guidelines establish numerous, very specific maximum exposure limits based on the minimum credit ratings as issued by a nationally recognized rating agency.

The following table presents the SIF's ratings as of June 30, 2009 (in millions):

	Ratings	Fair Value	Percent
Bank NOW Account Deposits	NR	$ 867.9	13.3
Repurchase agreements (collateral):			
U.S. government debt	N/A	676.0	10.4
Government sponsored entity U.S agency	AAA/Aaa	225.0	3.4
Federal Home Loan Board	A-1+/P-1	1,410.5	21.6
Federal Home Loan Mortgage Corporation	A-1+/P-1	1,650.4	25.3
Federal National Mortgage Association	A-1+/P-1	1,496.8	22.9
Certificates of deposit:			
Nonnegotiable (Var Wis Banks)	N/R	198.9	3.1
Mortgage backed securities	N/R	0.1	0.0
Totals		$ 6,525.6	100.0%

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer. The SIF's investment guidelines limit concentrations of credit risk by establishing numerous maximum issuer and/or issue exposure limits based on credit rating. These guidelines do not place a limit on maximum exposure for any U.S. treasury or agency securities. As of June 30, 2009 the SIF has more than five percent of its investments in a BB&T NOW account deposit (9.2 percent), FHLB (21.6 percent), FHLMC (25.3 percent), FNMA (22.9 percent), and repurchase agreement collateral consisting of various securities issued by these same three U.S. agencies (3.4 percent). Since the repurchase agreements mature each day, new collateral, consisting of a different blend of U.S. Treasury and agency securities, is assigned each night.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The SIF is permitted to invest in Canadian or Euro denominated issues provided they are fully hedged against foreign currency risk. At

June 30, 2009 the SIF did not own any issues denominated in foreign currency.

Copies of the separately issued financial report that includes financial statements and other supplementary information for the SIF may be obtained by writing to:

State of Wisconsin Investment Board
PO Box 7842
Madison, WI 53707-7842

4. Lottery Investments and Related Future Prize Obligations

Investments of the State Lottery Fund totaling $72.0 million are held to finance grand prizes payable over a 20-year or 25-year period. The investments in prize annuities are debt obligations of the U.S. government and backed by its full faith and credit as to both principal and interest. Liabilities related to the future prize obligations are presented at their present value and included as Accounts Payable and Other Accrued Liabilities. The following is a schedule of future prize obligations (in thousands):

Fiscal Year	Amount
2010	$ 14,564
2011	9,747
2012	7,284
2013	7,350
2014	6,305
Thereafter	45,198
Total future value	90,448
Less: Present value adjustment	(25,137)
Present value of payments	$ 65,311

NOTE 6. RECEIVABLES AND NET REVENUES

A. Receivables

Receivables at June 30, 2009 were as follows (in thousands):

	Taxes	Loans to Local Governments	Other Loans Receivable: Student Loans	Other Loans Receivable: Veterans Loans	Other Loans Receivable: Mortgage Loans	Other Loans Receivable: Other Loans	Other Receivables	Due From Other Governments	Due From Component Units	Total Receivables
Governmental Activities:										
General	$ 1,041,653	$ 3,641	$ -	$ -	$ -	$ 21,406	$ 543,228	$ 810,585	$ 6	$ 2,420,519
Transportation	93,959	-	-	-	-	28,160	8,800	269,999	-	400,918
Common School	-	555,362	-	-	-	-	4	8,690	-	564,056
Nonmajor Governmental	32,530	21,291	-	-	-	48	34,806	9,916	-	98,592
Total Governmental:	1,168,143	580,294	-	-	-	49,614	586,838	1,099,190	6	3,484,085
Government-wide Adjustments:										
Internal Service Funds	-	-	-	-	-	-	268	734	278	1,281
Accrual Adjustments	-	-	-	-	-	-	3,358	-	-	3,358
Fiduciary Receivables	-	-	-	-	-	-	70,341	-	-	70,341
Total – Governmental Activities	$ 1,168,143	$ 580,294	$ 0	$ 0	$ 0	$ 49,614	$ 660,805	$ 1,099,924	$ 285	$ 3,559,065
Related revenue deferral because the receivable does not meet the availability criteria	$ 228,740	$ 0	$ 0	$ 0	$ 0	$ 0	$ 43,892	$ 0	$ 0	$ 272,632
Business-type Activities:										
Current:										
Injured Patients and Families Compensation	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,307	$ -	$ -	$ 9,307
Environmental Improvement	-	147,975	-	-	-	-	927	8,606	-	157,508
University of Wisconsin System	-	-	33,867	-	-	-	116,363	105,883	1,519	257,633
Unemployment Reserve	-	-	-	-	-	-	141,225	135,881	-	277,106
Nonmajor Enterprise	-	316	-	5,439	7,792	-	94,797	11,585	-	119,928
Total Current:	-	148,291	33,867	5,439	7,792	-	362,620	261,955	1,519	821,483
Noncurrent:										
Environmental Improvement	-	1,645,898	-	-	-	-	-	-	-	1,645,898
University of Wisconsin System	-	-	165,448	-	-	-	5,114	-	-	170,562
Unemployment Reserve	-	-	-	-	-	-	75,283	-	-	75,283
Nonmajor Enterprise	-	2,149	-	14,451	253,453	3,868	80	-	-	274,000
Total Noncurrent	-	1,648,047	165,448	14,451	253,453	3,868	80,477	-	-	2,165,743
Government-wide Adjustments:										
Fiduciary Receivables	-	-	-	-	-	-	15	-	-	15
Total – Business-type Activities	$ 0	$ 1,796,338	$ 199,315	$ 19,890	$ 261,244	$ 3,868	$ 443,111	$ 261,955	$ 1,519	$ 2,987,240

B. Net Revenues

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2009, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	$ 90,705
Sales and Services of Auxiliary Enterprises	17,582
Total	$ 108,287

NOTE 7. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2009 was as follows (in thousands):

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 1,849,174	$ 145,656	$ (648)	$ 1,994,182
Buildings and Improvements	160,256	696	-	160,952
Library Holdings	80,722	893	(29)	81,586
Equipment	652	-	-	652
Construction in Progress	1,474,913	567,511	(1,191,141)	851,283
Infrastructure	11,167,846	1,084,654	(33,814)	12,218,686
Total capital assets, not being depreciated	14,733,564	1,799,409	(1,225,632)	15,307,341
Capital assets, being depreciated:				
Land Improvements	116,413	3,958	-	120,371
Buildings and Improvements	1,826,128	48,511	(427)	1,874,212
Equipment	658,873	125,381	(48,726)	735,529
Totals	2,601,414	177,850	(49,153)	2,730,111
Less accumulated depreciation for:				
Land Improvements	48,679	6,274	-	54,953
Buildings and Improvements	654,060	48,948	(295)	702,713
Equipment	420,511	59,788	(43,273)	437,026
Totals	1,123,250	115,010	(43,569)	1,194,692
Total Capital Assets, being depreciated, net	1,478,163	62,840	(5,584)	1,535,419
Governmental activities capital assets, net	$ 16,211,727	$ 1,862,249	$ (1,231,216)	$ 16,842,761
Business-type activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 124,826	$ 8,528	$ (6)	$ 133,347
Library Holdings	1,071,269	23,483	(6,601)	1,088,150
Construction in progress	364,526	154,681	(280,684)	238,523
Total Capital Assets, not being depreciated	1,560,621	186,691	(287,291)	1,460,020
Capital assets, being depreciated:				
Land Improvements	9,492	4	(4)	9,492
Buildings	4,484,244	459,823	(9,929)	4,934,137
Equipment	912,830	82,623	(43,878)	951,574
Totals	5,406,565	542,449	(53,812)	5,895,203
Less accumulated depreciation for:				
Land Improvements	7,577	262	(4)	7,835
Buildings	1,907,949	133,936	(7,114)	2,034,771
Equipment	650,445	67,370	(33,863)	683,952
Totals	2,565,971	201,568	(40,981)	2,726,557
Total Capital Assets, being depreciated, net	2,840,595	340,882	(12,831)	3,168,646
Business-type activities capital assets, net	$ 4,401,215	$ 527,572	$ (300,122)	$ 4,628,666

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of $2,644 thousand at June 30, 2009, with accumulated depreciation totaling $2,641 thousand.

Depreciation Expense

Depreciation expense was charged to functions of the primary government as follows (in thousands):

Governmental Activities			Business-type Activities		
Commerce	$	958	University of Wisconsin System	$	189,335
Education		3,053	Lottery		41
Transportation		9,998	Veterans Mortgage Loan Repayment		30
Environmental Resources		10,079	Other Business-Type		12,162
Human Relations and Resources		55,623	Total depreciation expense - business-type activities	$	201,568
General Executive		9,080			
Judicial		2,496			
Legislative		918			
Depreciation on capital assets held by the internal service funds		22,805			
Total depreciation expense - governmental activities	$	115,010			

Impaired Capital Assets

The University of Wisconsin System reported one asset meeting the definition of a temporarily impaired asset. The University of Wisconsin - Oshkosh's River Commons, net book value of $0.5 million, was idle as of June 30, 2009. A decision was made on October 7, 2009 that the building will be replaced with expected insurance proceeds of $3.1 million within the next two years.

Construction in Progress

Construction in progress of the primary government reported in the government-wide statement of net assets at June 30, 2009 included the following projects (in thousands):

	Allotments	Expended to June 30, 2009	Encumbrances Outstanding	Unencumbered Allotment Balance
Governmental Activities:				
Reported through capital projects funds:				
Interstate 94 North and South Corridor Reconstruction	$ 48,451	$ 48,451	$ -	$ -
Armed Forces Reserve Center	45,599	6,137	528	38,934
State Highway Rehabilitation	19,421	19,421	-	-
Wild Rose Fish Hatchery Phase 2	17,342	14,359	2,413	570
Madison Crime Lab Remodeling	16,030	14,993	57	980
Winnebago Corrections Facility Replacement	13,900	972	284	12,644
Wisconsin Resource Center - Female Treatment Center	11,982	245	440	11,297
Other projects with allotments totaling less than $10 million		65,173		
		169,751		
Other:				
Transportation-related funded through sources other than capital projects		642,039		
Other		39,493		
Total construction in progress – governmental activities		$ 851,283		
Business-type Activities:				
University of Wisconsin System:				
Biochemistry II Building – Madison	112,450	$ 15,843	79,494	17,113
Union South Replacement-Madison	94,800	7,301	1,442	86,057
Institute for Discovery – Madison	50,129	13,697	-	36,432
Academic Building-Oshkosh	48,267	2,379	1,173	44,715
Chazen Museum of Art-Madison	43,799	4,012	27,105	12,682
Jarvis Science Wing Renovation - Stout	42,921	25,064	12,233	5,624
Academic Building – La Crosse	38,500	2,986	26,258	9,256
Residence Hall - Whitewater	36,960	12,374	19,505	5,081
Suite Style Residence Hall-Stevens Point	35,982	995	1,190	33,797
Education Building Renovation-Madison	33,927	8,697	17,757	7,474
Campus Utility Upgrade – Madison	28,823	28,501	157	165
Academic Building – Superior	26,874	1,976	475	24,423
Rothwell Student Center – Superior	24,758	16,470	5,562	2,726
Sterling Hall Renovation – Madison	17,500	9,648	6,470	1,382
Chadbourne & Barnard Hall – Madison	13,724	4,977	7,863	884
Hovlid Hall Renovation-Stout	13,000	1,824	10,068	1,108
Other projects with allotments totaling less than $10 million:				
University of Wisconsin System		71,124		
Other		10,751		
Total construction in progress – business-type activities		$ 238,619		

Certain construction in progress of the University of Wisconsin System as listed above is reported in the applicable major capital assets categories. Construction in progress of the University of Wisconsin System and of the other business-type activities as reported in the financial statements totaled $227.7 million and $10.8 million as of June 30, 2009, respectively.

Component Units

Capital Assets balance of the Wisconsin Housing and Economic Development Authority at June 30, 2009, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2009, the University of Wisconsin Foundation at December 31, 2008, and the State Fair Park Exposition Center, Inc. at December 31, 2008 were as follows (in thousands)

	Amount
Capital Assets, not being depreciated:	
Land and Land Improvements	$ 15,884
Construction in Progress	13,251
Total Capital Assets, not being depreciated	29,135
Capital Assets, being depreciated:	
Buildings	549,579
Equipment	239,825
Totals	789,404
Less accumulated depreciation for:	
Buildings	199,430
Equipment	152,671
Totals	352,101
Total Capital Assets, being depreciated, net	437,303
Component Units Capital Assets, net	$ 466,438

NOTE 8. ENDOWMENTS

Primary Government

University of Wisconsin System

The University of Wisconsin System invests its trust funds, principally gifts and bequests designated as endowments or quasi-endowments, in two of its own investment pools: the Long Term Fund and the Intermediate Term Fund. Benefiting University of Wisconsin System entities receive quarterly distributions from the Long Term Fund, principally endowed assets, based on an annual spending rate applied to a 12-quarter moving average market value of the fund. The annual spending rate is currently 4.0 percent. Distributions from the Intermediate Term Fund, principally quasi-endowments and unspent income distributions, consist of interest earnings distributed quarterly. Spending rate and interest distributions from both of these funds are transferred to the State Investment Fund, pending near-term expenditures. At June 30, 2009, net appreciation of $12.3 million was available to be spent.

University of Wisconsin System investment policies and guidelines for the Long Term Fund and Intermediate Term Fund are governed and authorized by the Board of Regents. The approved asset allocation policy for the Long Term Fund sets a general target of 24.5 percent marketable equities, 16.5 percent fixed income, 34.0 percent alternatives, and 25.0 percent tactical strategies. Accordingly, the fund includes investments in domestic and non-U.S. stocks and bonds, and limited partnerships consisting of venture capital and other private equity investments. The approved asset allocation for the Intermediate Term Fund is 15.0 percent marketable equities, 65.0 percent fixed income, 10.0 percent alternatives, and 10.0 percent cash.

The fair value of Endowments as of June 30, 2009 was $336.9 million including an unrealized loss of $58.5 million when fair values as of June 30, 2009 are compared to asset acquisition costs. This compares to a fair value as of June 30, 2008 of $398.5 million. The net decrease in fund balance during 2008-09 was $61.6 million.

The book value of Endowments under control of the University of Wisconsin System was $398.5 million as of June 30, 2009 compared to a book value of $420.3 million as of June 30, 2008. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments since realized gains and losses are based on the difference between the selling price and the acquisition cost of the asset. Therefore, when assets are reported at fair value much of the realized gain or loss may have already been included in prior years as part of the overall change in the fair value of investments.

At June 30, 2009, the book value and fair value of principal funds under control of the University of Wisconsin System was (in millions):

Original Contributions and Distributed Net Gains	$ 149.6
Realized Gains – Undistributed	248.9
Book Value	398.5
Unrealized Net Gains/Losses - Undistributed	(61.6)
Fair Value	$ 336.9

On June 30, 2009, the portfolio at market contained 36.7 percent in stocks, 14.4 percent in fixed income obligations, 18.5 percent in alternative assets, 21.6 percent in tactical allocation strategies, and 8.8 percent in short-term investments. The total return on the principal Long Term Fund including capital appreciation was (14.7) percent. The total return on the principal Intermediate Fund including capital appreciation was 2.2 percent. External investment counsel was furnished for funds representing 84.6 percent of market value principal.

Component Unit

University of Wisconsin Foundation

The University of Wisconsin Foundation's (the Foundation) endowment consists of 3,842 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently-restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently-restricted net assets is classified as temporarily-restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UMIFA. In accordance with UMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of December 31, 2008 (in millions):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$30.3	$506.5	$645.4	$1,182.2
Board-designated	9.6	22.1	1.8	33.5
Total	$39.9	$528.6	$647.2	$1,215.7

Endowment Related Activities by Type of Fund as of December 31, 2008 (in millions):

	Donor-Restricted	Board-Designated	Total
Investment return:			
Investment income	$61.1	$9.2	$70.3
Net depreciation, realized and unrealized	(413.4)	(60.1)	(473.5)
Total	(352.3)	(50.9)	(403.2)
Appropriation of endowment assets	(31.4)	(.6)	(32.0)
Other Changes:			
Net transfers	(39.1)	(3.5)	(42.6)
Total Change	$(422.8)	$(55.0)	$(477.8)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the

level that the donor or UMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $186.5 million as of December 31, 2008. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a diversified equity-related benchmark while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return that outpaces spending, inflation, and expenses annually. Actual returns in any given year will vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4.75 percent of its endowment fund's average fair value over the prior twelve quarters through the quarter-end preceding the quarter in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3.0 percent to 5.0 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Celebrate Children Foundation, Inc

The Celebrate Children Foundation Inc., (CCF) endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the CCF has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the CCF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the CCF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the CCF, and (7) the CCF's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The CCF has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5 percent once the assets in the board designated fund reach $5.0 million, while growing the funds if possible. Therefore, the CCF expects its endowment assets, over time, to produce an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

In accordance with the donor's stipulations, investment return from the permanently restricted endowment assets is unrestricted revenue to the CCF. The CCF chose to place the investment return earned from the permanently restricted assets in a board designated endowment fund. The CCF's spending policy for its board designated endowment indicates that no funds will be spent until the board designated endowment reaches $5.0 million. Thereafter, no more than 5 percent of the interest accumulated annually may be spent. In establishing this policy, the CCF considered the long-term expected return on its investment assets, the nature and duration of the endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The CCF expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3 percent annually. This is consistent with the CCF's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition as of June 30, 2009:

	Unrestricted	Permanently Restricted	Total
Donor-restricted	$ -	$977,239	$977,239
Board-designated	(121,042)	-	(121,042)
Total	$(121,042)	$977,239	$856,197

Changes in endowment net assets as of June 30, 2009 are:

	Permanently Restricted	Board-Designated	Total
Balance July 1, 2008	$866,589	$27,127	$893,716
Contributions	110,650	-	110,650
Investment return:			
Interest and dividends	-	29,261	29,261
Unrealized loss	-	(9,388)	(9,388)
Realized loss	-	(168,042)	(168,042)
End of Year	$977,239	$(121,042)	$856,197

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances as of or for the year ended June 30, 2009 consist of the following (in thousands):

A. Due from/to Other Funds:

Due from Other Funds and the Due to Other Funds represent short-term interfund accounts receivable and payable. The balances in these accounts at June 30, 2009 were as follows (in thousands):

	Due to Other Funds:											
Due from Other Funds:	**General**	**Trans-portation**	**Common School**	**Nonmajor Govern-mental**	**Injured Patients and Families Compensation**	**Environ-mental Improve-ment**	**University of Wisconsin System**	**Unemploy-ment Reserve**	**Nonmajor Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ -	$ 15,288	$ 1,392	$ 24,708	$ 14	$ 248	$ 45,995	$ 4,551	$ 24,897	$ 2,293	$ 66,429	$ 185,815
Transportation	1,299	-	-	38,840	-	-	269	-	-	30	-	40,438
Common School	216	-	-	144	-	-	-	-	-	-	-	360
Nonmajor Governmental	26,057	14,643	-	96,557	19	1,072	14	-	956	4,605	-	143,924
Environmental Improvement	14	-	-	2	-	-	-	-	-	-	-	15
University of Wisconsin System	42,821	773	-	1,006	-	-	-	-	10	49	-	44,659
Unemployment Reserve	1,228	-	-	-	-	-	-	-	-	-	-	1,228
Nonmajor Enterprise	10,164	52	-	3,164	-	-	-	-	1,154	165	5	14,704
Internal Service	33,195	2,623	-	5,533	4	1	1,669	-	487	413	3,812	47,736
Fiduciary	24,837	1,580	-	2,406	4	5	16,499	-	3,081	642	527	49,582
Total	$ 139,831	$ 34,959	$ 1,392	$ 172,360	$ 41	$ 1,326	$ 64,447	$ 4,551	$ 30,586	$ 8,197	$ 70,772	$ 528,461

The balances in the Due from Other Funds and Due to Other Funds accounts typically result from the time lag between the dates that

(1) interfund goods and services were provided and when the payments occurred, and

(2) interfund transfers were accrued and when the liquidations occurred.

B. Due from/to Component Units

Receivables and payables between funds and component units at June 30, 2009 were as follows (in thousands);

	Due from Component Unit				Due from Primary Government	
	General	University of Wisconsin System	Internal Service	Fiduciary	University of Wisconsin Hospitals and Clinics Authority	Total
Due to Primary Government:						
University of Wisconsin Hospitals and Clinics Authority	$ 6	$ 1,519	$ 258	$ 3,256	$ -	$ 5,039
Wisconsin Housing and Economic Development Authority	-	-	21	-	-	21
Due to Component Unit:						
University of Wisconsin System	-	-	-	-	2,566	2,566
Total	$ 6	$ 1,519	$ 278	$ 3,256	$ 2,566	$ 7,626

C. Interfund Receivables/Payables

Interfund Receivables/Payables represent short-term loans from one fund to another to cover cash overdrafts. Interfund receivables/payables at June 30, 2009 were as follows (in thousands):

	Interfund Receivables:			
	University of Wisconsin System	Transportation	Fiduciary	Total
Interfund Payables:				
General	$ 354,429	$ 90,405	$ -	$ 444,835
Nonmajor Governmental	163	-	-	163
Injured Patients and Families Compensation	76,831	-	-	76,831
Nonmajor Enterprise	72,981	-	-	72,981
Internal Service	60,131	-	-	60,131
Fiduciary	-	-	88,642	88,642
Total	$ 564,536	$ 90,405	$ 88,642	$ 743,584

D. Advances to/from Other Funds

Advances to/from Other Funds represent long-term loans to one fund from another fund. Advances at June 30, 2009 were as follows (in thousands):

	Advances to Other Funds (asset):		
	General	Internal Service	Total
Advances from Other Funds (liability):			
Nonmajor Governmental	$ -	$ 2,814	$ 2,814
Fiduciary	110	-	110
Total	$ 110	$ 2,814	$ 2,924

E. Interfund Transfers

Interfund Transfers in and out that occurred during Fiscal Year 2009 were as follows (in thousands):

	Transfers in:									
	General	Trans-portation	Common School	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Unemploy-ment Reserve	Nonmajor Enterprise	Internal Service	Total
Transfers out:										
General	$ -	$ 3,041	$ 15,000	$ 498,802	$ -	$ 1,042,806	$ 614	$ 72,157	$ 5,711	$ 1,638,132
Transportation	8,443	-	-	46,550	-	6	-	-	-	54,999
Common School	1,363	-	-	-	-	-	-	-	-	1,363
Nonmajor Governmental	206,561	6,322	-	53,348	21,085	206,022	-	8,255	836	502,428
Injured Patients and Families Compensation	128,500	-	-	13	-	-	-	-	-	128,513
Environmental Improvement	-	-	-	6,089	-	-	-	-	-	6,089
University of Wisconsin System	86,420	-	-	45,539	-	-	-	-	339	132,299
Unemployment Reserve	2,157	-	-	-	-	-	-	-	-	2,157
Nonmajor Enterprise	24,129	-	-	5,380	-	-	-	7,111	244	36,863
Internal Service	16,711	-	-	1,708	-	8	-	-	634	19,061
Fiduciary	-	-	-	357	-	-	-	-	-	357
Capital Assets Transferred From Proprietary Funds To Governmental Funds	-	-	-	-	-	-	-	(5)	(120)	(125)
Timing Difference due to Different Fiscal Year-ends	-	-	-	577	-	-	-	-	-	577
Total	$ 474,284	$ 9,363	$ 15,000	$ 658,363	$ 21,085	$ 1,248,841	$ 614	$ 87,517	$ 7,645	$ 2,522,712

Transfers are typically used to move: (1) revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with statute or budgetary authorizations, and (4) accumulated surpluses from other funds to the General Fund when authorized by statute.

Nonroutine and Other Transfers

In the fiscal year ended June 30, 2009, transfers considered non-routine or inconsistent with the fund making the transfer included the following (in thousands):

Transfers in to the General Fund to address revenue shortfalls:

Funds Reporting the Transfer Out	Amount
Injured Patients and Families	$128,500
Petroleum Inspection	16,891
University Wisconsin System	65,204
Recycling	14,773
Environmental	8,806
Transportation	6,803
Technology Services	7,400
Risk Management	4,000
Financial Services	1,750
Agricultural Chemical Cleanup	1,750
Facilities Operations and Maintenance	1,250
Other funds	2,873

Transfer in to the Veterans Trust Fund to extend the solvency of the fund:

Fund Reporting the Transfer Out	Amount
Homes for Veterans	7,000

NOTE 10. CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2009, the following changes occurred in long-term liabilities (in thousands):

Primary Government

Governmental Activities	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds Payable:					
General Obligation Bonds for Governmental Funds	$ 3,801,899	$ 458,909	$ 289,484	$ 3,971,324	$ 322,065
General Obligation Bonds for Internal Services Funds	155,511	3,461	8,725	150,247	9,690
Annual Appropriation Bonds	1,857,120	1,529,065	6,475	3,379,710	20,020
Revenue Bonds	2,929,310	185,000	1,514,436	1,599,874	108,011
Less Deferred Amounts:					
Issuance Premiums and Discounts	227,531	28,023	9,040	246,514	
Refundings	(49,567)	5,213	(1,074)	(43,280)	
Total Bonds Payable	8,921,804	2,209,671	1,827,085	9,304,390	459,786
Other Liabilities:					
Future Benefits and Loss Liability	95,000	41,508	33,389	103,119	34,470
Capital Leases	37,830	20,077	25,644	32,263	9,693
Installment Contracts	316	671	512	475	475
Compensated Absences	138,565	56,151	46,731	147,984	50,107
Other Postemployment Benefits	50,059	52,844	-	102,903	-
Claims, Judgments and Commitments	1,434	-	246	1,188	-
Pollution Remediation Obligations	1,040	14,570	-	15,610	1,250
Total Governmental Activities Long-term Liabilities	$ 9,246,047	$ 2,395,492	$ 1,933,607	$ 9,707,932	$ 555,781

Repayment of the general obligation bonds is made from the Bond Security and Redemption Fund. The amount presented in this fund represents the liability to be paid from resources accumulated to provide debt service payments in Fiscal Year 2009. Repayment of the revenue bonds principal and interest is made from the appropriate debt service fund with payments secured by registration and inspection fees collected by the appropriate program. The compensated absences liability will be liquidated by the State's governmental and internal service funds. Long-term liabilities for claims, judgments and commitments are generally liquidated with resources of the governmental activities.

Business-type Activities	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds Payable:					
General Obligation Bonds	$ 1,136,038	$ 59,505	$ 97,505	$ 1,098,038	$ 41,866
Revenue Bonds	773,825	92,210	60,730	805,305	66,865
Less Deferred Amounts:					
Issuance Premiums and Discounts	62,236	5,470	7,870	59,836	
Refundings	(19,526)	(292)	(3,155)	(16,663)	
Total Bonds Payable	1,952,574	156,893	162,950	1,946,517	108,731
Other Liabilities:					
Future Benefits and Loss Liability	1,088,646	18,925	137,448	970,123	137,448
Capital Leases	116,439	1,910	8,240	110,110	5,939
Compensated Absences	122,576	11,214	3,390	130,399	61,346
Other Postemployment Benefits	53,812	56,759	-	110,571	-
Total Business-type Activities Long-term Liabilities	$ 3,334,046	$ 245,701	$ 312,027	$ 3,267,720	$ 313,464

Component Units

The following table presents the changes in long-term liabilities of the Wisconsin Housing and Economic Development Authority at June 30, 2009, the Wisconsin Health Care Liability Insurance Plan at December 31, 2008, the University of Wisconsin Hospitals and Clinics Authority at June 30, 2009, the University of Wisconsin Foundation at December 31, 2008, and the State Fair Park Exposition Center, Inc. at December 31, 2008:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds and Notes Payable:					
Revenue Bonds and Notes	$ 3,555,778	$ 220,014	$ 564,160	$ 3,211,632	$ 88,941
Future Benefits and Loss Liability	37,122	--	19,510	17,612	4,394
Capital Leases	10,244	--	2,291	7,953	2,076
Compensated Absences	8,059	8,232	7,559	8,732	8,197
Split-interest Agreement	43,143	--	9,922	33,221	--
Other Post Employment Benefits	4,148	3,506	--	7,654	--
Pension Related	71,696	--	6,577	65,119	1,940
Total Component Units Long-term Liabilities	$ 3,730,190	$ 231,752	$ 610,019	$ 3,351,923	$ 105,548

NOTE 11. BONDS, NOTES AND OTHER DEBT OBLIGATIONS

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2009 (in thousands):

Primary Government	
Governmental Activities:	
General Obligation Bonds	$ 4,244,746
Annual Appropriation Bonds	3,378,300
Revenue Bonds:	
Transportation	1,591,971
Petroleum Inspection	89,373
Total Governmental Activities	9,304,390
Business-type Activities:	
General Obligation Bonds:	
University of Wisconsin System	771,172
Other Business-type	346,076
Revenue Bonds:	
Environmental Improvement	829,269
Total Business-type Activities	1,946,517
Total Primary Government	11,250,907
Component Units:	
Wisconsin Housing and Economic Development Authority Revenue Bonds	2,918,578
University of Wisconsin Hospitals And Clinics Authority Revenue Bonds	242,163
State Fair Park Exposition Center, Inc. Revenue Bonds and Notes Payable	40,795
University of Wisconsin Foundation Note Payable	10,096
Total Component Units	3,211,632
Total at June 30, 2009	$14,462,539

A. General Obligation Bonds

Primary Government

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. To date, the Commission has authorized and issued general obligation bonds primarily to provide funds for the acquisition or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. Occasionally, general obligation bonds are also issued for the purpose of providing funds for veterans housing loans and to refund general obligation bonds. All general obligation bonds authorized and issued by the State are secured by a pledge of the full faith, credit and taxing power of the State of Wisconsin and are customarily repaid over a period of twenty to thirty years.

Article VIII of the Wisconsin Constitution and Wis. Stat. Section 18.05 set limits on the amount of debt that the State can contract in total and in any calendar year. In total, debt outstanding cannot exceed five percent of the value of all taxable property in the State. Annual debt issued cannot exceed the lesser of three-quarters of one percent or five percent of the value of all taxable property in the State less net indebtedness at January 1.

At June 30, 2009, $6,409.1 million of general obligation bonds were authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2009 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
1990	1990 Series D	5/90	7.0	5/10	$ 65,859	$ 4,147
1991	1991 Series B	5/91	6.80 to 6.85	5/11	117,136	13,390
1992	1992 Refunding Issue	3/92	6.25	5/15	448,935	18,270
1993	1992 2;	10/92;	5.125 to 6.5	5/15	423,565	73,485
	1993 1, 2	1/93; 3/93				
1994	1993 Refunding Issues 3, 5, 6;	8/93; 12/93; 10/93	5.2 to 5.35	5/23	502,305	83,140
1998	1997 D;	9/97	5.35 to 7.25	11/28	109,570	19,985
	1998 B and C	5/98; 5/98				
1999	1998 Series 1, E and F;	8/98; 10/98; 10/98	4.8 to 7.25	11/30	274,525	121,660
	1999 Series 1, and B	5/99; 5/99				
2000	1999 C and D; 2000 A	10/99; 11/99; 3/00	5.5 to 7.7	11/30	315,000	20,425
2001	2000 Series B and E;	7/00;11/00;	4.5 to 8.05	11/31	259,030	34,895
	2001 Series A, B, C and D	2/01; 4/01; 6/01; 6/01				
2002	2001 Series 1, E, F;	10/01; 10/01; 10/01;	4.0 to 6.96	5/33	819,545	380,480
	2002 Series 1, A, B, C, D	3/02; 3/02; 3/02; 6/02; 6/02				
2003	2002 Series E, F, G and H;	9/02; 9/02; 10/02; 12/02;	3.2 to 5.25	5/33	415,190	194,020
	2003 Series 1, 2, and A	4/03; 4/03; 5/03				
2004	2003 B, C, and 3;	7/03; 10/03;10/03;	0 to 19.088	5/34	1,305,096	953,101
	2004 1, 2, A, 3 and CWGBC	1/04; 1/04; 3/04; 6/04; 4/04				
2005	2004 Series 4, B, C, D and E;	7/04; 8/04; 8/04; 8/04; 10/04;	3.0 to 5.65	5/35	1,079,440	949,865
	2005 Series 1, A, B and C	2/05; 2/05; 4/05; 4/05				
2006	2005 Series D and E;	8/05; 12/05;	4.0 to 5.25	5/26	662,910	598,085
	2006 Series 1 and A	1/06; 3/06				
2007	2006 Series B, C and D;	7/06; 8/06; 9/06;	4.25 to 5.76	5/37	867,570	855,352
	2007 Series AW, BW and 1;	2/07; 2/07; 2/07;				
	2007 Series A and B	2/07; 6/07				
2008	2007 Series 2,3 and C;	10/07; 10/07;12/07	2.35 to 6.26	5/38	389,315	377,435
	2008 Series 1, A, AW, B and BW	6/08; 4/08;3/08; 5/08; 6/08				
2009	2008 Series C and D	9/08;12/08;	2.0 to 6.2	5/30	521,875	521,875
	2009 Series AW, A and B	1/09;6/09;609				
Total					8,531,866	5,219,610
Premiums/Discounts					--	194,581
Deferred Amount on Refunding					--	(52,198)
Total General Obligation Bonds					$ 8,531,866	$ 5,361,994

As of June 30, 2009, general obligation bond debt service requirements for principal and interest for governmental activities and business - type activities are as follows (in thousands):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2010	$ 311,946	$ 201,247	$ 39,264	$ 54,592
2011	307,471	183,236	40,305	52,648
2012	302,062	168,806	44,635	50,596
2013	294,601	154,780	47,122	48,408
2014	283,306	140,603	46,199	46,095
2015-2019	1,295,368	501,520	284,534	191,861
2020-2024	909,551	225,276	293,118	118,856
2025-2029	392,805	53,459	231,383	47,690
2030-2034	24,462	1,059	58,628	11,472
2035-2039	--	--	12,850	1,229
Total	4,121,571	1,629,986	1,098,038	623,447
Premiums/Discounts	165,758	--	28,823	--
Deferred Amount on Refunding	(42,584)	--	(9,614)	--
Total	$ 4,244,746	$ 1,629,986	$ 1,117,248	$ 623,447

Zero Coupon Bonds

The general obligation bonds of 1990, Series D (Higher Education Series), are zero coupon bonds recorded in the amount of $4.1 million which is the accreted value at June 30, 2009. The bonds mature on May 1 through the year 2010.

The general obligation bonds of 1991, Series B, are zero coupon bonds recorded in the amount of $13.4 million. The bonds mature on May 1 through the year 2011.

Qualified Build America Bonds

The 2009 general obligation bonds, Series B bonds in the amount of $54.5 million, are “qualified Build America Bonds” pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Code). Based on the credit allowed for “qualified Build America Bonds”, the State has elected to receive from the United States Treasury on each payment date a direct payment in the amount of 35 percent of the interest payable by the State with respect to such date, and the credit will not be allowed to the taxpayers holding the bonds. The interest rates on the bonds range from 5.15 percent to 5.40 percent payable semiannually on May 1 and November 1 beginning with the first interest payment date of November 1, 2009. These bonds are callable at par on May 1, 2019 or any date thereafter. The bonds mature beginning May 1, 2023 through 2030.

B. Annual Appropriation Bonds

2003 Annual Appropriation Bonds

In December 2003, the State issued $1.8 billion of General Fund Annual Appropriation Bonds consisting of Series A (Taxable Fixed Rate) and Series B (Taxable Auction Rate Certificates). These appropriation obligations were authorized by Wisconsin Statutes to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability under Wis. Stat. Section 40.05(2)(b) and its unfunded accrued liability for sick leave conversion credits under Wis. Stat. Section 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40. In April and June 2008, the State issued $1.0 billion of General Fund Annual Appropriation Refunding Bonds to refund the Series B (Taxable Auction Rate Certificates) that were issued in 2003. The 2008 issuance consisted of Series A (Taxable Fixed Rate) and Series B and C (Taxable Floating Rate Notes).

These appropriation obligations are not general obligations of the State, and do not constitute "public debt" of the State as that term is used in the Constitution and in the State Statutes. The payment of the principal of, and premium, if any, and interest on the obligations is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service. The Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on such obligations, expresses in Wis. Stat. Section 16.527(10) its expectation and aspiration that it will do so. The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation.

The General Fund Annual Appropriation Bonds, Series A (Taxable Fixed Rate) in the outstanding principal amount of $850.0 million ("2003 Series A Bonds"), bear interest at rates from 4.80 percent to 5.70 percent computed on the basis of a 30 day month and a 360-day year, payable semiannually on each May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Refunding Bonds of 2008, Series A (Taxable Fixed Rate) in the outstanding principal amount of $492.9 million ("2008 Series A Bonds"), bear interest a rates from 3.086 percent to 5.238 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Bonds of 2008, Series B (Taxable Floating Rate Notes), ("2008 Series B Bonds"), in the outstanding principal amount of $300.0 million, bear interest at rates 120 basis points over the one-month LIBOR, computed on the basis of a 360-day year and for the number of days actually elapsed, payable monthly on the first business day of the month.

The General Fund Annual Appropriation Bonds of 2008, Series C (Taxable Floating Rate Notes), ("2008 Series C Bonds") in the outstanding principal amount of $207.7 million, bear interest at rates 110 basis points over the one-month LIBOR computed on the basis of a 360-day year and for the number of days actually elapsed, payable monthly on the first business day of the month.

As of June 30, 2009, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2010	$ 13.8	$ 102.3
2011	20.1	101.8
2012	26.9	101.0
2013	286.5	99.8
2014	72.8	86.3
2015 - 2019	486.6	386.9
2020 - 2024	288.6	261.4
2025 - 2029	478.3	133.0
2030 - 2032	177.0	19.4
Total	1,850.6	1,291.9
Unamortized Prem./Discount	(1.8)	--
Total, net	$ 1,848.8	$ 1,291.9

Interest Rate Swaps

The State has entered into interest rate exchange agreements, or swap agreements, to modify interest rates for nearly all of the 2008 Series B bonds and 2008 Series C bonds. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

Objective – In December 2003, the State entered into four interest rate exchange agreements with four different counterparties in order to reduce the interest rate risk in connection with $595.2 million of the Series B (Taxable Auction Rate Certificates) issued in 2003. In June 2005, the State entered into four additional interest rate exchange agreements with three counterparties in order to reduce the interest rate risk on the balance of the Series B (Taxable Auction Rate Certificates) issued in 2003, ($349.7 million). In April and June 2008, the State issued $509 million of annual appropriation refunding bonds as floating rate notes having variable interest rate set every month (2008 Series B Bonds and 2008 Series C Bonds). In conjunction with issuance in April 2008, at its option the State terminated and made corresponding termination payments in the aggregate amount of $40.0 million on some, and a portion of other, interest rate exchange agreements previously entered into in December 2003 and June 2005. As of June 30, 2009, interest rate exchange agreements remain to reduce the interest rate risk in connection with $499 million in floating rate notes.

Terms – Nearly all of the outstanding 2008 Series B and 2008 Series C bonds are subject to the interest rate exchange

agreements. 2008 Series Bond B and Series C bonds mature and a related notional amount of the related interest rate exchange agreements decline from May 1, 2010 through 2032. Based on the interest rate exchange agreements, the State owes to the counterparties an amount calculated at fixed rates ranging from 4.661 percent to 5.47 percent and the counterparties owe the State interest on an amount based on a variable rate, which is the one-month LIBOR. The net amount is paid monthly.

Fair Value – As of June 30, 2009, the aggregate fair value of the interest exchange agreements was negative $90.7 million. The fair value was valued by a third party consultant based on information contained in the broker Interest Rate Swap Confirmations supplied by the three counterparties -- JP Morgan Chase, Citigroup N.A. New York, and UBS AG. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the interest rate exchange agreement. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the interest rate exchange agreements, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the interest rate exchange agreements. The fair value may vary throughout the life of the swap agreements due to any changes in fixed swap interest rates and swap market conditions.

Associated Debt – Using rates as of June 30, 2009, debt service requirements are presented for the 2008 Series B and 2008 Series C bonds that are subject to the interest rate exchange agreements and the net swap payments assuming that interest rates remain the same for their term. As rates vary, interest payments on the floating rate notes and net swap payments will vary.

(in millions)

Fiscal Year Ended June 30	Principal	Interest	Interest Rate Swaps, Net	Totals
2010	$ 2.3	$ 7.4	$ 25.1	$ 34.8
2011	3.4	7.4	25.0	35.8
2012	4.6	7.4	24.8	36.8
2013	5.9	7.3	24.6	37.8
2014	1.1	7.1	24.4	32.7
2015 - 2019	5.5	35.8	121.4	162.6
2020 - 2024	39.9	34.6	117.8	192.3
2025 - 2029	260.8	25.8	88.7	375.3
2030 - 2032	175.2	4.4	15.0	194.6
	$ 498.7	$ 137.2	$ 466.8	$ 1,102.7

Interest Rate Risk – Currently, the State does not have interest rate risk because it is paying a fixed-rate of interest on the interest rate exchange agreements. However, if for some unforeseen reason any of the swaps agreements are terminated prior to maturity, the State will have interest rate risk associated with the outstanding 2008 Series B and 2008 Series C bonds until their maturity.

Credit Risk – As of June 30, 2009, the State was exposed to only a minimal amount of credit risk, as the fair values of all of the four interest rate exchange agreements were negative. Should rates change, the State could have increased exposure in the future. The State has entered into four interest rate agreements with three different counterparties. The lowest rating assigned to these counterparties is, as of June 30, 2009, A1 by Moody's, A+ by Standard & Poor's, and A+ by Fitch Ratings. Under the interest rate exchange agreements and to mitigate the potential for credit risk, if any of the counterparties' credit quality falls below A3 by Moody's Investors Service or A- by either Standard & Poor's or Fitch Ratings, the fair value of the interest rate exchange agreement for that respective counterparty will be fully collateralized by that counterparty. In addition, an event of termination occurs if any of the counterparties' credit quality falls below Baa2 by Moody's investors service or BBB by either Standard & Poor's or Fitch Ratings.

Basis Risk – The interest rate exchange agreements expose the State to basis risk (i.e., a shortfall or surplus between the variable interest rate received on the interest rate exchange agreements and the interest rate paid on the floating rate notes), however this risk is fixed at the spreads for the respective series.

Termination Risk – The interest rate exchange agreements may be terminated by the State, upon two business days written notice, designating to the counterparty the termination date. In addition, the State or the counterparties may terminate the interest rate exchange agreements if the other party fails to perform under the terms of the interest rate exchange agreements or if other various events occur. As of June 30, 2009, there have not been any such events. If any interest rate exchange agreement is terminated, the State would be unhedged and exposed to additional interest rate risk on the 2008 Series B bonds and the 2008 Series C bonds. In addition, if the interest rate exchange agreement has a negative fair value at the time of termination, the State would incur a loss and would be required to make a settlement payment to the related counterparty. Actual termination payments, if required to be made, can be made, at the State's discretion, from the Stabilization Fund, or delayed until funds are available in the Subordinated Payment Obligations Fund or until the next biennium when appropriations can be made in the biennial budget for the termination payments.

Market-access Risk and Rollover Risk – The State's swap agreements are for the term (maturity) of the 2008 Series B-bonds and the 2008 Series C bonds and, therefore, there is no market-access risk or rollover risk.

2009 Annual Appropriation Bonds

In April 2009, the State issued $1.5 billion of General Fund Annual Appropriation Bonds. These appropriation obligations were authorized by Wisconsin Statutes for the purpose of purchasing the tobacco settlement revenues that had been sold by the Secretary of Administration to the Badger Tobacco Asset Securitization Corporation pursuant to Wis. Stat. Section 16.63. The 2009 General Fund Annual Appropriation Bonds bear interest rates from 3.00 percent to 6.25 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, commencing November 1, 2009, until their maturity dates.

These appropriation obligations are not general obligations of the State, and do not constitute "public debt" of the State as that term is used in the Constitution and in the State Statutes. The payment of the principal of, and premium, if any, and interest on the obligations is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service. The Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on such obligations, expresses in Wis. Stat. Section 16.527(10) its expectation and aspiration that it will do so. The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation.

As of June 30, 2009, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2010	$ 6.2	$ 92.5
2011	5.8	86.8
2012	5.9	86.6
2013	6.6	86.4
2014	7.5	86.2
2015 - 2019	126.3	418.4
2020 - 2024	173.2	383.3
2025 - 2029	255.1	327.5
2030 - 2034	527.3	224.2
2035 - 2037	415.2	51.6
Total	1,529.1	1,843.5
Unamortized Premium/Discount	.4	-
Total, net	$ 1,529.5	$ 1,843.5

C. Revenue Bonds

Primary Government

Chapter 18, Wisconsin Statutes, authorizes the State to issue revenue obligations secured by a pledge of revenues or property derived from the operation of a program funded by the issuance of these obligations. The resulting bond obligations are not general obligations of the State.

Transportation Revenue Bonds

Transportation Revenue Bonds are issued to finance part of the costs of certain transportation facilities and major highway projects. Chapter 18, Subchapter II of the Wisconsin Statutes as amended, Wis. Stat. Sec. 84.59 and a general bond resolution and series resolutions authorize the issuance of these bonds.

The Department of Transportation is authorized to issue a total of $3,009.8 million of revenue bonds. Presently, there are fourteen issues of Transportation Revenue Bonds totaling $1,511.1 million. Debt service payments are secured by driver and vehicle registration fees and also a reserve fund, which will be used in the event that a deficiency exists in the redemption fund.

The Transportation Revenue Bonds issued and outstanding as of June 30, 2009 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2008A	8/08	5.0	7/29	$ 185,000	$ 185,000
2007A	3/07	4.25 to 5.0	7/27	148,710	148,710
20071	3/07	4.35 to 5.0	7/22	206,900	206,900
2005B	9/05	4.0 to 5.0	7/25	158,400	143,965
2005A	3/05	3.0 to 5.25	7/25	235,585	234,565
2004 1	9/04	5.25	7/17	95,905	70,920
2003A	11/03	3.0 to 5.0	7/24	166,230	133,645
2002A	10/02	4.0 to 5.0	7/23	119,785	86,365
2002 1& 2	4/02	4.0 to 5.75	7/15 & 7/19	200,080	110,795
2001A	11/01	4.0 to 5.0	7/22	106,450	56,620
1998A&B	8&10/98	5.25 to 5.5	7/9 & 7/16	169,115	98,400
1993A	9/93	4.7 to 5.0	7/12	116,450	35,250
				1,908,610	1,511,135
Unamortized Premium				--	80,836
Total				$1,908,610	$1,591,971

Petroleum Inspection Fee Revenue Bonds

Petroleum Inspection Fee (PIF) Revenue Bonds are issued to finance claims made under the Petroleum Environmental Cleanup Fund Award (PECFA) Program for reimbursement of cleanup costs to soil and groundwater contamination. The program reimburses owners for 75 percent to 99 percent of cleanup costs associated with soil and groundwater contamination.

As of June 30, 2009, PIF Bonds outstanding are $89.4 million. Debt service payments are secured by petroleum inspection fees.

The PIF revenue bonds issued and outstanding as of June 30, 2009 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2004-A&1	2/04; 5/04	3.0 to 5.0	7/12	$ 140,470	$ 88,740
Deferred amount on refunding				--	(696)
Unamortized Premium				--	1,329
Total				$ 140,470	$ 89,373

Clean Water Revenue Bonds

The Environmental Improvement Fund (the Fund) provides loans and grants to local municipalities to finance wastewater treatment planning and construction. The Fund is authorized to issue up to $2,363.3 million in Revenue Bonds. At June 30, 2009, there were twelve issues of Revenue Bonds outstanding totaling $829.3 million. These bonds are secured by payments on program loans and earnings of investments.

Bonds issued and outstanding for the Environmental Improvement Fund as of June 30, 2009 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2008-3	12/08	3.0 to 5.5	6/26	$ 92,210	$ 92,210
2008-2	2/08	5.0	6/18	27,335	27,335
2008-1	2/08	4.0 to 5.0	6/28	100,000	97,005
2006-2	11/06	4.0 to 5.0	6/27	100,000	93,800
2006-1	3/06	3.5 to 5.0	6/27	80,000	75,040
2004-2	1/05	3.25 to 5.25	6/20	107,025	102,675
2004-1	3/04	4.0 to 5.0	6/24	116,795	85,150
2002-2	8/02	3.0 to 5.5	6/16	85,575	39,745
2002-1	5/02	4.0 to 5.25	6/23	100,000	51,955
2001-1	4/01	4.5 to 5.25	6/21	70,000	21,385
1998-2	8/99	4.0 to 5.5	6/17	104,360	79,450
1991-1	4/91	5.4 to 6.9	6/11	225,000	39,555
				1,208,300	805,305
Unamortized Premium				--	31,042
Less: Unamortized discount and charge				--	(7,078)
Total, net of discount, charge and premium				$1,208,300	$ 829,269

As of June 30, 2009, revenue bond debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

	Governmental Activities				Business-Type Activities	
	Transportation Revenue Bonds		Petroleum Inspection Fee Revenue Bonds		Clean Water Revenue Bonds	
Fiscal Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 79,395	$ 73,018	$ 22,350	$ 3,622	$ 66,865	$ 40,677
2011	77,195	69,155	23,470	2,507	70,690	37,110
2012	81,200	65,077	24,635	1,366	50,710	33,370
2013	82,930	60,852	18,285	391	51,490	30,839
2014	87,350	56,425	--	--	48,295	28,299
2015-2019	440,970	213,211	--	--	244,745	104,036
2020-2024	466,270	99,417	--	--	191,490	47,656
2025-2029	181,685	17,373	--	--	81,020	8,548
2030-2034	14,140	354	--	--	--	--
Total	1,511,135	654,882	88,740	7,886	805,305	330,535
Unamortized Premium	80,836	--	1,329	--	31,042	--
Unamortized Discount/Charge	--	--	(696)	--	(7,078)	--
Total, net	$ 1,591,971	$ 654,882	$ 89,373	$ 7,886	$ 829,269	$ 330,535

Component Units – Discrete Presentation

Wisconsin Housing and Economic Development Authority

Bonds and notes payable at June 30, 2009 of the Wisconsin Housing and Economic Development Authority (Authority) consisted of the following (in thousands):

Revenue bonds and notes	$ 2,914,574
Special obligation and subordinated Special obligation	7,545
Total	2,922,119
Less: Deferred amount on refunding	(3,541)
Total, net	$ 2,918,578

Authority's Revenue Bonds and Notes

The Authority's revenue bonds and notes are collateralized by the revenues and assets of the Authority, subject to the provisions of resolutions and note agreements which pledge particular revenues or assets to specific bonds or notes. The bonds are subject to mandatory sinking fund requirements and may be redeemed at the Authority's option at various dates and at prices ranging from 100 percent to 108 percent of par value. Any particular series contains both term bonds and serial bonds which mature at various dates.

The Authority's revenue bonds and notes outstanding at June 30, 2009 consisted of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Housing Revenue Bonds:				
1998 A,B&C	2/98	5.3 to 6.88	2032	$ 14,265
1999 A&B	10/99	5.3 to 6.18	2031	24,935
2002 A,B&C	5/02	4.35 to 5.6	2033	37,440
2003 A&B	12/03	Variable	2034	5,965
2003 C	12/03	3.4 to 5.25	2043	13,400
2003 D&E	12/03	Variable	2044	19,975
2005 A,B&C	12/05	3.2	2035	9,535
2005 D&E	12/05	3.55 to 5.15	2045	39,345
2005 F	12/05	4.31	2030	118,740
2006 A&B	12/06	3.5 to 4.75	2047	18,975
2006 C&D	12/06	Variable	2037	8,805
2007 A&B	12/07	Variable	2042	17,520
2007 C,D&E	12/07	Variable	2038	8,565
2007 F&G	12/07	Variable	2042	16,125
2008 A,B,C,D, E, F&G	6/08	Variable	2033	47,795
				401,385

Home Ownership Revenue Bonds:				
1997 D&E	6/97	5.45 to 5.8	2017	8,460
1998 A,B&C	4/98	5.5	2027	30,460
1998 D&E	6/98	5.35	2028	14,120
1999 C,D&E	4/99	4.65 to 6.17	2029	6,760
1999 F,G&H	7/99	5.65	2024	7,590
2000 A,B&C	3/00	5.7 to 5.8	2022	2,545
2000 D,E&F	6/00	5.75 to 7.91	2029	4,055
2000 F	7/00	Variable	2015	2,780
2000 H	11/00	Variable	2024	8,915
2000 G & H	11/00	7.21	2031	2,390
2001 A,B&C	5/01	4.85 to 6.4	2032	11,670
2002 A&C	2/02	4.375 to 5.5	2032	36,625
2002 B	2/02	Variable	2032	7,305
2002 C	2/02	Variable	2016	6,545
2002 E&G	3/03	3.95 to 4.85	2017	28,800
2002 I	10/02	3.6 to 4.85	2022	16,335
2002 E & F	7/02	Variable	2032	35,750
2002 I	10/02	Variable	2032	34,750
2003 A	4/03	4.95	2024	885
2003 A	4/03	Variable	2033	66,200
2003 B	7/03	Variable	2034	67,265
2003 C	11/03	3.30 to 4.85	2022	2,395
2003 C	11/03	Variable	2034	57,540
2003 D	11/03	Variable	2028	13,350
2004 A	4/04	Variable	2035	79,995
2004 A	4/04	3.40 to 4.2	2012	9,105
2004 C&D	7/04	3.65 to 5.1	2024	15,335
2004 D	7/04	Variable	2035	106,690
2004 E	11/04	Variable	2035	79,055
2005 A	4/05	3.75 to 4.95	2025	18,800
2005 A	4/05	Variable	2036	90,535
2005 C	6/05	Variable	2033	146,985
2005 C	6/05	4.875	2036	32,280
2005 D&E	9/05	Variable	2036	126,660
2006 A&B	1/06	Variable	2037	186,360
2006 C&D	5/06	4.85 to 6.0	2037	220,300
2006 E&F	10/06	4.7 to 5.727	2037	164,005
2007 A&B	4/07	4.65 to 5.75	2038	136,070
2007 B	4/07	Variable	2026	28,785
2007 C&D	4/07	Variable	2038	157,130
2007 C&D	4/07	5.125 to 5.94	2038	50,885
2007 E&F	12/07	4.09 to 6.0	2038	86,800
2007 E&F	12/07	Variable	2038	39,240
2008 A&B	4/07	Variable	2038	104,080
2008 A&B	5/08	5.3 to 5.625	2031	65,155
				2,417,740
Business Development Bonds:				
1995 1-2,4-9	Various	Variable	2015	3,090
				3,090

Multifamily Housing Bonds:				
2006 A&B	7/06	Variable	2036	7,305
2007 A&B	6/07	Variable	2040	11,520
2007 C	8/07	Variable	2048	6,315
2008 A&B	8/08	Variable	2046	13,810
2009 A	6/09	1.5 to3.5	2018	4,115
2009 A	6/09	Variable	2035	15,885
				58,950
Notes Payable	Various	Variable	Various	18,319
Facility Refunding	6/09	Variable	2017	15,300
Authority's Total Revenue Bonds and Notes				$2,914,784

Authority's Special Obligation Bonds

The Authority's Special Obligation Bonds are special limited obligations of the Authority and are collateralized by the revenues and assets of each bond resolution.

Special obligation bonds at June 30, 2009 consist of the following (in thousands):

Series/ Issue	Date	Rates	Maturity Through	Outstanding
Home Ownership Revenue Bonds:				
1998 F&G	10/98	4.65 to 5.51	2029	$ 7,545
Total Special Obligation Bonds				$ 7,545

Debt service requirements for principal and interest for the Authority at June 30, 2009 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2010	$ 76,179	$ 77,880
2011	63,690	71,590
2012	64,780	69,550
2013	59,685	67,484
2014	57,910	65,872
2015-2019	354,510	306,204
2020-2024	459,505	253,640
2025-2029	632,040	181,429
2030-2034	708,385	105,450
2035-2039	399,780	31,573
Thereafter	45,655	9,098
Total	2,922,119	1,239,770
Deferred Amount on Refunding	(3,541)	--
Total	$ 2,918,578	$ 1,239,770

Under a Business Development Program and a Beginning Farmer Program, revenue bonds are issued which do not constitute indebtedness of the Authority within the meaning of any provision or limitation of the Constitution or Statutes of the State of Wisconsin. They do not constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit. They are payable solely out of the revenues derived pursuant to the loan agreement, or in the event of default of the loan agreement, out of any revenues derived from the sale, releasing or other disposition of the mortgaged property. Therefore, the bonds are not reflected in the financial statements. As of June 30, 2009 the Authority had issued 142 series of such bonds in an aggregate principal amount of $82.6 million for economic projects in Wisconsin.

A Construction Plus line of credit bears interest at the rate of 2.51 percent at June 30, 2009. Both line of credit rates are based on the 30 day Eurodollar rate.

The Authority has entered into various interest rate swap agreements. The agreements provide the Authority with synthetic fixed interest rates on a portion of its debt. During the term of the swap agreements, the Authority expects to effectively pay a fixed rate on the debt. In return, the counterparty pays interest based on a contractually agreed upon variable rate. The Authority will be exposed to variable rates on the outstanding bonds if the counterparty to the swap defaults, the swap is terminated such that the bonds outstanding is greater than the swap notional value or the effective interest rate, determined by the remarketing agent used for bond holder payments, increases over the variable rate index used for calculating the interest received from the counterparty. All interest rate swap agreements at June 30, 2009 are classified as effective. The Authority does not intend to terminate these agreements other than at par and for purposes of maintaining a match between bonds outstanding and the swap notional value prior to their maturity.

Using rates as of June 30, 2009, debt service requirements of the Authority outstanding variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ended	Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ 49,105	$ 16,318	$ 55,525	$ 120,948
2011	52,505	12,156	54,104	118,765
2012	49,625	11,817	51,309	112,751
2013	48,695	11,411	50,614	110,720
2014	59,740	10,769	48,829	119,338
2015 - 2048	1,264,265	115,669	547,494	1,927,428
Totals	$1,523,935	$ 178,140	$ 807,875	$2,509,950

The following table outlines information related to agreements in place as of June 30, 2009 (in thousands):

Program and Bond Issue	Notional Value at 6/30/09	Effective Date	Swap Termination Date	Counterparty Credit Rating	Percent Fixed Rate Paid	Variable Rate/Index Received	Swap Termination Market Value at 6/30/09
Housing Revenue Bonds							
2002	$ 21,920	5/21/2002	11/1/2033	AAA/Aa1	4.68	70% of one month London Interbank Offered Rate (LIBOR)	$ (1,445)
2003 Series D	8,430	1/5/2005	5/1/2044	AA-/Aa1	4.21	65% of one month LIBOR + 25 basis points	(569)
2003 Series E	11,335	1/5/2005	5/1/2043	AA-/Aa1	4.05	63.5% of one month LIBOR + 20 basis points	(745)
2005 Series F	79,055	1/17/2006	11/1/2030	AA-/Aa1	5.21	One month LIBOR	(10,932)
2006 Series C	3,820	12/14/2006	11/1/2016	AA-/Aa1	3.64	SIFMA + 2 Basis Points	(191)
2006 Series D	4,985	12/14/2006	11/1/2016	AA-/Aa1	3.64	SIFMA + 2 Basis Points	(250)
2007 Series A	10,165	12/19/2007	11/1/2016	AA-/Aa1	4.72	SIFMA + 6 Basis Points	(64)
2007 Series B	7,355	12/19/2007	11/01/2016	AA-/Aa1	4.58	SIFMA + 2 Basis Points	(55)
2007 Series F	10,950	12/19/2007	11/01/2016	AA-/Aa1	4.01	SIFMA + 2 Basis Points	(610)
2007 Series G	5,175	12/19/2007	11/01/2016	AA-/Aa1	4.01	SIFMA + 6 Basis Points	(289)
							(15,150)
Multifamily Housing Bonds							
2006 Series A&B	7,305	7/19/2006	10/1/2013	AA-/Aa1	4.21	SIFMA + 2 Basis Points	(580)
2007 Series A	7,580	6/29/2007	10/1/2022	AA-/Aa1	4.43	SIFMA + 6 Basis Points	(755)
2007 Series B	3,940	6/29/2007	10/1/2022	AA-/Aa1	5.9	SIFMA + 2 Basis Points	(814)
2007 Series C	6,315	8/2/2007	10/1/2048	AA-/Aa1	4.33	SIFMA + 2 Basis Points	(585)
2008 Series A	6,870	8/28/2008	10/1/2026	AA-/Aa2	3.86	SIFMA + 7 Basis Points	(351)
2008 Series A	4,415	8/28/2008	10/1/2026	AA-/Aa2	3.89	SIFMA + 7 Basis Points	(226)
2008 Series B	2,525	8/28/2008	10/1/2026	AA-/Aa2	5.08	SIFMA + 7 Basis Points	(328)
							(3,639)
1987 Home Ownership Revenue Bonds							
2002 Series B	7,305	2/6/2002	3/1/2020	AA-/Aa1	5.88	One month LIBOR + 35 Basis Points	(662)
2002 Series C	6,545	2/6/2002	9/1/2012	AA-/Aa1	3.69	67 percent of one month LIBOR	(250)
2002 Series I	34,750	10/17/2002	9/1/2032	A+/Aa2	4.07	70 percent of one month LIBOR	(1,861)
2003 Series B	67,265	7/29/2003	9/1/2034	AA-/Aa1	3.94	65 percent of one month LIBOR + 25 Basis Points	(3,960)
2004 Series A	31,020	4/29/2004	9/1/2022	AA-/Aa1	4.47	SIFMA + 8 basis points	(1,956)
2004 Series A	14,190	4/29/2004	9/1/2012	AA-/Aa1	2.87	65 percent of one month LIBOR + 25 Basis Points	(362)
2004 Series A	34,785	4/29/2004	3/1/2035	AA-/Aa1	4.27	65 percent of one month LIBOR + 25 Basis Points	(2,418)
2005 Series A	90,535	4/12/2005	3/1/2036	AAA/Aa1	3.9	65 percent of one month LIBOR + 25 Basis Points	(4,502)
2005 Series D	81,030	9/29/2005	9/1/2036	AAA/Aa1	3.79	65 percent of one month LIBOR + 25 Basis Points	(3,270)
2007 Series B	28,785	4/10/2007	9/1/2026	AAA/Aa1	5.20	One month LIBOR + 35 Basis Points	(3,033)
2007 Series E	27,980	12/18/2007	9/1/2038	AAA/Aa1	3.96	62 percent of one month LIBOR + 38 Basis Points	(1,895)
2007 Series F	11,260	12/18/2007	9/1/2014	AAA/Aa1	4.43	One month LIBOR	(813)
							(24,982)
1988 Home Ownership Revenue Bonds							
2002 Series E	5,135	7/11/2002	3/1/2011	AA-/Aa1	3.24	70 percent of one month LIBOR	(114)
2002 Series E	23,890	7/11/2002	9/1/2032	AA-/Aa1	4.67	70 percent of one month LIBOR	(156)
2002 Series F	6,725	7/11/2002	9/1/2014	AA-/Aa1	5.20	Three months LIBOR + 40 Basis Points	(354)
2003 Series A	16,905	4/3/2003	9/1/2014	AAA/Aa1	2.98	65 percent one month LIBOR + 25 Basis Points	(520)
2003 Series A	31,375	4/3/2003	9/1/2030	AAA/Aa1	4.26	65 percent one month LIBOR + 25 Basis Points	(173)
2003 Series A	17,920	4/3/2003	9/1/2033	AAA/Aa1	4.17	65 percent one month LIBOR + 25 Basis Points	(43)
2003 Series C	18,935	11/4/2003	3/1/2019	AAA/Aa1	3.32	65 percent one month LIBOR + 25 Basis Points	(755)
2003 Series C	38,605	11/4/2003	3/1/2034	AAA/Aa1	4.17	65 percent one month LIBOR + 25 Basis Points	(1,243)
2004 Series D	106,690	7/27/2004	9/1/2035	AAA/Aa1	3.92	65 percent one month LIBOR + 25 Basis Points	(5,128)
2004 Series E	79,055	7/27/2004	9/1/2035	AA-/Aa1	3.99	65 percent one month LIBOR + 25 Basis Points	(4,672)
2005 Series C	84,295	8/3/2005	3/1/2024	AA-/Aa1	3.34	65 percent one month LIBOR + 25 Basis Points	(1,191)
2005 Series C	62,690	8/3/2005	9/1/2033	AA-/Aa1	4.07	65 percent one month LIBOR + 25 Basis Points	(4,373)
2006 Series A	91,915	1/19/2006	3/1/2029	AA-/Aa1	3.65	65 percent one month LIBOR + 25 Basis Points	(5,187)
2006 Series A	59,020	1/9/2006	9/1/2037	AA-/Aa1	4.27	65 percent one month LIBOR + 25 Basis Points	(2,468)
2007 Series C	23,185	6/28/2007	9/1/2017	AA-/Aa1	4.32	SIFMA + 8 Basis Points	(1,103)
2007 Series C	22,575	6/28/2007	9/1/2023	AA-/Aa1	4.63	SIFMA + 8 Basis Points	(1,520)
2007 Series C	43,420	6/28/2007	9/1/2016	AA-/Aa1	4.11	SIFMA + 8 Basis Points	(2,556)

2007 Series D	23,760	6/28/2007	9/1/2027	AA-/Aa1	6.48	100 percent of one month LIBOR	(2,531)
2007 Series D	25,460	6/28/2007	9/1/2016	AA-/Aa1	5.62	100 percent of one month LIBOR	(2,494)
2007 Series D	18,730	6/28/2007	9/1/2028	AA-/Aa1	6.01	100 percent of one month LIBOR	(3,165)
2008 Series A	34,035	5/15/2008	3/1/2019	AA/Aa2	3.35	SIFMA + 8 Basis Points	(1,358)
2008 Series A	52,025	5/15/2008	9/1/2038	AAA/Aa1	3.86	62 percent of one month LIBOR + 38 Basis Points	(1,802)
							(42,906)
							($86,677)

Swap Valuation -- The swap termination market values presented above were estimated by the Authority's counterparties to the swap agreements using proprietary valuation models based on standard valuation methodology. The market values in the table above represent the termination payments that would have been due had the swaps terminated on June 30, 2009. A positive value represents money due to the Authority by the counterparty upon termination while a negative value represents money payable by the Authority.

Termination Risk -- Counterparties to the Authority's swap agreements have ordinary termination rights that require a settlement payment by the Authority or the counterparty based on the market value of the swap agreement at the time of termination. As of June 30, 2009, no termination events have occurred.

Credit Risk -- The Authority is exposed to credit risk, the risk that the counterparty fails to perform according to its contractual obligations, on all swap agreements. To mitigate this risk, the Authority has entered into swap agreements with highly rated counterparties. As of June 30, 2009, the counterparties in 59 percent of the outstanding swaps were rated AA-/Aa1 and the remaining counterparty was rated AAA/Aa1, AA/Aa2, and A+/Aa2 by Standard and Poor's and Moody's Financial Services, respectively.

Basis and Interest Rate Risk -- This risk arises when the amount that is paid by the swap counterparty is different than the variable rate interest payment due to the bondholders. For the Authority, this can happen when the swap counterparty payment is based on a taxable index (LIBOR) while the underlying bonds are traded in the tax exempt market. Based on market conditions, the relationship between taxable and tax exempt rates may vary. To minimize this risk, the Authority has chosen to use the formula that best represents the relationship between the taxable index and the Authority's historical bond rates. In addition, even when the swap counterparty payment is based on a tax exempt index (SIFMA) and the underlying bonds are tax exempt, or the swap counterparty payment is based on a taxable index (LIBOR) and the underlying bonds are taxable, the Authority's variable rate bonds may be traded differently from the market indices.

Rollover Risk -- The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated bond. For the home ownership revenue bonds (HORB) issues, the Authority's swap agreements have limited rollover risk. The swap agreements contain scheduled reductions to the notional amounts that are expected to follow the scheduled and anticipated reductions in the associated bonds under a wide range of mortgage prepayment speeds. In the case of the housing revenue bonds (HRB) and multifamily housing bonds (MHB) issues, the underlying mortgages will adjust at the swap termination date to current market conditions.

The following swaps expose the Authority to rollover risk:

Associated Debt Issuance	Bond Maturity Date	Swap Termination Date
1987 HORB 2002 Series B	9/1/2032	3/1/2020
1987 HORB 2002 Series C	9/1/2016	9/1/2012
1987 HORB 2004 Series A	9/1/2028	9/1/2012
1987 HORB 2007 Series F	9/1/2018	9/1/2014
1988 HORB 2002 Series E	3/1/2028	3/1/2011
1988 HORB 2002 Series F	9/1/2032	9/1/2014
1988 HORB 2003 Series A	3/1/2029	9/1/2014
1988 HORB 2003 Series C	9/1/2033	3/1/2019
1988 HORB 2005 Series C	3/1/2028	3/1/2024
1988 HORB 2006 Series A	9/1/2030	3/1/2029
1988 HORB 2007 Series C	9/1/2035	9/1/2016
1988 HORB 2007 Series D	3/1/2038	9/1/2028
1988 HORB 2008 Series A	9/1/2038	3/1/2019
1974 HRB 2006 Series C&D	5/1/2037	11/1/2016
1974 HRB 2007 Series F&G	5/1/2042	11/1/2025
2006 MHB 2006 Series A&B	10/1/2036	10/1/2013
2006 MHB 2007 Series A&B	10/1/2040	10/1/2022
2006 MHB 2007 Series C	10/1/2048	9/1/2024
2006 MHB 2008 Series A&B	4/1/2046	10/1/2026

University of Wisconsin Hospitals and Clinics Authority (the Hospital)

In April 1997, the Hospital issued $50.0 million of Variable rate Demand Hospital Revenue Bonds, Series 1997 ("Series 1997 Bonds"). The Series 1997 Bonds had bore interest at weekly rates determined by a remarketing agent. Interest was payable monthly. The effective annual interest rate was 4.30 percent in 2008. In May 2008, the Hospital refunded $50.0 million of outstanding Series 1997 with Fixed Rate Hospital Revenue Refunding Bonds, Series 2008A. The refunding of the Series

1997 Bonds resulted in the recognition of a loss of $422 thousand due to the unamortized insurance premium and recognition of a deferred loss of $270 thousand for other unamortized deferred costs of the Series 1997 Bonds.

In March 2000, the Hospital issued $56.5 million of Hospital Revenue Bonds, Series 2000 ("Series 2000 Bonds"). In September 2005, the Hospital refunded $52.5 million of the outstanding bonds with variable Rate Demand Hospital Revenue Bonds, Series 2005. Principal payments on the remaining Series 2000 Bonds are due semiannually in April 2009 through April 2010. Interest rates range from 5.35 percent to 5.50 percent and interest is payable semiannually on April 1 and October 1 of each year. The effective annual interest rate was 5.7 percent and 6.3 percent in 2009 and 2008, respectively.

In October 2002, the Hospital issued $68.5 million of Hospital Revenue Bonds, Series 2002 (Series 2002 Bonds) consisting of $55.6 million Series 2002A Short-term Adjustable Securities and $12.9 million Series 2002B Fixed Interest Rate Bonds. The bond proceeds are designated to finance qualified capital projects. In July 2008, the Hospital exercised it option to convert the interest rate on the Series 2002A Bonds from auction rates to a weekly variable rate mode, secured by a commercial bank Standby Bond Purchase Agreement. Interest on the Bond Issue Series 2002A was payable at the end of each Rate Period. In March 2009, the Hospital refunded $55.6 million of the outstanding Series 2002A bonds with Variable Rate Demand Revenue Bonds, Series 2009A. The refunding of the Series 2002A bonds resulted in the recognition of a loss of $1.7 million due to the unamortized insurance premium and recognition of a deferred loss of $641 thousand for other unamortized deferred costs of the Series 2002A. Principal payments on the Series 2002B Bonds range from $1.6 million to $1.9 million due annually commencing in April 2010 through April 2013. Interest rates for the Series 2002B Bonds range from 5.25 percent to 5.50 percent and interest is payable semiannually on April 1 and October 1 of each year beginning April 1, 2003. The effective annual interest rate of the Series 2002 A Bonds was 2.5 percent in 2009. The effective annual interest rate of the Series 2002B Bonds was 5.5 percent in 2009.

In October 2002, the Hospital entered into an interest rate swap in order to convert a portion of the Series 2002A Short-term Adjustable Rate Securities to fixed rates. The notional amount of this swap agreement was $21.4 million at June 30, 2009 which matures on April 1, 2022. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.85 percent per annum, payable semiannually, and the Hospital to receive a floating rate of 70.0 percent of one-month LIBOR per annum, payable monthly. As of June 30, 2009 the interest rate received by the Hospital was 1.0 percent. The Hospital will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. The swap exposes the Hospital to basis risk should the relationship between LIBOR and auction rate converge, changing the synthetic rate on the bonds. The Hospital does not intend to terminate this agreement. The fair value of the swap is $(2.1) million at June 30, 2009.

In November 2004, the Hospital issued $60.0 million of Hospital Revenue Bonds, Series 2004 consisting of Short-term Adjustable Rate Securities, Series 2004 ("Series 2004 Bonds"). The bond proceeds were designated to finance qualified capital projects. The interest rates and the interest payment date for the Series 2004 Bonds varied depending on if the bonds were in auction mode, daily mode, weekly mode, or in flexible mode. The effective annual interest rate of the Series 2004 Bonds was 4.60 percent through June 2008. In June 2008, the Hospital refunded $60.0 million of the outstanding Series 2004 with Variable Rate Demand Revenue Refunding Bonds, Series 2008B. The refunding of the Series 2004 Bonds resulted in the recognition of a loss of $1.5 million due to the unamortized insurance premium and recognition of a deferred loss of $464 thousand for other unamortized deferred costs of Series 2004 Bonds.

In November 2004, the Hospital entered into an interest rate swap in order to convert a portion of the Series 1997 Variable Rate Demand Bonds to fixed rates. The notional amount of this swap agreement was $26.8 million at June 30, 2009, which matures on April 1, 2021. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.45 percent per annum, payable semiannually, and the Hospital to receive a floating rate of 70.0 percent of one-month LIBOR per annum, payable monthly. In 2009, the effective interest rate received by the Hospital was 1.0 percent. The Hospital will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. The swap exposes the Hospital to basis risk should the relationship between LIBOR and auction rate converge, changing the synthetic rate on the bonds. The Hospital does not intend to terminate this agreement. The fair value of the swap was $(1.9) million at June 30, 2009.

In September 2005, the Hospital issued $59.8 million of Variable Rate Demand Hospital Revenue Bonds, Series 2005 ("Series 2005 Bonds"). The bond proceeds were designated to refund a portion of the Series 2000 Bonds. Principal payments on the Series 2005 Bonds, ranging from $495 thousand to $8.1 million are due annually in April 2009 through April 2029. Series 2005 Bonds bear interest at a weekly rate determined by a remarketing agent. Interest is payable monthly. The effective interest rate was 3.1 percent in 2009. In March 2009, the Hospital refunded $58.1 million of the outstanding Series 2005 bonds with Variable Rate Demand Hospital Revenue Bonds, Series 2009B and transferred the April 2009 principal payment of $495 thousand into escrow. The refunding of the Series 2005 Bonds resulted in the recognition of a loss of $889 thousand due to the unamortized insurance premium and recognition of a deferred loss of $423 thousand for other unamortized deferred costs of the Series 2005 Bonds.

In September 2005, the Hospital entered into an interest rate swap in order to convert the Series 2005 Variable Rate Demand Hospital Revenue Bonds to fixed rates. This swap has been applied to the Series 2009B with the refunding of the Series 2005 Bonds. The notional amount of the swap agreement was $58.1 million at June 30, 2009, which matures on April 1, 2029. The terms of the swap agreement are for the Hospital to pay the counterparty a fixed rate of 3.31 percent per annum, payable monthly, and the Hospital will receive a floating rate of 58.3 percent of one-month LIBOR per annum plus 0.36 percent payable monthly. The effective interest rate received by the Hospital was 1.2 percent in 2009. The Hospital will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. The swap exposes the Hospital to basis risk should the relationship between LIBOR and auction rate converge, changing the synthetic rate of the bonds. The Hospital does not intend to terminate this agreement. The fair value of the swap agreement was $(4.3) million at June 30, 2009.

In March 2009, insurance on the 2005 swap agreement was removed and the collateral posting provisions of the swap agreement became effective. The collateral amount required is determined based on the fair value of the swap, less the applicable threshold of $7.0 million at the Hospital's current rating. Collateral valuations are performed daily, based on the official market closing curve. While the counterparty holds the collateral, the funds will earn the overnight Federal Funds interest rate, payable monthly.

In May 2008, the Hospital issued $50.4 million of Fixed Rate Bonds, Series 2008A ("Series 2008A Bonds") through a private placement. The bond proceeds were used to refund $50.0 million of Variable Rate Demand Hospital Revenue Bonds, Series 1997. Principal payments on the Series 2008 A Bonds, ranging from $315 thousand to $5.2 million are due annually in April 2010 through April 2026. Interest is payable semi-annually. In 2009, the effective interest rate was 5.3 percent.

In June 2008, the Hospital issued $61.0 million of Variable Rate Demand Revenue Refunding Bonds, Series 2008B ("2008B Bonds"). The bonds proceeds were used to refund $60.0 million of Hospital Revenue Bonds consisting of Short-term Adjustable Rate Securities, Series 2004. Principal payments on the Series 2008B Bonds, ranging from $9.95 million to $15.275 million are due annually in April 2030 through April 2034. Series 2008B Bonds bear interest at a daily rate determined by a remarketing agent. Interest is payable monthly. In 2009, the effective interest rate was 1.1 percent.

In September 2008, the Hospital entered into an equipment financing agreement with GE Government Finance, Inc., in the amount of $9.3 million. Principal and interest payments are made monthly commencing on November 1, 2008, for seven years. In 2009, the effective interest rate was 4.6 percent.

In March 2009, the Hospital issued $57.1 million of Variable Rate Demand Revenue Refunding Bonds, Series 2009A ("Series 2009A Bonds"), secured by an irrevocable transferable direct-pay letter of credit issued by a commercial bank. The bond proceeds were used to refund $55.6 million of Hospital Revenue Bonds consisting of Short-Term Adjustable Rate Securities, Series 2002A. Principal payments on the Series 2009A Bonds, ranging from $500 thousand to $4.0 million, are due annually in April 2013 through April 2032. Series 2009A Bonds bear interest at a weekly rate determined by a remarketing agent. Interest is payable monthly. In 2009, the effective interest rate was 0.40 percent.

In March 2009, the Hospital issued $59.3 million of Variable Rate Demand Revenue Refunding Bonds, Series 2009B ("Series 2009B Bonds"). The bond proceeds were used to refund $58.1 million of Variable Rate Demand Revenue Refunding Bonds, Series 2005. Principal payments on the Series 2009B Bonds ranging from $55 thousand to $8.2 million, are due annually in April 2010 through April 2029. Series 2009B Bonds bear interest at a weekly rate determined by a remarketing agent. Interest is payable monthly. In 2009, the effective interest rate was 0.40 percent.

In June 2009, the Hospital issued $5.3 million of Fixed Rate Hospital Revenue Bonds, Series 2009C ("Series 2009C Bonds") through a private placement. The bond proceeds were designated to finance qualified capital projects. Principal payments on the Series 2009C Bonds, ranging from $120 thousand to $248 thousand, are due bi-annually beginning in April 2010 through October 2024. Series 2009C Bonds bear interest from June 30, 2009 through October 1, 2012, at the initial fixed rate of 5.07 percent per annum. The interest rate will be reset every three years and is payable bi-annually.

The Series 2000 Bonds, Series 2002 Bonds, Series 2008A Bonds, Series 2008B, 2009A and 2009B are collateralized by a security interest in substantially all of the Hospital's revenue. The borrowing agreements contain various covenants and restrictions, including compliance with the terms and conditions of a Lease Agreement and provisions limiting the amount of additional indebtedness that may be incurred. The borrowing agreements also require the establishment and maintenance of certain funds under the control of a trustee. The Hospital is in compliance with all debt covenants at June 30, 2009.

The Series 2005 Revenue Bonds with variable interest rates are subject to remarketing provisions that require the Hospital to repurchase the bonds if they cannot be sold to a third party. The Hospital has entered into a standby bond purchase agreement (the "Agreement") with a commercial bank, which expires in 2010, to provide the funding for such repurchases as necessary. In the absence of the Agreement, the Hospital would be required to replace them with similar credit arrangements, convert the related debt from variable to fixed rate debt, or fund required repurchases

from available funds. As of and for the year ended June 30, there was no borrowing under the agreement.

The Series 2008B, Series 2009A Bonds, and Series 2009B Bonds with variable interest rates are secured by irrevocable transferable direct-pay letters of credit issued by a commercial bank. The initial letter of credit agreements have stated expiration dates of five (5) years. The letter of credit securing the 2008B bonds requires draws to be repaid on the earliest of the following dates to occur: (A) the date the bond is remarketed; (B) the date sixty (60) months from the date of the draw; or (C) the stated expiration date of the letter of credit. The letters of credit securing the 2009A and 2009B bonds do not require any principal payments within the first year of the draw; interest payments are due monthly. Outstanding principal payments under the letters of credit would revert to a Term Out Loan after the first year. Any obligations under the Term Out Loans are repayable in equal quarterly installments based on a four year straight-line amortization commencing on the 367th day after the draw with final payments of the outstanding balances on the earliest to occur of: (A) the date on which the letter of credit is replaced or substituted; (B) five (5) years following the date of the draw preceding such Term Out Loan; (C) the date the bonds are successfully remarketed; or (D) the date on which all amounts due have been accelerated pursuant to the letters of credit. At June 30, 2009, there were no amounts outstanding under the letters of credit.

Legislation which had limited the Hospital's total borrowings, exclusive of amounts payable to the State, to 235.0 million, with limited exceptions, was amended in April 2008. The statute now requires the Hospital to obtain approval of additional bond issuance from its Board of Directors, maintain an unenhanced bond rating in the category of "A" or better from Standard and Poor's Corporation and Moody's Investor service, Inc., and notify the State Joint Committee on Finance.

Scheduled principal and interest repayments on all of the Hospital's long-term debt, including the effect of the swaps based on the effective interest rate, are as follows (in thousands):

Fiscal Year Ended	Principal	Interest	Interest Rate Swap, Net	Total
2010	$ 7,003	$ 4,472	$ 1,788	$ 13,263
2011	7,481	4,213	1,754	13,448
2012	7,840	3,923	1,716	13,479
2013	8,190	3,633	1,672	13,495
2014	8,562	3,350	1,611	13,523
2015-2019	41,958	13,724	6,225	61,907
2020-2024	48,274	8,384	2,911	59.569
2025-2029	55,503	2,256	1,110	58,869
2030-2034	72,700	599	--	73,299
Deferred loss on refunding of 2000 Bonds	(6,168)	--	--	(6,168)
Deferred loss on refunding of 1997 Bonds	(256)	--	--	(256)
Deferred loss on refunding of 2004 Bonds	(446)	--	--	(446)
Deferred loss on refunding of 2002A Bonds	(632)	--	--	(632)
Deferred loss on refunding of 2005 Bonds	(416)	--	--	(416)
Premium on 2002B Bonds	241	--	--	241
	$249,834	$ 44,554	$ 18,787	$313,175

The revenue bonds of the Hospital do not constitute debt of the State nor is the State liable on those bonds.

Debt service requirements for principal and interest for the Hospital's revenue bonds at June 30, 2009 are as follows (in thousands):

Fiscal Year Ended	Principal	Interest
2010	$ 5,201	$ 5,892
2011	5,770	5,694
2012	6,199	5,455
2013	6,903	5,192
2014	7,899	4,907
2015-2019	41,493	19,883
2020-2024	48,172	11,285
2025-2029	55,503	3,365
2030-2034	72,700	599
Total	249,840	62,272
Deferred loss on refunding	(7,918)	--
Premium/Discount	241	--
Total	$ 242,163	$ 62,272

State Fair Park Exposition Center, Inc.

In August 2001, the State Fair Park Exposition Center, Inc. (the Center) issued $44.9 million of City of West Allis, Wisconsin, Variable Rate Demand Revenue Bonds, Series 2001, which were issued to finance the construction of the exposition center. The bonds call for monthly interest-only payments until date of maturity. The bonds have a final maturity date of August 1, 2028, with no set schedule for principal repayment. However, the bonds require mandatory redemption to the extent of unused bond proceeds. Repayment of the bonds is guaranteed by a ground lease and license agreement, and letter of credit issued by US Bank which expired on April 15, 2008. The Center refinanced the bonds on July 1, 2007. The refinance locked in a 6.1 percent interest rate, does not require a letter of credit, and requires interest payments to be made on February 1 and August 1 of each year until the bonds are paid off on August 1, 2028. The Center has not been notified of any event of default with respect to the industrial revenue bonds payable restrictive covenants as of December 31, 2008. The outstanding balance on these bonds was $40.8 million as of December 31, 2008.

Debt service requirements for interest for the Center, at December 31, 2008 are as follows (in thousands):

Year Ended	Principal	Interest
2009	$ --	$ 2,488
2010	--	2,488
2011	--	2,488
2012	--	2,489
2013	--	2,489
2014-2018	2,750	12,366
2019-2023	14,755	10,166
2024-2028	23,290	4,430
Total	$ 40,795	$ 39,404

University of Wisconsin Foundation

Long-term debt of the University of Wisconsin Foundation consists of two notes payable to U.S. Bank, N.A. One of the notes is payable in accreting monthly principal installments with a final balloon payment due February 2010. The note is collateralized by certain investments equal to the outstanding loan balance. The outstanding balance as of December 31, 2008 is $2.0 million.

The second note is a mortgage that was assumed in 2004. The note is payable in monthly installments, including interest, with a final balloon payment due September 2009. The outstanding balance as of December 31, 2008 is $8.1 million.

Future maturities of long-term debt as of December 31, 2008 are as follows (in thousands):

Year ended December 31	Total Principal
2009	$ 8,256
2010	1,840
Total	$ 10,096

D. Refundings, Exchanges and Early Extinguishments

Refunding Provisions of GASB Statement No. 23

The State implemented the provisions of GASB Statement No. 23. *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities* beginning with Fiscal Year 1996. This Statement requires proprietary activities to adopt certain accounting and reporting changes for both current refunding and advance refunding resulting in defeasance of debt. GASB Statement No. 23 permits, but does not require, retroactive application of its provisions. The State has chosen not to apply the provisions retroactively to previously issued financial statements.

Current Year Refundings/Component Units

Badger Tobacco Asset Securitization Corporation

In April, 2009, the Badger Tobacco Asset Securitization Corporation's (BTASC) deposited securities in an irrevocable trust with an escrow agent to provide for all future debt service payments on the BTASC bonds. As a result, the $1.3 billion of BTASC bonds are considered to be legally defeased and the liability for those bonds has been removed from the financial statements. Any gain or loss on the refunding has not been determined as the future cash flows of the old debt are not estimable due to the uncertainty of future Tobacco Settlement Revenues (TSRs).

Prior Year Refundings/General Obligation Bonds

Government Accounting Standards Board Statement No. 7 *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. At June 30, 2009, approximately $978.4 million of general obligation bond principal have been defeased.

Prior Year Refundings/Revenue Bonds

For financial reporting purposes, the following primary government revenue bonds have been defeased, and therefore, removed as a liability from the balance sheet:

- Environmental Improvement Fund revenue bonds – At June 30, 2009, revenue bonds outstanding of $256.7 million have been defeased.

- Transportation revenue bonds – At June 30, 2009, revenue bonds outstanding of $509.9 million have been defeased.

Prior Year Refundings/Component Units

Wisconsin Housing and Economic Development Authority

In 1990 the Wisconsin Housing and Economic Development Authority (the Authority) defeased $48.4 million of Insured Mortgage Revenue Bonds, as of June 30, 2009, the remaining outstanding defeased debt is $22.5 million.

University of Wisconsin Hospital and Clinics Authority (the Hospital) - On September 20, 2005, the Hospital issued $59.8 million in Variable Rate Demand Revenue Refunding Bonds, Series 2005 with an initial interest rate of 2.69 percent per annum at the time of issuance to advance refund $52.5 million of outstanding Bond Issue Series 2000 with an interest rate range of 5.6 percent to 5.85 percent. The net proceeds of $58.2 million (after payment of $1.6 million in issuance costs) were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the Fixed Rate Serial and Term Hospital Revenue Bonds, Series 2000 with maturity dates on or after April 1, 2011. As a result, the refunded portion of the Bond Issue Series 2000 is considered to be defeased and the liability for those bonds has been removed from the balance sheet. The amount outstanding related to the defeased portion of the 2000 Series Bond is $52.5 million at June 30, 2009.

Early Extinguishments/Redemptions

Component Units

Wisconsin Housing and Economic Development Authority

During 2009, the Wisconsin Housing and Economic Development Authority (the Authority) redeemed early various outstanding bonds according to the redemption provisions in the bond resolutions. None of these redemptions resulted in extraordinary losses due to the write-off of remaining unamortized deferred debt financing costs.

A summary of these early redemptions follows (in thousands):

Bond Issue	Redemptions 2009
Home Ownership Revenue Bond Resolutions:	
1987	$ 76,420
1988	95,480
All Other	84,792
Housing Revenue Bonds	87,585
Multifamily Housing Bonds	100
General Fund	680

E. Short-term Financing

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, authorize, issue, and sell debt obligations of the State. To date, the Commission has authorized the issuance of notes. When this short-term debt does not meet long-term financing criteria, it is classified among fund liabilities.

General Obligation Commercial Paper Notes

The State has authorized General Obligation Commercial Paper Notes for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes.

The State intends to make annual May 1 payments on the outstanding commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2009, the amount of general obligation commercial paper notes outstanding was $198.6 million which had interest rates ranging from .25 percent to .65 percent and maturities ranging from July 2, 2009 to September 10, 2009.

Short-term debt activity for the year ended June 30, 2009 for the general obligation commercial paper notes was as follows (in millions):

Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
$ 205.2	$ --	$ 6.6	$ 198.6

General Obligation Extendible Municipal Commercial Paper

The State has authorized general obligation extendible municipal commercial paper for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. Periodically, additional extendible municipal commercial papers are issued to pay for maturing extendible municipal commercial paper. The State intends to make annual May 1 payments on the outstanding extendible commercial paper that reflect principal amortization of the paper. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2009, the amount of the general obligation extendible municipal commercial paper outstanding was $422.2 million which had interest rates ranging from .2 percent to .75 percent and maturities ranging from July 7, 2009, to November 9, 2009.

Short-term debt activity for the year ended June 30, 2009 for the general obligation extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
$ 435.3	$ --	$ 13.1	$ 422.2

Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper

The State has authorized petroleum inspection fee revenue extendible municipal commercial paper to pay the costs of claims under the Petroleum Environmental Cleanup Fund Award (PECFA) Program. Periodically, additional extendible municipal commercial paper is issued to pay for maturing paper. The State may periodically deposit money into the Junior Subordinate Principal Account, which represents principal payments to be made on the extendible municipal commercial paper. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing paper. At June 30, 2009, the amount of petroleum inspection fee revenue extendible commercial paper outstanding was $142.3 million which had interest rates ranging from .45 percent to .70 percent and maturities ranging from July 7, 2009 to September 1, 2009.

Short-term debt activity for the year ended June 30, 2009 for the petroleum inspection fee revenue extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
$ 142.3	$ --	$ --	$ 142.3

Transportation Revenue Commercial Paper Notes

The State authorized transportation revenue commercial paper notes to pay the costs of major highway projects and certain State transportation facilities. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes. The State intends to make annual July 1 payments on the commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2009, the amount of transportation revenue commercial paper notes outstanding was $177.6 million which had interest rates ranging from .36 percent to .41 percent and maturities ranging from July 16 to October 6, 2009.

Short-term debt activity for the year ended June 30, 2009 for the transportation revenue commercial paper notes was as follows (in millions):

Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
$ 192.0	$ --	$ 14.4	$ 177.6

F. Certificates of Participation

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by State agencies. This facility is the Third Amended and Restated Master Lease 1992-1. Pursuant to the terms and conditions of this agreement, the trustee for the facility issues parity Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. A common pool of collateral ratably secures all Master Lease certificates. Title in the property and service items purchased under the facility remains with the State and the State grants to the Trustee, for the benefit of all Master Lease certificate holders, a first security interest in the leased items. At June 30, 2009, the following parity Master Lease certificates were outstanding:

- Master Lease Certificates of Participation of 2006, Series A, in the amount of $36.8 million. This series of Master Lease certificates has interest rates ranging from 4.0 percent to 5.0 percent and matures semi-annually through September 1, 2016.

- Master Lease Certificates of Participation of 2007, Series A (Revolving Credit Agreement – Taxable) in the amount of $16.7 million. This Master Lease certificate evidences the State's obligation to repay advances under a Revolving Credit Agreement, dated June 22, 2007, between U.S. Bank National Association (as trustee), the State of Wisconsin, acting by and through its Department of Administration, as lessee, and Dexia Credit Local. The scheduled termination date under the Revolving Credit Agreement, as amended, is September 1, 2010. This Master Lease certificate shall bear interest at the rates and mature on the dates provided for in the Revolving Credit Agreement. The balance of this Master Lease certificate may include some accrued interest that will be payable at the next semi-annual interest payment date.

- Master Lease Certificates of Participation of 2007, Series B (Revolving Credit Agreement-Tax Exempt) in the amount of $15.2 million. This Master Lease certificate of participation evidences the State's obligation to repay certain advances under a Revolving Credit Agreement, dated June 22, 2007, between U.S. Bank National Association, as trustee, the State of Wisconsin, acting by and through its Department of Administration, as lessee, and Dexia Credit Local, as amended. The scheduled termination date under the revolving credit agreement is September 1, 2010. This master lease certificate of participation shall bear interest at the rates and mature on the dates provided for in the Revolving Credit Agreement.

The Third Amended and Restated Master Lease 1992-1 provides that certain lease schedules to the facility can be terminated if the State deposits with the Trustee an amount that is equal to the outstanding amount of the lease schedule, or in amounts that are

sufficient to purchase investments that mature on dates and in amounts to make the lease payments when due. At June 30, 2009, the State has deposited with the Trustee amounts, that when invested, will terminate lease schedules having an aggregate outstanding amount of $0.8 million. As a result of terminating these lease schedules, the associated liability is removed from the financial statements.

G. Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of June 30, 2009, a liability for arbitrage rebate did not exist.

H. Moral Obligation Debt

Through legislation enacted in 1999, the State authorized the creation of local districts. These districts (Wisconsin Center District, Southeast Wisconsin Professional Baseball Park District, and the Green Bay/Brown County Professional Football Stadium District) are authorized to issue bonds for their respective purpose, and if the State determines that certain conditions are satisfied, the State may have a moral obligation to appropriate moneys to make up deficiencies in the districts' special debt service reserve funds. To date, the Wisconsin Center District has the authority to issue up to $200.0 million and has issued $125.8 million of bonds that are subject to the moral obligation. The two other local districts each have authority to issue $160.0 million of revenue obligations that, subject to the Secretary of Administration's determination that certain conditions have been met, could carry a moral obligation of the State. All of the districts have issued revenue obligations that do not carry the moral obligation of the State.

Through legislation enacted in 1999, the State authorized the issuance of up to $170.0 million principal amount of bonds to finance the development or redevelopment of sites and facilities to be used for public schools. If certain conditions are satisfied, and if a special debt service reserve fund is created for the bonds, the State will provide a moral obligation pledge, which would restore the special debt reserve fund established for the bonds to an amount not to exceed the maximum annual debt service on the bonds. Three bond issues with an aggregate outstanding balance of $104.8 million have been issued that have a special debt service reserve fund secured by the State's moral obligation.

I. Credit Agreements

Primary Government

The State has, as part of the working bank contract, a letter of credit agreement with the US Bank National Association under which the Bank has agreed to provide to the State an open line of credit in the amount of $50.0 million. The agreement provides for advances in anticipation of bond issuance proceeds. As of June 30, 2009, $50.0 million was unused and available.

The State has entered into a credit agreement to provide a line of credit for liquidity support for up to $233.0 million of general obligation commercial paper notes. The line of credit expires in March, 2013, but is subject to renewal as provided for in the credit agreement. The cost of this line of credit is 0.095 percent per year.

Also, the State has entered into a credit agreement to provide a line of credit for liquidity support for its transportation revenue commercial paper program. The amount of the line of credit is $207.0 million. This line of credit expires in April, 2013, but is subject to termination and renewal as provided for in the credit agreement. The cost of this line of credit is 0.100 percent per year.

NOTE 12. LEASE COMMITMENTS AND INSTALLMENT PURCHASES

The State leases office buildings, space, and equipment under a variety of agreements that vary in lease term, many of which are subject to appropriation from the State Legislature to continue the lease commitment. If such funding, i.e., through legislative appropriation, is judged to be assured, and the likelihood of cancellation through exercise of the fiscal funding clause is remote, leases are considered noncancelable and reported as either a capital lease or an operating lease.

A. Capital Leases

Primary Government

Capital lease commitments in the government-wide and proprietary funds statements are reported as liabilities at lease inception. The related assets along with the depreciation are also reported at that time. Lease payments are reported as a reduction of the liability.

For capital leases in governmental funds, "Other Financing Sources - Capital Lease Acquisitions" and expenditures are recorded at lease inception. Lease payments are recorded as expenditures.

The following is an analysis of the gross minimum lease payments along with the present value of the minimum lease payments as of June 30, 2009 for capital leases (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities
2010	$ 11,341	$ 10,863
2011	8,136	10,519
2012	7,437	10,247
2013	5,318	9,995
2014	2,643	9,963
2015 - 2019	2,083	31,958
2020 - 2024	-	25,308
2025 - 2029	-	30,792
2030 - 2034	-	37,463
2035 - 2039	-	17,167
Total minimum future payments	36,958	194,275
Less: Interest	(4,695)	(84,166)
Present value of net minimum lease payments	$ 32,263	$ 110,110

Assets acquired through capital leases are valued at the lower of fair market value or the present value of minimum lease payments at the inception of the lease. The following is an analysis of capital assets recorded under capital leases as of June 30, 2009 (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities
Land and Land Improvements	$ 376	$ 209
Buildings and Improvements	11,480	147,817
Machinery and Improvements	1,065	8,042
Less: Accumulated Depreciation	(32,276)	(34,349)
Carrying Amount	$ 65,470	$ 121,719

Master Lease Program

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by state agencies. This facility is the Third Amended and Restated Master Lease between the State acting by and through the Department of Administration and U.S. Bank National Association. Lease purchase obligations under the Master Lease are not general obligations of the State, but are payable from appropriations of State agencies participating in the Master Lease Program, subject to annual appropriation. The interest component of each lease/purchase payment is subject to a separate determination. Pursuant to terms of the Master Lease, the Trustee for the facility issues parity Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. The outstanding balance as of June 30, 2009 was as follows:

Balance Due	Average Life (Weighted Term)
$68,821,917	2.83195 Years

Component Unit

University of Wisconsin Hospital and Clinics Authority

Under the terms of a lease agreement, the University of Wisconsin Hospitals and Clinics Authority (the Hospital) leases facilities which were occupied by the Hospital as of June, 1996 (see Note 1B to the financial statements). The initial term of the lease is 30 years to be renewed annually with automatic extensions of one additional year on each July 1 until action is taken to stop the extensions. Included in the consideration for the lease is an amount equal to the debt service during the term of the lease agreement on all outstanding bonds issued by the State for the purpose of financing the acquisition, construction or improvement of the leased facilities. The balance at June 30, 2009 for amounts related to this agreement was $7.7 million.

University of Wisconsin Foundation

The University of Wisconsin Foundation (the Foundation) leases computer hardware and software under a capital lease which expires January 2010. The Foundation also leased a copy machine under a capital lease which expired in April 2009.

The following is a schedule by years of future minimum payments under capital leases as of December 31, 2008:

Year ended December 31	Capital Leases
2009	$ 272,608
2010	21,189
2011	-
Total	293,797
Less: Interest	11,837
	$ 281,960

B. Operating Leases

Operating leases, those leases not recorded as capital leases as required by FASB Statement No. 13, are not recorded in the statement of net assets. These leases contain various renewal options, the effect of which are reflected in the minimum lease payments only if it is considered that the option will be exercised. Certain other operating leases contain escalation clauses and contingent rentals which are not included in the calculation of the future minimum lease payments. The State has adopted the operating lease scheduled rent increase provisions of FASB Statement No. 13. Operating lease expenditures/expenses are recognized as incurred or paid over the lease term.

Governmental and business-type activities and fiduciary funds rental expenses under operating leases for Fiscal Year 2009 were $70.7 million. Of this amount, $70.3 million relates to minimum rental payments stipulated in lease agreements, $351 thousand relates to contingent rentals, and $228 thousand relates to sublease rental payments received. Component unit rental expenses under operating leases were $18.6 million, of which $18.6 million relates to minimum rental payments stipulated in lease agreements.

The following is an analysis of the future minimum rental payments due under operating leases (in thousands):

Fiscal Year	Govern-mental Activities	Business-type Activities	Fiduciary Funds	Com-ponent Units
2010	$ 43,715	$ 23,734	$ 131	$ 13,297
2011	36,236	12,143	30	7,205
2012	31,185	7,771	21	3,612
2013	25,468	5,601	8	1,542
2014	19,057	5,044	-	674
2015 - 2019	59,183	24,393	-	1,186
2020 - 2024	13,743	24,957	-	-
2025 - 2029	574	24,333	-	-
2030 - 2034	370	17,820	-	-
2035 - 2039	377	-	-	-
2040 - 2044	307	-	-	-
2045 - 2049	523	-	-	-
Minimum lease payments	$ 230,775	$ 145,796	$ 189	$ 27,516

C. Installment Purchases

The State has entered into installment purchase agreements. The following is an analysis of the gross minimum installment payments, along with the present value of the minimum installment payments, as of June 30, 2009 for installment purchases (in thousands):

Fiscal Year	Governmental Activities
2010	$ 478
2011	-
Total minimum future payments	478
Less: Interest	(4)
Present value of net minimum installment payments	$ 475

NOTE 13. POLLUTION REMEDIATION OBLIGATIONS

Effective Fiscal Year 2009, the State implemented the Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement establishes accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation obligations that are required upon retirement of an asset, such as landfill closure and post closure care and nuclear power plant decommissioning.

Measurement of Obligations

GASB 49 requires the State to calculate pollution remediation obligations using the expected cash flow technique. These estimates are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors. Recoveries from other responsible parties may reduce the State's obligation. In accordance with the standard, if the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability. Under specific circumstances capital assets may be created when pollution remediation is performed. The State has adopted a minimum reporting threshold of $1.0 million. Therefore, only remediation sites with outlays estimated to meet or exceed that amount are reported in the financial statements.

The provisions of GASB Statement 49 require the measurement of pollution remediation obligations as of July 1, 2008. The measurement completed by the State identified obligations of $1.0 million existed as of that date. Therefore, the State's beginning net assets have been reduced by $1.0 million as reported in Note 24.

During fiscal year 2009, the State recognized additional estimated liabilities of $14.6 million. The State did not expend any moneys to clean up sites meeting the reporting threshold at the beginning of FY 2009, therefore, there were no recognized adjustments decreasing the beginning liability. Further, there were no recoveries received from other responsible parties during fiscal year 2009 and none are expected for the identified obligations.

Identified Remediation Obligations:

Pollution remediation liabilities are updated annually and are based on engineering studies and the judgment of agency officials. The following table shows liabilities included in the Statement of Net Assets as of June 30, 2009 (in millions):

Nature and Source of Pollution	Estimated Liability	Estimated Recovery
Contract agreement with EPA to clean up Superfund site of former wood treatment facility	$ 1.0	--
Voluntary commencement by the State to clean up heavy metal contamination of canal near former industrial site	7.5	--
State agreement with EPA to clean up PCB sediments in Milwaukee's Lincoln Park	7.1	--
Total estimated obligations	$15.6	--

In addition to the liability reported in the table above, the State expects to incur estimated costs of $27,000 per year indefinitely to pump and treat contamination at a former chrome plating facility. The State also expects to incur estimated costs of $70,000 per year indefinitely to operate and maintain a closed landfill. Both are Superfund sites and estimated total remediation costs for them cannot be reasonably determined. Therefore, a liability has not been reported in the Statement of Net Assets for either site.

NOTE 14. RETIREMENT PLAN

The Wisconsin Retirement System (WRS) was established and is administered by the State of Wisconsin to provide pension benefits for State and local government public employees. The WRS consists of the Core Retirement Investment Trust, the Variable Retirement Investment Trust, and the Police and Firefighters Trust. Although separated for accounting purposes, the assets of these trust funds can be used to pay benefits for any member of the WRS, and are reported as one pension plan.

The WRS is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information for the year ending December 31, 2007, may be obtained by writing to:

Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, WI 53707-7931.

The separately issued financial reports for the year ended December 31, 2008 will be available at a later date.

Plan Description

The WRS, governed by Chapter 40 of the Wisconsin Statutes, is a cost-sharing multiple-employer defined benefit pension plan. It provides coverage to all eligible State of Wisconsin, local government and other public employees. Any employee of a participating employer who is expected to work at least 600 hours per year (440 hours per year for teachers) for at least one year must be covered by the WRS. As of December 31, 2008, the number of participating employers was:

State Agencies	62
Cities	152
Counties	71
4th Class Cities	36
Villages	254
Towns	227
School Districts	426
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	206
Total Employers	1,462

For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested. Employees who retire at or after age 65 (55 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

Accounting Policies and Plan Asset Matters

The financial statements of the WRS have been prepared in accordance with generally accepted accounting principles, using the flow of economic resources measurement focus and a full accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All assets of the WRS are invested by the State of Wisconsin Investment Board. The retirement fund assets consist of shares in the Variable Retirement Investment Trust and the Core Retirement Investment Trust. The Variable Retirement Investment Trust consists primarily of equity securities. The Core Retirement Investment Trust is a balanced investment fund made up of fixed income securities and equity securities. Shares in the Core Retirement Investment Trust are purchased as funds are made available from retirement contributions and investment income, and sold when funds for benefit payments and other expenses are needed.

The assets of the Core and Variable Retirement Investment Trusts are carried at fair value with all market value adjustments recognized in current operations. Investments are revalued monthly to current market value. The resulting valuation gains or losses are recognized as income, although revenue has not been realized through a market-place transaction.

The WRS does not have any investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represent 5.0 percent or more of plan net assets.

State Contributions Required and Contributions Made

Covered State employees in the General/Teacher category are required by statute to contribute 5.0 percent of their salary (3.0 percent for Executives and Elected Officials, 5.0 percent for Protective Occupations with Social Security, and 3.2 percent for Protective Occupations without Social Security) to the plan as of June 30, 2009. Employers may make these contributions to the plan on behalf of employees.

Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. State contributions made for the years ended December 31, 2008, 2007, and 2006 were as follows (in millions):

	2008	2007	2006
Employer current service	$ 196.2	$ 182.9	$ 170.6
Percent of payroll	5.1%	5.1%	5.0%
Employer prior service	$ 3.1	$ 2.8	$ 2.5
Percent of payroll	0.1%	0.1%	0.1%
Employee required	$ 191.2	$ 178.4	$ 169.5
Percent of payroll	5.0%	5.0%	5.0%
Benefit adjustment contributions	$ 33.2	$ 31.0	$ 26.6
Percent of payroll	0.9%	0.9%	0.7%
Percent of Required Contributions	100%	100%	100%

The WRS uses the "Entry Age Normal with Frozen Initial Liability" actuarial method in establishing employer contribution rates. Under this method, the unfunded actuarial accrued liability (UAAL) is generally affected only by the monthly amortization payments, compound interest, the added liability created by new employer units, and any liabilities caused by changes in benefit provisions. The UAAL is being amortized over a 40 year period beginning January 1, 1990. However, periodically, the Employee Trust Funds Board has reviewed and, when appropriate, adjusted the actuarial assumptions used to determine this liability. Changes in the assumptions may affect the UAAL, and the resulting actuarial gains or losses are credited or charged to employers' unfunded liability accounts.

All actuarial gains or losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost.

As of June 30, 2009 and 2008, the WRS's unfunded actuarial accrued liability was $0.2 billion and $0.3 billion, respectively. These amounts are presented as Prior Service Contributions Receivable on the financial statements. New prior service liabilities resulting from employers entering the WRS or increasing their prior service coverage are recognized as contributions in the year service is granted and are added to the Prior Service Contributions Receivable. Employer contributions for prior service reduce the receivable. The receivable is increased as of calendar year end with interest at the assumed interest rate of 7.8 percent.

NOTE 15. MILWAUKEE RETIREMENT SYSTEM

The Milwaukee Retirement System (MRS) is reported as an Investment Trust Fund. MRS participants provide assets to the State of Wisconsin, Department of Employee Trust Funds (DETF) for investing in its Core Retirement Investment Trust (CRIT) and the Variable Retirement Investment Trust (VRIT), funds of the Wisconsin Retirement System (WRS). Participation of the MRS in the CRIT and VRIT is described in the DETF Administrative Code, Chapter 10.12. The State of Wisconsin Investment Board (SWIB) manages the CRIT and VRIT with oversight by a Board of Trustees as authorized in Wis. Stat. 25.14 and 25.17. SWIB is not registered with the Securities and Exchange Commission as an investment company.

The investments of the CRIT and VRIT consist of a highly diversified portfolio of securities. Wis. Stat. 25.17(3)(a) allows investments in loans, securities and any other investments as authorized by Wis. Stat. 620.22. Permitted classes of investments include bonds of governmental units or of private corporations, loans secured by mortgages, preferred or common stock, real property and other investments not specifically prohibited by statute.

Investments are revalued monthly to fair value, with unrealized gains and losses reflected in income.

Monthly, the DETF distributes a pro-rata share of the total CRIT and VRIT earnings less administrative expenses to the MRS accounts. The MRS accounts are adjusted to fair value and gains/losses are recorded directly in the accounts per DETF Administrative Code, Chapter 10.12(2).

Neither State statute, a legal provision nor a legally binding guarantee exists to support the value of shares.

Copies of the separately issued financial report that includes financial statements along with the accompanying footnote disclosures and supplementary information for the CRIT and the VRIT may be obtained by writing to:

State of Wisconsin Investment Board
P.O. Box 7842
Madison, Wisconsin 53707-7842

NOTE 16. POSTEMPLOYMENT BENEFITS – STATE HEALTH INSURANCE PROGRAM

Effective Fiscal Year 2008, the State implemented the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefit expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in financial reports of state and local governmental employers.

Plan Description

The State's Health Insurance Program, a cost-sharing multiple employer, defined benefit plan, is an employer-sponsored program (not administered as a trust) offering group medical coverage to eligible employees and retirees of State and participating local government employers. Created under Chapter 40, of the Wisconsin Statutes, the State Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under Wis. Stat. Sections 15.165(2) and 40.03(6). As of January 2007 (most recent actuarial valuation date), there were 55,117 active, and 21,103 retirees and beneficiaries participating in the plan.

Under this plan, retired employees of the State are allowed to pay the same healthcare premium as active employees, creating an implicit rate subsidy for retirees. This implicit rate subsidy, which is calculated to cover pre-age 65 retirees (since at age 65 retirees are required to enroll in Medicare when eligible), is treated as an other postemployment benefit (OPEB).

The Department of Employee Trust Funds issues a publicly available financial report. That report is available at www.etf.wi.gov or may be obtained upon request from:

The Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, Wisconsin 53707-7931

Funding Policy

The health insurance plan is currently funded on a "pay-as-you-go" basis. GASB Statement No. 45 does not require funding of the OPEB expense and the State does not currently intend to prefund the OPEB obligation. Under this plan, retirees contribute premiums directly to the plan either through "out-of-pocket" or from unused accumulated sick leave conversion credits. The value of the sick leave benefit is defined as compensated absences and reported under the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Contribution requirements are established and may be amended by the Group Insurance Board. For retirees that participate in the health insurance plan, premiums, for non-Medicare retirees, are based on an effective rate structure for the health care service provider selected. Rates range from $508.50 to $985.30 for single coverage and $1,267.60 to $2,459.40 for family coverage.

The annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. At December 31, 2008, and 2007, the ARC was $158.7 million and $148.5 million while the employer contributions were $48.8 million and $44.3 million respectively.

Annual OPEB Cost

As of January 1, 2007, (most recent actuarial valuation date) the State's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation were as follows (in thousands):

Year	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$158,699	$48,795	30.8%	$214,068
2008	148,497	44,333	29.9	104,164

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2007 (most recent actuarial valuation date) was as follows (in thousands):

Actuarial accrued liability (AAL)	$1,472,774
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	$1,472,774
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	$2,842,917
UAAL as a percentage of covered payroll	51.8%

The actuarial accrued liability calculation considers the retiree drug subsidy (RDS) provisions of Medicare Part D as a separate transaction. Therefore, the actuarial accrued liability, the annual required contribution of the employer (ARC), and the annual OPEB costs are determined without reduction of RDS payments. At January 1, 2007, (most recent actuarial valuation date) the

Medicare part D portion included in the actuarial accrued liability is $537.7 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2007 actuarial valuation, the entry age normal actuarial costs method (with costs determined as a level dollar amount) was used. Actuarial assumptions included a discount rate of 4.0 percent, determined using an underlying assumption of 3.0 percent for inflation plus 1.0 percent for high quality investments with durations of one year or less, and a 4.1 percent assumed annual payroll growth. The projected annual healthcare cost trend rate is 6.2 percent initially, reduced by decrements to an ultimate rate of 5.0 percent. Other assumptions used, such as mortality, disability and retirement rates for active members, are consistent with an actuarial valuation on the Wisconsin Retirement Plan dated December 31, 2006. In addition, a 30 year, level percent of pay, closed amortization period was used for the initial UAAL, while a 15 year, level percent of pay, closed amortization period was used for any future gains and losses.

Currently, the health insurance plan is not funded by assets held in a separate trust. The discount rate (discussed above) was based on the State's general assets not earmarked for certain uses, such as building funds. The State's general assets are held in short-term fixed income investments. Therefore, the discount rate reflects that type of investment policy.

A Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 17. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The State of Wisconsin, Department of Employee Trust Funds (DETF), administers three postemployment benefit plans other than pension plans – the State Retiree Health Insurance Fund, the Duty Disability Fund, and the Retiree Life Insurance Fund.

Plan Descriptions

State Retiree Health Insurance Fund

The State *Retiree Health Insurance Fund* is a multiple-employer defined benefit OPEB plan offering group health insurance. Disclosures relating to the plan are provided in Note 16 – *Postemployment Benefits of the State Other Than Pensions – Health Insurance Program*.

Duty Disability Fund

The *Duty Disability Fund* is a cost-sharing multiple-employer defined benefit OPEB plan. The plan offers special disability insurance for state and local participants in protective occupations. The plan is self-insured, and risk is shared between the State and local government employers in the plan. The plan is administered under Wis. Stat. Section 40.65. The plan is reported as a pension and other employee benefit trust fund.

Contributions are actuarially determined in accordance with Wis. Stats. Section 40.05 (2)(ar). All contributions are employer paid based on a graduated, experienced-rated formula. During Calendar Year 2008 contribution rates ranged from 1.9 percent to 7.0 percent of covered payroll based on employer experience.

Eligibility for program benefits is based upon whether a duty-related injury or disease is likely to be permanent, which causes a protective occupation participant to retire, accept reduced pay or light duty assignment, or in some cases, that impairs promotional opportunities. Benefits approximate 80 percent of salary (75 percent if partially disabled and not a State Employee), less certain offsets such as; social security, unemployment compensation, worker's compensation and other retirement benefits. Survivor benefits are also offset by certain benefits based on program requirements.

Retiree Life Insurance Fund

The *Retiree Life Insurance Fund* is a cost-sharing multiple-employer defined benefit OPEB plan. The plan provides post-employment life insurance coverage to all eligible employees. The plan is administered under Wis. Stats. Section 40.70. The plan is reported as a pension and other employee benefit trust fund.

Generally, members may enroll during a 30-day enrollment period once they satisfy a six-month waiting period. They may enroll after the initial 30-day enrollment period with evidence of insurability. Members under evidence of insurability enrollment must enroll in group life insurance coverage before age 55 to be eligible for Basic or Supplemental coverage.

Employers are required to pay the following contributions for active members to provide them with basic coverage after age 65. There are no employer contributions for pre-65 annuitant coverage. All contributions are actuarially determined.

	State	Local
50 percent post retirement coverage	28 percent of the employee premium	40 percent of employee premium
25 percent post retirement coverage	N/A	20 percent of employee premium

At retirement, the member must have active group life insurance coverage and satisfy one of the following:

- Wisconsin Retirement System (WRS) coverage prior to January 1, 1989, or
- At least one month of group life insurance coverage in each of five calendar years after 1989 and one of the following:
- Eligible for an immediate WRS benefit, or
- At least 20 years from their WRS creditable service as of January 1, 1990, plus their years of group life insurance coverage after 1989, or
- At least 20 years on the payroll of their last employer.

In addition, terminating members and retirees must continue to pay the employee premiums until age 65 (age 70 if active).

After retirement, basic coverage is continued for life in amounts for the insurance in force before retirement. Additional coverage may be continued until age 65 at 100 percent of the amount of the insurance in force before retirement at the employee's expense, and spouse and dependent coverage benefits is terminated.

Summary of Significant Accounting Policies

Basis of Accounting

The OPEB plans are reported in accordance with GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Method Used to Value Investments

Duty Disability Fund

Investments for the *Duty Disability Fund* are invested in the Core Retirement Investment Trust, which is managed by the State of Wisconsin Investment Board (SWIB). These investments are valued at fair value. Generally, fair value information represents actual bid prices or the quoted yield equivalent at the end of the year for securities of comparable maturity, quality, and type, as obtained from one or more major investment brokers. If quoted market prices are not available, a variety of third-party pricing methods are used, including appraisals, certifications, pricing models, and other methods deemed acceptable by industry standards.

Retiree Life Insurance Fund

Investments for the *Retiree Life Insurance Fund* are held with the insurance carrier (the Company). The Retiree Life Insurance Fund's investment is a share in the investment pool.

Fixed maturity securities, which may be sold prior to maturity, including fixed maturities on loan, are classified as available-for-sale and are carried at fair value. Premiums and discounts are amortized or accreted over the estimated lives of the securities based on the interest yield method.

The Company uses book value as cost for applying the retrospective adjustment method to loan-backed fixed maturity securities purchased. Prepayment assumptions for single class and multi-class mortgage-backed securities were obtained from broker/dealer survey values or internal estimates.

Marketable equity securities are classified as available-for-sale and are carried at fair value. Mutual funds and exchange traded fund investments in select asset classes that are sub-advised are carried at the fair value of the underlying net assets of the funds.

Available-for-sale securities are stated at fair value.

Mortgage loans are carried at amortized cost less any valuation allowances. Premiums and discounts are amortized or accreted over the terms of the mortgage loans based on the effective interest yield method.

Private equity investments in limited partnerships are carried at the amount invested, adjusted to recognize the Company's ownership share of the earnings or losses of the investee after the date of the acquisition, adjusted for any distributions received (equity method accounting).

Investments in partnerships, which represent minority interests owned in certain general agencies, are carried at the amount invested, adjusted to recognize the Company's ownership share of the earnings or losses of the investee after acquisition adjusted for any distributions received (equity method accounting).

Fair values of fixed maturity securities are based on quoted market prices where available. Fair values of marketable equity securities are based on quoted market prices. Fair values of private equity investments are obtained from the financial statement valuations of the underlying fund or independent broker bids. For fixed maturity securities not based on quoted market prices, generally private placement securities, securities that do not trade regularly, and embedded derivatives, an internally developed pricing model using a commercial software application is most often used. The internally developed pricing model is developed by obtaining spreads versus the U.S. Treasury yield for corporate securities with varying weighted average lives and bond ratings.

Real estate is carried at cost less accumulated depreciation.

The Company's derivative instrument holdings are carried at fair value. All derivatives are recorded as non-hedge transactions. Derivative instrument fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using current market assumptions and modeling techniques, which are then compared with quotes from counterparties.

For mortgage-backed securities of high credit quality, excluding interest-only securities, the Company recognizes income using a constant effective yield method based on prepayment assumptions obtained from an outside service provider or upon analyst review of the underlying collateral and the estimated economic life of the securities.

Policy loans are carried at the unpaid principal balance.

Cash and cash equivalents are carried at cost, which approximates fair value. The Company considers all money market funds and commercial paper with original maturity dates of less than three months to be cash equivalents.

Finance receivables that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding unpaid principal balances reduced by any charge-offs.

The Company holds "To-Be-Announced" (TBA) Government National Mortgage Association forward contracts that require the Company to take delivery of a mortgage-backed security at a settlement date in the future. Most of the TBAs are settled at the first available period allowed under the contract. However, the deliveries of some of the Company's TBA securities happen at a later date, thus extending the forward contract date. These securities are reported at fair value as derivative instruments with the changes in fair value reported in net realized investment gains and losses on the consolidated statements of operations.

Required Supplementary Information

Required Supplementary Information about the OPEB plans is presented in the Department of Employee Trust Funds audited financial statements. The December 31, 2008 financial report will be available at a later date.

Separately issued financial reports are available at www.etf.wi.gov and on request from:

The Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, Wisconsin 53707-7931

NOTE 18. PUBLIC ENTITY RISK POOLS ADMINISTERED BY THE DEPARTMENT OF EMPLOYEE TRUST FUNDS

The Department of Employee Trust Funds operates four public entity risk pools: group health insurance, group income continuation insurance, long-term disability insurance, and pharmacy benefits. The information provided in this note applies to the period ending December 31, 2008.

A. Description of Funds

The Health Insurance Fund offers group health insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Approximately 365 local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The fund includes both a self-insured, fee-for-service plan as well as various prepaid plans, primarily Health Maintenance Organizations (HMO's) and a self-insured plan that provides for pharmacy benefits of covered members.

The Income Continuation Insurance Fund offers disability wage continuation insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Approximately 187 local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The plan is self-insured.

The Long-term Disability Insurance Fund offers long-term disability benefits to participants in the Wisconsin Retirement System (WRS). The long-term disability benefits provided by this program are an alternative coverage to that currently provided by the WRS. All new WRS participants on or after October 15, 1992, are eligible only for the long-term disability insurance coverage, while participating employees active prior to October 15, 1992, may elect coverage through WRS or the long-term disability insurance program.

B. Accounting Policies for Risk Pools

Basis of Accounting - All Public Entity Risk Pools are accounted for in enterprise funds using the full accrual basis of accounting and the flow of economic resources measurement focus.

Valuation of Investments - Assets of the Health Insurance Fund Income Continuation Insurance and Long-term Disability Insurance funds are invested in the Core Retirement Investment Trust. Investments are valued at fair value.

Unpaid Claims Liabilities - Claims liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The estimate includes the effects of inflation and other societal and economic factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Unpaid claims liability is presented at face value and is not discounted for health insurance. It is discounted using an interest rate of 7.8 percent for income continuation and long-term disability insurance. The liabilities for income continuation, long-term disability, and health insurance were determined by actuarial methods.

Administrative Expenses - All maintenance expenses are expensed in the period in which they are incurred. Acquisition costs are immaterial and are treated as maintenance expenses. Premium deficiencies are not calculated because acquisition costs are immaterial. Claim adjustment expenses are also immaterial.

Reinsurance - Health insurance plans provided by HMO's and health insurance for local government annuitants are fully insured by outside insurers. All remaining risk is self-insured with no reinsurance coverage.

Risk Transfer - Participating employers are not subject to supplemental assessments in the event of deficiencies. If the assets of the fund were exhausted, participating employers would not be responsible for the fund's liabilities.

Premium Setting - Premiums are established by the Group Insurance Board in consultation with actuaries.

C. Unpaid Claims Liabilities

As discussed in Section B of this Note, each fund establishes a liability for both reported and unreported insured events, which is an estimate of future payments of losses. The following represents changes in those aggregate liabilities for the nonreinsured portion of each fund during Calendar Year 2008 (in millions):

	Health Insurance		Income Continuation Insurance		Long-term Disability Insurance		Pharmacy Benefits	
	2008	2007 *	2008	2007	2008	2007	2008	2007*
Unpaid claims at beginning of the calendar year	$ 3.5**	$ 10.2	$ 68.7	$ 71.3	$ 135.8	$ 108.3	$ (1.1)	$ (6.7)
Incurred claims:								
Provision for insured events of the current calendar year	30.5	41.6	22.4	27.4	31.1	48.1	124.0	116.5
Changes in provision for insured events of prior calendar years	(0.3)	(3.4)	0.5	(14.7)	(7.9)	(6.2)	2.5	0.4
Total incurred claims	30.2	38.2	22.9	12.7	23.2	41.9	126.5	116.9
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	25.7	35.6	5.1	2.5	1.1	1.1	126.3	119.6
Claims and claim adjustment expenses attributable to insured events of prior calendar years	3.1	6.6	9.8	12.8	19.3	13.3	1.4	(8.3)
Total payments	28.8	42.2	14.9	15.3	20.4	14.4	127.7	111.3
Total unpaid claims expenses at end of the calendar year	$ 4.9	$ 6.2	$ 76.7	$ 68.7	$ 138.6	$ 135.8	$ (2.3)***	$ (1.1)***

* Starting in 2006, in accordance with GASB 43,local retiree health is reported separately in an agency fund and is not included with the active health information in this table.
** Due to a prior period adjustment the unpaid claims at the beginning of 2008 do not match the total unpaid claims at the end of 2001.
*** Total unpaid claims at the end of 2008 is the net of $5.5 million in unpaid claims and $7.8 million in rebates due from pharmaceutical companies; total unpaid claims at the end of 2007 is the net of $6.7 million in unpaid claims and $7.8 million in rebates due from pharmaceutical companies.

D. Trend Information

Historical trend information showing revenue and claims development information is presented in the Department of Employee Trust Funds audited financial statements. The separately issued financial report for the year ended December 31, 2007 is available at www.etf.wi.gov and on request from:

The Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, Wisconsin 53707-7931

The December 31, 2008 financial report will be available at a later date.

NOTE 19. SELF-INSURANCE

It is the general policy of the State not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the State believes it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The fund services most claims for risk of loss to which the State is exposed, including damage to State owned property, liability for property damages and injuries to third parties, and worker's compensation. All funds and agencies of the State participate in the Risk Management Fund.

State Property Damage

Property damages to State-owned properties are covered by the State's self-funded property program up to $2.5 million per occurrence and $2.7 million annual aggregate. When claims, which exceed $25,000 per occurrence, total $2.7 million, the State's private insurance becomes available. Losses to property occurring after the threshold are first subject to a $25,000 deductible. The amount of loss in excess of $25,000 is covered by the State's private insurance company. During Fiscal Year 2009, the excess insurance limits were written to $300 million.

The liabilities for State property damage are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities is based on the reserves on open claims and paid claims. Losses incurred but not reported are expected to be immaterial. Claims incurred but not paid as of June 30, 2009 are estimated to total $9.2 million.

Property Damages and Bodily Injuries to Third Parties

The State is self-funded for third party liability to a level of $4 million per occurrence and purchases insurance in excess of this self-funded retention. The policy limit during Fiscal Year 2009 was $49 million.

The liabilities for property damages and injuries to third parties are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities for the prior fiscal year was the reserves on open claims. The estimate for future benefits and loss liabilities is calculated by an actuary based on the reserves on open claims and prior experience. No liability is reported for environmental impairment liability claims either incurred or incurred but not reported because existing case law makes it unlikely the State would be held liable for material amounts. Because actual claims liabilities depend upon complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Immaterial non-incremental claims adjustment expenses are not included as part of the liability. Claims incurred but not paid as of June 30, 2009 are estimated to total $24.6 million.

Worker's Compensation

The Worker's Compensation Program was created by Wisconsin Statutes Chapter 102 to provide benefits to workers injured on the job. All employees of the State are included in the program. An injury is covered under worker's compensation if it is caused by an accident that arose out of and in the course of employment.

The responsibility for claiming compensation is on the employee. A claim must be filed with the program within two years from the date of injury; otherwise the claim is not allowable.

The worker's compensation liability has been determined by an actuary using paid claims and current claims reserves. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by external factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims incurred but not paid as of June 30, 2009 are estimated to total $74.7 million.

Changes in the balances of claims liability for the Risk Management Fund during the current and prior fiscal years are as follows (in thousands):

	2009	2008
Beginning of fiscal year liability	$ 95,000	$ 95,984
Current year claims and changes in estimates	41,508	34,531
Claim payments	(28,089)	(23,815)
	108,419	106,700
Excess insurance reimbursable	(5,300)	(11,700)
Balance at fiscal year-end	$ 103,119	$ 95,000

Settlements have not exceeded coverages for each of the past three fiscal years.

Annuity Contracts

The Risk Management Fund purchased annuity contracts in various claimants' names to satisfy claim liabilities. The likelihood that the fund will be required to make future payments on those claims is remote and, therefore, the fund is considered to have satisfied its primary liability to the claimants. Accordingly, the annuity contracts are not reported in, and the related liabilities are removed from, the fund's balance sheet. The aggregate outstanding amount of liabilities removed from the financial statements at June 30, 2009 is $8.4 million.

NOTE 20. INSURANCE FUNDS

A. Primary Government

1. Local Government Property Insurance Fund

Created by the Legislature in 1911, the purpose of the Local Government Property Insurance Fund is to provide property insurance coverage to tax-supported local government units such as counties, towns, villages, cities, school districts and library boards. Property insured includes government buildings, schools, libraries and motor vehicles. Coverage is available on an optional basis. As of June 30, 2009 the Local Government Property Insurance Fund insured 1,114 local governmental units. The total amount of insurance in force as of June 30, 2009 was $48.1 billion.

Valuation of Cash Equivalents and Investments - All investments of the Local Government Property Insurance Fund are managed by the State of Wisconsin Investment Board, as discussed in Note 5-B to the financial statements. At June 30, 2009, the fund had $33.6 million of shares in the State Investment Fund which are considered cash equivalents.

Premium - Unearned premium reported as deferred revenue represents the daily pro rata portion of premium written which is applicable to the unexpired terms of the insurance policies in force. Policies are generally written for annual terms.

Unpaid Loss Liabilities - The Local Government Property Insurance Fund establishes the unpaid loss liability titled future benefits and loss liabilities on the financial statements based on estimates of the ultimate cost of losses (including future loss adjustment expenses) that have been reported but not settled, and of losses that have been incurred but not reported. Estimated amounts of excess-of-loss insurance recoverable on unpaid losses are deducted from the liability for unpaid losses. Loss liabilities are recomputed periodically to produce current estimates that reflect recent settlements, loss frequency, and other economic factors. Adjustments to future benefits and loss liabilities are charged or credited to expense in the periods in which they are made.

Policy Acquisition Costs - Since the Local Government Property Insurance Fund has no marketing staff and incurs no sales commissions, acquisition costs are minimal and charged to operations as incurred.

Excess-of-Loss Insurance Coverage - The Local Government Property Insurance Fund purchases excess-of-loss insurance coverage, the operation of which is analogous to “reinsurance,” to reduce its exposure to large losses on all types of insured events. Excess-of-loss insurance permits recovery of a portion of losses from the excess-of-loss insurers, although it does not discharge the primary liability of the fund as direct insurer of the risks reinsured. The fund does not report excess-of-loss insured risks as liabilities unless it is probable that those risks will not be covered by excess-of-loss insurers. As of June 30, 2009 the fund had $425.0 million of per occurrence excess of loss reinsurance in force with a $2.0 million combined single limit retention for each occurrence, and an annual aggregate reinsurance contract with a $22.0 million annual aggregate retention plus a per claim retention of $5 thousand once the aggregate is met, as respects occurrences for the term of the agreement. Premiums ceded to excess-of-loss insurers, which is netted against premium revenue (charges for goods and services in the financial statements), amounted to $4.7 million during the fiscal year. Excess-of-loss and adjusting expense recoveries earned would typically reduce claims paid (benefit expense on the financial statements); however, during the fiscal year the Local Government Property Insurance Fund did not earn any excess-of-loss insurance recoveries, which increased claims paid.

Unpaid Loss Liabilities

As discussed above, the Local Government Property Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related loss expenses. The following represents changes in those aggregate liabilities for the fund during the past two fiscal years (in thousands):

	2009	2008
Unpaid loss liabilities at beginning of the year	$18,118	$16,215
Less: Excess-of-loss insurance recoverable	(5,088)	(6,684)
Net unpaid loss liabilities at beginning of year	13,030	9,531
Incurred losses and loss expenses:		
Provision for insured events of the current year	11,372	21,416
Increase (decrease) in provision for insured events of prior years	254	522
Total incurred losses and loss expenses	11,626	21,938
Payments:		
Losses and loss expenses attributable to insured events of the current year	6,896	9,917
Losses and loss expenses attributable to insured events prior years	10,970	8,522
Total payments	17,866	18,439
Net unpaid loss liabilities at end of year	6,790	13,030
Plus: Excess-of-loss liabilities recoverable	2,716	5,088
Total unpaid loss liabilities at end of year	$9,506	$18,118

Trend Information

Historical trend information showing revenue and claims development information is presented in the Office of the Commissioner of Insurance June 30, 2009 financial statements. Copies of these statements may be requested from:

Office of the Commissioner of Insurance
125 South Webster Street
Madison, Wisconsin 53702

2. State Life Insurance Fund

The State Life Insurance Fund was created under Chapter 607, Wisconsin Statutes, to offer life insurance to residents of Wisconsin in a manner similar to private insurers. This fund functions much like a mutual life insurance company and is subject to the same regulatory requirements as any life insurance company licensed to operate in Wisconsin.

Premiums are reported as earned when due. Benefits and expenses are associated with earned premiums so as to result in recognition of profits over the life of the contracts. This association is accomplished by means of the provision for liabilities for future benefits and the amortization of acquisition costs.

The costs of policy issuance and underwriting, all of which vary with, and are primarily related to, the production of new business, have been deferred. These deferred acquisition costs are amortized over a forty year period, considered representative of the life of the contract. The amortization is in proportion to the ratio of annual in-force business to the amount of business issued. Such anticipated in-force business was estimated using similar assumptions to those used for computing liabilities for future policy benefits.

Deferred Acquisition Cost Assumptions

Issue Years	Interest Rate	Lapse Rate	Mortality
1913-1966	3.0%	2.0%	None
1967-1976	3.0	2.0	None
1977-1985	4.0	2.0	None
1986-1994	5.0	2.0	None
1995+	4.0	2.0	None

The State Life Insurance Fund does not pay commissions nor does it incur agent expenses.

Future benefits and loss liabilities have been computed by the net level premium method based upon estimated future investment yield and mortality. The composition of liabilities and the more material assumptions pertinent thereto are presented below (in thousands):

Issue Year	Ordinary Life Insurance in Force	Amount of Policy Liability
1913-1966	$ 10,260	$ 7,558
1967-1976	32,634	16,501
1977-1985	76,535	23,099
1986-1994	51,524	8,251
1995-2008	41,925	4,809
2009+	781	24
	$ 213,659	$ 60,242

Bases of Assumptions

Issue Year	Interest Rate	Mortality
1913-1966	3.0%	American Experience, ANB*
1967-1976	3.0	1958 CSO, ALB, Unisex
1977-1985	4.0	1958 CSO, ALB, Female Setback 3 years
1986-1994	5.0	1980 CSO, ALB, Aggregate
1995-2008	4.0	1980 CSO, ALB, Aggregate
2009+	4.0	2001 CSO, ALB, Aggregate

* Age Next Birthday

All of the State Life Insurance Fund's life insurance in force is participating. This fund is required by statute to maintain surplus at a level between 7 percent and 10 percent of statutory admitted assets as far as practicably possible. All excess surplus is to be returned to the policyholders in the form of policyholder dividends. Policyholder dividends are declared each year in order to achieve the required level of surplus.

The statutory assets at December 31, 2008 were $87.8 million and the statutory capital and surplus was $6.4 million, and the fund equity at June 30, 2009 was $10.4 million.

3. Injured Patients and Families Compensation Fund

The Injured Patients and Families Compensation Fund was created in 1975 for the purpose of providing excess medical malpractice claims exceeding the legal primary insurance limits prescribed in Wis. Stat. Section 655.23(4), or the maximum liability limit for which the health care provided is insured, whichever limit is greater. Management of the Injured Patients and Families Compensation Fund is vested with a 13-member Board of Governors, which is chaired by the Commissioner of Insurance. Most health care providers permanently practicing or operating in the State of Wisconsin are required to pay Injured Patients and Families Compensation Fund operating fees. Risk of loss is retained by the fund.

The Future Benefits and Loss Liability account includes individual case estimates for reported losses and estimates for incurred but not reported losses based upon the projected ultimate losses recommended by a consulting actuary. Individual case estimates of the liability for reported losses and net losses paid from inception of the Injured Patients and Families Compensation Fund are deducted from the projected ultimate loss liabilities to determine the liability for incurred but not reported losses as of June 30, 2009 as follows (in thousands):

Projected ultimate loss liability	$ 1,428,829
Less: Net loss paid from inception	(766,243)
Less: Liability for reported losses	(33,040)
Liability for incurred but not reported losses	$ 629,546

The Future Benefits and Loss Liability account also includes a provision for the estimated future payment of the costs to settle claims. The actuary estimates the ultimate loss adjustment expense (LAE) using data available through September 30 of the fiscal year. The actuary estimates LAE at 18 percent of the estimated unpaid loss liabilities as of June 30, 2009. Since the actuary estimate occurs before the end of the fiscal year and are based on an estimate of the cumulative payments, the percentage used by the actuary in determining LAE will differ slightly from the percentages used in financial statements since actual LAE payments are used for financial reporting. The LAE paid from the inception of the Injured Patients and Families Compensation Fund are deducted from the projected ultimate loss adjustment expenses provision to determine the liability for loss adjustment expenses as of June 30, 2009 as follows (in thousands):

Projected ultimate loss adjustment expense liability	$ 190,160
Less: Loss adjustment expense paid from inception	(65,263)
Liability for loss adjustment expense	$ 124,897

In accordance with Section Ins. 17.27(3), Wis. Adm. Code, the liability for reported losses, liability for incurred but not reported losses, and liability for loss adjustment expense are maintained on a present value basis with the difference from full value being reported as a contra account to these estimated loss liabilities. These estimated loss liabilities are discounted only to the extent that they are matched by cash and invested assets. Using the actuarially determined discount factor of 0.812, which is based on an investment yield assumption of 5.5 percent approved by the Board of Governors, the discounted loss liability would be as follows as of June 30, 2009 (in thousands):

Estimated liability for Incurred But Not Reported (IBNR)	$ 629,546
Estimated liability for reported losses	33,040
Estimated unpaid loss adjustment expense	124,897
Total estimated loss liabilities	787,483
Less: Amount representing interest	(148,047)
Discounted loss liabilities	$ 639,436

Included in the above estimates of loss liabilities, both undiscounted and discounted, is a 25 percent risk margin, which was recommended by the actuary and approved by the Board of Governors.

On behalf of the Fund's Board, the Office of the Commissioner of Insurance contracted for an actuarial audit of the Injured Patients and Families Compensation Fund, which included a review by another actuary of the reasonableness of the actuarial methodology and assumptions used in developing estimates of the Fund's loss liabilities. The actuarial audit, which was completed on December 3, 2007, concluded that the Fiscal Year 2008 estimate of the Fund's loss liability was at the high end of a reasonable range when combined with a 25 percent risk margin. The audit included recommendations that were implemented in the Fiscal Year 2009 analysis.

In addition to discounted loss liabilities, the Future Benefit and Loss Liabilities account also includes a future medical expenses liability and a contributions being held liability. The future medical expenses liability consists of those accounts required by Wis. Stat. Sec. 655.015 to be established if a settlement or judgment provides for future medical expense payments in excess of $100,000. The accounts are managed by the Fund and earn a proportionate share of the Fund's interest. Any account balance remaining when a claimant dies reverts back the Fund. The contributions being held liability consists of nonrefundable payments, generally in amounts equal to the primary coverage in effect for related claims, that primary insurers have voluntarily presented to the fund and which are negotiable with the fund in exchange for a release of payment for any future defense costs that may be incurred on the claim. This amount is held as a liability to the Fund until a payment on the claim is made.

The breakdown of Future Benefit and Loss Liabilities, including the portions that are estimated as current and noncurrent as of June 30, 2009 (in thousands), is as follows:

Discounted loss liabilities	$ 639,436
Future medical expense liability	34,971
Contributions being held liability	1,000
Total estimated loss liabilities	675,407
Current portion	(84,276)
Noncurrent portion	$ 591,131

The uncertainties inherent in projecting the frequency and severity of large claims because of the Injured Patients and Families Compensation Fund's unlimited liability coverage and extended reporting and settlement periods makes it likely that the amounts ultimately paid will differ from the recorded estimated loss liabilities. These differences cannot be quantified.

The estimated amounts included in the balance of Future Benefits and Loss Liabilities are continually reviewed and adjusted as the Injured Patients and Families Compensation Fund gains additional experience. Such adjustments are reflected in current operations. Because of the changes in these estimates, the benefit expense for the fiscal year is not necessarily indicative of the loss experience for the year.

The following is a reconciliation of the change in the balance of Future Benefits and Loss Liabilities during FY 2009 (in thousands):

Liability at the beginning of the year	$ 796,465
Incurred claims and related expenses for the current year and the change in estimated amounts for claims incurred in prior years	104,447
Less: current year payments attributable to claims incurred in current and prior years	(225,505)
Liability at the end of the year	$ 675,407

B. Component Units

Wisconsin Health Care Liability Insurance Plan

The Wisconsin Health Care Liability Insurance Plan (the Plan) is a statutory unincorporated association established by rule of the Commissioner of Insurance of the State of Wisconsin as mandated by the State of Wisconsin legislature. The Plan provides health care liability insurance and liability coverages normally incidental to health care liability insurance to eligible health care providers in the State of Wisconsin calling for payment of premium prior to the effective date of the policy. All insurers authorized to write personal injury liability insurance in the State of Wisconsin, with certain minor exceptions, are required to be members of the Plan.

The Plan generates its premium written revenue by selling medical malpractice insurance. Rates are calculated in accordance with generally accepted actuarial principles. The rates are set so that the Plan will be self-supporting. Profit is not the intent of the Plan.

Since the inception of the Plan in 1975, the health care liability coverage limits have increased from $200 thousand per occurrence and $600 thousand annual aggregate to the current limits of $1.0 million per occurrence and $3.0 million annual aggregate. A general liability coverage is also available to participating health care providers with limits of $1.0 million per occurrence and $3.0 million annual aggregate. The Plan is not covered under any reinsurance contracts.

In the event that sufficient funds are not available for the sound financial operation of the Plan, all members shall, on a temporary basis, contribute to the financial needs of the Plan. Members shall participate in the contributions in the proportion of their respective premiums to the aggregate premiums written by all members of the Plan. Such assessments shall be recouped by rate increases applied prospectively. There were no assessments for the year ended December 31, 2008.

The future benefits and loss liability includes amounts determined from individual reported losses (case reserves) and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes that the amounts are adequate, the ultimate liability will differ from the amounts provided. The methods for making such estimates and for establishing the resulting liability are annually reviewed, and any adjustments are reflected in income currently. Specific account balances as of December 31, 2007 and December 31, 2008, are as follows (in thousands):

	2008	2007
Balance at January 1	$ 37,122	$ 29,806
Incurred related to:		
Current year	4,502	10.608
Prior years	(21,877)	(726)
Total Incurred	(17,375)	9,882
Paid related to:		
Current year	108	188
Prior years	2,027	2,378
Total paid	2,135	2,566
Balance at December 31	$ 17,612	$ 37,122

There is inherent uncertainty in medical malpractice claims when establishing the estimates of unpaid losses and unpaid loss adjustment expenses. In 2008 and 2007 the Plan decreased its estimates of unpaid losses and unpaid loss adjustment expenses related to insured events of prior years. These decreases were greater than the estimated losses incurred for the current year, causing negative incurred losses and loss adjustment expenses.

NOTE 21. SPECIAL ITEMS

In April, 2009, the State issued $1.5 billion in general fund annual appropriation bonds to purchase the future right, title, and interest in the Tobacco Settlement Revenues (TSRs) from Badger Tobacco Asset Securitization Corporation (BTASC) as well as pay any issuance expenses. As a result of the transaction, BTASC bonds outstanding as of the State bond issue date were defeased. BTASC will remain active administratively until 2012 when the bonds are scheduled to be paid in full by the trust.

Any gain or loss on the purchase of the TSRs by the State has not been determined because future cash flows from the TSRs are not reasonably estimable due to uncertainty of those TSRs.

NOTE 22. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA

Primary Government

The State issues revenue bonds to finance the Leveraged Loan Program, which is accounted for as part of the Environmental Improvement Fund. Investors in those bonds rely solely on the revenue generated within the Leveraged Loan Program. Assets of this program are used primarily for loans for Wisconsin municipal waste water projects. Condensed financial statement information of the Leveraged Loan Program as of and for the year ended June 30, 2009 is presented below (in thousands):

Condensed Balance Sheet

Assets:		
Current Assets	$	129,757
Other Assets		917,007
Total Assets	$	1,046,764
Liabilities:		
Due to Other Funds	$	2,234
Other Current Liabilities (Including Current Portion of Long-term Debt)		70,254
Noncurrent Liabilities		763,363
Total Liabilities		835,851
Fund Equity:		
Restricted		210,913
Total Fund Equity		210,913
Total Liabilities and Fund Equity	$	1,046,764

Condensed Statement of Revenues, Expenses and Changes in Fund Equity

Operating Revenues (Expenses):		
Interest Income used as Security for Revenue Bonds	$	19,900
Interest Expense		(39,282)
Other Operating Expenses		(2,346)
Operating Income (Loss)		(21,728)
Nonoperating Revenues (Expenses):		
Investment Income		21,526
Income (Loss) before Transfers		(202)
Transfers In (Out)		17,700
Change in Fund Equity		17,498
Beginning Fund Equity		193,415
Ending Fund Equity	$	210,913

Condensed Statement of Cash Flows

Net Cash Provided (Used) by :		
Operating Activities	$	(3,313)
Noncapital Financing Activities		8,529
Investing Activities		(8,041)
Net Increase (Decrease)		(2,825)
Beginning Cash and Cash Equivalents		120,870
Ending Cash and Cash Equivalents	$	118,045

NOTE 23. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION

Significant financial data for the State's five discretely presented component units for the year ended December 31, 2008 or June 30, 2009 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority*	Wisconsin Health Care Liability Insurance Plan	University of Wisconsin Hospitals and Clinics Authority	University of Wisconsin Foundation	State Fair Park Exposition Center	Total
Condensed Balance Sheet						
Assets:						
Cash, Investments and Other Assets	$ 3,604,756	$ 67,963	$ 300,739	$ 2,266,575	$ 6,719	$ 6,246,752
Due from Primary Governments	-	-	2,566	-	-	2,566
Cash and Investments with Other Component Units	-	-	216,672	-	-	216,672
Capital Assets, net	16,534	-	410,395	7,523	31,986	466,438
Total Assets	$ 3,621,290	$ 67,963	$ 930,372	$ 2,274,098	$ 38,705	$ 6,932,428
Liabilities:						
Accounts Payable and Other Current Liabilities	$ 174,744	$ 11,243	$ 80,911	$ 47,640	$ 2,210	$ 316,748
Due to Primary Government	21	-	5,039	-	-	5,060
Amounts Held for Other Component Units	-	-	-	213,384	-	213,384
Long-term Liabilities (Current and Noncurrent portions)	2,919,113	17,612	330,763	43,600	40,836	3,351,924
Total Liabilities	3,093,878	28,856	416,713	304,624	43,046	3,887,116
Fund Equity:						
Invested in Capital Assets, Net of Related Debt	1,234	39,107	163,574	7,523	(8,485)	202,953
Restricted	522,725	-	8,535	1,841,875	-	2,373,135
Unrestricted	3,453	-	341,550	120,076	4,144	469,224
Total Fund Equity	527,412	39,107	513,659	1,969,475	(4,341)	3,045,312
Total Liabilities and Fund Equity	$ 3,621,290	$ 67,963	$ 930,372	$ 2,274,098	$ 38,705	$ 6,932,428
Condensed Statement of Revenues, Expenses and Changes in Fund Equity						
Program Expenses:						
Depreciation	$ 8,001	$ -	$ 44,209	$ 427	$ 1,015	$ 53,652
Payments to Primary Government	-	-	-	203,345	-	203,345
Other	334,921	(15,790)	874,815	40,452	4,458	1,238,856
Total Program Expenses:	342,922	(15,790)	919,024	244,223	5,473	1,495,852
Program Revenues:						
Charges for Goods and Services	7,091	6,018	941,856	-	3,952	958,917
Investment and Interest Income	173,514	3,157	-	(493,024)	-	(316,353)
Operating Grants and Contributions	149,189	-	1,320	160,979	-	311,488
Capital Grants and Contributions	-	-	1,163	-	-	1,163
Miscellaneous	15,288	30	15,804	505	307	31,935
Total Program Revenues	345,082	9,205	960,143	(331,539)	4,259	987,151
Net Program Revenue/(Expense)	2,160	24,995	41,119	(575,762)	(1,214)	(508,702)
General Revenues:						
Interest and Investment Earnings	15,556	-	(3,256)	-	(120)	12,180
Loss on Unamortized Bond Insurance Premium			(2,541)			(2,541)
Contributions to Endowments	-	-	22	-	-	22
Change in Fund Equity	17,716	24,995	35,344	(575,762)	(1,334)	(499,041)
Fund Equity, Beginning of Year	509,696	14,112	478,315	2,545,236	(3,007)	3,544,353
Fund Equity, End of Year	$ 527,412	$ 39,107	$ 513,659	$ 1,969,475	$ (4,341)	$ 3,045,312

* The Wisconsin Housing and Economic Development Authority (the Authority) restated historical financial statements for the fiscal year 2008. The Authority adopted GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. The impact on the fiscal year 2008 balance sheet was to increase total assets and liabilities by $100.9 million and $103.0 million, respectively, and decrease total net assets by $2.0 million. The impact on the fiscal year 2008 statement of income and expenses and changes in fund net assets was to decrease investment income by $2.0 million resulting in a $2.0 million decrease in net interest income.

NOTE 24. RESTATEMENTS OF BEGINNING FUND BALANCES/FUND EQUITY/NET ASSETS AND OTHER CHANGES

The reconciliations that follow summarize restatements of the end-of-year fund balance/fund equity/net assets as reported in the 2008 Comprehensive Annual Financial Report to the beginning-of-year fund balances/fund equity/net assets reported for Fiscal Year 2009 (in thousands):

A. Fund Statements – Governmental Funds

	Major Funds				
	General	Transportation	Common School	Nonmajor Funds	Total Governmental
Fund Balances June 30, 2008 as reported in the 2008 Comprehensive Annual Financial Report	$ (2,502,734)	$ 422,102	$ 753,248	$ (146,588)	$ (1,473,973)
Other adjustments of assets and liabilities as of June 30, 2008	158	-	-	3,620	3,779
Fund Balances July 1, 2008 as restated	$ (2,502,575)	$ 422,102	$ 753,248	$ (142,968)	$ (1,470,194)
Effect of prior period adjustments on the amount of excess revenues and other sources over expenditures and other uses of Fiscal Year 2008	$ 158	$ -	$ -	$ (998)	$ (839)

B. Fund Statements – Proprietary Funds

	Major Funds						
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Funds	Total Enterprise	Internal Service Funds
Fund Equity June 30, 2008 as reported in the 2008 Comprehensive Annual Financial Report	$ (61,490)	$ 1,420,043	$ 4,320,067	$ 608,869	$ 609,912	$ 6,897,402	$ 6,244
Health Insurance Fund correction of information from the third party administrator	-	-	-	-	22,499	22,499	-
Other adjustments of assets and liabilities as of June 30, 2008	-	-	-	-	(417)	(417)	(1,651)
Fund Equity July 1, 2008 as restated	$ (61,490)	$ 1,420,043	$ 4,320,067	$ 608,869	$ 631,994	$ 6,919,485	$ 4,593
Effect of prior period adjustments on the amount of net change in fund equity of Fiscal Year 2008	$ -	$ -	$ -	$ -	$ (426)	$ (426)	$ (1,651)

C. Fund Statements – Fiduciary Funds

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Total Fiduciary
Net Assets June 30, 2008 as reported in the 2008 Comprehensive Annual Financial Report	$ 78,775,655	$ 3,795,662	$ 2,195,055	$ 84,766,371
State Retiree Health Insurance Fund correction of information from the third party administrator	-	-	(20,003)	(20,003)
Local Retiree Life Insurance Fund permanent split between active employees' benefits and other postemployment benefits	(7,774)	-	-	(7,774)
Retiree Life Insurance Fund permanent split between active employees' benefits and other postemployment benefits	(5,031)	-	-	(5,031)
Other adjustments of assets and liabilities as of June 30, 2008	6	-	(267)	(261)
Net Assets July 1, 2008 as restated	$ 78,762,855	$ 3,795,662	$ 2,174,786	$ 84,733,302
Effect of prior period adjustments on the amount of net increase (decrease) in net assets of Fiscal Year 2008	$ 75	$ -	$ (267)	$ (192)

D. Government-wide Statements

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
Net Assets June 30, 2008 as reported in the 2008 Comprehensive Annual Financial Report	$ 5,887,562	$ 6,899,157	$ 12,786,719	$ 3,546,407
Health Insurance Fund correction of information provided by a third party administrator	-	22,499	22,499	-
Department of Revenue error in determining revenue estimates	(98,089)	-	(98,089)	-
Department of Transportation restatement of capital assets and infrastructure	88,178	-	88,178	-
Implementation of GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*	(1,040)	-	(1,040)	-
Other adjustments of assets and liabilities as of June 30, 2008	3,831	(417)	3,414	(2,054)
Net Assets July 1, 2008 as restated	$ 5,880,442	$ 6,921,239	$ 12,801,681	$ 3,544,353
Effect of prior period adjustments on the amount of net increase (decrease) in net assets of Fiscal Year 2008	$ (101,552)	$ (426)	$ (101,978)	$ (2,054)

NOTE 25. LITIGATION, CONTINGENCIES AND COMMITMENTS

A. Litigation and Contingencies

The State is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations.

Claims and Judgments Reported in Governmental Activities

The State accrues liabilities related to legal proceedings, if a loss is probable and reasonably estimable. Such losses, totaling $1.1 million on June 30, 2009 reported in the governmental activities, are discussed below:

Other Claims -- Work Injury Supplemental Benefits - The Work Injury Supplemental Benefit Fund, administered by the Department of Workforce Development, provides compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. The liability for annuities to be paid totaled $1.1 million at June 30, 2009.

The U. S. Department of Health and Human Services (U.S. DHHS) determined that the State should refund the federal share of recovered AFDC overpayments. The State of Wisconsin appealed the decision, however in fiscal year 2008 the appeal was denied. A liability for $12.7 million is reported at June 30, 2009, in the General Fund as a "Due to Other Governments".

Other Claims, Judgments, and Contingencies

The State is also named as a party in other legal proceedings where the ultimate disposition and consequence are not presently determinable. The potential liability amount relating to an unfavorable outcome for certain of these proceedings could not be reasonably determined at this time. However, the ultimate dispositions and consequences of any single legal proceeding or all legal proceedings collectively should not have a material adverse effect on the State's financial position.

Federal Share of Billings in Excess of Costs - In September 2006, the U.S. DHHS notified the State that it had determined that the federal share of billings for mainframe, data and voice services provided by the Department of Administration exceeded costs. The U.S. DHHS proposes to collect the billings in excess of costs through several alternative methods. Because a fiscal impact cannot be readily determined and due to uncertainity in predicting an outcome if appeals were to proceed, a liability has not been recorded.

Taxability of Custom Software - On July 11, 2008, the Wisconsin Supreme Court decided in favor of the Menasha Corporation in the case regarding the taxability of custom software. While the actual amount of the liability cannot be reasonably estimated, the State may receive refund claims that could potentially reach up to $135.0 million in tax and interest. A liability for $20.6 million is reported at June 30, 2009, in the General Fund as a tax refund payable.

Transfer from Injured Patients and Families Compensation Fund - 2007 Wisconsin Act 20, which was signed into law October 2007, included a transfer of $200 million from the Injured Patients and Families Compensation Fund. The transfer consisted of $71.5 million, which was transferred in October 2007, and an additional $128.5 million which was transferred in July 2008. Subsequent to the signing of this legislation and the initial transfer, the Wisconsin Medical Society filed a lawsuit on behalf of their members challenging the transfer as unconstitutional. The lawsuit was dismissed in December 2008 and is currently on appeal.

B. Commitments

Primary Government

In addition to legal proceedings, the State is party to commitments which normally occur in governmental operations.

In addition to the amount of encumbrances outstanding at June 30, 2009 reported as Fund Balance - Reserved for Encumbrances, additional obligations at June 30, 2009 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	$ 377,809
Transportation Revenue Bonds Capital Projects Fund	53,358
Capital Improvement Fund – passenger rail equipment	42,900
General Fund – Department of Commerce programs, including economic and community development programs	23,999
Environmental	3,497

The Environmental Improvement Fund (the Fund) was established to administer the Clean Water Fund Loan Program. Loans are made to local units of government for wastewater treatment projects for terms of up to 20 years. These loans are made at a number of prescribed interest rates based on environmental priority. The loans contractually are revenue obligations or general obligations of the local governmental unit. Additionally, various statutory provisions exist which provide further security for payment. The Fund has made financial assistance commitments of $240.2 million as of June 30, 2009. These loan commitments are expected to be met through additional federal grants and proceeds from issuance of revenue obligations.

In addition, the revenue obligation bonds of the Leveraged Loan Program in the Fund are collateralized by a security interest in all the assets of the Leveraged Loan Program. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the Fund's revenue obligation bonds. However, as the loans granted to local units of government are at an interest rate less than the revenue bond rate, the State is obligated by the Fund's General Resolution to fund, at the time each loan is made, a reserve which subsidizes the Leveraged Loan Program in an amount which offsets this interest disparity.

The *Injured Patients and Families Compensation Fund* may be required to purchase an annuity as a result of a claim settlement. Under specific annuity arrangements, the fund may have ultimate responsibility for annuity payments if the annuity company defaults on annuity payments. One of the fund's annuity providers defaulted on $100 thousand in annuity payments through June 30, 2009, which the fund subsequently paid. The annuity provider is currently making the majority of these annuity payments, but the fund continues to make monthly annuity payments to cover defaulted payments. The fund has received reimbursement for these payments, including interest of $93 thousand through June 30, 2009. It is unclear when the annuity provider will be able to make the remaining annuity payments and whether the fund will be able to recover the remaining annuity payments made on the behalf of the annuity provider. The total estimated replacement value of the fund's annuities as of June 30, 2009 was $32.8 million. The replacement value calculation includes only annuities where the Fund remains the owner. Annuities with qualified assignments are no longer included. The fund reserves the right to pursue collection from State guarantee funds.

State Public Deposit Guarantee - As required by Wis. Stat. Sec. 34.08, the State is to make payments to public depositors for proofs of loss (e.g., loss resulting from a bank failure) up to $400 thousand per depositor above the amount of federal insurance. This statutory requirement guarantees that the State will make payments in favor of the public depositor that has submitted a proof of loss. Payments would be made in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions, until the designated appropriation is exhausted. At June 30, 2009, the appropriation available totaled $40.9 million. Losses become fixed as of the date of the loss. A public depositor experiencing a loss must assign its interest in the deposit, to the extent of the amount paid, to the Department of Financial Institutions. Any recovery made by the Department of Financial Institutions under the assignment is to be repaid to the appropriation. The possibility of a material loss resulting from payments to and recovery from public depositors is remote.

The *Veterans Mortgage Loan Repayment Fund* accounts for the issuance and administration of veterans' first mortgage loans. The loans are made to veterans for the purchase of homes to terms up to 30 years. The loan interest rates are set by the Board of Veterans Affairs. The loans are secured by real estate mortgages. The fund has commitments for loans of $1.2 million as of June 30, 2009. The loan commitments are expected to be met from current fund assets.

Component Units

The Wisconsin Housing and Economic Development Authority's mission was expanded since its creation to include administration of the Agricultural and Business Programs. These programs administer funds that are legislatively appropriated to subsidize interest and provide guarantees of principal balances of qualifying loans. At June 30, 2009, outstanding loan guarantees totaled $43.1 million.

In April 2003, the Authority approved the Neighborhood Business Revitalization Guarantee program. The guarantee program will provide up to $12.0 million in loan guarantees for revitalization in targeted urban commercial communities with populations greater than 35,000. As of June 30, 2009, $9.7 million of loan guarantees had been approved with outstanding loan guarantees of $5.8 million.

NOTE 26. SUBSEQUENT EVENTS

Primary Government

Short-term Debt

Operating Notes – In July 2009, the State issued $800.0 million of operating notes. The proceeds of the notes were to be used within six months to fund local assistance payments to the State's municipalities and school districts, and finance day-to-day operations in anticipation of revenue received later in the fiscal year. The notes were issued because of an imbalance between the timing of payments disbursed and receipts collected. The imbalance exists because a greater percentage of receipts are received in the second half of the fiscal year, primarily January, March and April. The notes will be paid at maturity on June 15, 2010.

Long-term Debt

General Obligation Bonds - In September 2009, the State issued $197.3 million of 2009 Series C general obligation bonds to be used for the acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes. The interest rates ranged from 3.0 percent to 5.0 percent payable semiannually, beginning May 1, 2010. The bonds mature May 1 of the years 2012 through 2022.

In August 2009, the State issued $225.8 million of 2009 Series D general obligation bonds to be used for the acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes. The interest rates ranged from 4.9 percent to 5.9 percent payable semiannually, beginning May 1, 2010. The bonds mature May 1 of the years 2023 through 2040. These bonds are "qualified Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended. The State will receive 35 percent of the interest payable to bondholders from the United States Treasury.

In September, 2009, the state issued $54.3 million of Series 1 general obligation refunding bonds, the proceeds of which were used to refund certain previously issued general obligation bonds. The interest rates range from 2.5 percent to 5.0 percent and are payable semiannually, beginning May 1, 2010. The bonds mature November 1 of the years 2011 through 2016.

Revenue Bonds - In October 2009, the State issued 2009 Series A Transportation Revenue Bonds in the amount of $17.9 million. Fixed interest rates range from 3.5 percent to 4.0 percent, interest is payable semiannually. The bonds are due in various maturities in 2012, with final maturity in 2014. The bonds are being used to finance certain State transportation facilities and highway projects and to pay costs of issuance.

In October 2009, the State issued 2009 Series B taxable Transportation Revenue Bonds in the amount of $147.1 million. The 2009 Series B Bonds are "qualified Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended. The State will receive 35 percent of the interest payable to bondholders from the United States Treasury. Fixed interest rates range from 3.5 percent to 5.8 percent, interest is payable semiannually. The bonds are due in various maturities beginning in 2015, with final maturity in 2030. The bonds are being used to finance certain State transportation facilities and highway projects and to pay costs of issuance.

In October 2009, the State issued 2009 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds in the amount of $117.5 million. Interest rates range from 2.5 percent to 5 percent with interest payments payable semiannually, beginning July 1, 2010. The bonds mature on July 1 of the years 2013 though 2017.

The proceeds of this issue are being used, along with other funds on deposit with the program trustee, to redeem early or fund obligations that were previously issued. In November, 2009, the remaining $19.0 million of outstanding 2004 Series A Petroleum Inspection Fee Revenue Bonds and the remaining $47.4 million of outstanding 2004 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds will be redeemed early at a redemption price of 102 percent. It is also anticipated that $71.2 million of the $142.3 million in outstanding extendible municipal commercial paper will be funded on or before December 11, 2009.

Unemployment Reserve Fund Borrowing

Subsequent to June 30, 2009, the Unemployment Reserve Fund borrowed an additional $337.7 million from the federal government to be able to meet federal requirements to pay unemployment benefits. Through November 30, 2009, the Fund has borrowed a total of $773.2 million. Under the provisions of the Assistance for Unemployed Workers and Struggling Families Act, the Fund will not incur interest on the loan through 2010. However, starting in 2011 the Fund will incur approximately 5.0 percent annual interest on the amount borrowed. If the Fund has a loan balance outstanding on both January 1, 2010, and 2011, the federal government can begin recovering the loan from employers by incrementally reducing the employers' federal unemployment tax credit beginning with the tax due for 2011. The Fund can avoid these credit reductions for employers by voluntarily repaying certain portions of the loan and meeting other federal requirements.

Component Units

Wisconsin Housing and Economic Development Authority (the Authority) – Subsequent to June 30, 2009, the Authority redeemed the following bonds (in thousands):

Program/Bond Resolution	Amount Redeemed
Home Ownership Revenue Bonds:	
1987	$ 65,675
1988	96,925
All Other	4,200
Multifamily Stand Alone Bonds	105
Line of Credit-Mortgage Financing	155
Housing Revenue Bonds	210
Business Development Bonds (various)	55
Facility Refunding Bond	2,635

In addition, the Authority issued $175 thousand of Line of Credit – Mortgage Financing subsequent to June 30, 2009.

Required Supplementary Information

Postemployment Benefits - State Health Insurance Program

The funding progress for the State of Wisconsin Health Insurance Plan is provided below (in thousands):

Actuarial Valuation Date	Actuarial Valuation Of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
1/1/2007	$ 0	$ 1,472,774	$ 1,472,774	0.0%	$ 2,842,917	51.8%

Infrastructure Assets Reported Using the Modified Approach

The State has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the State can demonstrate that these assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The State owns approximately 11,200 centerline miles of roads and 5,000 bridges.

Road Network

Condition assessments are completed on a two-year cycle with the most current results reported for each State road. Numerous measures are used to assess the condition of the State's road network. The State has adopted the International Roughness Index (IRI), as defined by the Federal Highway Administration, as its primary condition measure. IRI is measured on a scale of 0 to 5, with an IRI of 2.69 or greater being defined as a "poor" ride. Roads with a "poor" IRI assessment cause negative impacts for the traveling public by decreasing driver comfort and increasing the damage to vehicles and goods. It is the State's policy to ensure no more than 15 percent of its roads receive a "poor" IRI assessment.

Recent condition assessment results are as follows:

Year Ended June 30	Miles of Road	Percent Rated "Poor"	Established Percent	Variance Favorable/ (Unfavorable)
2009	11,200	6.9	15.0	8.1
2008	11,200	6.9	15.0	8.1
2007	11,200	6.4	15.0	8.6
2006	11,200	5.4	15.0	9.6
2005	11,200	5.8	15.0	9.2
2004	11,200	6.1	15.0	8.9
2003	11,200	4.3	15.0	10.7
2002	11,200	4.6	15.0	10.4

Each year the State estimates the costs to maintain and preserve the road network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

Year Ended June 30	Estimated Costs (In millions)	Actual Costs (In millions)	Variance (In millions) Favorable/ (Unfavorable)
2009	$ 647.7	$ 624.4	$ 23.3
2008	531.8	537.3	(5.5)
2007	501.8	441.6	60.2
2006	495.7	367.5	128.2
2005	366.6	333.8	32.8
2004	450.8	341.1	109.7
2003	420.9	336.7	84.2
2002	470.7	437.6	33.1

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years. Estimated costs for 2005 and actual costs for 2005 through 2008 have been restated from amounts reported in prior years due to an error in classification of costs on a capital project as maintenance/preservation costs.

Bridge Network

Condition assessments are completed on a two-year cycle, with more frequent inspections completed if warranted. The most current assessment results are reported for each State bridge, making the overall assessment a blend of measures completed in the current fiscal year and those completed in the prior year.

The structural condition rating is a broad measure of the condition of a bridge. Each bridge is rated using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings. The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. The NBI uses a 10-point scale for condition codes and appraisal ratings. A bridge is considered "structurally deficient" if any condition code is 4 or less, or if either appraisal code is 2 or less.

"Structurally deficient" bridges cause negative impacts for the public by increasing the likelihood that heavy loads will need to be rerouted to less efficient routes, thus increasing logistic costs for

State businesses. It is the State's policy to ensure no more than 15 percent of its bridges are "structurally deficient".

Recent condition assessment results are as follows:

Year Ended June 30	Number of Bridges	Percent Structurally Deficient	Established Percent	Variance Favorable/ (Unfavorable)
2009	5,000	3.8	15.0	11.2
2008	4,900	4.5	15.0	10.5
2007	4,900	4.1	15.0	10.9
2006	4,900	4.3	15.0	10.7
2005	4,900	5.1	15.0	9.9
2004	4,900	5.4	15.0	9.6
2003	4,900	6.2	15.0	8.8
2002	4,900	7.6	15.0	7.4

Each year the State estimates the costs to maintain and preserve the bridge network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

Year Ended June 30	Estimated Costs (In millions)	Actual Costs (In millions)	Variance (In millions) Favorable/ (Unfavorable)
2009	$ 55.9	$ 56.9	$ (1.0)
2008	61.0	46.2	14.8
2007	36.0	46.9	(10.9)
2006	42.4	31.3	11.1
2005	28.3	38.6	(10.3)
2004	47.8	52.3	(4.5)
2003	46.4	45.7	0.7
2002	33.6	38.4	(4.8)

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. The State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 660,560
Revenues and Transfers (Inflows):			
Taxes	$ 13,312,770	$ 12,551,870	12,139,421
Departmental:			
Tribal Gaming	46,251	93,922	93,946
Other	13,031,505 (A)	13,087,696 (A)	12,844,879
Transfers from:			
Transportation Fund	(A)	(A)	6,803
Nonmajor Funds	(A)	(A)	52,541
Total Revenues and Transfers (Inflows)	26,390,526	25,733,489	25,137,590
Amounts Available for Appropriation			25,798,150
Appropriations (Outflows):			
Commerce	367,746	385,008	251,999
Education	11,388,874	12,264,305	11,163,614
Environmental Resources	366,501	362,724	327,208
Human Relations and Resources	9,532,884	11,301,464	10,329,782
General Executive	1,174,939	1,307,258	850,545
Judicial	129,274	132,410	130,982
Legislative	74,625	69,593	65,289
Tax Relief and Other General	2,190,271	2,152,179	2,151,656
Transfers to:			
Nonmajor Funds	22,000	22,000	22,000
Total Appropriations (Outflows)	$ 25,247,114	$ 27,996,941	25,293,075
Fund Balances, End of Year			505,075
Less Encumbrances Outstanding at June 30, 2009			(531,641)
Fund Balances, End of Year Budgetary Basis			$ (26,567)

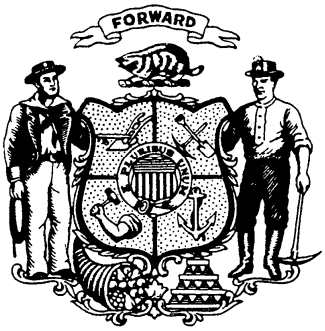
Reconciliation of the End of Year, Budgetary Basis, Fund Balance to the Detail Reported in the Annual Fiscal Report:	
General Purpose:	
Designated	$ 10,599
Undesignated	89,564
Total General Purpose	100,163
Program Revenue	(126,730)
Fund Balances, End of Year Budgetary Basis	$ (26,567)

(A) Interfund transfers to the General Fund were budgeted under departmental revenue during Fiscal Year 2009.

Budgetary Comparison Schedule
Transportation Fund
For the Fiscal Year Ended June 30, 2009

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 315,267
Revenues (Inflows):			
Taxes	$ 1,004,989	$ 1,004,989	1,004,989
Departmental	1,707,468	1,707,468	1,707,468
Total Revenues (Inflows)	2,712,457	2,712,457	2,712,457
Amounts Available for Appropriation			3,027,724
Appropriations and Transfers (Outflows):			
Environmental Resources	3,979,808	4,769,536	2,578,336
General Executive	1,882	1,810	1,610
Tax Relief and Other General	46,058	21,494	22,396
Transfers to:			
General Fund	72	6,803	6,803
Total Appropriations and Transfers (Outflows)	$ 4,027,820	$ 4,799,642	2,609,144
Fund Balances, End of Year			418,581
Less Encumbrances Outstanding at June 30, 2009			(1,408,158)
Fund Balances, End of Year Budgetary Basis			$ (989,577)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NOTE 1. BUDGETARY INFORMATION

A. Budgetary – GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedule compares the legally adopted budget (more fully described in RSI Note 1-B) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on the budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of basis and perspective differences as of June 30, 2009 is presented below (in thousands):

	General Fund	Transportation Fund
Fund balance June 30, 2009 (budgetary basis – budgetary fund structure):		
General Purpose Revenue – fund balance per budgetary basis *Annual Fiscal Report*		
Undesignated fund balance	$ 89,564	
Designated fund balance	10,599	
Total General Purpose Revenue fund balance	100,163	
Program Revenue – fund balance per budgetary basis *Annual Fiscal Report*	(126,730)	
Fund balance June 30, 2009 (budgetary basis – budgetary fund structure)		
As reported on the budgetary comparison schedule	(26,567)	$ (989,577)
Reclassifications:		
To eliminate the effect of encumbrances that were reported as expenditures under budgetary reporting (*basis difference*)	531,641	1,408,158
To reclassify activities of the Medical Assistance Trust, Hospital Assessment, Budget Stabilization, and Permanent Endowment Funds (reported as special revenue funds under budgetary reporting) as part of the General Fund (*perspective difference*)	126,959	--
To reclassify activities reported in another GAAP fund type (*perspective differences*):		
Enterprise funds (except for the University of Wisconsin System)	73,214	--
University of Wisconsin System	(568,706)	--
Internal service funds	30,674	--
Fiduciary funds	(5,843)	--
Transportation Revenue Bonds capital project fund	--	3,206
Fund balance June 30, 2009 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	161,373	421,787
Adjustments (*basis differences*):		
To accrue receivables and establish payables for individual income taxes (net)	(874,219)	--
To defer revenues for gross receipts public utility taxes	(231,167)	--
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(478,978)	(10,276)
To adjust expenditures for the municipal and county shared revenue program	(539,161)	--
To adjust expenditures for State property tax credit program	(621,846)	--
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(155,102)	--
To adjust revenues and expenditures for certain major Health Services, and Children and Families human services payments to local governments	(97,831)	--
To recognize the tobacco settlement revenue receivable	143,287	--
To accrue State educational aids payments deferred until the subsequent year	(75,000)	--
To adjust revenues and expenditures for other items (net)	57,018	120,080
Fund balance June 30, 2009 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements	$(2,711,626)	$ 531,592

B. Budgetary Basis of Accounting

The State's biennial budget is prepared using a modified cash basis of accounting. The final budget is primarily a general purpose revenue and expenditure budget. General purpose revenues consist of general taxes and miscellaneous receipts which are paid into the General Fund, lose their identity, and are then available for appropriation by the Legislature. The remaining revenues consist of program revenues, which are credited by law to an appropriation to finance a specified program or State agency, and segregated revenues which are paid into separate identifiable funds.

While State departments and agencies are required to submit estimates of expected revenues for program revenue and segregated revenue categories, these estimates are not formally incorporated into the adopted budget except for revenue estimates of the Lottery Fund. As a result, legally budgeted revenues for these categories are not available and, consequently, actual amounts are reported in the budget column of the Budgetary Comparison Schedules.

Expenditure budgeting differs for the various types of appropriations. For most appropriations, budgeted expenditures equal the amount from the adopted budget plus any subsequent legislative or administrative revisions. Various supplemental appropriations were approved during the year and have been incorporated into the budget figures.

While State statutes prohibit spending beyond budgetary authority, a provision is made to include the value of accounts receivable, inventories and work in process in identifying available revenues. The State also utilizes nonbudget accounts for which no budget is established but expenditures may be incurred. As a result, actual expenditures may exceed budgeted amounts in certain categories.

The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Other variances arise because the State's biennial budget is developed according to the statutory required fund structure which differs extensively from the fund structure used in the GAAP basis financial statements. This difference is primarily caused by the elimination of the University of Wisconsin System, and various fiduciary, proprietary and other governmental fund activity from the statutory General and Transportation funds. In addition, the Medical Assistance Trust, Hospital Assessment, Budget Stabilization and Permanent Endowment Funds, special revenue funds under statutory reporting, are included as part of the General Fund under GAAP reporting. As a consequence of these differences, a reconciliation between budgetary basis and GAAP basis is provided in Note 1-A of the notes to the required supplementary information.

The Budgetary Comparison Schedules for the General and the Transportation Fund present both the original and final appropriated budgets, as well as the actual inflows, outflows, and fund balance on the budgetary basis. The supplementary budget comparison schedule provides this same information (with the exception of the original budget data) for the nonmajor governmental funds with annual budgets. The capital project and debt service funds are excluded from this schedule because no comprehensive budget is approved for these funds. Two special revenue funds, the Wisconsin Public Broadcasting Foundation and the Celebrate Children Foundation, have been excluded from reporting because they are blended component units that are neither budgeted nor included under statutory reporting. Of the permanent funds, only the Historical Society Fund and a portion of the Common School Fund are budgeted.

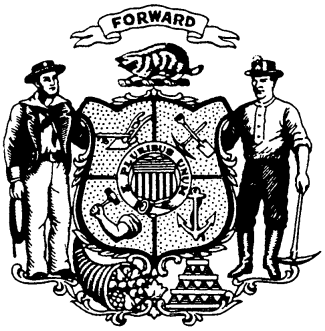
The State's biennial budget was passed in October 2007. This legislation is recognized by State officials as the original budget and is treated as such on the Budgetary Comparison Schedules.

While the legal level of budgetary control for the reported funds is maintained at the appropriation line as specified by the Legislature in Chapter 20 of the Wisconsin Statutes, this level of detail is impractical for inclusion in the Comprehensive Annual Financial Report. Accordingly, a supplementary report is available upon request which provides budgetary comparisons at the legal level of control.

Appropriation unexpended balances lapse at year-end or forward to the subsequent fiscal year depending on the type of appropriation involved:

- *Continuing* - unexpended balances automatically forward to ensuing years until fully depleted or repealed by subsequent action of the Legislature.
- *Annual*:
  - *General Purpose Revenue* - unencumbered balances lapse at year end.
  - *Program Revenue* - unexpended cash balances may be forwarded to the next fiscal year.
- *Biennial* - unexpended balances or deficits automatically forward to the second year. At the end of the second year all unencumbered general purpose revenue balances lapse.
- *Sum sufficient* - moneys are appropriated and expended in the amounts necessary to accomplish the purpose specified.

Encumbrances may be carried over to the next fiscal year as a revision to the budgetary appropriation with Department of Administration approval. Under budgetary reporting, encumbrances are treated like expenditures and are shown as a reduction of fund balance. Under GAAP reporting, encumbrances outstanding at year end for purchase orders and contracts expected to be honored in the following year are reported as reservations of fund balance since they do not constitute expenditures or liabilities.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PART III

GENERAL OBLIGATIONS

This Part III of the 2009 Annual Report provides information about general obligations issued by the State of Wisconsin **(State)**.

Total Outstanding Balance (12/15/2009)	$6,222,792,744
Amount Outstanding of Fixed-Rate Obligations	$5,591,616,744
Amount Outstanding of Variable-Rate Obligations	$ 631,176,000
Percentage of Outstanding Obligations in the form of Variable-Rate Obligations	10.14%
Ratings[(a)] (Fitch/Moody's/Standard & Poor's)	
Bonds	AA–/Aa3[(b)]/AA
CP Notes/EMCP	F1+/P-1[(b)]/A-1+

[(a)] The ratings presented are the ratings assigned to the State's general obligations without regard to any bond insurance policy. No information is provided in the 2009 Annual Report about any rating assigned to any general obligations based on any bond insurance policy.

[(b)] On March 17, 2008, Moody's Investors Services, Inc. changed its rating outlook on the State's general obligations from "stable" to "negative".

The State of Wisconsin Building Commission (**Commission**) supervises all matters concerning the State's issuance of general obligations. The Capital Finance Office, which is part of the State of Wisconsin Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs.

The law firm of Foley & Lardner LLP provides bond counsel services to the State for the issuance of general obligations. The State has issued general obligations in the form of bonds, notes, commercial paper notes, and extendible municipal commercial paper. The Secretary of Administration is the registrar and paying agent for general obligations issued in book-entry-only form. There is a different registrar and paying agent for the following two series of general obligations, which were issued in fully-registered form:

Name of Obligation	Name of Registrar/Paying Agent
G.O. Bonds of 1990, Series D (Higher Education Bonds)	U.S. Bank National Association
G.O. Bonds of 1991, Series B (Higher Education Bonds)	U.S. Bank National Association

Deutsche Bank Trust Company Americas serves as issuing and paying agent for the commercial paper notes, and U.S. Bank Trust National Association serves as issuing and paying agent for the extendible municipal commercial paper.

Requests for additional information about general obligations of the State may be directed as follows:

Contact: Capital Finance Office
Attn: Capital Finance Director
Phone: (608) 266-2305
Mail: State of Wisconsin Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Web site: www.doa.wi.gov/capitalfinance

The 2009 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part III of the 2009 Annual Report may differ from those of the same terms used in another part. No information or resource referred to in this 2009 Annual Report is part of this 2009 Annual Report unless expressly incorporated by reference.

Build America Bonds

As of December 15, 2009, the State has issued two series of general obligation bonds (taxable) that are "qualified build America bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended **(Code)**. These bond issues include the $54,535,000 State of Wisconsin General Obligation Bonds of 2009, Series B (Taxable) and the $225,825,000 State of Wisconsin General Obligation Bonds of 2009, Series D (Taxable). Based on the credit allowed for "qualified Build America Bonds", the State has elected to receive from the United States Treasury on each payment date a direct payment in the amount of 35% of the interest payable by the State on such date for such general obligation bonds. Owners of these general obligation bonds (taxable) will not receive any tax credits or other tax benefits with respect to their ownership of such bonds.

SECURITY PROVISIONS FOR GENERAL OBLIGATIONS

Security

The Wisconsin Constitution pledges the full faith, credit, and taxing power of the State to its general obligations and requires the Legislature to provide for their payment by appropriation.

The Wisconsin Statutes establish additional protections and provide for the repayment of all general obligations. The Wisconsin Statutes establish, as security for the payment of all debt service on general obligations, a first claim on all revenues of the State. Further, a sufficient amount of those revenues is irrevocably appropriated, so that no subsequent legislative action is required to release them, and those amounts are held in segregated funds or accounts.

The Wisconsin Statutes also provide that the validity of general obligations shall not be affected by any defect in their contracting, that all instruments evidencing general obligations are valid and incontestable, and that any legislative, judicial, or administrative determination that proceeds of general obligations may not be spent shall not affect their validity.

The State has never defaulted in the punctual payment of principal or interest on any general obligation and has never attempted to prevent or delay a required payment. The State has reserved no right to reduce or modify any terms affecting the security or source of payment of its general obligations.

In the event of default, the Wisconsin Constitution guarantees recourse by allowing suit to be brought against the State to compel payment. Statutory provisions expedite the bringing of suit. Further, in the event of a final judgment against the State, payment will be made as specifically provided, together with interest at a rate of 10% per annum until the date of payment.

The Wisconsin Statutes also provide that, if payment has been made or duly provided for by the date that a general obligation becomes due for payment, interest ceases to accrue, and the general obligation is no

longer outstanding. If any general obligation is not presented for payment, the money held for its payment shall be administered under the unclaimed property statutory provisions.

Flow of Funds to Pay Debt Service on General Obligations

The General Fund stands behind the payment of debt service on all general obligations. Should the General Fund have insufficient resources to pay debt service, there is a single irrevocable and unlimited appropriation from all revenues of the State for timely payment on all general obligations. It is this appropriation, which pledges all revenues of the State for payment of debt service due from any program using general obligation proceeds, that enables the State to issue a general obligation that is undifferentiated by the purpose for which proceeds are used.

For budgetary control purposes, different internal funds flows apply to general obligations, depending on whether they are issued as bonds or notes, and in some cases depending on the purpose for which they were issued.

With respect to general obligation bonds, all funds necessary for timely payment of principal and interest are deposited in the Bond Security and Redemption Fund at least 15 days in advance of the due date. If an impoundment payment required in connection with operating notes is payable within 45 days before the due date, then the payments are deposited in the Bond Security and Redemption Fund at least 45 days in advance of the due date.

With respect to general obligation notes, funds for the payment of principal and interest are deposited in a separate and distinct account created in the Capital Improvement Fund for the repayment of notes. Proceeds of general obligations may also be used to retire notes. The Wisconsin Statutes specifically provide that if, at any time, there is not on hand in the Capital Improvement Fund sufficient money for the payment of principal and interest on general obligation notes, then the Department of Administration shall transfer to the Capital Improvement Fund, from an irrevocable and unlimited appropriation as a first charge upon all revenues of the State, the amount necessary to make the payment of principal and interest on general obligation notes when due.

Interest on the outstanding commercial paper notes and extendible municipal commercial paper is paid when due. It is collected in the same manner as other general obligation notes and is deposited quarterly in advance with the respective issuing and paying agent on the first business day of February, May, August, and November.

Purposes of General Obligations

The Wisconsin Constitution provides that the State may issue general obligations for three categories of borrowing. The first is to acquire, construct, develop, extend, enlarge, or improve land, waters, property, highways, railways, buildings, equipment, or facilities for public purposes. The second is to make funds available for veterans housing loans. The third is to fund or refund any outstanding State general obligations. Subject to constitutional limitations about purposes and amounts, procedures governing the use of the borrowing authority are to be established by the Legislature. There is no constitutional requirement that the issuance of general obligations receive the direct approval of the electorate.

Limitations on Issuance of General Obligations

All general obligations issued by the State fall within a debt limit set forth in the Wisconsin Constitution and the Wisconsin Statutes. There is an annual limit of three-quarters of one percent, and a cumulative limit of five percent, of the aggregate value of all taxable property in the State. Currently, the annual limit is $3,839,339,873, and the aggregate limit is $25,595,599,155. A funding or refunding bond issue does not count for purposes of the annual debt limit, and a funded or refunded bond issue does not count for purposes of the cumulative debt limit. Accrued interest on any general obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the debt limitations. See Table III-4 in "DEBT INFORMATION".

Authorization of General Obligations

Within prescribed limitations, the Wisconsin Constitution assigns to the Legislature, acting by vote of a majority of the members elected to each of the two houses, all matters relating to the issuance of general obligations. The quorum in such votes is 60% of the membership. Among these assigned powers is the authority to establish the purposes (uses) and fix the amounts for which general obligations may be issued.

To date, the Legislature has authorized the issuance of general obligations for 100 distinct borrowing purposes and has limited the amount of general obligations that may be issued for each purpose. In practice, as a part of the budget, these amounts are adjusted to accommodate newly budgeted activity. As of the date of this 2009 Annual Report, approximately 30 of the distinct borrowing purposes essentially have no remaining borrowing authority. The Legislature has delegated to the Commission responsibility to establish the form and terms of the issuance and sale of these general obligations. Table III-1 describes the amounts authorized and issued for each borrowing purpose.

Table III-1
GENERAL OBLIGATION ISSUANCE STATUS REPORT
(December 15, 2009)

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	Total Authorized Unissued Debt
University of Wisconsin; academic facilities	$ 1,813,686,800	$ 1,313,161,744	$ 13,072,507	$ 487,452,549
University of Wisconsin; self-amortizing facilities	2,185,196,800	1,228,771,661	2,911,822	953,513,317
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program	1,432,000,000	521,199,651	405,319	910,395,030
Natural resources; municipal clean drinking water grants	9,800,000	9,518,744	141,818	139,438
Clean water fund program	777,043,200	536,439,053		240,604,147
Safe drinking water loan program	45,400,000	41,466,520		3,933,480
Natural resources; nonpoint source grants	94,310,400	87,384,918	190,043	6,735,439
Natural resources; nonpoint source	18,000,000	4,870,000	1,454	13,128,546
Natural resources; environmental repair	54,000,000	48,679,054	203,594	5,117,352
Natural resources; urban nonpoint source cost-sharing	35,900,000	23,878,640	30,671	11,990,689
Natural resources; contaminated sediment removal	22,000,000	9,898,000		12,102,000
Natural resources; environmental segregated fund supported administrative facilities	10,842,500	7,557,686	143	3,284,671
Natural resources; segregated revenue supported dam safety projects	6,600,000	6,069,779	617	529,604
Natural resources; pollution abatement and sewage collection facilities, ORAP funding	145,060,325	145,010,325	50,000	
Natural resources; pollution abatement and sewage collection facilities	893,493,400	874,927,239	18,513,077	53,084
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow	200,600,000	194,312,599	6,287,401	
Natural resources; recreation projects	56,055,000	56,053,994	1,006	
Natural resources; local parks land acquisition and development	2,490,000	2,447,741	42,259	
Natural resources; recreation development	23,061,500	22,918,510	141,325	1,665
Natural resources; land acquisition	45,608,600	45,116,929	491,671	
Natural resources; Wisconsin natural areas heritage program	2,500,000	2,445,793	17,174	37,033

Table III-1 — Continued
GENERAL OBLIGATION ISSUANCE STATUS REPORT
(December 15, 2009)

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	Total Authorized Unissued Debt
Natural resources; segregated revenue supported facilities.....	80,754,000	58,927,692	93,544	21,732,764
Natural resources; general fund supported administrative facilities.....	11,410,200	11,261,102	21,753	127,345
Natural resources; ice age trail.....	750,000	750,000		
Natural resources; dam safety projects……	9,500,000	5,450,148	49,701	4,000,151
Natural resources; segregated revenue supported land acquisition.....	2,500,000	2,500,000		
Natural resources; Warren Knowles - Gaylord Nelson stewardship program.....	231,000,000	227,837,895	1,306,849	1,855,256
Transportation; administrative facilities.....	8,890,400	8,759,479	33,943	96,978
Transportation; accelerated bridge improvements.....	46,849,800	46,849,800		
Transportation; major interstate bridge construction…	225,000,000			225,000,000
Transportation; rail passenger route development...	122,000,000	6,532,921	3,016	115,464,063
Transportation; southeast Wisconsin transit improvements……	100,000,000			100,000,000
Transportation; accelerated highway improvements.....	185,000,000	185,000,000		
Transportation; connecting highway improvements.....	15,000,000	15,000,000		
Transportation; federally aided highway facilities.....	10,000,000	10,000,000		
Transportation; highway projects.....	41,000,000	41,000,000		
Transportation; major highway and rehabilitation projects.....	565,480,400	565,480,400		
Transportation; Marquette interchange and I 94 north-south corridor reconstruction projects.....	553,550,000	333,306,000	3,018,078	217,225,922
Transportation; state highway rehabilitation projects.....	504,712,200	347,942,103	1,182,897	155,587,200
Transportation; major highway projects……	50,000,000			50,000,000
Transportation; state highway rehabilitation, certain projects……	60,000,000			60,000,000
Transportation; harbor improvements.....	66,100,000	43,441,500	234,581	22,423,919

Table III-1 — Continued
GENERAL OBLIGATION ISSUANCE STATUS REPORT
(December 15, 2009)

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	Total Authorized Unissued Debt
Transportation; rail acquisitions and improvements.....	126,500,000	54,966,684	5,187	71,528,129
Transportation; local roads for job preservation, state funds.....	2,000,000	2,000,000		
Corrections; correctional facilities.....	819,800,800	791,115,337	11,467,562	17,217,901
Corrections; self-amortizing facilities and equipment…….	12,779,900	2,115,438	99	10,664,363
Corrections; juvenile correctional facilities……..	28,984,500	28,433,551	108,861	442,088
Health services; mental health and secure treatment facilities.....…	170,950,100	143,515,268	895,124	26,539,708
Agriculture; soil and water……..	40,075,000	29,157,960	3,025	10,914,015
Agriculture; conservation reserve enhancement…	28,000,000	11,599,500		16,400,500
Agriculture; conservation easements……	12,000,000			12,000,000
Administration; Black Point Estate……	1,600,000	1,598,655	445	900
Administration; energy conservation projects; capital improvement fund…….	80,000,000	4,385,000		75,615,000
Building commission; previous lease rental authority.....…	143,071,600	143,068,654		2,946
Building commission; refunding tax-supported general obligation debt.....…	2,102,086,430	2,102,086,530		
Building commission; refunding self-amortizing general obligation debt.....…	272,863,033	272,863,033		
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before June 30, 2005…	250,000,000	250,000,000		
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before July 1, 2011…..	309,000,000	54,355,000		254,645,000
Building commission; refunding tax-supported and self-amortizing general obligation debt……	1,775,000,000	1,266,025,000		508,975,000
Building commission; housing state departments and agencies.....…	604,526,500	433,413,306	2,356,097	168,757,097
Building commission; 1 West Wilson street parking ramp.....…	15,100,000	14,805,521	294,479	
Building commission; project contingencies.....…	47,961,200	45,139,610	64,761	2,756,829

Table III-1 — Continued
GENERAL OBLIGATION ISSUANCE STATUS REPORT
(December 15, 2009)

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	Total Authorized Unissued Debt
Building commission; capital equipment acquisition.....	126,335,000	119,153,761	740,327	6,440,912
Building commission; discount sale of debt.....	90,000,000	70,556,845		19,443,155
Building commission; discount sale of debt (higher education bonds).....	100,000,000	99,988,833 [b]		11,167
Building commission; other public purposes.....	2,104,751,000	1,655,291,839	8,728,268	440,730,893
Medical College of Wisconsin, Inc.; basic science education and health information technology facilities….	10,000,000	10,000,000		
Bond Health Center……..	1,000,000			1,000,000
HR Academy, Inc.……	1,500,000	1,500,000		
Medical College of Wisconsin, Inc.; biomedical research and technology incubator……..	35,000,000	25,000,000		10,000,000
AIDS Resource Center of Wisconsin, Inc…….	800,000			800,000
Bradley Center Sports and Entertainment Corporation…….	2,500,000			2,500,000
Marquette University; dental clinic and education facility…	15,000,000	14,999,182	818	
Civil War exhibit at the Kenosha Public Museums……..	500,000	500,000		
AIDS Network, Inc……	300,000			300,000
Swiss cultural center……	1,000,000			1,000,000
Hmong cultural centers……..	2,250,000	250,000		2,000,000
Milwaukee Police Athletic League; youth activities center……	1,000,000	1,000,000		
Children's research institute……..	10,000,000	10,000,000		
Administration; school educational technology infrastructure financial assistance……	71,911,300	71,480,216	431,066	18
Myrick Hixon EcoPark, Inc.	500,000			500,000
Madison Children's Museum……	250,000			250,000
Administration; public library educational technology infrastructure financial assistance……...…….	269,000	268,918	42	40
Educational communications board; educational communications facilities……..	23,981,500	22,627,389	38,515	1,315,596
Grand Opera House in Oshkosh…….	500,000			500,000
Aldo Leopold climate change classroom and interactive laboratory……	500,000			500,000
Historical society; self-amortizing facilities.....…	1,157,000	1,029,156	3,896	123,948

Table III-1 — Continued
GENERAL OBLIGATION ISSUANCE STATUS REPORT
(December 15, 2009)

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	Total Authorized Unissued Debt
Historical society; historic records	26,650,000			26,650,000
Historical society; historic sites	10,067,800	3,073,756	847	6,993,197
Historical society; museum facility	4,384,400	4,362,469		21,931
Historical society; Wisconsin history center	30,000,000			30,000,000
Public instruction; state school, state center and library facilities	7,367,700	7,330,612	32,509	4,579
Military affairs; armories and military facilities	51,415,300	27,457,447	195,308	23,762,545
Veterans affairs; veterans facilities	10,090,100	9,405,485	50,593	634,022
Veterans affairs; self-amortizing mortgage loans	2,400,840,000	2,122,542,395		278,297,605
Veterans affairs; refunding bonds	1,015,000,000	761,594,245		253,405,755
Veterans affairs; self-amortizing facilities	38,370,100	13,877,450	1,613	24,491,037
State fair park board; board facilities	14,787,100	14,769,363	1	17,736
State fair park board; housing facilities	11,000,000	10,999,985	15	
State fair park board; self-amortizing facilities	52,987,100	52,035,915	22,401	928,784
Total	$23,879,408,988	$17,873,906,928	$73,888,122	$5,931,614,039

[a] Interest earnings reduce issuance authority by the same amount.

[b] Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the statutory authority to issue debt.

Source: Wisconsin Department of Administration.

DEBT INFORMATION

The State has issued general obligations on the dates and in the amounts shown in Table III-2. The table also includes the outstanding balances as of December 15, 2009, and may not include previously issued general obligations that did not have an outstanding balance as of that date.

Table III-2
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2009)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed-Rate General Obligations				
1990- Bonds Series A	1/1/90	1991-2010	$ 134,495,000	-0-
Bonds Series B	3/1/90			
Serial Bonds		1991-2004	3,575,000	-0-
Accelerated Term Bonds		2010	3,975,000	-0-
Term Bonds		2020	12,450,000	-0-
Bonds Series C	5/1/90	1991-2010	38,170,000	-0-
Bonds Series D (Higher Education)	5/24/90	1996-2010	65,859,000	$ 4,391,000
Bonds Series E	8/1/90	1991-2010	76,810,000	-0-
Bonds Series F	10/1/90			
Serial Bonds		1991-2005	3,775,000	-0-
Accelerated Term Bonds		2010	3,800,000	-0-
Term Bonds		2020	12,425,000	-0-
Bonds Series G	12/1/90	1992-2011	128,765,000	-0-
1991- Bonds Series A	4/1/91			
Serial Bonds		1992-2006	5,775,000	-0-
Accelerated Term Bonds		2011	5,825,000	-0-
Term Bonds		2021	18,400,000	-0-
Bonds Series B (Higher Education	5/15/91	1996-2011	117,136,000	14,642,000
Bonds Series C	6/1/191	1992-2011	60,580,000	-0-
Bonds Series D	9/1/91	1993-2012	97,000,000	-0-
1992- Bonds Series A	3/1/92	1993-2012	219,040,000	-0-
Refunding Bonds	3/1/92	1994-2015	448,935,000	18,270,000
Bonds Series B	6/1/92			
Serial Bonds		1993-2008	7,780,000	-0-
Accelerated Term Bonds		2012	4,000,000	-0-
Term Bonds		2022	18,220,000	-0-
Loan Series B	10/2/92	1995	5,330,000	-0-
Refunding Bonds Series 2	10/15/92	1994-2015	5,975,000	2,450,000
Bonds Series C	11/1/92	1994-2013	173,285,000	-0-
1993- Refunding Bonds Series 1	1/1/93	1994-2009	280,060,000	-0-
Refunding Bonds Series 2	3/1/93	1993-2011	137,530,000	42,775,000
Bonds Series A	5/1/93	1994-2013	124,325,000	-0-
Refunding Bonds Series 3	8/1/93	1995-2012	302,050,000	50,130,000
Refunding Bonds Series 6	10/15/93			
Serial Bonds		1994-2006	5,510,000	-0-
Term Bonds		2010	2,125,000	-0-
Term Bonds		2013	2,150,000	-0-
Term Bonds		2016	10,215,000	5,275,000
Refunding Bonds Series 4	12/1/93	1994-2006	77,575,000	-0-
Refunding Bonds Series 5	12/1/93			
Serial Bonds		1994-2006	113,550,000	-0-
Term Bonds		2010	14,770,000	-0-
Term Bonds		2013	1,190,000	-0-
Term Bonds		2016	1,405,000	-0-
Term Bonds		2023	4,340,000	-0-

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2009)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
1994- Bonds Series A	1/1/94	1995-2014	$ 119,810,000	-0-
Refunding Bonds Series 1	3/1/94	1995-2002	106,610,000	-0-
Refunding Bonds Series 2	3/1/94			
Serial Bonds		1999-2009	52,050,000	-0-
Term Bonds		2014	1,700,000	-0-
Term Bonds		2024	4,775,000	-0-
Bonds Series B	6/1/94	1995-2014	110,000,000	-0-
Refunding Bonds Series 3	9/15/94	1995-2008	10,400,000	-0-
Bonds Series C	9/15/94			
Serial Bonds		1998-2013	17,135,000	-0-
Term Bonds		2016	5,135,000	-0-
Term Bonds		2020	8,535,000	-0-
Term Bonds		2025	14,195,000	-0-
1995- Bonds Series A	1/15/95	1996-2015	231,315,000	-0-
Refunding Bonds, Series 1	2/15/95			
Serial Bonds		1999-2000	4,350,000	-0-
Serial Bonds		2004	860,000	-0-
Serial Bonds		2007-15	10,525,000	-0-
Bonds Series B	2/15/95			
Term Bonds		2016	4,215,000	-0-
Term Bonds		2020	7,920,000	-0-
Term Bonds		2025	17,130,000	-0-
Note, Series B	7/6/95	2005	361,623	-0-
Bonds Series C	9/15/95	1997-2016	97,480,000	-0-
Refunding Bonds Series 2	10/15/95			
Serial Bonds		1997-2000	5,780,000	-0-
Serial Bonds		2004-05	2,715,000	-0-
Serial Bonds		2007-15	34,355,000	-0-
1996- Bonds Series A	1/15/96	1997-2016	158,080,000	-0-
Refunding Bonds Series 1	2/15/96	1996-2015	104,765,000	-0-
Bonds Series B	5/15/96			
Serial Bonds		1998-99	4,215,000	-0-
Serial Bonds		2007-14	16,550,000	-0-
Term Bonds		2021	10,305,000	-0-
Term Bonds		2026	13,930,000	-0-
Bonds Series C	9/1/96	1998-2017	115,230,000	-0-
Bonds Series D	10/15/96			
Serial Bonds		2007-09	8,550,000	-0-
Term Bonds		2014	3,700,000	-0-
Term Bonds		2020	6,405,000	-0-
Term Bonds		2027	11,345,000	-0-
1997- Bonds Series 1	3/15/97			
Serial Bonds		2006-15	17,880,000	-0-
Serial Bonds		2017	5,760,000	-0-
Bonds Series A	3/15/97			
Term Bonds		2021	8,065,000	-0-
Term Bonds		2028	13,295,000	-0-
Bonds Series B	7/15/97	1999-2018	101,010,000	-0-

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2009)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
1997 - Bonds Series C	9/15/97			
Serial Bonds		2000-01	$ 520,000	-0-
Serial Bonds		2003-13	22,755,000	-0-
Term Bonds		2017	7,850,000	-0-
Term Bonds		2023	10,580,000	-0-
Term Bonds		2026	3,295,000	-0-
Bonds Series D (Taxable)	9/15/97			
Serial Bonds		1999-2012	13,385,000	$ 1,185,000
Term Bonds		2017	6,760,000	1,515,000
Term Bonds		2028	24,855,000	5,090,000
1998- Bonds Series A	3/1/98	1999-2018	156,185,000	-0-
Bonds Series B	5/15/98			
Serial Bonds		2007-08	2,865,000	-0-
Term Bonds		2010	4,775,000	-0-
Term Bonds		2018	2,865,000	-0-
Term Bonds		2023	8,670,000	-0-
Term Bonds		2028	11,390,000	-0-
Bonds Series C (Taxable)	5/15/98			
Serial Bonds		1999-2008	6,245,000	-0-
Term Bonds		2028	27,760,000	5,450,000
Refunding Bonds Series 1	8/15/98			
Serial Bonds		1999	2,820,000	-0-
Serial Bonds		2004-16	154,760,000	85,340,000
Refunding Bonds Series 2	9/15/98			
Serial Bonds		1999-2001	17,095,000	-0-
Serial Bonds		2004-09	77,155,000	-0-
Bonds Series D	9/1/98	2000-19	74,840,000	-0-
Bonds Series E	10/15/98	2012-17	6,155,000	1,925,000
Bonds Series F (Taxable)	10/15/98			
Serial Bonds		1999-2009	9,410,000	-0-
Term Bonds		2029	45,590,000	8,160,000
1999- Bonds Series A	2/1/99	2000-19	147,060,000	-0-
Refunding Bonds Series 1	5/1/99			
Serial Bonds		2008-12	4,905,000	1,765,000
Term Bonds		2015	3,880,000	2,200,000
Term Bonds		2020	7,005,000	-0-
Bonds Series B (Taxable)	5/1/99			
Serial Bonds		2000-10	6,370,000	120,000
Term Bonds		2013	2,620,000	390,000
Term Bonds		2016	3,180,000	470,000
Term Bonds		2030	27,830,000	4,110,000
Bonds Series C	10/15/99	2001-20	100,000,000	5,320,000 [a]
Bonds Series D (Taxable)	11/1/99			
Term Bonds		2010	9,465,000	170,000
Term Bonds		2030	55,535,000	6,925,000

[a] Pursuant to a refunding escrow agreement the principal and interest on all or a portion of the bonds will be paid as it comes due, or will be called for redemption prior to maturity. The principal amount of bonds for which payment is provided is not treated as outstanding for purposes of this table.

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2009)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
2000- Bonds Series A	3/15/2000			
Serial Bonds		2001-18	$128,875,000	$ 7,855,000 [a]
Term Bonds		2020	21,125,000	-0- [a]
Bonds Series B (Taxable)	7/1/2000			
Term Bonds		2010	4,625,000	65,000
Term Bonds		2030	30,375,000	3,175,000
Bonds Series C	7/15/2000	2012-21	87,715,000	-0- [a]
Bonds Series D	11/1/2000	2012-21	199,965,000	-0- [a]
Bonds Series E (Taxable)	11/7/2000			
Term Bonds		2016	5,000,000	780,000
2001- Bonds Series A (Taxable)	2/21/01			
Term Bonds		2031	15,000,000	2,010,000
Bonds Series B	4/1/01	2012-21	91,620,000	7,365,000 [a]
Bonds Series C	6/1/01	2002-11	92,410,000	18,435,000
Bonds Series D (Taxable)	6/15/01			
Serial Bonds		2002-08	2,060,000	-0-
Term Bonds		2011	1,110,000	115,000
Term Bonds		2016	2,390,000	350,000
Term Bonds		2021	3,305,000	445,000
Term Bonds		2031	11,135,000	1,515,000
Loan Series A	8/24/01		50,000,000	-0-
Bonds Series F	10/1/01	2003-22	186,615,000	47,790,000 [a]
Refunding Bonds Series 1	10/1/01			
Serial Bonds		2005	4,230,000	-0-
Serial Bonds		2007-15	242,875,000	210,375,000
Bonds Series E (Taxable)	10/1/01			
Term Bonds		2017	6,210,000	630,000
Term Bonds		2021	2,730,000	445,000
Term Bonds		2031	11,060,000	1,805,000
2002- Bonds Series A	3/1/02	2003-22	112,280,000	29,675,000 [a]
Refunding Bonds Series 1	3/1/02	2004-20	75,000,000	41,190,000
Bonds Series B (Taxable)	3/26/02			
Term Bonds		2032	15,000,000	2,720,000
Bonds Series C	6/1/02	2003-22	143,545,000	39,640,000 [a]
Bonds Series D (Taxable)	6/12/02			
Term Bonds		2033	20,000,000	4,690,000
Bonds Series E (Taxable)	9/26/02			
Term Bonds		2018	2,000,000	660,000
Bonds Series F (Taxable)	9/26/02			
Term Bonds		2033	13,000,000	7,165,000
Bonds Series G	10/15/02	2004-23	190,550,000	75,075,000 [a]
Bonds Series H	12/30/02			
Term Bonds		2033	15,000,000	7,480,000

[a] Pursuant to a refunding escrow agreement the principal and interest on all or a portion of the bonds will be paid as it comes due, or will be called for redemption prior to maturity. The principal amount of bonds for which payment is provided is not treated as outstanding for purposes of this table.

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2009)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
2003- Refunding Bonds Series 1 (Taxable)	4/3/03	2019	$ 7,000,000	$ 2,385,000
Refunding Bonds Series 2	4/1/03			
Serial Bonds		2007-21	10,650,000	8,965,000
Term Bonds		2024	3,090,000	3,090,000
Bonds Series A	5/1/03	2004-23	173,900,000	85,960,000 [(a)]
Bonds Series B (Taxable)	7/24/03	2033	30,000,000	19,915,000
Bonds Series C.....	10/15/03		285,130,000	
Serial Bonds		2005-24	251,865,000	130,905,000 [(a)]
Term Bonds		2026	5,420,000	5,420,000
Term Bonds		2029	9,190,000	9,190,000
Term Bonds		2034	18,655,000	18,655,000
Refunding Bonds Series 3	10/30/03			
Serial Bonds		2004-07	9,495,000	-0-
Term Bonds		2013	16,210,000	11,150,000
Term Bonds		2025	13,000,000	13,000,000
Term Bonds		2026	29,185,000	29,185,000
2004- Refunding Bonds Series 1	1/28/04	2006-19	146,970,000	143,535,000
Refunding Bonds Series 2	1/28/04	2006-20	175,830,000	174,690,000
Refunding Notes Series 1	3/16/04	2004	175,000,000	-0-
Bonds Series A	4/14/04	2005-24	307,4350,000	194,060,000 [(a)]
Bonds CWF Global Certificate.....	5/1/04	2009-24	116,840,688	114,422,376
Refunding Bonds Series 3	6/15/04	2006-22	175,000,000	80,280,000 [(a)]
Refunding Bonds Series 4	7/29/04	2006-20	117,200,000	115,700,000
Bonds Series B (Taxable)	8/12/04			
Term Bonds		2014	1,000,000	375,000
Bonds Series C (Taxable)	8/12/04			
Term Bonds		2019	1,000,000	385,000
Bonds Series D (Taxable).....	8/26/04			
Term Bonds		2034	20,000,000	4,380,000
Bonds Series E.....	10/21/04	2006-25	225,000,000	171,035,000 [(a)]
2005- Bonds Series A	2/10/05	2016-25	131,485,000	131,485,000
Refunding Bonds Series 1	2/10/05	2006-21	430,240,000	423,615,000
Bonds Series B.....	4/20/05	2006-15	148,515,000	97,425,000 [(a)]
Bonds Series C (Taxable)	4/7/05			
Term Bonds		2035	5,000,000	4,345,000
Bonds Series D	8/11/05	2007-25	186,640,000	164,215,000
Bonds Series E.....	12/8/05	2007-11	48,275,000	18,490,000
2006- Refunding Bonds Series 1.....	1/31/06	2007-15	96,780,000	84,165,000
Bonds Series A	3/28/06	2015-26	331,215,000	331,215,000
Bonds Series B (Taxable)	7/7/06			
Term Bonds		2037	2,000,000	1,005,000
Bonds Series C.....	8/2/06	2008-37	61,685,000	59,945,000
Bonds Series D	9/13/06	2018-26	176,490,000	176,490,000

[(a)] Pursuant to a refunding escrow agreement the principal and interest on all or a portion of the bonds will be paid as it comes due, or will be called for redemption prior to maturity. The principal amount of bonds for which payment is provided is not treated as outstanding for purposes of this table.

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2009)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
2007- Bonds Series A	2/1/07	2016-27	$ 158,390,000	$ 158,390,000
Refunding Bonds Series 1	2/1/07	2014-20	299,005,000	299,005,000
Bonds CWF Series A	2/1/07	2026	13,148,554	12,414,921
Bonds CWF Series B	2/1/07	2027	6,851,446	6,851,446
Bonds Series B	6/27/07	2008-27	150,000,000	140,540,000
Refunding Bonds Series 2	10/31/07			
Serial Bonds		2008-2017	13,905,000	9,495,000
Term Bonds		2022	2,510,000	2,475,000
Term Bonds		2027	4,155,000	4,095,000
Refunding Bonds Series 3	10/31/07	2026	3,835,000	3,790,000
Bonds Series C	12/5/07	2009-28	154,890,000	149,700,000
2008- Bonds Series A	4/30/08	2009-28	164,535,000	158,740,000
Bonds Series B (Taxable)	5/30/08			
Term Bonds		2038	4,445,000	3,990,000
Bonds CWF Series B	6/17/08	2026-28	16,600,000	16,600,000
Refunding Bonds Series 1	6/26/08			
Serial Bonds		2009-2018	3,120,000	2,780,000
Term Bonds		2018	14,680,000	14,680,000
Serial Bond		2023	175,000	175,000
Refunding Bonds Series 2	6/26/08			
Term Bonds		2020	1,880,000	-0-
Bonds Series C	9/4/08	2010-29	302,200,000	302,200,000
Bonds, Series D	12/23/08	2012-30	100,000,000	100,000,000
2009- Bonds CWF Series A	1/27/09	2016-26	17,700,000	17,700,000
Bonds Series A	6/18/09	2012-22	47,440,000	47,440,000
Bonds Series B (Taxable)	6/18/09			
Serial Bonds		2023-26	24,610,000	24,610,000
Term Bonds		2030	29,925,000	29,925,000
Bonds Series C	9/3/09	2012-22	197,265,000	197,265,000
Bonds Series D (Taxable)	9/3/09			
Serial Bonds		2023-30	182,890,000	182,890,000
Term Bonds		2034	13,990,000	13,990,000
Term Bonds		2040	28,945,000	28,945,000
Refunding Bonds Series 1	9/15/09	2011-16	54,355,000	54,355,000
Total Fixed-Rate General Obligations				$5,591,616,744
Variable-Rate General Obligations				
1997- Commercial Paper Series A	4/3/97		$ 99,270,000	-0-
Commercial Paper Series B	7/15/97		31,335,000	-0-
1998- Commercial Paper Series A	12/1/98		35,925,000	-0-
Commercial Paper Series B	12/1/98		29,120,000	-0-
1999- Extendible Commercial Notes Series A	9/9/99		50,000,000	-0-
Extendible Commercial Notes Series B	10/6/99		75,000,000	-0-
2000- Ext. Muni. Comm. Paper Series A	8/8/00		125,000,000	-0-
Ext. Muni. Comm. Paper Series B	8/8/00		93,430,000	-0-
Ext. Muni. Comm. Paper Series C	11/16/00		80,390,000	-0-
2002- Ext. Muni. Comm. Paper Series A	2/5/02		41,670,000	-0-
2004- Ext. Muni. Comm. Paper Series A	3/9/04		100,000,000	-0-
2005- Commercial Paper Series A	12/14/05		100,350,000	$ 81,928,000

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Ext. Muni. Comm. Paper Series A (AMT) ..	12/29/05		61,000,000	-0-
2006- Ext. Muni. Comm. Paper Series A	2/9/06		161,905,000	-0-
Commercial Paper Series A	8/2/06		123,510,000	116,712,000
Ext. Muni. Comm. Paper Series B	12/1/06		91,720,000	-0-
Ext. Muni. Comm. Paper Series C (AMT) ..	12/1/06		4,445,000	-0-
2008- Ext. Muni Comm Paper Program.....	2/1/08		452,189,000	422,236,000
Bonds CWF Series A.....	3/18/08		10,300,000	10,300,000
Total Variable-Rate General Obligations				$ 631,176,000
TOTAL GENERAL OBLIGATIONS.....				$6,222,792,744

Table III-3
PER CAPITA STATE GENERAL OBLIGATION DEBT

Year Ending December 31	Outstanding Indebtedness[a] (Amounts in Thousands)	Debt Per Capita	Debt Per Capita as % of Per Capita Income
1999.....	$3,942,659	$ 750.92	2.75%
2000.....	4,270,718	796.18	2.78
2001.....	4,452,626	823.65	2.80
2002.....	4,682,045	860.67	2.87
2003.....	4,794,398	875.85	2.86
2004.....	5,116,439	929.59	2.90
2005.....	5,445,615	983.67	2.93
2006.....	5,898,647	1,061.48	3.08
2007.....	5,893,590	1,052.05	2.90
2008.....	6,146,978	1,092.21	2.93

[a] Includes obligations of nonstock, nonprofit building corporations

Sources: Legislative Audit Bureau
Tables II-29 and II-32 in Part II of this 2009 Annual Report

Table III-4
LIMITATION ON AGGREGATE PUBLIC DEBT THAT MAY BE CONTRACTED

The aggregate debt contracted in calendar year 2009 shall not exceed the lesser of (a) or (b):

(a)	3/4 of 1% x $511,911,983,100		$ 3,839,339,873
(b)	5% x $511,911,983,100	$25,595,599,155	
	Deduct: Net Indebtedness 1/1/2008	(6,146,978,112)	
			$19,448,621,043

The amount of $511,911,983,100 shown above is the aggregate full market value of all taxable property in the State for the year 2009 as certified by the Department of Revenue.

The amount of $6,146,978,112 shown above is the net indebtedness as of January 1, 2009 as certified by the Legislative Audit Bureau.

The lesser of (a) or (b) is $3,839,339,873. Aggregate debt contracted in the calendar year 2009 shall not exceed this amount.

Source: Department of Administration

Table III-5
ANNUAL DEBT LIMIT COMPARED
TO ACTUAL BORROWING

Calendar Year	Annual Debt Limitation	Actual Borrowing	Borrowing as Percentage of Limitation
2000	$2,147,411,186	$538,795,000	25.1%
2001	2,343,627,800	485,645,000	20.7
2002	2,514,948,590	481,000,000	19.1
2003	2,705,326,585	499,030,000	18.4
2004	2,933,908,610	664,435,000	22.6
2005	3,209,501,715	571,990,000	17.8
2006	3,517,373,999	891,285,000	25.3
2007	3,734,402,615	483,280,000	12.9
2008	3,857,954,728	493,635,000	12.8
2009	3,839,339,873	542,765,000	14.1

Source: Department of Administration

Table III-6
DEBT STATEMENT
(December 15, 2009)

	Tax-Supported Debt		Revenue-Supported Debt[a]		
	General Fund	Segregated Funds[b]	Veterans Housing	Other[c]	Total
General Obligations	$4,302,621,576	$492,649,662	$278,385,000	$1,149,136,505	$6,222,792,744
Total Outstanding Indebtedness	$4,302,621,576	$492,649,662	$278,385,000	$1,149,136,505	$6,222,792,744

[a] Revenue Supported Debt represents general obligation debt of the State issued to fund particular programs and facilities with the initial expectation that revenues and other proceeds derived from the operation of the programs and facilities will amortize the allocable debt without recourse to the General Fund.

[b] Includes the Transportation Fund and certain administrative facilities for the Department of Natural Resources.

[c] Includes university dormitories, food service, intercollegiate athletic facilities, certain facilities on the State Fair grounds, and capital equipment acquisition.

Source: Department of Administration

Table III-7
COMPARISON OF OUTSTANDING INDEBTEDNESS TO EQUALIZED VALUATION OF PROPERTY

Calendar Year	Value of Taxable Property (Amounts in Thousands)	Outstanding Indebtedness[a] (Amounts in Thousands)	Debt as Percentage of Equalized Value
1999	$266,567,513	$3,942,659	1.48%
2000	286,321,492	4,270,718	1.49
2001	312,483,707	4,452,626	1.42
2002	335,326,479	4,682,045	1.40
2003	360,710,815	4,794,398	1.33
2004	391,187,815	5,116,439	1.31
2005	427,933,562	5,445,615	1.27
2006	468,983,200	5,898,647	1.26
2007	497,920,349	5,893,590	1.18
2008	514,393,964	6,146,978	1.19

[a] As of December 31.

Sources: Department of Revenue
Wisconsin Legislative Audit Bureau

Table III-8
DEBT SERVICE PAYMENT HISTORY: AMOUNT PAID ON GENERAL OBLIGATIONS

Fiscal Year	Principal	Interest	Total Debt Service
To June 30, 1990	$1,817,985,000	$1,711,347,263	$ 3,529,332,236
1990-91	185,050,000	161,025,824	346,075,824
1991-92	157,985,000	100,545,026	258,530,026
1992-93	131,634,000	138,331,828	269,965,828
1993-94	151,416,138	153,491,249	304,907,387
1994-95	188,718,292	159,985,783	348,704,075
1995-96	199,622,231	159,090,781	358,713,012
1996-97	205,112,886	167,659,261	372,772,147
1997-98	217,184,565	171,783,741	388,968,306
1998-99	236,344,072	173,743,794	410,087,867
1999-2000	244,211,911	183,158,974	427,370,884
2000-01	285,088,311	209,230,800	494,319,110
2001-02	273,060,055	202,386,510	475,446,565
2002-03	270,544,076	216,328,685	486,872,762
2003-04	310,843,832	183,991,355	494,835,186
2004-05	361,327,888	185,242,899	546,570,787
2005-06	349,172,670	216,358,460	565,531,131
2006-07	379,470,000	233,687,100	613,157,100
2007-08	350,005,000	268,124,600	618,129,600
2008-09	397,266,258	255,994,695	653,260,953
7/1/2009-12/15/2009	39,737,306	120,839,016	160,576,322
Totals	$6,751,779,492	$5,372,347,644	$12,124,127,135

Source: Department of Administration

Table III-9
DEBT SERVICE MATURITY SCHEDULE:
AMOUNT DUE ANNUALLY ON GENERAL OBLIGATION BONDS
(Issued to December 15, 2009)

Fiscal Year (Ending June 30)	Principal	Interest	Total Debt Service
2010 [a]	$ 278,716,762	$ 117,763,241	$ 396,480,004
2011	357,826,325	255,511,110	613,337,435
2012	371,751,829	239,293,043	611,044,872
2013	367,642,930	222,356,468	589,999,397
2014	356,405,021	205,112,867	561,517,888
2015	366,278,280	187,960,916	554,239,196
2016	342,891,289	170,513,451	513,404,740
2017	336,225,350	152,918,590	489,143,939
2018	322,259,630	137,668,138	459,927,768
2019	311,147,162	122,323,829	433,470,992
2020	304,747,905	107,162,620	411,910,525
2021	278,933,476	92,827,768	371,761,244
2022	252,457,142	79,558,462	332,015,604
2023	234,579,552	67,200,547	301,780,099
2024	220,080,831	56,036,747	276,117,578
2025	200,657,120	45,179,890	245,837,010
2026	174,724,316	35,299,842	210,024,158
2027	187,401,824	26,623,256	214,025,080
2028	92,700,000	17,493,755	110,193,755
2029	80,000,000	12,633,419	92,633,419
2030	55,035,000	8,352,542	63,387,542
2031	14,965,000	5,289,603	20,254,603
2032	14,215,000	4,514,823	18,729,823
2033	14,525,000	3,778,485	18,303,485
2034	13,730,000	3,023,966	16,753,966
2035	8,835,000	2,340,220	11,175,220
2036	8,780,000	1,867,235	10,647,235
2037	8,010,000	1,389,225	9,399,225
2038	5,195,000	947,155	6,142,155
2039	5,275,000	643,100	5,918,100
2040	5,625,000	331,875	5,956,875
TOTALS	$ 5,591,616,744	$ 2,383,916,187	$ 7,975,532,930

[a] For the fiscal year ending June 30, 2010, the table includes debt service amounts for the period December 15, 2009 through June 30, 2010.

Source: Department of Administration

Table III-10
AMORTIZATION SCHEDULE:
GENERAL OBLIGATION VARIABLE RATE OBLIGATIONS[a]
(Issued to December 15, 2009)

(Year Ending June 30)	Principal
2010	$ 21,523,200
2011	22,596,645
2012	125,754,506
2013	124,698,726
2014	130,945,952
2015	76,581,943
2016	63,205,245
2017	24,167,702
2018	3,854,829
2019	4,048,801
2020	4,252,780
2021	4,466,957
2022	4,691,536
2023	4,920,574
2024	5,166,603
2025	-
2026	-
2027	-
2028	-
2029	-
2030[b]	10,300,000
	$ 631,176,000

[a] The State intends to treat each general obligation variable rate issue as if it were a long-term bond issue by making annual principal payments on May 1. The annual principal amounts reflect the re-amortization of principal amounts that were scheduled to be due in the 2009-10 and 2010-11 fiscal years.

[b] Reflects a General Obligation Bond sold to the State Environmental Improvement Fund that matured June 1, 2008; however, at the option of the purchaser the maturity date can be extended for six month periods (for all or a portion of the outstanding amount) with such extensions not extending beyond December 1, 2029.

Source: Department of Administration

Table III-11

SOURCE OF DEBT SERVICE PAYMENTS
ON GENERAL OBLIGATIONS
(June 30, 2009)

	2008-09	%	2007-08	%	2006-07	%
Tax-Supported Debt						
General Fund	$462,635,654	70.8	$455,510,677	73.7	$489,236,883	79.8
Segregated Funds	29,170,510	4.5	27,441,179	4.4	18,929,236	3.1
Subtotal	491,806,164	75.3	482,951,857	78.1	508,166,119	82.9
Self-Amortizing Debt						
Veterans	67,509,512	10.3	43,139,650	7.0	27,700,312	4.5
University of Wisconsin	68,841,926	10.5	65,276,046	10.6	50,982,545	8.3
State Fair Park	3,486,194	0.5	3,518,715	0.6	3,281,282	0.5
Historical	85,424	0.0	97,321	0.0	97,927	0.0
Housing State Depts./Other	21,531,733	3.3	23,146,011	3.7	22,928,914	3.7
Subtotal	161,454,789	24.7	135,177,744	21.9	104,990,980	17.1
Total Debt Service	$653,260,953	100.0	$618,129,600	100.0	$613,157,099	100.0

Source: Department of Administration

VARIABLE RATE OBLIGATIONS

The State has issued, and there currently remain outstanding, both general obligation commercial paper notes **(CP Notes)** and extendible municipal commercial paper **(EMCP)**.

Commercial Paper Notes

The State has appointed Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith, Incorporated **(Merrill Lynch)** to serve as **Dealers.** Merrill Lynch was acquired by Bank of America Corporation in a merger which closed on January 1, 2009. With the consummation of the merger, Merrill Lynch is an indirect wholly-owned subsidiary of the Bank of America Corporation. The State has appointed Deutsche Bank Trust Company Americas to serve as **Issuing and Paying Agent** for the CP Notes, and The Depository Trust Company (**DTC**) serves as **Depository** for the CP Notes.

The State has obtained a **Liquidity Facility** in the form of a line of credit, which is provided through a **Credit Agreement**, as amended, between State Street Bank and Trust Company and California State Teachers' Retirement System (collectively, **Liquidity Facility Providers)** and the State. The principal portion of the Credit Agreement is currently $233 million.

Table III-12 summarizes, for each authorized and outstanding series of CP Notes, the principal amount initially issued, the date of initial issuance, and the principal amount outstanding as of December 15, 2009.

Table III-12
SUMMARY OF OUTSTANDING GENERAL OBLIGATION CP NOTES
(December 15, 2009)

Series of CP Notes	Amount Issued	Date of Initial Issuance	Amount Outstanding
2005 Series A	$100,350,000	December 14, 2005	$ 81,928,000
2006 Series A	123,510,000	August 2, 2006	116,712,000
		Total Outstanding:	$198,640,000

Additional CP Notes may be issued pursuant to action of the Commission, but the aggregate amount of CP Notes outstanding may not exceed the principal amount of the Liquidity Facility.

Description of CP Notes

Each CP Note is dated the date it is issued. It is issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000.

The CP Notes are not callable prior to maturity.

Each CP Note matures from 1 to 270 days from its issue date. Also, no CP Note may be issued with a maturity date later than the expiration date of the Liquidity Facility or any substitute Liquidity Facility.

Each CP Note bears interest from its date of issuance, at the rate determined at the date of issuance, payable at maturity. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed. Payment of each CP Note is made to the Depository and then distributed by the Depository.

Liquidity Facility

In order to provide liquidity for the payment of the principal of and interest on maturing CP Notes, the State has entered into the Credit Agreement with the Liquidity Facility Providers.

Pursuant to the Credit Agreement, the Liquidity Facility Providers are severally and not jointly obligated, subject to certain conditions, to make **Advances** in amounts equal to their respective percentages of the line of credit from time to time on any business day during the term of the Credit Agreement, only for providing funds to pay the principal of and interest on the CP Notes on the maturity date thereof to the extent that proceeds of other CP Notes or other moneys on deposit in the Note Fund for the CP Notes are

not available. The respective percentages are currently 51.72% for State Street Bank and Trust Company **(State Street)** and 48.28% for California State Teachers' Retirement System **(CalSTRS)**. The aggregate principal amount of all Advances made on any date may not exceed the principal portion of the Credit Agreement (currently $233 million), as such amount may be increased or decreased from time to time. Also, the principal portion of the Credit Agreement cannot be less than the sum of the outstanding CP Notes plus the aggregate principal amount of all outstanding Advances provided by the Liquidity Facility Providers.

The Credit Agreement currently terminates on March 23, 2013. The Credit Agreement provides that the termination date may be extended, if the parties agree.

The State has delivered one or more promissory notes **(Promissory Notes)** to each Liquidity Facility Provider, evidencing its obligation to repay all Advances. Each Promissory Note is a general obligation of the State.

Description of the Liquidity Facility Providers

The following information concerning State Street and CalSTRS has been provided by representatives of State Street and CalSTRS, respectively, and has not been independently confirmed or verified by the State. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

State Street Bank and Trust Company

State Street is a wholly-owned subsidiary of State Street Corporation **(Corporation)**. The Corporation (NYSE: STT) is a leading specialist in providing institutional investors with investment servicing, investment management, and investment research and trading. With $12.04 trillion in assets under custody and $1.44 trillion in assets under management, the Corporation operates in 27 countries and more than 100 markets worldwide. The assets of State Street at December 31, 2008 accounted for approximately 97% of the consolidated assets of the Corporation. At December 31, 2008, the Corporation had total assets of $173.63 billion, total deposits (including deposits in foreign offices) of $112.23 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately $9.13 billion and total equity capital of $12.77 billion.

State Street's Consolidated Reports of Condition for Insured Commercial and State Chartered Savings Banks FFIEC 031 for December 31, 2008, as submitted to the Federal Reserve Bank of Boston, are incorporated by reference in this Part III of the 2009 Annual Report and shall be deemed to be a part hereof.

In addition, all reports filed by State Street pursuant to 12 U.S.C. §324 after the date of this Part III to the 2009 Annual Report shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to the Corporation and State Street is set forth in the Corporation's Annual Report or Form 10-K for the year ended December 31, 2008. The annual report can be found on the Corporation's web site, www.statestreet.com. Such report and all reports filed by the Corporation pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this 2009 Annual Report are incorporated herein by reference and shall be deemed a part hereof from the date of filing of any such report. The Corporation's web site is not incorporated by reference into this Part III of the 2009 Annual Report. The Credit Agreement is an obligation of State Street and not of the Corporation.

Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Part III of the 2009 Annual Report to the extent that a statement contained herein or in any subsequently filed document that also is or is

deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Part III of the 2009 Annual Report.

State Street hereby undertakes to provide, without charge to each person to whom a copy of this Part III of the 2009 Annual Report has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Part III of the 2009 Annual Report by reference, other than exhibits to such documents. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

Neither State Street nor its affiliates make any representation as to the contents of this Part III of the 2009 Annual Report (except as to this section to the extent it relates to State Street), the suitability of the CP Notes for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations.

California State Teachers' Retirement System

CalSTRS is a component unit of the State of California, organized and operating under the laws of the State of California, including the Teachers' Retirement Law, constituting Part 13 of Division 1 of Title 1 of the Education Code of the State of California, commencing at Section 22000 **(Law)**, as amended. The Law establishes the Teachers' Retirement Board **(Board)**, which has the sole and exclusive fiduciary responsibility over the administration and investment of funds held in the Teachers' Retirement Fund **(Fund)**, in which the bulk of the assets of CalSTRS are held. School districts and other agencies employing members of CalSTRS are required to make monthly contributions to the Fund in an amount equal to 8.25% of the total of the salaries upon which members' contributions are based. All full-time certificated employees in the public school system from kindergarten through the community college level are required by law to be members of CalSTRS. CalSTRS provides defined retirement, survivor, and disability benefits to all members based on the final compensation attained by the member, the age of retirement, and the term of service, and other factors.

Financial data for June 30, 2009 are taken from the audited financial statements for the fiscal year ended June 30, 2009 **(Financial Statements)**. The latest CalSTRS' Comprehensive Annual Financial Report available is for the fiscal year ended June 30, 2008. Financial data for fiscal years ended after 2009 are incorporated by reference in this section and shall be deemed to be a part hereof.

As of June 30, 2009, the Fund had net assets held in trust for pension benefits with a market value of approximately $118.4 billion, compared to approximately $161.5 billion as of June 30, 2008. As of September 30, 2009, total investment assets had a market value of approximately $130.3 billion (unaudited).

CalSTRS is independently rated "AA/A-1+" by Standard and Poor's, a Division of the McGraw-Hill Companies, Inc. (S&P), "Aaa/P-1" by Moody's Investors Service, and "AA+/F1+" by Fitch Ratings.

CalSTRS will provide without charge and upon request, a copy of its Financial Statements. Requests to CalSTRS for the Financial Statements should be directed by mail to State Teachers' Retirement System, P.O. Box 163740, Sacramento, California 95816-3710, Attention: Credit Enhancement Program, or by email to cepinquiries@calstrs.com. The most recent Financial Statements, Comprehensive Annual Financial Report and other information regarding CalSTRS can be viewed at www.calstrs.com; however, this web site is not incorporated by reference into this Part III of the 2009 Annual Report.

The foregoing information has been provided by CalSTRS and is not intended to serve as a representation, warranty, or contract modification of any kind.

Extendible Municipal Commercial Paper

General obligation extendible municipal commercial paper **(EMCP)** is similar to CP Notes; however, rather than liquidity being provided by a bank or credit facility, the maturity date is extended in case there is a

disruption in market liquidity for the EMCP. The State has appointed Goldman, Sachs & Co. and Merrill Lynch to serve as **Dealers**. The State has appointed U.S. Bank Trust National Association to serve as Issuing and Paying Agent for the EMCP, and DTC serves as Depository for the EMCP.

On February 1, 2008, the State issued a single series of EMCP that replaced outstanding multiple series of EMCP that had been issued between calendar years 2000-2006. Table III-13 summarizes, for each authorized and outstanding program under this single series of EMCP, the principal amount initially issued, the date of initial issuance, and the principal amount outstanding as of December 15, 2009.

Table III-13
SUMMARY OF OUTSTANDING GENERAL OBLIGATION EMCP
(December 15, 2009)

Series of EMCP	Amount Issued	Date of Initial Issuance	Amount Outstanding
Tax-Exempt Notes	$452,189,000	February 1, 2008	$ 422,236,000
Tax-Exempt AMT Notes	4,445,000	February 1, 2008	-0-
		Total Outstanding:	$ 422,236,000

Additional Authorized Notes

The State may increase the principal amount of Notes outstanding, upon adoption by the Commission of one or more Authorizing Resolutions, to fund various general governmental purposes and veterans housing loans. With respect to an initial issuance, specific instructions must be provided to the Issuing and Paying Agent before a Dealer may increase the principal amount of Notes outstanding. The total amount of Notes authorized to be outstanding pursuant to the program resolution is $950 million. The Notes will not be given a series designation based on any initial issuance date.

Description of EMCP

Each EMCP note is dated the date it is issued. It is issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed. Payment of principal of and interest on each EMCP note is made to the Depository and then distributed by the Depository.

Each EMCP note matures on its **Original Maturity Date,** which may range from 1 to 180 days from its original issue date, unless the State exercises its option to extend the maturity date. In that case the EMCP note will mature on its **Extended Maturity Date,** which will be the date that is 270 days after its original issue date.

If the State exercises its option to extend the maturity date, notice of this extension must be provided to the Depository in accordance with the Depository's operational requirements.

Each EMCP note bears interest from its original issue date until the Original Maturity Date at the rate determined on the original issue date, payable on the Original Maturity Date, unless the maturity date is extended, in which case interest will be paid on the date described below. If the State exercises its option to extend the maturity date of an EMCP note, then the extended EMCP note will bear interest after the Original Maturity Date at the Reset Rate and be payable on the dates described below.

If the maturity date of an EMCP note is extended, accrued but unpaid interest to the Original Maturity Date will not be paid on the Original Maturity Date but will be payable on the following date (or any earlier redemption date):

(1) if the Original Maturity Date is before the 15th day of the month, interest will next be payable on the first **Business Day** (which is a day on which banks located in Madison, Wisconsin and in each of the cities where the Principal Office of the Issuing and Paying Agent and Dealers are located are not required or authorized by law or executive order to close for business and on which the New York Stock Exchange is not closed) of the next month, or

(2) if the Original Maturity Date is on or after the 15th day of the month, interest will next be payable on the first Business Day of the second succeeding month after the Original Maturity Date.

For example, if the Original Maturity Date is November 14, interest will be first payable on the first Business Day of December, and if the Original Maturity Date is November 15, interest will be first payable on the first Business Day of January.

Each EMCP note bears interest from the Original Maturity Date at the **Reset Rate** and is payable first on the date described above and thereafter on the first Business Day of each month and on any redemption date or the Extended Maturity Date.

The Reset Rate will be a rate of interest per annum determined by the following formula:

$$(1.35 \times BMA) + E$$

As used in the formula, the *BMA* variable will be Securities Industry and Financial Markets Association Index, or *SIFMA* Index, which previously was referred to as The Bond Market Association Municipal Swap Index, or *BMA* Index. This index is calculated weekly and released each Wednesday afternoon, effective Thursday. The *E* variable will be a fixed percentage rate expressed in basis points that is determined based on the ratings assigned to the EMCP **(Prevailing Ratings)**, as follows:

Prevailing Ratings			
Fitch	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services	*E* Variable (basis points)
F1+	P-1	A-1+	100
F1	–	A-1	150
F2	P-2	A-2	200
F3	P-3	A-3	300
Lower than F3 (or rating discontinued)	Lower than P-3 (or rating discontinued)	Lower than A-3 (or rating discontinued)	400

If at any time any rating agency announces that a lower rating is under consideration for the EMCP, then the Prevailing Rating from such rating agency will not be the rating then assigned to the EMCP; rather, it will be the next lower rating of such rating agency. If the Prevailing Ratings would indicate different *E* variables as a result of split ratings assigned to the EMCP, the *E* variable will be the arithmetic average of those indicated by the Prevailing Ratings.

The Reset Rate applicable to any EMCP note will be determined weekly by the Issuing and Paying Agent based on the *BMA* variable and the Prevailing Ratings as of 11:00 a.m. (New York time) on its Original Maturity Date and each Thursday thereafter and will apply through the following Wednesday.

REVENUE-SUPPORTED GENERAL OBLIGATION DEBT

General

Although all general obligations issued by the State are supported by its full faith, credit, and taxing power, a portion of these general obligations are issued with the expectation that debt service payments will not impose a direct burden on the State's taxpayers and its general revenue sources. Beneficiaries and users of revenue-supported programs and facilities pay fees and other amounts that are estimated to be at least sufficient to pay or reimburse the General Fund for the amount paid for debt service related to these revenue-supported programs and facilities.

Table III-6 identifies the amount of outstanding general obligations designated as revenue supported. The programs and facilities funded with these general obligations support debt service payments on approximately $1.428 billion of State general obligations outstanding on December 15, 2009. Furthermore, Table III-11 shows that revenue-supported debt service payments were approximately 24.7% of the total debt service cost for the fiscal year ending June 30, 2009.

Veterans Housing Loan Program

The veterans housing loan program, operated by the State of Wisconsin Department of Veterans Affairs **(DVA** or **Department of Veterans Affairs)**, is one revenue-supported general obligation bonding programs of the State. Lending activities under the veterans housing loan program began in 1974. The program is currently funded by general obligations that are either **Tax-Exempt Veterans Mortgage Bonds** or **Taxable Veterans Mortgage Bonds**, collectively referred to as **Veterans Mortgage Bonds.** The repayment of veterans housing loans funded with proceeds of the Veterans Mortgage Bonds are estimated to be at least sufficient to pay or reimburse the General Fund for the amount paid for debt service related to the Veterans Mortgage Bonds.

Approximately $278 million in aggregate principal amount of Veterans Mortgage Bonds remain outstanding on December 15, 2009. As outlined later in this section, there are different special redemption provisions for the Tax-Exempt Veterans Mortgage Bonds and each series of Taxable Veterans Mortgage Bonds. Tables III-18 through III-24 in this Part III of the 2009 Annual Report include unaudited financial and statistical information and related notes that may be helpful in describing the operation of the veterans housing loan program.

Veterans Housing Loan Program Requirements

A veteran who wishes to purchase, build, or purchase and rehabilitate a home that satisfies certain cost or value limitations in relation to the veteran's income may apply for a veterans housing loan, which is also considered to be a primary mortgage housing loan. This loan may be for the purchase of an existing home, for a construction loan, for refinancing the balance due on a construction period loan, bridge loan, or other financing with a term of 24 months or less, or for a combined purchase and rehabilitation loan of up to 95% of the home's value for a term not exceeding 30 years. A loan application is reviewed first by a local lending institution and then by DVA. If the application is approved, the local lending institution originates the loan as agent for DVA and acts as loan servicer thereafter. There are numerous other standards required to be satisfied as part of underwriting. The loan must be secured by a first, or primary, mortgage on the home, and the shelter-cost ratio must generally be less than 25% of income. This ratio may go up to as much as 33% under certain favorable credit circumstances or must be reduced if certain credit risks are present. The originator of the home loan may charge the veteran an origination fee of one point (approximately two points in the case of a construction loan and three points on the rehabilitation portion of a purchase-and-rehabilitation loan).

Home Improvement Loan Program

In addition to veterans housing loans that are considered primary mortgage housing loans, as described above, DVA also makes loans through the Home Improvement Loan Program **(HILP)** that are funded with proceeds of Taxable Veterans Mortgage Bonds, with prepayments of loans previously funded with Taxable Veterans Mortgage Bonds, or with funds from the Insurance Reserve Account in excess of amounts needed to satisfy the insurance reserve requirement. This program has a maximum loan amount of 90% of the equity in the home and is processed through county veterans service officers rather than lending institutions. HILP loans have terms of 5, 7, 10, or 15 years and have different loan interest rates for differing terms and differing loan-to-value ratios. HILP loans in excess of $3,000 are secured by either a first or second mortgage on the improved property and require a minimum equity position of 10% after considering the HILP loan. HILP loans under $3,000 may be guaranteed by a guarantor or secured by a first or second mortgage. HILP loans use the same basic underwriting standards as the veterans primary mortgage housing loans but do not include loan-servicing charges.

Mortgage Interest Rates

It has been the policy of DVA to set the interest rate charged to a veteran at a level sufficient to pay the debt service on the Veterans Mortgage Bonds funding the loan, the cost of program administration, and if deemed necessary, a loan loss reserve (which since 1985 has been charged to fund the Insurance Reserve Account described below).

In setting the interest rate, DVA has previously chosen to provide a subsidy for veterans primary mortgage housing loans, and some HILP loans, funded with some, but not all of the Taxable Veterans Mortgage Bonds. The result is that the lending rate may be lower than the true interest cost rate on the Taxable Veterans Mortgage Bonds issued to fund those loans.

With respect to veterans housing loans, DVA has not determined whether any subsidy or similar arrangement will be available to such loans funded with future issues of Taxable Veterans Mortgage Bonds. With respect to HILP loans, DVA has a policy that requires the interest rate established for any HILP loan to include a minimum mark-up over the cost of money to make such loan, which would include a mark-up over the true interest cost rate on any future Taxable Veterans Mortgage Bonds issued to fund HILP loans. This policy includes provisions that DVA must complete in advance if it desires to deviate from this policy.

Default Risks and Other Information

Veterans Mortgage Bonds issued prior to 1985 assumed a certain level of prepayments in estimating program cash flow. No prepayments have been assumed in the nominal amortization of Veterans Mortgage Bonds issued since 1985. Based on asset and liability balances as of June 30, 2008 and existing DVA assumptions, the cash flow of the mortgages on June 23, 2008 was sufficient to meet future debt service payments. A loan under the veterans housing loan program may be assumed only by another qualifying veteran.

After deducting a servicing charge (.375% per annum), the participating lender deposits the veteran's monthly loan repayments and any prepayments into the Veterans Mortgage Loan Repayment Fund, a segregated statutory fund. An irrevocable appropriation is provided by law as a first charge on assets of the Veterans Mortgage Loan Repayment Fund in a sum sufficient to provide for the repayment of principal of, premium, if any, and interest on State general obligations issued to fund the program.

Program loans financed with Veterans Mortgage Bonds are not required to be insured or guaranteed (casualty insurance coverage is, however, required). Instead, the default risk with respect to such loans is borne by the program. The ability of DVA to dispose of defaulted properties and realize the amount of the outstanding principal balances of the related loans has varied in recent years depending upon the location of the properties within the State and their physical condition upon foreclosure. Although DVA expects that it will continue to experience liquidation losses, it also expects that such losses will not require recourse to the State's General Fund but rather will be covered by the Insurance Reserve Account within the Veterans Mortgage Loan Repayment Fund. As of October 31, 2009, of the 2,485 outstanding primary mortgage housing loans financed by the veterans housing loan program, there were 34 loans in an aggregate principal amount of approximately $3.2 million for which payments were 60 days or longer past due. The insurance reserve requirement (4% of the principal amount of outstanding loans) is currently satisfied. See Table III-22 for more complete details concerning delinquencies.

Special Redemption; Tax-Exempt Veterans Mortgage Bonds

The State had outstanding as of December 15, 2009, approximately $174 million of Tax-Exempt Veterans Mortgage Bonds. All Tax-Exempt Veterans Mortgage Bonds are subject to special redemption before maturity (even if not subject to optional redemption as provided above), at the option of the Commission, on any date, in whole or in part, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the date of redemption, from:

- Prepayments of veterans housing loans funded from or attributed to *any* series of Tax-Exempt Veterans Mortgage Bonds.
- Payments on veterans housing loans, or interest or income on investments in certain accounts, including money available from the Insurance Reserve Account, in excess of amounts required to meet scheduled debt service on all Tax–Exempt Veterans Mortgage Bonds and other costs associated with the veterans housing loan program.

These redemption provisions listed above are commonly referred to as a "cross-call". In addition, other special redemption provisions (such as unexpended proceeds) may apply to certain series of Tax-Exempt Veterans Mortgage Bonds. In the event of a partial redemption, the Capital Finance Director shall direct the maturities and amounts of the Bonds to be redeemed.

Prepayments of mortgages originated with or attributed to any series of Taxable Veterans Mortgage Bonds may not be used for special redemption of Tax-Exempt Veterans Mortgage Bonds, and prepayments of mortgages originated with or attributed to any series of Tax-Exempt Veterans Mortgage Bonds may not be used for special redemption of Taxable Veterans Mortgage Bonds.

Table III-14 presents a summary of the outstanding Tax-Exempt Veterans Mortgage Bonds as of December 15, 2009. Table III-25 presents further detailed information on these outstanding Tax-Exempt Veterans Mortgage Bonds that are subject to special redemption.

Table III-14
SUMMARY OF OUTSTANDING
TAX-EXEMPT VETERANS MORTGAGE BONDS SUBJECT TO SPECIAL REDEMPTION
(December 15, 2009)

Series	Dated Date	Original Principal Amount Subject to Special Redemption	Outstanding Principal Amount Subject to Special Redemption	Range of Interest Rates on Outstanding Bonds
1993 Series 6	10/15/93	$ 20,000,000	$ 5,275,000	5.30%
1998 Series E	10/15/98	6,155,000	1,925,000	4.75-4.80
1999 Series 1	05/01/99	15,790,000	3,965,000	4.80-5.30
2003 Series 2	04/01/03	13,740,000	12,055,000	3.50-5.00
2003 Series 3	10/30/03	67,890,000	53,335,000	3.50-5.00
2006 Series C	08/02/06	61,685,000	59,945,000	4.50-5.00
2007 Series 2	10/31/07	16,735,000	16,065,000	3.63-4.50
2007 Series 3	10/31/07	3,835,000	3,790,000	5.00
2008 Series 1	6/26/08	17,975,000	17,635,000	2.60-4.75
			$ 173,990,000	

The State has historically received, and expects to continue to receive, prepayments of veterans housing loans funded with Tax-Exempt Veterans Mortgage Bonds. See Table III-26 for a summary of the prepayments received over the past three years. The State may use, and has from time to time used, veterans housing loan prepayments to make new veterans housing loans. If the State determines that it is not feasible to make new veterans housing loans, then the State intends to use these prepayments to purchase or redeem Tax-Exempt Veterans Mortgage Bonds, as determined by the Commission.

Prior to calendar year 2002, it had been the working policy of the Department of Administration, on behalf of the Commission, to call Tax-Exempt Veterans Mortgage Bonds for special redemption based on the highest estimated market price, while taking into consideration the Legislature's mandate that the veterans housing loan program be self-amortizing. Since that time, this working policy has been modified from time to time to address both (1) the impact special redemption cross-calls have on the cash flow that supports all Veterans Mortgage Bonds, and (2) compliance with applicable federal tax law restrictions. During calendar year 2009, the Tax-Exempt Veterans Mortgage Bonds that were called for special redemption were those with the highest interest rates. This working policy may be further modified from time to time and is subject to change at any time.

The most recent redemption of Tax-Exempt Veterans Mortgage Bonds occurred on November 1, 2009, as summarized in Table III-15. During calendar year 2009 other special redemptions of Taxable Veterans Mortgage Bonds occurred on March 1, June 1, July 1, and August 1, 2009. In addition, the State has provided notice for a special redemption of Tax-Exempt Veterans Mortgage Bonds in the aggregate amount of $2 million to occur on January 1, 2010.

Table III-15
NOVEMBER 1, 2009 SPECIAL REDEMPTION
TAX-EXEMPT VETERANS MORTGAGE BONDS

Bond Issue	Maturity Date	Coupon	Redemption Amount
1993 Series 6	2016	5.30%	$2,035,000
1999 Series 1	2020	5.30	450,000

Special Redemption; Taxable Veterans Mortgage Bonds

The State had outstanding, as of December 15, 2009, approximately $104 million of Taxable Veterans Mortgage Bonds.

Taxable Veterans Mortgage Bonds are subject to special redemption prior to maturity, at the option of the Commission, on any date, in whole or in part at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from:

- Unexpended proceeds from only that series of Taxable Veterans Mortgage Bonds, as provided in the respective authorizing resolution.
- Prepayments of veterans housing loans or HILP loans, or interest or income on investments in certain accounts, funded from or attributed to only that series of Taxable Veterans Mortgage Bonds, as provided in the respective authorizing resolution.

In the event of a partial redemption, the Commission shall direct the maturities of the Taxable Veterans Mortgage Bonds and the amounts thereof so to be redeemed; however, the Commission has stated in the respective Official Statements that it intends to apply amounts from these sources as a pro rata redemption on all applicable outstanding maturities of the Taxable Veterans Mortgage Bonds, subject to rounding, to reflect approximately the unexpended proceeds or prepayment from either veterans housing loans or HILP loans.

Prepayments of veterans housing loans or HILP loans originated with or attributed to a series of Taxable Veterans Mortgage Bonds may not be used for special redemption of any other series of Taxable Veterans Mortgage Bonds. Prepayments of mortgage loans or loans originated with or attributed to any series of Tax-Exempt Veterans Mortgage Bonds may not be used for special redemption of Taxable Veterans Mortgage Bonds.

The State has historically received, and expects to continue to receive, prepayments of veterans housing loans and HILP loans funded with Taxable Veterans Mortgage Bonds. See Table III-26 for a summary of these prepayments received over the past three years. The State may use prepayments of veterans housing loans and HILP loans funded with Taxable Veterans Mortgage Bonds to make new veterans housing loans and HILP loans. If the State determines that it is not feasible to make new veterans housing loans or HILP loans, then the State intends to use these prepayments to purchase or redeem Taxable Veterans Mortgage Bonds, as determined by the Commission

The Commission has made several special redemptions of Taxable Veterans Mortgage Bonds from these prepayments. The Commission most recently made such a special redemption of Taxable Veterans Mortgage Bonds on November 1, 2009, as summarized in Table III-16. During calendar year 2009 other special redemptions of Taxable Veterans Mortgage Bonds occurred on February 1, June 1, July 1, and August 1, 2009. In addition, the State has provided notice for a special redemption of Taxable Veterans Mortgage Bonds in the aggregate amount of $3 million to occur on January 1, 2010.

See Table III-17 for an aggregate summary of all special redemptions (from prepayments and unexpended proceeds) that have occurred on Taxable Veterans Mortgage Bonds.

Table III-16
NOVEMBER 1, 2009 SPECIAL REDEMPTION
TAXABLE VETERANS MORTGAGE BONDS

Bond Issue	Maturity Date	Coupon	Redemption Amount
1997 Series D	2010	6.85%	$ 5,000
	2011	6.90	5,000
	2012	6.90	5,000
	2017	7.15	35,000
	2028	7.25	145,000
1998 Series C	2028	6.95	160,000
1998 Series F	2029	6.40	480,000
2001 Series A	2031	7.00	210,000
2001 Series D	2011	6.20	5,000
	2016	6.60	20,000
	2021	6.90	25,000
	2031	7.05	90,000
2002 Series B	2032	6.25	215,000
2002 Series D	2033	6.25	200,000
2002 Series E	2018	4.80	85,000
2002 Series F	2033	5.25	870,000
2002 Series H	2033	5.25	1,070,000
2003 Series 1	2019	4.85	15,000
2003 Series B	2033	4.35	2,320,000
2004 Series C	2019	5.15	70,000
2004 Series D	2034	5.65	120,000
2005 Series C	2023	5.40	30,000
2006 Series B	2021	5.65	140,000

Table III-17
SUMMARY OF ALL SPECIAL REDEMPTIONS
TAXABLE VETERANS MORTGAGE BONDS
(AS OF DECEMBER 15, 2009)

Bond Issue	Dated Date	Maturity Date	Original Issue Amount	Special Redemption; Calendar Year 2000	Special Redemption; Calendar Year 2001	Special Redemption; Calendar Year 2002	Special Redemption; Calendar Year 2003	Special Redemption; Calendar Year 2004	Special Redemption; Calendar Year 2005	Special Redemption; Calendar Year 2006	Special Redemption; Calendar Year 2007	Special Redemption; Calendar Year 2008	Special Redemption; Calendar Year 2009	Sinking Fund Payments Made	Outstanding Par Amount	Coupon
1997 Series D	9/15/1997	11/1/1999	$ 620,000												-	6.15%
		11/1/2000	655,000	$ 10,000											-	6.15%
		11/1/2001	695,000	30,000	$ 5,000										-	6.25%
		11/1/2002	740,000	40,000	5,000	$ 35,000									-	6.30%
		11/1/2003	785,000	45,000	10,000	75,000	$ 165,000								-	6.40%
		11/1/2004	840,000	45,000	15,000	70,000	280,000	$ 25,000							-	6.50%
		11/1/2005	895,000	45,000	5,000	90,000	305,000	65,000	$ 20,000						-	6.55%
		11/1/2006	950,000	45,000	15,000	85,000	330,000	85,000	25,000	$ 15,000					-	6.60%
		11/1/2007	1,010,000	55,000	10,000	100,000	340,000	75,000	25,000	25,000	$ 40,000				-	6.65%
		11/1/2008	1,080,000	50,000	15,000	100,000	385,000	95,000	30,000	20,000	40,000				-	6.70%
		11/1/2009	1,155,000	55,000	15,000	115,000	385,000	85,000	30,000	25,000	45,000				-	6.80%
		11/1/2010	1,230,000	75,000	15,000	120,000	420,000	100,000	25,000	30,000	50,000		$ 10,000		$ 360,000	6.85%
		11/1/2011	1,320,000	65,000	15,000	120,000	450,000	110,000	40,000	25,000	55,000		5,000		405,000	6.90%
		11/1/2012	1,410,000	75,000	20,000	130,000	490,000	115,000	35,000	30,000	50,000		10,000		420,000	6.90%
		11/1/2017	6,760,000	345,000	90,000	710,000	2,650,000	670,000	215,000	185,000	200,000		55,000		1,515,000	7.15%
		11/1/2028	24,855,000	1,220,000	340,000	2,650,000	10,095,000	2,590,000	830,000	705,000	680,000		225,000		5,090,000	7.25%
		Subtotal	45,000,000	2,200,000	575,000	4,400,000	16,295,000	4,015,000	1,275,000	1,060,000	1,160,000	-	305,000	-	7,790,000	
1998 Series C	5/15/1998	5/1/1999	495,000												-	5.80%
		5/1/2000	495,000												-	5.85%
		5/1/2001	525,000	20,000											-	5.90%
		5/1/2002	550,000	35,000	5,000	25,000									-	6.05%
		5/1/2003	595,000	25,000	10,000	70,000	55,000								-	6.05%
		5/1/2004	625,000	30,000	10,000	80,000	265,000								-	6.10%
		5/1/2005	675,000	30,000	10,000	95,000	305,000	40,000							-	6.15%
		5/1/2006	710,000	45,000	10,000	85,000	310,000	50,000	20,000						-	6.20%
		5/1/2007	760,000	35,000	15,000	105,000	340,000	50,000	20,000	5,000					-	6.25%
		5/1/2008	815,000	50,000	10,000	95,000	365,000	50,000	30,000	10,000	10,000				-	6.30%
		5/1/2028	27,760,000	1,200,000	380,000	2,910,000	12,935,000	2,185,000	870,000	185,000	550,000	180,000	360,000	190,000	5,450,000	6.95%
		Subtotal	34,005,000	1,470,000	450,000	3,465,000	14,575,000	2,375,000	940,000	200,000	560,000	180,000	360,000	190,000	5,450,000	

Table III-17 — Continued
SUMMARY OF ALL SPECIAL REDEMPTIONS
TAXABLE VETERANS MORTGAGE BONDS
(AS OF DECEMBER 15, 2009)

Bond Issue	Dated Date	Maturity Date	Original Issue Amount	Special Redemption; Calendar Year 2000	Special Redemption; Calendar Year 2001	Special Redemption; Calendar Year 2002	Special Redemption; Calendar Year 2003	Special Redemption; Calendar Year 2004	Special Redemption; Calendar Year 2005	Special Redemption; Calendar Year 2006	Special Redemption; Calendar Year 2007	Special Redemption; Calendar Year 2008	Special Redemption; Calendar Year 2009	Sinking Fund Payments Made	Outstanding Par Amount	Coupon
1998 Series F	10/15/1998	11/1/1999	355,000												-	
		11/1/2000	725,000	$ 5,000											-	5.00%
		11/1/2001	760,000	10,000	$ 5,000										-	5.10%
		11/1/2002	790,000	20,000	5,000	$ 40,000									-	5.20%
		11/1/2003	830,000	20,000	10,000	85,000	$ 290,000								-	5.35%
		11/1/2004	870,000	15,000	5,000	80,000	440,000								-	5.45%
		11/1/2005	915,000	20,000	10,000	90,000	460,000	$ 75,000	$ 30,000						-	5.55%
		11/1/2006	960,000	20,000	10,000	100,000	475,000	80,000	35,000	$ 5,000					-	5.55%
		11/1/2007	1,015,000	20,000	10,000	100,000	510,000	85,000	35,000	10,000	$ 30,000				-	5.60%
		11/1/2008	1,065,000	25,000	10,000	105,000	535,000	85,000	40,000	15,000	30,000				-	5.65%
		11/1/2009	1,125,000	20,000	10,000	105,000	570,000	95,000	40,000	10,000	35,000		$ 20,000		-	5.75%
		11/1/2029	45,590,000	955,000	415,000	4,495,000	22,890,000	3,750,000	1,665,000	460,000	1,405,000		1,395,000		$ 8,160,000	6.40%
		Subtotal	55,000,000	1,130,000	490,000	5,200,000	26,170,000	4,170,000	1,845,000	500,000	1,500,000	-	1,415,000	-	8,160,000	
1999 Series B	5/1/1999	11/1/2000	420,000												-	5.35%
		11/1/2001	450,000	5,000											-	5.60%
		11/1/2002	480,000	5,000	10,000	50,000									-	5.80%
		11/1/2003	500,000	5,000	5,000	95,000	200,000								-	6.00%
		11/1/2004	535,000	5,000	5,000	100,000	280,000								-	6.20%
		11/1/2005	570,000	10,000	5,000	105,000	295,000	40,000	10,000						-	6.25%
		11/1/2006	600,000	5,000	5,000	115,000	310,000	45,000	10,000						-	6.25%
		11/1/2007	640,000	10,000	10,000	115,000	340,000	45,000	10,000	5,000	5,000				-	6.30%
		11/1/2008	680,000	10,000	5,000	130,000	355,000	50,000	10,000		10,000				-	6.35%
		11/1/2009	725,000	10,000	10,000	135,000	375,000	55,000	15,000	5,000	15,000		5,000		-	6.40%
		11/1/2010	770,000	10,000	5,000	145,000	400,000	55,000	10,000	5,000	10,000	5,000	5,000		120,000	6.40%
		11/1/2013	2,620,000	30,000	30,000	490,000	1,370,000	200,000	45,000	10,000	40,000	5,000	10,000		390,000	6.50%
		11/1/2016	3,180,000	40,000	35,000	600,000	1,655,000	235,000	55,000	15,000	50,000	10,000	15,000		470,000	7.00%
		11/1/2030	27,830,000	355,000	305,000	5,225,000	14,520,000	2,060,000	480,000	140,000	420,000	70,000	145,000		4,110,000	7.25%
		Subtotal	40,000,000	490,000	420,000	7,305,000	20,100,000	2,785,000	645,000	180,000	550,000	90,000	180,000	-	5,090,000	

Table III-17 — Continued
SUMMARY OF ALL SPECIAL REDEMPTIONS
TAXABLE VETERANS MORTGAGE BONDS
(AS OF DECEMBER 15, 2009)

Bond Issue	Dated Date	Maturity Date	Original Issue Amount	Special Redemption; Calendar Year 2000	Special Redemption; Calendar Year 2001	Special Redemption; Calendar Year 2002	Special Redemption; Calendar Year 2003	Special Redemption; Calendar Year 2004	Special Redemption; Calendar Year 2005	Special Redemption; Calendar Year 2006	Special Redemption; Calendar Year 2007	Special Redemption; Calendar Year 2008	Special Redemption; Calendar Year 2009	Sinking Fund Payments Made	Outstanding Par Amount	Coupon
1999 Series D	11/1/1999	11/1/2010	$ 9,465,000		$ 550,000	$ 3,290,000	$ 2,970,000	$ 240,000	$ 75,000					$ 2,170,000	$ 170,000	7.70%
		11/1/2030	55,535,000		2,315,000	22,430,000	21,150,000	1,960,000	755,000						6,925,000	7.70%
		Subtotal	65,000,000	-	2,865,000	25,720,000	24,120,000	2,200,000	830,000					2,170,000	7,095,000	
2000 Series B	7/1/2000	11/1/2010	4,625,000		1,000,000	870,000	1,520,000	85,000	10,000	$ 5,000	$ 5,000			1,065,000	65,000	7.50%
		11/1/2030	30,375,000		7,215,000	6,655,000	12,170,000	850,000	100,000	75,000	135,000				3,175,000	8.05%
		Subtotal	35,000,000	N/A	8,215,000	7,525,000	13,690,000	935,000	110,000	80,000	140,000			1,065,000	3,240,000	
2000 Series E	11/7/2000	11/1/2016	5,000,000	N/A	-	1,600,000	1,160,000	435,000	165,000	40,000	150,000			670,000	780,000	7.00%
2001 Series A	2/21/2001	5/1/2031	15,000,000	N/A	N/A	-	9,625,000	1,145,000	255,000	340,000	280,000	170,000	$ 530,000	645,000	2,010,000	7.00%
2001 Series D	6/15/2001	11/1/2002	320,000												-	4.50%
2001 Series D	6/15/2001	11/1/2003	255,000			10,000	125,000								-	5.00%
2001 Series D	6/15/2001	11/1/2004	265,000			10,000	185,000								-	5.30%
2001 Series D	6/15/2001	11/1/2005	280,000			10,000	200,000	20,000							-	5.50%
2001 Series D	6/15/2001	11/1/2006	295,000			10,000	210,000	25,000							-	5.60%
2001 Series D	6/15/2001	11/1/2007	315,000			15,000	225,000	15,000			5,000				-	5.75%
2001 Series D	6/15/2001	11/1/2008	330,000			10,000	240,000	25,000			10,000				-	5.90%
2001 Series D	6/15/2001	11/1/2011	1,110,000			45,000	785,000	85,000			25,000		5,000	50,000	115,000	6.20%
2001 Series D	6/15/2001	11/1/2016	2,390,000			95,000	1,700,000	175,000	5,000	5,000	60,000		20,000		330,000	6.60%
2001 Series D	6/15/2001	11/1/2021	3,305,000			130,000	2,350,000	250,000	5,000	10,000	85,000	5,000	25,000		445,000	6.90%
2001 Series D	6/15/2001	11/1/2031	11,135,000			440,000	7,925,000	830,000	20,000	25,000	275,000	15,000	90,000		1,515,000	7.05%
		Subtotal	20,000,000	N/A	N/A	775,000	13,945,000	1,425,000	30,000	40,000	460,000	20,000	140,000	-	2,405,000	
2001 Series E	10/1/2001	11/1/2017	6,210,000				3,230,000	440,000	180,000	265,000	205,000		305,000	955,000	630,000	6.12%
2001 Series E	10/1/2001	11/1/2021	2,730,000				1,505,000	220,000	90,000	145,000	115,000		210,000		445,000	6.71%
2001 Series E	10/1/2001	11/1/2031	11,060,000				6,095,000	900,000	375,000	580,000	470,000		835,000		1,805,000	6.96%
		Subtotal	20,000,000	N/A	N/A	-	10,830,000	1,560,000	645,000	990,000	790,000	-	1,350,000	955,000	2,880,000	

Table III-17 — Continued
SUMMARY OF ALL SPECIAL REDEMPTIONS
TAXABLE VETERANS MORTGAGE BONDS
(AS OF DECEMBER 15, 2009)

Bond Issue	Dated Date	Maturity Date	Original Issue Amount	Special Redemption; Calendar Year 2000	Special Redemption; Calendar Year 2001	Special Redemption; Calendar Year 2002	Special Redemption; Calendar Year 2003	Special Redemption; Calendar Year 2004	Special Redemption; Calendar Year 2005	Special Redemption; Calendar Year 2006	Special Redemption; Calendar Year 2007	Special Redemption; Calendar Year 2008	Special Redemption; Calendar Year 2009	Sinking Fund Payments Made	Outstanding Par Amount	Coupon
2002 Series B	3/26/2002	11/1/2032	15,000,000	N/A	N/A	N/A	$ 5,825,000	$ 1,285,000	$ 860,000	$ 1,040,000	$ 1,060,000	$ 160,000	$ 1,385,000	$ 665,000	$ 2,720,000	6.25%
2002 Series D	6/12/2002	5/1/2033	20,000,000	N/A	N/A	$ 2,000,000	5,025,000	4,345,000	330,000	830,000	850,000	130,000	1,110,000	690,000	4,690,000	6.25%
2002 Series E	9/26/2002	5/1/2018	2,000,000	N/A	N/A	N/A	-	65,000	-	470,000	-	220,000	110,000	475,000	660,000	4.80%
2002 Series F	9/26/2002	5/1/2033	13,000,000	N/A	N/A	N/A	470,000	910,000	660,000	-	-	430,000	2,270,000	1,095,000	7,165,000	5.25%
2002 Series H	12/30/2002	5/1/2033	15,000,000	N/A	N/A	N/A	-	2,080,000	1,125,000	-	230,000	660,000	2,170,000	1,255,000	7,480,000	5.25%
2003 Series 1	4/3/2003	11/1/2019	7,000,000	N/A	N/A	N/A	N/A	1,915,000	370,000	230,000	-	510,000	160,000	1,430,000	2,385,000	4.85%
2003 Series B	7/24/2003	11/1/2033	30,000,000	N/A	N/A	N/A	N/A	-	1,760,000	-	60,000		5,000,000	3,265,000	19,915,000	4.35%
2004 Series B	8/12/2004	11/1/2014	1,000,000	N/A	N/A	N/A	N/A	N/A	-	-	5,000	40,000	190,000	390,000	375,000	4.50%
2004 Series C	8/12/2004	11/1/2019	1,000,000	N/A	N/A	N/A	N/A	N/A	-	-	70,000	40,000	290,000	215,000	385,000	5.15%
2004 Series D	8/26/2004	11/1/2034	20,000,000	N/A	N/A	N/A	N/A	N/A	13,500,000	-	175,000	160,000	1,315,000	470,000	4,380,000	5.65%
2005 Series C	4/7/2005	5/1/2035	5,000,000	N/A	N/A	N/A	N/A	N/A	N/A	-	5,000	280,000	70,000	300,000	4,345,000	5.40%
2006 Series B	7/7/2006	11/1/2021	2,000,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20,000		700,000	275,000	1,005,000	5.65%
2008 Series B	5/30/2008	5/1/2038	4,445,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		400,000	55,000	3,990,000	4.90%
		Totals	$ 469,450,000	$ 5,290,000	$ 13,015,000	$ 57,990,000	$ 161,830,000	$ 31,645,000	$ 25,345,000	$ 6,000,000	$ 8,065,000	$ 3,090,000	$ 19,450,000	$ 16,275,000	$ 104,395,000	

Note: The total original issue amount less all the special redemptions and sinking fund payment amounts does not equal the total outstanding par amount since the table does not include serial bonds that matured prior to the date of this Annual Report.

Financial and Statistical Information

The following unaudited financial and statistical information and notes relate to the operation of the veterans housing loan program. Bonds issued to fund this program are general obligations; the bondholders have no special pledge or lien on revenues derived from this program.

Table III-18
VETERANS HOUSING LOAN PROGRAM
BALANCE SHEET
(As of June 30; Amounts in Thousands)

	2009	2008	2007	2006	2005
ASSETS					
Cash and Cash Equivalents	$ 75,288	$ 129,521	$ 154,097	$ 166,816	$ 104,981
Veterans Loans	258,368	276,838	256,280	250,748	276,822
Other Receivables	1,647	1,624	1,945	1,466	2,259
Due From Other Funds				1	
Prepaid Items	40	40	72	248	64
Deferred Charges	2,507	3,311	3,612	3,344	3,777
Fixed Assets (net of accumulated depreciation)	103	131	29	41	63
Other Assets	908	595	385	318	82
Total Assets	$ 338,860	$ 412,060	$ 416,420	$ 422,982	$ 388,048
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 170	$ 325	$ 621	$ 631	$ 759
Due to Other Funds	183	123	189	395	416
Due to Other Governments	12	41	520	13	4
Tax and Other Deposits				1	1
Unearned Revenue			1	11	36
Interest Payable	2,588	3,024	3,228	2,793	2,992
Compensated Absences	259	209	328	376	346
Other Postemployment Benefits	146	80			
Short Term Note Payable			4,445	61,000	
General Obligation Bonds Payable	304,422	372,104	367,881	314,424	335,712
Total Liabilities	$ 307,778	$ 375,904	$ 377,211	$ 379,645	$ 340,266
Fund Equity:					
Retained Earnings:					
Unreserved	$ 31,082	$ 36,156	$ 39,209	$ 43,336	$ 47,781
Total Fund Equity	$ 31,082	$ 36,156	$ 39,209	$ 43,336	$ 47,781
Total Liabilities and Fund Equity	$ 338,860	$ 412,060	$ 416,420	$ 422,982	$ 388,049

Source: Department of Veterans Affairs

Table III-19
VETERANS HOUSING LOAN PROGRAM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
(As of June 30; Amounts in Thousands)

	2009	2008	2007	2006	2005
Operating Revenues:					
Investment and Interest Income	$ 17,285	$ 16,418	$ 15,346	$ 16,141	$ 18,755
Total Operating Revenues	$ 17,285	$ 16,418	$ 15,346	$ 16,141	$ 18,755
Operating Expenses:					
Personal Services	$ 2,577	$ 2,313	$ 3,762	$ 3,796	$ 3,826
Supplies and Services	581	495	889	747	1,010
Depreciation	30	21	15	23	34
Interest Expense	19,116	19,670	20,466	19,764	22,497
Other Expenses	1,411	1,149	1,072	1,059	1,278
Total Operating Expenses	23,715	23,649	26,205	25,388	$ 28,645
Operating Income (Loss)	($ 6,431)	($ 7,230)	($ 10,859)	($ 9,247)	($ 9,890)
Nonoperating Revenues (Expenses):					
Investment and Interest Income	$ 1,324	$ 5,375	$ 7,665	$ 5,401	$ 2,437
Other Revenues	40				3
Other Expenses:					
Grants Disbursed	(452)	(451)	(449)	(457)	(444)
Other		(47)	(499)		
Total Nonoperating Revenue (Expense)	913	4,876	6,717	4,944	1,996
Income (Loss) Before Operating Transfers	(5,518)	(2,347)	(4,132)	(4,303)	(7,895)
Operating Transfers In	10				67
Operating Transfers Out	(77)	(707)	(67)	(142)	(391)
Net Income before Extraordinary Items and Cumulative	(5,584)	(3,053)	(4,127)	(4,444)	(8,219)
Extraordinary Items:					
Gain (Loss) from Extinguishment of Debt					
Net Income	($ 5,584)	($ 3,053)	($ 4,127)	($ 4,444)	($ 8,219)
Retained Earnings, Beginning of Year	$36,156	$39,209	$43,336	$47,781	$56,000
Prior Period Adjustments	510				
Retained Earnings, End of Year	$31,082	$36,156	$39,209	$43,336	$47,781

Source: Department of Veterans Affairs

Table III-20
VETERANS HOUSING LOAN PROGRAM
STATEMENT OF CASH FLOWS
(As of June 30; Amounts in Thousands)

	2009	2008	2007	2006	2005
Cash Flows from Operating Activities:					
Cash Payments to Suppliers for Goods and Services	($ 711)	($ 414)	($ 911)	($ 692)	($ 1,015)
Cash Payments to Employes for Services	(2,324)	(2,407)	(3,847)	(3,761)	(3,805)
Cash Payments for Loans Originated	(38,761)	(52,544)	(39,453)	(16,176)	(30,913)
Investment and Interest Income	18,287	16,756	15,628	16,403	19,468
Collection of Loans	55,703	31,431	32,994	42,240	57,899
Other Operating Revenues (Expenses)	(1,262)	(1,039)	(976)	(963)	(1,103)
Net Cash Provided (Used) by Operating Activities	$ 30,932	($ 8,217)	$ 3,437	$ 37,051	$ 40,532
Cash Flows from Noncapital Financing Activities:					
Proceeds from Issuance of Debt		$ 44,870	$ 68,130	$ 61,000	$ 27,000
Grants to Individuals or Governments	($ 444)	(468)	(442)	(448)	(444)
Retirement of Long-Term Debt	(68,315)	(44,755)	(71,195)	(21,650)	(83,470)
Interest Payments	(18,208)	(19,383)	(19,497)	(19,405)	(21,218)
Operating Transfers Out	(87)	(221)	(67)	(75)	(325)
Other Cash Inflows from Noncapital Financing Activities	63	7	10		3
Other Cash Outflows from Noncapital Financing Activities		(1,284)	(746)		
Net Cash Provided (Used) by Noncapital Financing Activities	($ 86,992)	($ 21,233)	($ 23,807)	$ 19,422	($ 78,454)
Cash Flows from Capital and Related Financing Activities:					
Payments for Purchase of Fixed Assets	($ 2)	($ 123)	($ 4)	$ 0	($ 7)
Net Cash Provided (Used) by Capital and Related Financing Activities	($ 2)	($ 123)	($ 4)	$ 0	($ 7)
Cash Flows from Investing Activities:					
Interest and Dividends Receipts	1,318	4,998	7,654	5,362	2,335
Net Cash Provided (Used) by Investing Activities	$ 1,318	$ 4,998	$ 7,654	$ 5,362	$ 2,335
Net Increase (Decrease) in Cash and Cash Equivalents	($ 54,744)	($ 24,576)	($ 12,719)	$ 61,835	($ 35,593)
Cash and Cash Equivalents, Beginning of Year	130,031	154,096	166,815	104,980	140,573
Cash and Cash Equivalents, End of Year	$ 75,288	$ 129,520	$ 154,096	$ 166,815	$ 104,980
Operating Income (Loss)	($ 6,431)	($ 7,230)	($ 10,859)	($ 9,247)	($ 9,891)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	$ 30	$ 21	$ 15	$ 23	$ 34
Provision for Uncollectible Accounts	48	9	(4)	(5)	75
Operating Expense (Interest Expense) Classified as Noncapital Financing Act.	19,116	19,670	20,466	19,764	22,497
Changes In Assets and Liabilities:					
Decrease (Increase) in Mortgage Loans Receivables	18,421	(20,567)	(5,528)	26,080	28,206
Decrease (Increase) in Other Accounts Receivables	(23)	321	(479)	793	186
Decrease (Increase) in Due From Other Funds			1	(1)	11
Decrease (Increase) in Investments					
Decrease (Increase) in Prepaid Items		32	(0)	(8)	4
Decrease (Increase) in Deferred Charges	101	101	101	101	101
Decrease (Increase) in Other Assets	(314)	(210)	(67)	(236)	352
Decrease (Increase) in Accounts Payable and Other Accrued Liabilities	(164)	(297)	(12)	(124)	(1,033)
Decrease (Increase) in Compensated Absences	50	(119)	(48)	30	52
Decrease (Increase) in Other Postemployment Benefits	66	80			
Decrease (Increase) in Due to Other Funds	60	(66)	(139)	(88)	(2)
Decrease (Increase) in Due to Other Governments	(30)	38	2	(4)	
Decrease (Increase) in Tax and Other Deposits			(1)		
Decrease (Increase) in Unearned Revenues		(1)	(10)	(25)	(60)
Total Adjustments	$ 37,363	($ 987)	$ 14,295	$ 46,298	$ 50,423
Net Cash Provided by Operating Activities	$ 30,932	($ 8,217)	$ 3,437	$ 37,051	$ 40,532

Noncash Investing, Capital and Financing Activities
Other (Residual Equity Transfer)
Total Noncash Investing, Capital and Financing Activities

Source: Department of Veterans Affairs

Table III-21
VETERANS HOUSING LOAN PROGRAM
BONDS ISSUED AND RELATED RATES OF INTEREST [a]
(On Bonds Issued to December 15, 2009)

Bonds Dated	Amount of Issue	Interest Rate Paid by the State[b]	Interest Rate Charged to Veterans[c]
4/01/85	$290,955,000	9.49%	10.60%
5/22/86	38,185,500	7.78	8.55
7/01/88	15,000,000	7.87	8.55
1/01/89	20,000,000	7.98	8.55
8/01/89	20,000,000	7.22	7.85
3/01/90	20,000,000	7.60	8.25
10/01/90	20,000,000	7.62	8.25
4/01/91	30,000,000	7.36	8.10
6/01/92	30,000,000	6.56	7.40
10/15/93	20,000,000	5.40	5.25[d]
9/15/94	45,000,000	6.62	7.25
2/15/95	29,625,000	6.46	7.45
10/15/95	42,850,000	5.58	6.55
5/15/96	45,000,000	6.07	7.00
10/15/96	30,000,000	5.93	6.90
3/15/1997	45,000,000	5.97	6.90
9/15/1997	45,000,000	5.41	6.40
9/15/1997	45,000,000	7.30	6.40[e]
5/15/1998	30,565,000	5.41	6.65
5/15/1998	34,005,000	6.93	6.65[e]
10/15/1998	6,155,000	4.87	6.50
10/15/1998	55,000,000	6.37	6.50[e]
5/01/1999	40,000,000	7.14	6.85[e]
11/01/1999	65,000,000	7.75	7.80[e]
7/01/2000	35,000,000	8.02	7.90[e]
2/21/2001	15,000,000	7.00	6.80[e]
6/15/2001	20,000,000	6.96	7.00[e]
10/1/2001	20,000,000	6.80	6.80[e]
3/26/2002	15,000,000	6.25	6.50[e]
6/12/2002	20,000,000	6.25	6.50[e]
9/26/2002	13,000,000	5.25	5.65
12/30/2002	15,000,000	5.25	5.75
4/1/2003	81,630,000	4.62/4.73	5.30/5.75
7/24/2003	30,000,000	4.35	5.35/5.75/5.30
8/26/2004	20,000,000	5.65	6.15
4/7/2005	5,000,000	5.40	5.99
8/2/2006	61,685,000	5.06	6.00
10/31/2007	20,570,000	4.66	6.00
5/30/2008	4,445,000	4.90	6.00
6/26/2008	19,855,000	4.80	5.75

[a] Does not include bonds issued solely to fund HILP loans.
[b] Reflects the true interest cost rate for the associated series of bonds.
[c] Includes an add-on to cover lender's fees, DVA administrative costs, and a reserve for self-insurance.
[d] A subsidy resulting from refunding savings is being used to cover the difference between the debt service on the bonds and cash flow from the mortgages. In addition, the subsidy covers the lender's fees, DVA administrative costs, and a reserve for self-insurance.
[e] In setting the interest rate charged to the borrower for a loan made with the proceeds of certain Taxable Veterans Mortgage Bonds, DVA has chosen to apply a subsidy from the primary mortgage home loan program. The result is that the lending rate may be lower than the true interest cost rate on the respective Taxable Veterans Mortgage Bond issue.

Source: Departments of Administration and Veterans Affairs

Table III-22
VETERANS HOUSING LOAN PROGRAM
60+ DAY LOAN DELINQUENCIES

	Month Ending	Principal Amount Outstanding	Number of Loans Outstanding	60+ Day Delinquent Loans	Percent of Total
2006	January	$260,174,703	4,288	42	0.98%
	February	259,332,115	4,231	42	0.99
	March	258,001,047	4,165	37	0.89
	April	255,625,309	4,093	30	0.73
	May	252,844,330	4,024	31	0.77
	June	251,428,981	3,950	28	0.71
	July	248,536,715	3,890	30	0.77
	August	246,721,899	3,825	27	0.71
	September	246,705,072	3,781	28	0.74
	October	246,430,501	3,721	28	0.75
	November	246,910,805	3,693	32	0.87
	December	247,745,088	3,650	28	0.77
2007	January	246,922,395	3,601	27	0.75
	February	247,626,268	3,566	28	0.79
	March	248,305,638	3,525	25	0.71
	April	248,848,115	3,477	21	0.60
	May	248,719,529	3,432	23	0.67
	June	251,503,500	3,409	28	0.82
	July	252,665,761	3,369	31	0.92
	August	259,169,908	3,364	23	0.68
	September	260,258,220	3,341	31	0.93
	October	264,692,722	3,337	25	0.75
	November	268,644,679	3,330	26	0.78
	December	269,434,460	3,305	24	0.73
2008	January	268,642,924	3,280	30	0.91
	February	267,031,321	3,239	31	0.96
	March	267,464,437	3,197	34	1.06
	April	265,630,295	3,143	26	0.83
	May	266,207,394	3,098	28	0.90
	June	270,926,895	3,100	33	1.06
	July	273,186,362	3,084	32	1.04
	August	280,544,886	3,079	27	0.88
	September	285,208,863	3,082	28	0.91
	October	288,101,465	3,068	29	0.95
	November	290,881,437	3,077	32	1.04
	December	292,796,657	3,059	35	1.14
2009	January	289,735,326	3,006	30	1.00
	February	283,672,968	2,929	30	1.02
	March	278,136,522	2,859	37	1.29
	April	269,781,496	2,765	38	1.37
	May	262,391,271	2,689	36	1.34
	June	255,155,123	2,619	36	1.37
	July	255,176,546	2,581	35	1.36
	August	253,214,494	2,548	34	1.33
	September	252,351,979	2,530	34	1.34
	October	248,835,344	2,485	34	1.37

Source: Department of Veterans Affairs

Table III-23
DEBT SERVICE SCHEDULE ON STATE GENERAL OBLIGATION BONDS ISSUED TO FUND VETERANS HOUSING AND HILP LOANS
(December 15, 2009)

Fiscal Year (Ending June 30)	Principal	Interest	Total Debt Service
2010[a]	$ 3,205,000	$ 7,207,880	$ 10,412,880
2011	8,400,000	14,155,626	22,555,626
2012	8,870,000	13,766,987	22,636,987
2013	9,260,000	13,353,838	22,613,838
2014	9,720,000	12,917,834	22,637,834
2015	7,220,000	12,511,087	19,731,087
2016	9,050,000	12,103,431	21,153,431
2017	29,595,000	11,418,386	41,013,386
2018	8,825,000	10,248,778	19,073,778
2019	7,545,000	9,774,406	17,319,406
2020	11,490,000	9,277,835	20,767,835
2021	11,755,000	8,664,841	20,419,841
2022	12,465,000	8,026,392	20,491,392
2023	13,005,000	7,350,184	20,355,184
2024	13,890,000	6,634,542	20,524,542
2025	13,360,000	5,880,041	19,240,041
2026	17,960,000	5,140,996	23,100,996
2027	15,665,000	4,173,835	19,838,835
2028	9,030,000	3,477,643	12,507,643
2029	8,635,000	2,955,844	11,590,844
2030	8,500,000	2,472,037	10,972,037
2031	8,250,000	2,006,428	10,256,428
2032	7,115,000	1,592,758	8,707,758
2033	7,015,000	1,238,460	8,253,460
2034	5,785,000	888,241	6,673,241
2035	4,745,000	632,465	5,377,465
2036	4,420,000	400,790	4,820,790
2037	3,365,000	180,020	3,545,020
2038	245,000	12,005	257,005
TOTALS	$278,385,000	$188,463,606	$466,848,606

[a] For the fiscal year ending June 30, 2010, the table includes debt service amounts for the period December 15, 2009 through June 30, 2010.

Source: Department of Administration

Table III-24
VETERANS HOUSING LOAN PROGRAM
TOTAL LOANS BY COUNTY
(Through October 2009)

County	Number of Loans	% of Total Loans	County	Number of Loans	% of Total Loans
Adams	152	0.27%	Marinette	314	0.57%
Ashland	106	0.19	Marquette	77	0.14
Barron	437	0.79	Menominee	16	0.03
Bayfield	105	0.19	Milwaukee	9,516	17.19
Brown	3,052	5.51	Monroe	492	0.89
Buffalo	100	0.18	Oconto	324	0.59
Burnett	80	0.14	Oneida	384	0.69
Calumet	377	0.68	Outagamie	2,159	3.90
Chippewa	525	0.95	Ozaukee	579	1.05
Clark	211	0.38	Pepin	55	0.10
Columbia	521	0.94	Pierce	377	0.68
Crawford	124	0.22	Polk	252	0.46
Dane	4,473	8.08	Portage	781	1.41
Dodge	837	1.51	Price	147	0.27
Door	251	0.45	Racine	2,180	3.94
Douglas	551	1.00	Richland	119	0.22
Dunn	338	0.61	Rock	2,228	4.03
Eau Claire	1,248	2.25	Rusk	176	0.32
Florence	8	0.01	St. Croix	621	1.12
Fond du Lac	1,280	2.31	Sauk	534	0.96
Forest	31	0.06	Sawyer	71	0.13
Grant	404	0.73	Shawano	319	0.58
Green	336	0.61	Sheboygan	1,370	2.48
Green Lake	151	0.27	Taylor	108	0.20
Iowa	225	0.41	Trempeleau	218	0.39
Iron	37	0.07	Vernon	170	0.31
Jackson	221	0.40	Vilas	123	0.22
Jefferson	764	1.38	Walworth	668	1.21
Juneau	204	0.37	Washburn	142	0.26
Kenosha	1,435	2.59	Washington	1,096	1.98
Kewaunee	148	0.27	Waukesha	2,773	5.01
LaCrosse	1,328	2.40	Waupaca	471	0.85
Lafayette	133	0.24	Waushara	164	0.30
Langlade	127	0.23	Winnebago	2,125	3.84
Lincoln	225	0.41	Wood	1,122	2.03
Manitowoc	1,165	2.11	Total	55,344	100.00
Marathon	1,363	2.46			

Source: Department of Veterans Affairs.

Table III-25
OUTSTANDING TAX-EXEMPT VETERANS MORTGAGE BONDS
SUBJECT TO SPECIAL REDEMPTION

Series	Dated Date	Maturities	Original Par Amount May	Original Par Amount November	Par Amount Outstanding[a] May	Par Amount Outstanding[a] November	Coupon
1993 Series 6	10/15/93	1994	$ 210,000	$ 165,000			2.70/2.80%
		1995	170,000	170,000			3.30
		1996	175,000	175,000			3.65
		1997	180,000	185,000			3.85
		1998	185,000	195,000			4.00
		1999	195,000	195,000			4.10
		2000	205,000	210,000			4.20
		2001	210,000	220,000			4.30
		2002	220,000	230,000			4.45
		2003	230,000	240,000			4.55
		2004	240,000	250,000			4.65
		2005	255,000	260,000			4.75
		2006	270,000	270,000			4.85
		2010	2,125,000				5.15
		2013	2,150,000				5.25
		2016	10,215,000		$ 5,275,000		5.30
1998 Series E	10/15/98	2012	950,000				4.60
		2013	950,000				4.70
		2014	995,000				4.80
		2015	1,050,000				4.75
		2016	1,100,000		940,000		4.75
		2017	1,155,000		985,000		4.80
1999 Series 1	05/01/99	2008	860,000				4.60
		2009	935,000				4.70
		2010	980,000		555,000		4.80
		2011	1,030,000		585,000		5.00
		2012	1,100,000		625,000		5.00
		2015	3,880,000		2,200,000		5.10
		2020	7,005,000				5.30
2003 Series 2	04/01/03	2007	545,000				2.45
		2008	565,000				2.85
		2009	575,000				3.20
		2010	595,000		595,000		3.50
		2011	620,000		620,000		3.80
		2012	640,000		640,000		3.95
		2013	665,000		665,000		4.00
		2014	695,000		695,000		4.05
		2015	720,000		720,000		4.15
		2016	750,000		750,000		4.25
		2017	785,000		785,000		4.35
		2018	815,000		815,000		4.50
		2019	855,000		855,000		4.60
		2020	890,000		890,000		4.65
		2021	935,000		935,000		4.80
		2024	3,090,000		3,090,000		5.00
2003 Series 3	10/30/03	2004		$ 2,325,000			1.25%
		2005		2,345,000			1.55
		2006		2,395,000			1.85
		2007		2,430,000			2.25
		2013		16,210,000		$ 11,150,000	3.50
		2025		13,000,000		13,000,000	5.00
		2026		29,185,000		29,185,000	5.00

Table III-25 — Continued
OUTSTANDING TAX-EXEMPT VETERANS MORTGAGE BONDS
SUBJECT TO SPECIAL REDEMPTION

Series	Dated Date	Maturities	Original Par Amount May	Original Par Amount November	Par Amount Outstanding[a] May	Par Amount Outstanding[a] November	Coupon
2006 Series C	08/02/06	2008	$ 950,000				4.00
		2009	790,000				4.50
		2010	845,000		$ 845,000		4.50
		2011	890,000		890,000		4.50
		2012	960,000		960,000		4.50
		2013	1,010,000		1,010,000		4.50
		2014	1,075,000		1,075,000		4.50
		2015	1,145,000		1,145,000		4.50
		2016	1,220,000		1,220,000		4.50
		2017	1,300,000		1,300,000		4.60
		2018	1,375,000		1,375,000		4.60
		2019	1,470,000		1,470,000		4.60
		2020	1,555,000		1,555,000		5.00
		2021	1,660,000		1,660,000		5.00
		2022	1,770,000		1,770,000		5.00
		2023	1,880,000		1,880,000		5.00
		2024	2,000,000		2,000,000		5.00
		2025	2,120,000		2,120,000		5.00
		2027	4,670,000		4,670,000		4.80
		2031	11,260,000		11,260,000		5.00
		2037	21,740,000		21,740,000		5.00
2007 Series 2	10/31/07	2008	60,000	120,000			3.50
		2009	130,000	130,000			3.55
		2010	135,000	140,000	135,000	135,000	3.63
		2011	145,000	145,000	145,000	145,000	3.70
		2012	155,000	155,000	150,000	155,000	3.80
		2013	165,000	165,000	160,000	165,000	3.85
		2014	170,000	180,000	165,000	180,000	3.95
		2015	180,000	570,000	175,000	565,000	4.05
		2016	195,000	6,715,000	190,000	6,620,000	4.13
		2017	205,000	210,000	205,000	205,000	4.25
		2022		2,510,000		2,475,000	4.38
		2027		4,155,000		4,095,000	4.50
2007 Series 3	10/31/07	2025	3,835,000		3,790,000		5.00
2008 Series 1	06/26/08	2009	160,000	180,000			2.30/2.35
		2010	185,000	190,000	185,000	190,000	2.60/2.65
		2011	195,000	205,000	195,000	205,000	2.95/3.00
		2012	210,000	215,000	210,000	215,000	3.25/3.30
		2013	220,000	200,000	220,000	200,000	3.45
		2014	235,000		235,000		3.60
		2015	250,000		250,000		3.75
		2016	100,000		100,000		3.88
		2017	175,000		175,000		4.00
		2018	400,000		400,000		4.13
		2018	14,680,000		14,680,000		4.75
		2023		175,000		175,000	4.75

[a] As of December 15, 2009.

Source: Department of Administration

Table III-26
SUMMARY OF PREPAYMENTS ON VETERANS HOUSING AND HILP LOANS FUNDED WITH VETERANS MORTGAGE BONDS

Prepayments October 2006-September 2009

Mortgage Pool	Interest Rate Charged to Veterans	October 2006 - March 2007	April 2007 - September 2007	October 2007 - March 2008	April 2008 - September 2008	October 2008 - March 2009	April 2009 - September 2009
Tax-Exempt Veterans Mortgage Bonds							
1993 Series 6	5.25	$ 172,746.41	$ 423,724.50	$ 159,051.92	$ 289,976.63	$ 161,525.56	$ 226,447.77
1993 Series 5	5.25	408,706	1,044,288	406,473	663,939	338,166	283,396
1994 Series C	7.25	167,808	294,700	34,351	-	-	-
1994 Series 1	6.00	752,935	742,259	586,749	915,469	871,933	341,166
1994 Series 3		17,249	29,734	16,181	2,942	-	-
1995 Series B	7.45	1,370	92,402	691	645	-	-
1995 Series 1	7.45	79,161	94,743	1,385	-	-	-
1995 Series 2	6.55	217,857	166,174	184,850	-	-	-
1996 Series B	7.00	107,042	24,795	319,610	182,481	41,631	-
1996 Series D	6.90	18,203	113,331	351,536	86,043	3,363	-
1997 Series A	6.90	105,809	179,556	5,031	3,846	3,323	-
1997 Series 1	6.90	364,432	38,475	213,436	160,321	-	-
1997 Series C	6.40	301,626	450,023	327,790	220,431	155,324	-
1998 Series B	6.65	274,540	203,192	137,648	489,327	287,074	330,406
1998 Series E	6.50	90,017	72,149	23,173	53,153	68,866	89,989
1999 Series 1	N/A	107,556	84,307	51,655	49,145	77,989	93,822
2003 Series 2	5.75	236,579	288,933	120,201	179,684	283,128	376,560
2003 Series 3	5.30	1,160,550	1,344,991	913,154	1,076,906	1,071,754	1,885,344
2006 Series C	6.00/6.25	447,969	547,616	928,130	1,545,669	5,165,941	7,427,119
2007 Series 2	5.65/6.00	N/A	-	1,638	95,655	241,290	985,983
2007 Series 3	5.65/6.00	N/A	-	334	19,520	49,239	201,203
2008 Series 1	5.75	N/A	N/A	-	2,418	889,947	1,368,687
2008 Series 2	5.75	N/A	N/A	-	253	80,189	-
Equity Pool	N/A	898,226	1,107,684	507,559	1,384,332	2,676,981	5,719,978
	Subtotal:	$ 5,930,381	$ 7,343,078	$ 5,290,624	$ 7,422,156	$ 12,467,663	$ 19,330,101
Taxable Veterans Mortgage Bonds							
1997 Series D	6.40%	666,640	39,164	68,964	459,565	494,860	912,314
1998 Series C	6.65	235,536	133,376	154,094	343,962	242,342	293,631
1998 Series F	6.50	537,950	518,266	402,751	515,910	629,799	955,083
1999 Series B	6.85	149,953	91,890	258,685	376,885	78,197	145,710
1999 Series D	7.80	353,732	447,381	(33,449)	63,824	228,278	239,433
2000 Series B	7.90	39,150	49,189	1,139	155,663	84,480	39,460
2000 Series E	6.80	42,962	24,849	30,691	5,168	27,480	7,534
2001 Series A	7.00	63,400	246,642	188,320	113,225	118,452	320,859
2001 Series D	7.00	76,020	148,114	37,630	26,099	57,789	371,346
2001 Series E	6.80	356,901	87,664	600,307	554,430	394,188	272,558
2002 Series B	6.50	479,417	231,111	279,333	368,890	505,576	638,034
2002 Series D	6.50	186,001	128,186	86,427	554,486	343,945	504,980
2002 Series E	5.65	71,315	(23,480)	34,280	16,142	28,770	76,247
2002 Series F	5.65	440,160	200,700	60,711	504,963	462,094	1,651,627
2002 Series H	5.75	106,226	546,276	192,792	384,139	953,091	1,300,069
2003 Series 1	N/A	81,708	125,081	39,984	69,203	53,748	14,071
2003 Series B	5.35/5.75/5.30	1,245,926	786,555	859,341	619,991	1,677,118	3,223,573
2004 Series B	5.35	40,483	51,719	123,333	29,327	59,925	74,511
2004 Series C	5.65	4,648	87,964	141,050	-	75,807	102,911
2004 Series D	6.15	66,327	3,452	331,508	100,026	755,813	595,182
2005 Series C	5.99	15,273	278,545	11,820	2,195	16,447	204,549
2006 Series B	6.75/7.25	-	136,123	142,136	47,265	205,149	221,871
2008 Series B	6.00	N/A	N/A	-	4,399	410,863	9,965
	Subtotal:	$ 5,259,728	$ 4,338,764	$ 4,011,846	$ 5,315,758	$ 7,904,208	$ 12,175,518
	Total:	$ 11,190,109	$ 11,681,842	$ 9,302,470	$ 12,737,915	$ 20,371,870	$ 31,505,619

Source: Department of Veterans Affairs.

PART IV

MASTER LEASE CERTIFICATES OF PARTICIPATION

This Part IV of the 2009 Annual Report provides information about master lease certificates of participation (**Certificates**) issued under the State of Wisconsin Master Lease Program (**Program**).

Total Outstanding Balance (12/15/2009)	$63,871,327
Ratings[(a)] (Fitch/Moody's/Standard & Poor's)	
Certificates	A+/A1[(b)]/AA-

[(a)] The ratings presented reflect the ratings assigned to the Certificates without regard to any bond insurance policy. No information is provided in the 2009 Annual Report about any rating assigned to any Certificates based on any bond insurance policy.

[(b)] On March 17, 2008, Moody's Investors Services, Inc. changed its rating outlook on the State's master lease certificates of participation from "stable" to "negative"

The Certificates are issued and secured by a Master Indenture, dated as of July 1, 1996 (**Master Indenture**), among the State of Wisconsin, acting by and through the Department of Administration (**State**), Firstar Bank Milwaukee, N.A., now known as U.S. Bank National Association (**Lessor**), and Firstar Trust Company, also now known as U.S. Bank National Association, as trustee (**Trustee** and **Paying Agent**).

The Certificates evidence a proportionate interest in certain lease payments to be made by the State for the rental of certain equipment items and service contracts. These equipment items and service contracts are purchased under the Third Amended and Restated Master Lease, dated as of April 28, 2000 (**Master Lease**), between the Lessor and the State.

The full faith and credit of the State are not pledged to the payment of the Certificates, and the Certificates do not constitute debt of the State or any of its subdivisions. The State is not obligated to levy or pledge any tax to make the payments required under the Lease, but payments are required from legally available funds, subject to annual appropriation.

The Capital Finance Office, which is part of the Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing and finance programs. The law firm of Foley & Lardner LLP provides bond counsel services to the State for the Program and for the issuance of the Certificates. The firm of Public Financial Management, Inc. provides financial advisory services to the State for the Program.

Requests for additional information about the Program or Certificates may be directed as follows:

Contact: Capital Finance Office
Attn: Capital Finance Director
Phone: (608) 266-2305
Mail: State of Wisconsin Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Web site: www.doa.wi.gov/capitalfinance

The 2009 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part IV of the 2009 Annual Report may differ

from that of the same terms used in another part. Any information or resource referred to in this 2009 Annual Report is not part of this 2009 Annual Report unless expressly included by reference.

OUTSTANDING CERTIFICATES

The Trustee, with the consent of the State and pursuant to the Master Indenture, has issued Certificates on the dates and in the amounts shown in Table IV-1. The table includes the outstanding principal balances as of December 15, 2009 and only includes Certificates that have an outstanding balance as of that date.

Table IV-1

OUTSTANDING MASTER LEASE CERTIFICATES OF PARTICIPATION BY ISSUE
(As of December 15, 2009)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed-Rate Master Lease COPs				
2006- Master Lease COPs Series A	8/31/06	2007-16	$71,400,000	$ 32,739,059 [a]
Total Fixed-Rate Master Lease COPs				$ 32,739,059
Variable-Rate Master Lease COPs[b]				
2007- Master Lease COPs Series A	6/22/07	2020	$50,000,000	$ 18,936,144
Master Lease COPs Series B	9/1/07	2017		6,024,507
2008- Master Lease COPs Series A	9/2/08	2017		6,171,618
Total Variable-Rate Master Lease COPs				$ 31,132,268
TOTAL MASTER LEASE COPS.....				$ 63,871,327

[a] The Master Lease provides that certain Lease Schedules may be terminated if the State deposits with the Trustee an amount that is equal to the outstanding amount of the Lease Schedule or that is sufficient to purchase investments that mature on dates and in amounts to make the Lease Payments when due. The principal amount of Certificates for which payment has been provided is treated as not outstanding for purposes of this table.

[b] These series of Master Lease Certificates of Participation evidence the State's repayment of a revolving credit facility in the amount of $50,000,000 that the State utilizes for acquisition funding for the Program. See "SECURITY FOR CERTIFICATES; Two-Phase Financing Structure".

THE MASTER LEASE PROGRAM

General

The Program, which was created in 1992, permits the State to acquire tangible property, and in certain situations, intangible property or prepaid service items (**Leased Items**), for State agencies through installment purchase contracts. Particular Leased Items are described in schedules that are prepared under the Master Lease (**Lease Schedules)**. The Program is available for all State agencies. Through the period ending December 15, 2009, 16 of the 18 State departments, the Legislature, the Supreme Court, and various other State bodies have used the Program to acquire approximately $515 million of Leased Items.

Program Structure

The Master Lease and the Master Indenture establish the structure of the Program. The Master Lease contains general terms and conditions applicable to both the Program and Lease Schedules entered into by the Lessor and the State. A supplemental indenture creates a particular series of Certificates. See "SUMMARY OF THE MASTER LEASE".

The Master Indenture establishes a trust (**Trust**) comprising certain Lease Schedules, rents, and other payments the State is required to make under the Master Lease (**Lease Payments**), Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted in the

Master Lease. The Trust serves as a common pool of collateral, ratably securing all present and future Certificates. See "SUMMARY OF THE MASTER INDENTURE".

Program Operations

The Program structure places within the State of Wisconsin Department of Administration **(DOA** or **Department of Administration)** centralized control of day-to-day operations:

- Functions related to Program administration, review of requests to use the Program, and day-to-day Program operations occur in the Capital Finance Office.
- Functions related to reviewing requests to use the Program and biennial budget preparation occur in the State Budget Office.
- Functions related to collecting Lease Payments occur in the State Controller's Office.

Each of these offices is part of the Department of Administration's Division of Executive Budget and Finance.

To use the Program to acquire a Leased Item, a state agency submits a written request to the Capital Finance Office. This request is reviewed and approved by the Capital Finance Office, State Budget Office, and the Secretary of the Department of Administration. Requests that include information technology items, including but limited to development of software or related systems, are also reviewed by the Department of Administration's Division of Enterprise Technology. Requests that include energy performance contracts in State-owned buildings must be for a project that has been approved by the Department of Administration's Division of State Facilities. The review process includes a determination by the Capital Finance Office that lease financing is the best alternative for the particular circumstance and a determination by the State Budget Office that current resources are available to make the Lease Payments due in the current fiscal year. Upon receiving approval to use the Program, the agency completes procurement of the Leased Item in compliance with State procurement requirements.

Upon acceptance of the Leased Item, the agency forwards all related outstanding invoices to the Department of Administration for coordination of payment through the Program. Parallel to payment being made to the vendor, a Lease Schedule is prepared by the Department of Administration and executed by the State, the Lessor, and the State agency. This Lease Schedule is then added to the Master Lease. The Lease Schedule also identifies the budgetary appropriation from which the related Lease Payments will be made.

Lease Payments are collected by the State Controller's Office. Scheduled Lease Payments are automatically withdrawn from the appropriations identified by the agency and electronically wired to the Trustee.

State Appropriation Process

Lease Payments are not included in the State budget as a separate budget line item; rather, Lease Payments are included with other expenditures in one or more of an agency's existing budget lines. State law establishes procedures for the budget's enactment. See "BUDGETING PROCESS AND FISCAL CONTROLS" in Part II of this 2009 Annual Report for a summary of the budget enactment process and other financial procedures of the State. The State Budget Office review and approval of requests to use the Program helps assist in preparation of a biennial budget so that Lease Payments will not be mistakenly omitted from a biennial budget.

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. Under Wisconsin law an existing appropriation continues in effect until it is amended or repealed. Once a newly enacted budget becomes effective, the continuing authority of existing appropriations is superseded by the newly enacted appropriations.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. If an amount has been appropriated for the second fiscal year in one biennium, there will be continuing authority in the same amount until a new budget is enacted or some other legislative action is taken to amend or repeal the appropriation. The biennial budget for the 2009-10 and 2010-11 fiscal years was enacted on June 29, 2009, which was prior to the start of the 2009-10 fiscal year. Prior to that, the last ten biennial budgets of the State were enacted after the start of the biennium with the 2007-09 biennial budget being enacted on October 26, 2007, which was nearly four months after the start of the 2007-08 fiscal year.

The Department of Administration maintains separate accounts for all appropriations, showing the amounts appropriated, the amounts allotted, the amounts encumbered, the amounts expended, and certain other data necessary to the financial management and control of all State accounts. The Department of Administration also maintains the general ledgers of the General Fund and all other funds of the State.

SECURITY FOR CERTIFICATES

General

The Certificates represent a proportionate interest in Lease Payments required to be made by the State under the Master Lease. The Master Lease requires the State to make Lease Payments from any source of legally available funds, subject to annual appropriation. The scheduled Lease Payments are sufficient to pay when due the semiannual principal and interest payments on all outstanding Certificates.

The obligation of the State to make Lease Payments does not constitute an obligation for which the State is obligated to levy or pledge any form of taxation or for which the State has levied or pledged any form of taxation. The obligation of the State to make Lease Payments does not constitute debt of the State. Lease Payments are required from legally available funds, subject to annual appropriation. See "RISK FACTORS".

Common Pool of Collateral

Under the Master Indenture, the Lessor has assigned to the Trustee, for the benefit of all owners of Certificates, all its rights in the following:

- The funds and accounts created by the Master Indenture.
- The Lease Schedules specified in supplemental indentures.
- All Lease Payments, Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted in the Master Lease.

All Leased Items serve as a common pool of collateral, ratably securing all present and future Certificates. All Certificates are secured by all Leased Items, regardless of their funding source or the time at which the Program finances them. If the Legislature fails to appropriate necessary funds for the continued performance of the State's obligations under any Lease Schedule or if an event of default occurs under the Master Lease, then an event of default exists with respect to all outstanding Certificates. Once a Lease Schedule is fully paid, the Leased Item covered by the Lease Schedule no longer serves as collateral.

In the opinion of Bond Counsel, the transfer of Lease Schedules by the Lessor to the Trustee constitutes a true sale and not a secured transaction. The State's obligation to make Lease Payments does not depend upon any service provided by the Lessor, and thus the transfer of Lease Schedules would be unaffected by any insolvency of the Lessor.

Reserve Fund

The Master Indenture allows a reserve fund to be established for any specific series of Certificates. As of December 15, 2009, no reserve fund has been established for any series of outstanding Certificates. In the event that the Department of Administration were to establish a reserve fund under the Master Indenture, the amounts in the reserve fund would only be available to the series of Certificates for which the reserve fund were established.

Governmental Use

In connection with each Lease Schedule, the State certifies that each Leased Item will be used to perform a governmental function. Many of the Leased Items will perform critical governmental functions, but the State does not certify that the Leased Items perform any "essential" functions. Examples of Leased Items currently existing in the Trust include components to the State's integrated tax collection system, expansion of the State's central mainframe computer, various information technology items that provide various automated services and information technology upgrades for the State, and energy conservation projects for state-owned buildings. See "TABLE IV-2; Outstanding Master Lease Schedules."

Centralized Control and Review

The Program structure allows one division within the Department of Administration to centrally administer many Program activities. Program functions related to administration, review, and day-to-day operations occur in the Capital Finance Office. Program functions related to review and biennial budget preparation occur in the State Budget Office. Program functions related to collection of Lease Payments occur in the State Controller's Office. Each of these offices is part of the Division of Executive Budget and Finance.

Two-Phase Financing Structure

The State typically uses a two-phase financing structure for the Program. In the first (or acquisition) phase, all Leased Items are initially financed with proceeds from a revolving credit facility. The revolving credit facility is a line of credit, and the State, acting on behalf of the Trustee, requests draws from the revolving credit facility to pay for the acquisition of Leased Items. Certificates have been issued to the current provider of this revolving credit facility to evidence the State's repayment of balances under the facility. The provider of the facility is currently Dexia Credit Local, acting through its New York Branch. The State pays interest on funds drawn from the facility based on a variable basis that is a taxable interest rate; funds drawn from the facility prior to March 2009 provided for the State to pay interest based on either a taxable or tax-exempt interest rate.

In the second phase, the State, acting on behalf of the Trustee, may sell additional Certificates to fund all, or a portion, of the Lease Schedules previously funded with proceeds from the revolving credit facility. Since all Lease Schedules have already been accepted by the State, the Certificates issued as part of the second phase are not subject to nonorigination risk. The State last issued fixed-rate Certificates for this purpose in August 2006.

All sources of financing for the Program are issued under the Master Indenture. See "SECURITY FOR CERTIFICATES; Common Pool of Collateral".

Appropriation Process

The central control of the Program provides the State Budget Office with knowledge of all past, current, and pending scheduled Lease Payments due under the Master Lease. Lease Payments due under the Master Lease are not included in the State budget as a separate budget line item. Rather, Lease Payments due under the Master Lease are included with other expenditures in one or more of the existing budget line items for the participating agencies. The Secretary of the Department of Administration, under the direction of the Governor and with assistance from the State Budget Office, compiles all budget information and prepares an executive budget consisting of the planned operating expenditures and revenues of all State agencies.

State law establishes procedures for establishing and enacting a State budget. State law also provides that in the event a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time a new budget is enacted.

The Secretary of the Department of Administration has statutory power to order reductions in the appropriations of state agencies (which represent less than one-third of the General Fund budget). See "BUDGETING PROCESS AND FISCAL CONTROLS" in Part II of this 2009 Annual Report for additional information on the State's budget process.

Priority of Claims

The Master Lease includes representations that, if an emergency arises that requires the Department of Administration to draw vouchers for payment that will be in excess of available moneys, then the Secretary of the Department of Administration will establish a priority schedule for payments that gives a high priority to Lease Payments due under the Master Lease, but not higher than the priority given to payments on outstanding general obligations, operating notes, and State employee payroll. See "GENERAL FUND INFORMATION; General Fund Cash Flow" in Part II of this 2009 Annual Report.

RISK FACTORS

Nonappropriation

The State's obligation to make Lease Payments is subject to appropriation of the necessary funds by the Legislature. No assurance is given that sufficient funds will be appropriated or otherwise available to make the Lease Payments. A failure by the State to make a Lease Payment with respect to any Leased Item would cause the Master Lease to terminate with respect to all Leased Items. The State's obligation to make Lease Payments is not a general obligation of the State, and moreover, the obligation does not involve the State of Wisconsin Building Commission. Rather, the Master Lease is a contract entered into by the Department of Administration under separate statutory authority.

The Master Lease does not include a nonsubstitution clause. If the Legislature fails to appropriate necessary funds for the continued performance of the State's obligations under the Master Lease, the State is allowed to acquire and use similar items for the same function as the Leased Item for which no appropriation was made.

While it is possible that failure to make the Lease Payments might hinder the State's subsequent access to the capital markets, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for Lease Payments. See "SUMMARY OF THE MASTER LEASE" and "SUMMARY OF THE MASTER INDENTURE" for additional information about remedies available under the Master Lease and Master Indenture if no appropriation is made.

Essentiality of Leased Items

Although the State has made certain representations that each Leased Item serves a governmental function, it should be assumed that the State could function without any Leased Item.

Collateral Value of Leased Items

Although the State has provided a security interest in the Leased Items to the Trustee (for the benefit of the owners of Certificates), the Certificates are not offered on the basis of the collateral value of the Leased Items or the value of any other pledged asset (other than the Lease Payments). The term of the Lease Schedule is not permitted to exceed the useful life of the Leased Item; however, it should not be assumed that the value of the Leased Item at any particular time will exceed the portion of the remaining Lease Payments that will be applied to principal or that the existence of any excess would motivate the State to continue making Lease Payments. Typically it is difficult to realize the full value of collateral through sale of the collateral, and some of the Leased Items, such as service contracts, intangible property, or tangible property that is incorporated into real estate, may be impossible or difficult to sell.

Records that evidence the security interest are kept by the Department of Administration, separate and apart from the central record system of security interests kept by the State of Wisconsin Department of Financial Institutions under the Uniform Commercial Code.

Tax Exemption

Should the Master Lease be terminated, no assurance can be given that subsequent payments made by the Trustee with respect to the outstanding Certificates and designated as interest would be excluded from gross income for federal income tax purposes.

Applicability of Securities Law

Should the Master Lease be terminated, the transfer of a Certificate might be subject to compliance with the registration provisions of applicable federal and state securities laws, which could impair the liquidity of the Certificates.

Table IV-2
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2009)

Schedule Number	Origination Date	Maturity Date	Leased Item	Financed Amount	Principal Balance
00-031	4/28/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 1	$ 569,400.00	$ 267,277.29
00-032	4/28/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 2	1,450,000.00	680,632.36
00-045	5/18/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Biotron Facility	74,600.00	35,012.95
00-068	6/30/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Colleges Marathon County	32,594.00	14,803.97
00-073	7/19/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 1	624,000.00	292,464.05
00-074	7/19/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 2	1,800,000.00	843,646.34
00-081	8/7/2000	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 2	501,520.00	251,292.32
00-086	8/25/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Colleges Marathon County	102,562.00	46,915.63
00-095	9/29/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 1	312,000.00	142,035.87
00-096	9/29/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 2	750,000.00	340,670.17
00-097	9/29/2000	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 2	364,820.00	172,315.67
00-108	10/16/2000	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 3	413,798.00	195,741.41
00-120	11/2/2000	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 2	276,714.00	131,064.52
00-121	11/2/2000	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 3	292,169.21	138,386.96
00-128	11/22/2000	9/1/2015	WEI 3-Energy Perf Contract; Winnebago MHI	364,307.50	172,884.00
00-129	11/22/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Biotron Facility	131,710.25	59,882.54
00-130	11/22/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 1	450,000.00	204,594.17
00-131	11/22/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 2	1,200,000.00	545,584.47
00-132	11/22/2000	9/1/2015	WEI 3-Energy Perf Contract; UW-Colleges Waukesha County	78,880.00	37,432.91
00-135	12/18/2000	9/1/2015	WEI 3-Energy Perf Contract; Winnebago MHI	182,598.00	86,831.75
00-142	12/18/2000	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 3	516,614.64	245,668.41
00-144	12/18/2000	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 2	391,860.00	186,343.17
00-146	12/29/2000	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 2	351,434.00	167,273.36
00-147	12/29/2000	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 3	216,443.15	103,021.26
00-148	12/29/2000	9/1/2015	WEI 3-Energy Perf Contract; Winnebago MHI	79,455.00	37,818.52
00-149	12/29/2000	9/1/2015	WEI 3-Energy Perf Contract; UW-Colleges Waukesha County	85,000.00	40,457.76
00-151	12/29/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 1	452,800.00	205,600.93
00-152	12/29/2000	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 2	350,000.00	158,922.99
01-001	2/1/2001	9/1/2015	WEI 3-Energy Perf Contract; Winnebago MHI	33,274.50	15,881.97
01-007	2/1/2001	3/1/2016	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 4	794,500.00	398,125.18
01-008	2/1/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Colleges Marathon County	27,812.00	12,568.46
01-009	2/1/2001	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 3	140,829.20	67,217.90
01-010	2/1/2001	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 2	256,062.00	122,218.65
01-011	2/1/2001	9/1/2015	WEI 3-Energy Perf Contract; UW-Colleges Waukesha County	85,000.00	40,570.60
01-012	2/1/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 1	200,000.00	90,381.55
01-013	2/1/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 2	350,000.00	158,167.67
01-020	2/22/2001	3/1/2010	WEI 3-Energy Perf Contract; Jackson Correctional	17,046.00	1,093.21
01-025	3/27/2001	3/1/2016	WEI 3-Energy Perf Contract; Mendota MHI	160,584.00	80,968.10
01-029	3/27/2001	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 2	256,912.00	123,493.96
01-030	3/27/2001	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 3	129,036.87	62,026.22
01-031	3/27/2001	3/1/2016	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 4	93,375.00	47,106.53
01-033	3/27/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 2	998,500.00	454,592.14
01-034	3/27/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Biotron Facility	73,838.75	33,616.93
01-035	3/27/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 1	151,040.00	68,764.73
01-036	3/27/2001	9/1/2015	WEI 3-Energy Perf Contract; UW-Colleges Waukesha County	92,000.00	44,223.11
01-037	4/17/2001	3/1/2014	WEI 3-Energy Perf Contract; UW-Oshkosh	286,000.00	114,423.31
01-039	4/17/2001	9/1/2015	WEI 3-Energy Perf Contract; UW-Colleges Waukesha County	53,534.00	25,804.63
01-043	5/9/2001	9/1/2013	WEI 3-Energy Perf Contract; Green Bay Correctional	14,040.00	5,190.58
01-048	5/9/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 1	25,000.00	11,445.74
01-049	5/9/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 2	250,000.00	114,457.62
01-050	5/9/2001	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 2	50,477.20	24,393.15
01-051	5/9/2001	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 4	24,025.89	11,610.53
01-052	5/9/2001	3/1/2016	WEI 3-Energy Perf Contract; UW-Madison Sections 1 & 2	484,510.00	245,670.91
01-053	5/9/2001	3/1/2014	WEI 3-Energy Perf Contract; UW-Oshkosh	277,000.00	111,156.91
01-057	5/30/2001	9/1/2013	WEI 3-Energy Perf Contract; Green Bay Correctional	20,500.00	7,614.68
01-058	5/30/2001	3/1/2010	WEI 3-Energy Perf Contract; Jackson Correctional	55,707.00	3,662.10
01-059	5/30/2001	3/1/2016	WEI 3-Energy Perf Contract; Mendota MHI	153,466.00	78,121.96
01-065	5/30/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 2	88,700.00	40,780.99
01-066	5/30/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Biotron Facility	63,011.00	28,970.14
01-067	5/30/2001	3/1/2014	WEI 3-Energy Perf Contract; UW-Oshkosh	235,800.00	95,053.82
01-069	5/30/2001	3/1/2016	WEI 3-Energy Perf Contract; UW-Platteville	319,552.00	162,668.16
01-071	6/28/2001	9/1/2013	WEI 3-Energy Perf Contract; Green Bay Correctional	20,500.00	7,653.99
01-073	6/28/2001	3/1/2016	WEI 3-Energy Perf Contract; Mendota MHI	13,500.00	6,900.51
01-077	6/28/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 1	45,208.00	20,878.34
01-078	6/28/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 2	40,300.00	18,611.67
01-079	6/28/2001	3/1/2014	WEI 3-Energy Perf Contract; UW-Oshkosh	240,550.00	97,541.44
01-080	6/28/2001	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 2	36,145.20	17,613.85
01-081	6/28/2001	3/1/2016	WEI 3-Energy Perf Contract; UW-Platteville	442,300.00	226,081.26

Table IV-2—Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2009)

Schedule Number	Origination Date	Maturity Date	Leased Item	Financed Amount	Principal Balance
01-092	8/2/2001	3/1/2016	WEI 3-Energy Perf Contract; UW-Platteville	$ 138,000.00	$ 71,069.35
01-093	8/2/2001	3/1/2014	WEI 3-Energy Perf Contract; UW-Oshkosh	165,450.00	67,596.49
01-094	8/2/2001	3/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 1	307,262.00	158,238.50
01-095	8/2/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 2	22,150.00	10,311.34
01-104	8/31/2001	9/1/2013	WEI 3-Energy Perf Contract; Green Bay Correctional	7,490.00	2,833.41
01-105	8/31/2001	3/1/2014	WEI 3-Energy Perf Contract; UW-Oshkosh	107,950.00	44,282.72
01-106	8/31/2001	3/1/2016	WEI 3-Energy Perf Contract; Mendota MHI	28,700.00	14,828.46
01-107	8/31/2001	3/1/2016	WEI 3-Energy Perf Contract; UW-Platteville	278,000.00	143,634.45
01-110	9/28/2001	3/1/2016	WEI 3-Energy Perf Contract; UW-Madison Sections 1 & 2	435,980.00	226,000.28
01-117	9/28/2001	9/1/2015	WEI 3-Energy Perf Contract; Winnebago MHI	20,965.00	10,366.83
01-120	9/28/2001	3/1/2016	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 4	45,000.00	23,326.78
01-121	9/28/2001	3/1/2014	WEI 3-Energy Perf Contract; UW-Oshkosh	67,000.00	27,597.13
01-122	9/28/2001	3/1/2016	WEI 3-Energy Perf Contract; Mendota MHI	62,800.00	32,553.82
01-123	9/28/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 2	26,650.00	12,496.73
01-125	9/28/2001	9/1/2016	WEI 3-Energy Perf Contract; UW-Whitewater	666,242.00	358,910.03
01-133	11/21/2001	9/1/2016	WEI 3-Energy Perf Contract; UW-Whitewater	487,245.20	264,068.47
01-138	11/21/2001	3/1/2016	WEI 3-Energy Perf Contract; UW-Platteville	334,050.00	174,264.35
01-147	12/28/2001	3/1/2016	WEI 3-Energy Perf Contract; Mendota MHI	51,210.00	26,835.85
01-148	12/28/2001	9/1/2013	WEI 3-Energy Perf Contract; Green Bay Correctional	7,670.00	2,956.27
01-151	12/28/2001	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Biotron Facility	23,675.00	11,236.81
01-152	12/28/2001	3/1/2016	WEI 3-Energy Perf Contract; UW-Madison Sections 1 & 2	587,298.00	307,764.86
02-005	1/31/2002	9/1/2016	WEI 3-Energy Perf Contract; Southern Wisconsin Center	1,022,343.35	490,759.56
02-013	1/31/2002	9/1/2016	WEI 3-Energy Perf Contract; UW-Whitewater	1,081,226.20	519,025.34
02-014	1/31/2002	3/1/2016	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 4	81,075.00	37,463.79
02-015	1/31/2002	3/1/2016	WEI 3-Energy Perf Contract; UW-Madison Sections 1 & 2	227,500.00	105,124.98
02-019	2/21/2002	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 1	17,552.00	7,440.91
02-020	2/21/2002	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 2	21,655.60	9,636.35
02-025	2/21/2002	3/1/2016	WEI 3-Energy Perf Contract; UW-Madison Sections 1 & 2	100,000.00	46,447.77
02-027	2/21/2002	3/1/2014	WEI 3-Energy Perf Contract; UW-Oshkosh	50,250.00	18,907.71
02-028	2/21/2002	9/1/2016	WEI 3-Energy Perf Contract; UW-Whitewater	196,496.80	94,799.86
02-029	2/21/2002	9/1/2015	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 3	10,083.54	4,486.98
02-038	4/26/2002	3/1/2010	WEI 3-Energy Perf Contract; Jackson Correctional	12,479.00	845.24
02-043	4/26/2002	3/1/2016	WEI 3-Energy Perf Contract; UW-Madison Sections 1 & 2	225,000.00	106,191.23
02-044	4/26/2002	9/1/2016	WEI 3-Energy Perf Contract; UW-Whitewater	429,034.20	210,231.47
02-048	4/26/2002	3/1/2016	WEI 3-Energy Perf Contract; UW-Platteville	85,858.00	40,521.61
02-050	4/26/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 3	1,307,850.00	663,854.83
02-051	4/26/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Health	825,640.24	419,088.76
02-052	5/24/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Health	250,000.00	127,697.20
02-055	5/24/2002	9/1/2016	WEI 3-Energy Perf Contract; UW-Whitewater	142,872.90	70,481.52
02-056	5/24/2002	3/1/2016	WEI 3-Energy Perf Contract; Mendota MHI	32,340.00	15,369.08
02-059	5/31/2002	3/1/2017	WEI 3-Energy Perf Contract; Oshkosh Correctional	696,128.00	356,034.25
02-061	6/18/2002	9/1/2016	WEI 3-Energy Perf Contract; UW-Whitewater	127,832.05	63,423.40
02-062	6/18/2002	3/1/2017	WEI 3-Energy Perf Contract; Oshkosh Correctional	250,000.00	128,380.94
02-063	6/18/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 3	206,800.00	106,196.70
02-064	6/18/2002	3/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 2	31,000.00	14,819.20
02-071	6/18/2002	3/1/2016	WEI 3-Energy Perf Contract; Kings Veterans' Home	185,490.00	88,730.87
02-082	7/16/2002	9/1/2012	WEI 3-Energy Perf Contract; UW-Colleges Washington County	103,301.00	31,442.78
02-083	7/16/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-LaCrosse	79,754.00	41,239.77
02-084	7/16/2002	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	1,006,392.00	503,210.39
02-085	8/22/2002	9/1/2016	WEI 3-Energy Perf Contract; Southern Wisconsin Center	49,230.00	24,797.46
02-086	8/22/2002	3/1/2017	WEI 3-Energy Perf Contract; Oshkosh Correctional	124,032.00	64,589.73
02-087	8/22/2002	9/1/2016	WEI 3-Energy Perf Contract; UW-Whitewater	175,328.20	88,313.86
02-088	8/22/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Health	382,687.28	199,284.61
02-089	8/22/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 3	120,000.00	62,490.08
02-090	8/22/2002	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	229,500.00	115,600.54
02-104	9/13/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Health	682,701.48	355,111.45
02-105	9/13/2002	9/1/2016	WEI 3-Energy Perf Contract; UW-Whitewater	222,320.50	111,856.37
02-106	9/13/2002	9/1/2016	WEI 3-Energy Perf Contract; Southern Wisconsin Center	105,963.42	53,313.51
02-107	9/13/2002	3/1/2017	WEI 3-Energy Perf Contract; Oshkosh Correctional	553,036.00	287,665.16
02-108	9/13/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 3	575,550.00	299,375.96
02-109	9/13/2002	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	419,000.00	210,811.99
02-110	9/13/2002	9/1/2012	WEI 3-Energy Perf Contract; UW-Colleges Washington County	34,200.00	10,511.18
02-111	9/13/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-LaCrosse	96,300.00	50,091.07
02-112	9/13/2002	9/1/2017	WEI 3-Energy Perf Contract; Racine Correctional	597,251.20	320,027.63
02-113	9/13/2002	9/1/2013	WEI 3-Energy Perf Contract; UW-Stevens Point	75,777.00	27,855.13
02-126	10/24/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Health	30,641.00	15,900.95
02-127	10/24/2002	9/1/2017	WEI 3-Energy Perf Contract; Racine Correctional	361,201.60	193,092.89
02-128	10/24/2002	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	100,000.00	50,195.80

Table IV-2—Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2009)

Schedule Number	Origination Date	Maturity Date	Leased Item	Financed Amount	Principal Balance
02-129	10/24/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 3	$ 75,000.00	$ 38,920.77
02-130	10/24/2002	9/1/2014	WEI 3-Energy Perf Contract; Kettle Moraine Correctional	127,113.00	53,358.06
02-131	10/24/2002	9/1/2013	WEI 3-Energy Perf Contract; UW-Colleges Fox Valley	143,756.00	52,720.52
02-132	10/24/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	1,077,876.00	559,356.57
02-143	11/19/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-LaCrosse	63,250.00	32,768.68
02-144	11/19/2002	9/1/2013	WEI 3-Energy Perf Contract; UW-Stevens Point	65,090.00	23,831.25
02-146	11/19/2002	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	90,000.00	45,101.21
02-147	11/19/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Health	59,634.00	30,895.27
02-148	11/19/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 3	171,500.00	88,851.04
02-151	12/30/2002	9/1/2013	WEI 3-Energy Perf Contract; UW-Stevens Point	121,100.00	45,457.42
02-152	12/30/2002	3/1/2016	WEI 3-Energy Perf Contract; Kings Veterans' Home	13,010.00	6,518.50
02-153	12/30/2002	9/1/2013	WEI 3-Energy Perf Contract; UW-Colleges Fox Valley	36,500.00	13,701.05
02-154	12/30/2002	9/1/2014	WEI 3-Energy Perf Contract; Kettle Moraine Correctional	69,200.00	29,889.94
02-155	12/30/2002	3/1/2014	WEI 3-Energy Perf Contract; UW-Madison Health	39,220.00	16,091.47
02-156	12/30/2002	9/1/2017	WEI 3-Energy Perf Contract; Racine Correctional	189,187.30	105,233.24
02-157	12/30/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	120,000.00	64,698.23
02-158	12/30/2002	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	130,075.00	67,742.86
02-159	12/30/2002	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 3	103,000.00	55,532.64
02-163	12/30/2002	9/1/2016	WEI 3-Energy Perf Contract; Southern Wisconsin Center	42,633.43	22,203.40
03-001	1/24/2003	9/1/2017	WEI 3-Energy Perf Contract; Racine Correctional	41,851.50	23,417.37
03-002	1/24/2003	9/1/2014	WEI 3-Energy Perf Contract; Kettle Moraine Correctional	45,000.00	19,575.36
03-003	1/24/2003	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Health	51,670.00	28,027.58
03-004	1/24/2003	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	222,760.00	116,739.49
03-005	1/24/2003	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 3	82,800.00	44,913.57
03-011	2/14/2003	9/1/2013	WEI 3-Energy Perf Contract; UW-Stevens Point	77,200.00	29,382.52
03-016	2/28/2003	3/1/2016	WEI 3-Energy Perf Contract; UW-Milwaukee Phase 4	55,150.00	28,073.61
03-017	2/28/2003	3/1/2017	WEI 3-Energy Perf Contract; Oshkosh Correctional	16,880.00	9,237.99
03-020	2/28/2003	3/1/2018	WEI 3-Energy Perf Contract; UW-Colleges Marathon County	69,900.00	41,417.34
03-026	3/14/2003	3/1/2010	Development of E-WiSACWIS	324,211.90	1,597.90
03-029	3/14/2003	3/1/2010	Coach Bus	340,822.00	24,589.00
03-032	4/14/2003	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 3	85,000.00	47,037.33
03-033	4/14/2003	9/1/2017	WEI 3-Energy Perf Contract; Racine Correctional	38,911.40	22,199.77
03-034	4/14/2003	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Health	157,664.00	87,248.16
03-035	4/14/2003	9/1/2016	WEI 3-Energy Perf Contract; UW-Whitewater	35,496.15	18,988.43
03-039	4/14/2003	9/1/2013	WEI 3-Energy Perf Contract; UW-Stevens Point	27,980.00	10,853.83
03-046	7/31/2003	3/1/2018	WEI 3-Energy Perf Contract; UW-Eau Claire Phase 3	52,680.00	32,333.37
03-049	5/6/2003	3/1/2010	Coach Bus	340,822.00	25,164.87
03-050	5/6/2003	3/1/2010	Manure Handling Equipment - Waupun Farms	163,000.00	12,035.23
03-052	5/27/2003	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	306,308.00	165,711.98
03-053	5/27/2003	9/1/2012	WEI 3-Energy Perf Contract; UW-Colleges Washington County	8,025.00	2,628.19
03-055	5/27/2003	3/1/2010	Development of E-WISACWIS	265,726.00	1,414.11
03-057	6/19/2003	9/1/2013	WEI 3-Energy Perf Contract; Oakhill Correctional	172,414.90	68,260.62
03-061	6/19/2003	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	189,775.00	103,207.32
03-062	7/10/2003	9/1/2016	WEI 3-Energy Perf Contract; Southern Wisconsin Center	27,851.81	15,228.27
03-063	7/10/2003	3/1/2010	Development of E-WiSACWIS	291,680.70	1,581.63
03-066	7/10/2003	3/1/2017	WEI 3-Energy Perf Contract; UW-LaCrosse	19,432.00	10,983.82
03-067	7/10/2003	3/1/2010	Manure Handling Equipment - Waupun Farms	37,000.00	2,809.93
03-074	7/31/2003	3/1/2010	Development of E-WISACWIS	187,592.80	973.48
03-076	7/31/2003	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	250,000.00	142,096.93
03-077	7/31/2003	9/1/2013	WEI 3-Energy Perf Contract; UW-Stevens Point	11,740.00	4,729.10
03-079	8/20/2003	3/1/2010	Development of WiSACWIS Phase 2	1,055,797.00	2,982.39
03-083	8/20/2003	3/1/2010	Addition of Lavatories to Coach Buses	32,821.80	2,597.03
03-088	9/22/2003	9/1/2010	Development of WiSACWIS Phase 2	654,520.00	26,411.03
03-091	10/27/2003	9/1/2013	WEI 3-Energy Perf Contract; Oakhill Correctional	52,068.10	21,621.00
03-093	10/27/2003	3/1/2018	WEI 3-Energy Perf Contract; UW-Eau Claire	163,040.00	102,360.71
03-099	11/13/2003	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	130,000.00	77,842.30
03-100	12/11/2003	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	758,482.00	432,841.69
03-101	12/11/2003	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	254,050.00	149,641.97
03-102	12/11/2003	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Health	75,617.00	44,540.36
03-103	12/11/2003	9/1/2010	Development of WiSACWIS Phase 2	1,653,820.00	64,632.70
03-105	12/11/2003	3/1/2015	WEI 3-Energy Perf Contract; UW-Madison Charter Street Phase 2	22,500.00	11,382.35
04-001	1/16/2004	9/1/2010	Development of E-WiSACWIS-Internet Child	43,183.20	3,392.03
04-006	2/24/2004	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Health	31,633.00	19,006.46
04-007	2/24/2004	9/1/2010	Development of WiSACWIS Phase 2	229,658.00	9,944.53
04-008	2/24/2004	9/1/2010	Development of E-WiSACWIS	38,105.40	1,650.02
04-012	2/24/2004	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	277,000.00	161,345.14
04-013	2/24/2004	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	278,200.00	167,154.49
04-014	2/24/2004	3/1/2010	Manure Handling Equipment - Waupun Farms	9,454.00	819.93

Table IV-2—Continued
OUTSTANDING MASTER LEASE SCHEDULES
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Schedule Number	Origination Date	Maturity Date	Leased Item	Financed Amount	Principal Balance
04-016	3/23/2004	9/1/2010	Development of Statewide Child Welfare S	$ 1,586,770.00	$ 69,665.71
04-017	4/22/2004	3/1/2017	WEI 3-Energy Perf Contract; UW-Colleges Baraboo/Sauk	163,226.00	99,645.57
04-018	4/22/2004	3/1/2012	WEI 3-Energy Perf Contract; Dodge Correctional	144,800.00	49,725.40
04-021	4/22/2004	9/1/2015	WEI 3-Energy Perf Contract; UW-Madison Biotron Facility	6,165.00	3,393.98
04-031	6/10/2004	9/1/2010	Development of WiSACWIS Phase 2	119,434.00	5,443.20
04-032	6/10/2004	3/1/2018	WEI 3-Energy Perf Contract; UW-Eau Claire Phase 3	4,915.00	3,268.30
04-034	6/30/2004	3/1/2010	ITS Phase III, Release 2, Milestones 4-6	413,838.00	38,337.70
04-037	6/30/2004	9/1/2010	Development of WiSACWIS Phase 2	43,174.00	1,987.37
04-042	7/20/2004	9/1/2014	WEI 3-Energy Perf Contract; Ethan Allen School	210,757.00	110,401.94
04-043	8/20/2004	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	190,000.00	119,625.03
04-044	8/20/2004	9/1/2010	Development of WiSACWIS Phase 2	2,430,141.00	115,624.53
04-045	9/20/2004	9/1/2011	LED Sign	559,063.07	170,009.32
04-049	10/29/2004	9/1/2014	WEI 3-Energy Perf Contract; Ethan Allen School	122,991.00	64,128.77
04-050	10/29/2004	3/1/2012	WEI 3-Energy Perf Contract; Dodge Correctional	418,453.00	149,744.44
04-051	10/29/2004	3/1/2017	WEI 3-Energy Perf Contract; UW-Colleges Baraboo/Sauk	30,663.00	19,675.96
04-054	10/29/2004	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	175,000.00	112,294.77
04-055	10/29/2004	9/1/2017	WEI 3-Energy Perf Contract; Racine Correctional	28,051.00	18,469.37
04-061	11/30/2004	3/1/2018	WEI 3-Energy Perf Contract; UW-Eau Claire	42,765.00	29,652.85
05-004	1/31/2005	3/1/2012	WEI 3-Energy Perf Contract; Dodge Correctional	90,617.00	33,679.84
05-005	1/31/2005	3/1/2014	WEI 3-Energy Perf Contract; UW-Madison Section 7	175,000.00	90,888.00
05-009	3/17/2005	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	501,490.00	341,670.20
05-010	3/17/2005	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	320,550.00	213,105.96
05-011	3/17/2005	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	290,000.00	187,589.13
05-022	5/5/2005	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	547,825.00	368,293.91
05-023	5/5/2005	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	387,180.00	260,583.21
05-032	5/26/2005	3/1/2010	Int Tax System Phase 3, Release 2.0	441,815.00	49,486.55
05-033	6/9/2005	3/1/2010	Golf Course Maintenance Equipment	118,620.00	13,384.64
05-036	6/30/2005	3/1/2010	Int Tax System Phase 3, Release 2.0	211,410.00	21,734.33
05-043	8/17/2005	9/1/2011	LED Sign	35,000.00	12,364.20
05-046	9/7/2005	3/1/2012	ITS Phase 3-WINPAS Project	600,000.00	245,838.36
05-047	9/7/2005	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	165,000.00	114,403.53
05-048	9/7/2005	3/1/2014	WEI 3-Energy Perf Contract; UW-Madison Section 7	319,286.00	178,127.73
05-054	11/23/2005	3/1/2012	ITS Phase 3-WINPAS Project	900,000.00	380,882.58
05-055	11/23/2005	3/1/2017	WEI 3-Energy Perf Contract; UW-Oshkosh	170,643.00	120,579.42
05-056	11/23/2005	3/1/2014	WEI 3-Energy Perf Contract; UW-Madison Section 7	350,000.00	200,325.58
05-058	12/21/2005	3/1/2012	WEI 3-Energy Perf Contract; Dodge Correctional	70,175.00	29,931.24
06-001	1/11/2006	3/1/2012	ITS Phase 3-WINPAS Project	450,000.00	193,709.37
06-002	1/11/2006	3/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 2	24,000.00	16,291.23
06-004	1/11/2006	9/1/2010	Potrable Radios & Inband Repeaters	777,787.00	178,777.05
06-005	1/31/2006	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	88,770.00	65,737.96
06-007	1/31/2006	9/1/2010	Portable Radios & Inband Repeaters	250,600.00	36,958.39
06-008	2/17/2006	3/1/2012	ITS Phase 3-WINPAS Project	2,050,000.00	895,498.52
06-010	3/3/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Oshkosh	110,600.00	79,904.17
06-014	3/31/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Oshkosh	33,231.00	24,136.80
06-015	3/31/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 3	42,500.00	30,869.20
06-016	3/31/2006	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	70,442.00	49,987.03
06-017	3/31/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	170,000.00	123,476.78
06-018	3/31/2006	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	25,544.00	18,942.81
06-019	3/31/2006	3/1/2014	WEI 3-Energy Perf Contract; UW-Madison Section 7	160,000.00	95,233.05
06-025	5/19/2006	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	367,500.00	263,383.76
06-026	5/19/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	240,000.00	175,953.95
06-027	5/19/2006	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	25,000.00	18,703.18
06-028	5/19/2006	3/1/2014	WEI 3-Energy Perf Contract; UW-Madison Section 7	120,000.00	72,431.53
06-029	5/19/2006	3/1/2013	Integrated Property Assessment System (IPAS)	144,187.00	77,659.25
06-035	6/16/2006	3/1/2011	Golf Course Maintenance Equipment	65,660.50	22,037.13
06-036	6/30/2006	3/1/2010	Communications Equipment Upgrade	290,264.00	19,347.25
06-037	6/30/2006	9/1/2016	WEI 3-Energy Perf Contract; UW-Madison Section 4	574,730.00	415,564.65
06-038	6/30/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	530,000.00	391,820.25
06-039	6/30/2006	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	70,000.00	52,783.33
06-040	6/30/2006	3/1/2014	WEI 3-Energy Perf Contract; UW-Madison Section 7	100,000.00	61,112.03
06-041	6/30/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Oshkosh	50,000.00	36,964.17
06-044	6/30/2006	3/1/2012	ITS Phase 3-WINPAS Project	300,000.00	138,479.77
06-045	6/30/2006	3/1/2013	Integrated Business Information System	3,825,007.91	2,155,858.35
06-050	7/19/2006	3/1/2012	ITS Phase 3-WINPAS Project	600,000.00	279,152.63
06-051	8/2/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	170,000.00	127,699.74
06-052	8/2/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Oshkosh	40,000.00	30,047.00
06-054	8/2/2006	3/1/2011	Golf Course Maintenance Equipment	40,223.00	14,112.33
06-055	8/2/2006	3/1/2012	ITS Phase 3-WINPAS Project	1,000,000.00	419,811.45

Table IV-2—Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2009)

Schedule Number	Origination Date	Maturity Date	Leased Item	Financed Amount	Principal Balance
06-056	8/31/2006	9/1/2014	WEI 3-Energy Perf Contract; Ethan Allen School	$ 25,848.00	$ 17,399.39
06-057	8/31/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	160,000.00	122,895.52
06-058	8/31/2006	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	70,000.00	54,726.73
06-059	8/31/2006	3/1/2014	WEI 3-Energy Perf Contract; UW-Madison Section 7	50,000.00	32,320.59
06-060	8/31/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Oshkosh	152,000.00	116,750.74
06-061	9/15/2006	3/1/2010	Communications Equipment Upgrade	127,912.78	19,937.47
06-064	9/29/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	180,000.00	139,041.99
06-065	9/29/2006	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	95,000.00	74,668.28
06-066	9/29/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Oshkosh	28,000.00	21,628.75
06-068	10/17/2006	3/1/2012	ITS Phase 3-WINPAS Project	500,000.00	249,424.96
06-072	12/15/2006	3/1/2013	Integrated Business Information System	199,407.99	119,972.49
06-073	12/15/2006	3/1/2012	ITS Phase 3-WINPAS Project	1,150,000.00	589,068.21
06-074	12/15/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	230,000.00	180,441.84
06-075	12/15/2006	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	285,000.00	226,601.32
06-077	12/29/2006	3/1/2013	Integrated Business Information System	971,908.16	585,970.44
06-078	12/29/2006	3/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 5	110,879.00	87,246.06
06-079	12/29/2006	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	230,000.00	183,945.92
07-001	1/19/2007	3/1/2010	Personal Computers, Laptops, Monitors, & Hardware	212,127.73	36,436.87
07-002	1/19/2007	3/1/2014	Intoximeters - Breath Alcohol Testing Equipment	637,500.00	430,438.64
07-004	1/19/2007	3/1/2013	Integrated Business Information System	47,396.96	29,009.21
07-005	1/19/2007	3/1/2010	Personal Computer & Monitor Replacement (FY07)	198,621.85	34,091.09
07-006	1/19/2007	3/1/2010	Mobile Data Computer (MDC) Replacement	3,134,209.24	538,358.36
07-008	2/2/2007	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	318,576.00	256,454.72
07-009	2/2/2007	3/1/2014	WEI 3-Energy Perf Contract; UW-Madison Section 7	60,000.00	40,680.64
07-010	2/2/2007	3/1/2010	Communications Equipment Upgrade	264,219.67	45,857.79
07-011	2/2/2007	3/1/2010	Personal Computer & Monitor Replacement (FY07)	67,480.08	11,711.80
07-012	2/23/2007	3/1/2013	Integrated Business Information System	359,013.99	222,410.27
07-015	2/23/2007	3/1/2012	ITS Phase 3-WINPAS Project	660,000.00	350,341.73
07-019	3/30/2007	3/1/2010	Personal Computer & Monitor Replacement (FY07)	59,099.65	10,776.56
07-020	4/27/2007	3/1/2013	Integrated Business Information System	48,750.00	30,955.70
07-021	4/27/2007	3/1/2010	Personal Computer & Monitor Replacement (FY07)	200,048.29	37,356.10
07-022	4/27/2007	3/1/2012	Golf Course Maintenance Equipment	14,500.00	7,939.60
07-023	5/18/2007	3/1/2013	Integrated Property Assessment System (IPAS)	111,050.00	71,170.03
07-025	7/13/2007	3/1/2014	ITS Phase 3-WINPAS Project	990,000.00	708,594.28
07-026	7/13/2007	3/1/2012	Golf Course Maintenance Equipment	83,134.00	47,193.76
07-027	7/13/2007	3/1/2014	Intoximeters - Breath Alcohol Testing Equipment	963,900.00	689,882.52
07-028	7/13/2007	3/1/2013	Integrated Business Information System	222,297.94	144,292.42
07-030	7/13/2007	3/1/2010	Personal Computer Replacement	85,779.00	17,208.99
07-032	8/10/2007	3/1/2010	Communications Equipment Upgrade	23,000.56	4,647.92
07-033	8/10/2007	9/1/2012	Delivery Vehicle	74,442.00	45,812.93
07-034	8/10/2007	3/1/2010	Personal Computer & Monitor Replacement (FY07)	61,538.64	12,435.67
07-035	8/10/2007	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	780,000.00	642,330.57
07-036	8/31/2007	9/1/2012	Delivery Vehicle	39,194.00	24,346.53
07-037	9/14/2007	3/1/2012	Golf Course Maintenance Equipment	30,659.00	17,780.53
07-039	9/28/2007	3/1/2013	Integrated Business Information System	26,552.34	17,686.75
07-041	9/28/2007	9/1/2012	Delivery Vehicles	237,600.00	146,487.25
07-042	10/26/2007	3/1/2010	Communications Equipment Upgrade	81,733.61	17,878.93
07-043	10/26/2007	3/1/2013	Integrated Business Information System	18,750.00	12,483.71
07-044	10/26/2007	3/1/2014	ITS Phase 3-WINPAS Project	415,000.00	303,098.44
07-045	12/7/2007	9/1/2010	WINPAS Collocation at DET Data Center	1,290,462.13	484,782.40
07-046	12/7/2007	3/1/2010	Communications Equipment Upgrade	19,059.32	4,375.72
07-047	12/7/2007	3/1/2013	Integrated Property Assessment System (IPAS)	291,973.00	200,816.87
07-048	12/7/2007	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	300,000.00	253,377.80
07-049	12/21/2007	9/1/2014	Digital Microwave Equipment Replacement	1,314,719.00	969,658.24
07-050	12/21/2007	3/1/2014	ITS Phase 3-WINPAS Project	1,235,000.00	921,495.62
08-001	1/18/2008	9/1/2010	WINPAS Collocation at DET Data Center	249,708.50	97,949.55
08-002	1/18/2008	3/1/2013	Integrated Business Information System	26,502.94	18,634.09
08-003	2/8/2008	9/1/2010	Recreational Vehicle Registration System	275,000.00	53,225.38
08-004	2/8/2008	9/1/2014	Digital Microwave Equipment Replacement	239,214.38	186,440.39
08-005	3/7/2008	3/1/2014	ITS Phase 3-WINPAS Project	600,000.00	461,808.36
08-006	3/7/2008	3/1/2011	Personal Computer and Laptop Replacement	186,142.42	95,733.06
08-007	3/7/2008	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	150,000.00	129,406.18
08-008	3/7/2008	9/1/2014	Digital Microwave Equipment Replacement	53,754.40	42,422.70
08-009	3/7/2008	3/1/2011	Laptop Replacement	961,557.47	313,797.39
08-010	3/27/2008	3/1/2015	Campaign Finance Information System	144,106.00	116,954.47
08-011	4/18/2008	3/1/2013	Integrated Property Assessment System (IPAS)	111,080.00	81,704.05
08-012	5/16/2008	3/1/2013	Golf Course Maintenance Equipment	20,151.00	15,070.97
08-013	4/18/2008	3/1/2013	Golf Course Maintenance Equipment	27,000.00	19,859.64

Table IV-2—Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2009)

Schedule Number	Origination Date	Maturity Date	Leased Item	Financed Amount	Principal Balance
08-014	5/16/2008	3/1/2014	WEI 3-Energy Perf Contract; UW-Madison Section 7	$ 480,000.00	$ 381,822.68
08-015	5/16/2008	3/1/2011	Mobile and Portable Radio Replacement	268,749.85	101,902.04
08-016	6/6/2008	3/1/2013	Golf Course Maintenance Equipment	142,143.00	107,556.15
08-017	6/6/2008	3/1/2015	Campaign Finance Information System	144,106.00	120,438.56
08-018	6/27/2008	3/1/2015	Campaign Finance Information System	14,420.00	12,163.01
08-019	6/27/2008	3/1/2011	Personal Computer Replacement-Specialty Labs	30,170.00	17,208.23
08-020	7/18/2008	3/1/2015	Campaign Finance Information System	82,248.00	70,517.43
08-021	7/18/2008	9/1/2011	Network Hardware Replacement	40,836.32	27,057.08
08-022	8/5/2008	9/1/2015	CNC Milling Machine	39,231.00	9,927.15
08-023	8/5/2008	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	100,000.00	90,788.65
08-024	8/5/2008	3/1/2014	ITS Phase 3-WINPAS Project	375,000.00	312,159.91
08-025	9/5/2008	9/1/2013	Lawn Mower for Athletic Fields	47,333.00	39,024.86
08-026	9/5/2008	3/1/2017	WEI 3-Energy Perf Contract; UW-Oshkosh	12,912.00	11,719.15
08-027	9/5/2008	9/1/2011	Network Hardware Replacement	11,646.00	8,017.87
08-028	9/30/2008	3/1/2014	ITS Phase 3-WINPAS Project	1,125,000.00	958,451.15
08-029	9/30/2008	9/1/2011	Software for Online Income Tax Filing	589,107.84	414,292.01
08-030	10/31/2008	3/1/2014	ITS Phase 3-WINPAS Project	320,000.00	276,209.92
08-031	10/31/2008	3/1/2015	Campaign Finance Information System	238,716.00	212,050.12
08-032	11/26/2008	3/1/2013	Integrated Property Assessment System (IPAS)	157,560.00	132,121.90
08-033	11/26/2008	9/1/2015	Digital Microwave Equipment Replacement - Phase 2	1,442,233.00	1,306,427.04
08-034	11/26/2008	9/1/2015	Wisconsin Integrated Correction System (WICS) - Phase 1	3,990,331.85	3,614,587.50
08-035	11/26/2008	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	230,000.00	214,314.23
08-036	11/26/2008	3/1/2014	WEI 3-Energy Perf Contract; UW-Madison Section 7	325,000.00	283,788.57
08-037	12/23/2008	3/1/2014	ITS Phase 3-WINPAS Project	480,000.00	424,303.66
08-038	12/23/2008	3/1/2015	Campaign Finance Information System	26,704.00	24,185.79
09-001	1/21/2009	3/1/2014	Wheel Loader and Accessories	151,512.00	135,757.02
09-002	2/6/2009	3/1/2012	Medical Liquid Handling Equipment	66,420.72	55,010.09
09-003	2/6/2009	3/1/2014	ITS Phase 3-WINPAS Project	200,000.00	180,440.02
09-004	2/6/2009	3/1/2012	Software/Hardware Upgrade to DOR Data Warehouse	442,330.47	366,341.14
09-005	2/6/2009	3/1/2016	Motor Coach Buses for Prisoner Transport	873,764.00	816,210.29
09-006	3/4/2009	3/1/2014	Digital Mobile Radio Replacement	1,583,700.00	1,447,596.46
09-007	3/4/2009	3/1/2014	ITS Phase 3-WINPAS Project	600,000.00	548,436.19
09-008	3/4/2009	3/1/2014	BadgerChoice Suite of Tools	825,000.00	754,099.76
09-010	3/4/2009	9/1/2010	WINPAS Collocation at DET Data Center	2,850.00	1,938.09
09-011	4/10/2009	3/1/2012	Network Switch Replacement	362,387.15	316,728.59
09-012	4/10/2009	9/1/2017	WEI 3-Energy Perf Contract; UW-Madison Section 6	99,440.00	95,802.43
09-013	4/10/2009	3/1/2014	WEI 3-Energy Perf Contract; UW-Madison Section 7	106,146.00	98,709.60
09-014	4/30/2009	3/1/2012	Network Switch Replacement	21,649.65	18,921.93
09-015	4/30/2009	3/1/2016	ITS Phase 3-WINPAS Project	180,000.00	172,713.03
09-016	5/28/2009	3/1/2012	Personal Computer and Laptop Replacement	182,153.75	166,224.28
09-017	5/28/2009	3/1/2014	BadgerChoice Suite of Tools	925,000.00	880,884.23
09-018	5/28/2009	3/1/2012	Tractor	45,800.00	29,019.07
09-019	6/16/2009	3/1/2016	ITS Phase 3-WINPAS Project	270,000.00	263,068.26
09-020	6/16/2009	3/1/2014	Golf Course Maintenance Equipment	130,203.50	125,134.58
09-021	6/30/2009	3/1/2016	ITS Phase 3-WINPAS Project	112,500.00	110,134.26
09-022	6/30/2009	3/1/2014	LANDesk Management Suite	463,590.00	448,770.52
09-023	7/16/2009	9/1/2014	Mass Spectrometer	399,501.05	308,099.25
09-024	7/31/2009	3/1/2016	ITS Phase 3-WINPAS Project	737,500.00	737,500.00
09-025	7/31/2009	3/1/2014	BadgerChoice Suite of Tools	750,000.00	750,000.00
09-026	8/14/2009	9/1/2012	Mass Spectrometer	600,000.00	355,000.00
09-027	8/31/2009	3/1/2014	LANDesk Management Suite	182,555.00	182,555.00
09-028	8/31/2009	9/1/2015	Digital Radio Replacement	365,750.00	365,750.00
09-029	9/18/2009	3/1/2014	LANDesk Management Suite	196,166.60	196,166.60
09-030	10/23/2009	3/1/2014	LANDesk Management Suite	253,589.52	253,589.52
09-031	10/23/2009	3/1/2016	ITS Phase 3-WINPAS Project	600,000.00	600,000.00
09-032	11/16/2009	3/1/2016	Campus Vehicles (Truck-Grounds and SUV-Law Enforcement)	50,516.00	50,516.00
					$ 64,675,567.58

Note: The principal balance of the Lease Schedules reflects amortization at an assumed fixed interest rate; during the period that a Lease Schedule is funded with proceeds from a revolving credit facility, interest accrues and is based on a variable interest rate. As a result, the principal balances included in this table may change slightly when reconciled to reflect actual accrued interest.

SUMMARY OF THE MASTER LEASE

The following is a summary of certain provisions of the Master Lease.

Acquisition, Delivery, and Lease of Leased Items

The Master Lease establishes the process for acquiring property and service items. It requires the State to provide written notice to the Lessor, identifying:

- The items it desires to lease
- The anticipated schedule for making Lease Payments
- The anticipated date or dates on which payments to acquire the Leased Item are due and payable

The notice must also confirm that the State expects that sufficient moneys will be available to pay the acquisition costs, as arranged solely by the State. The State (or the Lessor at the State's request) orders each Leased Item from the contractor selected by the State.

The State is responsible for selecting Leased Items, reviewing the terms of purchase, and arranging for the delivery, installation, testing, servicing, and maintenance of the Leased Items.

Upon delivery and any required installation of any Leased Item that is a Property Item, the State is required to inspect such item, and if it meets the State's specifications, then the State, before the end of the acceptance period agreed to by the contractor, must provide the Lessor with a certificate of acceptance. At the time the Property Item is accepted, the State will perfect a security interest therein in favor of the Lessor or any party to which such security interest is assigned with the State's consent. Before the commencement of service for a Leased Item that is a service contract, the State must provide the Lessor with a certificate of acceptance. Any Leased Items thus acquired become subject to the Master Lease, and upon acceptance, the State becomes obligated to make the Lease Payments.

Lease Term and Lease Termination

The Master Lease is in effect until all Lease Payments have been paid, unless the Master Lease is either extended or terminated earlier, as provided in the Master Lease. With respect to any Leased Item, the obligation to make Lease Payments begins:

- On the date of execution of the related Lease Schedule and the certificate of acceptance, or
- On the date that sufficient moneys are received in a particular fund from which the costs of Leased Items are to be paid.

Subject to appropriation, the State presently intends to keep the Master Lease in effect for its entire term and to make all Lease Payments. The State agrees that the appropriate budget requests for each fiscal year will include all Lease Payments coming due in the fiscal year. In the event an emergency arises that requires the State to draw vouchers for payments that will be in excess of available moneys and the Secretary of Administration establishes a priority schedule for payments under the Statutes, the Secretary will give a high priority to Lease Payments due under the Master Lease.

In accordance with the Statutes, the continuance of the Master Lease beyond the limits of funds already available to the State is contingent upon appropriation of the necessary funds. If an Event of Nonappropriation occurs for any fiscal year, then the State has the right to terminate the Master Lease. Termination would affect all Leased Items and would be effective as of the last day of a fiscal year (that is, June 30th).

The State would still be obligated to make any Lease Payments due by the end of the fiscal year but would not be responsible for the payment of any Lease Payments scheduled to come due in any succeeding fiscal year. In the event of termination of the Master Lease based on an Event of

Nonappropriation, if the Lessor requests, the State is required to deliver possession of all Lease Items to the Lessor and must convey to the Lessor, or release, its interest in all Leased Items.

With respect to any Leased Item, the respective Lease Schedule terminates when all Lease Payments relating to it are paid under the Lease Schedule or when the State terminates the Lease Schedule by paying the applicable purchase price for the Leased Item.

The Master Lease will terminate in its entirety (which will affect all Leased Items) if an Event of Nonappropriation occurs, or if the State defaults and the Lessor elects to terminate the Master Lease.

Insurance Requirements; Loss or Damage to Leased Items

The State is required to provide insurance coverage against certain risks, through its self-funded liability and property programs, for which sum-sufficient appropriations are made under the Statutes. Insured risks include:

- Damage to or destruction of Leased Items
- Liability for injuries to or death of any person or damage to or loss of property related to use of the Leased Items
- The employer's costs for worker's compensation relating to use of the Leased Items

The State assumes all risks and liabilities for loss or damage to any Leased Item and for injury to or death of any person or damage to any other property arising from use of the property items or arising with respect to service items, to the extent such loss, damage, injury, death, or damage to other property is caused by acts committed by an officer or employee of the State while acting within the scope of employment or any agent of the State while acting within the scope of the agency.

If any Leased Item delivered to the State is lost, then the State is required to replace the item or pay the applicable purchase price for that Leased Item.

When the State pays the purchase price for any Leased Item, the Master Lease terminates with respect to such Leased Item and the State becomes entitled to such Leased Item, *as is, where is, and without any warranty,* except for any warranty from the contractor that provided the Leased Item.

Other Obligations

The Lessor has no responsibility for the use or maintenance of the Leased Items. The State is required to use all Leased Items carefully, properly, and lawfully. The State is required to maintain all Leased Items. The State is required to pay any charges assessed against Leased Items.

Rights in Leased Items; Security Interest

The Lessor does not have legal title to Property Items. Legal title to all Property Items rests in the State. Should the Master Lease terminate due to an Event of Nonappropriation or Event of Default, the State is required to transfer to the Lessor its interest in all Leased Items.

The State has granted to the Lessor a first priority purchase-money security interest in Leased Items to secure the State's payment of all Lease Payments.

The Lessor has no responsibility in connection with the selection of the Leased Items or the contractors providing the Leased Items. The Leased Items and contractors will be selected solely by the State.

The Lessor has no responsibility for the condition or usefulness of the Leased Items. The Leased Items are leased "as is" and "where is." The Lessor also is not responsible for any damages in connection with the use of the Leased Items.

Assignment, Mortgaging, and Selling

The Lessor may not, without the prior written consent of the State, assign its obligations under the Master Lease or its interest in the Leased Items or grant a security interest in or lien upon the Leased Items or enter into any financing for the Leased Items.

Option to Terminate Lease Schedule

Depending on the source of funding for the Lease Schedule, the State may have the option to terminate the Lease Schedule by depositing an amount equal to the applicable purchase price. The amount shall either be:

- An amount equal to the outstanding principal amount of the Lease Schedule, interest to the date of redemption of the source of funding, and any redemption premium, or
- If permitted, an amount sufficient to purchase investments maturing on such dates and in such amounts to pay the Lease Payments when due (or until the source of funding may be redeemed).

Events of Default and Remedies

Each of the following shall be an "Event of Default" under the Master Lease:

- Failure by the State to pay when due any Lease Payments and the continuation of such failure for five business days.
- Failure by the State to observe any covenant with respect to any Leased Item (other than a failure to make Lease Payments) for a period of thirty days after notice, unless the Lessor and the Trustee agree to an extension.
- Any representation or warranty by the State in the Master Lease was untrue in any material respect.
- An "event of default" shall have occurred and be continuing under the Indenture.

If by reason of force majeure the State is unable to carry out its obligations under the Master Lease with respect to any Leased Item (other than its obligation to make Lease Payments, which must still be paid when due), then the State shall not be deemed in default during the period of inability.

Whenever any Event of Default occurs, the Lessor has the right to take one or more of the following steps:

- The Lessor, with or without terminating the Master Lease, may declare all Lease Payments due or to become due during the fiscal year to be immediately due and payable.
- The Lessor, with or without terminating the Master Lease, may give the State written notice requiring the State to deliver all the Leased Items to the Lessor. If the State were to fail to return them within 30 days, then the Lessor may exercise all its legal rights to take possession of the Leased Items and to receive damages resulting from the State's failure. Even if the Lessor were to take possession of the Leased Items, the State would continue to be responsible for Lease Payments during the fiscal year. If the Event of Default were cured and the Master Lease had not been terminated with respect to such Leased Items, then the Lessor would be required to return the Leased Items to the State at the State's expense.
- If the Lessor were to terminate the Master Lease and take possession of Leased Items, then the Lessor would be required to attempt to sell the Leased Items in a commercially reasonable manner. The Lessor would be required to apply any proceeds of the sale in the following order: (1) all expenses incurred in securing possession of the Leased Items, (2) all expenses incurred in completing the sale, (3) any amounts payable to any party having a security interest in or lien against the Leased Items, (4) the applicable purchase price for the

Leased Items, and (5) the balance of any Lease Payments due with respect to such Leased Items for such Fiscal Year. Any remaining proceeds of the sale would be paid to the State.

- The Lessor would be permitted to use any other remedy available at law or in equity with respect to such Event of Default.

If the Master Lease were terminated before all Lease Payments had been paid, then the Lessor may require the State to return the Leased Items.

SUMMARY OF THE MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture.

General

Pursuant to the Master Indenture, the Lessor has transferred to the Trustee without recourse (but also without limitation on its obligations under the Master Lease) all its right in the funds and accounts established under the Master Indenture, the Lease Schedules specified in supplemental indentures, and all Lease Payments, Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted in the Master Lease. Except as provided in the Master Indenture, all properties and rights received by, and moneys and investments held by, the Trustee under the provisions of the Master Indenture shall be held in trust for the benefit of the owners of the Certificates.

Funds and Accounts; Payments to be Deposited

The Master Indenture creates the following funds and accounts to be held and administered by the Trustee for each series of Certificates: a **Certificate Payment Fund** (within includes an **Interest Account**, a **Principal Account**, and an **Additional Rent Account**), a **Project Fund** (within which is a **Project Account** and an **Earnings Account**), a **Lease Payment Fund** (within which is an **Interest Account,** a **Principal Account**, and an **Additional Rent Account**), a **Lease Payment Reserve Fund,** an **Administrative Expense Payment Fund**, and an **Insurance Fund**.

The Trustee will deposit the proceeds from the issuance of Certificates, net of the underwriters' discount:

- If specified in the supplemental indenture, then the Trustee will deposit in the Principal Account and the Interest Account of the Certificate Payment Fund an amount to be used for the partial or complete redemption of one or more series of outstanding Certificates, and the Leased Items related with the redeemed Certificates will thereafter relate to the newly issued Certificates.
- If specified in the supplemental indenture, then the Trustee will pay to the Lessor the costs of acquiring Leased Items that have not been reimbursed.
- If specified in the supplemental indenture, then the Trustee will deposit in the Principal Account in the Lease Payment Fund the amount specified for payment or reimbursement of cost of issuance.
- If specified in the supplemental indenture, then the Trustee will deposit an amount in the Lease Payment Reserve Fund.
- The Trustee will deposit into the Project Account of the Project Fund the amount specified in the supplemental indenture.
- The Trustee will deposit the balance of the proceeds, if any, in the Lease Payment Fund.

Earnings on the Project Account of the Project Fund are transferred as received to the Earnings Account of the Project Fund. Moneys in the Earnings Account are transferred and used for payment of amounts due or coming due within 30 days, in the following order: (1) to the Interest Account of the Lease

Payment Fund for retransfer to the Interest Account of the Certificate Payment Fund and (2) to the Administrative Expense Payment Fund.

To the extent moneys in the Earnings Account of the Project Fund exceed amounts payable as described above, the excess is deposited in the Project Account of the Project Fund.

Subject to the requirement that the Trustee shall not invest or reinvest moneys in any Fund or Account in a manner that would cause any of the Certificates to become "arbitrage bonds", money available in the Project Account of the Project Fund will be disbursed to pay for the acquisition of additional Leased Items, as directed by the State.

Except as provided in the Master Indenture, any money remaining in the Project Account of the Project Fund on the Disbursement Period Expiration Date will be transferred by the Trustee to the Principal Account of the Lease Payment Fund, to be applied as a credit against the Lease Payments required to be paid by the State.

Upon any Event of Nonappropriation or upon an Event of Default under the Lease Schedule requiring the surrender of Leased Items, or upon any other termination of a Lease Schedule other than pursuant to the payment of all Lease Payments, or the exercise by the State of its option to pay the purchase price, the Trustee is required immediately to transfer all amounts on deposit in the Project Account of the Project Fund to the Principal Account of the Lease Payment Fund.

On any day in which Certificates are to be paid or redeemed, the Trustee is required to transfer the aggregate amount on deposit in the Principal Account of the Lease Payment Fund for deposit into the Principal Account of the Certificate Payment Fund. On the date Certificates are to be redeemed in accordance with the Master Indenture as a result of deposit of moneys into the Principal Account of the Lease Payment Fund, the Trustee is required then to transfer the money for deposit into the Principal Account of the Certificate Payment Fund. On the date that Certificates are to be redeemed due to the termination of a Lease Schedule as a result of an Event of Nonappropriation, and if funds have been transferred to the Lease Payment Fund, the Trustee is required to transfer all amounts on deposit in such Principal Account for deposit into the Principal Account of the Certificate Payment Fund. On the next succeeding Interest Payment Date after the date of transfer of moneys to the Principal Account of the Lease Payment Fund, the Trustee shall deposit such moneys into the Principal Account of the Certificate Payment Fund.

On each Interest Payment Date with respect to Certificates, the Trustee is required to transfer from the Interest Account of the Lease Payment Fund (and, if necessary, from the Earnings Account of the Project Fund) for deposit into the Interest Account of the Certificate Payment Fund, an amount equal to the interest then due on the Certificates.

On each Interest Payment Date with respect to Certificates, the Trustee is required to transfer from the Lease Payment Reserve Fund to the Interest Account or the Principal Account of the Lease Payment Fund for a particular series of Certificates to the extent amounts on deposit in the Interest Account are insufficient to pay interest due on the Certificates of such series, or amounts on deposit in the Principal Account are insufficient to pay that portion of the principal of the Certificates of such series to be paid or redeemed. If at any time amounts on deposit in the Lease Payment Reserve Fund are less than the required amount, as adjusted from time to time as provided for in the Indenture, then the State upon receiving notice of such deficiency from the Trustee shall immediately pay the Trustee an amount equal to the deficiency.

The Trustee is enabled to bill the State semi-annually for all administrative expenses. If at any time the Trustee determines that payments deposited, or to be deposited, in the Administrative Expense Fund will be more or less than the expenses for the current Fiscal Year, then the Trustee is enabled to adjust the semi-annual billing. The Trustee shall disburse amounts from the Administrative Expense Fund to pay invoices rendered in accordance with the Indenture.

Except as provided in the Master Indenture, the Trustee is required to pay to the State any amount remaining in any Fund or Account after full payment (or redemption) of all Certificates outstanding and payment of any fees, expenses or costs owing with respect to the Certificates or the Lease Schedules.

The Trustee is required to invest moneys it holds under the Master Indenture in **Qualified Investments** to be selected at the direction of the State giving consideration, however, to the times at which moneys are required to be disbursed under the Master Indenture and, in that connection, may place moneys in demand or time deposits with any bank or trust company authorized to accept deposits of public funds.

The following are Qualified Investments:

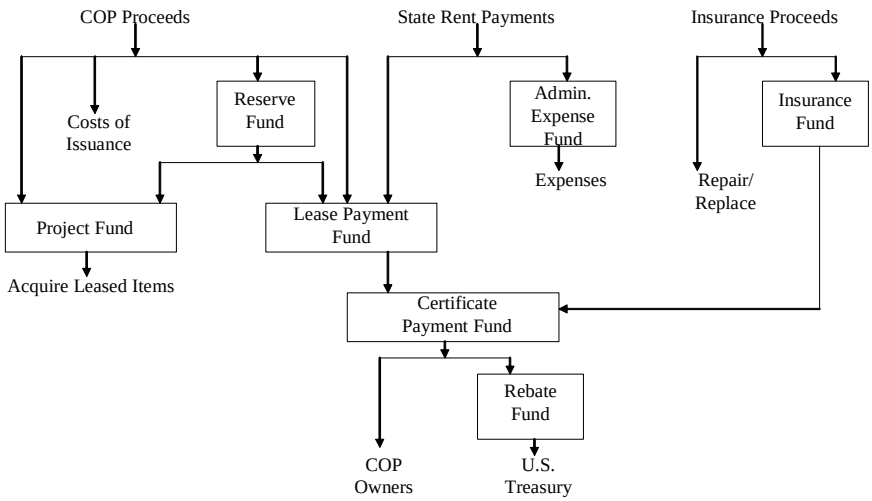
- Obligations of, or obligations guaranteed as to interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States.
- Federal Housing Administration debentures.
- Federal Home Loan Mortgage Corporation participation certificates.
- Farm Credit System consolidated system wide bonds and notes.
- Federal Home Loan Banks consolidated debt obligations.
- Federal National Mortgage Association senior debt obligations and mortgage-backed issues.
- Student Loan Marketing Association senior debt obligations and letter-of-credit-backed issues.
- Resolution Funding Corporation debt obligations.
- Unsecured certificates of deposit, time deposits, and banker's acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated the highest classification (without regard to any suffix or numerical order) by each of those agencies selected by the State to assign a credit rating to the Certificates or the Program **(Rating Agencies)**.
- Certificates of deposit or time deposits constituting direct obligations of any bank, the full amount of which is insured by the Federal Deposit Insurance Corporation.
- Debt obligations, including pre-refunded municipals, rated in either of the two highest classifications (without regard to any suffix or numerical order) by each of the Rating Agencies.
- Commercial paper rated the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies.
- Securities issued by those investment companies registered under the Investment Company Act of 1940 commonly known as "money market funds" rated in the highest classification by each of the Rating Agencies that invest solely in securities which are otherwise Qualified Investments.
- Investments made through repurchase agreements with any transferor with debt or commercial paper rated in the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies provided that each repurchase agreement (1) is acceptable in form and substance to the State and the Trustee, (2) provides for the registration of title to certificated government obligations in the name of the Trustee or any agent of the Trustee and the physical transfer of certificated government obligations to the Trustee or to a custodial account in the name of the Trustee at a Federal Reserve Bank and for the registration of title to "book entry" government obligations in the name of the Trustee, (3) provides that the government obligations acquired pursuant to such repurchase agreement shall be valued at least monthly at the lower of the then current fair market value or the repurchase price in the applicable repurchase agreement (except that the Lease Payment Reserve Fund shall always be valued at the then current fair market value), and

(4) is with any state or national bank or foreign bank with a United States branch or agency with short-term obligations rated in the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies.

- Any stripped securities rated in the highest classification by each of the Rating Agencies, including, but not limited to, U.S. Treasury STRIPS and REFCORP STRIPS.
- Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating from each of the Rating Agencies which is equal to or higher than the rating assigned to the Certificates by the Rating Agencies and the rating is in either of the two highest classifications (without regard to any suffix or numerical order) of each of the Rating Agencies.

The following chart depicts the sources and uses of the various funds.

State of Wisconsin Master Lease Program
Master Indenture - Sources and Uses of Funds



Servicing of Lease Schedules

The Lessor has agreed to service the Lease Schedules, and should the Lessor fail to do so, the Trustee has agreed to do so and enforce their terms. At the time the State entered into the Master Lease and the Master Indenture, the Lessor and the Trustee were separate (but related) entities; now, as a result of successive corporate mergers, the Lessor and the Trustee are the same entity, serving in different capacities.

Events of Default and Remedies

The following shall constitute Events of Default under the Master Indenture:

- Any Event of Nonappropriation or Event of Default under the Master Lease or any Lease Schedule.
- Failure by the Lessor or the State to observe any covenant, under the Master Indenture (other than an event specified above) for a period of 30 days after notice from the Trustee, the Lessor, or the owners of not less than 5% in aggregate principal amount of Certificates then outstanding; *provided, however,* if the failure cannot be corrected within the applicable

period, then those parties may not unreasonably withhold their consent to an extension of such time if corrective action is instituted and diligently pursued.

- Any additional event designated as an "Event of Default" under any Supplemental Indenture.

If an Event of Nonappropriation or an Event of Default under the Master Lease were to occur and be continuing, then the Trustee would be required to cause the Certificates of all series to be redeemed pursuant to the Master Indenture, pro rata, to the extent money is available in the Lease Payment Fund. In addition, if an Event of Nonappropriation or an Event of Default had occurred and were continuing, the Trustee may proceed, and upon written request of owners of not less than a majority in aggregate principal amount of Certificates then outstanding shall proceed, to take any of the remedial steps available under the Master Lease (including acceleration, if applicable) or whatever action at law or in equity may be necessary or appropriate to enforce its rights as assignee under the Master Indenture. All payments received by the Trustee with respect to the Trust upon an Event of Default, whether from the sale of Leased Items, damages or otherwise, shall be applied by the Trustee, *first*, to its reasonable fees and expenses and, *second*, to the Lease Payment Fund.

In the event that no action is taken to eliminate an Event of Default, the owners of a majority in aggregate principal amount of the Certificates then outstanding may institute any suit, action, or other proceeding at law or in equity for the protection or enforcement of any right under the Master Lease or the Master Indenture, but only if such owners have first requested in writing that action be taken, have given a reasonable opportunity for such suit, action, or other proceeding to be instituted, and have offered reasonable indemnity against the costs, expenses, and liabilities to be incurred thereby.

Amendment

The Master Indenture, the Master Lease, or any Lease Schedule (**Operative Documents**) may be amended, or a supplemental indenture created, without the consent of any owners of certificates, in order to provide for the issuance of a series of Certificates, to cure any ambiguity, to correct or supplement any provision in any of the Operative Documents that may be inconsistent with any provision in any other Operative Document, or to add any other provision with respect to matters or questions arising under any Operative Document if it is not inconsistent with the provisions of any Operative Document provided that such action does not, as evidenced by an opinion of counsel, adversely affect in any material respect the interests of any owner of certificates.

Any of the Operative Documents may also be amended from time to time with the consent of the owners of not less than 51% of the aggregate outstanding principal amount of Certificates of any series affected thereby for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Operative Documents, or of modifying in any manner the rights of the owners of not less than 51% of the aggregate outstanding principal amount of Certificates; *provided, however,* that no amendment shall without the consent of the owners of all Certificates:

- Increase or reduce the amount of, or delay the timing of, or otherwise adversely affect, collections of payments under any Lease Schedule or required to be made on any Certificate
- Release any Lease Schedule or all or substantially all collateral securing a Lease Schedule, or
- Reduce the percentage required for consent to any amendment

Limitation on Rights of Certificate Owners

No owner of a Certificate has any right to vote (except as provided in the Master Indenture) or in any manner otherwise control the operation and management of the Trust, or the obligations of the parties to any of the Operative Documents; nor shall anything set forth in the Master Indenture, or contained in the terms of the Certificates, be construed so as to constitute the owners of Certificate as partners or members

of an association; nor shall any owner of Certificate be under any liability to any third person by reason of any action taken by the parties to the Master Indenture pursuant to any provision of the Master Indenture.

No owners of Certificate shall have any right by virtue of any provision of the Master Indenture to institute any suit, action, or proceeding at law or in equity under or with respect to the Master Indenture, unless:

- Such owner of a Certificate has previously given to the Trustee a written notice of an Event of Default and of the continuance thereof, as provided in the Master Indenture.
- The owners of not less than 25% of the aggregate outstanding principal amount of Certificates have made written request of the Trustee to institute such action, suit, or proceeding in its own name as Trustee under the Master Indenture and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses, and liabilities to be incurred therein or thereby.
- The Trustee, for 30 days after its receipt of such notice, request, and offer of indemnity, shall have neglected or refused to institute any such action, suit, or proceeding.

PART V

TRANSPORTATION REVENUE OBLIGATIONS

This Part V of the 2009 Annual Report provides information about transportation revenue obligations issued by the State of Wisconsin **(State)**.

Total Outstanding Balance (12/15/2009)	$1,759,238,000
Amount Outstanding of Fixed-Rate Obligations	$1,596,740,000
Amount Outstanding of Variable-Rate Obligations	$ 162,498,000
Percentage of Outstanding Obligations in the form of Variable-Rate Obligations	9.24%
Ratings[(a)] (Fitch/Moody's/Standard & Poor's)	
Bonds	AA/Aa3/AA+
Commercial Paper Notes	F1+/P-1/A-1+

[(a)] The ratings presented are the ratings assigned to the transportation revenue obligations without regard to any bond insurance policy. No information is provided in the 2009 Annual Report about any rating assigned to any transportation revenue obligations based on any bond insurance policy.

APPENDIX A to this Part V of the 2009 Annual Report includes the independent auditor's report and the audited statements of cash receipts and disbursements for the Transportation Revenue Bond Program and Transportation Revenue Commercial Paper Program for the years ended June 30, 2009 and June 30, 2008, together with unaudited information.

The State of Wisconsin Building Commission (**Commission**) supervises all matters concerning to the State's issuance of revenue obligations. The Capital Finance Office, which is part of the State of Wisconsin Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs. The State of Wisconsin Department of Transportation **(DOT** or **Department of Transportation)** is responsible for the planning and completion of major highway projects funded, in part, with the proceeds of transportation revenue obligations.

Transportation revenue obligations are issued pursuant to the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution, dated June 26, 1986, as amended (**General Resolution**). The State has issued transportation revenue obligations in the form of bonds and commercial paper notes. The Bank of New York Mellon Trust Company, N.A. serves as trustee for the transportation revenue bond program (**Trustee**). The Trustee serves as registrar and paying agent for the bonds, and Deutsche Bank Trust Company Americas serves as issuing and paying agent for the commercial paper notes. The law firm of Quarles & Brady LLP provides bond counsel services to the State for issuance of transportation revenue obligations.

Requests for additional information about the transportation revenue obligations may be directed as follows:

Contact: Capital Finance Office
Attn: Capital Finance Director
Phone: (608) 266-2305
Mail: State of Wisconsin Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Web site: www.doa.wi.gov/capitalfinance

The 2009 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part V of the 2009 Annual Report may differ from those of the same terms used in another part. See "GLOSSARY" for the definitions of capitalized terms used in this Part V of the 2009 Annual Report. No information or resource referred to in this 2009 Annual Report is part of this 2009 Annual Report unless expressly incorporated by reference.

Build America Bonds

As of December 15, 2009, the State has issued one series of transportation revenue bonds (taxable) that are "qualified build America bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended **(Code)**. This bond issue is the $147,130,000 State of Wisconsin Transportation Revenue Bonds, 2009 Series B (Taxable). Based on the credit allowed for "qualified Build America Bonds", the State has elected to receive from the United States Treasury on each payment date a direct payment in the amount of 35% of the interest payable by the State on such date for such transportation revenue bonds (taxable). Owners of these transportation revenue bonds (taxable) will not receive any tax credits or other tax benefits with respect to their ownership of such bonds.

OUTSTANDING OBLIGATIONS

The State has issued transportation revenue bonds and commercial paper notes on the dates and in the amounts shown in Table V-1. The table also includes the outstanding principal balances as of December 15, 2009.

Table V-1
OUTSTANDING TRANSPORTATION REVENUE OBLIGATIONS BY ISSUE
(As of December 15, 2009)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed-Rate Transportation Revenue Bonds				
1986- Series A	6/15/86	1987-2007	$ 139,055,000	-0-
1988- Series A	4/15/88	1989-2008	51,475,000	-0-
1989- Series A	4/15/89			
Serial Bonds		1990-2004	31,165,000	-0-
Term Bonds		2009	20,135,000	-0-
1991- Series A	10/1/91	1992-2011	105,660,000	-0-
1992- Series A	7/1/92			
Serial Bonds		1999-2006	96,945,000	-0-
Term Bonds		2009	22,260,000	-0-
Term Bonds		2012	3,520,000	-0-
Term Bonds		2022	16,880,000	-0-

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Series B	7/1/92			
Serial Bonds		1993-2006	55,155,000	-0-
Term Bonds		2009	18,395,000	-0-
Term Bonds		2012	21,770,000	-0-
Term Bonds		2022	104,390,000	-0-
1993- Series A **(1993 Bonds)**	9/1/93	1994-2012	116,450,000	$ 20,855,000
1994- Series A	7/1/94			
Serial Bonds		1995-2012	84,320,000	-0-
Term Bonds		2014	15,680,000	-0-
1995- Series A	9/1/95	1996-2015	105,000,000	-0-
1996- Series A	5/15/96	1997-2016	115,000,000	-0-
1998- Series A **(1998 Series A Bonds)**	8/15/98	1999-2016	130,590,000	86,605,000
Series B	10/1/98			
Serial Bonds		2000-17	93,905,000	-0-
Term Bonds		2019	16,095,000	-0-
2000- Series A **(2000 Bonds)**	9/15/00	2012-21	123,700,000	-0- [a]
2001- Series A **(2001 Bonds)**	11/15/01	2003-22	140,000,000	43,620,000 [a]
2002- Refunding Series 1 **(2002 Series 1 Bonds)**	4/15/02	2003-19	241,865,000	75,380,000 [a]
Refunding Series 2 **(2002 Series 2 Bonds)**	4/15/02			
Serial Bonds		2004-20	39,275,000	20,240,000 [a]
Term Bonds		2022	29,655,000	-0- [a]
Series A **(2002 Series A Bonds)**	10/15/02	2004-23	200,000,000	78,645,000 [a]
2003- Series A **(2003 Bonds)**	11/1/03	2005-24	$250,000,000	[a]
2004- Refunding Series 1 **(2004 Bonds)**	9/30/04			
Serial Bonds		2005-08	24,985,000	-0-
Serial Bonds		2012-17	70,920,000	70,920,000
2005- Series A **(2005 Series A Bonds)**	3/10/05	2006-25	235,585,000	
Series B **(2005 Series B Bonds)**	9/29/05	2007-25	158,400,000	
2007- Series A **(2007 Series A Bonds)**	3/8/07	2018-27	148,710,000	148,710,000
Refunding Series 1 **(2007 Series 1 Bonds)**	3/8/07	2014-22	206,900,000	206,900,000
2008- Series A **(2008 Bonds)**	8/27/08	2010-29	185,000,000	185,000,000
2009- Series A **(2009 Series A Bonds)**	10/1/09	2012-14	17,870,000	17,870,000
Series B (Taxable) **(2009 Series B Bonds)**	10/1/09			
Serial Bonds		2015-25	87,725,000	87,725,000
Term Bonds		2030	59,405,000	59,405,000
Total Fixed-Rate Transportation Revenue Bonds				$1,596,740,000
Variable-Rate Transportation Revenue Obligations				
1997 - Commercial Paper Notes, Series A	5/7/97		$ 157,763,000	$ 86,088,000
2006 - Commercial Paper Notes, Series A	10/2/06		91,290,000	76,410,000
Total Variable-Rate Transportation Revenue Obligations				$ 162,498,000
Total Transportation Revenue Obligations				$1,759,238,000

[a] Pursuant to a refunding escrow agreement the principal of and interest on all, or a portion of the bonds, have been or will be paid as it comes due, or will be called for redemption prior to maturity. The principal amount of bonds for which payment is provided is treated as not outstanding for purposes of this table.

The 1993 Bonds, 1998 Series A Bonds, 2001 Bonds, 2002 Series 1 Bonds, 2002 Series 2 Bonds, 2002 Series A Bonds, 2003 Bonds, 2004 Bonds, 2005 Series A Bonds, 2005 Series B Bonds, 2007 Series A Bonds, 2007 Series 1 Bonds, 2008 Bonds, 2009 Series A Bonds, and 2009 Series B Bonds (collectively, **Prior Bonds**), together with any additional Bonds issued by the State pursuant to the General Resolution, are referred to collectively as the **Bonds**. See "SECURITY; Sources of Payment". All other previously issued Bonds have been defeased or redeemed in full and are not Outstanding Bonds within the meaning of the General Resolution.

The Transportation Revenue Commercial Paper Notes of 1997, Series A and the Transportation Revenue Commercial Paper Notes of 2006, Series A (collectively, **Notes)** are issued pursuant to the General Resolution on parity with each other and any other obligations to be issued on parity with the Notes, and the pledge granted to the Notes is subordinate to the pledge granted to the Bonds. See "VARIABLE RATE OBLIGATIONS". The Commission has adopted a Series Resolution that authorizes the issuance of Bonds to pay for the funding of the Notes. This Series Resolution is required pursuant to the terms of a credit agreement by which the liquidity facility providers provide a line of credit for liquidity on the Notes. These take-out Bonds, when and if issued, will be issued on a parity with the Bonds issued by the State pursuant to the General Resolution.

SECURITY

Sources of Payment

The Prior Bonds have been issued on parity with each other. The Prior Bonds and any additional parity Bonds issued by the State pursuant to the General Resolution, are revenue obligations of the State payable solely from the Redemption Fund created by the General Resolution and are secured by a first lien pledge of Program Income, the Funds created by the General Resolution, and any other income of the Program pledged to the payment of interest, principal, and Redemption Price on the Bonds.

Program Income includes vehicle registration fees authorized under Section 341.25, Wisconsin Statutes **(Registration Fees)** and certain other vehicle registration-related fees added pursuant to 2003 Wisconsin Act 33 and a supplement to the General Resolution dated October 15, 2003 **(Other Registration-Related Fees)**. The Other Registration-Related Fees include many types of fees that are enumerated in Wisconsin Statutes, however, many of the Other Registration-Related Fees result in insignificant or sporadic annual revenues. Given this insignificant and sporadic nature, the State is currently providing continuing disclosure on some, but not all, Other Registration-Related Fees. These specific Other Registration-Related Fees include vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees. See "OTHER REGISTRATION-RELATED FEES."

All Program Income is collected by the Trustee, or the Department of Transportation as agent of the Trustee, and deposited outside the State Treasury in an account with the Trustee defined as the **Redemption Fund**. Program Income is defined to include all the interest earned or gain realized from the investment of the Redemption Fund.

The Notes and any other obligations to be issued on parity with the Notes, are also revenue obligations of the State payable from Program Income deposited into the Subordinated Debt Service Fund created by the General Resolution. The pledge of such Program Income to payment of the Notes is subordinate to the pledge of Program Income granted to payment of the Bonds. The pledge remains effective until all Bonds and Notes issued under the General Resolution are fully paid in accordance with their terms.

The Bonds are revenue obligations of the State payable solely out of the Redemption Fund. The State is not generally liable on the Bonds, and the Bonds are not a debt of the State for any purpose whatsoever.

The Notes are revenue obligations of the State payable solely out of the Subordinated Debt Service Fund. The State is not generally liable on the Notes, and the Notes are not a debt of the State for any purpose whatsoever.

Program Income Covenant

In the General Resolution, the State has covenanted that it will charge and cause to be deposited with the Trustee sufficient Program Income:

- To pay all principal of and interest on the Bonds as the same become due
- To maintain the Debt Service Reserve Requirement in the Reserve Fund
- To pay Program Expenses

- To pay principal of and interest on the Notes, as such amounts are deposited into the Subordinated Debt Service Fund
- To maintain the applicable requirements of such other funds and accounts specified under the General Resolution

Program Income received by the Trustee in the Redemption Fund is used in the above order. All Program Income in excess of the amounts needed for such purposes is to be transferred to the Transportation Fund held by the Department of Transportation and becomes free of the lien of the pledge. DOT uses moneys in the Transportation Fund for many authorized purposes. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION".

The State pledges and agrees with the Bondholders and holders of Notes that the State will not limit or alter its powers to fulfill the terms of any agreements (made in the General Resolution, in the Bonds, or in the Notes) with the Bondholders and holders of Notes, or in any way impair the rights and remedies of the Bondholders and holders of Notes until the Bonds and Notes, together with interest, including interest on any unpaid installments of interest thereon, Redemption Price, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondholders and holders of Notes, are fully met and discharged.

Build America Bonds

The direct payment the State expects to receive from the United States Treasury on each interest payment date, in connection with the 2009 Series B Bonds and any other future Bonds designated as "qualified build America bonds", is not Program Income and is not pledged to the payment of interest, principal, or Redemption Price on the Bonds.

Reserve Fund

The General Resolution creates a Reserve Fund and provides that it shall be used to make up any deficiency in the Redemption Fund for the payment of principal of and interest on all of the-then Outstanding Bonds. If there is a deficiency in the Reserve Fund, the Trustee shall, after setting aside in the Principal and Interest Account the applicable amount required to be deposited therein, deposit Program Income into the Reserve Fund in an amount sufficient to remedy such deficiency.

The Reserve Fund is currently funded in an amount equal to $26,501,400 (consisting of an amount available under an irrevocable surety bond of $16,341,600 and other cash and investments of $10,159,800), which exceeds the current aggregate Debt Service Reserve Requirement of $16,341,600.

The State pursuant to each Series Resolution specifies the Debt Service Reserve Requirement, if any, for each Series of Bonds. Since 2003, the State has not specified a Debt Service Reserve Requirement for any Series of Bonds that have been issued. Furthermore, the State does not currently expect to specify a Debt Service Reserve Requirement for any Series of additional Bonds; however, this determination (and any resulting change in the amount of Reserve Fund) will be made on a case-by-case basis. No representation is made as to the Debt Service Reserve Requirement that the State may specify for any Series of additional Bonds.

The individual Debt Service Reserve Requirements for each Series of the Outstanding Bonds are combined to determine the aggregate Debt Service Reserve Requirement for the Reserve Fund. If all of the Bonds of a Series cease to be Outstanding, then the aggregate Debt Service Reserve Requirement is reduced by the Debt Service Reserve Requirement attributable to that Series of Bonds. The aggregate Debt Service Reserve Requirement of all Outstanding Bonds is currently $16,341,600. It is currently expected that the aggregate Debt Service Reserve Requirement will decline as Bonds cease to be Outstanding. However, this depends on future decisions the State makes regarding the Debt Service Reserve Requirement to be specified for any Series of additional Bonds.

Since 1993, the State has funded the Reserve Fund, in part, with an irrevocable surety bond **(Surety Bond)** issued by Ambac Assurance Corporation **(Ambac Assurance)**, which is an asset of the Reserve

Fund and noncancelable by the provider until it expires on the earlier of July 1, 2023, or when all Bonds are paid in full. Pursuant to the terms of the Surety Bond, the amount available thereunder is the lesser of $51,258,600 or the aggregate Debt Service Reserve Requirement, currently $16,341,600. No information is provided in this Part V of the 2009 Annual Report about any credit rating assigned to the obligations of Ambac Assurance. See "SECURITY; Reserve Fund; *Surety Bond*" for information that has been supplied by Ambac Assurance.

The State may, pursuant to the General Resolution, transfer cash and investments on deposit in the Reserve Fund that are in excess of the aggregate Debt Service Reserve Requirement to the Interest and Principal Account at the end of any fiscal year. While it has not been the State's practice to reduce the funds available in the Reserve Fund by making such transfers of cash and investments in conjunction with a reduction in the aggregate Debt Service Reserve Requirement, there is no assurance that the amount available in the Reserve Fund will be maintained at any amount in excess of the-then aggregate Debt Service Reserve Requirement calculated as of any particular date of computation.

Surety Bond

The Surety Bond was acquired in 1993 pursuant to provisions of the General Resolution that provide that, in lieu of a deposit to the Reserve Fund of an amount equal to the Debt Service Reserve Requirements, the State may provide for a letter of credit, municipal bond insurance policy, surety bond, or other type of agreement or arrangement with an entity having, at the time of entering into such agreement or arrangement, a credit rating equal to or greater than the rating on the Bonds which provides for the availability, at the times required pursuant to the provisions of any Series Resolution, of an amount at least equal to such Debt Service Reserve Requirements and such method of funding shall be deemed to satisfy all provisions of the Series Resolution with respect to the Debt Service Reserve Requirements and the amount required to be on deposit in the Reserve Fund with respect to such Series of Bonds.

The Surety Bond provides that upon the later of:

- one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Bonds when due has not been made, or
- the interest payment date specified in the Demand for Payment submitted to Ambac Assurance,

Ambac Assurance will promptly deposit funds with the Paying Agent sufficient to enable the Paying Agent to make such payments due on the Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the State is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the State is subordinate to the State's obligations with respect to the Bonds.

In the event the amount on deposit, or credited to the Reserve Fund, exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, Surety Bond or other such funding instrument, draws on the Surety Bond and the additional funding instrument shall be made on a pro rata basis to fund the insufficiency.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee or the Paying Agent.

The following information has been supplied by Ambac Assurance and no representation is made by the State as to the accuracy or completeness of the information.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and is licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $8,986,000,000 (unaudited) and statutory capital of approximately $1,161,000,000 (unaudited) as of September 30, 2009. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Ambac Assurance has been assigned the following financial strength ratings by the following rating agencies: Caa2, developing outlook, by Moody's Investors Service, Inc., and CC, developing outlook, by Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in the Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, this Part V of the 2009 Annual Report other than the information supplied by Ambac Assurance and presented in Part V of the 2009 Annual Report under the heading "SECURITY; Reserve Fund; *Surety Bond*".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. **(Company)**, is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission **(SEC)**. These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at Ambac Assurance's internet website at www.ambac.com and at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The internet site and website included above are not incorporated by reference into this Part V of the 2009 Annual Report.

Copies of Ambac Assurance's financial statements prepared on the basis of accounting practices prescribed or permitted by the State of Wisconsin Office of the Commissioner of Insurance are available without charge from Ambac Assurance. The address of Ambac Assurance's administrative offices is One State Street Plaza, 19th Floor, New York, New York 10004, and its telephone number is (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference into the information supplied by Ambac Assurance for use in this Part V of the 2009 Annual Report:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and filed on March 16, 2009;

2. The Company's Current Report on Form 8-K dated and filed on May 11, 2009;

3. The Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, dated and filed on May 18, 2009;

4. The Company's Current Report on Form 8-K dated and filed on June 17, 2009;

5. The Company's Current Report on Form 8-K dated and filed on June 19, 2009;

6. The Company's Current Report on Form 8-K dated and filed on July 27, 2009;

7. The Company's Current Report on Form 8-K dated and filed on August 7, 2009;

8. The Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, dated and filed on August 10, 2009;

9. The Company's Current Report on Form 8-K dated and filed on September 30, 2009;

10. The Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, dated and filed on November 9, 2009; and

11. The Company's Current Report on Form 8-K dated and filed on November 18, 2009.

Ambac Assurance's consolidated financial statements and all other information relating to Ambac Assurance and subsidiaries included in the Company's periodic reports filed with the SEC subsequent to the date of the 2009 Annual Report shall, to the extent filed (rather than furnished pursuant to Item 9 of Form 8-K), be deemed to be incorporated by reference into the information supplied by Ambac Assurance for use in this Part V of the 2009 Annual Report and to be a part hereof from the respective dates of filing of such reports.

Any statement contained in a document incorporated by reference in the information supplied by Ambac Assurance for use in this Part V of the 2009 Annual Report shall be modified or superseded for the purposes of this Part V of the 2009 Annual Report to the extent that a statement contained in a subsequently filed document incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the information supplied by Ambac Assurance for use in this Part V of the 2009 Annual Report.

Copies of all information regarding Ambac Assurance that is incorporated by reference in the information supplied by Ambac Assurance for use in this Part V of the 2009 Annual Report are available for inspection in the same manner as described above**.**

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of the 2009 Annual Report will be available for inspection in the same manner as described above.

Additional Bonds

The General Resolution authorizes the issuance of additional Bonds for the purpose of paying the costs of Projects and refunding Outstanding Bonds. Except in the case of additional Bonds being issued to refund Outstanding Bonds, the Series of additional Bonds may be issued only if Program Income for any 12 consecutive calendar months of the preceding 18 calendar months was at least equal to 2.25 times the maximum aggregate Principal and Interest Requirement in any Bond Year for all Outstanding Bonds, which includes the Bonds to be issued. The General Resolution defines Outstanding Bonds, as of any particular date, as all Bonds theretofore and thereupon being delivered except:

- Any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Registrar
- Any Bond deemed to have been defeased pursuant to the General Resolution
- Any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the requirements of the General Resolution or any Series Resolution

Statutory authority exists for the issuance of a total of $3.010 billion of transportation revenue obligations to finance a portion of major highway projects, of which approximately $353 million remain unissued. The issuance of transportation revenue obligations beyond this amount would require additional legislative authorization.

In addition, upon the issuance of additional Bonds the amount on deposit in the Reserve Fund must at least equal the aggregate Debt Service Reserve Requirement. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION; Additional Bonds".

Forecasted Debt Service Coverage

Table V-2 shows the forecasted coverage of annual debt service on the Outstanding Bonds as of December 15, 2009, based on the Department of Transportation's estimated total Program Income for 2010 through 2018. The estimated Program Income includes Registration Fees and certain Other Registration-Related Fees for 2010 through 2018. See "REGISTRATION FEES; Estimated Future Registration Fees" and "OTHER REGISTRATION-RELATED FEES". There can be no assurance that the following estimates will be realized in the amounts shown. The annual debt service amounts in Table V-2 include the assumed issuance of Bonds in the amount of approximately $162 million that would fund the current outstanding amount of Notes. Table V-3 provides the expected amortization of the Notes pursuant to the respective Subordinated Debt Service Fund Requirements.

The Department of Transportation will monitor Registration Fee and Other Registration-Related Fee revenues as they relate to scheduled debt service payments on the Bonds and payments on the Notes and recommend appropriate adjustments in Registration Fees or Other Registration-Related Fees to the Governor and the Legislature. The State has covenanted in the General Resolution that as long as Bonds and Notes are Outstanding it will charge and cause to be deposited with the Trustee sufficient Program Income, including Registration Fees and Other Registration-Related Fees, to pay principal and interest on such Bonds, as the same become due, to maintain the Reserve Fund at the Debt Service Reserve Requirement, to pay Program Expenses, and to make payments into the Subordinated Debt Service Fund.

Neither the State's independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information shown above, nor have they expressed any opinion or any other form of assurance on such information or its achievability and assume no responsibility for and disclaim any association with the prospective financial information.

Table V-2
DEBT SERVICE ON OUTSTANDING TRANSPORTATION REVENUE BONDS AND ESTIMATED REVENUE COVERAGE

Maturity (July 1)	Total Debt Service[(a)(b)]	Estimated Registration Fees (Millions)[(c)]	Estimated Certain Other Registration-Related Fees (Millions) [(c)]	Estimated Total Program Income (Millions) [(c)]	Estimated Coverage Ratio[(a)(d)]
2010	$178,572,180	$553.64	$87.17	$640.81	3.59
2011	180,720,360	557.25	87.17	644.42	3.57
2012	184,048,191	575.94	87.17	663.11	3.60
2013	184,267,783	581.79	87.17	668.96	3.63
2014	184,155,418	602.04	87.17	689.21	3.74
2015	176,247,331	609.28	87.17	696.45	3.95
2016	167,946,901	630.64	87.17	717.81	4.27
2017	158,658,465	638.97	87.17	726.14	4.58
2018	155,244,213	661.26	87.17	748.43	4.82
2019	146,258,537				
2020	138,276,065				
2021	138,485,840				
2022	122,387,011				
2023	101,457,354				
2024	85,553,502				
2025	65,596,205				
2026	47,900,070				
2027	47,997,325				
2028	28,884,048				
2029	28,899,697				
2030	14,060,445				

(a) Includes estimated debt service for assumed aggregate $162 million in Bonds that could be issued to fund the two Outstanding issues of Notes. These assumed bond issues are amortized with level debt service payments until 2018 and 2017, respectively, using an assumed interest rate of 5.00% per annum.

(b) Does not reflect or include the direct payment the State is expected to receive from the United States Treasury on each interest payment date in the amount of 35% of the interest payable by the State on such date for the 2009 Series B Bonds, which are "qualified build America bonds".

(c) The estimated fees for 2010 through 2018 reflect revenue projections completed by the Department using data available at the end of April, 2009. Excludes interest earnings.

(d) Assumes that no additional Bonds will be issued and continuation of current Registration Fees and Other Registration-Related Fees. Estimates of Program Income and coverage beyond 2018 are not currently available.

Table V-3
EXPECTED AMORTIZATION SCHEDULE
TRANSPORTATION REVENUE COMMERCIAL PAPER NOTES

Year Ending (July 1)	Principal Amount
2010	15,905,000
2011	16,745,000
2012	17,630,000
2013	18,575,000
2014	19,565,000
2015	20,625,000
2016	21,735,000
2017	22,915,000
2018	8,803,000
Total:	$ 162,498,000

REGISTRATION FEES

Current Fees and Registered Vehicles

Registration Fees as enumerated under Section 341.25 Wisconsin Statutes are highway user fees collected by the Department of Transportation from owners of most motor vehicles. Table V-4 summarizes the types of major Registration Fees and the specific fee.

Table V-4
REGISTRATION FEES
(Section 341.25, Wisconsin Statutes)

Vehicle	Annual Fee
Automobile	$75
Trucks	Weight-based fee ranging from $75 to $2,560.
Bus	Fee equal to the fee for a truck of the same weight.
Trailer 12,000 lbs. and under	Fee equal to one-half of the fee for a truck of the same weight.
Trailer over 12,000 lbs.	Fee equal to the fee for a truck of the same weight.
Motor Homes	Weight-based fee ranging from $48.50 to $119.50.
Mobile Homes and Camping Trailers	$15
Motorcycle/Moped	$23 biennial fee.

Source: Department of Transportation

Table V-5 summarizes the number of motor vehicle registrations in the State, subject to Registration Fees under Section 341.25, Wisconsin Statutes, for the past ten years.

Table V-5
ACTUAL NUMBER OF MOTOR VEHICLE REGISTRATIONS[a]
(Millions of Vehicles)

Fiscal Year (June 30)	Automobiles[b]	Trucks[c]	Other Vehicles [d]	Total	% Change
2000	3.10	0.96	.64	4.70	—
2001	3.17	1.00	.69	4.86	3.4%
2002	3.22	1.03	.70	4.95	1.9
2003	3.29	1.05	.75	5.09	2.8
2004	3.32	1.08	.77	5.17	1.6
2005	3.36	1.11	.85	5.32	2.9
2006	3.41	1.14	.89	5.44	2.3
2007	3.47	1.14	.97	5.58	2.5
2008	3.52	1.14	.98	5.64	1.0
2009	3.51	1.13	1.07	5.71	1.2

[a] In fiscal year 2005, the methodology for reporting vehicle registrations was changed from vehicle frame-based to vehicle registration-type. All of the information in this table reflects the use of the new vehicle registration-type methodology.

[b] "Automobiles" include autos, minivans, and sport utility vehicles.

[c] "Trucks" includes trucks and other vehicles that pay Registration Fees based on the vehicle's gross weight.

[d] "Other Vehicles" include mobile homes, motorcycles, mopeds, buses, and several other vehicle types.

Source: Department of Transportation

Table V-6 summarizes the total amount of Registration Fee revenues, under Section 341.25, Wisconsin Statutes, for the past ten years.

Table V-6
ACTUAL REGISTRATION FEE REVENUES
(Amounts in Millions)

Fiscal Year (June 30)	Non-IRP Fees	Pledged IRP Fees	Total	% Change
2000	$255.7	$55.1	$310.8	—
2001	258.4	55.5	313.9	1.0%
2002	267.9	55.8	323.7	3.1
2003	267.3	53.0	320.3	(1.1)
2004[a]	302.1	57.1[b]	359.2	12.1
2005	314.4	60.7[b]	375.1	4.4
2006	333.6	62.7[b]	396.3	5.7
2007	322.6	62.2	384.8	(2.9)
2008[c]	385.4	71.8	457.2	18.8
2009[c]	435.5	75.3	510.8	11.7

[a] The increase in fiscal year 2004 reflects the $10 increase in registration fees for automobiles that went into effect on October 1, 2003.

[b] The Pledged IRP fees for fiscal years 2004, 2005, and 2006 have been revised and restated to reflect a correction in the recording of revenue obtained through the IRP program.

[c] The increase in fiscal years 2008 and 2009 reflects the $20 increase in registration fees for automobiles, along with other fee increases for other vehicle types, which went into effect on January 1, 2008.

Source: Department of Transportation

Interstate truck registration revenues are collected through the International Registration Plan (**IRP**) and is a component of Registration Fees. Wisconsin is one of 48 states, the District of Columbia, and ten Canadian provinces that participate in the IRP, which is a multi-state compact for the collecting and sharing of large truck registration fees. Under the IRP, the registration fees on trucks involved in multi-state commercial activity are split between the participating states on the basis of proportionate mileage.

The total amount of Registration Fee revenues for fiscal year 2009 are generated from three broad categories of vehicles:

(1) 54.1% of total revenues generated from registration of passenger vehicles (automobiles, mini-van, conversion vans, and sport-utility vehicles).

(2) 1538% of total revenues generated from registration of small trucks (8,000 pounds or less gross weight).

(3) 30.1% of total revenues generated from registration of large trucks (over 8,000 pounds gross weight plus IRP vehicles).

In recent biennial budgets, the Legislature authorized a number of actions that increased the level of Registration Fees.

The 2007-09 biennial budget (2007 Wisconsin Act 20) increased the Registration Fees for most vehicle types effective January 1, 2008. Registration Fee increases authorized in the 2007-09 budget include:

- $20 increase in the automobile fee.
- Increase in truck fees ranging from $22.50 to $590.00.
- Increase in various truck and trailer fees ranging from $6.75 to $590.50.

The 2003-05 biennial budget increased the automobile fees from $45 to $55, effective October 1, 2003.

The 1999-2001 biennial budget changed the Registration Fees for certain vehicles:

- Decrease fees for camping trailers 3,000 pounds or more to $15.
- Exempt manufactured homes, also called mobile homes, over 45 feet from vehicle registrations (effective October 29, 1999).
- $10 fee for late registration using the telephone automation program for heavy vehicle registration (effective January 1, 2000).

Table V-6 reflects the steady rate of growth that has occurred in non-IRP Registration Fee revenues over the past ten years. In fiscal years 2004, 2008, and 2009 the percentage change reflects an increase in Registration Fees that occurred during that specific fiscal year.

Estimated Future Registration Fees

Future Registration Fee revenues depend on the size of the vehicle fleet in subsequent years and the level of fees imposed on the various vehicle types. The methodology for Registration Fee revenue projections consists of two components:

- Projection of registration by vehicle type by an econometric model developed by DOT, which relates the size of the vehicle fleet to anticipated changes in certain key economic variables
- Application of the relevant registration fee to the projection of registered vehicle type

The Department of Transportation's model has two distinct components:

- Anticipated changes in the size of the State's automobile fleet
- Anticipated changes in the size of the State's truck fleet

The econometric model relates the size of the automobile fleet and truck fleet to the disposable income in the State, the relative price of new autos, the level of unemployment, the size of the driving age population, historical rates of vehicle scrappage, construction employment in the State, and a measure of consumer confidence. The long-range economic data used in the model are based on the projections published by Global Insight, Inc., as well as the State of Wisconsin Department of Revenue.

Table V-7 summarizes projected Registration Fee revenues pursuant to Section 341.25, Wisconsin Statutes, until the 2017-18 fiscal year. These projections were completed by DOT using data available at the end of April 2009. It is expected that updated projections may be completed by DOT in the first quarter of calendar year 2010.

Neither the State's independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information shown above, nor have they expressed any opinion or any other form of assurance on such information or its achievability and assume no responsibility for and disclaim any association with the prospective financial information.

Table V-7
PROJECTED REGISTRATION FEE REVENUES
(Amounts in Millions)

Fiscal Year	Revenues[(a)]	% Change
2010	$553.6	—
2011	557.3	0.7%
2012	575.9	3.4
2013	581.8	1.0
2014	602.0	3.5
2015	609.3	1.2
2016	630.6	3.5
2017	639.0	1.3
2018	661.3	3.5

[(a)] Includes both IRP and non-IRP Registration Fees pursuant to Section 341.25, Wisconsin Statutes. Does not include Other Registration-Related Fees, which are addressed later in this Part V of the 2009 Annual Report.

Source: Department of Transportation

Registration Fee Collection Procedures

Registration Fees are collected throughout the fiscal year. In order to smooth out the Department of Transportation's vehicle registration workload, it has staggered vehicle registrations throughout the year. As a result, in fiscal year 2009 the flow of quarterly collections of annual Registration Fee revenues ranged from a low of 22.5% to a high of 27.7%. Any future adjustment of Registration Fees may change the monthly distribution of Registration Fees collected.

The Department of Transportation is the agent of the Trustee with respect to the collection of Registration Fees, pursuant to an agreement between these parties. The non-IRP Registration Fees are collected in a number of ways:

- By mail to a lock-box system operated by U.S. Bank, National Association (**Bank**)
- Over the counter in field registration stations
- By mail to the Department of Transportation's Central office in Madison (**Central Office**)
- At vehicle emission testing stations
- By State auto, light truck, and motorcycle dealers
- Via internet charge card renewal system

- By financial institutions
- By private financial service centers
- By various retailers, such as grocery stores and convenience stores
- By law enforcement agencies
- By municipal and County Clerk offices, as well as some municipal courts

Regardless of the method of collection, all Registration Fees are initially deposited with the Trustee for deposit in the Redemption Fund.

The principal method of collecting non-IRP Registration Fees is registration renewals by mail, which are sent directly to the Bank operating the lock-box system as agent for the Trustee. Under this lock-box system the vehicle owner mails the renewals to the Bank. The renewal includes a check payable to "Registration Fee Trust" and an enclosure with relevant registration information on it. The Bank is to deposit its receipts of Registration Fees daily with the Trustee for deposit in the Redemption Fund.

Over-the-counter collections take place in 30 Division of Motor Vehicle Customer Service Centers (**DMV CSC**) throughout the State. These DMV CSCs collect Registration Fees on behalf of the Trustee, as well as driver license fees, title fees, lien fees, salesman's license fees, permit fees, disabled identification card fees, and various other Department of Transportation charges. The Department of Transportation's financial system is a transaction-based computer system with the field stations linked to the DOT's Central Office by terminal. All transactions are summarized daily and reported to the Central Office. The DMV CSCs deposit their collections in an account in the Trustee's name for deposit in the Redemption Fund.

Collections at the Department of Transportation's Central Office differ from DMV CSC collections in that it is primarily IRP payments and mail applications that are processed. IRP payments consist of checks submitted by individual truck operators, as well as checks generated by other states transmitting IRP payments to the State. Mail applications handled through the Central Office are primarily associated with the registration of vehicles that involve the transfer of ownership. All checks and cash collected through the Central Office are delivered to the Trustee for deposit in the Redemption Fund.

The Department of Transportation has a contract with a vehicle emission contractor to collect Registration Fees at 11 emission testing stations. A registrant may chose to renew their registrations at a testing station. Under this method, the emission testing station is treated like a field registration station with a direct connection to the Central Office's terminal. All emission inspection locations provide registration renewal service. In addition, the contractor operates another site which provided vehicle registration services but does not perform emissions testing. The vendor retains a service fee charged to registrants who use this option.

The Department of Transportation also has a series of contracts with car, light truck, and motorcycle dealers to process vehicle title and registration and transmit such information electronically to it through an interface managed by a third-party vendor. The contracts provide an electronic interface between the Department of Transportation and the dealer's data processing systems. The dealer collects registration and other fees that are electronically transferred daily from their bank accounts to the Department of Transportation by the third-party vendor. The vendor retains a service fee charged to registrants who use this option. In addition, dealers may choose to process title and registration applications electronically through an internet-based system managed by the Department.

Internet charge card renewal is a system available to motorists who prefer to charge their vehicle registration renewals. Under this system, motorists can renew their registrations through the Internet. The Department of Transportation has contracted with a vendor to handle the interfaces and transmission of data. The vendor transfers all monies collected from these transactions daily, through a wire transfer to the Trustee for deposit in the Redemption Fund. The vendor retains a service fee charged to registrants who use this option.

The Department of Transportation has contracts with financial institutions to process titles and registrations and transmit the information through an electronic interface, provided by a separate vendor, to itself and a financial institution. The financial institution collects registration and other fees that are electronically transferred daily from the financial institution to the Trustee for deposit into the Redemption Fund. The vendor retains a service fee charged to registrants who use this option.

Registrants may renew vehicle registrations at private financial service centers. The Department of Transportation has contracted with a separate vendor to handle the electronic interface and transmission of data. The financial service centers collect Registration Fees that are electronically transferred daily from the center to the Trustee for deposit into the Redemption Fund. The vendor retains a service fee charged to registrants who use this option.

Registrants may also renew vehicle registration at participating retailers, law enforcement agencies, and municipal and County Clerk offices as well as some municipal courts. The Department of Transportation has contracted with a separate vendor to handle the electronic interface and transmission of data. The retailers, law enforcement agencies, and County Clerk offices collect Registration Fees that are electronically transferred daily from the participating agent to the Trustee for deposit into the Redemption Fund. The vendor retains a service fee charged to registrants who use this option.

Registration of Fleet Vehicles

The 2009-11 biennial budget (2009 Wisconsin Act 28) includes a provision that allows owners of fleets to register their fleet vehicles for a three year period effective July 1, 2010. This provision will not impact the total amount of Registration Fees, rather it may impact timing related to annual receipt of such Registration Fees. The Department of Transportation is in the process of developing methodology for estimating how many fleets may qualify to use this optional registration process.

OTHER REGISTRATION-RELATED FEES

General

Pursuant to provisions of 2003 Wisconsin Act 33 and the supplement to the General Resolution, adopted by the Commission on October 15, 2003, Other Registration-Related Fees are pledged as Program Income. The Other Registration-Related Fees include many types of fees that are enumerated in Wisconsin Statutes, however, many of the Other Registration-Related Fees result in insignificant or sporadic annual revenues. Given this insignificant and sporadic nature, the State is currently providing continuing disclosure on some, but not all, Other Registration-Related Fees. These specific Other Registration-Related Fees include vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees.

Vehicle Title Transaction Fees

The Wisconsin Statutes require all motor vehicles and trailers exceeding 3,000 pounds to be titled. Titling occurs prior to vehicle registration and the resulting Certificate of Title is evidence of vehicle ownership. The Department of Transportation issues a title when ownership of the vehicle has been confirmed. This occurs when a vehicle is purchased from a dealer, or when vehicles are transferred between individuals in a non-dealer sale. Titling occurs only when vehicle ownership changes and is not an annual reoccurring fee.

The Certificate of Title document is issued on secured paper stock and contains the following information: name and address of owner, description of vehicle (make, year, color, vehicle type, and vehicle identification number), name of the secured party or lien holder, odometer reading information, and other required information.

The title fees are enumerated in Section 342.14, Wisconsin Statutes and is currently $69.50, which increased by $24.50 on January 1, 2008. The title fee is comprised of three components; $53.00 title fee, $7.50 supplemental title fee, and $9 environmental impact fee. The $69.50 title fee is paid by the owner

when filing an application for first Certificate of Title, and by the buyer when filing an application for Certificate of Title after transfer of ownership of the vehicle. The titling fees are paid to the Department of Transportation at the same time the vehicle is registered. The replacement, or duplicate, title fee is currently $20. Replacement titles are issued for lost, stolen, or mutilated titles.

Only the $53.00 title fee and the $7.50 supplemental title fee are included in the definition of Program Income. The environmental impact fee is collected for the Department of Natural Resources (**DNR**) and funds collected are transferred to DNR each month. The environmental impact fee is scheduled to sunset on December 31, 2009.

From fiscal year 2005 to 2009, the Department of Transportation issued approximately 1.3 million titles each year, whereby a title fee was collected. In fiscal year 2009, the Department of Transportation issued 1.2 million titles.

Registration and Title Counter Service Fees

Customers have the option of processing their vehicle titling and registration transactions by mail or in person at a DMV CSC. If the transaction is processed at the DMV CSC, the customer is charged an additional fee for that service. The additional fee is intended to recover some of the cost of providing face-to-face service. Before the customer receives the various products, the counter fee, and titling and/or vehicle Registration Fees are collected.

The counter fee is enumerated in Section 341.255, Wisconsin Statutes. For transactions that renew a vehicle registration, the counter fee is $3, however a $5 counter fee is charged for transactions relating to the issuance of a Certificate of Title, issuance of temporary license plates, issuance of temporary or permanent parking permits for disabled persons, transactions involving both titling and registration for the same vehicle, or transactions relating to only vehicle registration (but not renewals).

The average volume of registration renewals for calendar years 2003 to 2007 was 441,459 transactions at the DMV CSCs. The calendar year 2008 volume at the CSC for renewals was 408,466. The average volume of titling, temporary plates, hang tags, and registrations for calendar years 2003 to 2007 was 769,012 transactions at the DMV CSCs. The calendar year 2008 volume at the DMV CSCs for titling, temporary plates, hang tags, and registrations was 701,891.

Personalized License Plate Fees

Personalized license plates are license plates whereby the registration number is composed of a maximum set of numbers or letters or both specifically requested by the customer. The personalized license plate is only available for certain vehicle types: automobiles, motorcycles, motor homes, motor trucks with a gross weight of no more than 8,000 pounds, and farm trucks with a gross weight of no more than 12,000 pounds.

During the initial vehicle registration process or any time a registrant desires to change a license plate message, an applicant must complete and return to the Department of Transportation a special application form specifying the desired personalized message and provide two alternate messages. Subject to approval by the Department of Transportation, the customized license plate is then manufactured and sent to the customer.

The personalized license plate fee is enumerated in Section 341.145, Wisconsin Statutes. The $15 annual fee must be submitted with the application and is also due annually at the time of vehicle registration renewals. This fee is in addition to the regular Registration Fees. For motorcycles and farm trucks that receive biennial license plates, the personalized license plate fee is also $15 a year, due with the initial application. The fee to maintain a personalized plate issued on a biennial basis is $30, payable during registration renewal and is in addition to the regular biennial Registration Fee.

The average number of new requests for personalized license plates for calendar years 2004 to 2008 was 18,755. The average number of personalized license plates displayed on authorized vehicles during fiscal

years 2004 to 2008 was 267,976. At the end of fiscal year 2009, the State had 245,510 authorized personalized license plates.

Actual and Estimated Other Registration-Related Fees

Table V-8 provides further information on the amount of Other Registration–Related Fees described above in "OTHER REGISTRATION-RELATED FEES; General". These amounts include actual collections for the past ten years and projections for the upcoming nine years; the projected Other Registration-Related Fees are for 2010 through 2018. See Table V-2 for the total of Registration Fees and the Other Registration-Related Fees being used for ratings and continuing disclosure.

The Other Registration-Related Fees include many types of fees that are enumerated in the Wisconsin Statutes; while all are Program Income, the certain Other Registration-Related Fees outlined by the box in Table V-8 are those fees for which the State is currently providing continuing disclosure.

Table V-8
ACTUAL AND PROJECTED OTHER REGISTRATION-RELATED FEES

Fiscal Year (June 30)	Title Transaction Fees	Counter Service Fees and Personalized License Plates	Subtotal	Other Miscellaneous Vehicle Registration-Related Fees	Total Registration-Related Fees
2000	$ 24,977,188	$ 10,227,975	$ 35,205,163	$ 17,872,550	$ 53,077,713
2001	24,115,343	10,006,286	34,121,629	15,074,978	49,196,607
2002	24,904,447	10,383,485	35,287,932	18,249,990	53,537,922
2003	25,088,025	10,315,603	35,403,628	15,736,973	51,140,601
2004[(a)]	35,178,866	10,394,684	45,573,550	19,833,030	65,406,580
2005	37,703,381	9,080,116	46,783,497	11,249,762	58,033,259
2006[(a)]	48,026,267	9,129,613	57,155,880	8,494,960	65,650,840
2007	50,470,381	8,487,460	58,957,841	8,457,789	67,415,630
2008[(a)]	63,825,116	8,504,542	72,329,658	8,690,501	81,020,159
2009[(a)]	73,326,881	8,065,590	81,392,471	8,300,302	89,692,773
2010	78,051,100	9,119,300	87,170,400	9,953,800	97,124,200
2011	78,051,100	9,119,300	87,170,400	9,987,200	97,157,600
2012	78,051,100	9,119,300	87,170,400	9,988,500	97,158,900
2013	78,051,100	9,119,300	87,170,400	10,021,400	97,191,800
2014	78,051,100	9,119,300	87,170,400	10,057,900	97,228,300
2015	78,051,100	9,119,300	87,170,400	10,096,300	97,266,700
2016	78,051,100	9,119,300	87,170,400	10,136,800	97,307,200
2017	78,051,100	9,119,300	87,170,400	10,179,000	97,349,400
2018	78,051,100	9,119,300	87,170,400	10,222,200	97,392,600

[(a)] Reflects (i) effective date of October 1, 2003 for $10 increase in title transaction fees, (ii) effective date of October 1, 2005 for additional $10 increase in title transaction fees and $12 increase in duplicate title fee, and (iii) effective date of January 1, 2008 for additional $24.50 increase in title transaction fees.
Source: Wisconsin Department of Transportation.

Neither the State's independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information shown above, nor have they expressed any opinion or any other form of assurance on such information or its achievability and assume no responsibility for and disclaim any association with the prospective financial information.

PROJECTS

Security on the Bonds or Notes is not dependent upon projects built with Bond or Note proceeds.

Bond and Note proceeds are used to finance a portion of major highway projects enumerated in the Wisconsin Statutes for construction. A major highway project is defined as a project which has a total cost of more than $5 million and which involves one or more of the following:

- Constructing a new highway 2.5 miles or more in length
- Relocating 2.5 miles or more of an existing highway
- Adding one or more lanes, 5 miles or more to an existing highway
- Improving 10 miles or more of existing multi-lane divided highway to freeway standards

All state highway improvement projects, including authorized major highway projects, are scheduled in the Department of Transportation's six-year highway improvement program. The six-year program, updated on a biennial basis, serves as a basic tool for the Department of Transportation's long-term improvement plans and construction programs.

Construction of major highway projects uses moneys from the following sources:

- Bond or Note proceeds
- Federal aid
- Moneys in the Transportation Fund which may be appropriated for such purposes

The 84 major highway projects enumerated by statute for right-of-way acquisition and construction resulted in 87 major highway projects and certain transportation administrative facilities. Of the 87 major highway projects, the Department of Transportation has completed construction on 76 projects. The estimated cost of the remaining 11 major highway projects is at least $2.537 billion in 2009 dollars. See "SECURITY; Additional Bonds".

Requests for additional information about the major highway projects funded or to be funded with proceeds of transportation revenue obligations may be directed as follows:

Contact: Wisconsin Department of Transportation
Attn: Office of Policy, Budget, and Finance
Phone: (608) 261-8628
Mail: 4802 Sheboygan Avenue
P.O. Box 7910
Madison, WI 53707-7910
E-mail: jay.schad@dot.state.wi.us
Web site: www.dot.wi.gov

VARIABLE RATE OBLIGATIONS

The State has issued, and there currently remains outstanding, transportation revenue commercial paper notes, or Notes.

General

The State has appointed Goldman, Sachs & Co. and J.P. Morgan Securities Inc. (as successor to Bear, Stearns & Co. Inc.) to serve as **Dealers** and Deutsche Bank Trust Company Americas to serve as **Issuing and Paying Agent** for the Notes. The Depository Trust Company (**DTC**) serves as **Depository** for the Notes.

The State has obtained a **Liquidity Facility** in the form of a line of credit, which is provided for in a **Credit Agreement**, dated April 1, 2006, as amended, between State Street Bank and Trust Company and California State Teachers' Retirement System (collectively, **Liquidity Facility Providers)** and the State**.** The principal portion of the Credit Agreement is currently $207 million.

The following summarizes, for each authorized and outstanding series of Notes, the principal amount initially issued, the date of initial issuance, and the principal amount outstanding as of December 15, 2009.

Table V-9
SUMMARY OF OUTSTANDING TRANSPORTATION REVENUE COMMERCIAL PAPER NOTES
(December 15, 2009)

Series of Notes	Amount Issued	Date of Initial Issuance	Amount Outstanding
1997 Series A	$ 157,763,000	May 7, 1997	$ 86,088,000
2006 Series A	91,290,000	October 2, 2006	76,410,000
		Total Outstanding:	$162,498,000

Additional Notes may be issued pursuant to action of the Commission subject to meeting certain conditions, such as an additional bonds test. In addition, the aggregate amount of Notes outstanding may not exceed the principal amount of the Liquidity Facility.

Description of the Notes

Each Note will be dated the date it is issued. It will be issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000.

The Notes are not callable prior to maturity.

Each Note will mature from 1 to 270 days from its issue date but no Note may be issued with a maturity date later than two (2) business days prior to the expiration date of the Liquidity Facility.

Each Note will bear interest from its date of issuance, at the rate determined at the date of issuance, payable at maturity. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed. Payment of each Note will be made to the Depository and then distributed by the Depository.

Liquidity Facility

In order to provide liquidity for the payment of the principal of and interest on maturing Notes, the State has entered into the Credit Agreement with the Liquidity Facility Providers.

Pursuant to the Credit Agreement, the Liquidity Facility Providers are severally and not jointly obligated, subject to certain conditions, to make **Advances** in amounts equal to their respective percentages of the line of credit from time to time on any business day during the term of the Credit Agreement, only for providing funds to pay the principal of and interest on the Notes on the maturity date thereof to the extent that proceeds of other Notes or other moneys on deposit in the Note Fund for the Notes are not available. The respective percentages are currently 67% for State Street Bank and Trust Company **(State Street)** and 33% for California State Teachers' Retirement System **(CalSTRS)**. The aggregate principal amount of all Advances made on any date may not exceed the outstanding commitment amount under the Credit Agreement (currently $207 million), as such amount may be increased or decreased from time to time. The Series commitment amount cannot be less than the sum of the issued Notes plus the aggregate principal amount of all outstanding Advances provided by the Liquidity Facility Providers.

The Credit Agreement currently terminates on April 28, 2013. The Credit Agreement provides that the termination date may be extended, if the parties agree.

The State has delivered one or more promissory notes **(Promissory Notes)** to each Liquidity Facility Provider, evidencing its obligation to repay all Advances. Each Promissory Note ranks equally with the Notes and is payable solely from Program Income deposited into the Subordinated Debt Service Fund, as provided for in the resolutions authorizing the Notes.

The State is permitted to replace the Credit Agreement with another comparable agreement or agreements with any other liquidity facility provider provided that such substitution meets all required qualifications, including, but not limited to, written evidence from each rating agency which, at the request of the State,

is then rating the Notes and which is then also rating the provider (or its guarantor) of the proposed substitute liquidity facility to the effect that the substitution of the Liquidity Facility will not by itself result in a withdrawal, suspension or reduction of its ratings of the Notes from those which then prevail. Any such substituted Liquidity Facility Agreement may have covenants, conditions to borrowing and other provisions different from those referred to above. The State will notify the Dealers of any change in the Liquidity Facility. The State will also notify each nationally recognized municipal securities information repository of any change in the Liquidity Facility.

Description of the Liquidity Facility Providers

The following information concerning State Street and CalSTRS has been provided by respective representatives of State Street and CalSTRS and has not been independently confirmed or verified by the State. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

State Street Bank and Trust Company

State Street is a wholly-owned subsidiary of State Street Corporation **(Corporation)**. The Corporation (NYSE: STT) is a leading specialist in providing institutional investors with investment servicing, investment management and investment research and trading. With $12.04 trillion in assets under custody and $1.44 trillion in assets under management, the Corporation operates in 27 countries and more than 100 markets worldwide. The assets of State Street at December 31, 2008 accounted for approximately 97% of the consolidated assets of the Corporation. At December 31, 2008, the Corporation had total assets of $173.63 billion, total deposits (including deposits in foreign offices) of $112.23 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately $9.13 billion and total equity capital of $12.77 billion.

State Street's Consolidated Reports of Condition for Insured Commercial and State Chartered Savings Banks FFIEC 031 for December 31, 2008, as submitted to the Federal Reserve Bank of Boston, are incorporated by reference in this Part V of the 2009 Annual Report and shall be deemed to be a part hereof.

In addition, all reports filed by State Street pursuant to 12 U.S.C. §324 after the date of this Part V to the 2009 Annual Report shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to the Corporation and State Street is set forth in the Corporation's Annual Report or Form 10-K for the year ended December 31, 2008. The annual report can be found on the Corporation's web site, www.statestreet.com. Such report and all reports filed by the Corporation pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this 2009 Annual Report are incorporated herein by reference and shall be deemed a part hereof from the date of filing of any such report. The Corporation's web site is not incorporated by reference into this Part V of the 2009 Annual Report. The Credit Agreement is an obligation of State Street and not of the Corporation.

Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Part V of the 2009 Annual Report to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Part V of the 2009 Annual Report.

State Street hereby undertakes to provide, without charge to each person to whom a copy of this Part V of the 2009 Annual Report has been delivered, on the written request of any such person, a copy of any or

all of the documents referred to above which have been or may be incorporated in this Part V of the 2009 Annual Report by reference, other than exhibits to such documents. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

Neither State Street nor its affiliates make any representation as to the contents of this Part V of the 2009 Annual Report (except as to this section to the extent it relates to State Street), the suitability of the CP Notes for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations.

California State Teachers' Retirement System

CalSTRS is a component unit of the State of California, organized and operating under the laws of the State of California, including the Teachers' Retirement Law, constituting Part 13 of Division 1 of Title 1 of the Education Code of the State of California, commencing at Section 22000 **(Law)**, as amended. The Law establishes the Teachers' Retirement Board **(Board)**, which has the sole and exclusive fiduciary responsibility over the administration and investment of funds held in the Teachers' Retirement Fund **(Fund)**, in which the bulk of the assets of CalSTRS are held. School districts and other agencies employing members of CalSTRS are required to make monthly contributions to the Fund in an amount equal to 8.25% of the total of the salaries upon which members' contributions are based. All full-time certificated employees in the public school system from kindergarten through the community college level are required by law to be members of CalSTRS. CalSTRS provides defined retirement, survivor and disability benefits to all members based on the final compensation attained by the member, the age of retirement and the term of service, and other factors.

Financial data for June 30, 2009 are taken from the audited financial statements for the fiscal year ended June 30, 2009 **(Financial Statements)**. The latest CalSTRS' Comprehensive Annual Financial Report available is for the fiscal year ended June 30, 2008. Financial data for fiscal years ended after 2009 are incorporated by reference in this section and shall be deemed to be a part hereof.

As of June 30, 2009, the Fund had net assets held in trust for pension benefits with a market value of approximately $118.4 billion, compared to approximately $161.5 billion as of June 30, 2008. As of September 30, 2009, total investment assets had a market value of approximately $130.3 billion (unaudited).

CalSTRS is independently rated "AA/A-1+" by Standard and Poor's, a Division of the McGraw-Hill Companies, Inc. (S&P), "Aaa/P-1" by Moody's Investors Service, and "AA+/F1+" by Fitch Ratings.

CalSTRS will provide without charge and upon request, a copy of its Financial Statements. Requests to CalSTRS for the Financial Statements should be directed by mail to State Teachers' Retirement System, P.O. Box 163740, Sacramento, California 95816-3710, Attention: Credit Enhancement Program, or by email to cepinquiries@calstrs.com. The most recent Financial Statements, Comprehensive Annual Financial Report and other information regarding CalSTRS can be viewed at www.calstrs.com; however, this web site is not incorporated by reference into this Part V of the 2009 Annual Report.

The foregoing information has been provided by CalSTRS and is not intended to serve as a representation, warranty, or contract modification of any kind.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The General Resolution contains various covenants and security provisions, certain of which are summarized below. In general, this Section does not summarize any provisions of the Series Resolutions. Reference should be made to the General Resolution for a full and complete statement of its provisions. A copy of the General Resolution or any Series Resolution may be obtained by contacting the State at the address provided on the first page of this Part V of the 2009 Annual Report.

Resolution to Constitute Contract

The provisions of the General Resolution shall be a part of the contract of the State with the holders of Bonds and shall be deemed to be and shall constitute a contract among the State, the Trustee and the holders from time to time of the Bonds and shall be for the equal benefit, protection and security of the holders of any and all of such Bonds.

Provisions for Issuance of Bonds

The General Resolution authorizes Bonds of a Series to be issued from time to time in accordance with the terms of the General Resolution without limitation as to amount except as provided by law. Bonds shall be issued pursuant to authorization by a Series Resolution containing the provisions specified by the General Resolution. Following issuance of the initial Series of Bonds, the Commission must determine that the additional obligations test set forth in the General Resolution is met prior to adopting any Series Resolution for other than refunding purposes. The Bonds of a Series may be authenticated and delivered only upon receipt by the Trustee of, among other things:

- A Bond Counsel's opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the Wisconsin Constitution and the Wisconsin Statutes and in accordance with the General Resolution; and,
- The proceeds of the Bonds of such Series to be deposited with the Trustee pursuant to the General Resolution.

Additional Bonds

Following the initial issuance of Bonds, the State will not create or permit the creation of, or issue any obligations or create any indebtedness which shall be secured by a superior or equal charge and lien on the Program Income, except that additional Series of Bonds may be issued from time to time subsequent to the issuance of the initial Series of Bonds on a parity with the Bonds of such initial Series of Bonds and secured by an equal charge and lien on the Program Income. However, no additional Series of Bonds shall be issued subsequent to the initial Series of Bonds unless:

- The principal amount of the additional Bonds together with the principal amount of the Outstanding Bonds will not exceed in aggregate principal amount any limitation thereon imposed by law;
- Except in the case of refunding Bonds, there shall be filed with the Trustee a Certificate of an Authorized Officer of the Commission and the Department of Transportation stating that Program Income, including interest earnings on amounts deposited in the Funds or Accounts held by the Trustee and available for debt service, for any twelve (12) consecutive calendar months of the preceding eighteen (18) calendar months, was equal to at least 2.25 times the maximum aggregate Principal Requirement and Interest Requirement for any Fiscal Year for all Outstanding Bonds (the General Resolution defines Outstanding Bonds to include the Bonds being issued upon the delivery of such Certificate);
- Upon the issuance and delivery of the additional Bonds, the amount credited to the Reserve Fund shall be at least equal to the Debt Service Reserve Requirement immediately after issuance; and
- All requirements with respect to adoption of Series Resolutions have been complied with.

Refunding Bonds

The State may issue refunding Bonds of one or more Series to refund any Outstanding Bonds of one or more Series whether by payment at maturity or by redemption. Refunding Bonds shall be issued pursuant to and in accordance with the provisions of a Series Resolution authorizing such refunding Bonds.

Application of Bond Proceeds

The proceeds of sale of a Series of Bonds shall be deposited as follows:

- To the Principal and Interest Account of the Redemption Fund, the amount of any accrued interest on the Series of Bonds to their date of delivery;
- To the Principal and Interest Account of the Redemption Fund, the amount of any premium determined by the applicable Series Resolution, or specified in a certificate of an authorized officer of the Commission;
- To the Principal and Interest Account of the Redemption Fund, the proceeds of any Series of refunding Bonds to the extent provided in the applicable Series Resolution;
- To the Reserve Fund, the amount specified in the Series Resolution as necessary to establish or increase the amount set aside therein to the Debt Service Reserve Requirement;
- To any other Fund or Account to the extent permitted by the Revenue Obligations Act provided for by Series Resolution; and
- To the Program Capital Fund, the balance of the proceeds of any Series of Bonds, which shall be allocated:
  (a) to the Capitalized Interest Account, the amount of capitalized interest, if any, determined by the applicable Series Resolution to be deposited; and
  (b) to the Program Account, the balance of the proceeds of any Series of Bonds.

Establishment of Funds

All Program Income and other moneys or securities held by the Trustee pursuant to the General Resolution are revenues of the Trustee and are revenues outside of the State Treasury which shall be held in trust and applied only in accordance with the provisions of the General Resolution. The General Resolution establishes and creates the following trust funds that are to be held by the Trustee:

- Program Capital Fund, which consists of a Capitalized Interest Account and a Program Account;
- Redemption Fund, which consists of a Principal and Interest Account and a Program Income Account;
- Reserve Fund; and
- Program Expense Fund.

The General Resolution authorizes the creation of other Funds and Accounts for a particular Series of Bonds by the applicable Series Resolution.

Capitalized Interest Account

Amounts in the Capitalized Interest Account, if any, shall be transferred to the Principal and Interest Account of the Redemption Fund to be used for payment of capitalized interest on the Bonds in accordance with the schedule set forth in a Series Resolution or in a Certificate of an Authorized Officer of the Building Commission delivered to the Trustee. Amounts in the Capitalized Interest Account shall also be transferred to the Principal and Interest Account of the Redemption Fund for redemption of Bonds (1) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that such redemption is necessary for compliance with the covenants contained in the General Resolution concerning tax exemption of the interest on certain of the Bonds, and (2) in accordance with the provisions of the terms of a Series Resolution with respect to the Series of Bonds authorized by such Series Resolution.

Program Account

Amounts in the Program Account shall be used solely for the following purposes:

- Paying the Costs of Issuance;
- Financing Projects in accordance with the Act and the General Resolution; and
- Transfers to the Principal and Interest Account of the Redemption Fund to pay interest on the principal of or Redemption Price of Outstanding Bonds (a) upon receipt by the Trustee of a

Certificate of an Authorized Officer of the Building Commission stating that such redemption is necessary for compliance with the covenants contained in the General Resolution concerning tax exemption of the interest on certain of the Bonds, (b) in accordance with the provisions of the terms of a Series Resolution, and (c) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that there are no further Projects to be funded from the Program Account.

Redemption Fund

There shall be deposited into the Principal and Interest Account of the Redemption Fund from the proceeds of the sale of the Bonds, immediately upon receipt thereof, an amount equal to the accrued interest and any premium (if so specified in a certificate of an authorized officer of the Commission) paid upon the sale of the Bonds and the proceeds of any Series of refunding Bonds. All Program Income shall be deposited promptly with the Trustee (or with national banking associations, state banks or trust companies acting as agents of the Trustee for transfer daily to the Trustee) and such amounts shall be deposited in the Program Income Account of the Redemption Fund. There shall also be deposited in the Program Income Account of the Redemption Fund any other amounts required or permitted to be deposited therein pursuant to the General Resolution.

The amounts deposited in the Principal and Interest Account of the Redemption Fund from the proceeds of a Series of Bonds representing accrued interest and any specified premium shall be set aside and applied to the payment of interest on the next succeeding Interest Payment Date and any additional Interest Payment Dates specified in the Series Resolution or a Certificate of an Authorized Officer of the Building Commission.

The amounts deposited in the Principal and Interest Account of the Redemption Fund from the proceeds of a Series of refunding Bonds shall be applied to the payment or redemption of Bonds as provided in the Series Resolution.

Commencing on the date of issuance of the Bonds and continuing each succeeding business day until the amounts required in (1) through (5) of this paragraph are deposited and thereafter on each Redemption Fund Deposit Day (the first day of January, April, July, and October), and continuing each succeeding business day until the amounts required in (1) through (5) of this paragraph are deposited, the Trustee shall immediately transfer aside from the amounts deposited in the Program Income Account, in the following order of priority:

(1) To the Principal and Interest Account, after giving effect to:
   - (a) amounts to be available from accrued interest and in the Capitalized Interest Account, and
   - (b) any balance in the Principal and Interest Account on each Redemption Fund Deposit Day, and
   - (c) amounts transferred from the Reserve Fund, and
   - (d) amounts transferred from the Program Expense Fund, an amount equal to the Interest Requirement with respect to Outstanding Bonds;

(2) To the Principal and Interest Account, after giving effect to any balance in the Principal and Interest Account in excess of the Interest Requirement an amount equal to the Principal Requirement on the Outstanding Bond;

(3) To the Reserve Fund, an amount equal to any deficiency in the Reserve Fund;

(4) To the Program Expense Fund created in the General Resolution, an amount equal to any unfunded portion of the Program Expenses payable over the next three months according to the General Resolution; and

(5) To the Subordinated Debt Service Fund created for the Notes, an amount equal to the Subordinated Debt Service Fund Requirement.

Immediately upon meeting the requirements set forth above, amounts in the Program Income Account of the Redemption Fund, including any interest earned thereon, in excess of the amounts required to be set aside above, shall be paid by the Trustee to the State Treasury for deposit into the Transportation Fund free and clear of the lien of the General Resolution in accordance with the Revenue Obligations Act and the Act.

To the extent not otherwise provided for in the Series Resolution applicable to any Series of Bonds, on the first day of each Fiscal Year and prior to any of the transfers by the Trustee that day specified above, all amounts in the Principal and Interest Account shall be paid by the Trustee to the State Treasury for deposit into the Transportation Fund free and clear of the lien of the General Resolution in accordance with the Revenue Obligations Act and the Act.

Payment of Bonds

The Trustee is required to pay to the Registrar and Paying Agent for the Bonds on or before each Interest Payment Date, (1) the amount equal to interest due on the Outstanding Bonds on such date, (2) the amount equal to the principal amount of Outstanding Bonds maturing on such date and (3) the amount equal to the Redemption Price of any Outstanding Bonds to be redeemed on such date, and in each such case, such amounts shall be applied by such Registrar and Paying Agent to such payments.

There shall be deposited in the Principal and Interest Account of the Redemption Fund any amounts which are required to be deposited therein pursuant to the General Resolution, a Series Resolution and any other amounts available therefor and determined by the State to be deposited therein for the purpose of redeeming Bonds. Subject to the provisions of the respective Series of Bonds and to the provisions of the respective resolutions authorizing the issuance thereof and authorizing the issuance of refunding Bonds, all amounts deposited in the Principal and Interest Account of the Redemption Fund in accordance with the provisions described in this paragraph shall be set aside and applied to the payment, purchase or redemption of Bonds.

Purchase of Bonds

Except as may be otherwise provided in connection with the issuance of refunding Bonds, at any time prior to the 45th day upon which Bonds are to be paid or redeemed from the amounts described in the preceding paragraph, the Trustee may upon receipt of written instructions signed by an Authorized Officer of the Building Commission apply such amounts to the purchase of any of the Bonds which may be paid or redeemed by application of amounts on deposit in the Principal and Interest Account of the Redemption Fund. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as the Building Commission shall direct. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond or the Redemption Price of such Bond on the next Redemption Date for such Bonds.

Program Expense Fund

On the first day of January, April, July, and October, the Trustee shall immediately transfer amounts on deposit in the Program Income Account to the Program Expense Fund for the purpose of paying Program Expenses for the succeeding three months as set forth in the annual budget prepared by the Department of Transportation, but only upon a Certificate of an Authorized Officer of the Department of Transportation, stating that the amounts are required and have been or will be expended for purposes for and to which the Program Expense Fund may be used and applied.

Reserve Fund

If on any Interest Payment Date, Principal Installment Date, or Redemption Date for the Bonds, the amount in the Principal and Interest Account of the Redemption Fund shall be less than the amount required for the payment of interest, principal or Redemption Price on Outstanding Bonds on such date, the Trustee shall apply assets in the Reserve Fund to the extent necessary to make good the deficiency.

In the event there is a deficiency in the Reserve Fund, it shall be made up from the Redemption Fund after both the Interest Requirement and the Principal Requirement with respect to Outstanding Bonds have been met. Monies flow to the Redemption Fund commencing on the date of issuance of a Series of Bonds or on a Redemption Fund Deposit Day, whichever is earlier.

On the first day of each Fiscal Year, income and earnings from Investment Obligations in the Reserve Fund shall be transferred to the Principal and Interest Account to the extent such transfer will not reduce the amount in the Reserve Fund below an amount equal to the Debt Service Reserve Requirement.

Investments and Deposits

Subject to instructions from time to time received from an Authorized Officer of the Building Commission and to the provisions of the General Resolution, moneys in any Fund or Account shall be continuously invested and reinvested or deposited and redeposited by the Trustee in the highest yield Investment Obligations that may be reasonably known to the Trustee to the extent the same are authorized by the applicable Series Resolution and at the time legal for investment of funds under the Act, the Revenue Obligations Act and other applicable law. Investments shall be made with a view toward maximizing yield (with proper preservation of principal) and minimizing the instances of uninvested funds.

Investment Obligations purchased as an investment of moneys in any Fund or Account held by the Trustee under the provisions of the General Resolution shall be deemed at all times to be part of such Fund or Account but the income or interest earned and gains realized from Investment Obligations held by the Reserve Fund and Program Expense Fund in excess of the requirements of said Funds shall be transferred to the Principal and Interest Account on the first day of each Fiscal Year.

The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Obligations purchased by it pursuant to the General Resolution whenever it shall be necessary in order to provide moneys to meet any payments or transfers from the Fund or Account for which such investment was made.

In computing the amount in the Reserve Fund, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made on the 20th day of each March, June, September and December and as otherwise required under the General Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

The Trustee shall invest and reinvest the moneys in any Fund or Account in available Investment Obligations so that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which monies are needed to be so expended.

Investment Obligations means any of the investments described under "GLOSSARY".

Powers as to Bonds and Pledge

The State covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the Program Income purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution.

Payment Covenant

The State covenants that it will duly and punctually pay or cause to be paid, but solely from sources as provided in the General Resolution, the principal and Redemption Price of every Bond and the interest thereon, on the dates and at the places and in the manner stated in the Bonds according to the true intent and meaning thereof.

Tax Covenants

The State and the Trustee shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

The State and the Trustee shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the State to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148 of Code.

The State and the Trustee shall not permit at any time or times any proceeds of any Bonds or any other funds of the State to be used, directly or indirectly, in a manner which would result in the exclusion of any Bond from the treatment afforded by Section 103 of the Code, as from time to time amended, by reason of the classification of such Bond as a "private activity bond" within the meaning of Section 141 of the Code.

The State reserves the right to elect to issue Bonds, the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants as to tax exemption shall not apply to such Bonds.

Funds and Reports

The Department of Transportation covenants that it will keep, or cause to be kept and maintained proper books of account relating to the Program and within 120 days after the end of each Fiscal Year shall cause such books of account to be audited by an Accountant. A copy of each audit report, annual balance sheet and income and expense statement showing in reasonable detail the financial condition of the Program (including a schedule of monthly Program Income) as of the close of each Fiscal Year, and summarizing in reasonable detail the income and expenses for such year, including the transaction relating to the Funds, shall be filed promptly with the Trustee and shall be available for inspection by any Bondholder. See "AUDITED FINANCIAL STATEMENTS" in APPENDIX A.

Budgets

The Department of Transportation must file an annual budget broken down on a quarterly basis covering the fiscal operations of the Program for the succeeding Fiscal Year not later than the first day of each Fiscal Year with the Trustee. The annual budget shall at least set forth for such Fiscal Year the estimated Program Income, the debt service due and payable or estimated to become due and payable during such Fiscal Year and estimated Program Expenses. The Department of Transportation may at any time file with the Trustee an amended annual budget for the remainder of the then current Fiscal Year in the manner provided for the filing of the annual budget. Copies of the annual budget as then amended and in effect shall be made available by the Trustee during normal business hours in the Trustee's office for inspection by any Bondholder.

The Program

The State covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the Revenue Obligations Act, the provisions of the General Resolution and sound banking practices and principles to:

- Use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program, to finance Projects, pursuant to the Act, the Revenue Obligations Act and the General Resolution;
- Do all such acts and things as shall be necessary to charge and cause to be deposited with the Trustee Program Income sufficient to pay interest and principal and redemption premium on all Outstanding Bonds, to maintain the Debt Service Reserve Requirement in the Reserve Fund, to maintain any Credit Support and Liquidity Fund Requirement provided for in a Series Resolution, to pay Program Expenses; and

- Maintain any Subordinated Debt Service Fund Requirement provided for in a Series Resolution.

Power of Amendment

The Building Commission may, from time to time and without the onsent and concurrence of any holder of any Bond, adopt a Supplemental Resolution modifying or amending the General Resolution if the modification or amendment does not adversely affect the holders of the Outstanding Bonds.

Any modification of or amendment to the General Resolution which does affect the rights and obligations of the State and of the holders of the Bonds, in any particular, may be made by a Supplemental Resolution with the written consent given as provided in the General Resolution, (1) of the holders of at least two-thirds in principal amount of the Outstanding Bonds at the time such consent is given, (2) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (3) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the General Resolution or Series Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

Events of Default

It is an Event of Default if:

(1) Payment of any installment of interest on the Outstanding Bonds shall not be made after the same shall become due;

(2) Payment of the principal of, Redemption Price or any Sinking Fund Installment on any Bond when and as the same shall become due and payable, whether at maturity or upon call for redemption or otherwise, shall not be made when and as the same shall become due; or

(3) The State shall fail or refuse to comply with the provisions of the General Resolution including replenishment of the Reserve Fund, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the General Resolution or in any Supplemental or Series Resolution or the Bonds, and such failure, refusal or default shall continue for a period of thirty (30) days after written notice thereof by the Trustee or the holders of not less than 25% in principal amount of the Outstanding Bonds.

Remedies

Upon the happening and continuance of any Event of Default specified in clauses (1) and (2) under Events of Default above, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in clause (3) under Events of Default above, the Trustee may proceed and, upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject to the General Resolution, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action, or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require the State to charge and cause to be deposited with the Trustee sufficient Program Income and to require the State to carry out the covenants and agreements with Bondholders and to perform its duties under the Act, the Revenue

Obligations Act and the General Resolution; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require the State to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling Investment Obligations.

Before declaring the principal of Bonds due and payable upon an Event of Default, the Trustee shall first give thirty (30) days' notice in writing to the Governor and Attorney General of the State.

Priority of Bonds After Default

In the event that upon the happening and continuance of an Event of Default, the Funds or Accounts held by the Trustee, Registrar and Paying Agent are insufficient for the payment of interest, principal or Redemption Price then due on the Bonds, such Funds or Accounts (other than portions of Funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other monies received or collected by the Trustee acting pursuant to the Act, the Revenue Obligations Act and the General Resolution, after making provisions for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or the Registrar and Paying Agent in the performance of their respective duties under the General Resolution, are to be applied as follows:

(1) If the principal of all of the Bonds has not become or been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order or maturity of such installments, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference.

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds has become or been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Limitation on Rights of Bondholders

No individual Bondholder shall have any right to initiate legal proceedings to enforce rights under the General Resolution unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Outstanding Bonds have made written request of the Trustee after the right to exercise such right of action has occurred, and shall have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the General Resolution or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities and the Trustee has refused or neglected to comply with such request within a reasonable time. No provision in the General Resolution on defaults and remedies affects or impairs the right of any Bondholder to enforce the payment of the principal of and

interest on his Bonds, or the obligation of the State to pay the same from the source, at the time and place specified in said Bond.

Compensation of Fiduciaries

Each Fiduciary is entitled to such fees and reimbursement as shall be established in an agreement between the Commission and such Fiduciary by the Trustee from the Program Expense Fund (except that the agreement for Registrar shall be between the Secretary of Administration and the Registrar). Each Fiduciary shall have a lien for such fees and reimbursement on any and all Funds at any time held by it under the General Resolution.

Removal of Trustee

The Trustee is required to be removed if so requested by the holders of a majority in principal amount of the Outstanding Bonds excluding any Bonds held by or for the account of the State. The State may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as the State may determine in its sole discretion. In either such event, a successor is required to be appointed.

Defeasance

If the State shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then the pledge of Program Income and other monies, securities and funds thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which monies have been set aside and shall be held in trust by Fiduciaries (through deposit by the State of funds for such payment or redemption or otherwise) shall, at the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any Bonds shall, prior to maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect so expressed if:

- In case any of the Bonds to be redeemed on any date prior to their maturity, the State has given to the Trustee in form satisfactory to it, irrevocable instructions to publish, as provided in the General Resolution, notice of redemption on said date of such Bonds;
- There has been deposited with the Trustee either monies in an amount which are sufficient, or Investment Obligations which are direct obligations of or obligations guaranteed by the United States of America or other obligations, the payment of which is provided for by an irrevocable escrow deposit invested in direct obligations of the United States of America, the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be; or
- In the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the State has given the Trustee, in form satisfactory to it, irrevocable instructions to publish, as soon as practicable, at least once in an Authorized Newspaper a notice to the holders of such Bonds that the deposit required by (2) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or Redemption Date upon which monies are to be available for the payment of the principal of and Redemption Price on said Bonds.

Neither the Investment Obligations nor the monies so deposited with the Trustee nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than (and shall be held in trust for) the payment of the principal of, Redemption Price and interest on said Bonds, but any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose may, to the extent practicable and legally permitted,

be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal of, Redemption Price and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments may be paid over to the State, as received by the Trustee, free and clear of any trust, lien or pledge.

GLOSSARY

This Glossary includes definitions from the General Resolution and the Series Resolutions that apply to capitalized terms used in this Part V of the 2009 Annual Report.

Accountant means such reputable and experienced independent certified public accountant or firm of independent certified public accountants of nationally recognized standing as may be selected by the Department of Transportation and be satisfactory to the Trustee which may be the accountant or firm of accountants who regularly audit the books and accounts of the Department.

Act means Section 84.59, Wisconsin Statutes.

Authorized Newspaper means either The Wall Street Journal or The Bond Buyer, or such other financial newspaper or financial journal of general circulation, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, in the Borough of Manhattan, City and State of New York.

Authorized Officer when used with reference to the Department of Transportation means the Secretary or other person designated from time to time by the Secretary, and when used with reference to the Commission, means the Chairperson of the Commission or other person designated from time to time by the Chairperson of the Commission and, in the case of any act to be performed or duty to be discharged, any other member, staff, officer or employee of the foregoing Department of Transportation or Commission then authorized to perform such act or discharge such duty.

Bond or **Bonds** means any bond or any other evidence of revenue obligation authorized under the General Resolution and issued pursuant to a Series Resolution.

Bond Counsel's Opinion means an opinion executed by the Attorney General of Wisconsin or an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the State.

Bondholder and the term **Holder** or **holder** means the registered owner of any Outstanding Bond or Bonds, if registered to a particular person or persons, or the holder of any Outstanding Bond or Bonds in bearer form or registered as to principal only, or his duly authorized attorney in fact, representative or assigns.

1993 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1993 Series A, issued on September 29, 1993.

2000 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2000 Series A, issued on September 27, 2000.

2001 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2001 Series A, issued on December 6, 2001.

2002 Series 1 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2002 Series 1, issued on May 7, 2002.

2002 Series 2 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2002 Series 2, issued on May 7, 2002.

2002 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 2002 Series A, issued on October 30, 2002.

2003 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2003 Series A, issued on November 25, 2003.

2004 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2004 Series 1, issued on September 30, 2004.

2005 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 2005 Series A, issued on March 10, 2005.

2005 Series B Bonds means the State of Wisconsin Transportation Revenue Bonds, 2005 Series B, issued on September 29, 2005.

2007 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 2007 Series A, issued on March 8, 2007.

2007 Series 1 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2007 Series 1, issued on March 8, 2007.

2008 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2008 Series A, issued on August 27, 2008.

2009 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 2009 Series A, issued on October 1, 2009.

2009 Series B Bonds means the State of Wisconsin Transportation Revenue Bonds, 2009 Series B (Taxable), issued on October 1, 2009.

Capitalized Interest Account shall mean the account established by Section 402 of the General Resolution.

Certificate means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the General Resolution, or (ii) the report of an Accountant as to audit or other procedures called for by the General Resolution.

Commercial Paper Notes or **Notes** means, in aggregate, the State of Wisconsin Transportation Revenue Commercial Paper Notes of 1997, Series A and the State of Wisconsin Transportation Revenue Commercial Paper Notes of 2006, Series A.

Commission means the State of Wisconsin Building Commission established and existing pursuant to Section 13.48, Wisconsin Statutes, and any successor thereto to whom the powers and duties granted to or imposed by the General Resolution shall be given by law.

Costs of Issuance means all items of expense, directly or indirectly payable or reimbursable by or to the State which are related to the authorization, sale, credit support, liquidity or issuance of Bonds.

Credit Support and Liquidity Fund means an account established pursuant to Section 511 of the General Resolution.

Credit Support and Liquidity Fund Requirement means as of any date of calculation, an amount equal to the aggregate Credit Support and Liquidity Fund Requirements for each Series of Outstanding Bonds as specified with respect to each such Series in the applicable Series Resolution.

Debt Service Requirement means as of any particular date of calculation, the aggregate Interest Requirement and Principal Requirement for Outstanding Bonds as specified in each Series Resolution authorizing the issuance of a Series of Bonds.

Debt Service Reserve Requirement means, as of any particular date of computation, an amount equal to the aggregate of the amounts specified in each Series Resolution authorizing the issuance of a Series of Bonds (any of which are Outstanding on the date of computation) as the amount to be the Debt Service Reserve Requirement, provided that, with respect to any Series of Bonds, in lieu of a deposit to the Reserve Fund of an amount equal to the applicable Series Debt Service Reserve Requirement, the State may provide for a letter of credit, municipal bond insurance policy, surety bond or other type of agreement or arrangement with an entity having, at the time of entering into such agreement or arrangement, a credit rating equal to or greater than the Bonds which provides for the availability, at the times required pursuant to the provisions of any Series Resolution, of an amount at least equal to such Series Debt Service Reserve Requirement and such method of funding shall be deemed to satisfy all provisions of the Series Resolution with respect to the Debt Service Reserve Requirement and the amount required to be on deposit in the Reserve Fund with respect to such Series of Bonds.

Department of Transportation or **Department** or **DOT** means the State of Wisconsin Department of Transportation established and existing pursuant to Section 15.46, Wisconsin Statutes, and any successor thereto to which the powers and duties granted to or imposed by the General Resolution shall be given by law.

Fiduciary means the Trustee, the Registrar and any Paying Agent, or any or all of them as may be appropriate.

Fiscal Year means the fiscal year of the State as established from time to time.

Fund means one or more, as the case may be, of the funds or accounts created and established pursuant to the General Resolution.

General Resolution means the General Resolution as the same may from time to time be amended, modified or supplemented by a Supplemental Resolution.

Interest Payment Dates means any date on which is due the payment of interest on any Series of Bonds as specified in each Series Resolution authorizing the issuance of the Series of Bonds.

Interest Requirement means as of any particular date of calculation, the amount equal to any unpaid interest then due, plus an amount to the interest accruing or payable during the period between the date of calculation and the next Redemption Fund Deposit Day with respect to each Series of Outstanding Bonds.

Investment Obligations means and includes any of the following obligations to the extent the same are at the time legal for investment of funds of the State under the Act, the Revenue Obligations Act, or under other applicable law:

1. Direct obligations of or obligations guaranteed by the United States of America;
2. Obligations the payment of principal and interest on which, by act of Congress or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the United States of America;
3. Bonds, debentures, notes, participation certificates or other similar evidences of indebtedness issued by any of the following: Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, the Federal Financing Bank, the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Export Import Bank of the United States, Student Loan Marketing Association, Farmer's Home Administration, Government National Mortgage Association, Small Business Administration, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of Congress of the United States as an agency or instrumentality thereof or sponsored thereby (including but not limited to the fully guaranteed portion of an obligation partially guaranteed by any of the foregoing, if the State's ownership of such portion is acknowledged in writing by an officer of the guaranteeing agency or instrumentality);

4. Public Housing Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
5. Obligations of any state within the United States or of any political subdivision of any state, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;
6. Bankers acceptances drawn on and accepted by banks (including the Trustee and Paying Agent) and certificates of deposit by banks (including the Trustee and Paying Agent), with a combined capital and surplus aggregating at least $100,000,000 and securities of which are currently rated within the two highest rating categories assigned by a nationally recognized rating agency, or the international branches or banking subsidiaries thereof;
7. Interest-bearing time deposits, or certificates of deposit of a bank (including the Trustee and Paying Agent) or trust company, continuously secured and collateralized by obligations of the type described in clauses (1), (2), (3) and (4) hereof, having a market value at least equal at all times to the amount of such deposit or certificate, to the extent such deposit or certificate is not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or any successors thereto;
8. Commercial paper given the highest rating by Standard & Poor's Corporation and Moody's Investors Service at the time of such investments;
9. Investment agreements with banks or bank holding companies the senior long-term debt securities of which are rated within the two highest categories by a nationally recognized rating agency and which have a capital and surplus of at least $100,000,000;
10. Repurchase agreements, with banks or other financial institutions (including the Trustee and Paying Agent) (**Repurchaser**) provided that each such repurchase agreement (a) is in a commercially reasonable form and is for a commercially reasonable period, and (b) result in transfer to the Trustee of legal and equitable title to, or the granting to the Trustee of a prior perfected security interest in, identified obligations referred to in clauses (1), (2), (3) and (4) above which are free and clear of any claims by third parties and are segregated in a custodial or trust account held either by the Trustee or by a third party (other than the Repurchaser) as the agency solely of, or in trust solely for the benefit of the Trustee, provided that obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such obligations or the repurchase prices thereof set forth in the applicable repurchase agreement, such investments shall be made so as to mature on or prior to the date or dates that the Trustee anticipates that moneys therefrom be required;
11. Shares of beneficial interests in an investment fund or trust substantially all of whose assets consist of those identified obligations referred to in clauses (1) and (2) above; and
12. Any short term government fund whose assets consist of those identified obligations referred to in clauses (1), (2), (3), (4) and (10) above.

Notes or Commercial Paper Notes means, in aggregate, the State of Wisconsin Transportation Revenue Commercial Paper Notes of 1997, Series A and the State of Wisconsin Transportation Revenue Commercial Paper Notes of 2006, Series A.

Outstanding, when used with reference to Bonds and as of any particular date, describes all Bonds that have been delivered and are expected to be delivered except (a) any Bond cancelled by the Trustee, or proven to the satisfaction of the Trustee to have been cancelled by the Registrar, at or before said date, (b) any Bond deemed to have been paid in accordance with the provisions of Section 1201 of the General

Resolution, and (c) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the requirements of the General Resolution or any Series Resolution.

Paying Agent for the payment of the principal of, Redemption Price and interest on the Bonds of a particular Series means the Treasurer or any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner provided in the General Resolution.

Principal and Interest Account means the account established by Section 502 of the General Resolution.

Principal Installment means (a) the principal amount of Outstanding Bonds that mature on a single future date, and (b) the amount of any Sinking Fund Installment required to be paid on a single future date.

Principal Installment Dates means any dates designated in a Series Resolution as a day a Principal Installment is to be paid.

Principal Office, when used with respect to a Fiduciary, means the principal, or corporate trust, or head, or principal trust office of such Fiduciary situated in the city in which such Fiduciary is described as being located.

Principal Requirement means, as of any particular date of calculation, the amount of money equal to any unpaid Principal Installment then due with respect to each Series of Outstanding Bonds and the amount of the next succeeding Principal Installment divided by the number of Redemption Fund Deposit Days prior to the next Principal Installment Date with respect to each Series of Outstanding Bonds.

Program means the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations Program financed under the Act, the Revenue Obligations Act and the General Resolution in accordance with any other enactment of the State which may hereafter specify an extension, expansion, addition or improvement of and for said Program pursuant to the Act, the Revenue Obligations Act and the General Resolution but not financed under the provisions of any other bond resolution or indenture of trust.

Program Account means the account so designated by Section 402 of the General Resolution.

Program Capital Fund means the Fund that is established and created by Section 402 of the General Resolution and pursuant to Section 18.57 of the Revenue Obligations Act.

Program Expense Fund means the Fund that is established and created by Section 514 of the General Resolution.

Program Expenses means the reasonable and proper costs and expenses of the Department of Transportation for the operation and maintenance of the Program, including, without limitation, the administrative expenses allocable to the Program and the fees and expenses of the Trustee and the Paying Agents and Registrars of the Bonds.

Program Income means moneys derived under Sections 341.25, 341.09(2)(d), (2m)(a)1., (4), and(7), 341.14(2), (2m), (6)(d), (6m)(a), (6r)(b)2., (6w), and(8), 341.145(3), 341.16(1)(a) and (b), (2), and(2m), 341.17(8), 341.19(1)(a), 341.255(1), (2)(a), (b), and(c), (4), and(5), 341.26(1), (2), (2m)(am)and(b), (3), (3m), (4), (5), and(7), 341.264(1), 341.265(1), 341.266(2)(b)and(3), 341.268(2)(b)and(3), 341.30(3), 341.305(3), 341.308(3), 341.36(1)and(1m), 341.51(2), and 342.14, except Section 342.14(lr), of the Wisconsin Statutes or any other moneys that the State is authorized to pledge, which is to be deposited by the Department of Transportation under Section 18.562(3) and (5) of the Revenue Obligations Act in a separate and distinct fund outside of the State Treasury in an account maintained by the Trustee as the Redemption Fund and all interest earned or gain realized from the investment of amounts in said fund.

Program Income Account means the account established by Section 502 of the General Resolution.

Projects means the projects authorized under the Act and funded with proceeds of Bonds authorized by one or more Series Resolutions.

Record Date means with respect to any Series of Bonds, the Record Date established for such Series of Bonds under each Series Resolution pursuant to which such Series is issued (which, with respect to the Bonds, means the fifteenth day of the month preceding an Interest Payment Date on the Bonds).

Redemption Date means the date upon which Bonds are to be called for redemption.

Redemption Fund means the Fund that is established and created by Section 502 of the General Resolution pursuant to Section 18.562(3) of the Revenue Obligations Act.

Redemption Fund Deposit Day means January 1st, April 1st, July 1st, and October 1st of each Fiscal Year.

Redemption Price when used with respect to a Bond or portion thereof, means the principal amount of such Bond or portion plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms pursuant to the General Resolution and to the Series Resolution.

Registrar means, with respect to Bonds of a particular Series, the Treasurer or any person with whom he has contracted with for the performance of any of his functions under Section 18.10(5) and (7), Wisconsin Statutes.

Reserve Fund means the Fund that is established and created by Section 508 of the General Resolution pursuant to Section 18.562 of the Revenue Obligations Act.

Revenue Obligations Act means Subchapter II of Chapter 18 of the Wisconsin Statutes, as amended.

Secretary means the Secretary of the Department of Transportation or any other officer, board, body, commission or agency succeeding to the powers, duties and functions thereof.

Serial Bonds means the Bonds so designated in a Series Resolution.

Series, when used with respect to less than all of the Bonds, means and refers to all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the General Resolution or a Series Resolution.

Series Resolution means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article II of the General Resolution, providing for the issuance of a particular Series of Bonds.

Sinking Fund Installment means the amount of money unconditionally required by or pursuant to a Series Resolution to be paid toward the retirement of any particular Term Bonds prior to their respective stated maturities.

State means the State of Wisconsin, including the Commission, or Department of Transportation, as the case may be, acting on behalf of the State pursuant to the Act or the Revenue Obligations Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of any of the foregoing.

Statutes means the Wisconsin Statutes.

Subordinated Debt Service Fund means an account established in Section 5.1 of 1997 State of Wisconsin Building Commission Resolution 7, adopted by the Commission on April 23, 1997, as amended, pursuant to Section 714(C) of the General Resolution, and pledged to the payment of the Commercial Paper Notes.

Subordinated Debt Service Fund Requirement means, as of any date of calculation, an amount equal to the aggregate Subordinated Debt Service Fund Requirements for each Subordinated Indebtedness

Series of Outstanding Bonds (or Commercial Paper Notes) as specified with respect to each such Series in the applicable Series Resolution.

Subordinated Indebtedness means a Series of Bonds issued pursuant to Section 714 of the General Resolution, and includes the Commercial Paper Notes.

Supplemental Resolution means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article VIII of the General Resolution amending or supplementing the provisions of the General Resolution as originally adopted or as amended or supplemented prior to the amending or supplementing effected by the particular Supplemental Resolution.

Term Bonds means the Bonds so designated in a Series Resolution.

Transportation Fund means the fund established in Section 25.40, Wisconsin Statutes.

Treasurer means the State Treasurer or any other officer, board, body, commission or agency succeeding to any of the powers, duties and functions thereof.

Trustee means The Bank of New York Mellon Trust Company, N.A., as trustee appointed by or pursuant to Section 1101 of the General Resolution, and its successor or successors and any other corporation or association that may at any time be substituted in its place pursuant to the General Resolution.

APPENDIX A

AUDITED FINANCIAL STATEMENTS

The following are the independent auditor's report and audited statements of cash receipts and disbursements for the years ended June 30, 2009 and June 30, 2008, and include (1) for the Transportation Revenue Bond Program, the Independent Auditors' Report, dated October 20, 2009, together with unaudited information pertaining to the Program Income, and (2) for the Transportation Revenue Commercial Paper Program, the Independent Auditors' Report, dated October 20, 2009, together with unaudited information pertaining to the Program Income.

{This page number is the last sequential page number of the 2009 Annual Report to be used in this Part V of the 2009 Annual Report. The following uses page numbers from the independent auditor's reports, audited statements of cash receipts and disbursements, and unaudited supplementary information pertaining to Program Income. The sequential page numbers for the 2009 Annual Report continue in Part VI.}

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

1993 SERIES A, 1998 SERIES A, 1998 SERIES B, 2001 SERIES A, 2002 SERIES A, 2002 SERIES 1, 2002 SERIES 2, 2003 SERIES A, 2004 SERIES 1, 2005 SERIES A, 2005 SERIES B, 2007 SERIES A, 2007 SERIES 1, AND 2008 SERIES A

Statements of Cash Receipts and Disbursements
for the Years Ended June 30, 2009 and 2008
with Independent Auditors' Report

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

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To the Wisconsin Department of Transportation

We have audited the accompanying statements of cash receipts and disbursements of the 1993 Series A, 1998 Series A, 1998 Series B, 2001 Series A, 2002 Series A, 2002 Series 1, 2002 Series 2, 2003 Series A, 2004 Series 1, 2005 Series A, 2005 Series B, 2007 Series A, 2007 Series 1 and 2008 Series A bonds of the Wisconsin Department of Transportation Revenue Bond Program (the "Program") for the years ended June 30, 2009 and 2008. These statements are the responsibility of the Wisconsin Department of Transportation's management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 2 to the financial statements, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, the cash receipts and disbursements of the 1993 Series A, 1998 Series A, 1998 Series B, 2001 Series A, 2002 Series A, 2002 Series 1, 2002 Series 2, 2003 Series A, 2004 Series 1, 2005 Series A, 2005 Series B, 2007 Series A, 2007 Series 1 and 2008 Series A bonds of the Wisconsin Department of Transportation Revenue Bond Program for the years ended June 30, 2009 and 2008, on the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2009 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audits were made for the purpose of forming an opinion on the statements of cash receipts and disbursements taken as a whole. The supplemental information required by the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution presented on pages 12 through 26 is for purposes of additional analysis and is not a required part of the statement of cash receipts and disbursements. This supplemental information is the responsibility of the Wisconsin Department of Transportation's management. This information has been subjected to the auditing procedures applied in our audits of the statements of cash receipts and disbursements and, in our opinion, is fairly stated in all material respects in relation to the statements of cash receipts and disbursements taken as a whole.

The information identified in the table of contents as Unaudited Information is presented for purposes of additional analysis and is not a required part of the statement of cash receipts and disbursements. Such information has not been subjected to the auditing procedures applied in the audits of the statements of cash receipts and disbursements and, accordingly, we express no opinion on it.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
October 20, 2009

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WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH AND INVESTMENTS, BEGINNING OF YEAR	$ 138,707,419	$ 243,664,588
RECEIPTS:		
Motor vehicle registration fees retained by Trustee	152,100,767	147,405,083
Investment income	3,024,580	6,448,800
Revenue bond proceeds - par value	185,000,000	-
Revenue bond proceeds - accrued interest and original issuance premium, net of underwriter's discount	7,443,604	-
Total receipts	347,568,951	153,853,883
DISBURSEMENTS:		
Debt service - principal	80,395,000	75,065,000
Debt service - interest	70,787,430	68,173,022
Highway program expenditures	174,588,961	115,152,628
Program expenses - revenue bond program	67,556	89,406
Program expenses - commercial paper program	327,252	330,996
Bond issuance costs	212,043	-
Total disbursements	326,378,242	258,811,052
CASH AND INVESTMENTS, END OF YEAR	$ 159,898,128	$ 138,707,419
Cash and investments reserved for debt service	$ 116,914,091	$ 115,256,636
Cash and investments reserved for program expenses	107,834	59,354
Cash and investments reserved for highway expenditures	32,716,389	13,278,852
Cash and investments in the reserve fund	10,159,814	10,112,577
	$ 159,898,128	$ 138,707,419

See notes to statements of cash receipts and disbursements.

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

1. NATURE OF PROGRAM

The Wisconsin Department of Transportation ("Department") Revenue Bond Program (the "Program") originated in April 1984 pursuant to the adoption of the General Resolution by the State of Wisconsin Building Commission. The purpose of the Program is to provide financing for the construction, maintenance and repair of certain major highway projects and administrative facilities. Receipts provided from motor vehicle registration fees and certain other vehicle registration-related fees are used to service the Program's debt.

The Department has statutory authority (as amended) as of June 30, 2009, to issue a total of $3,009,784,200 of revenue obligations (excluding refunded bonds), in order to partially finance the costs of the authorized projects, in addition to proceeds from State general obligation debt, federal aid and other money in the Transportation Fund of the State of Wisconsin. As of June 30, 2009, the Department has remaining authority to issue $517,648,446 of additional obligations. The Department is responsible for managing the construction projects and the collection of motor vehicle registration fees and certain other vehicle registration-related fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Receipts and Disbursements Basis of Accounting—The statements of cash receipts and disbursements present the Program's cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, cash receipts are recorded when received and disbursements are recorded when paid. The Program's cash and investments balance is presented at cost.

The Department has entered into trust agreements with The Bank of New York Mellon Trust Company, National Association (the "Trustee"), relating to the creation and administration of the State of Wisconsin Transportation Revenue Bonds, 1993 Series A, 1998 Series A, 1998 Series B, 2001 Series A, 2002 Series A, 2002 Series 1, 2002 Series 2, 2003 Series A, 2004 Series 1, 2005 Series A, 2005 Series B, 2007 Series A, 2007 Series 1 and 2008 Series A. Among other provisions, the trust agreements, in conjunction with the General Resolution, specify those funds to be created and maintained, the timing and flow of monies through the funds, the determination of the Debt Service Reserve requirements and the procedure to be followed for the redemption of the bonds. It is the Program directors' view that the statements of cash receipts and disbursements along with the related notes meet the reporting requirements of the trust agreements.

***Receipts and Disbursements*:**

Motor Vehicle Registration Fees Retained by Trustee—Motor vehicle registration fees and certain other vehicle registration-related fees retained by the Trustee are recorded at time of impounding, when transfer of possession occurs.

Investment Income—Investment income is recorded when received and includes realized gains and losses on sales or maturities of investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Proceeds—Bond proceeds are recorded as receipts on the date of closing at gross value of the issuance. All related fees are reported as bond issuance costs within disbursements.

Debt Service—Principal and Interest—Debt service payments are recorded when paid.

Highway Program Expenditures—Highway program expenditures are recorded when paid by the Program to the Transportation Fund of the State of Wisconsin.

Program Expenses – Revenue Bond Program—Program expenses are recorded when paid.

Program Expenses - Commercial Paper Program—Represents payments for expenses made by the Revenue Bond Program on behalf of the Commercial Paper Program.

3. CASH AND INVESTMENTS

The Program's investment policies are governed by the General Resolution and Wisconsin Statutes. The Program is authorized to invest in direct obligations of or obligations guaranteed by the United States, obligations of agencies created or sponsored by an Act of Congress, obligations of any state or municipality that are rated in either of the two highest rating categories by a nationally recognized bond rating agency, bankers acceptances and certificates of deposit from banks with combined capital and surplus aggregating at least $100 million whose securities are rated within the two highest rating categories assigned by a nationally recognized rating agency, corporate commercial paper given the highest rating by Standard & Poor's Corporation and Moody's Investors Service, Inc., and a fund whose assets consist of direct obligations or obligations guaranteed by the United States or obligations of agencies created or sponsored by Congress. Program assets are to be invested in the highest yielding authorized securities, with maturity or redemption dates coinciding as closely as possible with cash flow and liquidity needs of Program operations.

During fiscal years 2009 and 2008, the Trustee invested the Program's assets in money market funds, U.S. government securities, and federal agency securities. These Program assets are reported at cost. The following table summarizes the cost and fair market value for each of the investments:

	June 30, 2009		June 30, 2008	
Investment	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Money market funds	$ 54,227,237	$ 54,227,237	$138,707,419	$138,707,419
Federal Home Loan Bank Discount Notes	78,775,975	78,776,000	-	-
Federal National Mortgage Association Discount Notes	26,894,916	26,899,310	-	-
Total	$159,898,128	$159,902,547	$138,707,419	$138,707,419

As of June 30, 2009, the Program's assets were invested in the Dreyfus Treasury Cash Management Money Market Fund. As of June 30, 2008, the money market fund consists of Goldman Sachs Institutional Liquid Assets Treasury Instruments Portfolio Fund 423 and JP Morgan 100% U.S. Treasury Securities Money Market Fund 3163. These money market funds invest exclusively in obligations of the U.S. Treasury, including Treasury bills, bonds and notes.

3. CASH AND INVESTMENTS (Continued)

Investments of the Program are subject to various risks:

- Custodial credit risk is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, the Program will not be able to recover the value of investments or collateral securities that are in the possession of another party. Securities of the U.S. government and its agency were registered and held by the Program's agent in the Program's name. Money market funds are not insured or collateralized.

- Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Standard & Poor's, Moody's, and Fitch Ratings. As of June 30, 2009, the money market fund and Federal National Mortgage Association Discount Notes were rated AAA; the Federal Home Loan Bank Discount Notes were rated A-1+.

- Concentration of credit risk may be a concern if investments in any one issuer represent 5 percent or more of net Program assets, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Concentration of credit risk is not addressed in the Program's investment requirements. As of June 30, 2009, 34 percent of the Program's assets were invested in money market funds; however, these funds solely invest in U.S. government securities. The remaining assets were invested in federal agency securities; 49 percent in Federal Home Loan Bank Discount Notes and 17 percent in Federal National Mortgage Association Discount Notes.

- Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Federal Home Loan Bank Discount Notes reached maturity and were redeemed on July 1, 2009; the Federal National Mortgage Association Discount Notes will mature on August 19, 2009.

- Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. Foreign currency holdings are not specifically addressed in the Program's investment requirements; however, no investments denominated in foreign currency were held by the Program as of June 30, 2009.

4. REVENUE BONDS

The Program's revenue obligations are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes as amended, Section 84.59 of the Wisconsin Statutes and a General Resolution and series resolutions adopted by the State of Wisconsin Building Commission. The bonds are revenue obligations of the State of Wisconsin ("State"), payable solely from the Redemption Fund created by the General Resolution. The bonds are collateralized by a first lien pledge of income derived from vehicle registration fees ("Program Income") under Section 341.25 of the Wisconsin Statutes and certain other vehicle registration-related fees, as collected by the Trustee. The State has covenanted in the General Resolution that it will charge registration fees sufficient to pay principal and interest on the bonds, as they become due, to pay program expenses and to maintain the Debt Service Reserve requirement. Vehicle registration fees collected in excess of the amount needed to service this Program are transferred to the Department free of the first lien pledge of the General Resolution. The State is not generally liable on the bonds nor are the projects financed by the bonds pledged as collateral.

A summary of these revenue obligations outstanding as of June 30, 2009 and 2008 is as follows:

	2009	2008
Transportation Revenue Bonds, 1993 Series A, varying fixed interest rates from 4.75% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2012	$ 35,250,000	$ 48,975,000
Transportation Revenue Bonds, 1998 Series A and B, varying fixed interest rates from 5.25% to 5.5%, interest payable semiannually, annual principal payments of variable amounts through 2016	98,400,000	108,945,000
Transportation Revenue Bonds, 2001 Series A, varying fixed interest rates from 4.0% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2022	56,620,000	69,005,000
Transportation Revenue Bonds, 2002 Series A, varying fixed interest rates from 4.0% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2023	86,365,000	93,715,000
Transportation Revenue Bonds, 2002 Series 1 and 2, varying fixed interest rates from 4.0% to 5.75%, interest payable semiannually, annual principal payments of variable amounts through 2019	110,795,000	124,810,000
Transportation Revenue Bonds, 2003 Series A, varying fixed interest rates from 3.0% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2024	133,645,000	142,395,000

4. REVENUE BONDS (Continued)

Transportation Revenue Bonds, 2004 Series 1, fixed interest rate of 5.25%, interest payable semiannually, annual principal payments of variable amounts through 2017	70,920,000	76,800,000
Transportation Revenue Bonds, 2005 Series A, varying fixed interest rates from 3.0% to 5.25%, interest payable semiannually, annual principal payments of variable amounts through 2025	234,565,000	234,915,000
Transportation Revenue Bonds, 2005 Series B, varying fixed interest rates from 4.0% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2025	143,965,000	151,360,000
Transportation Revenue Bonds, 2007 Series A, varying fixed interest rates from 4.25% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2027	148,710,000	148,710,000
Transportation Revenue Bonds, 2007 Series 1, varying fixed interest rates from 4.35% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2022	206,900,000	206,900,000
Transportation Revenue Bonds, 2008 Series A, fixed interest rate of 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2029	185,000,000	-
Total principal amount of bonds outstanding at June 30	1,511,135,000	1,406,530,000
Less: current maturities	79,395,000	80,395,000
Principal outstanding at June 30 due beyond one year	$ 1,431,740,000	$ 1,326,135,000

Additional series of bonds may be issued on a parity with the current bond series outstanding and collateralized by an equal charge and lien on the Program Income. However, no additional series may be issued unless, among other things, Program Income, including interest, for 12 consecutive months within the preceding 18-month period is at least 2.25 times the maximum aggregate principal and interest requirement in any bond year for all outstanding bonds.

Future maturities of bonds payable as of June 30, 2009 are as follows:

Year Ending June 30,	
2010	$ 79,395,000
2011	77,195,000
2012	81,200,000
2013	82,930,000
2014	87,350,000
Thereafter	1,103,065,000
	$1,511,135,000

5. DEFEASED REVENUE BONDS

From time to time, the Program issues revenue bonds to defease older revenue bonds in order to take advantage of market conditions. The proceeds from the issuance of revenue bonds, together with assets transferred from the refunded bond series, are deposited with a trustee bank in a separate Escrow Account. These funds are invested by an escrow agent in U.S. Treasury obligations and certain other government securities so that sufficient monies are available to pay the principal, interest and redemption price of the defeased bonds. The defeased bonds are not included in the outstanding revenue bonds summarized in Note 4. Also, the related securities in the Escrow Accounts are not included in the Program's cash and investments balance. Once defeased, no related activity in the Escrow Accounts is reported in the Program's Statements of Cash Receipts and Disbursements. The following is a summary of these defeased bonds at June 30, 2009.

The revenue bonds defeased by the 1992 Series A Refunding that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
1991 Series A	July 1, 2010	$ 8,495,000		
	July 1, 2011	9,085,000		
		$17,580,000	Maturity	Par

The revenue bonds defeased by the 2002 Series 1 Refunding that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
1998 Series B	July 1, 2010	$ 5,400,000		
	July 1, 2011	5,645,000		
		11,045,000	July 1, 2009	Par
2000 Series A	July 1, 2012	9,700,000	July 1, 2010	Par
		$20,745,000		

The revenue bonds defeased by the 2002 Series 2 Refunding that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
2000 Series A	July 1, 2013	$10,200,000		
	July 1, 2014	10,700,000		
		$20,900,000	July 1, 2010	Par

5. DEFEASED REVENUE BONDS (Continued)

The revenue bonds defeased by the 2004 Series 1 Refunding that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
1998 Series B	July 1, 2012	$ 5,905,000		
	July 1, 2013	6,180,000		
	July 1, 2014	6,475,000		
	July 1, 2015	6,790,000		
		25,350,000	July 1, 2009	Par
2000 Series A	July 1, 2015	11,300,000		
	July 1, 2016	11,900,000		
	July 1, 2017	12,500,000		
		35,700,000	July 1, 2010	Par
2002 Series A	July 1, 2014	9,850,000	July 1, 2013	Par
		$70,900,000		

The revenue bonds defeased by 2005 Series A that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
2000 Series A	July 1, 2018	$ 13,200,000		
	July 1, 2019	14,000,000		
	July 1, 2020	14,700,000		
	July 1, 2021	15,500,000		
		57,400,000	July 1, 2010	Par
2002 Series A	July 1, 2015	10,345,000		
	July 1, 2016	10,860,000		
		21,205,000	July 1, 2013	Par
2002 Series 1	July 1, 2014	10,070,000		
	July 1, 2015	10,650,000		
	July 1, 2016	10,685,000		
	July 1, 2017	11,295,000		
		42,700,000	July 1, 2012	Par
2002 Series 2	July 1, 2020	13,720,000	July 1, 2012	Par
2003 Series A	July 1, 2015	12,315,000		
	July 1, 2016	12,930,000		
	July 1, 2017	13,580,000		
		38,825,000	July 1, 2014	Par
		$173,850,000		

5. DEFEASED REVENUE BONDS (Continued)

The revenue bonds defeased by 2007 Series 1 that remain outstanding were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
1998 Series B	July 1, 2016	$ 7,125,000		
	July 1, 2017	7,480,000		
	July 1, 2019	16,095,000		
		30,700,000	July 1, 2009	Par
2001 Series A	July 1, 2014	3,295,000		
	July 1, 2015	3,460,000		
	July 1, 2016	3,630,000		
	July 1, 2017	3,815,000		
	July 1, 2018	4,005,000		
	July 1, 2019	4,205,000		
	July 1, 2020	4,415,000		
		26,825,000	July 1, 2012	Par
2002 Series A	July 1, 2017	11,405,000		
	July 1, 2018	11,975,000		
	July 1, 2019	12,575,000		
	July 1, 2020	13,205,000		
		49,160,000	July 1, 2013	Par
2002 Series 1	July 1, 2013	125,000		
	July 1, 2018	11,950,000		
	July 1, 2019	12,565,000		
		24,640,000	July 1, 2012	Par
2002 Series 2	July 1, 2022	29,655,000	July 1, 2012	Par
2003 Series A	July 1, 2018	14,255,000		
	July 1, 2019	14,970,000		
	July 1, 2020	15,720,000		
		44,945,000	July 1, 2014	Par
		$205,925,000		
Total defeased bonds outstanding at June 30, 2009:		$509,900,000		

6. DEBT SERVICE RESERVE FUND REQUIREMENT

The General Resolution creates a Reserve Fund and provides that it shall be used to make up any deficiency in the Redemption Fund for the payment of principal and interest on all of the-then Outstanding Bonds. The State pursuant to each Series Resolution must set forth the Debt Service Reserve Requirement ("DSRR"), if any, for that Series. Since 2003, the State has not specified a DSRR for any Series of Bonds that have been issued. For all Outstanding Bonds, the total DSRR as of June 30, 2009 is $16,341,600.

The General Resolution provides that in lieu of a deposit to the Reserve Fund of an amount equal to the DSRR, the State may provide for a letter of credit, municipal bond insurance policy, surety bond or other type of agreement or arrangement with an entity having, at the time of entering into such agreement or arrangement, a credit rating equal to or greater than the Bonds. In 1993, the State began funding the DSRR with an irrevocable surety bond

6. DEBT SERVICE RESERVE FUND REQUIREMENT (Continued)

("Surety Bond") issued by Ambac Assurance Corporation. The amount of the Surety Bond at June 30, 2009 is $16,341,600. The Surety Bond is noncancelable until it expires on the earlier of July 1, 2023, or when all Bonds are paid-in-full.

For Bonds sold after 2002 (excluding those sold for refunding), the DSRR, if any, was funded using bond proceeds. At June 30, 2009, the Reserve Fund totaling $26,501,414 (consisting of the Surety Bond of $16,341,600 and other cash and investments of $10,159,814) exceeds the DSRR of $16,341,600.

7. ADMINISTRATIVE EXPENSES

The Program is not charged for certain departmental administrative expenses incurred by the State of Wisconsin related to the operation of the Program. All such costs are charged to the Transportation Fund of the State of Wisconsin. Program expenses include expenses of the trustee, audit fees and other expenses of the Program. Program expenses of the Transportation Revenue Commercial Paper Program are paid by the Revenue Bond Program.

8. SUBSEQUENT EVENTS

On October 1, 2009, the State issued 2009 Series A Transportation Revenue Bonds in the amount of $17,870,000. Fixed interest rates range from 3.5% to 4.0%, interest is payable semiannually. The bonds are due in various maturities beginning in 2012, with final maturity in 2014. The bonds are being used to finance certain State transportation facilities and highway projects and to pay costs of issuance.

On October 1, 2009, the State issued 2009 Series B taxable Transportation Revenue Bonds in the amount of $147,130,000. The 2009 Series B Bonds are "qualified build America bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended. The State will receive 35% of the interest payable to bondholders from the United States Treasury. Fixed interest rates range from 3.5% to 5.8%, interest is payable semiannually. The bonds are due in various maturities beginning in 2015, with final maturity in 2030. The bonds are being used to finance certain State transportation facilities and highway projects and to pay costs of issuance.

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WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - SCHEDULE OF MOTOR VEHICLE REGISTRATION AND REGISTRATION-RELATED FEES RETAINED BY TRUSTEE

FOR THE YEAR ENDED JUNE 30, 2009

	July 2008	August 2008	October 2008	January 2009	April 2009	June 2009	Total
Program Expense	$ 85,718		$ 135,600	$ 109,400	$ 86,000		$ 416,718
Program Income	(2,490)		(2,502)	(1,528)	(211)		(6,731)
1993 Series A	3,931,187		3,964,732	4,012,388	4,023,928		15,932,235
1998 Series A	2,847,653		2,986,977	2,860,213	2,938,104		11,632,947
1998 Series B	1,296,542		1,334,895	1,357,856	1,359,688		5,348,981
2001 Series A	3,870,819		3,981,676	3,829,360	3,991,706		15,673,561
2002 Series A	2,893,687		2,917,060	2,953,920	2,956,295		11,720,962
2002 Series 1	4,953,631		5,073,404	4,965,834	5,069,256		20,062,125
2002 Series 2	277,145		279,695	280,806	279,890		1,117,536
2003 Series A	3,843,055		3,877,044	3,917,085	3,921,005		15,558,189
2004 Series 1	918,575		928,582	951,607	909,640		3,708,404
2005 Series A	3,013,334		3,039,467	3,120,827	2,976,945		12,150,573
2005 Series B	3,535,107		3,564,569	3,607,359	3,599,068		14,306,103
2007 Series A	1,633,037		1,657,404	1,639,525	1,650,440		6,580,406
2007 Series 1	2,508,090		2,525,602	2,533,797	2,537,128		10,104,617
2008 Series A		$1,580,416	1,629,014	1,554,335	1,592,464	$1,437,912	7,794,141
Total	$35,605,090	$1,580,416	$37,893,219	$37,692,784	$37,891,346	$1,437,912	$152,100,767

July amounts are net of excess motor vehicle registration fees returned to the Wisconsin Department of Transportation

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1993 SERIES A
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2009	4.80	$ 14,395,000
2010	4.90	6,620,000
2011	5.00	6,945,000
2012	4.75	7,290,000
		$ 35,250,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1998 SERIES A
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2009	5.50	$ 6,625,000
2010	5.50	7,345,000
2011	5.50	14,665,000
2012	5.50	22,580,000
2013	5.50	16,915,000
2014	5.50	7,915,000
2015	5.50	8,360,000
2016	5.50	8,825,000
		$ 93,230,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 1998 SERIES B
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2009	5.25	$ 5,170,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2001 SERIES A
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2009	5.00	$ 13,000,000
2010	5.00	13,655,000
2011	5.00	14,330,000
2012	4.00	2,990,000
2013	4.10	3,140,000
2021	4.90	4,635,000
2022	4.90	4,870,000
		$ 56,620,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2002 SERIES A
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2009	4.00	$ 7,720,000
2010	5.00	8,105,000
2011	5.00	8,510,000
2012	5.00	8,935,000
2013	5.00	9,385,000
2021	4.75	13,865,000
2022	4.60	14,560,000
2023	4.75	15,285,000
		$ 86,365,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2002 SERIES 1
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2009	5.50	$ 15,165,000
2010	5.50	17,685,000
2011	5.50	11,785,000
2012	5.50	9,170,000
2013	5.75	14,420,000
2014	5.75	14,965,000
2015	5.75	7,355,000
		$ 90,545,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2002 SERIES 2
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2009	4.00	$ 10,000
2010	4.125	15,000
2011	4.25	15,000
2012	4.30	15,000
2013	5.50	9,815,000
2014	5.50	10,295,000
2015	4.625	15,000
2016	4.75	15,000
2017	4.75	15,000
2018	4.875	20,000
2019	5.00	20,000
		$ 20,250,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2003 SERIES A
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2009	3.00	$ 9,190,000
2010	5.00	9,650,000
2011	5.00	10,130,000
2012	5.00	10,640,000
2013	5.00	11,170,000
2014	5.00	11,730,000
2021	5.00	16,505,000
2022	5.00	17,330,000
2023	5.00	18,195,000
2024	5.00	19,105,000
		$ 133,645,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2004 SERIES 1
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2012	5.25	$ 5,760,000
2013	5.25	6,185,000
2014	5.25	16,345,000
2015	5.25	18,150,000
2016	5.25	11,955,000
2017	5.25	12,525,000
		$ 70,920,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2005 SERIES A
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2009	3.00	$ 360,000
2010	3.00	375,000
2011	3.125	385,000
2012	3.25	395,000
2013	3.375	410,000
2014	5.25	10,495,000
2015	5.25	33,705,000
2016	5.00 & 5.25 (1)	34,865,000
2017	5.00	25,210,000
2018	5.00	13,430,000
2019	5.00	14,205,000
2020	5.00	28,575,000
2021	5.00	15,555,000
2022	5.00	13,130,000
2023	5.00	13,790,000
2024	5.00	14,480,000
2025	5.00	15,200,000
		$ 234,565,000

(1) $20,000,000 @ 5.00% and $14,865,000 @ 5.25%

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2005 SERIES B
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2009	4.50	$ 7,760,000
2010	5.00	8,150,000
2011	5.00	8,560,000
2012	5.00	8,985,000
2013	5.00	9,435,000
2014	5.00	9,905,000
2015	5.00	10,400,000
2016	5.00	10,920,000
2017	5.00	11,465,000
2018	4.10	12,040,000
2019	4.10	12,640,000
2020	4.20	13,275,000
2021	4.25	13,940,000
2022	4.00	1,505,000
2023	4.00	1,580,000
2024	4.00	1,660,000
2025	4.10	1,745,000
		$ 143,965,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2007 SERIES A
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2018	5.00	$ 11,825,000
2019	4.25	12,415,000
2020	4.30	13,035,000
2021	4.35	13,685,000
2022	4.50	14,370,000
2023	4.40	15,090,000
2024	4.45	15,845,000
2025	4.50	16,635,000
2026	4.50	17,470,000
2027	4.25	18,340,000
		$ 148,710,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2007 SERIES 1
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2014	5.00	$ 3,320,000
2015	5.00	3,510,000
2016	5.00	10,835,000
2017	5.00	22,800,000
2018	5.00	50,180,000
2019	5.00	52,735,000
2020	5.00	33,540,000
2021	4.35	14,670,000
2022	4.35	15,310,000
		$ 206,900,000

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

SUPPLEMENTAL INFORMATION - BONDS OUTSTANDING - 2008 SERIES A
JUNE 30, 2009

Maturity July 1,	Rate (%)	Principal
2010	5.00	$ 5,595,000
2011	5.00	5,875,000
2012	5.00	6,170,000
2013	5.00	6,475,000
2014	5.00	6,800,000
2015	5.00	7,140,000
2016	5.00	7,500,000
2017	5.00	7,875,000
2018	5.00	8,265,000
2019	5.00	8,680,000
2020	5.00	9,115,000
2021	5.00	9,570,000
2022	5.00	10,045,000
2023	5.00	10,550,000
2024	5.00	11,075,000
2025	5.00	11,630,000
2026	5.00	12,210,000
2027	5.00	12,825,000
2028	5.00	13,465,000
2029	5.00	14,140,000
		$ 185,000,000

Total Bonds Outstanding	$ 1,511,135,000

UNAUDITED INFORMATION

The following information has been prepared by the Wisconsin Department of Transportation and is unaudited.

Unaudited Information

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE OBLIGATION PROGRAM

Schedule of Program Revenue (Unaudited)
For the Years Ended June 30, 2009 and 2008

Date	Section 341.25 Registration Fees: Registration Non-IRP (2)	Section 341.25 Registration Fees: IRP Revenues (3)	Section 341.25 Registration Fees: Subtotal	Interest Earnings on 341.25 Revenues	Title Transaction Fees (4)	Counter Service Fees and Personalized License Plates	Subtotal (1)	Other Miscellaneous Vehicle Registration & Related Fees	Total Program Revenues
July, 2008	$ 37,190,828	$ 3,803,091	$ 40,993,919		$ 7,756,723	$ 800,777	$ 49,551,419	$ 808,899	$ 50,360,318
August, 2008	31,866,998	3,959,403	35,826,401		6,865,241	710,984	43,402,626	691,455	44,094,081
September, 2008	33,876,285	4,006,400	37,882,685		6,851,378	691,826	45,425,889	740,788	46,166,677
October, 2008	30,430,693	7,192,751	37,623,444		6,456,853	677,137	44,757,434	732,463	45,489,897
November, 2008	30,941,288	3,038,024	33,979,312		4,614,964	491,477	39,085,753	625,317	39,711,070
December, 2008	43,518,705	5,445,923	48,964,628		4,428,357	535,126	53,928,111	553,029	54,481,140
January, 2009	46,014,800	4,674,855	50,689,655		4,802,254	586,655	56,078,564	626,738	56,705,302
February, 2009	32,665,492	6,557,022	39,222,514		5,406,468	632,167	45,261,149	657,355	45,918,504
March, 2009	40,477,078	11,031,298	51,508,376		6,463,997	737,725	58,710,098	747,962	59,458,060
April, 2009	36,714,118	17,488,888	54,203,006		6,623,416	716,968	61,543,390	703,135	62,246,525
May, 2009	33,924,279	4,023,962	37,948,241		6,248,486	701,671	44,898,398	684,319	45,582,717
June, 2009	37,922,133	4,122,448	42,044,581		6,808,744	735,362	49,588,687	720,601	50,309,288
TOTAL for the Year ended June 30, 2009	$ 435,542,697	$75,344,065	$ 510,886,762	$3,024,580	$ 73,326,881	$ 8,017,875	$ 595,256,098	$ 8,292,061	$603,548,159
July, 2007	$ 27,095,746	$ 3,621,121	$ 30,716,867		$ 4,485,481	$ 795,549	$ 35,997,897	$ 728,823	$ 36,726,720
August, 2007	24,882,488	3,021,717	27,904,205		4,954,562	770,758	33,629,525	786,211	34,415,736
September, 2007	22,827,028	3,423,062	26,250,090		4,100,774	655,745	31,006,609	684,775	31,691,384
October, 2007	23,669,451	4,861,396	28,530,847		4,446,406	715,699	33,692,952	762,691	34,455,643
November, 2007	30,585,137	3,385,738	33,970,875		3,754,026	574,117	38,299,018	708,332	39,007,350
December, 2007	34,814,687	3,537,535	38,352,222		2,805,991	490,308	41,648,521	511,106	42,159,627
January, 2008	37,223,559	5,072,859	42,296,418		4,602,159	647,717	47,546,294	709,146	48,255,440
February, 2008	31,463,817	6,853,691	38,317,508		5,380,806	599,491	44,297,805	621,978	44,919,783
March, 2008	39,883,822	13,895,132	53,778,954		6,578,058	811,722	61,168,734	740,421	61,909,155
April, 2008	39,753,037	9,712,822	49,465,859		7,388,972	872,754	57,727,585	755,958	58,483,543
May, 2008	35,861,033	8,397,166	44,258,199		7,769,389	811,250	52,838,838	881,509	53,720,347
June, 2008	37,387,867	6,039,641	43,427,508		7,558,493	759,434	51,745,435	799,550	52,544,985
TOTAL for the Year ended June 30, 2008	$ 385,447,672	$71,821,880	$ 457,269,552	$6,448,800	$ 63,825,117	$ 8,504,544	$ 536,048,013	$ 8,690,500	$544,738,513

(1) This is the amount of Program Revenue for which the State has undertaken to provide continuing disclosure and the amount of Program Revenue that will be used for determining the debt service coverage ratio and the additional bonds test.

(2) During FY 2008, auto registration fees increased from $55 to $75; light truck registration fees increased from $48.50 to $75 for "A" plates, from $61.50 to $84 for "B" plates, and from $77.50 to $106 for "C" plates; heavy duty truck registration fees increased 30 percent. (2007 Wisconsin Act 20)

(3) IRP - The International Registration Plan is a multi-state compact for collecting and sharing large truck registration fees. Under the IRP, the registration fees on trucks involved in multi-state commercial activity are collected by the state in which the company is headquartered and are split between the participating states on the basis of proportionate mileage. During FY 2008, heavy duty truck registration fees increased 30 percent (2007 Wisconsin Act 20).

(4) During FY 2008, first Wisconsin title and transfer of title fees increased from $28.50 to $53. (2007 Wisconsin Act 20)

Source: Wisconsin Department of Transportation

Unaudited Information

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE BOND PROGRAM

Schedule of Motor Vehicle Registration and Registration-Related Fees--Cash Basis (Unaudited)
For the Years Ended June 30, 2009 and 2008

	2009	2008
Total Program Revenues	$ 603,548,159	$ 544,738,513
Less: Interest Earnings on 341.25 Revenues	(3,024,580)	(6,448,800)
Motor Vehicle Registration and Related Fees Collected	$ 600,523,579	$ 538,289,713
Less:		
Motor Vehicle Registration and Related Fees Retained by Trustee for Commercial Paper Program	(17,763,508)	(19,997,498)
Motor Vehicle Registration and Related Fees Available for Transportation Fund	(430,659,304)	(370,887,132)
Motor Vehicle Registration and Related Fees Retained by Trustee for Revenue Bond Program	$ 152,100,767	$ 147,405,083

Source: Wisconsin Department of Transportation

WISCONSIN DEPARTMENT OF TRANSPORTATION
COMMERCIAL PAPER PROGRAM

TRANSPORTATION REVENUE COMMERCIAL PAPER NOTES OF 1997, SERIES A AND 2006, SERIES A

Statements of Cash Receipts and Disbursements
for the Years Ended June 30, 2009 and 2008
with Independent Auditors' Report

WISCONSIN DEPARTMENT OF TRANSPORTATION
COMMERCIAL PAPER PROGRAM
TRANSPORTATION REVENUE COMMERCIAL PAPER
NOTES OF 1997, SERIES A AND 2006, SERIES A

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INDEPENDENT AUDITORS' REPORT

To the Wisconsin Department of Transportation

We have audited the accompanying statements of cash receipts and disbursements of the Transportation Revenue Commercial Paper Notes of 1997, Series A and 2006, Series A, of the Wisconsin Department of Transportation Commercial Paper Program (the "Program") for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the Wisconsin Department of Transportation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 2 to the financial statements, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Transportation Revenue Commercial Paper Notes of 1997, Series A and 2006, Series A, of the Wisconsin Department of Transportation Commercial Paper Program for the years ended June 30, 2009 and 2008, on the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2009 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The information identified in the table of contents as Unaudited Information is presented for purposes of additional analysis and is not a required part of the statement of cash receipts and disbursements. Such information has not been subjected to the auditing procedures applied in the audits of the statements of cash receipts and disbursements and, accordingly, we express no opinion on it.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
October 20, 2009

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families company
Schenck sc

WISCONSIN DEPARTMENT OF TRANSPORTATION
COMMERCIAL PAPER PROGRAM
TRANSPORTATION REVENUE COMMERCIAL PAPER
NOTES OF 1997, SERIES A AND 2006, SERIES A

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008 As Restated
CASH AND INVESTMENTS, BEGINNING OF YEAR	$ 18,014,550	$ 8,622,079
Prior period adjustment - deposits at Deutsche Bank	-	2,334,897
CASH AND INVESTMENTS, BEGINNING OF YEAR - ADJUSTED	$ 18,014,550	$ 10,956,976
RECEIPTS:		
Motor vehicle registration fees retained by Trustee	17,763,508	19,997,498
Investment income	163,433	458,407
Total receipts	17,926,941	20,455,905
DISBURSEMENTS:		
Debt service - principal	14,380,000	6,760,000
Debt service - interest	2,987,475	6,638,331
Total disbursements	17,367,475	13,398,331
CASH AND INVESTMENTS, END OF YEAR	$ 18,574,016	$ 18,014,550
Cash and investments reserved for debt service	$ 18,574,016	$ 18,014,550

See notes to statements of cash receipts and disbursements.

WISCONSIN DEPARTMENT OF TRANSPORTATION
COMMERCIAL PAPER PROGRAM

NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

1. NATURE OF PROGRAM

The Transportation Revenue Commercial Paper Program (the "Program") originated on April 23, 1997, pursuant to the adoption of the Program Resolution by the State of Wisconsin Building Commission. The Program Resolution is a Series Resolution to the General Resolution, as amended, adopted by the Commission. The purpose of the Program is to provide financing for the construction, maintenance and repair of certain major highway projects and transportation facilities. Receipts provided from motor vehicle registration fees and certain other vehicle registration-related fees are used to service the Program's debt, after the debt service requirements for the Transportation Revenue Bond Program have been met.

The Program has authority to issue notes in an aggregate outstanding principal amount not to exceed $275,000,000, in order to partially finance the costs of the authorized projects, in addition to proceeds from the Transportation Revenue Bond Program, State general obligation debt, federal aid and other money in the Transportation Fund of the State of Wisconsin. The Wisconsin Department of Transportation ("Department") is responsible for managing the construction projects and the collection of motor vehicle registration fees and certain other vehicle registration-related fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Receipts and Disbursements Basis of Accounting—The statements of cash receipts and disbursements present the Program's cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, cash receipts are recorded when received and disbursements are recorded when paid. The cash and investments balance is presented at cost.

The Department has entered into trust agreements with The Bank of New York Mellon Trust Company, National Association (the "Trustee"), relating to the creation and administration of the Transportation Revenue Commercial Paper Notes of 1997, Series A and 2006, Series A. Among other provisions, the trust agreements, in conjunction with the General Resolution, specify those funds to be created and maintained, the timing and flow of monies through the funds, and the procedure to be followed for the redemption of the notes.

Deutsche Bank Trust Company Americas is the Issuing and Paying Agent (the "Agent") for the Notes. The Depository Trust Company (DTC) serves as securities depository for the Notes. Purchasers of the Notes do not receive note certificates but instead have their ownership recorded in the DTC book-entry system. The Trustee transfers to the Agent monies sufficient to cover Note principal and interest payments; the Agent makes payment to the DTC. Owners of the Notes receive payments through brokers and other organizations participating in the DTC system.

It is the Program directors' view that the statements of cash receipts and disbursements along with the related notes meet the reporting requirements of the trust agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receipts and Disbursements—

Motor Vehicle Registration Fees Retained by Trustee - Motor vehicle registration fees and certain other vehicle registration-related fees retained by the Trustee are recorded at time of impounding, when transfer of possession occurs.

Investment Income - Investment income is recorded when received and includes realized gains and losses on sales or maturities of investments.

Debt Service - Principal and Interest - Cash payments for debt service are recorded when paid. Notes payable that mature and are replaced with new notes are not reflected in the statements of cash receipts and disbursements as there is no cash receipt or cash disbursement.

3. CASH AND INVESTMENTS

The Program's investment policies are governed by the General Resolution and Wisconsin Statutes. The Program is authorized to invest in direct obligations of or obligations guaranteed by the United States, obligations of agencies created or sponsored by an Act of Congress, obligations of any state or municipality that are rated in either of the two highest rating categories by a nationally recognized bond rating agency, bankers acceptances and certificates of deposit from banks with combined capital and surplus aggregating at least $100 million whose securities are rated within the two highest rating categories assigned by a nationally recognized rating agency, corporate commercial paper given the highest rating by Standard & Poor's Corporation and Moody's Investors Service, Inc., and a fund whose assets consist of direct obligations or obligations guaranteed by the United States or obligations of agencies created or sponsored by Congress. Program assets are to be invested in the highest yielding authorized securities, with maturity or redemption dates coinciding as closely as possible with cash flow and liquidity needs of Program operations.

During fiscal years 2009 and 2008, the Trustee and Agent invested the Program's assets in money market funds, U.S. government securities, and federal agency securities. These Program assets are reported at cost, which equals fair market value. The following table summarizes the cost and fair market value for each of the investments:

Investment	June 30, 2009 Cost/Fair Mkt	June 30, 2008 Cost/Fair Mkt
Money Market Funds:		
• Dreyfus Treasury Cash Management	$ 3,872,137	$ -
• Investors Cash Trust - Treasury Portfolio	2,079,336	1,340,237
• JP Morgan 100% U.S. Treasury Securities	1,373,543	1,138,405
• Goldman Sachs Institutional Liquid Assets Treasury Instruments Portfolio Fund 423	-	15,535,908
Federal Home Loan Bank Discount Notes	11,249,000	-
Total	$ 18,574,016	$ 18,014,550

The Federal Home Loan Bank Discount Notes were temporarily held by the Revenue Bond Program, allowing the Programs to complete a larger combined investment purchase. The money market funds invest exclusively in obligations of the U.S. Treasury, including Treasury bills, bonds and notes.

3. CASH AND INVESTMENTS (Continued)

Investments of the Program are subject to various risks:

- Custodial credit risk is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, the Program will not be able to recover the value of investments or collateral securities that are in the possession of another party. Money market funds are not insured or collateralized. Securities of the U.S. government and its agency were registered and held by the Program's agent in the Program's name.

- Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Standard & Poor's, Moody's, and Fitch Ratings. As of June 30, 2009, the money market funds were rated AAA and the Federal Home Loan Bank Discount Notes were rated A-1+.

- Concentration of credit risk may be a concern if investments in any one issuer represent 5 percent or more of net Program assets, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Concentration of credit risk is not addressed in the Program's investment requirements. As of June 30, 2009, 39 percent of the Program's assets were invested in money market funds; however, these funds solely invest in U.S. government securities. The remaining 61 percent of the Program's assets were invested in federal agency securities.

- Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Money market funds are liquid, having no future maturity dates. The Federal Home Loan Bank Discount Notes were held one day; reaching maturity and redeemed on July 1, 2009.

- Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. Foreign currency holdings are not specifically addressed in the Program's investment requirements; however, no investments denominated in foreign currency were held by the Program as of June 30, 2009.

4. NOTES PAYABLE

The notes consist of interest-bearing obligations issued in initial denominations of $100,000 and additional increments of $1,000 above $100,000. The notes are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes as amended, Section 84.59 of the Wisconsin Statutes and a Program Resolution and a series resolution adopted by the State of Wisconsin Building Commission. The notes are revenue obligations of the State of Wisconsin ("State"), payable solely from the Subordinated Debt Service Fund (see Note 5).

The State is not generally liable on the notes, nor are the projects financed by the notes pledged as collateral. The notes are collateralized by a pledge of income derived from vehicle registration fees ("Program Income") under Section 341.25 of the Wisconsin Statues and certain other vehicle registration-related fees, as collected by the Trustee. The notes are subordinate to the pledge of Program Income for payment of the State Transportation Revenue Bonds outstanding. Vehicle registration fees collected in excess of the amount needed to service this Program and the outstanding State Transportation Revenue Bonds are transferred to the Department pursuant to the General Resolution of the State of Wisconsin Building Commission.

The State expects to pay the principal on the notes with the proceeds of additional notes until the State provides permanent financing through the issuance of long-term transportation revenue bonds for the projects which are being initially financed by the notes.

In order to assure the timely payment of principal and interest on the notes, the State has entered into a Credit Agreement (the liquidity facility agreement) with State Street Bank and Trust Company and California State Teachers' Retirement System for a line of credit which is severally provided (but not jointly) in the respective percentages of 67 percent and 33 percent. The commitment amount is $207,000,000 and expires April 28, 2013. The Credit Agreement describes events which, if they occur, would cause early termination.

The notes will mature no later than 270 days from the date of issuance provided that a liquidity facility agreement is in effect. No notes may be issued with a maturity date after the stated expiration of the liquidity facility agreement or after the stated date of a substitute liquidity facility agreement. The principal of and interest on the notes will be paid at maturity and are not callable prior to maturity. Each note bears interest from its date of issuance, at the rate determined on the date of issuance (which may not exceed 12% per annum).

A summary of the notes outstanding as of June 30, 2009 and 2008 is as follows:

	2009	2008
Commercial Paper Notes of 1997, Series A, maturities ranging from August 3 to September 9, 2009, weighted average interest rate of 0.41%	$ 93,588,000	$ 100,708,000
Commercial Paper Notes of 2006, Series A, maturities ranging from July 16 to October 6, 2009, weighted average interest rate of 0.36%	84,030,000	91,290,000
Total Notes Payable as of June 30	$ 177,618,000	$ 191,998,000

5. SUBORDINATED DEBT SERVICE FUND

The General Resolution creates a Subordinated Debt Service Reserve Fund which is intended to be used to provide for the payment of principal and interest on the notes from Program Income deposited into this fund. The pledge of such Program Income to payment of the notes is subordinate to the pledge of Program Income to payment of outstanding State Transportation Revenue Bonds.

6. ADMINISTRATIVE EXPENSES

The Program is not charged for certain departmental administrative expenses related to the operation of the Program. All such costs are charged to the Transportation Fund of the State of Wisconsin. Expenses related to dealer fees, issue and paying agent fees, trustee fees, bond rating fees, audit fees and other expenses of the Program are paid by the Revenue Bond Program.

7. YEAR ENDED JUNE 30, 2008 PRIOR PERIOD ADJUSTMENT AND RESTATEMENTS

Two Program investment accounts were previously omitted from cash and investment balances on July 1, 2007. The Department recorded the investment balances as a prior period adjustment and restated the July 1, 2007 *Cash and Investments* balance, along with adjusting *Investment income* and *Debt service - interest* balances to reflect fiscal year 2008 activity. The following is a summary of the changes:

2008 Cash and Investments, Beginning of Year, as previously reported	$ 8,622,079
Prior period adjustment to 7/1/2007 balance	2,334,897
2008 Cash and Investments, Beginning of Year - Adjusted	$10,956,976
2008 Investment income, as previously reported	$ 334,331
2008 Investment income earned on previously unrecorded investments	124,076
2008 Investment income, as restated	$ 458,407
2008 Debt service – interest, as previously reported	$ 6,658,000
2008 Adjustment for actual interest paid	(19,669)
2008 Debt service – interest, as restated	$ 6,638,331
2008 Cash and Investments, End of Year, as previously reported	$15,535,908
Prior period adjustment to 7/1/2007 balance	2,334,897
2008 Investment income earned on previously unrecorded investments	124,076
2008 Adjustment for actual interest paid	19,669
2008 Cash and Investments, End of Year, as restated	$18,014,550

* * * * * *

UNAUDITED INFORMATION

The following information has been prepared by the Wisconsin Department of Transportation and is unaudited.

Unaudited Information

WISCONSIN DEPARTMENT OF TRANSPORTATION
REVENUE OBLIGATION PROGRAM

Schedule of Program Revenue (Unaudited)
For the Years Ended June 30, 2009 and 2008

Date	Section 341.25 Registration Fees: Registration Non-IRP (2)	Section 341.25 Registration Fees: IRP Revenues (3)	Section 341.25 Registration Fees: Subtotal	Interest Earnings on 341.25 Revenues	Title Transaction Fees (4)	Counter Service Fees and Personalized License Plates	Subtotal (1)	Other Miscellaneous Vehicle Registration & Related Fees	Total Program Revenues
July, 2008	$ 37,190,828	$ 3,803,091	$ 40,993,919		$ 7,756,723	$ 800,777	$ 49,551,419	$ 808,899	$ 50,360,318
August, 2008	31,866,998	3,959,403	35,826,401		6,865,241	710,984	43,402,626	691,455	44,094,081
September, 2008	33,876,285	4,006,400	37,882,685		6,851,378	691,826	45,425,889	740,788	46,166,677
October, 2008	30,430,693	7,192,751	37,623,444		6,456,853	677,137	44,757,434	732,463	45,489,897
November, 2008	30,941,288	3,038,024	33,979,312		4,614,964	491,477	39,085,753	625,317	39,711,070
December, 2008	43,518,705	5,445,923	48,964,628		4,428,357	535,126	53,928,111	553,029	54,481,140
January, 2009	46,014,800	4,674,855	50,689,655		4,802,254	586,655	56,078,564	626,738	56,705,302
February, 2009	32,665,492	6,557,022	39,222,514		5,406,468	632,167	45,261,149	657,355	45,918,504
March, 2009	40,477,078	11,031,298	51,508,376		6,463,997	737,725	58,710,098	747,962	59,458,060
April, 2009	36,714,118	17,488,888	54,203,006		6,623,416	716,968	61,543,390	703,135	62,246,525
May, 2009	33,924,279	4,023,962	37,948,241		6,248,486	701,671	44,898,398	684,319	45,582,717
June, 2009	37,922,133	4,122,448	42,044,581		6,808,744	735,362	49,588,687	720,601	50,309,288
TOTAL for the Year ended June 30, 2009	$ 435,542,697	$75,344,065	$ 510,886,762	$3,024,580	$ 73,326,881	$ 8,017,875	$ 595,256,098	$ 8,292,061	$603,548,159
July, 2007	$ 27,095,746	$ 3,621,121	$ 30,716,867		$ 4,485,481	$ 795,549	$ 35,997,897	$ 728,823	$ 36,726,720
August, 2007	24,882,488	3,021,717	27,904,205		4,954,562	770,758	33,629,525	786,211	34,415,736
September, 2007	22,827,028	3,423,062	26,250,090		4,100,774	655,745	31,006,609	684,775	31,691,384
October, 2007	23,669,451	4,861,396	28,530,847		4,446,406	715,699	33,692,952	762,691	34,455,643
November, 2007	30,585,137	3,385,738	33,970,875		3,754,026	574,117	38,299,018	708,332	39,007,350
December, 2007	34,814,687	3,537,535	38,352,222		2,805,991	490,308	41,648,521	511,106	42,159,627
January, 2008	37,223,559	5,072,859	42,296,418		4,602,159	647,717	47,546,294	709,146	48,255,440
February, 2008	31,463,817	6,853,691	38,317,508		5,380,806	599,491	44,297,805	621,978	44,919,783
March, 2008	39,883,822	13,895,132	53,778,954		6,578,058	811,722	61,168,734	740,421	61,909,155
April, 2008	39,753,037	9,712,822	49,465,859		7,388,972	872,754	57,727,585	755,958	58,483,543
May, 2008	35,861,033	8,397,166	44,258,199		7,769,389	811,250	52,838,838	881,509	53,720,347
June, 2008	37,387,867	6,039,641	43,427,508		7,558,493	759,434	51,745,435	799,550	52,544,985
TOTAL for the Year ended June 30, 2008	$ 385,447,672	$71,821,880	$ 457,269,552	$6,448,800	$ 63,825,117	$ 8,504,544	$ 536,048,013	$ 8,690,500	$544,738,513

(1) This is the amount of Program Revenue for which the State has undertaken to provide continuing disclosure and the amount of Program Revenue that will be used for determining the debt service coverage ratio and the additional bonds test.

(2) During FY 2008, auto registration fees increased from $55 to $75; light truck registration fees increased from $48.50 to $75 for "A" plates, from $61.50 to $84 for "B" plates, and from $77.50 to $106 for "C" plates; heavy duty truck registration fees increased 30 percent. (2007 Wisconsin Act 20)

(3) IRP - The International Registration Plan is a multi-state compact for collecting and sharing large truck registration fees. Under the IRP, the registration fees on trucks involved in multi-state commercial activity are collected by the state in which the company is headquartered and are split between the participating states on the basis of proportionate mileage. During FY 2008, heavy duty truck registration fees increased 30 percent (2007 Wisconsin Act 20).

(4) During FY 2008, first Wisconsin title and transfer of title fees increased from $28.50 to $53. (2007 Wisconsin Act 20)

Source: Wisconsin Department of Transportation

Unaudited Information

WISCONSIN DEPARTMENT OF TRANSPORTATION
COMMERCIAL PAPER PROGRAM

Schedule of Motor Vehicle Registration and Registration-Related Fees--Cash Basis (Unaudited)
For the Years Ended June 30, 2009 and 2008

	2009	2008
Total Program Revenues	$ 603,548,159	$ 544,738,513
Less: Interest Earnings on 341.25 Revenues	(3,024,580)	(6,448,800)
Motor Vehicle Registration and Related Fees Collected	$ 600,523,579	$ 538,289,713
Less:		
Motor Vehicle Registration and Related Fees Retained by Trustee for Revenue Bond Program	(152,100,767)	(147,405,083)
Motor Vehicle Registration and Related Fees Available for Transportation Fund	(430,659,304)	(370,887,132)
Motor Vehicle Registration and Related Fees Retained by Trustee for Commercial Paper Program	$ 17,763,508	$ 19,997,498

Source: Wisconsin Department of Transportation

PART VI

CLEAN WATER REVENUE BONDS

This Part VI of the 2009 Annual Report provides information about clean water revenue bonds issued by the State of Wisconsin **(State)**.

Total Outstanding Balance (12/15/2009)	$805,305,000
Amount Outstanding of Fixed-Rate Obligations	$805,305,000
Amount Outstanding of Variable-Rate Obligations	$ 0
Percentage of Outstanding Obligations in the form of Variable-Rate Obligations	0.00%
Ratings[(a)] (Fitch/Moody's/Standard & Poor's) Bonds	AA+/Aa1/AA+

[(a)] The ratings presented are the ratings assigned to the State's clean water revenue bonds without regard to any bond insurance policy. No information is provided in the 2009 Annual Report about any rating assigned to the any clean water revenue bonds based on any bond insurance policy.

APPENDIX A to this Part VI of the 2009 Annual Report includes the independent auditor's report and the financial statements for the Environmental Improvement Fund for the years ended June 30, 2009 and 2008, along with supplemental information as of June 30, 2009, and the independent auditor's report and financial statements for the Leveraged Loan Portfolio (as defined herein) for the year ended June 1, 2009.

The State of Wisconsin Building Commission (**Commission**) supervises all matters concerning the State's issuance of revenue obligations. The Capital Finance Office, which is part of the State of Wisconsin Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs.

Clean water revenue bonds **(Bonds)** are issued pursuant to the Clean Water Revenue Bond General Resolution adopted by the Commission on March 7, 1991, as amended (**Program Resolution**). U.S. Bank National Association serves as trustee **(Trustee)**, as well as registrar and paying agent, for the Bonds. The law firm of Foley & Lardner LLP provides bond counsel services to the State for the issuance of clean water revenue bonds.

Requests for additional information about the Bonds or the Clean Water Fund Program may be directed as follows:

Contact: Capital Finance Office
Attn: Capital Finance Director
Phone: (608) 266-2305
Mail: State of Wisconsin Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Web site: www.doa.wi.gov/capitalfinance

The 2009 Annual Report includes information and defined terms for different types of municipal securities issued by the State. The context or meaning of terms used in this Part VI of the 2009 Annual Report may differ from those of the same terms used in another part. See "GLOSSARY" for the definitions

of capitalized terms used in this Part VI of the 2009 Annual Report. No information or resource referred to in this 2009 Annual Report is part of this 2009 Annual Report unless expressly incorporated by reference.

OUTSTANDING BONDS

The State has issued Bonds on the dates and in the amounts shown in Table VI-1. The table also includes the outstanding principal balances as of December 15, 2009.

Table VI-1
OUTSTANDING CLEAN WATER REVENUE BONDS
BY ISSUE
(As of December 15, 2009)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
1991- Series 1	3/1/91			
Serial Bonds		1994-2008	$ 167,555,000	-0-
Term Bonds		2011	57,445,000	$ 39,555,000
1993- Series 1	8/15/93	1996-2013	84,345,000	-0-
Series 2	8/15/93	1994-2008	81,950,000	-0-
1995- Series 1	7/1/95	1997-2015	80,000,000	-0-
1997- Series 1	1/15/97	1999-2017	80,000,000	-0-
1998- Series 1	1/15/98	1999-2018	90,000,000	-0-
Refunding Series 2	8/15/98			
Serial Bonds		1999	1,800,000	-0-
Serial Bonds		2003	12,160,000	-0-
Serial Bonds		2009-17	90,400,000	79,450,000
1999- Series 1	8/15/99			
Serial Bonds		2001-18	67,965,000	-0-
Term Bonds		2020	12,035,000	-0-
2001- Series 1	4/2/01	2002-21	70,000,000	21,385,000 [a]
2002- Series 1	5/1/02	2003-23	100,000,000	51,955,000 [a]
Refunding Series 2	8/1/02	2003-16	85,575,000	39,745,000
2004- Series 1	3/3/04	2006-24	116,795,000	85,150,000
Refunding Series 2	1/22/05	2009-20	107,025,000	102,675,000
2006- Series 1	3/16/06	2008-27	80,000,000	75,040,000
Series 2	11/7/06	2008-27	100,000,000	93,800,000
2008- Series 1	2/12/08	2009-28	100,000,000	97,005,000
Refunding Series 2	2/12/08	2016-18	27,335,000	27,335,000
Series 3	12/11/08			
Serial Bonds		2010-21	60,745,000	60,745,000
Term Bonds		2025	24,825,000	24,825,000
Serial Bonds		2026	6,640,000	6,640,000
Total Clean Water Revenue Bonds			$1,704,595,000	$805,305,000

[a] The principal amount of Bonds for which payment is provided is not treated as outstanding for purposes of this table. Pursuant to a refunding escrow agreement the principal of and interest on all or a portion of the Bonds will be paid as it comes due, or will be called for redemption prior to maturity.

STATE REVOLVING FUND

A federal grant program that requires the recipient state to provide matching funds prompted the State to create in 1995 the Environmental Improvement Fund, and to issue Bonds secured primarily by repayments of Pledged Loans (defined below) under the Clean Water Fund Program.

Federal Water Quality Act

The Federal Water Quality Act of 1987 **(Water Quality Act)** established a joint federal and state program commonly referred to as the State Revolving Fund (**Federal SRF**) Program. Under the Federal SRF Program, the United States Environmental Protection Agency (**EPA**) is authorized to make grants (**Capitalization Grants**) to states to assist in providing financial assistance to municipalities within the state for governmentally-owned wastewater projects and other water pollution abatement projects. As a condition to receipt of a Capitalization Grant, a state is required to establish a perpetual Federal SRF into which the Capitalization Grant must be deposited, and to provide state matching funds **(State Match)** equal to 20% of the Capitalization Grant for deposit in the Federal SRF. Amounts in a Federal SRF are permitted to be applied to provide financial assistance to municipalities for governmentally-owned wastewater projects and other water pollution abatement projects in a number of ways, provided that such assistance is not in the form of a grant.

Capitalization Grants

The federal government has authorized appropriations for Capitalization Grants for federal fiscal years 1989 through 2009. For the Clean Water Fund Program, the State has been awarded Capitalization Grants from EPA aggregating approximately $831 million for federal fiscal years 1989 through 2009. For the Safe Drinking Water Loan Program, the State has been awarded Capitalization Grants in the aggregate amount of approximately $248 million for federal fiscal years 1998 through 2009. The above amount of Capitalization Grants includes funds awarded to the State for the same purposes pursuant to the American Recovery and Reinvestment Act of 2009. The State has issued general obligation bonds to provide the State Match required for the State to receive its Capitalization Grants; there is no State Match requirement related to funds from the American Recovery and Reinvestment Act of 2009.

Environmental Improvement Fund

The State's Environmental Improvement Fund provides for two separate environmental financing programs.

- **Clean Water Fund Program.** The Clean Water Fund Program, established in 1990 for the State's implementation of its Federal SRF under the Water Quality Act, provides financial assistance to Municipalities for constructing or improving water treatment facilities. This program also funds the Land Recycling Loan Program, which is a municipal loan program for remediation of contaminated lands.
- **Safe Drinking Water Loan Program.** The Safe Drinking Water Loan Program is a municipal loan program for drinking water projects and includes the State's implementation of the federal Safe Drinking Water Act Amendments of 1996. Loans from the Safe Drinking Water Loan Program are primarily funded from federal Capitalization Grants awarded for this purpose, the required State match for those Capitalization Grants, and recycled State Drinking Water Loan payments. As of December 1, 2009, the State had made approximately $276 million of disbursements for loans under the Safe Drinking Water Loan Program.

Under current law the State is authorized to issue Bonds only to make loans under the Clean Water Fund Program for wastewater and water projects. If changes were made to Wisconsin Statutes, Bond proceeds could be used to make loans under the Safe Drinking Water Loan Program and Land Recycling Loan Program; however, no legislation is pending that would make such changes.

CLEAN WATER FUND PROGRAM

The Clean Water Fund Program consists of three loan portfolios; however, only one loan portfolio is pledged to secure payment of the Bonds.

- **Leveraged Portfolio,** consisting of **Pledged Loans** funded with Bond proceeds. The term "Pledged Loans" is used in this 2009 Annual Report to refer to the same loans that were called "Leveraged Loans" and "Loans" in both the General Resolution and past continuing disclosure annual reports of the State.
- **Direct Portfolio** or **Clean Water Portfolio,** consisting of **Direct Loans** funded with federal Capitalization Grants and the required State Match along with certain repayments of principal of and interest on the Direct Loans. Direct Loans are required to comply with EPA eligibility and reporting requirements, as well as applicable State requirements.
- **Proprietary Portfolio**, consisting in part of **Proprietary Loans** funded primarily with State general obligation bond proceeds along with repayments of principal of and interest on Proprietary Loans. Proprietary Loans are used to fund projects that may not meet all the construction or financial criteria of the Leveraged Portfolio or Clean Water Portfolio. The portfolio also includes State general obligation proceeds that are used to provide hardship low-interest loans and grants to municipalities.

Only Pledged Loans are funded with Bond proceeds, and only **Pledged Loan Repayments** are pledged to the repayment of the Bonds. In other words, Bond proceeds do not fund Direct Loans or Proprietary Loans, and repayments of Direct Loans or Proprietary Loans, along with the federal Capitalization Grants and State Match, are not pledged to the repayment of the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS".

A Municipality receives any loan or financial assistance pursuant to a Financial Assistance Agreement. The State may designate the loan as a Pledged Loan, a Direct Loan, or a Proprietary Loan, or any combination of these loans. A separate accounting of the loan balances in each portfolio is maintained for each project. In any situation where a Municipality qualifies for a loan, the State may choose whether and to what extent the loan is designated as a Pledged Loan.

Funding Levels

The Legislature has authorized the issuance of Bonds in the aggregate amount of $2.363 billion, not including Bonds issued for refunding purposes. The Legislature has also authorized the issuance of general obligations in the aggregate amount of $777 million for the Clean Water Fund Program. These general obligations are used to provide the State Match, to fund Proprietary Loans, and to fund deposits into the Subsidy Fund, all as described further within this Part VI of the 2009 Annual Report. As of December 1, 2009, approximately $1.082 billion of authority remained for the issuance of Bonds, and $241 million of authority remained for the issuance of general obligations. As of December 1, 2009, the amount of Pledged Loans that had been awarded but not yet disbursed was $106 million. Additional applications for other loans are reviewed prior to any award through a Financial Assistance Agreement. See "LOANS".

The amount of federal funding available in the future may affect the amount of loans to be made by the Clean Water Fund Program and the amount of Bonds to be issued by the State.

Management of Clean Water Fund Program

Management responsibilities for the Clean Water Fund Program are shared between two State agencies. The Department of Natural Resources **(DNR)** is responsible for the environmental and programmatic management of the Clean Water Fund Program. The Department of Administration **(DOA)** is responsible for the financial and investment management of the Clean Water Fund Program. DNR and DOA have agreed upon the division of responsibilities and joined in a memorandum of understanding that detail their respective roles. Joint responsibilities between DNR and DOA include issuing notices of financial

assistance commitment to Municipalities (**Commitments**) and entering into financial assistance agreements with Municipalities **(Financial Assistance Agreements)** to finance eligible wastewater projects. DOA and DNR also jointly prepare biennial finance plans which include the estimated wastewater facility needs of municipalities in the State, the amount of financial assistance projected to be provided, the sources of the funding projected to be provided, and the estimated present value of subsidies for all Clean Water Fund Program financial assistance expected to be provided.

Operating Agreement with EPA

In connection with receipt of Capitalization Grants, the State, acting through DNR, has entered into an Operating Agreement with EPA. The Operating Agreement sets forth the objectives and structure of the Clean Water Fund Program and the responsibilities of DNR and DOA. Among these responsibilities are:

- Financial management
- Management of the environmental and project construction aspects
- Preparation of an intended use plan, setting forth the projects the State expects to finance under the Clean Water Fund Program.

SECURITY AND SOURCE OF PAYMENT FOR BONDS

Pledged Loan Repayments are pledged to the Trustee to secure the Bonds; payments of principal of and interest on either Direct Loans or Proprietary Loans are not pledged as security for the Bonds.

Each Pledged Loan must meet the criteria described under "LENDING CRITERIA" and must be evidenced by a Municipal Obligation. The State expects to continue to make most of the Pledged Loans to Municipalities with terms not exceeding 20 years and at interest rates that are below market rates. Due to the below-market interest rates, Pledged Loan Repayments are not expected to be sufficient to pay the principal of and interest on the Bonds as they become due. The State has provided, and expects to continue to provide, additional moneys to fund the difference between debt service payments due on the Bonds and revenues to be derived from Pledged Loan Repayments. The funds include payments from State general obligations that are deposited into the Subsidy Fund.

Revenue Obligations

Each Series of Bonds is issued on a parity with all other Bonds previously issued or to be issued from time to time under the General Resolution. See "OUTSTANDING BONDS". The Bonds are special obligations of the State, payable solely from the revenues, receipts, funds, and moneys pledged therefor under the General Resolution.

The State is not obligated to pay the principal of or interest on the Bonds from any funds of the State other than those pledged pursuant to the General Resolution, and neither the full faith and credit nor the taxing power of the State or any agency, instrumentality, or political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

Pledge of Revenues

Pursuant to the General Resolution, the State has pledged the following to the Trustee for the benefit of the Bondowners and any owner of a Parity Reimbursement Obligation for the payment of the principal of, interest on, and redemption price of the Bonds in accordance with the terms and provisions of the General Resolution:

(1) all Pledged Receipts, which are defined in the General Resolution as follows:

- All Pledged Loan Repayments, including both timely and delinquent payments
- Fees and Charges held or collected by the State
- Any State payments intercepted by DOA, and taxes collected by county treasurers, upon a default under a Municipal Obligation

- Any moneys made available to the Leveraged Portfolio pursuant to a State "moral obligation" for individual Pledged Loans
- Any moneys collected by recourse to collateral and security devices under the Municipal Obligations
- Any other moneys held or received by the State or the Trustee relating to the Municipal Obligations; and

(2) certain funds and accounts established in connection with the issuance of the Bonds including the Loan Fund (pending use to make or acquire Pledged Loans), the Subsidy Fund, and the Loan Credit Reserve Fund, but not including the Rebate Fund or the State Equity Fund.

For a detailed description of the various funds, accounts, and revenues securing the Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF GENERAL RESOLUTION". For further discussion of State payments to Municipalities intercepted by DOA, the taxes collected by county treasurers, and the State "moral obligation" on individual Pledged Loans, see "LOANS; Statutory Powers".

Pledged Loans

The proceeds of Bonds and other amounts deposited into the Loan Fund are used for the purpose of making Pledged Loans to Municipalities. Each Pledged Loan must meet the criteria described under "LENDING CRITERIA". As of December 1, 2009, disbursements for Pledged Loans totaled $1.216 billion, and the outstanding principal balance of these Pledged Loans was $729 million. As of December 1, 2009, Bond proceeds on deposit in the Loan Fund totaled $41 million.

Table VI-2 identifies all Municipalities that have entered into Financial Assistance Agreements, the amount that had been disbursed to each Municipality as of December 1, 2009, and the amount that remained to be disbursed pursuant to its Financial Assistance Agreement. Table VI-2 also provides information as to the principal loan balance outstanding under the Financial Assistance Agreement for each Municipality. The term "FAA Loan" used in Table VI-2 refers to the loan made under a Financial Assistance Agreement.

Table VI-2 includes Municipalities that have received any type of loan from the Environmental Improvement Fund (which includes loans from the Leveraged, Direct, and Proprietary Portfolios along with loans from the Safe Drinking Water Loan Program). Table VI-2 first presents the Municipalities with outstanding Pledged Loans as of December 1, 2009. These Municipalities are listed in the order of the percentage of the debt service payments from each Municipality on its Pledged Loan (or Pledged Loans) to the total debt service payments on the Outstanding Bonds. This percentage will change when changes occur in either the repayment schedules for the Pledged Loans or the debt service payments remaining on the Outstanding Bonds.

Table VI-2 next presents municipalities that do not have Pledged Loans, which are listed alphabetically. This grouping may change as the proceeds of Pledged Loans are disbursed and new Pledged Loans are originated, as loans are purchased and transferred into the Leveraged Portfolio, or as Pledged Loans are sold and transferred out of the Leveraged Portfolio.

Pledged Loan Repayments are the majority of the revenues available to pay debt service on the Bonds. The extent to which the failure of one Municipality to make its Pledged Loan Repayments affects the Clean Water Fund Program's ability to pay debt service on the Bonds will vary based on the percentage of debt service payments on the Bonds to be paid from the Pledged Loan Repayments. The State believes that the security provisions of the Financial Assistance Agreements, as well as the amounts available from the Loan Credit Reserve Fund and the Subsidy Fund, will limit the effect on Bondowners of a failure by one or more Municipalities to pay debt service on their Pledged Loans. Revenues available from amounts in the Subsidy Fund will not be directly affected by the failure of any Municipality to pay debt service on its Loan. However, a persistent failure by one or more Municipalities to pay debt service on Pledged Loans may adversely affect the ability of the Clean Water Fund Program to pay debt service on the

Bonds. See "LOANS; Statutory Powers", "DEPOSITS IN LOAN CREDIT RESERVE FUND", and "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Subsidy Fund".

The Milwaukee Metropolitan Sewerage District (**MMSD**) is currently the largest borrower with respect to loans in the Leveraged Portfolio, with $236 million in principal amount of Pledged Loans outstanding as of December 1, 2009. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Milwaukee Metropolitan Sewerage District". Other Municipalities had Pledged Loans in outstanding principal amounts ranging from $13,000 to $57 million as of the same date. For a discussion about the information that is available concerning the Municipalities, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Additional Information".

Table VI-2
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PRINCIPAL BALANCES
December 1, 2009[a]
(Amount in Thousands)

Municipality[b]	FAA Loan Amount[c]	Total FAA Loan Disbursed	Pledged Loan Balance[d]	Non-Pledged Loan Balance	Total Outstanding Balance[d]	FAA Loan Remaining to Fund[e]	% of Bond Payment[f]
Pledged Loans							
Milwaukee Metropolitan Sewerage District	$ 1,087,666	$ 897,724	$ 235,965	$ 352,294	$ 588,259	$ 168,189	25.48%
Madison Metropolitan Sewerage District	109,604	103,196	57,208	5,473	62,681	3,009	6.09%
City of Fond du Lac	82,775	81,589	55,827	20,588	76,415	281	6.01%
Heart of the Valley Metropolitan Sewerage District	40,884	39,262	28,728	6,908	35,636	976	3.09%
Green Bay Metropolitan Sewerage District	80,264	73,326	17,449	16,453	33,902	1,931	1.89%
City of Manitowoc	22,018	21,512	12,578	-	12,578	-	1.31%
City of Reedsburg	14,471	14,224	12,476	-	12,476	247	1.36%
Village of East Troy	10,102	9,624	9,239	-	9,239	478	1.03%
Walworth County Metropolitan Sewerage District	45,161	42,723	7,977	21,603	29,580	1,532	0.91%
Village of Sussex	18,842	18,238	7,869	-	7,869	-	0.87%
Delafield - Hartland Pollution Control Commission	10,000	10,000	7,853	-	7,853	-	0.85%
Village of New Glarus	10,885	10,448	7,535	-	7,535	369	0.82%
Village of Belleville	9,252	9,101	7,209	-	7,209	-	0.78%
Town of Salem	17,146	16,360	7,056	5,587	12,643	595	0.77%
City of Two Rivers	12,175	11,924	6,688	3,321	10,009	-	0.73%
Village of Saukville	11,332	10,692	6,575	-	6,575	-	0.69%
Village of Cross Plains	8,287	7,782	6,474	-	6,474	-	0.69%
Village of Cottage Grove	7,188	5,833	5,658	-	5,658	1,209	0.64%
Village of Union Grove	10,808	10,683	5,589	1,722	7,311	-	0.59%
Village of Cambridge	6,676	6,334	5,573	-	5,573	342	0.60%
City of Racine	123,968	123,117	5,436	84,980	90,416	-	0.56%
City of Stoughton - Utilities	11,263	10,546	5,328	61	5,389	-	0.56%
City of Waupaca	13,251	12,745	5,023	790	5,813	-	0.51%
City of Waupun	6,249	6,062	4,635	-	4,635	-	0.51%
City of Mineral Point	6,884	6,244	4,607	-	4,607	-	0.49%
Town of Oakland Sanitary District #1	5,768	5,211	4,562	-	4,562	373	0.49%
City of Brookfield	31,416	29,345	4,501	10,777	15,278	769	0.47%
City of South Milwaukee	15,689	15,300	4,328	7,525	11,853	233	0.45%
City of Menomonie	8,732	8,653	4,266	-	4,266	-	0.45%
City of Ripon	6,337	5,773	4,260	-	4,260	-	0.45%
Village of Marshall	7,744	7,507	3,753	-	3,753	-	0.38%
Village of Twin Lakes	6,481	6,462	3,606	463	4,069	-	0.38%
Village of Hammond	4,101	3,873	3,407	-	3,407	228	0.37%
Village of Deerfield	5,070	4,542	3,356	-	3,356	-	0.36%
Village of Jackson	6,130	6,130	3,299	-	3,299	-	0.33%
City of Bloomer	6,694	6,690	3,283	-	3,283	-	0.33%
Village of Cedar Grove	4,400	4,253	3,212	395	3,607	-	0.35%
City of Brodhead	6,549	6,284	3,150	-	3,150	-	0.32%
City of Baraboo	3,902	3,802	3,068	-	3,068	-	0.33%
City of Milton	4,328	4,091	3,023	-	3,023	-	0.32%
City of Omro	3,510	3,354	2,963	-	2,963	-	0.33%
City of Edgerton	5,612	4,966	2,945	-	2,945	-	0.31%
City of Stevens Point	13,560	13,117	2,929	-	2,929	-	0.28%
City of Dodgeville	4,995	4,995	2,807	-	2,807	-	0.28%
Town of Bristol	6,364	6,077	2,794	-	2,794	-	0.29%
City of Oshkosh	64,698	62,942	2,703	32,265	34,968	444	0.29%
City of Oconomowoc	5,449	5,414	2,638	-	2,638	-	0.26%
Norway Sanitary District #1	5,547	4,424	2,634	-	2,634	-	0.27%
Village of Lomira	5,495	4,660	2,631	610	3,241	505	0.29%
City of Janesville	9,047	8,898	2,603	3,597	6,200	-	0.27%
Village of Lake Delton	22,133	21,823	2,591	15,036	17,627	-	0.27%
Village of Caledonia	4,465	4,411	2,508	683	3,191	-	0.27%
City of Richland Center	8,643	7,707	2,469	1,048	3,517	597	0.26%
City of Menasha	17,330	16,487	2,403	12,670	15,073	758	0.26%
Green Lake Sanitary District	8,674	8,388	2,380	-	2,380	-	0.23%
Village of West Salem	8,049	6,968	2,333	2,334	4,667	725	0.23%
City of Hudson	6,165	5,823	2,331	-	2,331	-	0.23%
City of Chippewa Falls	7,593	7,252	2,191	1,403	3,594	-	0.22%
City of Fort Atkinson	14,594	14,266	2,152	-	2,152	-	0.20%
City of Chilton	6,264	6,071	2,010	2,553	4,563	116	0.20%
Village of Black Creek	4,332	4,332	1,905	-	1,905	-	0.19%
Village of Plover	6,730	6,730	1,856	2,226	4,082	-	0.19%
City of Mauston	2,905	2,759	1,809	-	1,809	-	0.20%
City of Antigo	4,317	4,286	1,798	-	1,798	-	0.18%
Village of Luxemburg	3,178	2,945	1,765	-	1,765	-	0.18%
City of Lodi	4,050	3,907	1,722	-	1,722	-	0.17%
Village of Somerset	2,981	2,744	1,717	-	1,717	-	0.18%
City of Viroqua	4,080	4,041	1,612	791	2,403	-	0.17%
City of Marshfield	24,170	22,996	1,603	11,077	12,680	-	0.16%
City of New Richmond	4,124	4,006	1,590	763	2,353	-	0.16%
Village of Slinger	7,008	6,424	1,539	4,147	5,686	228	0.16%
Village of Silver Lake	2,318	2,318	1,471	-	1,471	-	0.16%
Village of North Fond du Lac	2,592	2,590	1,465	-	1,465	-	0.15%

Table VI-2—Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PRINCIPAL BALANCES
December 1, 2009[a]
(Amount in Thousands)

Municipality[b]	FAA Loan Amount[c]	Total FAA Loan Disbursed	Pledged Loan Balance[d]	Non-Pledged Loan Balance	Total Outstanding Balance[d]	FAA Loan Remaining to Fund[e]	% of Bond Payment[f]
City of Cuba City	2,562	2,316	1,459	-	1,459	-	0.15%
City of Sheboygan	13,517	13,057	1,438	5,745	7,183	-	0.14%
City of Sparta	16,956	15,731	1,419	4,047	5,466	27	0.13%
City of Neillsville	3,238	3,210	1,411	-	1,411	-	0.14%
Village of Random Lake	1,919	1,740	1,367	-	1,367	-	0.15%
Village of Howards Grove	2,102	1,905	1,358	-	1,358	-	0.14%
City of Ashland	15,013	14,386	1,351	2,672	4,023	216	0.14%
Village of Allouez	3,072	3,062	1,342	-	1,342	-	0.13%
City of Monroe	3,470	2,956	1,323	-	1,323	-	0.14%
Village of Reedsville	2,768	2,755	1,176	-	1,176	-	0.12%
Freedom Sanitary District #1	2,748	2,645	1,156	-	1,156	-	0.11%
Rib Mountain Metropolitan Sewerage District	1,977	1,782	1,152	-	1,152	-	0.12%
City of Tomahawk	3,026	2,864	1,134	-	1,134	-	0.11%
City of Portage	5,630	5,536	1,110	2,389	3,499	-	0.12%
City of Delafield	1,556	1,556	1,082	-	1,082	-	0.11%
City of Wautoma	6,848	6,847	1,068	1,471	2,539	-	0.10%
Village of Footville	2,131	2,097	1,037	327	1,364	-	0.11%
City of Mayville	1,483	1,481	1,007	-	1,007	-	0.11%
Village of Bangor	1,587	1,584	987	-	987	-	0.10%
City of Juneau	1,365	1,234	958	112	1,070	97	0.11%
Ixonia Sanitary District #1	1,340	1,308	936	-	936	-	0.10%
City of Amery	3,060	2,909	933	269	1,202	-	0.09%
City of Colby	3,074	2,659	865	12	877	225	0.08%
City of Jefferson	7,534	6,958	845	4,080	4,925	-	0.09%
Chain O'Lakes Sanitary District #1	2,082	2,063	839	-	839	-	0.09%
Village of Pewaukee	8,191	7,695	827	2,784	3,611	-	0.08%
Village of Poynette	2,288	2,112	805	-	805	-	0.08%
Village of Fremont	1,867	1,815	801	-	801	-	0.08%
City of Kewaunee	1,684	1,684	793	-	793	-	0.08%
City of Lake Mills	1,246	1,165	782	-	782	-	0.08%
Village of Shorewood	2,512	2,298	770	-	770	-	0.08%
Village of Iron Ridge	1,441	1,254	765	-	765	-	0.08%
Western Racine County Sewerage District	11,459	10,617	748	8,051	8,799	-	0.08%
Village of Coleman	1,224	1,156	731	-	731	-	0.08%
City of Rhinelander	6,335	6,211	714	1,043	1,757	111	0.07%
Village of Wrightstown	6,226	5,962	702	4,535	5,237	264	0.07%
Village of Lake Nebagamon	1,539	1,456	694	-	694	-	0.07%
City of Whitewater	1,564	1,564	685	-	685	-	0.07%
Village of Newburg	1,549	1,430	679	-	679	-	0.07%
City of Brillion	1,064	1,061	665	-	665	-	0.07%
Village of Trempealeau	2,976	1,594	662	50	712	1,367	0.07%
Village of Dane	1,228	1,228	642	-	642	-	0.06%
City of Crandon	1,537	1,454	635	-	635	-	0.06%
City of Oconto Falls	1,316	1,150	622	290	912	-	0.07%
City of New Holstein	1,100	990	617	-	617	-	0.06%
Village of Monticello	2,345	2,319	598	-	598	-	0.05%
City of Tomah	20,454	19,284	581	10,646	11,227	-	0.06%
City of Kenosha	33,144	29,370	571	6,826	7,397	-	0.05%
City of Merrill	4,044	4,033	560	-	560	-	0.05%
City of Manawa	1,408	1,391	539	-	539	-	0.05%
City of Lancaster	1,688	1,601	529	-	529	-	0.05%
City of Watertown	30,535	29,384	521	20,995	21,516	-	0.05%
Town of Menasha	1,659	1,642	514	-	514	-	0.05%
Village of Fontana	4,751	2,702	490	958	1,448	1,977	0.05%
Village of Mishicot	4,106	3,966	483	3,152	3,635	-	0.05%
City of Columbus	4,044	4,044	470	2,591	3,061	-	0.05%
Village of Blue Mounds	1,152	1,064	467	-	467	-	0.05%
Village of Valders	1,538	1,538	459	40	499	-	0.04%
City of Boscobel	1,337	1,182	446	-	446	-	0.04%
Wisconsin Dells - Lake Delton Sewerage Commission	1,935	1,892	439	-	439	-	0.04%
City of Cumberland	928	808	432	-	432	-	0.04%
City of Mosinee	1,383	1,297	419	-	419	-	0.04%
Village of Muscoda	898	777	417	-	417	-	0.04%
Village of Rockland	1,311	1,210	411	318	729	-	0.04%
Village of Brokaw	772	718	409	-	409	-	0.04%
Potosi/Tennyson Sewerage Commission	1,543	1,543	409	-	409	-	0.04%
Village of Spring Green	950	920	389	-	389	-	0.04%
Village of Bay City	1,224	1,200	389	-	389	-	0.04%
City of River Falls	4,766	4,351	387	2,823	3,210	-	0.04%
Village of Mount Calvary	1,430	1,430	385	-	385	-	0.03%
Village of Highland	1,147	1,091	372	306	678	16	0.04%
Brazeau Sanitary District #1	793	758	358	-	358	-	0.04%
Black Wolf Sanitary District #1	4,327	4,065	338	-	338	-	0.03%
Wrightstown Sanitary District #1	1,081	1,036	337	-	337	-	0.03%

Table VI-2—Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PRINCIPAL BALANCES
December 1, 2009[a]
(Amount in Thousands)

Municipality[b]	FAA Loan Amount [c]	Total FAA Loan Disbursed	Pledged Loan Balance[d]	Non-Pledged Loan Balance	Total Outstanding Balance[d]	FAA Loan Remaining to Fund[e]	% of Bond Payment[f]
Village of Knapp	669	669	334	-	334	-	0.03%
City of Shullsburg	687	626	323	-	323	-	0.03%
Village of Hewitt	1,467	1,298	322	-	322	-	0.03%
Village of Rosholt	662	649	319	-	319	-	0.03%
Mercer Sanitary District #1	787	787	294	-	294	-	0.03%
Village of Mount Horeb	3,436	3,338	294	222	516	-	0.03%
Village of Montfort	779	756	289	-	289	-	0.03%
City of Abbotsford	1,403	1,302	282	593	875	-	0.03%
Village of Brownsville	1,017	917	276	290	566	-	0.03%
Sextonville Sanitary District	589	564	269	-	269	-	0.03%
Iron River Sanitary District #1	717	710	268	-	268	-	0.03%
City of Chetek	528	512	264	-	264	-	0.03%
Village of Lena	343	284	261	-	261	-	0.03%
City of Galesville	1,143	1,111	225	-	225	-	0.02%
City of Black River Falls	4,228	4,067	221	2,027	2,248	-	0.02%
City of Cudahy	886	839	220	-	220	-	0.02%
Village of Kohler	401	367	219	-	219	-	0.02%
Village of Campbellsport	405	359	207	-	207	-	0.02%
City of Westby	417	395	203	-	203	-	0.02%
Silver Lake Sanitary District (Waushara County)	722	722	192	-	192	-	0.02%
City of Prescott	5,349	4,956	189	1,447	1,636	-	0.02%
Village of Prentice	544	447	188	-	188	-	0.02%
Village of Mattoon	628	586	187	116	303	-	0.02%
Silver Lake Sanitary District	1,063	1,063	185	-	185	-	0.02%
City of Plymouth	5,848	5,427	177	1,500	1,677	-	0.02%
Village of Redgranite	2,303	2,303	176	879	1,055	-	0.02%
Village of Argyle	1,467	1,380	175	-	175	-	0.02%
Wolf Treatment Plant Commission	12,847	12,377	170	6,562	6,732	-	0.02%
Village of Wyocena	389	298	168	-	168	-	0.02%
City of Beaver Dam	819	798	163	-	163	-	0.02%
Village of Almond	530	504	157	-	157	-	0.02%
Village of Belmont	458	416	153	-	153	-	0.02%
Village of Walworth	584	317	151	13	164	240	0.02%
Village of North Freedom	498	473	149	-	149	-	0.01%
City of Montello	260	256	148	-	148	-	0.02%
Village of Linden	224	216	143	-	143	-	0.02%
Village of Ellsworth	373	373	143	-	143	-	0.01%
Village of Pepin	363	281	134	-	134	-	0.01%
City of New Lisbon	5,845	5,434	130	3,801	3,931	-	0.01%
City of Shawano	252	225	127	-	127	-	0.01%
Village of Pulaski	483	483	127	-	127	-	0.01%
Village of Potosi	291	260	124	-	124	-	0.01%
Village of Osceola	6,570	6,272	115	5,016	5,131	142	0.01%
Neenah Sanitary District #2	1,057	1,057	109	-	109	-	0.01%
Village of Cassville	442	401	106	-	106	-	0.01%
Laona Sanitary District #1	746	746	105	-	105	-	0.01%
Village of Baldwin	262	262	101	-	101	-	0.01%
Iowa County	486	486	99	-	99	-	0.01%
Goodman Sanitary District #1	1,074	1,074	99	363	462	-	0.01%
Village of Prairie du Sac	205	183	86	-	86	-	0.01%
Village of Hancock	151	131	82	-	82	-	0.01%
Village of Gays Mills	180	173	82	-	82	-	0.01%
Village of Plum City	1,685	1,685	79	1,376	1,455	-	0.01%
City of Hillsboro	1,978	974	62	845	907	974	0.01%
City of Prairie du Chien	7,928	7,318	61	3,892	3,953	555	0.01%
Village of Blue River	281	272	57	-	57	-	0.01%
Village of Dousman	3,268	50	50	-	50	3,218	0.01%
Village of Spring Valley	120	120	46	-	46	-	0.00%
Little Elkhart Lake Rehabilitation District	217	217	33	-	33	-	0.00%
Village of Roberts	3,194	3,194	32	2,739	2,771	-	0.00%
Village of Webster	204	194	27	-	27	-	0.00%
Sunset Point Sanitary District	686	655	23	-	23	-	0.00%
Village of Cambria	302	15	15	-	15	287	0.00%
Village of Bowler	794	729	13	475	488	-	0.00%
Subtotal	***$ 2,601,095***	***$ 2,335,832***	***$ 730,935***	***$ 748,831***	***$ 1,479,766***	***$ 193,850***	
Direct Loans, Proprietary Loans, and Safe Drinking Water Loans							
Village of Adell - Onion River	$ 721	$ 721	$ -	$ 111	$ 111	$ -	
Village of Adell	566	566	-	87	87	-	
Village of Albany	536	472	-	274	274	-	
Algoma Sanitary District #1	12,872	11,820	-	9,538	9,538	-	
City of Algoma	5,547	5,432	-	763	763	-	
City of Appleton	16,474	13,989	-	2,854	2,854	-	
City of Arcadia	3,599	3,430	-	3,062	3,062	-	

Table VI-2—Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PRINCIPAL BALANCES
December 1, 2009[a]
(Amount in Thousands)

Municipality[b]	FAA Loan Amount [c]	Total FAA Loan Disbursed	Pledged Loan Balance[d]	Non-Pledged Loan Balance	Total Outstanding Balance[d]	FAA Loan Remaining to Fund[e]
Village of Arena	1,627	1,587	-	923	923	-
Village of Arlington	2,132	2,017	-	1,338	1,338	61
Ashippun Sanitary District, Inc.	4,489	4,215	-	4,215	4,215	273
City of Augusta	1,700	1,700	-	1,476	1,476	-
Village of Avoca	359	344	-	132	132	-
Village of Bagley	229	218	-	124	124	-
City of Bayfield	2,364	2,300	-	1,789	1,789	-
Village of Bayside	1,612	1,399	-	1,110	1,110	-
Village of Bear Creek	432	387	-	163	163	-
Village of Belgium	3,855	3,838	-	2,651	2,651	-
Town of Beloit	956	904	-	687	687	-
Village of Benton	1,702	1,702	-	1,161	1,161	-
Village of Black Earth	4,278	4,125	-	2,399	2,399	-
City of Blair	2,566	2,253	-	2,253	2,253	313
Village of Boaz	106	106	-	16	16	-
Bohner's Lake Sanitary District #1	8,007	7,857	-	1,031	1,031	-
Brookfield Sanitary District #4	5,750	5,608	-	2,683	2,683	-
Village of Brooklyn	2,928	2,902	-	2,751	2,751	-
Brule Sanitary District	367	299	-	17	17	-
Town of Buchanan	-	-	-	-	-	-
City of Burlington	23,977	23,117	-	7,465	7,465	226
Butte des Morts Consolidated Sanitary District #1	2,144	2,144	-	82	82	-
Village of Cameron	365	365	-	262	262	-
Village of Camp Douglas	526	483	-	483	483	-
Caroline Sanitary District	83	83	-	12	12	-
Chelsea Sanitary District	-	-	-	-	-	-
Christmas Mountain Sanitary District	1,659	1,614	-	1,011	1,011	-
Village of Cleveland	3,610	3,452	-	1,315	1,315	-
Village of Clinton	4,962	4,877	-	3,156	3,156	-
City of Clintonville	4,750	4,501	-	4,155	4,155	-
Village of Cochrane	454	441	-	262	262	-
Consolidated S.D. No. 1	155	155	-	19	19	-
Village of Crivitz	1,725	1,725	-	370	370	-
Crystal Lake Sanitary District #1	-	-	-	-	-	-
Village of Curtiss	353	342	-	271	271	-
Cushing Sanitary District #1	116	116	-	47	47	-
Danbury Sanitary District	-	-	-	-	-	-
City of Darlington	3,650	3,650	-	2,422	2,422	-
City of Delavan	3,842	3,126	-	2,982	2,982	676
Village of Denmark	2,959	2,942	-	1,194	1,194	-
Village of Dickeyville	1,078	1,017	-	722	722	-
Town of Dover	1,787	1,606	-	1,219	1,219	-
Dyckesville Sanitary District	1,476	1,476	-	206	206	-
City of Eagle River	3,563	3,401	-	1,149	1,149	-
Village of Eagle	2,161	2,132	-	1,615	1,615	-
Village of Eastman	323	323	-	49	49	-
Edgewood-Shangri La Sanitary District	1,011	996	-	158	158	-
Village of Egg Harbor	508	504	-	261	261	-
Elcho Sanitary District #1	956	956	-	415	415	-
Village of Elk Mound	350	349	-	129	129	-
Village of Ephraim	1,629	1,457	-	1,218	1,218	-
City of Evansville	5,250	1,653	-	1,389	1,389	3,400
Village of Fairchild	740	719	-	378	378	-
Village of Fairwater	1,554	1,481	-	1,166	1,166	-
Forest Junction Sanitary District	1,255	1,180	-	1,048	1,048	-
Village of Forestville	585	552	-	316	316	-
City of Fountain City	451	451	-	352	352	-
Fulton Sanitary District No. 2	211	211	-	144	144	-
Village of Genoa City	4,227	4,015	-	2,854	2,854	-
Germantown Sanitary District	34	34	-	5	5	-
Village of Germantown	971	49	-	49	49	923
Gibbsville Sanitary District	1,518	1,383	-	1,141	1,141	-
City of Gillett	1,625	1,625	-	1,520	1,520	-
Gordon Sanitary District #1	395	395	-	62	62	-
Grand Chute - Menasha West Sewerage Commission	12,747	12,097	-	2,183	2,183	-
Village of Gratiot	724	723	-	534	534	-
City of Green Lake	3,507	3,507	-	3,365	3,365	-
Green Valley Sanitary District #1	188	188	-	71	71	-
Greenville Sanitary District No. 1	4,733	4,564	-	3,889	3,889	-
City of Greenwood	847	786	-	704	704	-
Harmony Grove - Okee Sewerage Commission	2,327	2,155	-	1,592	1,592	-
City of Hartford	13,168	13,081	-	6,365	6,365	-
Hatfield Sanitary District #1	1,135	1,135	-	61	61	-
Village of Haugen	285	285	-	169	169	-

Table VI-2—Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PRINCIPAL BALANCES
December 1, 2009[a]
(Amount in Thousands)

Municipality[b]	FAA Loan Amount[c]	Total FAA Loan Disbursed	Pledged Loan Balance[d]	Non-Pledged Loan Balance	Total Outstanding Balance[d]	FAA Loan Remaining to Fund[e]
Village of Hilbert	2,502	2,496	-	954	954	-
Village of Hingham - Onion River	227	227	-	37	37	-
Holland Sanitary District #1	1,497	1,386	-	986	986	111
Village of Holmen	1,365	1,365	-	1,242	1,242	-
Hub-Rock Sanitary District No. 1	494	494	-	209	209	-
City of Hurley	-	-	-	-	-	-
Village of Hustisford	1,057	1,045	-	820	820	-
City of Independence	1,592	1,556	-	1,283	1,283	-
Island View Sanitary District	2,764	2,480	-	603	603	-
Ithaca Sanitary District #1	412	412	-	172	172	-
Kelly Lake Sanitary District #1	2,439	2,413	-	1,462	1,462	-
Village of Kewaskum	9,423	9,136	-	8,932	8,932	287
City of Kiel	2,470	2,470	-	1,195	1,195	-
Krakow Sanitary District No. 1	625	625	-	524	524	-
Lake Como Sanitary District #1	4,459	4,459	-	2,006	2,006	-
Lake Tomahawk Sanitary Dist #1	1,317	1,313	-	767	767	-
Village of Lannon	2,982	2,982	-	588	588	-
Lebanon Sanitary District #1	606	587	-	538	538	-
Little Green Lake Protection & Rehab District	1,898	1,734	-	1,169	1,169	-
Little Suamico Sanitary District #1	1,791	1,682	-	1,169	1,169	-
City of Loyal	1,138	600	-	207	207	252
Village of Lyndon Station	615	583	-	335	335	-
Village of Marathon City	1,890	1,853	-	1,067	1,067	-
City of Marinette	7,232	6,282	-	4,811	4,811	-
Village of Mazomanie	4,753	4,553	-	2,647	2,647	-
Village of Melvina	-	-	-	-	-	-
Village of Menomonee Falls	887	869	-	416	416	-
City of Middleton	-	-	-	-	-	-
Village of Milltown	337	302	-	145	145	-
City of Milwaukee	70,716	68,088	-	57,353	57,353	-
Mindoro Sanitary District #1	1,114	1,090	-	914	914	-
Morrisonville Sanitary District #1	278	278	-	123	123	-
Village of Mount Hope	386	386	-	305	305	-
Village of Mukwonago	2,514	2,271	-	1,343	1,343	-
City of Muskego	454	23	-	23	23	431
Village of Necedah	3,911	3,861	-	2,914	2,914	50
City of Neenah	26,390	25,780	-	21,866	21,866	-
City of Nekoosa	6,709	6,564	-	4,165	4,165	-
Village of Nelson	640	640	-	224	224	-
Village of New Auburn	1,144	1,130	-	979	979	-
City of Niagara	181	181	-	22	22	-
Village of Oakdale	45	45	-	5	5	-
Village of Oakfield	2,200	2,200	-	1,627	1,627	-
Town of Oconomowoc	6,819	6,169	-	3,933	3,933	-
City of Oconto	3,844	3,725	-	1,211	1,211	-
Ogema Sanitary District #1	190	181	-	38	38	-
Village of Oliver	588	588	-	261	261	-
Omro Sanitary District #1	992	992	-	322	322	-
Oneida Tribe of Indians	1,210	1,210	-	127	127	-
Village of Oregon	7,217	7,073	-	2,591	2,591	-
Orihula Sanitary District	2,522	2,485	-	627	627	-
City of Osseo	1,575	1,575	-	1,052	1,052	-
City of Owen	418	418	-	333	333	-
Packwaukee Sanitary Dist No. 1	242	242	-	120	120	-
City of Park Falls	4,672	4,246	-	3,629	3,629	426
Pell Lake Sanitary District #1	5,917	5,917	-	2,856	2,856	-
Pensaukee Sanitary District #1	1,279	1,279	-	471	471	-
City of Peshtigo	5,388	5,216	-	4,778	4,778	-
City of Pewaukee	8,049	7,831	-	3,746	3,746	-
City of Phillips	2,233	2,233	-	1,496	1,496	-
Pikes Bay Sanitary District	1,621	666	-	558	558	-
City of Pittsville	3,756	3,461	-	2,926	2,926	294
City of Platteville	2,529	2,264	-	2,174	2,174	265
Pleasant Springs Sanitary District #1	1,029	934	-	359	359	-
Village of Port Edwards	3,368	3,291	-	2,738	2,738	-
City of Port Washington	3,404	3,404	-	2,281	2,281	-
Portland Sanitary District #1	295	287	-	223	223	-
Poy Sippi Sanitary District	223	223	-	148	148	-
Village of Rewey	124	123	-	117	117	-
Village of Rib Lake	344	17	-	17	17	327
Village of Rio	210	11	-	11	11	200
Village of Rockdale	877	859	-	825	825	18
Rockland Sanitary District #1	222	222	-	22	22	-
Town of Rome	4,481	4,365	-	4,181	4,181	116

Table VI-2—Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PRINCIPAL BALANCES
December 1, 2009[(a)]
(Amount in Thousands)

Municipality[(b)]	FAA Loan Amount[(c)]	Total FAA Loan Disbursed	Pledged Loan Balance[(d)]	Non-Pledged Loan Balance	Total Outstanding Balance[(d)]	FAA Loan Remaining to Fund[(e)]
Roxbury Sanitary District #1	940	914	-	517	517	-
Village of Saint Cloud	935	875	-	802	802	-
Village of Saint Nazianz	-	-	-	-	-	-
City of Seymour	708	654	-	573	573	-
Village of Sharon	635	633	-	423	423	-
Village of Sheldon	292	292	-	222	222	-
Village of Sherwood	1,900	1,520	-	365	365	380
Village of South Wayne	1,388	1,266	-	492	492	-
St. Croix Chippewa Indians of WI	-	-	-	-	-	-
St. Joseph's Sanitary District No. 1	1,562	1,555	-	1,372	1,372	-
City of Stanley	905	45	-	45	45	860
Village of Stetsonville	1,141	1,141	-	709	709	-
Village of Stoddard	556	532	-	463	463	-
Village of Stratford	1,401	1,362	-	1,304	1,304	-
Village of Suamico	9,940	9,283	-	7,659	7,659	-
Town of Summit	7,832	7,695	-	5,424	5,424	-
City of Sun Prairie	16,114	15,844	-	13,805	13,805	-
Village of Suring	840	797	-	686	686	43
City of Thorp	1,198	1,177	-	955	955	-
Village of Turtle Lake	626	516	-	516	516	109
Village of Union Center	299	299	-	173	173	-
Valley Ridge Clean Water Commission	749	749	-	106	106	-
Village of Vesper	1,724	1,680	-	1,006	1,006	-
Village of Viola	399	327	-	313	313	73
Village of Warrens	4,769	4,769	-	4,094	4,094	-
City of Waukesha	42,072	40,531	-	6,130	6,130	-
Village of Wausaukee	1,662	1,662	-	372	372	-
Village of Wauzeka	128	107	-	45	45	-
City of West Allis	1,647	1,402	-	1,268	1,268	245
Westboro Sanitary District #1	51	51	-	19	19	-
Village of Whitefish Bay	2,563	2,435	-	2,296	2,296	128
City of Whitehall	1,726	50	-	50	50	1,676
Village of Whitelaw	1,494	1,491	-	993	993	-
Village of Whiting	259	14	-	14	14	245
Village of Williams Bay	885	836	-	434	434	-
Winneconne Sanitary District #3	2,079	1,985	-	510	510	-
Village of Winneconne	1,644	1,494	-	809	809	-
City of Wisconsin Dells	2,503	2,427	-	2,117	2,117	-
City of Wisconsin Rapids	38,636	24,903	-	15,220	15,220	13,411
Village of Withee	1,112	169	-	141	141	943
Subtotal	***$ 618,829***	***$ 571,240***	***$ -***	***$ 348,374***	***$ 348,374***	***$ 26,762***
Totals	***$ 3,219,924***	***$ 2,907,072***	***$ 730,935***	***$ 1,097,205***	***$ 1,828,140***	***$ 220,612***

(a) Amounts and percentages determined after the December 1, 2009 interest payments due on the loans, including Pledged Loans, were made.

(b) Municipalities that have received a Financial Assistance Agreement that is funded with both Pledged Loans and Direct Loans or Proprietary Loans are included under the heading "Pledged Loans".

(c) The amount of financial assistance depicts only loans. Grants, which have been awarded in the aggregate amount of approximately $117 million, are not included.

(d) The principal balance may be less than the total amount disbursed due to repayment of loans.

(e) "FAA Loan Remaining to Fund" is the "FAA Loan Amount" less "Total FAA Loan Disbursed", except for loans that have been closed-out or paid off, in which case the "FAA Loan Remaining to Fund" is zero.

(f) Total remaining Pledged Loan Repayments (excluding amounts payable after the retirement of the previously issued and Outstanding Bonds) are shown as a percentage of total debt service remaining on the Outstanding Bonds, less those Bonds that are defeased. Pledged Loans with amortization periods of shorter duration than the Bonds will reflect a lower comparative percentage of the Bonds' debt service. Other revenues expected to be available for payment of the Bonds consist of Subsidy Fund transfers and repayments on Pledged Loans to be originated in the future from the remaining undisbursed 2008 Series 3 Bond proceeds.

Subsidy Fund

In order to supplement revenues produced by Pledged Loan Repayments, the General Resolution creates a Subsidy Fund and establishes provisions concerning both a Subsidy Fund Requirement and a Subsidy Fund Transfer Amount. The State expects to continue to make most of the Pledged Loans to Municipalities at interest rates that are less than the Clean Water Fund Program's cost of borrowing.

The Subsidy Fund Requirement is that amount which, when invested as permitted in the General Resolution, is projected by an Authorized Officer to result in an amount being available during each period commencing after an interest payment date and ending on the next interest payment date (**Period**) which is at least equal to the amount by which Aggregate Debt Service payable during the Period exceeds the sum of:

- Scheduled disbursements from the Capitalized Interest Account, and
- Pledged Loan Repayments scheduled to be received during the Period from sources other than transfers of Pledged Loan capitalized interest from the Loan Fund.

In making the projections set forth above, the State may treat undisbursed amounts in the Loan Fund as if:

- Such undisbursed amounts are invested at an appropriate rate of interest to the final maturity of Bonds, or
- Such undisbursed amounts and the earnings thereon are transferred from time to time to the Revenue Fund to pay debt service, and for purposes of calculating the Subsidy Fund Requirement, such amounts may be treated as if they were Pledged Loan Repayments; provided that prior to each Pledged Loan disbursement the State recalculates the Subsidy Fund Requirement assuming for purposes of calculation that the disbursement has been made (and the amount is repayable in accordance with the applicable Municipal Obligations), and if such calculation fails to confirm that following the disbursement the Subsidy Fund Requirement is met, the State may not make a requisition for the disbursement.

The Subsidy Fund Transfer Amount is the amount by which Aggregate Debt Service payable during a Period exceeds the sum of:

- Pledged Loan Repayments scheduled to be received and delinquent Pledged Loan Repayments actually received during the Period,
- Earnings on the Loan Credit Reserve Fund deposited in the Revenue Fund during the Period,
- Any moneys on deposit in the Revenue Fund, the Interest Account of the Debt Service Fund, or the Principal Account of the Debt Service Fund at the beginning of the Period,
- Any amounts in the Loan Fund transferred to the Revenue Fund during the Period as directed in a certificate of an Authorized Officer, and
- Amounts scheduled to be transferred from the Capitalized Interest Account to the Interest Account during such Period.

On or before the business day preceding each interest payment date, the Trustee shall transfer the Subsidy Fund Transfer Amount from the Subsidy Fund to the Debt Service Fund.

Whenever the money in the Debt Service Fund and money available in the Loan Credit Reserve Fund are insufficient to pay the principal of and interest on the Bonds, the Trustee shall transfer amounts from the Subsidy Fund to the Debt Service Fund to the extent necessary to cure the deficiency.

The General Resolution permits the issuance of a Series of Bonds only if, upon such issuance, an Authorized Officer certifies to the Trustee that upon delivery of such Bonds there will be in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement. In addition, except in the case of a default in payment of the Bonds, the General Resolution permits disbursements from the Loan Fund only upon receipt of a certificate from an Authorized Officer stating that, after taking into account the disbursement, there is on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement.

As of December 1, 2009, the outstanding and amortized balance of State general obligations issued and on deposit in the Subsidy Fund was $168 million.

Loan Credit Reserve Fund

As additional security for the Bonds there has been established a Loan Credit Reserve Fund, which will, upon the issuance of any Series of Bonds, be funded in an amount at least equal to the Loan Credit Reserve Fund Requirement. The Loan Credit Reserve Fund Requirement means and is calculated as follows:

- DOA has already delivered, and upon the future disbursements of funds for Pledged Loans from the Loan Fund will deliver, to the Trustee a schedule of credit quality categories and loan credit reserve fund requirements (**Schedule**) for each Rating Agency approved by such Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Pledged Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Pledged Loan disbursement. A Schedule may be amended from time to time upon the presentation to the Trustee of a certificate of an Authorized Officer, supported by a certificate from the Rating Agency to which such Schedule applies, confirming that such amendment to the Schedule will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency. For a description of the Schedules currently in effect, see "DEPOSITS IN LOAN CREDIT RESERVE FUND".
- The amount required in the Schedules for each disbursement from the Loan Fund is the **Contribution Amount**.
- The Loan Credit Reserve Fund Requirement shall be, as of any date of calculation, the total Contribution Amount derived from each Schedule (and if the Schedules provide for a different total Contribution Amount, then the highest total Contribution Amount) that would be required were all disbursements from the Loan Fund outstanding to be disbursed on that date, based on the then-current Schedules.

Prior to the issuance of Bonds or other obligations that are on a parity with the Bonds, the State must certify that, upon the delivery of such Bonds, there will be on deposit in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement. The Trustee may not disburse moneys from the Loan Fund unless there is deposited in the Loan Credit Reserve Fund concurrently with the disbursement an amount equal to the Contribution Amount, provided, however, that if the amount on deposit would be in excess of the Loan Credit Reserve Fund Requirement, then the Contribution Amount may be reduced in an amount equal to such excess.

If upon the issuance of a Series of Bonds, there is on deposit in the Loan Credit Reserve Fund an amount in excess of the Loan Credit Reserve Fund Requirement (such excess being the **Funded Amount**), any Contribution Amount required to be deposited into the Loan Credit Reserve Fund upon a disbursement from the Loan Fund shall be deemed to be made from such Funded Amount until the Funded Amount is exhausted. Any Funded Amount will be available until issuance of a subsequent Series of Bonds, whereupon a new Funded Amount is required to be calculated. The Loan Credit Reserve Fund Requirement is calculated based on disbursements from the Loan Fund. Upon issuance of an additional Series of Bonds, additions to the Loan Credit Reserve Fund Requirement will be zero prior to any additional Pledged Loan disbursement. Failure to make required deposits in the Loan Credit Reserve Fund (including deemed deposits from the Funded Amount) would preclude making any subsequent disbursements from the Loan Fund.

If at any time moneys in the Debt Service Fund are insufficient to pay the principal of or interest on the Bonds, the Trustee will apply amounts from the Loan Credit Reserve Fund to the extent necessary to cure the deficiency. Except in the event of the issuance of additional Bonds, the State is not required to replenish the Loan Credit Reserve Fund following creation of a deficiency therein, except from surpluses in the Subsidy Fund being transferred to the State Equity Fund.

If at any time moneys and securities in the Loan Credit Reserve Fund (excluding earnings required to be transferred to the Revenue Fund) exceed the Loan Credit Reserve Fund Requirement, the Trustee is

required (at the written direction of an Authorized Officer), subject to certain conditions, to transfer all or any portion of such surplus from the Federal SRF Account to any account within the Clean Water Fund Program or from the Non-SRF Account to the Revenue Fund. Any withdrawal of surpluses from the Loan Credit Reserve Fund shall reduce the Funded Amount by an amount equal to the amount of such withdrawal.

As of December 1, 2009, the Loan Credit Reserve Fund consisted of $107 million in cash and investments, which exceeded the $100 million Loan Credit Reserve Fund Requirement as of that date.

As of December 1, 2009, the cash and investments in the Loan Credit Reserve Fund were invested as follows:

- $22 million was invested in an investment agreement with AIG Matched Funding Corp. (**AIGMFC**) with the payment obligations of AIGMFC guaranteed by American International Group, Inc.
- $8 million was invested in a collateralized investment repurchase agreement with Bayerische Landesbank Girozentrale with the collateral held by Wells Fargo Bank, National Association, as custodian.
- $31 million was invested in direct obligations of the United States under four forward delivery agreements with Wachovia Bank, National Association.
- $2 million was invested in direct obligations of the United States under a forward delivery agreement with Westdeutsche Landesbank Girozentrale.
- $14 million was invested in direct obligations of the United States under separate reserve fund forward delivery agreements with JPMorgan Chase Bank, NA.
- $10 million was invested in general obligations of the State of Wisconsin with an extendible maturity date.
- $21 million was invested in a pool managed by the State of Wisconsin Investment Board.

The above investments may be liquidated if and when required by the terms of the General Resolution. No information is provided in this Part VI of the 2009 Annual Report about any rating assigned to an obligor or guarantor of any investment agreement or forward delivery agreement. Certain events related to the investments or agreements could occur that may affect the Loan Credit Reserve Fund or the amount available in the Loan Credit Reserve Fund to meet the Loan Credit Reserve Fund Requirement. If needed, the State has alternatives available to it in order to increase the amount available in the Loan Credit Reserve Fund.

In 2008, the State modified the Schedules filed with Fitch Ratings and Standard & Poor's Ratings Services with respect to the Bonds. The change made to each schedule was the removal of the sentence, "The State agrees to maintain the Loan Credit Reserve Fund investments as either rated or ratable in the same [credit] rating category as the Bonds." This change was made to address any rating downgrade of an investment provider or guarantor of investments held by the Loan Credit Reserve Fund. As to the Schedule filed with Moody's Investors Service, Inc., the Schedule did not include a comparable sentence, so no modifications were necessary.

If one or more Municipalities fail to make their Pledged Loan Repayments, and the amount of the delinquent payments is in excess of the amount available from the Loan Credit Reserve Fund, the Clean Water Fund Program may be unable to make timely payments of the principal of, interest on, or redemption price of the Bonds.

Statutory Powers

Sections 281.58 and 281.59 of the Wisconsin Statutes, as amended **(Act)** include several provisions that may provide additional security for payment of the principal of, interest on, or redemption price of the

Bonds. These provisions include state aid intercept, collection through county treasurers, and state moral obligation, if designated. See "LOANS; Statutory Powers" for more information.

State Financial Participation

The State has funded, and intends to continue to fund, all or a substantial portion of the Subsidy Fund through the issuance of State general obligation bonds. Such State general obligation bonds will be sold to the Clean Water Fund Program for deposit in the Subsidy Fund as and when required to meet the Subsidy Fund Requirement. The State general obligation bonds are issued such that the principal and interest will be due and payable on such bonds at the times and in the amounts as are required to satisfy the Subsidy Fund Requirement. The State has authorized the issuance of additional general obligations in an amount expected to exceed the Subsidy Fund Requirement necessary to disburse all Bond proceeds. However, failure of the State to fund the Subsidy Fund at the Subsidy Fund Requirement would preclude the disbursement of Bond proceeds from the Loan Fund (except to pay interest on the Bonds) and preclude the issuance of additional Bonds. Such a failure could adversely affect the ability of the Clean Water Fund Program to make timely payments of the principal of, interest on, or redemption price of the Bonds.

Although the State has no present intent to cause this to happen, State general obligations may also be sold to the Clean Water Fund Program for deposit in the Loan Credit Reserve Fund to meet the Loan Credit Reserve Fund Requirement.

Based on the general obligations of the State deposited in the Subsidy Fund and cash-flow calculations as of December 1, 2009, the State expected that its general obligations will be the source of approximately 19% of the cash flow servicing the Outstanding Bonds. This percentage will change when changes occur in the amount of general obligations issued by the State for this purpose, the repayment schedules for the Pledged Loans, or the debt service payments remaining on the Outstanding Bonds.

Information about the State, including its financial statements, is included in Part II of this 2009 Annual Report.

Milwaukee Metropolitan Sewerage District

As of December 1, 2009, the State expected that payment from MMSD will provide approximately 25% of the cash flow servicing the Outstanding Bonds. This percentage will change when changes occur in either the repayment schedules for the Pledged Loans or the debt service payments remaining on the Outstanding Bonds.

The MMSD Comprehensive Annual Financial Report for the year ended December 31, 2008 (**MMSD CAFR**) is incorporated by reference as part of this Part VI of the 2009 Annual Report. The MMSD CAFR has been filed with each nationally recognized municipal securities information repository and should be consulted only with respect to MMSD. No representation is made as to the accuracy or completeness of the information included in the MMSD CAFR, or that there has been no material change since its date.

Copies of the MMSD CAFR can be obtained from:

Milwaukee Metropolitan Sewerage District
Attention: Mark T. Kaminski, Acting Controller/Treasurer
260 West Seeboth Street
Milwaukee, Wisconsin 53204-1446
Telephone: (414) 225-2050
Email: bgraffin@mmsd.com
Website: http://v2.mmsd.com/financialreports1.aspx

Additional Information

The Financial Assistance Agreements require that financial statements be provided to the Clean Water Fund Program by each Municipality that has received a loan. The financial statements for MMSD (but not those of any other Municipality) are included by reference in this Part VI of the 2009 Annual Report.

Additional Bonds

The General Resolution permits the issuance of additional Bonds, without limitation as to amount, except for any statutory limitations on the aggregate authorized amount of revenue bonds that can be issued for the Program. As of December 1, 2009, $1.082 billion of Bonds were legislatively authorized but unissued. Proceeds of these Bonds, if issued, may be used to provide funds for Clean Water Fund Program purposes, including making Pledged Loans. There is no statutory limit that restrains the amount of Bonds that may be issued for refunding purposes. As a condition to the issuance of additional Bonds, the General Resolution requires that there be delivered to the Trustee a certificate of an Authorized Officer that, upon the issuance of such Bonds, there will be in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement and that there will be in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement.

Any additional Bonds issued under the General Resolution will be on a parity with any other Bonds previously issued, and will be entitled to the equal benefit, protection and security of the provisions, covenants, and agreements of the State set forth in the General Resolution (except for funds pledged to defease any specific Bonds).

Disposition of Loans

The State may sell, assign, transfer, or otherwise dispose of any loan and the Municipal Obligations evidencing such loan (free and clear of the pledge of the General Resolution), at such price as the Commission shall determine, provided that prior to such sale, assignment, transfer, or disposition the State files with the Trustee a certificate of an Authorized Officer to the effect that, immediately following such sale, assignment, transfer, or disposition, there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and there will be on deposit in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

The State may sell, assign, transfer, or otherwise dispose of any loan and the Municipal Obligations evidencing such loan (but not free and clear of the General Resolution), at such price as the Commission shall determine provided that prior to such sale, assignment, transfer, or disposition the State files with the Trustee a certificate of an Authorized Officer to the effect that, immediately following such sale, assignment, transfer, or disposition and the deposit of the proceeds thereof in the applicable account, there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and there will be on deposit in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

The State may sell, assign, transfer, or otherwise dispose of any loan and the Municipal Obligations evidencing such loan (but not free and clear of the General Resolution) and deposit the proceeds thereof in the applicable account if such loan and such Municipal Obligation is delinquent in payments of principal or interest and if, in the reasonable opinion of the State, as evidenced by a certificate of an

Authorized Officer, the proceeds of such sale, assignment, transfer, or disposition are not less than the fair market value of such delinquent loan or Municipal Obligation.

The State may consent to prepayment of any loan and the Municipal Obligation evidencing such loan provided that, prior to such prepayment, the State files with the Trustee a certificate of an Authorized Officer to the effect that, immediately following such prepayment and deposit of the proceeds thereof to the applicable fund or account, the Subsidy Fund Requirement has not been increased.

DEPOSITS IN LOAN CREDIT RESERVE FUND

Introduction

The General Resolution establishes the amount and timing of funds and securities required to be on deposit in the Loan Credit Reserve Fund, based on Schedules reviewed by no fewer than two Rating Agencies. The State, with the consent of a Rating Agency, may from time to time change the Schedule previously approved by such Rating Agency so long as the change does not adversely affect the then-current rating on the Bonds. To the extent the amount required to be available by the Schedule approved by one Rating Agency differs from the amount required by the Schedule approved by another Rating Agency, the larger amount is required. As of December 1, 2009, the total amount available of $107 million in the Loan Credit Reserve Fund exceeded the amount required on such date, which was approximately $100 million.

No information is provided in this Part VI of the 2009 Annual Report about any rating assigned to an obligor or guarantor of any investment agreement, forward delivery agreement, or other investment held on deposit in the Loan Credit Reserve Fund.

Current Schedules

The Bonds are currently rated AA+ by Fitch Ratings (**Fitch**), Aa1 by Moody's Investors Service, Inc. (**Moody's**), and AA+ by Standard & Poor's Ratings Services (**S&P**). Each of the following Schedules has been approved by the respective Rating Agency indicated.

Fitch Ratings

Based on certain credit characteristics, each Pledged Loan will be assigned to one of six credit categories, which are explained below. Any assignment of a Pledged Loan to a credit category other than "Not Rated; Interceptable State Aid Factor 2.0 or Greater" or "Not Rated; Interceptable State Aid Factor Less Than 2.0" is subject to review by Fitch. The amount required to be on deposit in the Loan Credit Reserve Fund with respect to a particular Pledged Loan and any amounts disbursed under that Pledged Loan differ, depending on the Municipality. The Municipality having the largest total outstanding balance of Pledged Loans in a credit category below that of the Bonds is the "Largest Borrower Below Bond Credit Quality". The required deposit attributable to the Largest Borrower Below Bond Credit Quality shall equal the total of all debt service payments attributable to the Pledged Loan or Pledged Loans to that Borrower over the four-year period in which such debt service payments are the greatest. For any Pledged Loan to a Municipality other than the Largest Borrower Below Bond Credit Quality, the required deposit shall equal the product of the total of all debt service payments attributable to such Pledged Loans over the four-year period in which such debt service payments are the greatest times the factor, described below, assigned to Pledged Loans of the applicable credit category.

Pledged Loans are currently assigned to credit categories based on one or more of the following characteristics: (1) the Fitch rating given to the Municipal Obligation (or its lack of a Fitch rating), (2) the credit quality estimate for the Municipal Obligation based on information available to Fitch from sources it believes to be reliable, or (3) the anticipated amount of annual State payments that can potentially be intercepted by DOA

If a Municipal Obligation is not rated by Fitch, then the State may request that Fitch assign a credit quality estimate, or "shadow rating", for the Municipal Obligation. The State recognizes that the credit quality estimate, or "shadow rating", is not necessarily the official or public Fitch rating for the Municipal

Obligation and is used solely for purposes of analyzing the credit quality of the Bonds. The intercept power is described under "LOANS; Statutory Powers".

Credit categories to which Pledged Loans may be assigned by Fitch currently include the following:

"AAA" Credit Quality Category. A Pledged Loan is assigned to this category if its related Municipal Obligation is deemed to be of the highest credit quality, denoting the lowest expectation of credit risk. Assignments to this category are made only in cases of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

"AA" Credit Quality Category. A Pledged Loan is assigned to this category if its related Municipal Obligation is deemed to be of very high credit quality, denoting a very low expectation of credit risk. Assignments to this category are made in cases of very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

"A" Credit Quality Category. A Pledged Loan is assigned to this category if its related Municipal Obligation is deemed to be of high credit quality, denoting a low expectation of credit risk. Assignments to this category are made in cases of strong capacity for timely payment of financial commitments. Nevertheless, this capacity may be more vulnerable to changes in circumstances or in economic conditions than is the case for higher credit quality categories.

"BBB" Credit Quality Category. A Pledged Loan is assigned to this category if its related Municipal Obligation is deemed to be of good credit quality, denoting a currently low expectation of credit risk. Assignments to this category are made in cases of adequate capacity for timely payment of financial commitments. Adverse changes in circumstances and in economic conditions are more likely to impair this capacity than is the case for higher credit quality categories.

Not Rated; Interceptable State Aid Factor 2.0 or Greater. The anticipated amount of annual State payments that can potentially be intercepted by the State is determined by DOA based on the minimum of the five most recent years for which data are available of one source of State payments to the Municipality. A Pledged Loan is currently assigned to this category if (1) its related Municipal Obligation is not rated by Fitch or is categorized as being of speculative grade credit quality by Fitch and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State equals or exceeds twice the maximum annual debt service payments on the entire amount of the Pledged Loan, whether or not the entire amount has been disbursed.

Not Rated; Interceptable State Aid Factor Less Than 2.0. A Pledged Loan is currently assigned to this category if (1) its related Municipal Obligation is not rated by Fitch or is categorized as being of speculative grade credit quality and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State is less than twice the maximum annual debt service payments on the entire amount of the Pledged Loan, whether or not the entire amount has been disbursed.

The following chart shows the current factor assigned to each of the six credit categories by Fitch.

Category	Factor
"AAA" Credit Quality Category	0%
"AA" Credit Quality Category	0
"A" Credit Quality Category	6
"BBB" Credit Quality Category	12
Not Rated; Interceptable State Aid Factor 2.0 or Greater	6
Not Rated; Interceptable State Aid Factor Less Than 2.0	34

The State recognizes that lower factors may be assigned to Pledged Loans related to Municipal Obligations that are deemed by Fitch to be general obligations secured by the Municipality's full faith and

credit, based on Fitch's current rating guidelines for leveraged municipal loan pools. However, the State does not currently opt to assign such lower factors to such Pledged Loans, since the above factors result in a more conservative level of funding for the Loan Credit Reserve Fund.

The State recognizes that Fitch's rating on the Bonds is based only in part upon the level of funding in the Loan Credit Reserve Fund and the credit quality of Municipalities receiving Pledged Loans. Other factors upon which the Bonds' rating is based currently include, but are not limited to, Fitch's rating of the State of Wisconsin's general obligations, structural and legal characteristics of the Clean Water Fund Program, Clean Water Fund Program management, Clean Water Fund Program loan underwriting practices, Clean Water Fund Program loan monitoring practices, and permitted Clean Water Fund Program investments. Factors upon which the Bonds' rating is based may change in the future. The State expects to maintain the Loan Credit Reserve Fund at approximately the same proportional levels as it has since inception of the Clean Water Fund Program, and the State recognizes that the rating maintained by Fitch may be based on the maintenance of amounts greater than the amounts required under this particular Loan Credit Reserve Fund Schedule. The State has further agreed that, if practicable, it will provide Fitch with at least 30 days notice of significant changes in either the credit quality or amounts maintained in the Loan Credit Reserve Fund.

Moody's Investors Service, Inc.

As part of the Schedule submitted to Moody's, the State has indicated that it will maintain the Loan Credit Reserve Requirement at a level that corresponds to certain loan portfolio credit characteristics. The amount required to be on deposit in the Loan Credit Reserve Fund is the product of the average annual debt service of the outstanding, disbursed Pledged Loans times a factor of 120%, and is based on an evaluation of the Pledged Loans shown in "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Pledged Loans". A different factor may be applied if loan portfolio credit characteristics change.

Standard & Poor's Ratings Services

Based on certain credit characteristics, each Pledged Loan will be assigned one of five categories, which are explained below. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund with respect to a particular disbursement from the Loan Fund is the product of the maximum annual debt service payment on the Pledged Loan attributable to the disbursement times the factor assigned to that particular category.

The following chart shows the current factor assigned to each of the five categories by S&P. Following the chart is an explanation of the characteristics of each category.

Category	Factor
Higher Investment Grade Rating	0%
Medium Investment Grade Rating	40
Lower Investment Grade Rating	64
Not Rated; Greater State Aids	40
Not Rated; Lesser State Aids	140

Pledged Loans are categorized based on two characteristics: (1) the rating given to the Municipal Obligation (or its lack of a rating), and (2) the anticipated amount of annual State payments that can potentially be intercepted by DOA.

If the Municipal Obligation is not rated by S&P, then the State may request permission from S&P to assign the Municipal Obligation to a particular category.

The anticipated amount of annual State payments that can potentially be intercepted by DOA is determined by DOA based on the minimum of the five most recent years for which data are available of one source of State payments to the Municipality. The intercept power is described under "LOANS; Statutory Powers".

Higher Investment Grade Rating. A Pledged Loan is assigned to this category if the Municipal Obligation is rated by S&P in either of the two highest rating categories (AAA or AA).

Medium Investment Grade Rating. A Pledged Loan is assigned to this category if the Municipal Obligation is rated by S&P in the third highest rating category (A). S&P may also permit a Pledged Loan to be assigned to this category, regardless of whether or not the Municipal Obligation is rated, in the event the State designates the Pledged Loan as one to which the State "moral obligation" applies. The State "moral obligation" is described in "LOANS; Statutory Powers".

Lower Investment Grade Rating. A Pledged Loan is assigned to this category if the Municipal Obligation is rated by S&P in the minimum investment grade rating category (BBB).

Not Rated; Greater State Aids. A Pledged Loan is assigned to this category if (1) the Municipal Obligation either is not rated or is rated below investment grade and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State equals or exceeds twice the average annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

Not Rated; Lesser State Aids. A Pledged Loan is assigned to this category if (1) the Municipal Obligation either is not rated or is rated below investment grade and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State is less than twice the average annual debt service payments on the entire amount of the Pledged Loan, whether or not the entire amount has been disbursed.

The State recognizes that the rating maintained by S&P is based in part upon the level of funds available in the Loan Credit Reserve Fund. The State expects to maintain the Loan Credit Reserve Fund at approximately the same proportional levels as it has since inception of the Clean Water Fund Program, and the State recognizes that the rating maintained by S&P may be based on the maintenance of amounts greater than the amounts required under this Loan Credit Reserve Fund Schedule. The State has further agreed that, if practicable, it will provide S&P with at least 30 days' notice of significant changes in either the credit quality or amounts maintained in the Loan Credit Reserve Fund.

The State has agreed that if the rating on or ratability of an investment in the Loan Credit Reserve Fund is based on either a credit enhancement policy or financial guaranty, the State will notify S&P not less than 30 days prior to the expiration of such policy and indicate what action, if any, is expected to be taken with respect to the credit quality of the investment.

Ratings on Municipal Obligations

Any further explanation of the significance of a rating with respect to a Municipal Obligation may only be obtained from the Rating Agency furnishing the rating. There is no assurance that the rating given to a Municipal Obligation will be maintained for any period of time; a rating may be lowered or withdrawn entirely by the Rating Agency if in its judgment circumstances warrant.

MUNICIPALITIES

Pursuant to the Act, the Clean Water Fund Program is authorized to provide financial assistance in the form of loans to any Municipality. The following discussion applies to all loans under the Clean Water Fund Program. A Municipality may be any city, town, village, county, town sanitary district, public inland lake protection and rehabilitation district, metropolitan sewerage district, or federally recognized American Indian tribe or band located in the State. Due to the diversity of the types of potential recipients of financial assistance, the manner in which the Municipalities raise revenues and issue and secure debt will vary.

Prospective municipal borrowers fall into several general categories

- *General purpose Municipalities*, such as counties, cities, villages, and towns, may borrow for a variety of public purposes, including the construction or improvement of wastewater and water facilities. Such general purpose Municipalities may incur long-term obligations in the form of general obligation debt secured by property tax levies, revenue obligations secured by user fees and special assessments, and installment lease contracts.
- *Special purpose Municipalities*, such as town sanitary districts, public inland lake protection rehabilitation districts, and metropolitan sewage districts, may borrow for the purpose for which they are created, primarily wastewater and water facilities. Debt may be incurred by special purpose Municipalities in generally the same forms as may be incurred by general purpose Municipalities. Town utility districts may be utilized by towns to allocate tax levies, but the town is the actual borrower; and any general obligation issued for a town utility district is secured by the full faith and credit of the entire town.
- *Indian tribes and bands* are sovereign governments that may borrow for various purposes, including the construction or improvement of wastewater and water facilities.
- *Intergovernmental Cooperation Commissions* ***(ICC)*** are special purpose intergovernmental bodies formed by agreements authorized under State law between two or more Municipalities, some of which own and operate wastewater treatment facilities. Because an ICC does not have general taxing powers and typically depend upon its contracting members to collect revenues via user fees or tax levies from individual users of wastewater facilities, loans are made only to the individual Municipalities that constitute the ICC.

Constitutional and Statutory Requirements

Municipal powers are primarily statutory and in some instances established a limit by the State Constitution. To the extent not inconsistent with the State Constitution and State law, Municipalities may adopt and amend local laws and ordinances relating to their property, affairs, or government.

In general, the State Constitution and State law limit the power of Municipalities to issue Municipal Obligations and otherwise to contract indebtedness. As a condition for making any loan, the State will require an opinion of counsel to the effect that (subject to certain exceptions for bankruptcy, insolvency, and similar laws affecting creditors' rights or remedies and equitable principles) the Financial Assistance Agreement and the Municipal Obligation evidencing the loan constitute legal, valid, and binding obligations of the Municipality enforceable against the Municipality in accordance with their respective terms.

Limitations on Indebtedness

Generally, the aggregate general obligation debt that may be incurred by a Municipality may not exceed 5% of the equalized value of all real estate in the Municipality. Municipalities are not limited as to the amount of revenue obligations that they may incur. However, as described under "LENDING CRITERIA", the Act requires that a Municipality must comply with a number of requirements, including but not limited to establishing a dedicated source of revenue for the repayment of financial assistance and developing and adopting a system of equitable user charges.

Revenues

Revenues of counties, cities, villages, and towns are principally derived from property taxes, state and federal aids, and fees and charges. Counties may levy a sales tax of up to a 0.5% rate. See "MUNICIPALITIES; Collection of Real Property Taxes and Assessments" below for a discussion of real property taxes and special assessments.

Counties, cities, villages, and towns receive financial assistance from the State (**State Aid**). The State is not constitutionally obligated to maintain or continue State Aid. Accordingly, no assurance can be given that present State Aid levels will be maintained in the future. The payment of State Aid by the State is subject to appropriations being made by the Legislature. As discussed in more detail under "LOANS;

Statutory Powers", DOA may intercept State Aid payable to certain types of Municipalities if such a Municipality defaults on a loan.

Collection of Real Property Taxes and Assessments

Real property taxes, special assessments, and special charges are collected by the county treasurer and remitted to the proper taxing authority. Special assessments may be levied generally by a taxing authority as an assessment against property to compensate for all or part of the costs of a public work or improvement which benefits the property. The right to levy special assessments may be made under the taxing power of the Municipality or the police power of the Municipality. The clearest difference between the two types of special assessments is that under the taxing power, the amount of the special assessment may not exceed the benefit conferred on the property, while under the police power, the amount of the special assessment need only be determined upon a reasonable basis as determined by the governing body of the Municipality. Costs of any work or improvements that may be reflected in whole or in part by special assessments may include the direct and indirect costs thereof and the anticipated interest on a Municipal Obligation issued in anticipation of the collection of the assessments. Special assessments are collected by county treasurers along with general property taxes.

Although general property taxes may be paid in installments in the year following the levy thereof (so long as all installments are paid no later than July 31st), special assessments and special charges that are included in the tax roll must be paid in full on or before January 31st, and even though a person elects to pay general property taxes in installments, if any special assessment or special charge entered on the tax roll is delinquent because it is not paid by January 31st, the entire annual amount of real property taxes on that parcel that is unpaid becomes delinquent as of February 1st. If the county treasurer receives a payment that is not sufficient to pay all general property taxes, special assessments, and special charges, the county treasurer applies the payments to the amounts due, including interest and penalties, in the following order:

- Special charges
- Special assessments
- Special taxes
- General property taxes

The county treasurer settles with the appropriate taxation district on January 15th of each year for all payments received through the previous December 31st, and on February 15th for all payments received through January 31st, including all special assessments and special charges received.

Counties are authorized, but not required, to settle in full with all taxing jurisdictions for special assessments and special charges, and if so directed by the County Board, August 15 would be the date upon which the Municipality would receive the cash in settlement of unpaid special assessments and special charges.

As discussed under "LOANS; Statutory Powers", if a Municipality is in default of payment on its Municipal Obligation, the State may, pursuant to the Act, add a special charge to the amount of State taxes levied upon the county. The enforceability of such a procedure has not been tested in court. Therefore, no assurance can be given as to the enforceability of this procedure.

A Municipality issuing a general obligation to the State must levy sufficient taxes, upon the adoption of the resolution authorizing the Municipal Obligation, to pay debt service on the Municipal Obligation, which tax levy will be collected along with other real estate taxes as discussed above. A Municipality may, however, abate such levy, to the extent it deposits amounts in its statutorily required debt service fund before the date it carries the levy unto the tax roll. A Municipality issuing a revenue obligation may rely entirely upon sewer utility revenues to pay the Municipal Obligation or, alternatively, may in addition levy special assessments upon property within the boundaries of the Municipality in an amount sufficient to pay all or part of the Municipal Obligation.

LOANS

Financial Assistance

The interest rate on each loan varies by project type and the Clean Water Fund Program's costs of borrowing. Currently, projects are generally segregated into four different project-type categories. The interest rate for each loan is based on the Clean Water Fund Program's actual or calculated cost of borrowing and statutorily prescribed percentage depending on the type of project. Setting interest rates by type of project is designed to provide greater incentives for compliance with environmental requirements than for new sewer systems or correcting discharge permit violations.

- *Compliance Maintenance Projects*–Projects that are necessary to maintain compliance with permit requirements or to implement new or changed effluent limits required by DNR. These projects may receive loans that bear interest at a per annum rate equal to 55% of the Clean Water Fund Program's cost of borrowing. If the project includes construction of a septage receiving and treatment facility, that portion of the project may be eligible for an interest rate of 0%.
- *Stormwater & Nonpoint Projects*–Projects pertaining to urban stormwater and nonpoint pollution sources. These projects may receive loans that bear interest at a per annum rate equal to 65% of the Clean Water Fund Program's cost of borrowing.
- *Unsewered Projects*–Projects involving unsewered areas within Municipalities. These projects may receive loans that bear interest at a per annum rate equal to 70% of the Clean Water Fund Program's cost of borrowing. More than two-thirds of the initial flow must be from wastewater originating from residences in existence before October 17, 1972 in order to qualify for this type of project.
- *Industrial, Violator, & Future Growth Projects*–Projects that address violations of a DNR discharge permit or that provide industrial or reserve capacity, or that involve certain other capital costs attributed to industrial or commercial needs, or involve unsewered areas where residences were not in existence before October 17, 1972. These projects may receive loans that bear interest at a per annum rate equal to 100% of the Clean Water Fund Program's cost of borrowing.

In the event a Municipality proposes a project that includes more than one of the above categories, the respective portions of the project may be allocated accordingly, resulting in a loan with a blended interest rate.

In a limited number of cases, the Clean Water Fund Program may provide additional financial assistance in the form of grants or loans with interest rates lower than those indicated above for qualifying projects. Under current law, the maximum amount of financial assistance that any Municipality may receive is a grant equal to 70% of project costs and an interest-free loan for the remaining 30% of project costs. State law establishes a program to provide additional assistance to municipalities qualified as "hardship". Between October 1, 1989 and December 1, 2009, agreements have been made with "hardship" municipalities to fund $227 million in project costs with additional assistance in the form of grants or further subsidized loans.

The majority of loans have been made for compliance maintenance projects.

Requirements Under the Act

The Act sets forth certain requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund Program. Each Municipality must be one of the types of governments specified by the Act. The Act further requires that the Municipality comply with a number of other requirements, including, but not limited to, establishing a dedicated source of revenue for the repayment of the financial assistance, complying with the requirements of the Water Quality Act, developing a program of water conservation as required by DNR, and developing and adopting a system of equitable user charges. While the Act permits financial assistance to take forms other than loans, such as guaranteeing or purchasing insurance for Municipal Obligations, awarding grants to certain hardship

Municipalities, or subsidizing the interest cost on certain other loans, the State currently makes financial assistance available from the Clean Water Fund Program primarily by making loans to Municipalities at interest rates which are at or below market rates as specified in the Act.

DNR is responsible for establishing eligibility criteria for determining which applicants and which projects are eligible to receive financial assistance. Among the criteria DNR considers are water quality and public health. A Municipality is eligible for financial assistance from the Clean Water Fund Program for a wastewater project that corrects a DNR discharge violation.

Loan Application Process

DOA and DNR have developed an application form for Municipalities to apply for financial assistance from the Clean Water Fund Program. The application form requires the Municipality to provide technical information regarding the proposed project and the existing wastewater system, a project schedule, financial information relating to the project, and financial and other information relating to the Municipality. The application is reviewed by DNR for items pertaining to technical, administrative and environmental matters, including project eligibility and determination of the interest rate category for which the project is eligible. The application is reviewed by DOA to determine, among other things:

- The financial capability of the applicant to repay its loan,
- The financial terms and conditions of the loan, and
- The security that will be required to be pledged by the Municipality for the loan.

A loan is made if DOA determines that the Municipality is likely to be able to repay the loan.

Commitments

Upon a determination by DOA that the Municipality meets the financial criteria that DOA has established, DNR and DOA may approve an application and issue a Commitment to the Municipality to finance all or part of the project. The Commitment will include an estimated loan repayment schedule and other terms of the financial assistance. The Commitment may contain certain conditions that the Municipality must meet to secure a Financial Assistance Agreement.

Financial Assistance Agreements

The Financial Assistance Agreement is the loan agreement by which the loan is made. The Financial Assistance Agreement contains the terms and conditions of the loan, including the final maturity, maximum principal amount, interest rate, procedures for disbursement of funds to the Municipality, agreements of the Municipality to construct the project, and covenants of the Municipality regarding proper use of loan proceeds and compliance with Clean Water Fund Program requirements.

Certain Provisions of Financial Assistance Agreements

Prior to loan disbursements, proceeds expected to be loaned to Municipalities are held by the State, with undisbursed proceeds of Pledged Loans held by the Trustee in the Loan Fund. Interest earnings on proceeds held in the Loan Fund shall be for the benefit of the Clean Water Fund Program. As proceeds are disbursed pursuant to a Municipality's Financial Assistance Agreement, interest on the respective loan shall accrue and be payable on the amount disbursed from the date of disbursement until the date such amount is repaid.

In most instances, the repayment schedule of each loan is structured to provide level annual debt service from the disbursement dates until the final maturity date specified in the respective Municipality's Financial Assistance Agreement. Upon project completion, a Municipality's loan repayment schedule under its Financial Assistance Agreement will reflect the principal amortization of the cumulative disbursements to the Municipality.

If the final audit of the project reveals that the eligible project costs are less than the amount disbursed to the Municipality, the Municipality agrees to reimburse the State within 60 days after DNR or DOA provides a notice of overpayment.

If the Municipality fails to make any payment when due on the Municipal Obligation or fails to observe or perform any other covenant, condition, or agreement on its part under the Financial Assistance Agreement for a period of 30 days after written notice specifying the default and requesting that it be remedied has been given to the Municipality by DNR, the State shall, to the extent permitted by law, have all remedies provided by law and the Financial Assistance Agreement.

The Financial Assistance Agreement may be modified or amended upon a written agreement between the State and the Municipality.

Loans and Municipal Obligations

Upon execution of a Financial Assistance Agreement, a Municipality is required to issue and deliver to the State one or more Municipal Obligations evidencing the obligation of the Municipality to repay the loan. The Municipal Obligations will reflect the terms of the loan set forth in the Financial Assistance Agreement. Upon execution of a Financial Assistance Agreement and issuance of one or more Municipal Obligations, a Municipality will be required to deliver an opinion of counsel concerning the validity and enforceability of its obligations under the agreement.

Statutory Powers

The Act includes several provisions that may provide additional security in the event a Municipality does not make payment of principal of or interest on its loan. These provisions include state aid intercept, collection through county treasurers, and, if designated, state moral obligation.

State Aid Intercept

The Act confers an "intercept power" upon DOA. If a Municipal Obligation to the State is in default, DOA, which is the paying agent for State moneys payable to Wisconsin municipalities, is required to place on file a certified statement of all amounts due under the loan. Thereafter, DOA is authorized to collect all amounts due under the loan by deducting those amounts from any State payments due the Municipality. The State has covenanted in the General Resolution to exercise this intercept power to the extent State payments are available. Certain Municipalities, including town sanitary districts, public inland lake protection rehabilitation districts, metropolitan sewage districts, and intergovernmental cooperation commissions, do not receive any State payments. The amount of money realized by the Clean Water Fund Program from the exercise of the intercept power will depend on the amount of State payments to the Municipality. The level of State payments to Municipalities may vary in the future. Although State payments can be intercepted by the State for certain other purposes, current administrative rules require DOA to exercise the Clean Water Fund Program intercept as a first charge against State payments due a particular Municipality.

Collection Through County Treasurers

If a Municipal Obligation to the State is in default, the Act gives DOA the authority, after placing on file the certified statement of amounts due under a loan, to add the amount due on the loan as a special charge to the amount of taxes levied upon the county in which the defaulting Municipality is located. In turn, the county treasurer is required to apportion the amount of such special charges to the underlying governmental entities, and the special charges are then collected with the annual property tax. The enforceability of this procedure for collection of special charges has not been tested in court. Accordingly, no assurance can be given as to the enforceability of this procedure.

Power to Designate a Loan as a State Moral Obligation

At the time a loan is made, the Commission may by resolution designate the loan as one to which the State "moral obligation" applies. If a loan is so designated, the Act provides that, if at any time the

payments received or expected to be received from a Municipality on any loan are insufficient to pay when due the principal of and interest on such loan, DOA shall certify the amount of such insufficiency to the Secretary of Administration, the Governor, and the Joint Committee on Finance. The Joint Committee on Finance is then required to introduce a bill appropriating the amount so requested for the purpose of payment of the Municipal Obligation secured thereby. Recognizing its "moral obligation" to do so, the Legislature has expressed its expectation and aspiration that, if ever called upon to do so, it would make the appropriation. The "moral obligation" does not apply to the Bonds, it applies only to the loans that are specifically designated by the Commission at the time the loan is made.

In the opinion of Bond Counsel, the provisions of the Act relating to the State's "moral obligation" do not violate the constitution of the State or any other law of the State, but such provisions do not constitute a legally enforceable obligation or create a debt on behalf of the State. No loan currently financed from proceeds of the Bonds has been designated as a "moral obligation" loan, and no loan is expected to be so designated.

Loan Terms

Loan Size

The size of each loan is determined as follows:

- The principal amount of the loan will not exceed 100% of the estimated project costs, plus a contingency of up to 10% where applicable, plus any allowable amount of capitalized interest on the loan.
- A contingency amount may be allowed only if the project has not been completed.
- In general, capitalized interest is only allowed for unsewered municipalities that will not have revenues available for loan debt service until after the project is complete.

Final Maturity and Amortization

The final maturity on a loan may not exceed 20 years from the date of its origination. DOA requires principal amortization on a level-debt-service basis or, in certain cases, on a level-principal basis, with principal amortization beginning not later than 12 months after the expected date of substantial completion of the project (except in the case of a refinancing, in which case principal amortization would most likely begin immediately).

Debt Service Payment Dates

Principal payments are required on May 1 and interest payments on May 1 and November 1. For loans secured primarily by special assessments, an annual payment on May 1 of principal and interest may be allowed to align more closely with the date of when the Municipality's collection of the special assessments is deposited into its debt service fund.

Special Provisions

DOA requires that the Financial Assistance Agreement include certain provisions that apply if an event of default occurs. These provisions permit the State to intercept any State aids to the Municipality and to appoint a receiver to manage the Municipality's utility operations and require the Municipality, to the extent it has taxing power, to add delinquent user charges to the tax bill of the respective property.

Levy Limit for Counties

Counties are subject to a tax rate limit. The tax levy of each county is limited, generally to the rate at which taxes were levied in 1992 or a higher rate approved by the voters at referendum. The tax rate limit excludes taxes levied for debt service on general obligations approved by the voters at a referendum or by a three-quarters vote of the county board of supervisors. Further, the tax rate limit excludes taxes levied for debt service on general obligations issued or authorized before the effective date of the legislation. As of December 1, 2009, only a small principal amount (in an amount less than $100,000) was outstanding

from the one Pledged Loan previously made to a county, and it is expected that no significant amount of additional Pledged Loans will be made to counties.

Interest Rate Subsidies for Small Loans

In addition to providing loans to directly fund project costs, the Clean Water Fund Program is authorized to subsidize the interest cost on loans made by the State Board of Commissioners of Public Lands to municipalities for construction or improvement of their wastewater facilities. This subsidy is only available on loans of $1,000,000 or less. The Clean Water Fund Program makes payments to municipalities in March of each year to reduce the municipalities' interest cost on their loans with the State Board of Commissioners of Public Lands. As of December 1, 2009, the Clean Water Fund Program had outstanding agreements with 32 municipalities to provide an annual interest subsidy on 38 projects. Proceeds of the Bonds are not used for this purpose.

LENDING CRITERIA

The same general loan underwriting standards are applied to all loans regardless of the Clean Water Fund Program loan portfolio to which they will be assigned.

DOA, in consultation with DNR, has the statutory responsibility to establish the financial terms and conditions of loans, including what type of Municipal Obligation is required. In establishing these terms and conditions, DOA may consider factors that it finds relevant, including the type of Municipal Obligation or the Municipality's creditworthiness. DOA must be satisfied that the Municipality has the financial capacity to assure sufficient revenues to operate and maintain the project for its useful life and to pay debt service on the loan according to its terms.

The following is a summary of the current lending criteria of DOA. DOA may change its lending criteria from time to time.

DOA requires each loan to be evidenced by one of three types of Municipal Obligations:

- A revenue obligation secured by a covenant to assess user fees and a pledge of the utility's revenues,
- A revenue obligation secured by special assessments and other utility revenue and a pledge of the utility's revenues, or
- A general obligation secured by a tax levy and a pledge of all available financial resources of the Municipality.

Some loans may be evidenced by more than one type of Municipal Obligations.

Revenue Obligations

When a local government issues a revenue obligation, the obligation is a limited obligation of the government. Only revenues that are specifically pledged are available to pay the principal of and interest on the revenue obligation. Sewer utility revenues typically include sewer user charges and investment earnings but may also include impact fees, hook-up fees, and payments from tax incremental districts for their beneficial share of wastewater projects.

So long as the following criteria can be met, DOA will accept revenue obligations from all types of Municipalities except counties and metropolitan sewerage districts. Under the State constitution a county's issuance of revenue obligations is treated as public debt. A metropolitan sewerage district will be required to provide general obligations as security for its loans.

Coverage Ratio

For a revenue obligation, DOA will require the Municipality to covenant to generate each year "net revenues" (that is, utility revenues after deducting operating and maintenance expenses but not deducting depreciation, debt service, tax equivalents, or capital expenditures), equal to at least 110% of the annual

principal of and interest on the loan and other revenue obligations payable from the revenues of the utility (**110% Coverage**). The net revenues from the existing utility revenues or projected net revenues from a newly imposed user fee rate structure may establish the "net revenues". If the Municipality does not have outstanding any other obligations with a lien on pledged revenues, DOA will require the Municipality to covenant to generate "net revenues" sufficient to provide 110% Coverage. In the event the Municipality has other obligations outstanding with a lien on pledged revenues, DOA will require that the Municipality covenant to generate "net revenues" at least equal to the highest level of debt service coverage (but not less than 110% Coverage) then required under the Municipality's outstanding revenue bonds. In the event an outstanding obligation requires a debt service reserve fund for a parity obligation or requires payment dates that do not match the loan payment dates, or requires other conditions which prevent the loan from being a parity obligation, DOA will accept a subordinate obligation but will normally require any additional revenue obligations (whether superior, subordinate, or on a parity) to meet a coverage test equal to the highest ratio then in effect on any other obligations (including the loan). During construction periods when the annual principal and semiannual interest payments are based on cumulative amounts drawn under the Financial Assistance Agreement, user fees may be assessed such that the level of coverage available is estimated based on debt service projections.

In the event a Municipality were to breach any of the covenants described above, it would be subject to a suit for mandamus to compel performance of such covenants. However, enforcement of the covenants through a suit for mandamus would likely be subject to the delays and costs inherent in litigation.

Collection of Delinquent Sewer User Charges

The Clean Water Fund Program loan documents require that the Municipality take all actions permitted by law to certify any delinquent user fees to the County Treasurer in order that such unpaid user fees will be added as a special charge to the property tax bill of the user.

Senior Revenue Bonds

In most instances the Clean Water Fund Program loan documents limit a Municipality's ability to issue additional bonds payable out of the revenues of the wastewater system that have payment priority over the bonds sold to the Clean Water Fund Program. In some situations this provision has been modified by the Clean Water Fund Program to allow additional senior bonds if the Municipality can demonstrate to the satisfaction of DOA that, following the issuance of the senior bonds, the rating of the Municipality's senior revenue obligations will be no lower than one letter grade below the ratings on the Bonds.

Service Contract

DOA will also require the Municipality to agree to pay for the value of sewerage services provided to it and to stipulate that the value equals any unpaid debt service on the loan or debt coverage shortfall. Although such provisions are often used in revenue obligations from Wisconsin local governments, their enforceability has not been tested in court. Accordingly, no assurance can be given as to the enforceability of such a service contract. Moreover, the Wisconsin Statutes or local law may limit the value of the sewerage service, and unless the Municipality has already appropriated money for such payment, it would be necessary for the Municipality to levy and collect a tax, which could result in some delay in payment. In addition, a levy limit applicable to counties may diminish the ability of a county to levy taxes for this purpose.

No Debt Service Reserve Fund or Mortgage

Although Wisconsin municipalities issuing revenue obligations typically establish a debt service reserve fund and often pledge a mortgage to secure the revenue obligations, the current policy of DOA does not permit a debt service reserve fund to be established, and DOA will not require a mortgage on the property the Municipality uses to operate its wastewater facilities.

Special Assessment—Secured Revenue Obligations

Special assessments may be levied by a Municipality to pay the costs of a public improvement. Payments to the Municipality of such special assessments may be used to repay a revenue obligation. The special assessments are paid in annual installments as established by the Municipality. Because special assessments under State law may not exceed the cost of the project, the regularly scheduled special assessment revenue alone will typically not meet the 110% Coverage test. In the event the Municipality receives prepayments of its special assessment installments, or the term of the Clean Water Fund Program loan exceeds the term of the special assessments, or the interest rate on the special assessment exceeds the interest rate on the Clean Water Fund Program loan, the Municipality may have more special assessment revenue in a year than required for debt service on its Clean Water Fund Program loan. In general, excess special assessment revenue collected by the Municipality will be applied to reduce debt incurred for the public improvement project. If special assessments are levied to secure revenue obligations, payments on the special assessments are deposited in the funds and accounts of the revenue-generating enterprise.

Collection of Delinquent Special Assessments

When it secures a revenue obligation, a special assessment constitutes a lien on the property against which it is levied on behalf of the local government that levies it. Delinquent special assessment payments are entered on the tax roll as a delinquent tax on the property against which they are levied and are subject to the same proceedings for collection, return, and sale of property that apply to delinquent real estate taxes.

General Obligations

When a local government issues a general obligation, its full faith and credit are pledged to secure payment when due of the principal of and interest on the obligation. State law requires the local government to levy taxes that will be collected in amounts and at times sufficient to make these payments (or to appropriate available funds for payments that are required to be made before taxes can be levied and collected). If the government fails to make a payment when due, the owner of a general obligation can bring a suit for mandamus to require the tax levy to be collected and applied to debt service. A suit for mandamus would likely be subject to the delays and costs inherent in litigation.

Tax Levy

With respect to general obligations:

- The amount of the general obligation may not exceed the constitutional or statutory limits. For an American Indian tribe or band, the amount of the general obligation may not exceed the amount that would be permitted if the constitutional and statutory limits were to apply to the tribe or band.
- The Municipality must levy taxes sufficient to pay when due the principal of and interest on the loan.

A levy limit applicable to counties may affect the ability of a county to issue general obligations.

Intergovernmental Cooperation Commissions

The Clean Water Fund Program does not make loans to intergovernmental cooperation commissions. Instead, DOA will analyze each member's credit, and the loan will be apportioned among its members according to their participation in the project.

SUMMARY OF CERTAIN PROVISIONS OF GENERAL RESOLUTION

Through the General Resolution, the State pledges revenues that secure the Bonds, establishes the funds and accounts, specifies the conditions under which Bonds may be issued, and makes covenants and other provisions for the benefit of Bondowners. The terms and provisions of the General Resolution are

summarized below. Certain capitalized terms are defined in either the General Resolution or the "GLOSSARY". As indicated earlier in this Part VI of the Annual Report, the term "Pledged Loans" is being used in this Annual Report to refer to the same loans that are called "Leveraged Loans" and "Loans" in the General Resolution. A copy of the General Resolution may be obtained by contacting the State at the address provided on the first page of this Part VI of the 2009 Annual Report.

Resolution to Constitute a Contract

The provisions of the General Resolution are deemed to be a contract among the State, the Trustee, and the owners from time to time of the Bonds. The provisions, covenants, and agreements set forth in the General Resolution (except for those relating to funds pledged to defease any specific Bonds) to be performed by or on behalf of the State are for the equal benefit, protection, and security of the owners of the Bonds, all of which are of equal rank without preference, priority, or distinction of any of the Bonds over any other Bonds except as expressly provided in the General Resolution.

Pledge

Under the General Resolution, the State pledges to the Trustee, for the benefit of all current and future Bondowners and any owner of a Parity Reimbursement Obligation, the Pledged Receipts, all funds and accounts established in connection with the issuance of the Bonds (except the Rebate Fund and the State Equity Fund), the investments of the funds and accounts and the proceeds of such investments for the payment of the principal and redemption price of and interest on the Bonds and the payment of any Parity Reimbursement Obligation, subject only to the provisions of the General Resolution permitting or further limiting the application thereof. Subject to the provisions of the General Resolution providing for defeasance of Bonds, the pledge is valid and binding, and the lien of such pledge is valid and binding, as against all parties having claims of any kind in tort, contract, or otherwise against the State, irrespective of whether such parties have notice of the lien.

Establishment of Funds and Accounts

The following funds (and within certain of the funds, the following accounts) are established and required to be maintained pursuant to the provisions of the General Resolution:

(1) Loan Fund

(2) Revenue Fund

(3) Debt Service Fund

- (a) Interest Account
- (b) Principal Account
- (c) Redemption Account
- (d) Capitalized Interest Account

(4) Loan Credit Reserve Fund

- (a) SRF Account
- (b) Non-SRF Account

(5) Subsidy Fund

(6) Administrative Fund

- (a) Costs of Issuance Account
- (b) Expense Account

(7) State Equity Fund

(8) Rebate Fund

Each of the funds and accounts, or assets for each of the funds and accounts, are deposited with and held by a Depository and maintained by the Trustee pursuant to the provisions of the General Resolution, except for the State Equity Fund, which is held and maintained by the State.

Loan Fund

Each Series Resolution authorizing a Series of Bonds will specify the amount of the proceeds of the Bonds of the Series and any other State moneys that are required to be deposited in the Loan Fund. Amounts in the Loan Fund shall be applied by the State from time to time as follows:

(1) For financing Pledged Loans to Municipalities under the Clean Water Fund Program, including transfers of Pledged Loan capitalized interest to the Revenue Fund;

(2) As directed in a certificate of an Authorized Officer, for deposit into the Revenue Fund; and

(3) To the extent that other moneys are not available, for deposit into the Debt Service Fund.

Moneys may be withdrawn from the Loan Fund for financing a Pledged Loan upon a requisition of an Authorized Officer certifying: (1) that the aggregate amount of the requisition is equal to the sum of amounts disbursable to Municipalities pursuant to properly submitted and approved requisitions of such Municipalities; (2) that the amount requisitioned for each Municipality does not exceed the amount available to be disbursed pursuant to that Municipality's Financial Assistance Agreement and Municipal Obligation; (3) the identity of the Municipalities receiving disbursements from the requisition, the amount of the requisition allocable to each such Municipality, and the designation of the Municipal Obligations evidencing the applicable Pledged Loan; (4) that there is on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement; and (5) that the Contribution Amount has been transferred (or deemed transferred) to the Loan Credit Reserve Fund.

Prior to the initial transfer of amounts to a Municipality with respect to a Pledged Loan, the State shall deliver to the Trustee: (1) a copy of the original executed Financial Assistance Agreement evidencing the Pledged Loan to be so made, and (2) a copy of the Municipal Obligation evidencing or securing such Pledged Loan in an aggregate principal amount equal to the maximum permissible Pledged Loan amount.

In addition, money and earnings in the Loan Fund may be transferred to the Revenue Fund, provided that the amount in the Subsidy Fund is at least equal to the Subsidy Fund Requirement.

Revenue Fund

The Trustee shall promptly deposit the following into the Revenue Fund:

(1) Transfers of capitalized interest on a Pledged Loan from the Loan Fund (which shall be deemed to be Pledged Loan disbursements), as directed in a certificate of an Authorized Officer;

(2) Other transfers of moneys from the Loan Fund;

(3) All Pledged Loan Repayments (excluding prepayments of Pledged Loans, which shall be deposited in the Redemption Account of the Debt Service Fund) received by the Trustee; and

(4) On the business day preceding an interest payment date, interest earned on Investment Obligations in the Loan Credit Reserve Fund (less amounts required to be transferred to the Rebate Fund).

The Revenue Fund shall be applied as follows:

(1) First, to the Interest Account of the Debt Service Fund for the payment of interest due or to become due on the next succeeding interest payment date;

(2) Second, to the Principal Account of the Debt Service Fund for the payment of principal and sinking fund installments, if any, on the next succeeding interest payment date; and

(3) Third, to the Rebate Fund so that the balance in the Fund shall equal the amount required to be deposited therein.

Debt Service Fund

The Trustee shall promptly deposit the following receipts in the Debt Service Fund:

(1) Any accrued interest received as proceeds of a Series of Bonds as set forth in the applicable Series Resolution, which shall be deposited in the Interest Account;

(2) All amounts required to be transferred from the Revenue Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(3) The Subsidy Fund Transfer Amount transferred from the Subsidy Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(4) All amounts required to be transferred from the Loan Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(5) Any amounts directed by the State to be transferred from the Administrative Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(6) Any amounts received by the Trustee for the purpose of redeeming Bonds, which shall be deposited in the Redemption Account; and

(7) Any portion of Bond proceeds designated by a Series Resolution as capitalized interest on the Bonds, which shall be deposited into the Capitalized Interest Account.

The Trustee shall transfer from the Capitalized Interest Account to the Interest Account on the business day preceding each interest payment date the amount required for the payment of capitalized interest on such Bonds due on such interest payment date.

The Trustee shall pay out of the Interest Account of the Debt Service Fund (1) on each interest payment date, the amount required for the payment of interest on Bonds due on such interest payment date and (2) on any redemption date, the amount required for the payment of accrued interest on Bonds redeemed, unless the payment of such accrued interest shall be otherwise provided for.

The Trustee shall pay out of the Principal Account on each principal payment date or sinking fund redemption date, as applicable (as set forth in a Series Resolution), the amounts required for the payment of such principal on such date or such sinking fund redemption price on such date, as applicable.

The amount accumulated in the Principal Account for each sinking fund redemption may, and if so directed by the State shall, be applied (together with amounts accumulated in the Interest Account of the Debt Service Fund with respect to interest on the Bonds subject to sinking fund redemption) by the Trustee prior to the 45th day preceding the sinking fund redemption date, or such shorter period as shall be acceptable to the Trustee, to:

(1) the purchase of Bonds of the Series and maturity of such Bonds subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the redemption price payable for such Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase, or

(2) the redemption of such Bonds if then redeemable by their terms, at the redemption price referred to in paragraph (1) above.

Upon any such purchase or redemption of Bonds of any Series and maturity, for which sinking fund installments shall have been established, an amount equal to the applicable redemption prices thereof shall be credited toward any one or more of such sinking fund installments, as directed by the State in an Authorized Officer's certificate, or failing such direction toward such sinking fund installments in inverse order of their due dates. The portion of any such sinking fund installment remaining after the deduction of any such amounts credited toward such installment (or the original amount of any such sinking fund installment if no such amounts shall have been so credited) shall constitute the unsatisfied balance of such sinking fund installment for the purpose of the calculation of principal installments due on a future date.

If, after all transfers provided for above have been made, the moneys in the Debt Service Fund are insufficient to pay the interest, principal, and sinking fund installments due on Bonds on any interest payment date, the Trustee shall apply amounts from the following funds to the extent necessary to cure the deficiency in the order of priority as provided below:

(1) First, from the Loan Credit Reserve Fund;

(2) Second, from the Subsidy Fund;

(3) Third, from the Loan Fund, which transfers shall not be deemed to be a Pledged Loan disbursement subject to the requirements applicable to Pledged Loan disbursements; and

(4) Fourth, from any other fund or account (except the Rebate Fund and the State Equity Fund).

As soon as practicable after the 45th day preceding the date of any sinking fund redemption, the Trustee shall proceed to call for redemption on such redemption date Bonds of the Series and maturity for which such sinking fund redemption was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such sinking fund redemption. The State may designate the amounts, from the SRF Account and Non-SRF Account, respectively, to be applied by the Trustee for such redemption.

The Trustee shall pay out of the Redemption Account of the Debt Service Fund to the Paying Agents on each redemption date (as set forth in a Series Resolution) for any such Bonds for which there have not been made sinking fund installments, the amounts required for the payment of such redemption price on the redemption date and such amounts shall be applied by the Paying Agents to such payments.

Loan Credit Reserve Fund

If at any time the moneys in the Debt Service Fund are insufficient to pay the interest, principal, and sinking fund installments due on Bonds, the Trustee shall apply amounts from the Loan Credit Reserve Fund to the extent necessary to cure the deficiency.

Whenever moneys and securities in the Loan Credit Reserve Fund (excluding earnings required to be transferred to the Revenue Fund) shall exceed the Loan Credit Reserve Fund Requirement, the Trustee may, at the direction of an Authorized Officer, transfer all or any portion of such surplus from the SRF Account to any account within the Clean Water Fund or from the Non-SRF Account to the State Equity Fund. However, if any Municipality is in default with respect to Pledged Loan Repayments, no such transfer shall be made to the extent it would cause the balance in the Loan Credit Reserve Fund to be less than the sum of the Loan Credit Reserve Fund Requirement plus the amount of Pledged Loan Repayments then in default and not otherwise provided for. After a defaulting Municipality has cured its default and has fully resumed its payment obligations under the Financial Assistance Agreement, such surplus amounts may be withdrawn from the Loan Credit Reserve Fund.

See "GLOSSARY" for a definition of the Loan Credit Reserve Fund Requirement.

Subsidy Fund

Whenever the money in the Debt Service Fund and money available in the Loan Credit Reserve Fund are insufficient to pay the interest, principal, and sinking fund installments due on Bonds, the Trustee shall transfer amounts from the Subsidy Fund to the Debt Service Fund to the extent necessary to cure the deficiency.

The Trustee shall transfer any amount in the Subsidy Fund in excess of the Subsidy Fund Requirement upon the direction of an Authorized Officer:

(1) First, to the Loan Credit Reserve Fund to replenish the Loan Credit Reserve Fund to the then-current Loan Credit Reserve Fund Requirement; and

(2) Second, to the State Equity Fund or for any Program purpose.

See "GLOSSARY" for a definition of the Subsidy Fund Requirement and the Subsidy Fund Transfer Amount.

Notes

Whenever the Commission shall authorize the issuance of a Series of Bonds, the Commission is authorized to issue Notes (including renewals thereof) in anticipation of such Series. The principal of and interest on such Notes and renewals thereof shall be payable solely from the proceeds of such Notes or from the proceeds of the sale of the Series of Bonds in anticipation of which such Notes were issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such Notes, and any such pledge shall have a priority over any other pledge of such proceeds created by the General Resolution. Notes shall not be secured by any fund or account established under the General Resolution.

Issuance of Additional Bonds Other Than Refunding Bonds

The State may issue additional Series of Bonds from time to time on a parity with all other Bonds issued pursuant to the General Resolution and secured by an equal charge and lien on the Pledged Receipts and any other security pledged under the General Resolution.

No additional Series of Bonds shall be issued unless:

(1) The principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(2) All other requirements applicable to the issuance of Bonds are met including the requirement that there be in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and there be in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement; and

(3) Evidence satisfactory to the Trustee that any credit rating assigned to the proposed Series of Bonds is no lower than the lowest credit rating then assigned by such Rating Agency to any Outstanding Bonds of similar tenor, and no notice has been received from any Rating Agency that the issuance of the proposed Series of Bonds will cause such Rating Agency to lower, suspend, remove, or otherwise modify adversely the credit ratings then assigned by it to any Outstanding Bonds.

Refunding Bonds

The General Resolution authorizes the Commission to issue one or more Series of Refunding Bonds to refund all or any part of one or more Series of outstanding Bonds. Refunding Bonds may be issued only upon receipt by the Trustee (in addition to the other requirements applicable to the issuance of Bonds) of:

(1) Irrevocable instructions to the Trustee to give notice of redemption to the owners of the Bonds being refunded; and

(2) Either Investment Obligations described below under "Defeasance" in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, or such amount of moneys, as shall be necessary to comply with the defeasance provisions of the General Resolution.

Payment of Bonds

The State covenants that it shall duly and punctually pay or cause to be paid the principal or redemption price of and interest on the Bonds, but only from the Pledged Receipts and other revenues or receipts, funds, or moneys pledged therefor as provided in the Act and the General Resolution, at the dates and places and in the manner provided in the Bonds according to the true intent and meaning thereof, and shall duly and punctually satisfy all sinking fund installments becoming payable with respect to any Series of Bonds.

Power to Issue Bonds and Make Pledges

The State represents that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the Pledged Receipts and other revenues, receipts, funds, or moneys purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution. The State represents that the Pledged Receipts and other revenues, receipts, funds, and moneys so pledged are and will be free and clear of any pledge, lien, charge, or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the General Resolution, and that all action on the part of the State to that end has been duly and validly taken. The State further represents that the Bonds and the provisions of the General Resolution are and will be the valid and legally enforceable obligations of the State in accordance with their terms and the terms of the General Resolution. The State covenants that it shall at all times, to the extent permitted by law, defend, preserve, and protect the pledge of the Pledged Receipts and revenues, receipts, funds, and moneys pledged under the General Resolution and all the rights of the Bondowners under the General Resolution against all claims and demands of all persons whomsoever.

Agreement of the State

The State pledges and agrees with the Bondowners that the State will not limit or alter the terms of any agreements made with Bondowners or in any way impair the rights and remedies of the Bondowners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondowners, are fully met and discharged.

Federal Tax Covenant

The State covenants that it shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excluded from the gross income of the recipients thereof.

The State shall not permit at any time any of the proceeds of the Bonds or other funds of the State to be used, directly or indirectly, to acquire any asset or obligation the acquisition of which would cause any Note or Bond to be an "arbitrage bond" for the purposes of Section 148 of the Internal Revenue Code of 1986, as amended.

Notwithstanding the foregoing, the State reserves the right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the federal tax covenants contained in the General Resolution shall not apply to such Bonds.

Accounts and Reports

The State shall keep, or cause to be kept, proper books of record and account in which complete and correct entries shall be made of its transactions relating to all Pledged Loan Repayments, Municipal Obligations, the Fees and Charges, if any, and all funds and accounts established by the General Resolution.

The State shall annually, on or before January 1 in each year, file with the Trustee and with the Rating Agencies a copy of the audited financial statements for the preceding Fiscal Year with respect to the Leveraged Loan Program, accompanied by an Accountant's Certificate, setting forth in complete and reasonable detail: (1) its receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the State for its operating and capital outlay purposes; (2) its assets and liabilities at the end of such Fiscal Year, including a schedule of its Pledged Loan Repayments, Municipal Obligations, and Fees and Charges, a list of Municipalities in default, and the status of the funds and accounts established by the General Resolution; and (3) a schedule of its Bond and Notes outstanding and other obligations outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed, and issued during such Fiscal Year.

A copy of the independent auditor's report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2009 and 2008 is set forth in APPENDIX A to this Part VI of the 2009 Annual Report.

Clean Water Revenue Bond Program

In order to provide sufficient moneys with which to pay the principal and interest and sinking fund installments when due and payable on its Bonds, the State covenants that it shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and the Water Quality Act as then amended and as interpreted in regulations adopted by EPA and DNR and in effect and with the provisions of the General Resolution, use and apply the proceeds of the Bonds for the Leveraged Loan Program, to finance Pledged Loans pursuant to the Act as so amended and the General Resolution, to earn sufficient interest on its funds and accounts established within the General Resolution to generate income which when combined with moneys received with respect to the Municipal Obligations shall at least equal the principal and interest and sinking fund installments on the Bonds. The State further covenants that it shall do all such acts and things necessary to receive and collect the Pledged Loan Repayments and the interest on all funds and accounts established within the General Resolution and shall diligently enforce, and take all steps, actions, and proceedings for the enforcement of, all terms, covenants, and conditions of the Pledged Loans.

Events of Default

Each of the following events constitutes an "Event of Default":

(1) The State shall default in the payment of the principal or redemption price of any Bond when and as the same shall become due whether at maturity or upon call for redemption; or

(2) The State shall default in the payment of any installment of interest on any Bonds; or

(3) The State shall fail or refuse to comply with the provisions of the Act or shall default in the performance or observance of any other of the covenants, agreements, or conditions contained in the General Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds, and such failure, refusal, or default shall continue for a period of 45 days after written notice thereof is given to the State by the Trustee or the owners of not less than 25% in principal amount of Bonds outstanding.

Remedies

Upon the occurrence and continuance of any Event of Default specified in paragraphs (1) or (2) immediately above, the Trustee shall proceed, or upon the occurrence and continuance of any Event of Default specified in paragraph (3) immediately above, the Trustee may proceed, and upon the written request of the owners of not less than 25% in principal amount of the outstanding Bonds shall proceed, to protect and enforce its rights and the rights of the Bondowners by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) By mandamus or other suit, action, or proceeding at law or in equity, enforce all rights of the Bondowners, including the right to require the State to collect Pledged Loan Repayments adequate to carry out the covenants and agreements as to, and the pledge of, such Pledged Loan Repayments, and

other properties and to require the State to carry out any other covenant or agreement with Bondowners and to perform its duties under the Act;

(2) Bring suit upon the Bonds;

(3) By action or suit in equity, require the State to account as if it were the trustee of any express trust for the owners of the Bonds; or

(4) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds.

In the enforcement of any remedy under the General Resolution, the Trustee shall be entitled to sue for, enforce payment on, and receive any and all amounts due from the State for principal, redemption price, interest, or otherwise under any provision of the General Resolution or a Series Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the General Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and to recover and enforce a judgment or decree against the State for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Program Expenses

The State covenants to pay all program expenses when due and payable, but only from the sources provided in the General Resolution.

The State covenants to pay to the Fiduciaries from time to time reasonable compensation for all services rendered under the General Resolution, and also all reasonable expenses, charges, counsel fees, and other disbursements, including those of their attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the General Resolution. The State further agrees to indemnify and save each Fiduciary harmless against any liabilities that it may incur in the exercise and performance of its powers and duties under the General Resolution, and which are not due to its willful misconduct, negligence, or bad faith.

Defeasance

If the State shall pay or cause to be paid to the owners of all Bonds then outstanding, the principal or redemption price and interest to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then, at the option of the State, covenants, agreements, and other obligations of the State to the Bondowners shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the State, execute and deliver to the State all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the State all money, securities, and funds held by them pursuant to the General Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment at maturity or redemption of which moneys or securities shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the State of funds for such payment or redemption or otherwise) shall be deemed to have been paid within the meaning and with effect expressed in the immediately preceding paragraph. All outstanding Bonds of any Series shall be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph if all the following conditions apply:

(1) In case any of such Bonds are to be redeemed on any date prior to their maturity, the State shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give notice of redemption of such Bonds as provided in the General Resolution.

(2) There shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or redemption price and interest on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be.

(3) In the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the State shall have given the Trustee irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in Authorized Newspapers a notice to the owners of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price on said Bonds. Neither Investment Obligations nor moneys deposited with the Trustee nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds. Any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal or redemption price and interest due and to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the State, as received by the Trustee, free and clear of any trust, lien, or pledge.

For the purposes of the defeasance provisions of the General Resolution, Investment Obligations shall mean and include direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or so long as such investments will not adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency, any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this paragraph.

Any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the State, be repaid by the Fiduciary to the State, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the State for the payment of such Bonds; provided, however, that before being required to make any such payment to the State, the Fiduciary shall, at the expense of the State, cause to be published at least once in Authorized Newspapers a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the State.

Right to Adopt Another General Resolution

The State expressly reserves the right to adopt one or more other general resolutions and reserves the right to issue bonds and notes and any other obligations so long as the same are not a charge or lien on the Pledged Receipts or payable from any fund or account (except for the State Equity Fund or the Rebate Fund) established under the General Resolution.

GLOSSARY

The following definitions apply to capitalized terms used in this Part VI of the 2009 Annual Report.

Accreted Value means, with respect to any Capital Appreciation Bond, the initial principal amount at which such Capital Appreciation Bond is sold to the initial purchaser by the State without reduction to reflect underwriter's discount, compounded from the date of delivery of such Bonds semiannually on each interest payment date prior to the date of calculation (and including such date of calculation if such date of calculation is an interest payment date) at the original issue yield to maturity less, with respect to Bonds with interest payable on a current basis, interest paid and payable during such period plus, if such date of calculation is not an interest payment date, a portion of the difference between the Accreted Value as of the immediately preceding interest payment date and the Accreted Value as of the immediately succeeding interest payment date calculated based upon an assumption that Accreted Value accrues during any semiannual period in equal daily amounts (based on a 360-day year of twelve 30-day months); provided, however, that the calculation of Accreted Value for purposes of determining whether Bondowners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent, or waiver under the General Resolution shall be based upon the Accreted Value calculated as of the interest payment date immediately preceding such date of calculation (unless such date of calculation is an interest payment date, in which case it shall be calculated as of the date of calculation).

Act means Sections 281.58 and 281.59 of the Wisconsin Statutes, as amended.

Administrative Fund means the fund of that name established by the General Resolution.

Aggregate Debt Service for any period means, with respect to the Bonds, as of any date of calculation, the sum of the amounts of Debt Service for such period.

Authorized Officer means the Capital Finance Director of the State and any other person designated in writing to the Trustee by the Capital Finance Director or by the Commission as an Authorized Officer.

Bond or **Bonds** means any bond or bonds, as the case may be, authenticated and delivered under the General Resolution pursuant to a Series Resolution.

Bondowners or **Owner of Bonds** or **Owner** (when used with reference to Bonds) or any term of similar import means the person or party in whose name the Bond is registered.

Business Day means any day other than a Saturday or Sunday or other day on which commercial banks in the city in which the principal office of the Trustee is located are not open for business, except as may be provided in a Series or Supplemental Resolution.

Capital Appreciation Bonds means Bonds that provide for the addition of all or any part of accrued and unpaid interest thereon to the principal due thereon upon such terms and for such periods of time as may be determined by the applicable Series Resolution.

Capitalized Interest Account means the account of that name established within the Debt Service Fund by the General Resolution.

Clean Water Fund Program means the program established pursuant to the Act and operated and administered as part of the Environmental Improvement Fund.

Code means the Internal Revenue Code of 1986, as amended from time to time, and all regulations promulgated thereunder to the extent applicable to any Bonds, loans, or Municipal Obligations, as the case may be.

Commission means the State of Wisconsin Building Commission or any successor body having the power under the Subchapter II of Chapter 18, as amended, of the Wisconsin Statutes to authorize and direct the issuance of Bonds.

Contribution Amount has the meaning set forth in the definition of "Loan Credit Reserve Fund Requirement."

Costs of Issuance means, except as limited in any Series Resolution, any items of expense directly or indirectly payable by or reimbursable to the State and related to the authorization, sale, and issuance of Bonds or Notes and the investment of the proceeds thereof, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of Fiduciaries, legal fees and charges, professional consultants' fees, costs of credit ratings, premiums for insurance of the payment of Bonds or Notes, or any fees and expenses payable in connection with any entity insuring the State, the Trustee or the owners of the Bonds or Notes against loss on loans or Municipal Obligations, fees and charges for execution, transportation and safekeeping of Bonds or Notes, costs and expenses of refunding of Bonds or Notes, fees and expenses payable in connection with any Credit Facility, remarketing agreements, tender agent agreements or interest rate indexing agreements, and other costs, charges, and fees in connection with the original issuance of Bonds or Notes.

Costs of Issuance Account means the account of that name established within the Administrative Fund by the General Resolution.

Credit Facility means a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy, guaranty, or similar obligation, arrangement, or instrument issued by a bank, insurance company, or other financial institution or the federal government or an agency thereof which (1) provides for payment of all or a portion of the principal of, Redemption Price of, or interest on any Series of Bonds, (2) provides funds for the purchase of such Bonds or portions thereof, (3) provides deposits for a fund or account under the General Resolution, or (4) provides for or further secures payment of loans or Municipal Obligations, provided that with respect to (3) above, the issuer of such Credit Facility must be rated, or the effect of such Credit Facility must be to cause bonds insured or secured thereby to be rated, by each Rating Agency in a rating category no lower than the then current rating on the Bonds (without such Credit Facility).

Debt Service for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (1) interest payable during such period on Bonds of such Series, (2) that portion of the Principal Installments for such Series which are payable during such period, and (3) any "Reimbursement Obligation" or "Parity Reimbursement Obligation" as defined in the General Resolution. Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

Debt Service Fund means the fund of that name established by the General Resolution.

Depository means any bank, trust company, or national banking association, which may be the Trustee, selected by the Commission and approved by the Trustee as a depository of moneys and securities held under the provisions of the General Resolution and its successor or successors.

Direct Loans means loans made primarily from the proceeds of federal capitalization grants, the State match, or repayments of Direct Loans, and excludes any Pledged Loan or Proprietary Loan. This type of loan is not funded with Bond proceeds.

DNR means the State of Wisconsin Department of Natural Resources.

DOA means the State of Wisconsin Department of Administration.

DTC means The Depository Trust Company, New York, New York.

Environmental Improvement Fund means the nonlapsible trust fund of that name created by Section 25.43, Wisconsin Statutes.

EPA means the United States Environmental Protection Agency.

Expense Account means the account of that name established within the Administrative Fund established by the General Resolution.

Fees and Charges means all fees and charges, if any, charged by the State to Municipalities pursuant to the terms and provisions of Loans or Municipal Obligations but does not include principal of and interest on such Municipal Obligations.

Fiduciary or **Fiduciaries** means the Trustee, any Paying Agent, any Depository, or any or all of them, as may be appropriate.

Financial Assistance Agreement means any agreement entered into between DNR, DOA, and a Municipality for financial assistance.

Fiscal Year means any 12 consecutive calendar months commencing with the second day of June and ending on the first day of the following June.

General Resolution means the Clean Water Revenue Bond General Resolution adopted by the Building Commission on March 7, 1991, as amended by resolutions adopted by the Commission on July 30, 2003 and June 28, 2006, as the same may be further amended and supplemented from time to time.

Information Services means an institution or other service providing information with respect to called bonds, which shall include but not be limited to those identified in the General Resolution and others designated by an Authorized Officer.

Interest Account means the account of that name established within the Debt Service Fund by the General Resolution.

Investment Obligation means any of the following that at the time are legal investments for moneys of the State:

(1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or so long as at the time of their purchase such investments will not adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency, any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (1);

(2) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (1) above which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (1) above which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this clause (2) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (2), as appropriate, and (d) which at the time of their purchase under the General Resolution bear the highest rating available from each Rating Agency;

(3) bonds, debentures, participation certificates (representing a timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Federal Financing Bank, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association (excluding "stripped" securities), Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association, or Tennessee Valley Authority;

(4) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary notes, or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; provided, however, that any investment purchased pursuant to this clause (4) shall be rated at the time of its purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(5) obligations of any state of the United States of America or of any political subdivision or public agency or instrumentality thereof, including the State, provided that at the time of their purchase under the General Resolution such obligations are rated by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(6) direct obligations of the State or obligations guaranteed by the State that have the same rating as direct obligations of the State;

(7) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having at the time of their purchase under the General Resolution the highest rating available from each Rating Agency;

(8) interest-bearing time deposits, certificates of deposit, or other similar banking arrangements with banks (which may include any Fiduciary), provided such deposits are made with banks rated by each Rating Agency at the time the deposit is made no lower than the rating assigned to the Bonds by such Rating Agency;

(9) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which are rated at the time of their purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(10) repurchase agreements for obligations of the type specified in clauses (1) and (3) above, provided either (a) the repurchase agreement is an unconditional obligation of the counterparty and such counterparty is rated at the time of its purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency or (b) the repurchase agreement is an obligation of a counterparty that is rated at the time of its purchase by each Rating Agency in an investment grade category and is collateralized by obligations which are marked to market daily and have a value equal to not less than the percentage of the amount thereby secured specified by each Rating Agency, taking into account the maturity of such obligations;

(11) any investment obligation or deposit the investment in which will not, at the time such investment is made, adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency;

(12) any investment agreement with a bank, bank holding company, insurance company, or other financial institution rated at the time such investment is made by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency or guaranteed by an entity rated by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency; and

(13) the Local Government Pooled–Investment Fund of the State established under Chapter 25 of the Wisconsin Statutes.

Loan Credit Reserve Fund means the fund of that name established by the General Resolution.

Loan Credit Reserve Fund Requirement means and is calculated as follows:

(1) DOA has delivered to the Trustee, with respect to each Rating Agency, a schedule of credit quality categories and loan credit reserve fund requirements (each a **Loan Credit Reserve Fund Schedule** or **Schedule**) approved by such Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Loan disbursement. A Schedule may be amended from time to time upon the presentation to the Trustee of a certificate of an Authorized Officer, supported by a certificate from the Rating Agency to which such Schedule applies, confirming that such amendment to the Schedule will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency.

(2) The amount required in the Schedules for each Loan disbursement from the Loan Fund is the "**Contribution Amount**".

(3) The Loan Credit Reserve Fund Requirement shall be, as of any date of calculation, the total Contribution Amount derived from each Schedule (and if the Schedules provide for different total Contribution Amounts, then the highest total Contribution Amount) that would be required were all disbursements from the Loan Fund outstanding to be disbursed on that date, based on the then-current Schedules.

Loan Fund means the fund of that name established by the General Resolution.

Municipal Obligations means the bonds, notes, or other evidences of debt issued by any Municipality and authorized by law and acquired by the State as evidence of indebtedness of a Pledged Loan, Direct Loan, or Proprietary Loan to the Municipality pursuant to the Act. Municipal Obligations may constitute any of a combination of the following: a revenue obligation secured by a covenant to assess user fees and a pledge of the utility's revenues, a revenue obligation secured by special assessments and other utility revenue and a pledge of the utility's revenues, or a general obligation secured by a tax levy and a pledge of all available financial resources of the Municipality.

Municipality means a political subdivision of the State constituting a "municipality" within the meaning of the Act, duly organized and existing under the laws of the State and any successor entity or a federally recognized American Indian tribe or band in the State.

Non-SRF Account means account of that name established within the Loan Credit Reserve Fund.

Notes means any bond anticipation notes issued by the State pursuant to the Act.

Outstanding, when used with reference to Bonds, other than Bonds owned or held by or for the account of the State, means, as of any date, Bonds theretofore or then being delivered under the provisions of the General Resolution, except: (1) any Bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (2) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, irrevocable notice of such redemption shall have been given as provided in the General Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice, (3) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Resolution, and (4) Bonds deemed to have been paid as provided in the General Resolution. In determining whether Bondowners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent, or

waiver under the General Resolution, the principal amount of a Capital Appreciation Bond that shall be deemed Outstanding for such purposes shall be the Accreted Value thereof.

Parity Reimbursement Obligation means the obligation of the State to directly reimburse the issuer of a Credit Facility for amounts paid under the terms of such Credit Facility, together with interest thereon, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument, which obligation shall be secured on a parity with the lien created by the General Resolution.

Paying Agent for the Bonds of any Series means the bank, trust company, or national banking association, which may be the Trustee, and its successor or successors, appointed pursuant to the provisions of the General Resolution and a Series Resolution or any other resolution of the Commission adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Pledged Loan or Leveraged Loan means a loan made by the State to a Municipality from the Loan Fund pursuant to a Financial Assistance Agreement and the Act. This type of loan is funded from the Loan Fund and with Bond proceeds.

Pledged Loan Repayments or Leveraged Loan Repayments means any payment on a Pledged Loan pursuant to a Financial Assistance Agreement, or on the Municipal Obligations evidencing and securing the same, on account of the principal, interest, and premium, if any, due on such Pledged Loan, including scheduled payments of principal and interest on such Loan or Municipal Obligation, any payment made to cure a default, prepayments of principal or interest, and any additional amounts payable upon prepayment of such Pledged Loan or Municipal Obligations, and any amounts paid with respect to such Pledged Loan or Municipal Obligation on account of (1) acceleration of the due date of such Pledged Loan or such Municipal Obligation, (2) the sale or other disposition of such Pledged Loan or the Municipal Obligations and other collateral securing such Pledged Loan, (3) the receipt of proceeds of any insurance or guaranty of such Pledged Loan or Municipal Obligations or any Credit Facility applicable to such Pledged Loan or Municipal Obligations, and (4) the exercise of any right or remedy granted to the State and available under law or the applicable Financial Assistance Agreement upon default on such Pledged Loan or Municipal Obligations, but specifically excluding any payment of Fees and Charges.

Pledged Receipts means:

(1) all Pledged Loan Repayments, including both timely and delinquent payments,

(2) Fees and Charges held or collected by the State,

(3) any moneys received by the State under Section 281.59 (11)(b) of the Wisconsin Statutes (that is, State payments intercepted by DOA and taxes collected by county treasurers) upon a default under a Municipal Obligation,

(4) any moneys made available to the Clean Water Fund Program pursuant to Section 281.59 (13m) of the Wisconsin Statutes (that is, as a result of the designation of an individual Loan as one to which the State's "moral obligation" applies),

(5) any moneys collected by recourse to collateral and security devices under the Municipal Obligations, and

(6) any other moneys held or received by the State or the Trustee relating to the Municipal Obligations.

Principal Account means the account of that name established within the Debt Service Fund by the General Resolution.

Principal Installment means, as of any date of calculation and with respect to any Series of Bonds Outstanding, (1) the principal amount or Accreted Value of Bonds of such Series due on any payment date for which no Sinking Fund Installments have been established, or (2) the Sinking Fund Installment

due on a date for Bonds of such Series, or (3) if such dates coincide, the sum of such principal amount or Accreted Value of Bonds and of such Sinking Fund Installment(s) due on such date; in each case in the amounts and on the dates as provided in the Series Resolution authorizing such Series of Bonds; provided, however, that Principal Installments shall not include the principal of Notes.

Project means any municipal project for the design, acquisition, construction, improvement, repair, reconstruction, renovation, or expansion of any municipal wastewater collection or treatment system or water supply system that is eligible for financing by the State pursuant to the Act.

Proprietary Loan means financial assistance made primarily from the proceeds of State general obligation bonds or repayment of Proprietary Loans, and excludes any Direct Loan or Pledged Loan. This financial assistance is not funded with Bond proceeds.

Rating Agency means a credit rating agency which is nationally recognized for skill and expertise in rating the credit of obligations similar to the Bonds and which has assigned and currently maintains a rating on any Outstanding Bonds at the request of the State (which request may be withdrawn by the State so long as following such withdrawal of request, the Bonds are rated by at least two Rating Agencies), and any successor to any such agency by merger, consolidation, or otherwise.

Rebate Fund means the fund of that name established by the General Resolution.

Record Date means, unless otherwise determined by a Series Resolution for a Series of Bonds, the close of business on the 15th day preceding a payment date or, if such day shall not be a Business Day, the immediately preceding Business Day. For the 2006 Series 2 Bonds and all subsequently issued Bonds, each respective Series Resolution provides that **Record Date** means the close of business on the 15th day (whether or not a business day) of the calendar month next preceding the interest payment date.

Redemption Account means the account of that name established within the Debt Service Fund by the General Resolution.

Redemption Price, means (1) when used with respect to a Bond other than a Capital Appreciation Bond, or a portion of a Bond to be redeemed, means the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof, plus interest to the redemption date, pursuant to the General Resolution and the applicable Series Resolution and (2) when used with respect to a Capital Appreciation Bond, "Redemption Price" means the Accreted Value on the date of redemption of such Bond or portion thereof plus the applicable premium, if any, pursuant to the General Resolution and the applicable Series Resolution.

Refunding Bonds means Bonds issued to refund other Bonds.

Revenue Fund means the fund of that name established by the General Resolution.

Series of Bonds or Bonds of a Series or words of similar meaning means the series of Bonds authorized by a Series Resolution.

Series Resolution means a resolution of the Building Commission authorizing the issuance of a Series of Bonds in accordance with the terms and provisions of the General Resolution.

Sinking Fund Installment means, as of any particular date of calculation, (i) the amount required by the General Resolution and a Series Resolution to be deposited by the State for the retirement of Bonds which are stated to mature subsequent to such date or (ii) the amount required by the General Resolution and a Series Resolution to be deposited by the State on a date for the payment of Bonds at maturity on a subsequent date.

State means the State of Wisconsin.

State Equity Fund means the fund of that name established by the General Resolution.

Subsidy Fund means the fund of that name established by the General Resolution.

Subsidy Fund Requirement means that amount which, when invested as permitted in the General Resolution, is projected by an Authorized Officer to result in an amount being available during each period commencing on an interest payment date and ending on the next interest payment date **(Period)** which is at least equal to the amount by which Aggregate Debt Service payable during the Period exceeds the sum of (1) scheduled disbursements from the Capitalized Interest Account and (2) Loan Repayments scheduled to be received during the Period from sources other than transfers of Loan capitalized interest from the Loan Fund. In making the projections set forth above, the State may treat undisbursed amounts in the Loan Fund as if (a) such undisbursed amounts were invested at an appropriate rate of interest to the final maturity of Bonds and (b) such undisbursed amounts and the earnings thereon were transferred from time to time to the Revenue Fund to pay debt service, and for purposes of calculating the Subsidy Fund Requirement, such amounts may be treated as if they were Loan Repayments made pursuant to clause (2) above; provided that prior to each Loan disbursement the State recalculates the Subsidy Fund Requirement assuming for purposes of calculation that the disbursement has been made (and is repayable in accordance with the applicable Municipal Obligations).

Subsidy Fund Transfer Amount means, with respect to any Interest Payment Date, the amount by which Aggregate Debt Service payable during the Period (as such term is used in the definition of Subsidy Fund Requirement) ending on such Interest Payment Date exceeds the sum of (1) Loan Repayments scheduled to be received and delinquent Loan Repayments actually received during the Period, (2) earnings on the Loan Credit Reserve Fund deposited in the Revenue Fund during the Period, (3) any moneys on deposit in the Revenue Fund, the Interest Account of the Debt Service Fund, or the Principal Account of the Debt Service Fund at the beginning of the Period, (4) any amounts in the Loan Fund transferred to the Revenue Fund during the Period as directed in a certificate of an Authorized Officer, and (5) amounts scheduled to be transferred from the Capitalized Interest Account to the Interest Account during the Period.

Supplemental Resolution means a resolution supplemental to or amendatory of the General Resolution, adopted by the Commission in accordance with the General Resolution.

Trustee means U.S. Bank National Association, and its successor or successors and any other bank, trust company, or national banking association at any time substituted in its place pursuant to the General Resolution.

APPENDIX A

AUDITED FINANCIAL STATEMENTS

The following are the independent auditor's report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2009 and 2008, along with supplemental information as of June 30, 2009, and the independent auditor's report and financial statements for the Leveraged Loan Portfolio for the year ended June 1, 2009.

Financial statements present the financial position, results of operations and cash flows of the Environmental Improvement Fund for the fiscal years ended June 30, 2009 and 2008. These financial statements are not intended to predict future cash flows that will be available for the benefit of bondholders pursuant to the bond resolutions.

Baker Tilly Virchow Krause LLP, the independent auditors of the Environmental Improvement Fund, has not been engaged to perform and has not performed, since the date of their reports included on the following pages, any procedures on the financial statements addressed in those reports. Baker Tilly Virchow Krause LLP also has not performed any procedures related to this Part VI of the 2009 Annual Report.

{This page number is the last sequential page number of the 2009 Annual Report to be used in this Part VI of the 2009 Annual Report. The following uses page numbers from the financial statements and independent auditor's report. The sequential page numbers for the 2009 Annual Report continue in Part VII.}

STATE OF WISCONSIN

ENVIRONMENTAL IMPROVEMENT FUND
AND
LEVERAGED LOAN PORTFOLIO

STATE OF WISCONSIN

ENVIRONMENTAL IMPROVEMENT FUND

FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008,
SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2009, and
Independent Auditors' Report

AND

LEVERAGED LOAN PORTFOLIO

FINANCIAL STATEMENTS
For the Year Ended June 1, 2009 and
Independent Auditors' Report

STATE OF WISCONSIN

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Environmental
Improvement Fund

BAKER TILLY

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INDEPENDENT AUDITORS' REPORT

To the Secretary of the Department of Administration
and the Secretary of the Department of
Natural Resources of the State of Wisconsin

We have audited the accompanying financial statements of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of June 30, 2009 and 2008, and for the years then ended as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the State of Wisconsin Environmental Improvement Fund and are not intended to present fairly the financial position of the State of Wisconsin, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Wisconsin Environmental Improvement fund as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2009 on our consideration of the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Secretary of the Department of Administration
and the Secretary of the Department of
Natural Resources of the State of Wisconsin

The State of Wisconsin Environmental Improvement Fund has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the financial statements.

The supplemental information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The "Other Information" on page 34 is presented for informational purposes only and is not a required part of the financial statements of the State of Wisconsin Environmental Improvement Fund. The information has not been audited by us and, accordingly, we express no opinion on such information.

Madison, Wisconsin
November 13, 2009

Baker Tilly Virchow Krause LLP

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF NET ASSETS
June 30, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Unrestricted cash and cash equivalents	$ 215,425,869	$ 210,929,526
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost	45,551,942	47,734,249
Receivables		
Loans to local governments - current portion	147,975,279	131,939,118
Due from other funds	15,483	21,516
Due from other governmental entities	8,605,754	8,103,008
Accrued investment income	378,957	420,379
Other	548,264	670,016
Prepaid items	21,890	21,649
Total Current Assets	418,523,438	399,839,461
Noncurrent Assets		
Restricted assets - cash equivalents	99,384,996	92,102,609
Investments - State of Wisconsin general obligation clean water bonds, at fair value	160,350,361	147,407,901
Loans to local governments	1,645,897,707	1,583,604,221
Prepaid items	235,010	251,897
Deferred debt expense	3,206,493	2,981,401
Total Noncurrent Assets	1,909,074,567	1,826,348,029
TOTAL ASSETS	$ 2,327,598,005	$ 2,226,187,490
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	$ 148,815	$ 167,881
Accrued interest on bonds	3,388,958	5,134,176
Due to other funds	1,326,357	1,432,922
Due to other governmental entities	145,852	143,488
Revenue obligation bonds - current maturities	66,865,000	60,730,000
Total Current Liabilities	71,874,982	67,608,467
Noncurrent Liabilities		
Revenue obligation bonds, net (including deferred charge)	762,403,792	737,249,116
Due to other governmental entities	958,840	1,227,249
Accrued expenses	76,188	59,495
Total Noncurrent Liabilities	763,438,820	738,535,860
Total Liabilities	835,313,802	806,144,327
Net Assets		
Restricted for environmental improvement	1,468,879,875	1,392,936,109
Unrestricted	23,404,328	27,107,054
Total Net Assets	1,492,284,203	1,420,043,163
TOTAL LIABILITIES AND NET ASSETS	$ 2,327,598,005	$ 2,226,187,490

See accompanying notes to financial statements.

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Loan interest	$ 28,382,059	$ 26,310,790
Interest income used as security for revenue bonds	19,950,170	18,957,040
Total Operating Revenues	48,332,229	45,267,830
OPERATING EXPENSES		
Interest	39,281,867	36,438,974
Salaries and benefits	4,348,126	4,147,404
Contractual services and other	1,930,821	1,766,459
Total Operating Expenses	45,560,814	42,352,837
Operating Income	2,771,415	2,914,993
NONOPERATING REVENUES (EXPENSES)		
Investment income	2,197,258	7,457,971
Investment income used as security for revenue bonds	21,525,827	13,750,638
Operating grants	33,674,918	41,453,991
Hardship grants awarded	(2,924,786)	(1,082,969)
Total Nonoperating Revenues, Net	54,473,217	61,579,631
INCOME BEFORE TRANSFERS	57,244,632	64,494,624
Transfers in	14,996,408	34,570,124
Increase in Net Assets	72,241,040	99,064,748
TOTAL NET ASSETS - Beginning of Year	1,420,043,163	1,320,978,415
TOTAL NET ASSETS - END OF YEAR	$ 1,492,284,203	$ 1,420,043,163

See accompanying notes to financial statements.

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS USED BY OPERATING ACTIVITIES		
Payments to employees for services	$ (4,378,171)	$ (5,262,676)
Reimbursement of salaries	-	1,935,938
Payments to suppliers and other	(2,654,915)	(3,061,936)
Other operating revenues	50,136	49,778
Net Cash Flows Used by Operating Activities	(6,982,950)	(6,338,896)
CASH FLOWS FROM (USED BY) NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	33,661,580	42,239,816
Grants paid	(2,924,786)	(1,082,969)
Transfers in	14,996,408	34,570,124
Proceeds from issuance of long-term debt	94,974,120	107,213,970
Refunding bond proceeds deposited in irrevocable trust	-	29,275,000
Retirement of long-term debt	(60,730,000)	(83,085,000)
Interest payments	(43,414,625)	(36,323,513)
Net Cash Flows From (Used by) Noncapital Financing Activities	36,562,697	92,807,428
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES		
Origination of loans	(215,214,882)	(274,142,350)
Collection on loans	136,885,237	124,066,783
Interest received on loans	27,956,378	32,610,025
Purchase of investments	(142,119,211)	(122,368,310)
Liquidation of investments	126,898,777	85,542,016
Investment and interest income	47,792,684	44,992,456
Net Cash Flows From (Used by) Investing Activities	(17,801,017)	(109,299,380)
Net Increase (Decrease) in Cash and Cash Equivalents	11,778,730	(22,830,848)
CASH AND CASH EQUIVALENTS - Beginning of Year	303,032,135	325,862,983
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 314,810,865	$ 303,032,135

	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 2,771,415	$ 2,914,993
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Amortization	(2,680,235)	(1,591,259)
Interest income classified as investing activity	(48,282,095)	(45,218,052)
Interest expense classified as noncapital financing activity	44,117,401	35,572,300
Changes in assets and liabilities		
Due from other funds	198,525	2,287,571
Other receivables	121,752	(670,016)
Prepaid items	16,646	16,984
Deferred debt expense	(791,997)	(162,129)
Accrued expenses	(2,372)	35,338
Accrued interest on bonds	(2,155,297)	2,457,933
Due to other funds	(299,057)	(2,085,047)
Due to other governmental entities	2,364	102,488
Total Adjustments	(9,754,365)	(9,253,889)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (6,982,950)	$ (6,338,896)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Unrestricted cash and cash equivalents - statement of net assets	$ 215,425,869	$ 210,929,526
Restricted cash and cash equivalents - statement of net assets	99,384,996	92,102,609
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 314,810,865	$ 303,032,135

NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES: NONE

See accompanying notes to financial statements.

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity—The State of Wisconsin Environmental Improvement Fund (the "Fund") is an enterprise fund of the State of Wisconsin (the "State") administered by the State of Wisconsin Department of Natural Resources (the "DNR") and the State of Wisconsin Department of Administration (the "DOA").

The Fund was established with the adoption of the 1997-1999 State of Wisconsin budget. The Fund replaced the Clean Water Fund Program and expanded loan activity to include drinking water system loans and brownfield loans. The Fund provides for three separate environmental financing programs: the Clean Water Fund Program, the Safe Drinking Water Loan Program, and the Land Recycling Loan Program.

The Clean Water Fund Program was established in 1990 and provides financial assistance to municipalities at subsidized interest rates for the purpose of constructing or improving municipal wastewater facilities. The Safe Drinking Water Loan Program was established in 1997 and provides municipal loans for the construction or repair of municipal drinking water facilities. The following four loan portfolios comprise the Environmental Improvement Fund:

> Leveraged Loan Portfolio—This portfolio is funded by proceeds of revenue obligation bonds and operating transfers from the State. Assets in this portfolio are used for loans for Wisconsin municipal wastewater projects that meet applicable State eligibility and reporting requirements of the Clean Water Fund Program.

> Direct Loan Portfolio—This portfolio is funded by the U.S. Environmental Protection Agency (the "EPA") grants and operating transfers from the State (i.e., a minimum 20% match of EPA capitalization grant). Repayments from loans in this portfolio are also used to fund new loans. Loans in this portfolio are made for wastewater projects that comply with EPA eligibility and reporting requirements of the Clean Water Fund Program.

> Proprietary Loan/Grant Portfolio—This portfolio is funded by operating transfers from the State. Assets of this portfolio are used to fund both loans and hardship grants for qualifying wastewater projects. Repayments from loans in this portfolio may be used to fund new loans or hardship grants under the Clean Water Fund Program.

> Drinking Water Loan Portfolio—This portfolio is funded by the EPA grants and operating transfers from the State (the State is required to match a minimum of 20% of EPA grants). Repayments from loans in this portfolio may be used to fund new loans. Loans in this portfolio are made for drinking water projects that comply with EPA eligibility and reporting requirements under the Safe Drinking Water Loan Program.

The Land Recycling Loan Program is a municipal loan program for the remediation of contaminated lands. As of June 30, 2009 and 2008, there were ten loans granted under this program for a total of $15,218,891. As of June 30, 2009 and 2008, the total amount drawn on these loans was $13,114,451 and $12,630,747, respectively. The Land Recycling Program loans are included in the Clean Water Fund Program – Direct Loan Portfolio for reporting purposes.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Reporting Entity (cont.)—The Fund applies all applicable Governmental Accounting Standards Board ("GASB") pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Net Operating Income/Loss—The Fund incurred net operating income of $2.8 million in 2009 and net operating income of $2.9 million in 2008. Management expects the Fund will generally incur net operating losses in most years. As explained in Note 2, a loss will generally result from the Fund's statutory mission to provide loans to municipalities at interest rates below the Fund's own cost of funds. Previous losses have historically been funded by EPA grants and operating transfers from the State of Wisconsin. EPA grants were approximately $33.7 million and $41.4 million in 2009 and 2008, respectively, and are classified as operating grants. Operating transfers from the State of Wisconsin were approximately $1.6 million and $3.2 million in 2009 and 2008, respectively, and are classified as transfers in. Management expects the grants and transfers will continue for the foreseeable future sufficient to fund both the anticipated future net operating losses and, together with additional borrowing, to fund additional loans to municipalities.

Loans Receivable—Loans receivable are recorded at cost. Direct costs to originate loans are not material and are expensed as incurred. Fees received to originate loans are not material and are recorded as income when received.

Interest on Loans Receivable—Interest on loans receivable is recognized on an accrual basis and recorded within Due From Other Governmental Entities on the statements of net assets.

Investments—The Fund may invest in direct obligations of the United States and Canada, securities guaranteed by the United States, certificates of deposit issued by banks in the United States, and solvent financial institutions in the State, commercial paper and nonsecured corporation notes and bonds, bankers acceptances, participation agreements, privately placed bonds and mortgages, common and preferred stock and other securities approved by applicable sections of the Wisconsin Statutes, bond resolutions, and various trust indentures (see Note 3 to the financial statements).

United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements—The Fund holds United States Treasury Notes as investments at June 30, 2009 and 2008 and records the notes at cost. The Fund purchased these securities in accordance with the Forward Delivery Agreements (see Note 4).

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements (cont.)—GASB Statement No. 31 (GASB No. 31) states that investments in participating interest-earning investment contracts must be reported at fair value. The four forward delivery agreements with Wachovia Bank, NA ("Wachovia"); one forward delivery agreement with Westdeutsche Landesbank Girozentral ("WestLB"); and two forward delivery agreements with JP Morgan Chase Bank ("JP Morgan") described in Note 4 would be considered participating investment contracts under GASB No. 31. Management has accounted for the agreements as investments in short-term U.S. treasury notes, at cost, rather than as investment contracts at fair value because management believes the difference between cost and fair value does not have a material impact on the financial statements. At June 30, 2009, the fair value of the Fund's interest in these three agreements was above the cost of the treasury securities owned by approximately $500,402. At June 30, 2008, the fair value was below the cost by $680,000.

Investments—Investments that are stated at fair value include the State of Wisconsin Investment Board Local Government Investment Pool (see Note 3) and the State of Wisconsin General Obligation Clean Water Bonds (see Note 8). The Fund has received fair value information for investments from external sources. Changes in the fair value of investments are included in investment income. All other investments are reported at cost. Accrued interest on investments is recorded as earned. To the extent interest income on investments exceeds applicable arbitrage limits specified in the internal Revenue Code; the amount that must be rebated ("estimated arbitrage") to the U.S. Treasury is recorded as a reduction of investment income (see Note 9). Investment transactions are recorded on the trade date.

Deferred Debt Expense—Issuance costs relating to the revenue obligation bonds are capitalized and are being amortized as a component of interest expense using the effective rate method.

Revenue Obligation Bonds—Interest expense on revenue obligation bonds is recognized on an accrual basis.

Debt Defeasance—Advance refundings of debt obligations that meet the criteria of GASB Statement No. 23 are recorded as an extinguishment of debt. The securities held in trust and the defeased obligations are not reported in the financial statements (see Note 7).

Deferred Charge—The Fund defers the difference between the reacquisition price and the net carrying amount of defeased debt and amortizes it as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized deferred charge related to debt defeasance is classified as a reduction of revenue obligation bonds.

Cash Equivalents—The Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Fund also considers as cash equivalents guaranteed investment contracts or repurchase agreements permitting withdrawals required by the bond resolution to meet insufficiencies in debt service payments. Repurchase agreements and guaranteed investment contracts are valued at cost because they are nonparticipating contracts due to the non-negotiability of these investments and because the amount of any withdrawals made do not consider market interest rates.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Cash Equivalents (cont.)—Cash and cash equivalents in the Direct Loan Portfolio and Leveraged Loan Portfolio, while classified as unrestricted assets under accounting principles generally accepted in the United States ("GAAP"), are restricted as to use under federal statute and code and under the Clean Water Revenue Bond covenants and indenture. Those federal restrictions require that, with few exceptions, the funds can only be used for purposes of making loans to municipalities for program purposes, and that the funds must be kept available "in perpetuity" for such purposes. Likewise, the Clean Water Revenue Bond indenture specifies the use of bond proceeds, proceeds from loan repayments, and money in other accounts created under the bond indenture.

Restricted Assets—Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements. The restricted assets will be used for retirement of related long-term debt in the event that sufficient resources are not otherwise available.

Net Assets—Net assets are classified as either restricted or unrestricted based on the presence or absence of restrictions, including federal laws, the Cleanwater Act of 1987, resolutions, state statutes, and Title XIV of the 1996 Safe Drinking Water Act, as amended.

Revenue Recognition—Loan interest and investment income are recognized as revenue when earned. Operating grants are recognized as revenue in the period the related expenditure occurs and include $33.7 million and $41.4 million of EPA contributions in 2009 and 2008, respectively.

Hardship Grants—Hardship grants are recognized as an expense when the funds are granted and disbursed.

Transfers In/(Out)—Transfers in consist of capital contributions from the State of Wisconsin and are recognized as the contributions are received. Transfers out consist of capital returned to the state's general fund.

Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – FINANCIAL ASSISTANCE AGREEMENTS TO LOCAL GOVERNMENTS

Loans to local governments at June 30, 2009 and 2008 represent loans for wastewater treatment projects or drinking water projects and are for terms of up to 20 years. These loans are made at a variety of prescribed interest rates based on project type categories. In order to effectuate statutory policy, virtually all of the loans issued by the Clean Water Fund Program, Safe Drinking Water Loan Program and Land Recycling Loan Program are at interest rates that are below the State's cost of borrowing. The net losses that can result from this negative interest margin are funded by State transfers. Interest rates on loans receivable ranged from 5.8% to 0% in both 2009 and 2008. The weighted average interest rate was 2.646% and 2.689% at June 30, 2009 and 2008, respectively. The loans contractually are revenue obligations or general obligations of the local governments, or both. Additionally, various statutory provisions exist which provide further security for payment.

NOTE 2 – FINANCIAL ASSISTANCE AGREEMENTS TO LOCAL GOVERNMENTS (cont.)

In the event of a default, the State can intercept State aid payments due to the applicable local government, induce an additional charge to the amount of property taxes levied by the county in which the applicable local government is located, or both. Accordingly, no reserve for loan loss is deemed necessary. At June 30, 2009, all loans were performing in accordance with the contractual terms.

Of the loans outstanding at June 30, 2009 and 2008, $587,229,669 and $543,910,827 (33% and 32%), respectively, were loans due from the Milwaukee Metropolitan Sewerage District.

The Clean Water Fund Program, Safe Drinking Water Loan Program, and Land Recycling Loan Program entered into $248,817,007 of new loans and $2,762,550 of new grants during fiscal year 2009. As of June 30, 2009, they had undisbursed commitments of $240,209,098 relating to loans and $482,467 relating to grants. From July 1, 2009 to September 14, 2009, the Fund made additional loan disbursements of $16,236,209 for financial assistance agreements that were outstanding prior to June 30, 2009. $1,818,482 of additional loans were executed between July 1, 2009 and September 14, 2009. These funding commitments are generally met through the proceeds from additional Federal grants, recycled loan payments, and from the issuance of additional revenue obligation bonds (Note 6).

NOTE 3 – CASH AND CASH EQUIVALENTS

As of June 30, 2009 and 2008, cash and cash equivalents consisted of the following:

	2009	2008
Cash held by Trustee	$ 2,183,992	$ -
State of Wisconsin Investment Board ("SWIB") Local Government Investment Pool ("LGIP"), at fair value	283,186,836	267,341,586
Investments reported at cost:		
MBIA Guaranteed Investment Agreement	-	6,250,292
Repurchase Agreement with Bayerische Landesbank	7,597,910	7,597,910
American International Group Matched Funding Corp. ("AIG") Guaranteed Investment Agreement	21,842,081	21,842,081
Miscellaneous cash	46	266
	314,810,865	303,032,135
Less: Amounts classified as restricted assets (see Note 6)	(99,384,996)	(92,102,609)
Total Unrestricted Cash and Cash Equivalents	$ 215,425,869	$ 210,929,526

NOTE 3 – CASH AND CASH EQUIVALENTS (cont.)

The LGIP is an investment fund managed by SWIB that accepts investment deposits from over 1,000 municipalities and other public entities in the State of Wisconsin. The objectives of the LGIP are to provide safety of principal, liquidity, and a reasonable rate of return. The LGIP was insured as to credit risk under a surety bond issued by Financial Security Assurance, Inc. This coverage expired on February 15, 2009. The LGIP functions in a manner similar to a money market fund in that the yield earned changes daily and participants may invest or withdraw any or all amounts on a daily basis at par value. The LGIP is strategically managed with a longer average life than a money market fund. The LGIP is not a Securities and Exchange Commission ("SEC") registered investment, but is regulated by Wisconsin Statutes 25.14 and 25.17. At June 30, 2009, the current yield on the LGIP was 0.39%, compared to 2.23% as of June 30, 2008. The LGIP investment is stated at fair value.

The investment with MBIA Investment Management Corporation was sold during the fiscal year. This investment was secured by a financial guarantee insurance policy issued by the MBIA Insurance Corporation. No market value was available at June 30, 2008 for MBIA. The investment with AIG is secured by a financial guarantee insurance policy issued by the parent of AIG, American International Group. At June 30, 2009 and 2008, the agreement had a market value of $24,875,732 and $24,712,152, respectively, and was accruing interest at the rate of 8.1%.

The repurchase agreement with Bayerische Landesbank is collateralized by U.S. Treasury notes, bonds and debentures. At June 30, 2009 and 2008, the repurchase agreement had a market value of $8,983,558 and $8,710,232, respectively. The collateral is held by Wells Fargo Bank pursuant to a custody agreement. The repurchase agreement contains a fixed yield of 6.5%. The repurchase agreement and the AIG investment agreement both provide for liquidation of investments at par if and when required by the terms of the Clean Water Revenue Bond General Resolution.

As of June 30, 2009	Amount	Exposure to Custodial Credit Risk	Credit Risk	Interest Rate Risk	Interest Rate Highly Sensitive	Foreign Currency Rate	% of Portfolio
Cash held by trustee	$ 2,183,992	$0	N/A	N/A	N/A	N/A	0.4%
LGIP	283,186,836	N/A	Not rated	80 days weighted average maturity	N/A	N/A	55.4
Repo BL (vs. veterans affairs)	7,597,910	$0	Not rated	6-15-28 final maturity	N/A	N/A	1.5
AIG-GIC	21,842,081	N/A	A-	6-1-11 final maturity	N/A	N/A	4.2
Treasury notes – Forward delivery	46,100,206	$0	N/A	See Note 4	N/A	N/A	9.0
GO Bonds-WI	150,050,361	$0	Aa3	5-1-24 final maturity	N/A	N/A	29.5
Miscellaneous cash	46	N/A	N/A	N/A	N/A	N/A	0.0

NOTE 3 – CASH AND CASH EQUIVALENTS (cont.)

As of June 30, 2008	Amount	Exposure to Custodial Credit Risk	Credit Risk	Interest Rate Risk	Interest Rate Highly Sensitive	Foreign Currency Rate	% of Portfolio
LGIP	$ 267,341,586	N/A	Not rated	51 days weighted average maturity	N/A	N/A	54%
MBIA-GIC	6,250,292	N/A	A2	6-1-13 final maturity	N/A	N/A	1
Repo BL (vs. veterans affairs)	7,597,910	$0	Not rated	6-15-28 final maturity	N/A	N/A	1
AIG-GIC	21,842,081	N/A	A2	6-1-11 final maturity	N/A	N/A	4
Treasury notes – Forward delivery	47,734,249	$0	N/A	See Note 4	N/A	N/A	10
GO Bonds-WI	147,407,901	$0	Aa3	5-1-24 final maturity	N/A	N/A	30
Miscellaneous cash	266	N/A	N/A	N/A	N/A	N/A	0

The EIF does not have an investment policy for custodial credit risk, credit risk, interest rate risk, or concentration of credit risk.

Restricted assets of $99,384,996 and $92,102,609 at June 30, 2009 and 2008, respectively, represent amounts legally restricted by the Clean Water Revenue Bonds. The amounts restricted are the product of the average annual debt service of the outstanding, disbursed loans times a factor of 120%.

NOTE 4 – FORWARD DELIVERY AGREEMENTS

The Fund has entered into seven agreements for the future delivery and purchase of securities to be held as investments of the loan credit reserve fund of the Revenue Obligation Bonds (see Note 6). Four of the agreements are with Wachovia, one is with WestLB, and two are with JP Morgan and each provides for the delivery to, and purchase by, the Fund, of securities with a maturity value equal to the purchase price plus earnings calculated at the rate of the agreements. The agreements were entered into in conjunction with the 1993 Series 1, 1997 Series 1, 1998 Series 1, 1999 Series 1, 2006 Series 1, and 2006 Series 2, and 2008 Series 1 Revenue Obligation Bonds.

NOTE 4 – FORWARD DELIVERY AGREEMENTS (cont.)

Every six months during the term of the agreements, Wachovia, WestLB, and JP Morgan are required to deliver United States Treasury securities ("Treasury securities") to the Fund for purchase. The Treasury securities are held as investments by the Fund. The price paid by the Fund for the Treasury securities is determined under the contract. That price is that which results in the predetermined annual earnings rate computed on the notional amount, taking into account the coupon interest on the delivered Treasury securities. The redemption value of the securities purchased for investment must equal at least the purchase price of the securities plus earnings calculated by multiplying the notional amount times the annual earnings rate as calculated for the term until the next bond payment date. The Wachovia agreements may be terminated at the option of the Fund and a payment between the parties will be made to compensate for the difference in present value of the earnings expected under each agreement and the earnings available on similar agreements at the time of the termination. Management has asserted that it does not anticipate terminating the agreements at a time when a payment would be required from the Fund to Wachovia. If the agreements were terminated at a time when a payment would be due to Wachovia, management has also asserted that it would be able to enter into similar agreements that would have consistent present values as the agreements are valued in relation to prevailing Treasury security rates. In addition, if the agreements are terminated in whole or in part due to the need to use funds at the maturity date for making a debt service payment on the bonds, then there is not a compensating payment made between the parties.

The agreement with WestLB was amended effective December 10, 2002 to modify the termination provision. Other than a default by any of the parties to the agreement, the agreement may only be terminated on the last scheduled bond payment date for the 1993 Series 1 bonds which is June 1, 2013.

By GASB definition, these securities are classified as having no exposure to custodial credit risk. The par values, coupon rates, the cost and rate at which the Treasury Notes accrue interest in accordance with the Forward Delivery Agreements at June 30, 2009, are as follows:

	Par Value of Treasuries	Coupon Rate of Treasuries	Cost of Treasuries	Agreement Interest Rate	Agreement Maturity Date	Agreement Market Value
Series 1997-1 Agreement	$ 7,187,200	4.625%	$ 6,992,051	5.58%	June 1, 2017	$ 7,179,021
Series 1998-1 Agreement	7,475,800	4.625	7,292,805	5.01	June 1, 2018	7,467,093
Series 1993-1 Agreement*	2,183,992	N/A	2,183,992	5.22	June 1, 2013	-
Series 1999-1 Agreement	7,137,500	4.625	6,918,863	6.32	June 1, 2020	7,129,378
Series 2006-1 Agreement	6,467,000	6.250	6,421,561	4.56	June 1, 2027	6,543,552
Series 2006-2 Agreement	8,067,000	4.625	7,999,327	4.84	June 1, 2027	8,162,492
Series 2008-1 Agreement	10,130,600	4.625	9,927,334	4.10	June 1, 2028	10,119,072

* The $2,183,992 reported for the Series 1993-1 Agreement was held by the Environmental Improvement Fund's custodian as a pending transaction at June 30, 2009.

NOTE 4 – FORWARD DELIVERY AGREEMENTS (cont.)

The par values, coupon rates, the cost and rate at which the Treasury Notes accrue interest in accordance with the Forward Delivery Agreements at June 30, 2008, are as follows:

	Par Value of Treasuries	Coupon Rate of Treasuries	Cost of Treasuries	Agreement Interest Rate	Agreement Maturity Date	Agreement Market Value
Series 1997-1 Agreement	$ 7,024,000	4.625%	$ 6,991,281	5.58%	June 1, 2017	$ 7,103,296
Series 1998-1 Agreement	7,306,000	4.625	7,292,156	5.01	June 1, 2018	7,388,479
Series 1993-1 Agreement	2,241,000	N/A	2,183,992	5.22	June 1, 2013	2,221,900
Series 1999-1 Agreement	6,976,000	4.625	6,918,683	6.32	June 1, 2020	7,054,754
Series 2006-1 Agreement	6,420,000	6.250	6,421,977	4.56	June 1, 2027	6,535,539
Series 2006-2 Agreement	8,008,000	4.625	7,999,465	4.84	June 1, 2027	8,098,404
Series 2008-1 Agreement	9,901,000	4.625	9,926,695	4.10	June 1, 2028	10,012,775

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfunds resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Direct Loan Portfolio	Proprietary Portfolio	$ 2,451,195	State Match
Proprietary Portfolio	Debt Service Fund	4,940,000	Debt Service and Good Faith Deposit
Leveraged Loan Portfolio	Capital Improvement	17,700,000	Future Debt Service
Safe Drinking Water Loan Program	Capital Improvement	1,585,238	State Match
Bond Security and Redemption	Direct Loan Portfolio	6,000,000	G.O. Bond Debt Service
Debt Service Fund	Proprietary Portfolio	88,830	Personal Services
Safe Drinking Water Loan Program	Proprietary Portfolio	3,140,000	Debt Service
Subtotal		35,905,263	
Less: Fund eliminations		(20,908,855)	
Total Transfers – Statements of Revenues, Expenses and Changes in Net Assets		$ 14,996,408	

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS

REVENUE OBLIGATION BONDS

Revenue bonds are payable only from revenues derived from the operation of the loan programs.

Revenue bonds activity as of June 30, 2009 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 773,825,000	$ 92,210,000	$ 60,730,000	$ 805,305,000	$ 66,865,000
Add/(subtract) deferred amounts for:					
Refundings-gains/(losses)	(8,824,043)	-	(1,774,719)	(7,049,324)	-
Premiums/discounts	32,978,159	2,764,120	4,729,163	31,013,116	-
Totals	$ 797,979,116	$ 94,974,120	$ 63,684,444	$ 829,268,792	$ 66,865,000

Revenue bonds activity as of June 30, 2008 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Revenue bonds	$ 729,575,000	$ 127,335,000	$ 83,085,000*	$ 773,825,000
Add/(subtract) deferred amounts for:				
Refundings-gains/(losses)	(9,476,590)	(1,353,537)	(2,006,084)	(8,824,043)
Premiums/discounts	26,082,666	11,105,413	4,209,920	32,978,159
Totals	$ 746,181,076	$ 137,086,876	$ 85,288,836	$ 797,979,116

* Includes $29,275,000 of refunded bonds.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

Revenue obligation serial and term bonds as of June 30, 2009 and 2008 consisted of the following:

	2009	2008
1991 Series 1:		
Term Bonds, mandatory redemption of bonds at 100% of par, June 1, 2009 through June 1, 2011	$ 39,555,000	$ 57,445,000
Unamortized discount on bonds	(29,540)	(57,850)
	39,525,460	57,387,150
1998 Series 2:		
Serial Bonds, no optional redemption, June 1, 2017	79,450,000	90,400,000
Unamortized premium on bonds	1,929,975	2,521,022
	81,379,975	92,921,022
1999 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2009	-	3,535,000
Unamortized premium on bonds	-	4,623
	-	3,539,623
2001 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2011	21,385,000	24,390,000
Unamortized discount on bonds	(156,542)	(150,948)
	21,228,458	24,239,052
2002 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2012	51,955,000	55,720,000
Unamortized discount on bonds	(176,706)	(100,272)
	51,778,294	55,619,728
2002 Series 2:		
Serial Bonds, no optional redemption, June 1, 2016	39,745,000	44,345,000
Unamortized premium on bonds	1,407,012	1,775,804
	41,152,012	46,120,804
2004 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2014	85,150,000	89,075,000
Unamortized premium on bonds	2,370,394	2,840,455
	87,520,394	91,915,455

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

	2009	2008
2004 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2015	$ 102,675,000	$ 107,025,000
Unamortized premium on bonds	6,308,625	7,528,503
	108,983,625	114,553,503
2006 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2016	75,040,000	77,580,000
Unamortized premium on bonds	3,920,371	4,246,961
	78,960,371	81,826,961
2006 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2015	93,800,000	96,975,000
Unamortized premium on bonds	3,250,748	3,657,143
	97,050,748	100,632,143
2008 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	97,005,000	100,000,000
Unamortized premium on bonds	6,682,779	7,435,903
	103,687,779	107,435,903
2008 Series 2:		
Serial Bonds, no optional redemption, June 1, 2018	27,335,000	27,335,000
Unamortized premium on bonds	2,963,044	3,276,815
	30,298,044	30,611,815
2008 Series 3:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	92,210,000	-
Unamortized premium on bonds	2,542,956	-
	94,752,956	-
Total of All Series	836,318,116	806,803,159
Unamortized deferred charge related to debt defeasance (Note 7)	(7,049,324)	(8,824,043)
Revenue Obligation Bonds, Net of Deferred Charge	$ 829,268,792	$ 797,979,116

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

The original issue discount or premium at issuance and the interest rates at June 30, 2009, on the following bond series were:

Series	Original Issue Discount/ (Premium)	Interest Rates
1991 Series 1	$ 1,366,407	6.875%
1998 Series 2	(7,739,808)	4.00 – 5.50%
2001 Series 1	(1,022,362)	4.50 – 5.25%
2002 Series 1	(2,426,001)	4.00 – 5.25%
2002 Series 2	(7,344,000)	3.00 – 5.50%
2004 Series 1	(6,632,300)	4.00 – 5.00%
2004 Series 2	(11,408,668)	3.25 – 5.25%
2006 Series 1	(4,951,135)	3.50 – 5.00%
2006 Series 2	(4,359,628)	4.00 – 5.00%
2008 Series 1	(7,712,015)	4.00 – 5.00%
2008 Series 2	(3,393,398)	5.00%
2008 Series 3	(2,764,120)	3.00 – 5.50%

Principal maturities of the bonds, net of advance refundings, as of June 30, 2009, are as follows:

Years Ending June 30,	Principal	Interest	Totals
2010	$ 66,865,000	$ 40,676,666	$ 107,541,666
2011	70,690,000	37,109,691	107,799,691
2012	50,710,000	33,369,935	84,079,935
2013	51,490,000	30,838,923	82,328,923
2014	48,295,000	28,299,248	76,594,248
2015-2019	244,745,000	104,036,250	348,781,250
2020-2024	191,490,000	47,656,145	239,146,145
2025-2028	81,020,000	8,547,900	89,567,900
Totals	$ 805,305,000	$ 330,534,758	$ 1,135,839,758

The revenue obligation bonds are collateralized by a security interest in all assets of the Leveraged Loan Portfolio. At June 30, 2009 and 2008, the total assets of the Leveraged Loan Portfolio were $1,046,763,780 and $1,000,181,932, respectively. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the revenue obligation bonds. However, as the loans granted to the municipalities are at an interest rate which is less than the Revenue Bond rate, the State is obligated by the Clean Water Fund General Resolution to fund, prior to each loan disbursement, a reserve, which subsidizes the Leveraged Loan Portfolio in an amount to offset this interest rate disparity.

Revenue obligation bonds are payable only from revenues derived from 1) pledged loan repayments, 2) amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, and 3) all other pledged receipts.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

The Environmental Improvement Fund has pledged future loan revenues, net of specified operating expenses, to repay $805 million in revenue bonds issued between 1991-2008. Proceeds from the bonds provided financing for loans to municipalities to construct or improve water and wastewater projects. The bonds are payable solely from loan revenues and are payable through 2028. Annual principal and interest payments on the bonds are expected to require 45% of revenues. The total principal and interest remaining to be paid on the bonds is $1,135,839,758. Principal and interest paid for the current year and total net revenues were $100 million and $104 million, respectively.

RESTRICTED ASSETS

Among other restrictions under the revenue obligation bond agreements are provisions that require that a specified amount of cash and investments be held by an independent trustee in a reserve account for the purpose of paying bond interest and principal when due. The restricted assets on the statement of net assets consist of substantially all of the AIG, Bayerische Landesbank investments (Note 3) and $20.3 million of the LGIP balance held as a credit reserve. These amounts are required in order to satisfy the conditions of certain agreements related to maintaining the minimum credit ratings on the bonds.

NOTE 7 – ADVANCE REFUNDING

In 1998, the Fund defeased a portion of its 1991 Series 1, 1993 Series 1, 1995 Series 1 and 1997 Series 1 bonds through the issuance of $104,360,000 of 1998 Series 2 Refunding Bonds. The proceeds from the 1998 Series 2 Refunding Bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Fund's financial statements. At June 30, 2009, and 2008, there was $80,895,000 and $91,985,000, respectively, of the defeased bonds outstanding that will be serviced by the irrevocable trust's remaining funds.

In 2002, the Fund defeased a portion of its 1993 Series 1, 1995 Series 1, 1997 Series 1, 1998 Series 1, and 1999 Series 1 bonds through the issuance of $85,575,000 of 2002 Series 2 Refunding Bonds. The proceeds from the 2002 Series 2 Refunding Bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Fund's financial statements. At June 30, 2009 and 2008, there was $42,910,000 and $47,195,000, respectively, of the defeased bonds outstanding that will be serviced by the irrevocable trust's remaining funds.

In 2005, the Fund defeased a portion of its 1998 Series 1, 1999 Series 1, 2001 Series 1, and 2002 Series 1 bonds through the issuance of $107,025,000 of 2004 Series 2 Refunding Bonds. The proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Fund's financial statements. At June 30, 2009, and 2008, there was $104,785,000 and $109,185,000, respectively, of the defeased bonds outstanding that will be served by the irrevocable trust's remaining funds.

NOTE 7 – ADVANCE REFUNDING (cont.)

In 2008, the Fund defeased a portion of its 1998 Series 1 and 2001 Series 1 bonds through the issuance of $27,335,000 of 2008 Series 2 Refunding Bonds. The proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and liability for the defeased bonds are not included in the Fund's financial statements. At June 30, 2009 and 2008, there was $28,100,000 of the defeased bonds outstanding that will be serviced by the irrevocable trust's remaining funds.

The cash flow requirements on the refunded bonds and notes prior to the 2008 advance refunding was $42,551,174 from 2008 through 2018. The cash flow requirements on the 2008 refunding bonds are $40,344,072 from 2008 through 2018. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $2,006,797.

NOTE 8 – GLOBAL CERTIFICATES

In April 2004, all of the State of Wisconsin General Obligation Bonds previously owned by the Fund were exchanged for $116,840,689 (par value) of State of Wisconsin General Obligation Bond, Clean Water Fund Program ("Global Certificate"). The estimated market value and weighted average coupon interest rate of the Global Certificate at June 30, 2009 and 2008 is $91,628,652 and 0.57% and $101,986,724 and 2.76%, respectively. The Bonds are registered in the name of the Fund and held by an independent trustee.

In February 2007, two additional State of Wisconsin General Obligation Bonds were issued for the Clean Water Fund Program ("Global Certificate") for $13,148,554 and $6,851,446 (par value). The estimated market value and weighted average coupon interest rates of the Global Certificates at June 30, 2009 were $14,406,896 and 5.43% and $4,789,556 and 5.76%, respectively. The estimated market value and weighted average coupon interest rates of the Global Certificates at June 30, 2008 were $13,536,034 and 5.43% and $4,564,876 and 5.76%, respectively. The Bonds are registered in the name of the Fund and held by an independent trustee.

In June 2008, one State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program ("Global Certificate") for $16,600,000 (par value). The estimated market value and weighted average coupon interest rate of the Global Certificate at June 30, 2009 and 2008 is $19,395,018 and 6.16% and $17,020,266 and 6.16%, respectively. The bonds are registered in the name of the fund and held by an independent trustee.

In January 2009, one State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program ("Global Certificate") for $17,700,000 (par value). The estimated market value and weighted average coupon interest rate of the Global Certificate at June 30, 2009 was $19,830,240 and 5.78%, respectively. The bond is registered in the name of the Fund and held by an independent trustee.

NOTE 8 – GLOBAL CERTIFICATES (cont.)

Principal maturities of the Global Certificates as of June 30 are as follows:

Years Ending June 30,	2009	2008
2010	$ 14,954,450	$ 14,954,450
2011	19,190,325	19,190,325
2012	7,746,829	7,746,829
2013	9,662,930	9,662,930
2014	5,885,021	5,885,021
2015-2019	46,026,710	37,726,710
2020-2024	39,748,906	33,148,906
2025-2028	27,628,259	24,828,259
Totals	$ 170,843,430	$ 153,143,430

NOTE 9 – INVESTMENT INCOME

Investment income is recorded net of estimated required arbitrage relating to outstanding State of Wisconsin Clean Water Revenue Bonds and consisted of the following for the fiscal years ended June 30, 2009 and 2008:

	2009	2008
Interest		
State of Wisconsin Investment Board Local Government Investment Pool	$ 3,362,798	$ 10,180,534
MBIA Guaranteed Investment Agreement	2,153	387,518
Repurchase Agreement with Bayerishe Landesbank	493,864	493,864
AIG Guaranteed Investment Agreement	1,769,209	1,769,209
United States Treasury Notes	2,375,864	2,110,678
State of Wisconsin General Obligation Bonds	20,511,736	19,192,074
Total Interest	28,515,624	34,133,877
Changes in Realized and Unrealized Gains (Losses)		
United States Treasury Notes	209,129	33,873
State of Wisconsin General Obligation Bonds	(4,460,281)	(11,010,290)
Total Changes in Unrealized Gains (Losses)	(4,251,152)	(10,976,417)
Total Interest and Changes in Unrealized Gains (Losses)	24,264,472	23,157,460
Change in Estimated Rebatable Arbitrage Liability	(541,387)	(1,948,851)
TOTAL INVESTMENT INCOME	$ 23,723,085	$ 21,208,609

NOTE 10 – OPERATING GRANTS AND HARDSHIP GRANTS

EPA Operating Grants for Wastewater Projects—The Federal Water Quality Act of 1987 (the "Water Quality Act") established a joint Federal and state program with the EPA to assist in providing financial assistance to municipalities within the states for governmentally owned wastewater treatment projects. Under the terms of the EPA grant, the State was required (1) to establish the Clean Water Fund Program, a perpetual state revolving fund into which the grant monies must be deposited, (2) to provide State matching funds equal to 20% of the grant and (3) to use the monies to provide financial assistance to municipalities for governmental owned wastewater treatment projects in a number of ways, provided that such assistance is not in the form of a grant. Reauthorization of the Water Quality Act of 1987 is expected to result in the allocation of capitalization grant to Wisconsin of approximately $18.4 million for federal fiscal year 2009. Four percent of the EPA grant amount may be used for wastewater program administrative expenses. Authorization levels for years after 2009 are unknown at this time.

EPA Operating Grants for Drinking Water Projects—The Federal Safe Drinking Water Act Amendment of 1996 (the "Safe Drinking Water Act") established a joint Federal and State program with the EPA to assist in providing financial assistance to municipal and community water system projects. Under the terms of the EPA grant, the State was required (1) to establish the Safe Drinking Water Loan Program, a perpetual state revolving fund into which the grant monies must be deposited, (2) to provide State matching funds equal to 20% of the grant and (3) to use the monies to provide financial assistance to municipal and community water system projects. The Safe Drinking Water Act was authorized through federal fiscal year 2009 and a grant to Wisconsin of approximately $15.8 million is expected for federal fiscal year 2009.

Reauthorization of the Safe Drinking Water Act may not be acted upon by the present Congress of the United States, although the Fund expects EPA capitalization grants to states to continue into the future. Four percent of the EPA grant amount may be used for water program administrative expenses plus a portion of the grant may be used by DNR for various water-related issues and initiatives.

Hardship Grants—Wisconsin statutes require that the Fund provide financial hardship assistance for wastewater projects to communities that qualify under Wisconsin Statute 281.58(13). This assistance may come in the form of reduced interest rates (as low as 0%) or grants subject to limitations prescribed by the statute. In 2009 and 2008, the Fund expended hardship grants of $2,755,240 and $887,491, respectively. At June 30, 2009 and 2008, the Fund was committed to award $482,467 and $475,157, respectively, of additional hardship grants. At June 30, 2009, the Fund had projected $155,541,252 of additional hardship grants. No additional hardship grants were projected as of June 30, 2008.

SUPPLEMENTAL INFORMATION

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF NET ASSETS
BY PROGRAM
June 30, 2009

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
ASSETS			
Current Assets			
Unrestricted cash and cash equivalents	$ 116,126,526	$ 16,523,015	$ 18,659,638
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost	-	-	45,551,942
Receivables			
Loans to local governments - current portion	71,968,121	1,556,850	61,960,376
Due from other funds	-	2,249,505	-
Due from other governmental entities	4,366,500	50,423	3,188,910
Accrued investment income	-	-	378,957
Other	-	-	-
Prepaid items	-	5,004	16,886
Total Current Assets	192,461,147	20,384,797	129,756,709
Noncurrent Assets			
Restricted assets - cash equivalents	-	-	99,384,996
Investments - State of Wisconsin general obligation clean water bonds, at fair value	-	-	160,350,361
Loans to local governments	789,779,195	10,940,185	653,830,211
Prepaid items	-	-	235,010
Deferred debt expense	-	-	3,206,493
Total Noncurrent Assets	789,779,195	10,940,185	917,007,071
TOTAL ASSETS	$ 982,240,342	$ 31,324,982	$ 1,046,763,780

Safe Drinking Water Loan Program	Eliminations	Totals
$ 64,116,690	$ -	$ 215,425,869
-	-	45,551,942
12,489,932	-	147,975,279
-	(2,234,022)	15,483
999,921	-	8,605,754
-	-	378,957
548,264	-	548,264
-	-	21,890
78,154,807	(2,234,022)	418,523,438
-	-	99,384,996
-	-	160,350,361
191,348,116	-	1,645,897,707
-	-	235,010
-	-	3,206,493
191,348,116	-	1,909,074,567
$ 269,502,923	$ (2,234,022)	$ 2,327,598,005

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF NET ASSETS
BY PROGRAM
June 30, 2009

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accrued expenses	$ 13,787	$ 62,771	$ -
Accrued interest on bonds	-	-	3,388,958
Due to other funds	85,956	1,212,074	2,234,022
Due to other governmental entities	-	-	-
Revenue obligation bonds - current maturities	-	-	66,865,000
Total Current Liabilities	99,743	1,274,845	72,487,980
Noncurrent Liabilities			
Revenue obligation bonds, net (including deferred charge)	-	-	762,403,792
Due to other governmental entities	-	-	958,840
Accrued expenses	-	76,188	-
Total Noncurrent Liabilities	-	76,188	763,362,632
Total Liabilities	99,743	1,351,033	835,850,612
Net Assets			
Restricted for environmental improvement	982,140,599	6,569,621	210,913,168
Unrestricted	-	23,404,328	-
Total Net Assets	982,140,599	29,973,949	210,913,168
TOTAL LIABILITIES AND NET ASSETS	$ 982,240,342	$ 31,324,982	$ 1,046,763,780

Safe Drinking Water Loan Program	Eliminations	Totals
$ 72,257	$ -	$ 148,815
-	-	3,388,958
28,327	(2,234,022)	1,326,357
145,852	-	145,852
-	-	66,865,000
246,436	(2,234,022)	71,874,982
-	-	762,403,792
-	-	958,840
-	-	76,188
-	-	763,438,820
246,436	(2,234,022)	835,313,802
269,256,487	-	1,468,879,875
-	-	23,404,328
269,256,487	-	1,492,284,203
$ 269,502,923	$ (2,234,022)	$ 2,327,598,005

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BY PROGRAM
For the Year Ended June 30, 2009

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
OPERATING REVENUES			
Loan interest	$ 23,367,419	$ 336,487	$ -
Interest income used as security for revenue bonds	-	50,136	19,900,034
Total Operating Revenues	23,367,419	386,623	19,900,034
OPERATING EXPENSES			
Interest	-	-	39,281,867
Salaries and benefits	885,819	448,168	1,792,671
Contractual services and other	26,738	110,338	553,031
Total Operating Expenses	912,557	558,506	41,627,569
Operating Income (Loss)	22,454,862	(171,883)	(21,727,535)
NONOPERATING REVENUES (EXPENSES)			
Investment income	1,159,618	227,532	-
Investment income used as security for revenue bonds	-	-	21,525,827
Operating grants	12,171,552	-	-
Hardship grants awarded	-	(2,924,786)	-
Total Nonoperating Revenues (Expenses), Net	13,331,170	(2,697,254)	21,525,827
INCOME (LOSS) BEFORE TRANSFERS	35,786,032	(2,869,137)	(201,708)
Transfers in/(out)	(3,548,805)	(740,025)	17,700,000
Increase in Net Assets	32,237,227	(3,609,162)	17,498,292
TOTAL NET ASSETS - Beginning of Year	949,903,372	33,583,111	193,414,876
TOTAL NET ASSETS - END OF YEAR	$ 982,140,599	$ 29,973,949	$ 210,913,168

Safe Drinking Water Loan Program	Totals
$ 4,678,153	$ 28,382,059
-	19,950,170
4,678,153	48,332,229
-	39,281,867
1,221,468	4,348,126
1,240,714	1,930,821
2,462,182	45,560,814
2,215,971	2,771,415
810,108	2,197,258
-	21,525,827
21,503,366	33,674,918
-	(2,924,786)
22,313,474	54,473,217
24,529,445	57,244,632
1,585,238	14,996,408
26,114,683	72,241,040
243,141,804	1,420,043,163
$ 269,256,487	$ 1,492,284,203

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF CASH FLOWS
BY PROGRAM
For the Year Ended June 30, 2009

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES			
Payments to employees for services	$ (880,912)	$ (197,121)	$ (2,013,673)
Payments to suppliers and other	(26,738)	(214,976)	(1,299,632)
Other operating revenues	-	50,136	-
Net Cash Flows From (Used by) Operating Activities	(907,650)	(361,961)	(3,313,305)
CASH FLOWS FROM (USED BY) NONCAPITAL FINANCING ACTIVITIES			
Operating grants received	12,182,705	-	-
Grants paid	-	(2,924,786)	-
Transfers in (out)	(3,548,805)	(740,025)	17,700,000
Proceeds from issuance of long-term debt	-	-	94,974,120
Retirement of long-term debt	-	-	(60,730,000)
Interest payments	-	-	(43,414,625)
Net Cash Flows From (Used by) Noncapital Financing Activities	8,633,900	(3,664,811)	8,529,495
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES			
Origination of loans	(80,312,134)	-	(98,041,261)
Collection on loans	64,036,343	1,634,577	59,780,187
Interest received on loans	1,159,617	227,532	25,759,121
Purchase of investments	-	-	(142,119,211)
Liquidation of investments	-	-	126,898,777
Investment and interest income	23,181,401	342,186	19,681,009
Net Cash Flows From (Used by) Investing Activities	8,065,227	2,204,295	(8,041,378)
Net Increase (Decrease) in Cash and Cash Equivalents	15,791,477	(1,822,477)	(2,825,188)
CASH AND CASH EQUIVALENTS - Beginning of Year	100,335,049	18,345,492	120,869,822
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 116,126,526	$ 16,523,015	$ 118,044,634

Safe Drinking Water Loan Program	Totals
$ (1,286,465)	$ (4,378,171)
(1,113,569)	(2,654,915)
-	50,136
(2,400,034)	(6,982,950)
21,478,875	33,661,580
-	(2,924,786)
1,585,238	14,996,408
-	94,974,120
-	(60,730,000)
-	(43,414,625)
23,064,113	36,562,697
(36,861,487)	(215,214,882)
11,434,130	136,885,237
810,108	27,956,378
-	(142,119,211)
-	126,898,777
4,588,088	47,792,684
(20,029,161)	(17,801,017)
634,918	11,778,730
63,481,772	303,032,135
$ 64,116,690	$ 314,810,865

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND

STATEMENT OF CASH FLOWS
BY PROGRAM
For the Year Ended June 30, 2009

	Clean Water Fund Program		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	$ 22,454,862	$ (171,883)	$ (21,727,535)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Amortization	-	-	(2,680,235)
Interest income classified as investing activity	(23,367,420)	(336,486)	(19,900,036)
Interest expense classified as noncapital financing activity	-	-	44,117,401
Changes in assets and liabilities:			
Due from other funds	-	198,525	-
Other receivables	-	-	-
Prepaid items	-	(241)	16,887
Deferred debt expense	-	-	(791,997)
Accrued expenses	(6,585)	22,788	-
Accrued interest on bonds	-	-	(2,155,297)
Due to other funds	11,493	(74,664)	(192,493)
Due to other governmental entities	-	-	-
Total Adjustments	(23,362,512)	(190,078)	18,414,230
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (907,650)	$ (361,961)	$ (3,313,305)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS			
Unrestricted cash and cash equivalents - statement of net assets	$ 116,126,526	$ 16,523,015	$ 18,659,638
Restricted cash and cash equivalents - statement of net assets	-	-	99,384,996
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 116,126,526	$ 16,523,015	$ 118,044,634

NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES: NONE

Safe Drinking Water Loan Program	Totals
$ 2,215,971	$ 2,771,415
-	(2,680,235)
(4,678,153)	(48,282,095)
-	44,117,401
-	198,525
121,752	121,752
-	16,646
-	(791,997)
(18,575)	(2,372)
-	(2,155,297)
(43,393)	(299,057)
2,364	2,364
(4,616,005)	(9,754,365)
$ (2,400,034)	$ (6,982,950)
$ 64,116,690	$ 215,425,869
-	99,384,996
$ 64,116,690	$ 314,810,865

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

OTHER INFORMATION (UNAUDITED)
Years Ended June 30, 2009 and 2008

In management's opinion, the Governmental Accounting Standards Board (GASB) does not require an MD&A for individual fund reports under GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Therefore, the State has not prepared an MD&A for the State of Wisconsin Environmental Improvement Fund. An MD&A is included in the Comprehensive Annual Financial Report for the State of Wisconsin, which includes all funds and component units.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Secretary of the Department of Administration
and the Secretary of the Department of
Natural Resources of the State of Wisconsin

We have audited the accompanying financial statements of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of June 30, 2009 and have issued our report thereon dated November 13, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the State of Wisconsin Environmental Improvement Fund's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the State of Wisconsin Environmental Improvement Fund's financial statements that is more than inconsequential will not be prevented or detected by the State of Wisconsin Environmental Improvement Fund's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the State of Wisconsin Environmental Improvement Fund's internal control.

To the Secretary of the Department of Administration
and the Secretary of the Department of
Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Wisconsin Environmental Improvement Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of the State of Wisconsin Environmental Improvement Fund in a separate letter dated November 13, 2009.

This report is intended solely for the information and use of the State of Wisconsin Environmental Improvement Fund management, others within the entity, federal agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Madison, Wisconsin
November 13, 2009

Baker Tilly Virchow Krause LLP

Leveraged Loan Portfolio

STATE OF WISCONSIN

LEVERAGED LOAN PORTFOLIO

FINANCIAL STATEMENTS
For the Year Ended June 1, 2009 and
Independent Auditors' Report

BAKER TILLY

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INDEPENDENT AUDITORS' REPORT

To the Secretary of the Department of Administration
and the Secretary of the Department of
Natural Resources of the State of Wisconsin

We have audited the accompanying financial statements of the Leveraged Loan Portfolio (an environmental financing program) of the State of Wisconsin Environmental Improvement Fund (an enterprise fund of the State of Wisconsin), as of June 1, 2009, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in 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. 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 provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Leveraged Loan Portfolio of the State of Wisconsin Environmental Improvement Fund and are not intended to present fairly the financial position of the State of Wisconsin, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Leveraged Loan Portfolio of the State of Wisconsin Environmental Improvement Fund as of June 1, 2009, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Leveraged Loan Portfolio of the State of Wisconsin Environmental Improvement Fund has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the financial statements.

The "Other Information" on page 53 is presented for informational purposes only and is not a required part of the financial statements of the Leveraged Loan Portfolio of the State of Wisconsin Environmental Improvement Fund. The information has not been audited by us, and, accordingly, we express no opinion on such information.

Madison, Wisconsin
November 13, 2009

Baker Tilly Virchow Krause LLP

an independent member of
BAKER TILLY
INTERNATIONAL

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF NET ASSETS
June 1, 2009

ASSETS	
Current Assets	
Unrestricted cash and cash equivalents	$ 21,852,308
United States Treasury Notes, purchased in connection with forward delivery agreements, at cost	45,550,606
Receivables	
Loans to local governments - current portion	61,835,177
Due from other governmental entities	1,621,480
Prepaid items	253,304
Total Current Assets	131,112,875
Noncurrent Assets	
Restricted assets - cash equivalents	99,127,487
Investments - State of Wisconsin general obligation clean water bonds, at fair value	160,361,034
Loans to local governments	650,993,593
Deferred debt expense	3,251,184
Total Noncurrent Assets	913,733,298
TOTAL ASSETS	$ 1,044,846,173
LIABILITIES AND NET ASSETS	
Current Liabilities	
Due to other funds	$ 2,047,854
Revenue obligation bonds - current maturities	66,865,000
Total Current Liabilities	68,912,854
Noncurrent Liabilities	
Due to other governmental entities	939,444
Revenue obligation bonds, net (including deferred charge)	762,723,269
Total Noncurrent Liabilities	763,662,713
Total Liabilities	832,575,567
Net Assets	
Restricted for environmental improvement	212,270,606
Total Net Assets	212,270,606
TOTAL LIABILITIES AND NET ASSETS	$ 1,044,846,173

See accompanying notes to financial statements.

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 1, 2009

OPERATING REVENUES	
Interest income used as security for revenue bonds	$ 19,792,379
Total Operating Revenues	19,792,379
OPERATING EXPENSES	
Interest	39,277,142
Salaries and benefits	1,811,088
Contractual services and other	568,702
Total Operating Expenses	41,656,932
Operating Loss	(21,864,553)
NONOPERATING REVENUES	
Investment income used as security for revenue bonds	22,553,293
Total Nonoperating Revenues, Net	22,553,293
INCOME (LOSS) BEFORE TRANSFERS	688,740
Transfers in	34,300,000
Increase in Net Assets	34,988,740
TOTAL NET ASSETS - Beginning of Year	177,281,866
TOTAL NET ASSETS - END OF YEAR	$ 212,270,606

See accompanying notes to financial statements.

STATE OF WISCONSIN
LEVERAGED LOAN PORTFOLIO

STATEMENT OF CASH FLOWS
For the Year Ended June 1, 2009

CASH FLOWS USED BY OPERATING ACTIVITIES	
Payments to employees for services	$ (2,013,673)
Payments to suppliers and other	(1,300,792)
Net Cash Flows Used by Operating Activities	(3,314,465)
CASH FLOWS USED BY NONCAPITAL FINANCING ACTIVITIES	
Transfers in	34,300,000
Proceeds from issuance of long-term debt	94,974,120
Retirement of long-term debt	(114,540,000)
Interest payments	(60,154,280)
Net Cash Flows Used by Noncapital Financing Activities	(45,420,160)
CASH FLOWS USED BY INVESTING ACTIVITIES	
Origination of loans	(125,959,764)
Collection on loans	59,781,234
Interest and dividends received	27,049,618
Purchase of investments	(160,903,203)
Liquidation of investments	126,899,923
Investment and interest income	19,681,009
Net Cash Flows Used by Investing Activities	(53,451,183)
Net Decrease in Cash and Cash Equivalents	(102,185,808)
CASH AND CASH EQUIVALENTS - Beginning of Year	223,165,603
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 120,979,795

RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATIONS	
Operating Loss	$ (21,864,553)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATION	
Amortization	1,116,883
Interest income classified as investing activity	(19,792,379)
Interest expense classified as noncapital financing activity	38,160,259
Changes in assets and liabilities:	
Prepaids	33,774
Deferred debt expense	(791,997)
Due to other funds	(176,452)
Total Adjustments	18,550,088
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (3,314,465)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS	
Unrestricted cash and cash equivalents - statement of net assets	$ 21,852,308
Restricted cash and cash equivalents - statement of net assets	99,127,487
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 120,979,795

See accompanying notes to financial statements.

STATE OF WISCONSIN LEVERAGED LOAN PORTFOLIO

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 1, 2009

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity—The Leveraged Loan Portfolio (the "Portfolio") is one of three portfolios of the Clean Water Fund Program, an environmental financing program of the State of Wisconsin Environmental Improvement Fund (the "Fund"). The Fund is an enterprise fund of the State of Wisconsin (the "State") administered by the State of Wisconsin Department of Natural Resources (the "DNR") and the State of Wisconsin Department of Administration (the "DOA").

The Portfolio is funded by proceeds of revenue obligation bonds and contributions from the State. Assets in the Portfolio are used for loans for Wisconsin municipal wastewater projects that meet applicable State eligibility and reporting requirements.

The Fund applies all applicable Governmental Accounting Standards Board ("GASB") pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Net Operating Loss—The Portfolio incurred an operating loss of $21.9 million in 2009. Management expects the Portfolio will generally incur net operating losses for the foreseeable future. As explained in Note 2, the losses result from the Portfolio's statutory mission to provide loans to municipalities at interest rates below the Portfolio's own cost of funds. The losses have historically been funded by transfers from the State. No transfers for the purpose were required in 2009. Management expects transfers will continue for the foreseeable future sufficient to fund both the future operating losses and, together with additional borrowing, to fund additional loans to municipalities.

Interest on Loans Receivable—Interest on loans receivable is recognized on an accrual basis and recorded within Due From Other Governmental Entities on the statement of net assets.

United States Treasury Notes, Purchased in Connection with Forward Delivery Agreements—The Portfolio holds United States Treasury Notes as investments at June 1, 2009 and records the notes at cost. The Portfolio purchased these securities in accordance with the Forward Delivery Agreements (see Note 4).

GASB Statement No. 31 (GASB No. 31) states that investments in participating interest-earning investment contracts must be reported at fair value. The four forward delivery agreements with Wachovia Bank, NA ("Wachovia"); and two forward delivery agreements with JP Morgan Chase Bank (JP Morgan) described in Note 4 would be considered participating investment contracts under GASB No. 31. Management has accounted for the agreements as investments in short-term U.S. treasury notes, at cost, rather than as investment contracts at fair value because management believes the difference between cost and fair value does not have a material impact on the financial statements. At June 1, 2009, the fair value of the Fund's interest in these agreements exceeded the cost of the treasury securities owned by approximately $1,072,230.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Investments—Investments that are stated at fair value include the State of Wisconsin Investment Board ("SWIB") Local Government Investment Pool ("LGIP") (see Note 3). The Portfolio has received fair value information for investments from external sources. Changes in the fair value of investments are included in investment income. All other investments are reported at cost. Accrued interest on investments is recorded as earned. To the extent interest income on investments exceeds applicable arbitrage limits specified in the Internal Revenue Code, the amount that must be rebated ("estimated arbitrage") to the U.S. Treasury is recorded as a reduction of investment income (see Note 9). Investment transactions are recorded on the trade date.

Restricted Assets—Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements. The restricted assets will be used for retirement of related long-term debt in the event that sufficient resources are not otherwise available.

Deferred Debt Expense—Issuance costs relating to the revenue obligation bonds were capitalized and are being amortized as a component of interest expense using the effective rate method.

Revenue Obligation Bonds—Interest expense on revenue obligation bonds is recognized on an accrual basis.

Debt Defeasance—Advance refundings of debt obligations that meet the criteria of GASB Statement No. 23 are recorded as an extinguishment of debt. The securities held in trust and the defeased obligations are not reported in the financial statements (see Note 7).

Deferred Charge—The Portfolio defers the difference between the reacquisition price and the net carrying amount of defeased debt and amortizes it as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized deferred charge related to debt defeasance is classified as a reduction of revenue obligation bonds.

Cash Equivalents—The Portfolio considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Portfolio also considers as cash equivalents guaranteed investment contracts or repurchase agreements permitting withdrawals required by the bond resolution to meet insufficiencies in debt service payments. Repurchase agreements and guaranteed investment contracts are valued at cost because they are nonparticipating contracts due to the non-negotiability of these investments and because the amount of any withdrawals made do not consider market interest rates.

Net Assets—Net assets are classified as either restricted or unrestricted based on the presence or absence of restrictions, including federal laws, the Clean Water Act of 1987, resolutions, state statutes, and Title XIV of the 1996 Safe Drinking Water Act, as amended.

Transfers In—Transfers in consist of capital contributions from the State of Wisconsin and are recognized as the contributions are received.

Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – FINANCIAL ASSISTANCE COMMITMENTS TO LOCAL GOVERNMENTS

Leveraged loans to local governments at June 1, 2009, represent loans for wastewater treatment projects and are for terms of up to 20 years. These loans are made at a variety of prescribed interest rates based on project type categories. In order to effectuate statutory policy, a majority of the loans issued by the Portfolio are at interest rates that are below the State's cost of borrowing. The net losses that can result from this negative interest margin are funded by State contributions. Interest rates on loans receivable ranged from 0% to 5.8% in 2009. The weighted average interest rate was 2.730% at June 1, 2009. The loans contractually are revenue obligations or general obligations of the local governments, or both. Additionally, various statutory provisions exist which provide further security for payment. In the event of a default, the State can intercept State aid payments due to the applicable local government, induce an additional charge to the amount of property taxes levied by the county in which the applicable local government is located, or both. Accordingly, no reserve for loan loss is deemed necessary.

Of the loans outstanding at June 1, 2009, $234,747,584 (33%) were loans due from the Milwaukee Metropolitan Sewerage District.

The Leverage Portfolio entered into $217,508,841 of new loans during the 12 month period ending June 1, 2009. As of June 1, 2009, the Portfolio had undisbursed loan commitments totaling $109,286,913. From June 1, 2009 to September 14, 2009, the Portfolio made additional loan disbursements of $10,437,205 for financial assistance agreements that were outstanding prior to June 1, 2009. $15,732,834 of additional leverage loans were executed between June 1, 2009 and September 14, 2009. These funding commitments are generally met through the proceeds from the issuance of additional Clean Water revenue bonds and investment earnings thereon (Note 6). Financial assistance in the form of grants is not provided in the Leverage Portfolio. The management of the EIF may elect to switch the target funding portfolio for a loan from Leverage to another loan portfolio based on various business or program needs.

NOTE 3 – CASH AND CASH EQUIVALENTS

As of June 1, 2009, cash and cash equivalents consisted of the following:

Local Government Investment Pool ("LGIP"), at fair value	$ 89,354,476
Cash held by trustee	2,183,992
Investments reported at cost:	
Repurchase Agreement with Bayerische Landesbank	7,597,910
American International Group Matched Funding Corp. (AIG) Guaranteed Investment Agreement	21,842,081
Miscellaneous cash	1,336
	120,979,795
Less: Amounts classified as restricted assets (see Note 6)	(99,127,487)
Total Unrestricted Cash and Cash Equivalents	$ 21,852,308

NOTE 3 – CASH AND CASH EQUIVALENTS (cont.)

The LGIP is an investment fund managed by SWIB that accepts investment deposits from over 1,000 municipalities and other public entities in the State of Wisconsin. The objectives of the LGIP are to provide safety of principal, liquidity, and a reasonable rate of return. The LGIP was insured as to credit risk under a surety bond issued by Financial Security Assurance, Inc. This coverage expired on February 15, 2009. The LGIP functions in a manner similar to a money market fund in that the yield earned changes daily and participants may invest or withdraw any or all amounts on a daily basis at par value. The LGIP is strategically managed with a longer average life than a money market fund. The LGIP is not a SEC registered investment, but is regulated by Wisconsin Statutes 25.14 and 25.17. At June 1, 2009, the current yield on the LGIP was 0.47%. The LGIP investment is stated at fair value.

The investment with AIG is secured by a financial guarantee insurance policy issued by the parent of AIG, American International Group. At June 1, 2009, the agreement had a market value of $24,639,542 and was accruing interest at the rate of 8.1%.

The repurchase agreement with Bayerische Landesbank is collateralized by U.S. Treasury notes, bonds and debentures. At June 1, 2009, the repurchase agreement had a market value of $8,959,578. The collateral is held by Wells Fargo Bank pursuant to a custody agreement. The repurchase agreement contains a fixed yield of 6.5%. Both the repurchase agreement, along with the AIG investment agreement, provide for liquidation of investments at par if and when required by the terms of the Clean Water Revenue Bond General Resolution.

	Amount	Exposure to Custodial Credit Risk	Credit Risk	Interest Rate Risk	Interest Rate Highly Sensitive	Foreign Currency Rate	% of Portfolio
Cash held by trustee	$ 2,183,992	$0	N/A	N/A	N/A	N/A	0.7%
LGIP	89,354,476	N/A	Not rated	80 days weighted average maturity	N/A	N/A	28.2
Repo BL (vs. veterans affairs)	7,597,910	$0	Not rated	6-15-28 final maturity	N/A	N/A	2.4
AIG-GIC	21,842,081	N/A	A-	6-1-11 final maturity	N/A	N/A	6.9
Treasury notes – Forward delivery	45,550,606	$0	N/A	See Note 4	N/A	N/A	14.4
GO Bonds-WI	150,061,034	$0	Aa3	5-1-24 final maturity	N/A	N/A	47.4
Miscellaneous cash	1,336	N/A	N/A	N/A	N/A	N/A	0.0

The Leveraged Loan Portfolio does not have an investment policy for custodial credit risk, credit risk, interest rate risk, or concentration of credit risk.

Restricted assets of $99,127,487 represent amounts legally restricted by the Clean Water Revenue Bonds. The amount restricted is the product of the average annual debt service of the outstanding, disbursed loans times a factor of 120%.

NOTE 4 – FORWARD DELIVERY AGREEMENTS

The Portfolio has entered into seven agreements for the future delivery and purchase of securities to be held as investments of the loan credit reserve fund of the Revenue Obligation Bonds (see Note 6). Four of the agreements are with Wachovia, one is with WestLB, and two are with JP Morgan and each provides for the delivery to, and purchase by, the Portfolio, of securities with a maturity value equal to the purchase price plus earnings calculated at the rate of the agreements. The agreements were entered into in conjunction with the 1993 Series 1, 1997 Series 1, 1998 Series 1, 1999 Series 1, 2006 Series 1, 2006 Series 2, and 2008 Series 1 Revenue Obligation Bonds.

Every six months during the term of the agreements, Wachovia, WestLB, and JP Morgan are required to deliver United States Treasury securities ("Treasury securities") to the Portfolio for purchase. The Treasury securities are held as investments by the Portfolio. The price paid by the Portfolio for the Treasury securities is determined under the contract. That price is that which results in the predetermined annual earnings rate computed on the notional amount, taking into account the coupon interest on the delivered Treasury securities. The redemption value of the securities purchased for investment must equal at least the purchase price of the securities plus earnings calculated by multiplying the notional amount times the annual earnings rate as calculated for the term until the next bond payment date. The Wachovia agreements may be terminated at the option of the Portfolio and a payment between the parties will be made to compensate for the difference in present value of the earnings expected under each agreement and the earnings available on similar agreements at the time of the termination.

Management has asserted that it does not anticipate terminating the agreements at a time when a payment would be required from the Portfolio to Wachovia. If the agreements were terminated at a time when a payment would be due to Wachovia, management has also asserted that it would be able to enter into similar agreements that would have consistent present values as the agreements are valued in relation to prevailing Treasury security rates. In addition, if the agreements are terminated in whole or in part due to the need to use funds at the maturity date for making a debt service payment on the bonds, then there is not a compensating payment made between the parties.

The agreement with WestLB was amended effective December 10, 2002 to modify the termination provision. Other than a default by any of the parties to the agreement, the agreement may only be terminated on the last scheduled bond payment date for the 1993 Series 1 bonds which is June 1, 2013.

By GASB definition, these securities are classified as having no exposure to custodial credit risk. The par values, coupon rates, the cost and rate at which the Treasury Notes accrue interest in accordance with the Forward Delivery Agreements at June 1, 2009, are as follows:

	Par Value of Treasuries	Coupon Rate of Treasuries	Cost of Treasuries	Agreement Interest Rate	Agreement Maturity Date	Agreement Market Value
Series 1997-1 Agreement	$ 7,187,200	4.625%	$ 6,992,051	5.58%	June 1, 2017	$ 7,177,130
Series 1998-1 Agreement	7,475,800	4.625	7,292,805	5.01	June 1, 2018	7,465,126
Series 1999-1 Agreement	7,137,500	4.625	6,918,863	6.32	June 1, 2020	7,127,499
Series 2006-1 Agreement	6,467,000	6.250	6,421,561	4.56	June 1, 2027	6,557,182
Series 2006-2 Agreement	8,067,000	4.625	7,999,327	4.84	June 1, 2027	8,179,494
Series 2008-1 Agreement	9,901,000	4.625	9,927,334	4.10	June 1, 2028	10,116,406
Series 1993-1 Agreement*	2,183,992	N/A	2,183,992	5.22	June 1, 2013	-

* The $2,183,992 reported for the Series 1993-1 Agreement was held by the Portfolio's custodian as a pending transaction at June 1, 2009.

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
Proprietary Portfolio	Leveraged Loan Portfolio	$ 2,047,854
Total Due to Other Funds – Statement of Net Assets		$ 2,047,854

This interfund resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Leveraged Loan Portfolio	Capital Improvement	$ 34,300,000	Future Debt Service
Total Transfers – Statement of Revenues, Expenses and Changes in Net Assets		$ 34,300,000	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS

REVENUE OBLIGATION BONDS

Revenue bonds are payable only from revenues derived from the operation of the loan programs.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 827,635,000	$ 92,210,000	$ 114,540,000	$ 805,305,000	$ 66,865,000
Add/(subtract) deferred amounts for:					
Refundings-gains/(losses)	(8,973,824)	-	(1,791,899)	(7,181,925)	-
Premiums/discounts	33,351,000	2,764,120	4,649,926	31,465,194	-
Totals	$ 852,012,176	$ 94,974,120	$ 117,398,027	$ 829,588,269	$ 66,865,000

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

Revenue obligation serial and term bonds as of June 1, 2009 consisted of the following:

	2009
1991 Series 1:	
Term Bonds, mandatory redemption of bonds at 100% of par, June 1, 2009 through June 1, 2011	$ 39,555,000
Unamortized discount on bonds	(31,213)
	39,523,787
1998 Series 2:	
Serial Bonds, no optional redemption, June 1, 2017	79,450,000
Unamortized premium on bonds	2,038,313
	81,488,313
2001 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2011	21,385,000
Unamortized discount on bonds	(156,704)
	21,228,296
2002 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2012	51,955,000
Unamortized discount on bonds	(172,938)
	51,782,062
2002 Series 2:	
Serial Bonds, no optional redemption, June 1, 2016	39,745,000
Unamortized premium on bonds	1,432,618
	41,177,618
2004 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2014	85,150,000
Unamortized premium on bonds	2,405,804
	87,555,804
2004 Series 2:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2015	102,675,000
Unamortized premium on bonds	6,411,223
	109,086,223
2006 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2016	75,040,000
Unamortized premium on bonds	3,948,232
	78,988,232

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

	2009
2006 Series 2:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2015	$ 93,800,000
Unamortized premium on bonds	3,282,324
	97,082,324
2008 Series 1:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	97,005,000
Unamortized premium on bonds	6,741,860
	103,746,860
2008 Series 2:	
Serial Bonds, no optional redemption, June 1, 2018	27,335,000
Unamortized premium on bonds	2,989,750
	30,324,750
2008 Series 3:	
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2018	92,210,000
Unamortized premium on bonds	2,575,925
	94,785,925
Total of All Series	836,770,194
Unamortized deferred charge related to debt defeasance (Note 7)	(7,181,925)
Revenue Obligation Bonds, Net of Deferred Charge	$ 829,588,269

The original issue discount or premium at issuance and the interest rates at June 1, 2009, on the following bond series were:

Series	Original Issue Discount/ (Premium)	Interest Rates
1991 Series 1	$ 1,366,407	6.875%
1998 Series 2	(7,739,808)	4.00 – 5.50%
2001 Series 1	(1,022,362)	4.50 – 5.25%
2002 Series 1	(2,426,001)	4.00 – 5.25%
2002 Series 2	(7,344,000)	3.00 – 5.50%
2004 Series 1	(6,632,300)	4.00 – 5.00%
2004 Series 2	(11,408,668)	3.25 – 5.25%
2006 Series 1	(4,951,135)	3.50 – 5.00%
2006 Series 2	(4,359,628)	4.00 – 5.00%
2008 Series 1	(7,712,015)	4.00 – 5.00%
2008 Series 2	(3,393,398)	5.00%
2008 Series 3	(2,764,120)	3.00 – 5.00%

NOTE 6 – REVENUE OBLIGATION BONDS AND RESTRICTED ASSETS (cont.)

REVENUE OBLIGATION BONDS (cont.)

Principal maturities of the bonds, net of advance refundings, as of June 1, 2009, are as follows:

Years Ending June 1,	Principal	Interest	Totals
2010	$ 66,865,000	$ 40,676,666	$ 107,541,666
2011	70,690,000	37,109,691	107,799,691
2012	50,710,000	33,369,935	84,079,935
2013	51,490,000	30,838,923	82,328,923
2014	48,295,000	28,299,248	76,594,248
2015-2019	244,745,000	104,036,250	348,781,250
2020-2024	191,490,000	47,656,145	239,146,145
2025-2028	81,020,000	8,547,900	89,567,900
Totals	$ 805,305,000	$ 330,534,758	$ 1,135,839,758

The revenue obligation bonds are collateralized by a security interest in all assets of the Leveraged Loan Portfolio. At June 1, 2009, the total assets of the Leveraged Loan Portfolio were $1,044,846,173. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the revenue obligation bonds. However, as the loans granted to the municipalities are at an interest rate which is less than the Revenue Bond rate, the State is obligated by the Clean Water Fund General Resolution to fund, prior to each loan disbursement, a reserve, which subsidizes the Leveraged Loan Portfolio in an amount to offset this interest rate disparity.

Among other restrictions under the revenue obligation bond agreements are provisions that require that a specified amount of cash and investments be held by an independent trustee in a reserve account for the purpose of paying bond interest and principal when due. The restricted assets on the balance sheets consist of substantially all of the AIG, Bayerische Landesbank investments (Note 3) and $20.3 million of the LGIP balance held as a credit reserve. These amounts are required in order to satisfy the conditions of certain agreements related to maintaining the minimum credit ratings on the bonds.

NOTE 7 – ADVANCE REFUNDING

In 1998, the Fund defeased a portion of its 1991 Series 1, 1993 Series 1, 1995 Series 1 and 1997 Series 1 bonds through the issuance of $104,360,000 of 1998 Series 2 Refunding Bonds. The proceeds from the 1998 Series 2 Refunding Bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Fund's financial statements. At June 1, 2009, there was $80,895,000 of the defeased bonds outstanding that will be serviced by the irrevocable trust's remaining funds.

NOTE 7 – ADVANCE REFUNDING (cont.)

In 2002, the Fund defeased a portion of its 1993 Series 1, 1995 Series 1, 1997 Series 1, 1998 Series 1, and 1999 Series 1 bonds through the issuance of $85,575,000 of 2002 Series 2 Refunding Bonds. The proceeds from the 2002 Series 2 Refunding Bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Fund's financial statements. At June 1, 2009, there was $42,910,000 of the defeased bonds outstanding that will be serviced by the irrevocable trust's remaining funds.

In 2005, the Fund defeased a portion of its 1998 Series 1, 1999 Series 1, 2001 Series 1, and 2002 Series 1 bonds through the issuance of $107,025,000 of 2004 Series 2 Refunding Bonds. The proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Fund's financial statements. At June 1, 2009, there was $104,785,000 of the defeased bonds outstanding that will be served by the irrevocable trust's remaining funds.

In 2008, the Fund defeased a portion of its 1998 Series 1 and 2001 Series 1 bonds through the issuance of $27,335,000 of 2008 Series 2 Refunding Bonds. The proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and liability for the defeased bonds are not included in the Fund's financial statements. At June 1, 2009, there was $28,100,000 of the defeased bonds outstanding that will be served by the irrevocable trust's remaining funds.

NOTE 8 – GLOBAL CERTIFICATES

In April 2004, all of the State of Wisconsin General Obligation Bonds previously owned by the Fund were exchanged for $116,840,689 (par value) of State of Wisconsin General Obligation Bond, Clean Water Fund Program ("Global Certificate"). The estimated market value and weighted average coupon interest rate of the Global Certificate at June 1, 2009 is $91,595,310 and 0.57%, respectively. The Bonds are registered in the name of the Fund and held by an independent trustee.

In February 2007, two additional State of Wisconsin General Obligation Bonds were issued for the Clean Water Fund Program ("Global Certificate") for $13,148,554 and $6,851,446 (par value). The estimated market value and weighted average coupon interest rates of the Global Certificates at June 1, 2009 were $14,419,126 and 5.43% and $4,792,967 and 5.76%, respectively. The Bonds are registered in the name of the Fund and held by an independent trustee.

In June 2008, one State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program ("Global Certificate") for $16,600,000 (par value). The estimated market value and weighted average coupon interest rate of the Global Certificate at June 1, 2009 was $19,422,318 and 6.16%, respectively. The Bond is registered in the name of the Portfolio and held by an independent trustee.

In January 2009, one additional State of Wisconsin General Obligation Bond was issued for the Clean Water Fund Program ("Global Certificate") for $17,700,000 (par value). The estimated market value and weighted average coupon interest rate of the Global Certificate at June 1, 2009 was $19,831,311 and 5.78%, respectively. The Bond is registered in the name of the Portfolio and held by an independent trustee.

NOTE 8 – GLOBAL CERTIFICATES (cont.)

Principal maturities of the Global Certificates as of June 1 are as follows:

Years Ending June 1,	2009
2010	$ 14,954,450
2011	19,190,325
2012	7,746,829
2013	9,662,930
2014	5,885,021
2015-2019	46,026,710
2020-2024	39,748,906
2025-2028	27,628,259
Totals	$ 170,843,430

NOTE 9 – INVESTMENT INCOME

Investment income is recorded net of estimated required arbitrage relating to outstanding State of Wisconsin Clean Water Revenue Bonds and consisted of the following for the fiscal year ended June 1, 2009:

Interest	
State of Wisconsin Investment Board Local Government Investment Pool	$ 1,319,594
MBIA Guaranteed Investment Agreement	34,446
Repurchase Agreement with Bayerishe Landesbank	493,864
AIG Guaranteed Investment Agreement	1,769,209
United States Treasury Notes	2,394,122
State of Wisconsin General Obligation Bonds	20,579,637
Total Interest	26,590,872
Changes in Realized and Unrealized Gains (Losses)	
United States Treasury Notes	200,000
State of Wisconsin General Obligation Bonds	(3,730,025)
Total Changes in Realized and Unrealized Gains (Losses)	(3,530,025)
Total Interest and Changes in Unrealized Gains (Losses)	23,060,847
Change in Estimated Rebatable Arbitrage Liability	(507,554)
TOTAL INVESTMENT INCOME	$ 22,553,293

STATE OF WISCONSIN LEVERAGED LOAN PORTFOLIO

OTHER INFORMATION (UNAUDITED)
For the Year Ended June 1, 2009

In management's opinion, the Governmental Accounting Standards Board (GASB) does not require an MD&A for individual fund reports under GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Therefore, the State has not prepared an MD&A for the State of Wisconsin Leveraged Loan Portfolio. An MD&A is included in the Comprehensive Annual Financial Report for the State of Wisconsin, which includes all funds and component units.

PART VII

PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS

This Part VII of the 2009 Annual Report provides information about petroleum inspection fee revenue obligations issued by the State of Wisconsin **(State)**.

Total Outstanding Balance (12/15/2009)	$188,610,000
Amount Outstanding of Fixed-Rate Obligations	$117,460,000
Amount Outstanding of Variable-Rate Obligations	$ 71,150,000
Percentage of Outstanding Obligations in the form of Variable-Rate Obligations	37.72%
Ratings[(a)] (Fitch/Moody's/Standard & Poor's)	
Bonds	AA–/Aa3/AA
EMCP	F1+/P-1/A-1+

[(a)] The ratings presented are the ratings assigned to the petroleum inspection fee revenue obligations without regard to any bond insurance policy. No information is provided in the 2009 Annual Report about any rating assigned to any petroleum inspection fee revenue obligations based on any bond insurance policy.

APPENDIX A to this Part VII of the 2009 Annual Report includes the auditor's report and the audited financial statement for the Petroleum Inspection Fee Revenue Obligations Program for the years ended June 30, 2009 and June 30, 2008. The State of Wisconsin Building Commission (**Commission**) supervises all matters concerning the State's issuance of revenue obligations. The Capital Finance Office, which is part of the State of Wisconsin Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs.

Petroleum inspection fee revenue obligations are issued pursuant to the Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, adopted by the Commission on January 19, 2000, as amended and restated on May 2, 2000 and further amended on July 30, 2003 **(Program Resolution)**. The State has issued petroleum inspection fee revenue obligations in the form of bonds and extendible municipal commercial paper. The Bank of New York Mellon Trust Company, N.A. **(Trustee)** serves as trustee for the petroleum inspection fee revenue obligation program. The Trustee also serves as registrar and paying agent for the bonds, and U.S. Bank Trust National Association serves as issuing and paying agent for the extendible municipal commercial paper. The law firm of Foley & Lardner LLP provides bond counsel services to the State for issuance of petroleum inspection fee revenue obligations.

Requests for additional information about petroleum inspection fee revenue obligations may be directed as follows:

Contact: Capital Finance Office
Attn: Capital Finance Director
Phone: (608) 266-2305
Mail: State of Wisconsin Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Web site: www.doa.wi.gov/capitalfinance

The 2009 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part VII of the 2009 Annual Report may differ from those of the same terms used in another part. See "DEFINITIONS OF CERTAIN TERMS" for the definitions of capitalized terms used in this Part VII of the 2009 Annual Report. No information or resource referred to in this 2009 Annual Report is part of this 2009 Annual Report unless expressly incorporated by reference.

OUTSTANDING OBLIGATIONS

The State has issued petroleum inspection fee revenue obligations on the dates and in the amounts shown in Table VII-1. The table also includes the outstanding principal balances as of December 15, 2009.

Table VII-1
OUTSTANDING PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS BY ISSUE
(As of December 15, 2009)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed-Rate Obligations				
2000- Series A	3/2/00			
Serial Bonds		2000	$ 1,750,000	-0-
Serial Bonds		2002-12	168,500,000	-0-
2001- Series A	12/18/01	2007-08	30,000,000	-0-
2004- Series A	2/4/04	2005-12	45,000,000	-0-
Refunding Series 1	5/20/04	2006-12	95,470,000	-0-
2009- Refunding Series 1 **(2009 Bonds)**	10/20/09	2013-17	117,460,000	$117,460,000
Total Fixed-Rate Obligations			$ 458,180,000	$117,460,000
Variable-Rate Obligations				
2000- EMCP	5/9/00		$ 80,000,000	$ 71,150,000
2002- EMCP	8/1/02		62,300,000	-0-
Total Variable-Rate Obligations			$ 142,300,000	$ 71,150,000
Total Petroleum Inspection Fee Revenue Obligations			$ 600,480,000	$ 188,610,000

Senior Bonds, as defined in the Program Resolution, include the 2009 Bonds, interest payments on all Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper **(EMCP** or **Notes)**, and any additional parity Bonds that may be issued as such under the Program Resolution. **Junior Subordinate Bonds**, as defined in the Program Resolution, include the principal payments on all EMCP and any additional parity Bonds that may be issued as such under the Program Resolution. The term **Bonds** refers to all revenue obligations, without regard to seniority, that are issued under the Program Resolution and are payable in whole or in part from the Petroleum Inspection Fees. See "SECURITY".

FINANCING THE PECFA PROGRAM

Bonds were issued in 2000 through 2004 to fund approved soil and groundwater remediation payments under the Petroleum Environmental Cleanup Fund Award **(PECFA)** Program, which is a petroleum storage remediation program. Bonds issued in 2009 provided for the current refunding of obligations previously issued by the State to fund such remediation costs under the PECFA Program and to fund a portion of EMCP previously issued for the same purpose.

In existence since 1987, the PECFA Program reimburses owners of petroleum storage tanks for 75% to 99% of remediation costs related to soil and groundwater contamination. The State of Wisconsin Department of Commerce **(Department of Commerce)** is responsible for the review and approval of

remediation payments. Prior to the issuance of the Bonds, remediation payments approved under the PECFA Program were paid with Petroleum Inspection Fees as they were collected; however, the timing of the collections did not permit all remediation payments to be paid at the time they were presented and approved. When Bonds were first issued in March 2000, the backlog of approved but unpaid claims was about $200 million. The issuance of the Bonds allowed the PECFA Program to make payments in a timely matter and provided economic savings to the State, since the debt service costs on the Bonds were less than the interest costs that accrued on the approved but unpaid remediation awards.

As of December 1, 2009, the amount of remediation payments approved for payment, but not yet paid, was approximately $0.3 million, and approximately $0.4 million of additional costs had been submitted and in the review process. Petroleum Inspection Fees that are in excess of the amounts required to be held by the Trustee are currently sufficient to pay all PECFA claims approved for payment.

As of the date of this 2009 Annual Report, additional Bonds to fund soil and groundwater remediation costs under the PECFA Program could be issued only if legislation were enacted to authorize additional borrowing for that purpose. This does not mean that no additional Bonds will be issued. Bonds already authorized to fund the Outstanding EMCP, and Bonds that may be authorized by the Commission to refund Outstanding Bonds, may be issued without any additional legislative bonding authority. In addition, legislation could be enacted providing additional bonding authority if needed to fund remediation payments under the PECFA Program. See "SECURITY; Additional Bonds".

SECURITY

The Bonds are payable from, and secured by, the Petroleum Inspection Fees. The Program Resolution also includes an additional bonds test, a Variable Rate Take-Out Capacity Test, and a nonimpairment pledge.

Proceeds of the Bonds are applied to purposes that do not generate revenues, and the application of proceeds of the Bonds *does not* create a source for the payment of the Bonds.

Debt service payments on the Senior Bonds are payable from Petroleum Inspection Fees deposited into the Redemption Fund created for the Senior Bonds. The pledge made for the payment of principal on the EMCP is junior to the pledge made for the payment of debt service on Senior Bonds. Principal of the EMCP is payable from proceeds of roll-over EMCP or proceeds of Senior Bonds issued to fund the EMCP, or from Petroleum Inspection Fees deposited into the Junior Subordinate Redemption Fund. At the same time the Commission authorized the EMCP, the Commission also authorized the issuance of Senior Bonds, which may be issued at the State's discretion and without any legislative bonding authority, to fund the EMCP. See "PETROLEUM INSPECTION FEES" and "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION".

The petroleum inspection fee revenue obligations are revenue obligations of the State. The State is not generally liable for these obligations, and they are not a public debt of the State for any purpose whatsoever.

Additional Bonds

As of the date of this 2009 Annual Report, additional Bonds to fund soil and groundwater remediation costs under the PECFA Program could be issued only if legislation were enacted to authorize additional borrowing for that purpose. If legislation were enacted that provides additional bonding authority for this purpose, then additional Bonds may be issued under the Program Resolution only if the additional bonds test is met. When applicable, the additional bonds test requires that the Debt Service Coverage Ratio be at least 2.0 (in connection with the issuance of Refunding Bonds, the additional bonds test may instead be met if the State certifies that the issuance of the Refunding Bonds will not increase Maximum Annual Debt Service). The **Debt Service Coverage Ratio** is the ratio of Projected Annual Revenues to Maximum Annual Debt Service.

Additional Bonds may be issued to fund Outstanding EMCP and to refund Outstanding Bonds; however, the issuance of additional Bonds for these purposes is not subject to the additional bonds test. The additional bonds test must be met prior to the initial issuance of Bond Anticipation Notes (such as EMCP), *but compliance with the additional bonds test is not required for the issuance of Bonds to fund Bond Anticipation Notes*. Furthermore, if Bonds were issued to fund Bond Anticipation Notes, under certain circumstances, the Projected Annual Revenues at that time might be less than 2.0 times Maximum Annual Debt Service.

Additional Bonds may be issued in various forms, including among others Variable Rate Bonds or Bond Anticipation Notes (such as additional EMCP). Additional Bonds may be designated as Senior Bonds (on a parity with the outstanding Senior Bonds), as Subordinate Bonds, or as Junior Subordinate Bonds (on a parity with the principal payments on the EMCP).

See "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION" and "DEFINITIONS OF CERTAIN TERMS" for a complete description of the additional bonds test and a definition of capitalized terms used for the additional bonds test.

Variable Rate Take-Out Capacity Test

Whenever Variable Rate Debt (such as the EMCP) is Outstanding, the State will, by the 15th day of each month, provide the Trustee with the results of a Variable Rate Take-Out Capacity Test. Key terms for completing the Variable Rate Take-Out Capacity Test are described in "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION" and "DEFINITIONS OF CERTAIN TERMS".

The test uses present value calculations to estimate the maximum amount of Variable Rate Debt that, if Outstanding, could be refunded by Senior Bonds while maintaining a Debt Service Coverage Ratio of 2.0. This test also compares the Variable Rate Take-Out Capacity with the Variable Rate Debt Exposure. For purposes of this test, Senior Bonds are assumed to be issued to refund Variable Rate Debt, to be repaid within 20 years from the date the Variable Rate Take-Out Capacity Test is computed, and to bear interest at an annual rate equal to The Bond Buyer Revenue Bond Index plus 3% per annum.

The results of the test for November 15, 2009 show a Variable Rate Takeout Capacity of $264,946,332, which is in excess of the Variable Rate Debt Exposure of $71,150,000.

Meeting the Variable Rate Take-Out Capacity Test is not a condition to issuing any Bonds. If the test shows that the Variable Rate Take-Out Capacity is equal to or exceeds the Variable Rate Debt Exposure, then the State is required to provide the Trustee with the results of the test. However, if the monthly test shows that the Variable Rate Take-Out Capacity is less than the Variable Rate Debt Exposure, then the State is deemed to have failed the Variable Rate Takeout Capacity Test and is required to do the following:

- Promptly notify each Rating Agency.
- Submit to the Trustee and each Rating Agency, within 45 days after the test date, a plan to cause the Variable Rate Take-Out Capacity to equal or exceed the Variable Rate Debt Exposure within 90 days following the test date.

If at any subsequent time the State is able to demonstrate that the Variable Rate Take-Out Capacity is equal to or exceeds the Variable Rate Exposure, then the requirements arising from the previous failure of the Variable Rate Takeout Capacity Test no longer apply.

Neither failure to meet the Variable Rate Take-Out Capacity Test nor failure to implement a submitted plan is an Event of Default under the Program Resolution. Accordingly, the Trustee has no enforcement power with respect to such occurrences. Failure to provide the Trustee with the results of the test or to submit any required plan to the Trustee does not initially constitute an Event of Default; however, if the failure is not corrected within 30 days of any notice from the Trustee, it then constitutes an Event of Default.

Debt Service on Outstanding Senior Bonds

Table VII-2 shows the annual debt service amounts on Outstanding Senior Bonds. Table VII-2 also shows the projected Petroleum Inspection Fees and estimated debt service coverage, which differs from the Debt Service Coverage Ratio provided in the Program Resolution. The estimated debt service coverage in Table VII-2 uses current expectations, while the Debt Service Coverage Ratio is determined using assumptions required by the Indenture regarding amortization of Variable Rate Bonds. The projected Petroleum Inspection Fees are based on the average of Petroleum Inspection Fees for the past five years, adjusted to reflect the reduction in the rate of the Petroleum Inspection Fee effective April 1, 2006. See "PETROLEUM INSPECTION FEES."

Table VII-2
ANNUAL DEBT SERVICE AMOUNTS
OUTSTANDING SENIOR BONDS
(As of December 15, 2009)

	Senior Bond Debt Service Amount [a]				
Year Ending (July 1)	**Principal**	**Interest [b]**	**Total Annual Debt Service**	**Projected Petroleum Inspection Fees[c]**	**Estimated Debt Service Coverage**
2010	-	$ 17,490,671	$ 17,490,671	$ 76,636,367	4.38
2011	-	9,154,100	9,154,100	76,636,367	8.37
2012	-	9,154,100	9,154,100	76,636,367	8.37
2013	$ 24,165,000	9,154,100	33,319,100	76,636,367	2.30
2014	25,345,000	7,974,225	33,319,225	76,636,367	2.30
2015	26,540,000	6,775,175	33,315,175	76,636,367	2.30
2016	27,800,000	5,516,800	33,316,800	76,636,367	2.30
2017	13,610,000	4,137,600	17,747,600	76,636,367	4.32
Totals	$ 117,460,000	$ 69,356,771	$ 186,816,771		

[a] Does not include any principal payment on Outstanding EMCP.

[b] Includes interest payments on Outstanding EMCP, which interest payments are on parity with the Senior Bonds and are calculated at the assumed interest rate of 5.00% and under the assumption that all EMCP will remain Outstanding until July 1, 2017, which is the last maturity date of Outstanding Senior Bonds having a fixed interest rate. Interest payments for the year ending July 1, 2010 include interest on certain Senior Bonds prior to their redemption on November 9, 2009. Principal payments on Outstanding EMCP are subordinate to payments on the Senior Bonds.

[c] The projected Petroleum Inspection Fees are based solely on the average of collected Petroleum Inspection Fees for the past five fiscal years, adjusted to reflect the reduction in the rate of the Petroleum Inspection Fees from $0.03 per gallon to $0.02 per gallon effective April 1, 2006. See "PETROLEUM INSPECTION FEES".

Source: Departments of Administration and Commerce.

Non-Impairment Clause

The State pledges and agrees with the holders of the Bonds that the State will not limit or alter the ability of the State to fulfill the terms of its agreements (made in the Program Resolution or with respect to the Bonds) with the holders of Bonds or impair the rights and remedies of the holders of the Bonds, while the Bonds are Outstanding.

In the legislation authorizing the petroleum inspection fee revenue obligations, the Legislature, recognizing its moral obligation to do so, expressed its expectation that, if the Legislature were to reduce the rate of the Petroleum Inspection Fee (which has happened) and if the Petroleum Inspection Fees were insufficient to pay debt service on the Bonds when due (which has not happened), the Legislature would make an appropriation from the general fund sufficient to pay such debt service. In the opinion of Bond Counsel, the Legislature's expression of its expectation is not a legally enforceable obligation.

PETROLEUM INSPECTION FEES

General

Petroleum Inspection Fees are paid by suppliers on all petroleum products distributed in the State. The current rate of the Petroleum Inspection Fee is $0.02 per gallon; before April 1, 2006, the rate was $0.03 per gallon. The petroleum products include:

- Gasoline products, which include gasoline and gasoline-alcohol fuel blends.
- Oil products, which include fuel oil, burner oil, diesel fuel oil, kerosene, and other refined oils.

Non-petroleum products such as natural gas and liquefied propane are not subject to the Petroleum Inspection Fee.

Collection and Deposit

The Petroleum Inspection Fees and other motor fuel taxes paid by suppliers are received by the State of Wisconsin Department of Revenue **(Department of Revenue)** by the 15th day of each month, or the next business day if the 15th day falls on a weekend or holiday. The payment is for both Petroleum Inspection Fees and motor fuel taxes due from the suppliers for activity during the previous month. At the time the fees are remitted, the Petroleum Inspection Fees are not separated from the other motor fuel taxes. The allocation is not known until the tax returns evidencing the payments are processed, usually within 30 to 35 days after receipt of the fees and taxes.

As an example, by about December 15, suppliers submit the amount of fees and taxes due for petroleum products shipped in the month of November. By the end of December, suppliers submit tax returns delineating the payments previously made. By about the next January 20, the Department of Revenue processes the tax returns.

Due to a period of about 30 to 35 days between receipt of the combined fees and taxes and tabulation of the returns reporting such fees and taxes, the Department of Revenue will transfer to the Trustee on the Revenue Payment Date an estimated portion of the current month's collection, adjusted upward or downward to reflect the tabulations from the previous month's returns. Currently, the base monthly transfer, before adjustment, is $8.8 million. As a result of the reduction in the per gallon Petroleum Inspection Fee in 2006, monthly transfers have been adjusted downward each month so that the actual amount of monthly transfers is less than $8.8 million. The amount of this base monthly transfer may be changed from time to time to reflect actual collection experience.

The Department of Revenue has various enforcement powers relating to the collection of Petroleum Inspection Fees, including the ability to revoke suppliers' licenses, to impose penalties, to assess interest on late payments, and to enforce criminal penalties for the failure to report or pay Petroleum Inspection Fees. The Wisconsin Statutes establish the State as a preferred creditor and the fees as preferred claims in any state court action.

History of Petroleum Inspection Fees

Table VII-3 shows the number of gallons of petroleum products that have been inspected and were subject to the Petroleum Inspection Fee for each of the last ten fiscal years. Table VII-4 shows the number of gallons of gasoline and oil products that have been inspected for each of the last ten fiscal years.

Table VII-3
TOTAL GALLONS OF PETROLEUM PRODUCTS INSPECTED AND SUBJECT TO PETROLEUM INSPECTION FEE
(Actual Basis)

Fiscal Year	Total Gallons Inspected	% Increase (Decrease) From Previous Year
2000	3,728,554,474	–
2001	3,741,511,600	0.35
2002	3,677,028,840	(1.72)
2003	3,956,896,084	7.61
2004	4,111,402,392	3.90
2005[(a)]	3,504,363,225	(14.76)
2006	3,731,539,696	6.48
2007	3,799,004,886	1.81
2008	3,787,317,968	(0.31)
2009	3,727,415,844	(1.58)

[(a)] Department of Revenue staff indicate that motor vehicle fuel tax filings for June 2005 were low due to a change in the department's method of filing motor vehicle fuel electronic tax returns. As a result, many of the filings did not get recorded in the Department of Revenue's computer system in a timely manner.

Source: Wisconsin Departments of Commerce and Revenue and Legislative Fiscal Bureau.

Table VII-4
GALLONS INSPECTED PER PETROLEUM PRODUCT AND SUBJECT TO PETROLEUM INSPECTION FEE
(Actual Basis)

Fiscal Year	Total Gallons of Gasoline Products Inspected	% Increase (Decrease) From Previous Year	Total Gallons of Oil Products Inspected	% Increase (Decrease) From Previous Year
2000	2,561,717,395	-	1,166,837,079	-
2001	2,523,698,301	(1.48)	1,217,813,299	4.37
2002	2,536,415,636	0.50	1,140,613,204	(6.34)
2003	2,722,238,555	7.33	1,234,657,529	8.25
2004	2,863,465,617	5.19	1,247,936,775	1.08
2005[(a)]	2,389,609,072	(16.55)	1,114,754,153	(10.67)
2006	2,540,507,533	6.31	1,191,032,163	6.84
2007	2,565,931,969	1.00	1,233,072,917	3.53
2008	2,555,474,719	(0.41)	1,231,843,249	(0.10)
2009	2,587,677,085	1.26	1,139,738,759	(7.48)

(a) Department of Revenue staff indicate that motor vehicle fuel tax filings for June 2005 were low due to a change in the department's method of filing motor vehicle fuel electronic tax returns. As a result, many of the filings did not get recorded in the Department of Revenue's computer system in a timely manner.

Source: Wisconsin Departments of Commerce and Revenue and Legislative Fiscal Bureau.

The total amount of Petroleum Inspection Fees collected for each of the last ten fiscal years is summarized in Table VII-5. The annual percentage change in the amount of collected Petroleum Inspection Fees in shown in the table may not correlate to the annual percentage change in the number of gallons inspected in Table VII-3. This is due to many reasons, including the following:

(1) the collected Petroleum Inspection Fees are reported on an accrual basis in fiscal year 2006 and on a cash basis in the other fiscal years, whereas the amount of inspected gallons is reported on an actual basis for all years, and

(2) adjustments are made to, and refunds provided from, the collected Petroleum Inspection Fees.

Table VII-5
TOTAL PETROLEUM INSPECTION FEES
(Amounts in Millions; Accrual Basis 2006; Cash Basis for All Other Years)

Fiscal Year (June 30)	Total	% Increase (Decrease) From Previous Year
2000	$111.6	0.74%
2001	114.3	2.46
2002	111.3	(2.65)
2003	117.3	5.39
2004	116.4	(0.60)
2005	115.9	(0.43)
2006[a]	103.6	(10.61)
2007[a]	75.4	(27.22)
2008	76.6	1.35
2009	73.4	(4.18)

[a] The rate of the Petroleum Inspection Fee was reduced from $0.03 per gallon to $0.02 per gallon effective April 1, 2006.

Source: Wisconsin Comprehensive Annual Financial Reports, 2006; Wisconsin Legislative Audit Bureau, 2000-2005 and 2007-2009.

Table VII-6 shows the maximum, average, and minimum monthly amount of collected Petroleum Inspection Fees for each of the last ten fiscal years. The maximum, average, and minimum monthly amounts in the table may not correlate to the annual amount of collected Petroleum Inspection Fees in Table VII-5. This occurs because the annual amounts are reported on both an accrual and cash basis, whereas the minimum, average, and maximum amounts are reported on a cash basis.

Table VII-6
MAXIMUM, AVERAGE, AND MINIMUM MONTHLY COLLECTION PETROLEUM INSPECTION FEES
(Amounts in Millions; Cash Basis)

Fiscal Year (June 30)	Maximum Monthly Amount	Average Monthly Amount	Minimum Monthly Amount
2000[a]	$13.0	$9.2	$3.1
2001	11.0	9.5	8.2
2002	10.6	9.3	8.2
2003	13.8	9.8	5.5
2004	12.8	9.7	8.8
2005	13.4	9.7	8.2
2006[b]	16.5	8.6	2.5
2007[b]	8.0[c]	6.3	5.1
2008	7.5	6.4	5.4
2009	7.3	6.1	4.9

[a] Department of Revenue staff has indicated that the maximum and minimum collection amounts for fiscal year ending June 30, 2000 reflect problems with a data reporting system that have been subsequently corrected.

[b] The rate of the Petroleum Inspection Fee was reduced from $0.03 per gallon to $0.02 per gallon effective April 1, 2006.

[c] One month included $1.4 million of Petroleum Inspection Fees that had been erroneously excluded from transfers to the Trustee from July 2006 through October 2006.

Source: Wisconsin Departments of Commerce and Revenue.

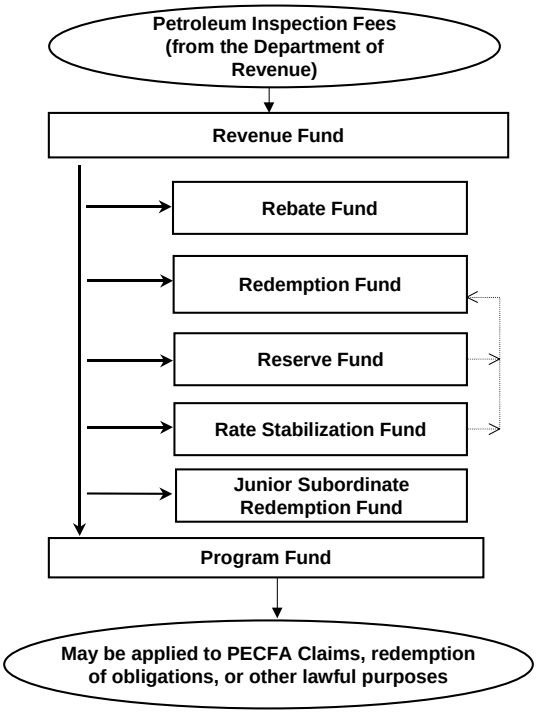
Diminished usage of petroleum products would reduce the amount of collected Petroleum Inspection Fees. Usage may be affected, for example, by production of oil, prices for petroleum products, usage of alternate fuels, or need for fuels.

Application of Petroleum Inspection Fees

Petroleum Inspection Fees received by the Trustee on each Revenue Payment Date in the Revenue Fund are deposited in the Funds and Accounts, and applied in the following order:

- To pay arbitrage rebate, if any, due on any Outstanding Bonds.
- To pay interest on all Outstanding Senior Bonds and other parity obligations.
- To pay the principal and redemption price, if any, of all Outstanding Senior Bonds, and other parity obligations, as the same become due.
- To maintain the Debt Service Reserve Requirement, if any, in the Reserve Fund.
- To make any deposits, at the State's discretion, into the Rate Stabilization Fund.
- To make deposits, at the State's discretion or if required, into the Junior Subordinate Redemption Fund.
- To pay any expenses payable from the Program Fund.

The following chart shows the flow of funds with respect to the Petroleum Inspection Fees.



The Program Resolution permits the issuance of Subordinate Bonds, which would have a pledge of Petroleum Inspection Fees that is subordinate to the pledge made for the Senior Bonds yet senior to the pledge made for the Junior Subordinate Bonds. As of the date of this 2009 Annual Report, Senior Bonds and Junior Subordinate Bonds, but no Subordinate Bonds, have been issued.

The pledge of the Petroleum Inspection Fees remains effective until all Bonds issued under the Program Resolution are fully paid in accordance with their terms, or payment is provided for in accordance with

the Program Resolution. All Petroleum Inspection Fees deposited with the Trustee on each Revenue Payment Date in excess of the amounts required above are transferred at the direction of and to the State for deposit in the Petroleum Inspection Fund and become free of the pledge.

See "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION" for further information on the required transfer of Petroleum Inspection Fees to these various Funds and Accounts.

EXTENDIBLE MUNICIPAL COMMERCIAL PAPER

The EMCP issued by the State is similar to commercial paper notes; however, rather than liquidity being provided by a bank or credit facility, the maturity date is extended in case there is a disruption in market liquidity for the EMCP. The State has appointed Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith, Incorporated **(Merrill Lynch)** to serve as **Dealers.** Merrill Lynch was acquired by Bank of America Corporation in a merger which closed on January 1, 2009. With the consummation of the merger, Merrill Lynch is an indirect wholly-owned subsidiary of the Bank of America Corporation. The State has appointed U.S. Bank Trust National Association to serve as **Issuing and Paying Agent** for the EMCP, and The Depository Trust Company **(DTC)** serves as Securities Depository for the EMCP.

Table VII-7 summarizes, for each authorized and outstanding series of EMCP, the principal amount initially issued, the date of initial issuance, and the principal amount outstanding as of December 15, 2009.

Table VII-7
SUMMARY OF OUTSTANDING PETROLEUM INSPECTION FEE REVENUE
EXTENDIBLE MUNICIPAL COMMERCIAL PAPER
(December 15, 2009)

Series of EMCP	Amount Issued	Date of Initial Issuance	Amount Outstanding
2000	$80,000,000	May 9, 2000	$71,150,000
2002	62,300,000	September 18, 2002	-0-
		Total Outstanding:	$71,150,000

Description of EMCP

Each EMCP note will be dated the date it is issued. It will be issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed (actual/actual basis). Payment of principal of and interest on each EMCP note will be made to the Securities Depository and then distributed by the Securities Depository.

Each EMCP note will mature on its **Original Maturity Date,** which may range from 1 to 180 days from its original issue date, unless the State exercises its option to extend the maturity date. In that case the EMCP note will mature on its **Extended Maturity Date,** which will be the date that is 270 days after its original issue date.

If the State exercises its option to extend the maturity date, notice of this extension must be provided to the Securities Depository in accordance with the Securities Depository's operational requirements.

Each EMCP note will bear interest from its original issue date until the Original Maturity Date at the rate determined on the original issue date, payable on the Original Maturity Date, unless the maturity date is extended, in which case interest will be paid on the date described below. If the State exercises its option to extend the maturity date of an EMCP note, then the extended EMCP note will bear interest on and after the Original Maturity Date at the Reset Rate and be payable on the dates described below.

If the maturity date of an EMCP note is extended, accrued but unpaid interest to the Original Maturity Date will not be paid on the Original Maturity Date but will be payable on the following date (or any earlier redemption date):

(1) if the Original Maturity Date is before the 15th day of the month, interest will be payable on the first **Business Day** (which is a day on which banks located in Madison, Wisconsin and in each of the cities where the Principal Offices of the Issuing and Paying Agent and Dealers are located are not required or authorized by law or executive order to close for business and on which the New York Stock Exchange is not closed) of the next month, or

(2) if the Original Maturity Date is on or after the 15th day of the month, interest will be payable on the first Business Day of the second succeeding month after the Original Maturity Date.

For example, if the Original Maturity Date is November 14, interest will first be payable on the first Business Day of December, and if the Original Maturity Date is November 15, interest will first be payable on the first Business Day of January.

Each EMCP note will bear interest from the Original Maturity Date at the **Reset Rate** and will be payable first on the date described above and thereafter on the first Business Day of each month and on any redemption date or the Extended Maturity Date.

The Reset Rate will be a rate of interest per annum determined by the following formula:

$$(1.35 \text{ x BMA}) + E$$

As used in the formula, the *BMA* variable will be The Securities Industry and Financial Markets Association Index, or *SIFMA* Index, which previously was referred to as The Bond Market Association Municipal Swap Index, or *BMA* Index. This index is calculated weekly and released each Wednesday afternoon, effective Thursday. The *E* variable will be a percentage rate expressed in basis points that is determined based on the ratings assigned to the EMCP **(Prevailing Ratings)**, as follows:

Prevailing Ratings			
Fitch	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services	*E* Variable (basis points)
F1+	P-1	A-1+	100
F1	–	A-1	150
F2	P-2	A-2	200
F3	P-3	A-3	300
Lower than F3 (or rating discontinued)	Lower than P-3 (or rating discontinued)	Lower than A-3 (or rating discontinued)	400

If at any time any Rating Agency announces that a lower rating is under consideration for the EMCP, then the Prevailing Rating from such Rating Agency will not be the rating then assigned to the EMCP; rather, it will be the next lower rating of such Rating Agency. If the Prevailing Ratings would indicate different *E* variables as a result of split ratings assigned to the EMCP, then the *E* variable will be the arithmetic average of those indicated by the Prevailing Ratings.

The Reset Rate applicable to EMCP will be determined weekly by the Issuing and Paying Agent based on the *BMA* variable and the Prevailing Ratings as of 11:00 a.m. (New York time) on its Original Maturity Date and each Thursday thereafter and will apply through the following Wednesday.

SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION

Certain provisions of the Program Resolution are summarized below. Reference should be made to the complete Program Resolution for a full and complete statement of its provisions. A copy of the Program Resolution may be obtained by contacting the State at the address provided on the first page of this Part VII of the 2009 Annual Report.

Under existing statutory authority as of the date of this 2009 Annual Report, no additional Bonds may be issued to fund remediation payments under the PECFA Program; however, additional Bonds may be issued without statutory authority to fund Outstanding EMCP and to refund Outstanding Bonds.

Additional Bonds

The Program Resolution provides that the State may issue additional Bonds, upon compliance with certain conditions, including, in some instances, meeting the additional bonds test. In the case of Bond Anticipation Notes (such as EMCP), the conditions need be met only on the first date of issuance of any of the Bond Anticipation Notes authorized under the Supplemental Resolution providing for such Bond Anticipation Notes. These conditions include the following:

- Immediately after issuance, there cannot be a deficiency in the Reserve Fund.
- The State must certify that it is not in default in the performance of any of its covenants and agreements in the Program Resolution (unless an opinion of Independent Counsel is given that the default does not deprive any Beneficial Owner in any material respect of security given by the Program Resolution).
- Except with respect to the issuance of Refunding Bonds issued to fund Bond Anticipation Notes that are also Bonds, the State must certify that, as of the date of issuance of the Bonds, the Debt Service Coverage Ratio will be at least 2 to 1; *provided*, that in connection with the issuance of Senior Refunding Bonds for an economic refunding, the State may instead certify that the issuance of the Refunding Bonds will not increase Maximum Annual Debt Service.

For this purpose:

> *"Debt Service"* means the aggregate principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments, and other payments of the State on all Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities); *provided*, however, that for purposes of calculating such amount:
>
> - Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at the Projected Interest Rate (which is The Bond Buyer Revenue Bond Index, plus 3% per annum, so long as the index is published).
> - All Outstanding Bond Anticipation Notes (such as EMCP) shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds in the full amount authorized with respect to Bond Anticipation Notes bearing interest at the Projected Interest Rate and maturing according to such amortization schedule as the State may determine; *provided*, that the final maturity must not be later than 20 years from the original issuance of the Bond Anticipation Notes.
> - Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts

deposited in trust, escrowed, or otherwise set aside for the payment thereof with the Trustee or another Person approved by the Trustee (including, without limitation, amounts in an Escrow Account established in the Redemption Fund or amounts in the Capitalized Interest Account of the Proceeds Fund).

- State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement Facility, as the case may be, or in a State Certificate provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility.
- For purposes of applying the additional bonds test in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.
- Except to the extent provided in a Supplemental Resolution adopted to provide for the issuance of Subordinate or Junior Subordinate Bonds, with respect to the determination of Debt Service for purposes of limitations relating to Subordinate or Junior Subordinate Bonds or Subordinate or Junior Subordinate Other Obligations, debt service payments with respect to Subordinate or Junior Subordinate Bonds and Subordinate or Junior Subordinate Other Obligations shall not be taken into account.

"Debt Service Coverage Ratio" means the ratio of Projected Annual Revenues to Maximum Annual Debt Service.

"Projected Annual Revenues" means the largest amount of Petroleum Inspection Fees collected in any twelve consecutive months during the eighteen most recent months for which such information is available. If legislation changes the rate of the Petroleum Inspection Fee, "Projected Annual Revenues" shall be adjusted to take such change into account.

Variable Rate Take-Out Capacity Test

On each Monthly Reporting Date while any Variable Rate Debt is Outstanding, the State shall provide to the Trustee a State Certificate setting forth the Variable Rate Take-Out Capacity and the Variable Rate Debt Exposure based on the most current available information. If the Variable Rate Take-Out Capacity is less than the Variable Rate Debt Exposure, the State agrees (1) to promptly notify the Rating Agencies of such fact and (2) to submit to the Trustee and each Rating Agency, no later than 45 days after such Monthly Reporting Date, a plan to cause the Variable Rate Take-Out Capacity to exceed the Variable Rate Debt Exposure by the third Monthly Reporting Date following the Monthly Reporting Date that made the notification and plan necessary.

For this purpose:

"Debt Service" shall be calculated consistently with the provisions set forth above with respect to the additional bonds test.

"Monthly Reporting Date" means, in each month, a date on or before the fifteenth day of the month, as selected by an Authorized Commission Representative.

"Projected Monthly Revenues" means the average of the Petroleum Inspection Fees collected in each of the twelve most recent months for which such information is available; *provided*, that if the rate of the Petroleum Inspection Fee that will be in effect for any future month will be higher or lower than the rate of Petroleum Inspection Fee in effect for any corresponding prior month, "Projected Monthly Revenues" shall be adjusted to take such change into account.

"Senior Bond Anticipation Notes" includes all Bond Anticipation Notes for which the funding Bonds have been authorized as Senior Bonds.

"Variable Rate Debt" includes Bonds the interest rate on which is not fixed for their entire remaining term to maturity, all Senior Bond Anticipation Notes, and all Bonds with respect to which

the State has entered into interest rate exchange agreements that have the effect of shifting the State's fixed rate liability to a variable rate liability.

"Variable Rate Take-Out Capacity" means an amount equal to the present value of the net revenue stream that would be available after the collection of 50% of the Projected Monthly Revenues in each of the 240 succeeding months and the payment of Debt Service due in each such month with respect to all Outstanding Senior Bonds which do not constitute Variable Rate Debt (assuming the receipt of revenues and the payment of Debt Service on the first day of the month), discounted (on the basis of a 360-day year consisting of twelve 30-day months, and semi-annual compounding) using a discount rate equal to the Projected Interest Rate.

"Variable Rate Debt Exposure" means the difference, if any, of (1) the actual aggregate Outstanding principal amount of Variable Rate Debt, less (2) the sum of (a) the balance in the Principal Account in the Redemption Fund allocable to Variable Rate Debt, plus (b) the balance of the Rate Stabilization Fund established under the Program Resolution.

Funds and Accounts

The Program Resolution establishes the following Funds and Accounts:

- Proceeds Fund (and within it a Capitalized Interest Account, an Issuance and Administrative Account, and a Claims Account).
- Revenue Fund.
- Rebate Fund.
- Redemption Fund (and within it an Interest Account and a Principal Account).
- Reserve Fund.
- Rate Stabilization Fund.
- Junior Subordinate Redemption Fund (and within it a Junior Subordinate Principal Account).
- Program Fund (and within it a Program Expense Account).

Proceeds Fund

Upon the delivery of any series of Bonds, the Trustee will credit to the Proceeds Fund the amount specified in the resolution authorizing the Bonds. The amounts, if any, so designated in the resolution will be credited to the Capitalized Interest Account and the Issuance and Administrative Account, respectively, and the remainder will be credited to the Claims Account.

Moneys in the Capitalized Interest Account will be applied only for the payment of interest on the Senior Bonds. Moneys in the Issuance and Administrative Account will be applied to the payment of costs of issuance of the Bonds and administrative expenses. Moneys in the Claims Account will be applied to costs of the petroleum storage remedial action program.

Revenue Fund

The Trustee will credit all Petroleum Inspection Fees received from the Department of Revenue to the Revenue Fund. On each Revenue Payment Date, the Trustee will transfer the money so credited, as follows:

- *First,* to the Rebate Fund.
- *Second,* to the Interest Account for the payment of interest on Senior Bonds or Senior Other Obligations payable therefrom.
- *Third,* to the Principal Account for the payment of principal of Senior Bonds or the payment of Senior Other Obligations payable therefrom.
- *Fourth,* to the Reserve Fund, if necessary to increase the balance to the Reserve Fund Requirement.

- *Fifth*, to the Rate Stabilization Fund, if directed by the State.
- *Sixth*, to the Junior Subordinate Principal Account within the Junior Subordinate Redemption Fund for the payment of principal of Junior Subordinate Bonds or the payment of Other Obligations payable therefrom.
- *Seventh*, to the Program Fund. If the Commission creates Funds and Accounts for Subordinate Bonds or Subordinate Other Obligations, it may apply money to Funds and Accounts established for those obligations before applying the money to the Program Fund.

The Program Resolution permits the issuance of Subordinate Bonds, which would have a pledge of Petroleum Inspection Fees that is subordinate to the pledge provided the Senior Bonds yet senior to the pledge provided the Junior Subordinate Bonds. If Subordinate Bonds are issued, then a Subordinate Redemption Fund will be created.

Rebate Fund

The State will periodically determine, for each issue of Bonds, the arbitrage rebate liability under federal tax law. The State may specify an amount that should be held in the Rebate Account for arbitrage rebate payments. If the Trustee is furnished with a written opinion of Bond Counsel to the effect that amounts held in the Rebate Fund are not needed to make arbitrage rebate payments, then those amounts will be transferred to the Interest Account.

Redemption Fund

The Redemption Fund will be used only for the payment when due of principal of, and premium, if any, and interest on, the Senior Bonds and Senior Other Obligations.

Interest Account

The Trustee will credit to the Interest Account any premium or accrued interest paid as part of the purchase price for a series of Senior Bonds. The Trustee will also deposit in the Interest Account:

- The portion of the sale proceeds from the State's borrowings to be used to pay interest on the Senior Bonds (unless those proceeds are deposited into an Escrow Account).
- All Counterparty Swap Payments.
- All investment earnings from money in the Redemption Fund (unless they are required to be in an Escrow Account), the Reserve Fund, the Rate Stabilization Fund, and the Junior Subordinate Redemption Fund.
- Amounts transferred, at the State's direction, from the Rate Stabilization Fund.
- Amounts transferred from the Rebate Fund.
- Other amounts required to be transferred thereto from the Funds and Accounts.

The Trustee will make periodic deposits to the credit of the Interest Account, at least 30 days before payment is due, of amounts determined or estimated to aggregate the full amount of each installment of interest which falls due upon Outstanding Senior Bonds on each regularly scheduled Interest Payment Date, and the reimbursement to all Credit Facility Providers for payments of interest on the Senior Bonds pursuant to Credit Enhancement Facilities. As a practice, the Trustee periodically transfers money from the Interest Account to the Issuing and Paying Agent because EMCP is Variable Rate Debt and interest is payable on various dates. This transfer occurs monthly and does not relate to any scheduled Interest Payment Date.

If money in the Interest Account is insufficient when needed to pay the accrued interest due on the Senior Bonds, all State Swap Payments, and all reimbursements and fees payable to a Credit Facility Provider, or any portion of the purchase price of Senior Bonds to be purchased attributable to accrued interest, the Trustee will immediately deposit to the credit of the Interest Account an amount equal to such deficiency. Each deposit required to pay the foregoing amounts shall be made by transfer from the following Funds

and Accounts, in the following order of priority: the Capitalized Interest Account, the Revenue Fund, the Rate Stabilization Fund, the Reserve Fund, and the Principal Account.

If money in the Interest Account is insufficient when needed to pay amounts payable therefrom, the money shall be applied, *pro rata*, among such obligations based upon such amounts then owing to Beneficiaries and to be paid from the Interest Account.

Principal Account

With respect to each series of Senior Bonds, the Trustee will deposit to the credit of the Principal Account:

- The portion of the sale proceeds from the State's borrowings to be used to pay principal of the Senior Bonds on a Principal Payment Date (unless those proceeds are deposited into an Escrow Account).
- Amounts transferred, at the State's direction, from the Rate Stabilization Fund or the Program Fund.
- Amounts required to be transferred thereto from the Revenue Fund, the Rate Stabilization Fund, and the Reserve Fund.

To provide for the payment of each installment of principal which falls due upon Senior Serial Bonds (other than certain Bond Anticipation Notes) at the stated maturity thereof or Senior Term Bonds on a Sinking Fund Payment Date therefor, the Trustee will make periodic deposits, to aggregate the full amount of such installment at least 30 days before such payment is due. To provide for the payment of the redemption price of Senior Bonds to be redeemed on any other Redemption Date, the Trustee shall make deposits, as directed by a Supplemental Resolution or the State, to aggregate the full amount of such redemption price at least five days before such redemption price is due.

Money in the Principal Account will be applied to the payment of Senior Bonds on a Principal Payment Date or for the payment of reimbursements for amounts paid under a Senior Credit Enhancement Facility to pay principal of and premium, if any, on Senior Bonds, to such payment when due.

Each deposit required to be made to the credit of the Principal Account shall be made by transfer from the following Funds and Accounts, in the following order of priority: the Revenue Fund, the Rate Stabilization Fund, and the Reserve Fund.

When the balance in the Principal Account is not sufficient to pay all amounts payable therefrom on such date, the amounts in the account will be applied in the following order of priority: *first*, to the Interest Account; and *second*, to the payment of Senior Bonds at their stated maturity or on a Redemption Date or the reimbursement of such payments made by a Senior Credit Facility Provider, *pro rata*, among such obligations based upon such amounts then owing to Beneficiaries.

Money in the Principal Account may also be applied to the purchase of Senior Bonds if no deficiencies exist at such time in the Interest Account, the Principal Account, or the Rebate Fund. Any such purchase will be limited to those Senior Bonds whose stated maturity or Sinking Fund Payment Date is the next succeeding Principal Payment Date.

Reserve Fund

From the proceeds of any series of Bonds or, at the option of the State, from any other available moneys under the Program Resolution, the Trustee will credit to the Reserve Fund the amount, if any, specified in a Supplemental Resolution providing for the issuance of a series of Bonds, such that upon issuance of such Senior Bonds, the balance in the Reserve Fund shall not be less than the Reserve Fund Requirement. *There is no Reserve Fund Requirement at this time.*

If on any Revenue Payment Date the balance in the Reserve Fund is less than the Reserve Fund Requirement, then the Trustee will transfer an amount equal to the deficiency from the Revenue Fund (to the extent not required for credit to the Rebate Fund or the Redemption Fund).

Money in the Reserve Fund will be applied solely for the payment when due of principal of and interest on the Senior Bonds and amounts owing under Senior Other Obligations. It will be so applied by transfer to the Redemption Fund, if the amounts therein and available in the Revenue Fund, the Capitalized Interest Account, and the Rate Stabilization Fund are insufficient to meet the amount required for deposit to the credit of the Redemption Fund at such time. Amounts in the Reserve Fund shall be applied, *first,* to the payment of interest on the Senior Bonds and the payment of Senior Other Obligations payable from the Interest Account and, *second,* to the payment of principal of the Senior Bonds and the payment of Senior Other Obligations payable from the Principal Account. On the stated maturity date or any Redemption Date of any Senior Bonds, amounts in the Reserve Fund shall, upon State Direction, be applied to the payment at maturity or redemption of all Outstanding Senior Bonds of a series, to the extent that such application, and payment of all deposits to be made to the credit of the Rebate Fund required by the Program Resolution upon such redemption, will not reduce the balance of the Reserve Fund below the Reserve Fund Requirement (calculated as though the Senior Bonds to be retired on such stated maturity date or Redemption Date were not Outstanding as of the date of such calculation). At any time when the aggregate of the amounts in the Redemption Fund, the Capitalized Interest Account, the Reserve Fund, and the Rate Stabilization Fund equals an amount sufficient and available to discharge and satisfy the obligations of the State with respect to all of the Outstanding Senior Bonds and Senior Other Obligations and to make all deposits to the credit of the Rebate Fund required by the Program Resolution, all in the manner described in the Program Resolution, such amounts shall, upon State Direction, be so applied. If on any Revenue Payment Date the balance in the Reserve Fund exceeds the Reserve Fund Requirement, such excess shall, upon State Direction, be transferred to the Rate Stabilization Fund or the Program Fund.

Rate Stabilization Fund

The Trustee will credit to the Rate Stabilization Fund such amounts as the State directs, from the Revenue Fund, from the Reserve Fund, or from the Program Fund.

On any date on which the balance in the Redemption Fund (after transfers thereto from the Revenue Fund and the Capitalized Interest Account) is not sufficient to pay all amounts payable therefrom on such date, the Trustee will transfer money in the Rate Stabilization Fund, as follows:

- *First,* to the Interest Account for the payment of interest on Senior Bonds or Other Senior Obligations payable therefrom; and
- *Second,* to the Principal Account for the payment of the principal of Senior Bonds or the payment of Other Senior Obligations payable therefrom.

In addition, the Trustee shall transfer from the Rate Stabilization Fund to the Interest Account or the Principal Account such amounts as the State directs. *There is no balance in the Rate Stabilization Fund at this time.*

Junior Subordinate Redemption Fund

The Trustee, or another Fiduciary if directed by a Supplemental Resolution, shall deposit to the credit of the Junior Subordinate Principal Account that portion of the proceeds from the sale of the State's bonds, notes, or other evidences of indebtedness, if any, to be used to pay principal of the Junior Subordinate Bonds (such as principal on the Notes) on a Principal Payment Date (unless those proceeds are deposited into an Escrow Account) or other funds provided by the State.

To provide for the payment of each installment of principal which falls due upon such series of Junior Subordinate Bonds prior to the due date, the Trustee shall make deposits from the Revenue Fund only as directed by a Supplemental Resolution or State Certificate.

The Notes Supplemental Resolution provides that deposits of Petroleum Inspection Fees into the Junior Subordinate Principal Account are required to be made if there is a default by the State in the payment of principal on any Note on its Extended Maturity Date. The Trustee is required from that time forward to make transfers from the Revenue Fund to the Junior Subordinate Principal Account to aggregate the full

amount due to Holders of the Note. The amount of these transfers are limited to the amount of Petroleum Inspection Fees deposited into the Revenue Fund and not transferred to Funds and Accounts that are senior to that of the Junior Subordinate Principal Account. Prior to any default by the State, discretionary deposits of Petroleum Inspection Fees may be made at any time into the Junior Subordinate Principal Account. These deposits may be applied to reduce the outstanding principal balance of the Notes while they are outstanding.

The moneys in the Junior Subordinate Principal Account required for the payment of Junior Subordinate Bonds on the maturity date (after taking into account any authorized extension of maturity or any acceleration of maturity) shall be transferred to the Paying Agent for such series of Junior Subordinate Bonds and applied by the Paying Agent to such payment when due without further authorization or direction.

When the balance in the Junior Subordinate Principal Account is not sufficient to pay all amounts payable therefrom on such date, the Trustee shall make periodic deposits from the Revenue Fund, prior to making any deposits to the Program Fund, to aggregate the full amount due on such maturity date from such date to the date of payment, *pro rata*, among such obligations based upon such amounts then owing to Holders of the Junior Subordinate Bonds.

The Program Resolution may be amended to establish Funds and Accounts that are senior in priority to the Junior Subordinate Principal Account.

Program Fund

Any amount in the Revenue Fund that is not required to be transferred to the Rebate Fund, the Redemption Fund, the Reserve Fund, the Rate Stabilization Fund, or any Fund created with respect to a Subordinate class of Bonds or Other Obligations will be transferred to the Program Fund.

Amounts that the State designates will be deposited in the Program Expense Account and will be disbursed for costs of the program of Bond issuance. Money in the Program Fund may be transferred to the Redemption Fund or the Junior Subordinate Redemption Fund, transferred to the Rate Stabilization Fund, or used for the purchase of Bonds. Money in the Program Fund may also be applied to any purpose permitted by law.

Investments

Money in any Fund or Account may be invested in Permitted Investments that mature or are redeemable at the option of the holder before the money is needed for the purpose for which it is held.

Pledge and Security Interest

The Commission has pledged the Petroleum Inspection Fees to the payment of the Bonds and Other Obligations. The Wisconsin Statutes create a security interest, for the benefit of the Holders of the Bonds and the Other Beneficiaries, in the Revenue Fund, the Redemption Fund, the Junior Subordinate Redemption Fund, the Reserve Fund, and the Rate Stabilization Fund.

Nonimpairment

The Program Resolution and each Supplemental Resolution will constitute a contract with the Holders of the Bonds and the other Beneficiaries. The State pledges and agrees with the Holders of the Bonds and the Other Beneficiaries that the State will not limit or alter its powers to fulfill the terms of any agreements made with the Holders of the Bonds and the Other Beneficiaries or in any way impair the rights and remedies of the Holders of the Bonds or the Other Beneficiaries until the Bonds, together with interest and all costs and expenses in connection with any action or proceeding by or on behalf of the Holders of the Bonds, are fully met and discharged and the Other Obligations are fully discharged or provided for.

Rating

The State covenants that it will, at all times Bonds are Outstanding, request at least one nationally recognized securities rating agency to maintain a rating on the Bonds.

Termination

If the State pays the principal, premium, if any, and interest payable upon any Bond, then the Bond will no longer be entitled to any benefit under the Program Resolution. If all Bonds and Other Obligations are paid and all expenses of the Fiduciaries have been paid, or are deemed to be paid, then the pledge of the Petroleum Inspection Fees and the security interest in the Funds and Accounts will cease.

Any Outstanding Bond will be deemed to be paid when there shall have been deposited (in an Escrow Account) either moneys in an amount which, or Federal Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide money sufficient to pay when due the principal of and premium, if any, and interest due and to become due on the Bond at or prior to the stated maturity thereof.

Events of Default

If any of the following events occur, it constitutes an Event of Default:

- Default in the due and punctual payment of any interest on any Bond of the most senior class then Outstanding.
- Default in the due and punctual payment of the principal of, or premium, if any, on, any Bond of the most senior class then Outstanding, whether at the stated maturity or a redemption date.
- Default by the State in its obligation to purchase any Bond of the most senior class then Outstanding (or Beneficial Ownership Interests in such a Bond) on a Tender Date.
- Default in the due and punctual payment of any amount owed by the State to any Other Beneficiary under a Swap Agreement or Credit Enhancement Facility.
- Default in the performance of any of the State's obligations to transmit money to be credited to the Revenue Fund, the Rebate Fund, or the redemption fund established for the payment of Bonds of the most senior class then Outstanding as required by the Program Resolution and such default shall have continued for a period of 30 days.
- Default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the State contained in the Program Resolution, or in the Senior Bonds, and such default shall have continued for a period of 30 days after written notice; *provided* that, except with respect to the State's arbitrage rebate covenants, if the default is such that it can be corrected, but not within such 30 days, it shall not constitute an Event of Default if corrective action is instituted by the State within such 30 days and is diligently pursued until the default is corrected.

Acceleration

Whenever any Event of Default has occurred and is continuing, the Trustee may, and upon the written request of the Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be 25% of the aggregate Principal Amount of Outstanding Bonds of the pertinent class), the Trustee shall, by notice in writing delivered to the State, declare the principal of and interest accrued on all Bonds then Outstanding due and payable.

Before a judgment or decree for payment of the money due has been obtained by the Trustee, the Acting Beneficiaries Upon Default (and for this purpose, the specified percentage shall be a majority of the aggregate Principal Amount of Outstanding Bonds of the pertinent class) may rescind and annul such declaration and its consequences if there has been paid to or deposited with the Trustee by or for the account of the State, or provision satisfactory to the Trustee has been made for the payment of, a sum sufficient to pay:

- All overdue installments of interest on all Bonds of the most senior class Outstanding.
- The principal of (and premium, if any, on) any Bonds of the most senior class Outstanding which have become due otherwise than by such declaration of acceleration, together with interest thereon at the rate or rates borne by such Bonds.
- To the extent that payment of such interest is lawful, interest upon overdue installments of interest on the Bonds of the most senior class Outstanding at the rate or rates borne by such Bonds.
- All Other Obligations on a parity with Bonds of the most senior class Outstanding, which Other Obligations have become due other than as a direct result of such declaration of acceleration.
- All other sums required to be paid to satisfy the State's obligations to transmit money to be credited to the Revenue Fund, the Rebate Fund, and the redemption fund established for payment of Bonds of the most senior class Outstanding as required by the Program Resolution.
- All sums paid or advanced by the Trustee or any other Fiduciary under the Program Resolution and the reasonable compensation, expenses, disbursements, and advances of the Trustee or other Fiduciaries, their agents, and their counsel.

Similarly, before a judgment or decree for payment of the money due has been obtained by the Trustee, the Acting Beneficiaries Upon Default may rescind and annul such declaration and its consequences if all Events of Default, other than the non-payment of the principal of Bonds of the most senior class Outstanding, or Other Obligations on a parity with Bonds of the most senior class Outstanding, which have become due solely by, or as a direct result of, such declaration of acceleration, have been cured or waived.

No rescission and annulment will affect any subsequent default or impair any right consequent thereon.

Other Remedies; Rights of Beneficiaries

If an Event of Default has occurred and is continuing, the Trustee may bring legal proceedings to collect money due or to enforce the covenants made by the State.

If an Event of Default has occurred and is continuing, and if it is requested so to do by the Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be a majority of the aggregate Principal Amount of Outstanding Bonds) or any Other Beneficiary and is indemnified, the Trustee will be obliged to exercise such of the rights and powers as the Trustee, being advised by its counsel, deems most expedient in the interests of the Beneficiaries.

If a default occurs under a Swap Agreement or a Credit Enhancement Facility, the Other Beneficiary may exercise such remedies as are provided therein.

Remedies are not exclusive, and delay in acting is not a waiver.

Application of Moneys

All moneys received by the Trustee pursuant to any right given or action taken will, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities, and advances incurred or made by the Trustee with respect thereto, be applied as follows (except that money received with respect to Credit Enhancement Facilities shall be applied only to the purposes for which such Credit Enhancement Facilities were provided, and shall be so applied prior to the application of other money):

(1) In every case, the Trustee shall apply the amounts to each class in order of priority, namely, Senior Bonds and Senior Other Obligations shall be paid in full before any payment shall be made with respect to Junior Subordinate Bonds and Junior Subordinate Other Obligations.

(2) Unless the principal of all the Outstanding Bonds of a particular class shall have become or shall have been declared due and payable, all such money will be applied to the payment to the

Beneficiaries of all installments of principal and interest then due on the Bonds and all Other Obligations, and if the amount available is not sufficient to pay all such amounts in full, then to the payment ratably, in proportion to the amounts due, without regard to due date, to the Holders and to each Other Beneficiary, without any discrimination or preference (being applied first to interest and then to principal).

(3) If the principal of all Outstanding Bonds of a particular class shall have become due or shall have been declared due and payable and such declaration has not been annulled and rescinded, all such moneys will be applied to the payment to the Beneficiaries of the principal and interest then due and unpaid upon the Bonds and all Other Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Beneficiary over any Other Beneficiary, ratably, according to the amounts due, to the Persons entitled thereto without any discrimination or preference.

(4) If the principal of all the Outstanding Bonds of a particular class shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then (subject to the provisions of clause (3) above, in the event that the principal of all the Outstanding Bonds shall later become or be declared due and payable) the money held by the Trustee hereunder will be applied in accordance with the provisions of clause (2) above.

Whenever money is to be applied by the Trustee as described above, the money will be applied by it at such time or times as the Trustee determines, having due regard to the amount of such money available and the likelihood of additional money becoming available in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposits with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Limitation on Suits by Beneficiaries

Except as may be permitted in a Supplemental Resolution with respect to an Other Beneficiary, no Holder of any Bond or Other Beneficiary shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Program Resolution or for the execution of any trust or for the appointment of a receiver or any other remedy unless all of the following conditions apply:

- An Event of Default shall have occurred and be continuing.
- The Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be 25% of the aggregate Principal Amount of Outstanding Bonds) shall have made written request to the Trustee.
- Such Beneficiary or Beneficiaries shall have offered to the Trustee indemnity.
- The Trustee shall have thereafter failed for a period of 60 days after the receipt of the request and indemnification, or refused, to exercise the powers granted under the Program Resolution or to institute such action, suit, or proceeding in its own name.
- No direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by such Acting Beneficiaries Upon Default.

No one or more Holders of the Bonds or any Other Beneficiary shall have any right in any manner whatsoever to affect, disturb, or prejudice the security interest created in the Revenue Fund, the Redemption Fund, the Rate Stabilization Fund, the Reserve Fund, and the Junior Subordinate Redemption Fund or to enforce any right except in the manner provided in the Program Resolution. All proceedings at law or in equity shall be instituted, had, and maintained in the manner provided in the Program Resolution and for the benefit of the Holders of all Outstanding Senior Bonds and Other Beneficiaries under the

Program Resolution as their interests may appear thereunder. The Acting Beneficiaries Upon Default may institute any suit, action, or proceeding permitted under the Program Resolution in their own names for the benefit of the Holders of all Outstanding Senior Bonds and Other Beneficiaries thereunder.

Supplemental Resolutions Without Beneficiary Consent

The Commission may, without the consent of or notice to the Beneficiaries, adopt Supplemental Resolutions as follows:

- To cure any formal defect, omission, inconsistency, or ambiguity in the Program Resolution; *provided*, that no such action shall adversely affect the interests of the Beneficiaries who have not consented thereto.
- To add other covenants or agreements, or to surrender any right or power reserved or conferred upon the State, and which shall not adversely affect the interests of the Beneficiaries who have not consented thereto.
- To issue a particular series of Senior Bonds or enter into a Swap Agreement or obtain a Credit Enhancement Facility and, in connection therewith, to establish provisions for making deposits to the Redemption Fund to provide for the payment of any Senior Bonds, or Other Obligations and to establish assumptions for computing the Debt Service obligations with respect thereto.
- To cause the Program Resolution to comply with the requirements of the Trust Indenture Act of 1939.
- To provide for the removal of a Fiduciary or the Securities Depository, or the appointment of an additional or successor Fiduciary or a successor Securities Depository.
- To make any change in the Program Resolution required by any Rating Agency in order to maintain the current, or restore the previous, rating by such Rating Agency on the Bonds, and which shall not adversely affect the interests of the Beneficiaries who have not consented thereto.
- To provide for the creation of Funds or Accounts, to which amounts in the Revenue Fund may be credited on any Revenue Payment Date prior to transfer of such amounts to the Junior Subordinate Redemption Fund, but only after all transfers therefrom to the Rebate Fund, the Redemption Fund, the Reserve Fund, the Rate Stabilization Fund, or the creation of one or more subordinate classes of Bonds payable solely from Funds and Accounts created under that or another Supplemental Resolution; *provided*, that no such subordinate class of Bonds or Other Obligations may be senior in any respect to any previously created class of Senior Bonds or Other Obligations any of which are then Outstanding, except to the extent specifically authorized or permitted by the Supplemental Resolution authorizing such previously created class or except to the extent consented to by each Beneficiary who would be adversely affected thereby.
- To modify, alter, amend, or supplement the Program Resolution in any other respect which is not materially adverse to the Beneficiaries who have not consented thereto or which is permitted for Bonds of one or more particular series, as provided in the Supplemental Resolution for Bonds of those series and affects only (1) the Holders of such Bonds and (2) any other Beneficiaries who have consented thereto.
- To modify, alter, amend, or supplement the Program Resolution in any other respect so long as each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Bonds will be reduced or withdrawn as a result of such modification, alteration, amendment, or supplement, as evidenced by written confirmations thereof delivered from each Rating Agency.

In connection with the adoption of any Supplemental Resolution without consent of the Holders of the Bonds, the Trustee must be given an opinion of Bond Counsel to the effect that such Supplemental Resolution is authorized or permitted by the Program Resolution and the Revenue Obligations Act, complies with their respective terms, will be valid and binding upon the State in accordance with its

terms, and will not adversely affect the exclusion of the interest payable on the Bonds from gross income of the Holders of the Bonds for federal income tax purposes pursuant to the Code.

Supplemental Resolutions With Beneficiary Consent

The Commission may, with the prior written consent of the Holders of a majority of the principal amount of each class of Bonds Outstanding affected by such Supplemental Resolution, and with the prior written consent of the Other Beneficiaries, adopt a Supplemental Resolution to modify, alter, amend, or supplement the Program Resolution in any respect. No Supplemental Resolution, however, may permit any of the following:

- An extension of the stated maturity or reduction in the principal amount of, a reduction in the rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of, a reduction in the purchase price payable on a Tender Date for, or a reduction in the amount or extension of the time for any principal payment required for any sinking fund or otherwise applicable to, any of the Bonds without the consent of the Holders of all the Bonds and Other Beneficiaries which would be affected by the action to be taken.
- The creation of any security interest prior to or on a parity with the security interest in the Funds and Accounts for the benefit of the Holders of the Bonds and the Other Beneficiaries without the consent of the Holders of all the Bonds Outstanding and the Other Beneficiaries which would be adversely affected by such creation.
- A reduction in the aggregate principal amount of Bonds the Holders of which are required to consent, or the elimination of a requirement that any Other Beneficiary consent, to any Supplemental Resolution without the consent of the Holders of all Bonds at the time Outstanding, and any Other Beneficiary which would be affected by the action to be taken.
- A modification of the rights, duties, or immunities of the Trustee or any Fiduciary without the written consent of the Trustee or Fiduciary.
- The creation of a privilege or priority of any Obligation of one class over any other Obligation of the same class, or of any other class except as provided in the Program Resolution, or the surrender of a privilege or a priority granted by the Program Resolution, to the detriment of another Beneficiary.

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to capitalized terms used in this Part VII of the 2009 Annual Report.

"2009 Bonds" means the $117,460,000 State of Wisconsin Petroleum Inspection Fee Revenue Refunding Bonds, 2009 Series 1, issued on October 20, 2009.

"Account" means any of the accounts in the Funds.

"Acting Beneficiaries Upon Default" means:

- for purposes of the provisions of the Program Resolution concerning acceleration of maturity, the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds are Outstanding and otherwise the Holders of not less than the specified percentage of the most senior class of Bonds Outstanding, and
- for all other purposes under the Program Resolution, any Senior Other Beneficiary or the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds or Senior Other Obligations are Outstanding and otherwise the Holders of not less than the specified percentage of Bonds of the most senior class of any Bonds or Other Obligations of which are Outstanding and any Other Beneficiary of such class.

"Authorized Commission Representative" means any person at the time designated to act on behalf of the State by written certificate furnished to the Trustee containing the specimen signature of such person and

signed on behalf of the State by the Capital Finance Director, and also includes the Capital Finance Director.

"Authorized Department Representative" means any person at the time designated to act on behalf of the Department by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Department by the Secretary of the Department, and also includes the Secretary.

"Beneficial Owner" means the Person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository, Participant, or Indirect Participant, as the case may be.

"Beneficial Ownership Interest" means the right to receive payments and notices with respect to Bonds which are held by the Securities Depository under a Book-Entry System and for which the Securities Depository does not act on behalf of the Beneficial Owner in connection with the optional or mandatory tender of Bonds on a Tender Date.

"Beneficiary" means any Holder of Bonds, any Swap Counterparty, and any Credit Facility Provider.

"Bond Anticipation Notes" means obligations for the funding of which the Building Commission has authorized the issuance of Bonds in a Supplemental Resolution.

"Bond Counsel" means any Independent Counsel selected by the State and nationally recognized as an attorney or firm of attorneys whose opinions are generally accepted in the municipal bond market and who is familiar with the transactions contemplated under the Program Resolution. Unless specifically otherwise provided, any opinion of Bond Counsel required by the Program Resolution shall be in writing.

"Bonds" means revenue obligations of the State, however designated and whether Senior, Subordinate, or Junior Subordinate, that are issued pursuant to the Program Resolution and payable, in whole or in part, from the Petroleum Inspection Fees and does not include Bond Anticipation Notes that are payable solely from the proceeds of Bonds authorized in a Supplemental Resolution.

"The Bond Buyer Revenue Bond Index" means the Revenue Bond Index as published by *The Bond Buyer*.

"Book-Entry System" means a book-entry system established and operated for the recordation of Beneficial Owners of Bonds.

"Building Commission" or "Commission" means the State of Wisconsin Building Commission.

"Business Day" or *"business day"* means, with respect to any series of Bonds, a day on which (a) banks located in the city in which the Principal Office of any Fiduciary with responsibilities for that series of Bonds is located are not required or authorized by law or executive order to close for business, and (b) the New York Stock Exchange is not closed; *provided*, that a Supplemental Resolution may provide for a different meaning with respect to Bonds of any series issued pursuant thereto.

"Capitalized Interest Account" means the Capitalized Interest Account created within the Proceeds Fund.

"Claims Account" means the Claims Account created within the Proceeds Fund.

"Code" means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations in effect or proposed from time to time with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

"Counterparty Swap Payment" means a payment due to or received by the State from a Swap Counterparty pursuant to a Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement) and amounts received by the State under any related Swap Counterparty Guaranty.

"Credit Enhancement Facility" means, if and to the extent provided for in a Supplemental Resolution, with respect to Bonds of one or more series, (1) an insurance policy insuring, or a letter of credit, surety bond, or other guaranty providing a direct or indirect source of funds for, the payment of principal of and

interest on such Bonds (but not necessarily principal due upon acceleration of maturity) or (2) a letter of credit, standby purchase agreement, or similar instrument providing for the purchase of such Bonds (or the Beneficial Ownership Interests therein) on a Tender Date and, in either case, all agreements entered into by the State or the Trustee and the Credit Facility Provider with respect thereto.

"Credit Facility Provider" means any Person or Persons engaged by the State pursuant to a Credit Enhancement Facility to provide credit enhancement or liquidity for the payment of the principal of and interest on Bonds or the State's obligation to purchase Bonds (or the Beneficial Ownership Interests therein) on a Tender Date.

"Debt Service" means the aggregate principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments, and other payments of the State on all Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities); *provided*, however, that for purposes of calculating such amount:

- Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at the Projected Interest Rate.
- All Outstanding Bond Anticipation Notes shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds in the full amount authorized with respect to such Bond Anticipation Notes, bearing interest at the Projected Interest Rate and maturing according to such amortization schedule as the State may determine; *provided* that the final maturity must not be later than 20 years from the original issuance of the Bond Anticipation Notes.
- Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts deposited in trust, escrowed, or otherwise set aside for the payment thereof with the Trustee or another Person approved by the State or the Trustee (including, without limitation, amounts in an Escrow Account established in the Redemption Fund or amounts in the Capitalized Interest Account of the Proceeds Fund).
- State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement Facility, as the case may be, or in a State Certificate provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility.
- For purposes of applying the additional bonds test in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.
- Except to the extent provided in a Supplemental Resolution to provide for a subordinate class of Bonds or other obligations with respect to the determination of Debt Service for purposes of limitations relating to Subordinate or Junior Subordinate Bonds or Subordinate or Junior Subordinate Other Obligations, debt service payments with respect to Subordinate or Junior Subordinate Bonds and Subordinate or Junior Subordinate Other Obligations shall not be taken into account.

"Debt Service Coverage Ratio" means the ratio of Projected Annual Revenues to Maximum Annual Debt Service.

"Department" or *"Department of Commerce"* means the State of Wisconsin Department of Commerce.

"Escrow Account" means a separate and distinct Account created within the Redemption Fund or the Junior Subordinate Redemption Fund in connection with the defeasance of any Bonds.

"EMCP" or *"Notes"* means, collectively, the State of Wisconsin Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper of all series issued pursuant to the Notes Supplemental Resolution.

"Event of Default" means one of the events described as such in the Program Resolution.

"Extended Maturity Date" means, for each Bond designated as EMCP, the date that is 270 days after the original issue date.

"Federal Securities" means noncallable, direct obligations of the United States of America.

"Fiduciary" means each of the Trustee, and any co-trustee, Registrar, Issuing Agent, Paying Agent, or other fiscal agent and includes any agent designated by or on behalf of the Building Commission or a Fiduciary to perform the functions of a Fiduciary. One entity may perform multiple Fiduciary functions, and multiple entities may perform a particular Fiduciary function.

"Fiscal Year" means the annual period beginning on July 1 of each year and ending on June 30 of the following year.

"Fund" means any of the funds created by the Program Resolution.

"Holder" means the registered owner of any Bond (which shall be the Securities Depository Nominee so long as a Book-Entry System is being used), as shown on the registration books of the State maintained by the Registrar, except that to the extent and for the purposes provided in a Supplemental Resolution for a series of Bonds (including, without limitation, for purposes of the definition of "Acting Beneficiaries Upon Default"), a Credit Facility Provider that has delivered a Credit Enhancement Facility with respect to such series of Bonds may instead be treated as the Holder of the Bonds of such series.

"Independent Counsel" means an Independent Person duly admitted to practice law before the highest court of any state of the United States of America or the highest court of the District of Columbia, or with respect to opinions relating to the law of a country other than the United States of America, an Independent Person duly admitted to the practice of law in such country. Unless specifically otherwise provided, any opinion of Independent Counsel required by the Program Resolution shall be in writing.

"Independent Person" means a Person designated by the State and not an employee of the State.

"Indirect Participant" means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

"Interest Account" means the Interest Account created within the Redemption Fund.

"Interest Payment Date" means any date on which interest is due on any Bond pursuant to the Program Resolution.

"Issuance and Administrative Account" means the Issuance and Administrative Account created within the Proceeds Fund.

"Issuing Agent" means the entity designated by or on behalf of the Building Commission to perform such duties as may be required of the Issuing Agent under the Program Resolution or any Supplemental Resolution.

"Issuing and Paying Agent" means, for purposes of Bonds issued as EMCP, the issuing and paying agent for EMCP as appointed by the Notes Supplemental Resolution.

"Junior Subordinate" means, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

"Junior Subordinate Principal Account" means the Junior Subordinate Principal Account created within the Junior Subordinate Redemption Fund.

"Junior Subordinate Redemption Fund" means the Junior Subordinate Redemption Fund created under the Program Resolution.

"Maximum Annual Debt Service" means, as of the date of determination, the maximum annual Debt Service, as computed for the then current or any future Fiscal Year.

"Notes" or *"EMCP"* means, collectively, the State of Wisconsin Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper of all series issued pursuant to the Notes Supplemental Resolution.

"Notes Supplemental Resolution" means 2000 State of Wisconsin Building Commission Resolution 6, adopted on May 2, 2000, which created the terms and conditions for the issuance of EMCP.

"Original Maturity Date" means, for each Bond designated as EMCP, the date that is from 1 to 180 days from the original issue date, specified as such in the confirmation sent to the Holder of the EMCP.

"Other Beneficiary" shall mean a Person who is a Beneficiary of an Other Obligation.

"Other Obligation" shall mean the State's obligations to pay any amounts under any Swap Agreements and any Credit Enhancement Facilities.

"Outstanding" means (1) when used in reference to the Bonds as at any given date, all Bonds which have been duly authenticated and delivered by the Registrar or Issuing Agent under the Program Resolution *except:*

- Bonds which have been canceled by the Registrar at or before such date or which have been delivered to the Registrar at or before such date for cancellation;
- Bonds deemed to be paid because their payment has been provided for;
- Bonds in lieu of which other Bonds have been authenticated;
- Bonds not surrendered for payment when due (unless the State shall default in the payment thereof); and
- Bonds which are otherwise not treated as Outstanding pursuant to the terms of the Supplemental Resolution providing for their issuance;

and (2) when used with respect to Other Obligations, means any Other Obligations which have become, or may in the future become, due and payable and which have not been paid or otherwise satisfied.

"Participant" means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository.

"Paying Agent" means an agent of the State designated by or on behalf of the Building Commission to process payments to Holders of the Bonds.

"PECFA Program" means the Petroleum Environmental Cleanup Fund Award Program, which is a petroleum storage remediation program provided for in the Wisconsin Statutes.

"Permitted Investments" means any of the following:

- Direct obligations of the United States and of agencies of and corporations wholly owned by the United States, and direct obligations of federal land banks, federal home loan banks, central bank for cooperatives and banks for cooperatives, international bank for reconstruction and development, the international finance corporation, inter-American development bank, African development bank, and Asian development bank, in each case maturing within one year or less from the date of investment;
- Commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the three highest ratings issued by Moody's Investors Service, Inc., Standard & Poor's Ratings Services, or Fitch, Inc.;
- Certificates of deposit maturing within one year or less from the date of investment, issued by banks, credit unions, savings banks, or savings and loan associations located in the United States and having capital and surplus of at least $40 million; and
- Any other investment permitted by law, so long as each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Unenhanced Bonds will be reduced or withdrawn as a result of such investment, as evidenced by written confirmations thereof delivered from each Rating Agency, or if no Unenhanced Bonds are then Outstanding, but Other Obligations are Outstanding, the Beneficiaries holding such Other Obligations consent to such investment, as evidenced in writing to the Trustee by each such Beneficiary.

"Person" means any natural person, firm, association, corporation, company, trust, partnership, public body, or other entity.

"Petroleum Inspection Fees" means the fees imposed under Section 168.12 (l), Wisconsin Statutes, the payments under Section 101.143 (4) (h) lm., Wisconsin Statutes, the payments under Section 101.143 (5) (a), Wisconsin Statutes, and the net recoveries under Section 101.143 (5) (c), Wisconsin Statutes.

"Petroleum Inspection Fund" means the separate nonlapsible trust fund created under Section 25.47, Wisconsin Statutes, which includes all the funds and accounts created under the Program Resolution and a separate fund held in the state treasury.

"Principal Account" means the Principal Account created within the Redemption Fund.

"Principal Amount" when used with respect to a Bond, shall mean the then outstanding principal amount of such Bond; *provided,* that to the extent provided in the Supplemental Resolution for Bonds of such series that pay interest less frequently than semiannually, accrued interest or amortized original issue discount with respect to such Bond shall be treated as principal, and to the extent provided in the Supplemental Resolution for Bonds of such series that bear no interest, only the purchase price plus amortized original issue discount shall be treated as principal.

"Principal Office" means, with respect to any Fiduciary, the office which may be designated as such, from time to time, by the Fiduciary in writing to the State and (in the case of any Fiduciary which is not the Trustee) to the Trustee.

"Principal Payment Date" means the stated maturity date of principal of any Serial Bond, the Sinking Fund Payment Date for any Term Bond, and any other Redemption Date for any Bond.

"Proceeds Fund" means the Proceeds Fund created under the Program Resolution.

"Program Expense Account" means the Program Expense Account created within the Program Fund.

"Program Fund" means the Program Fund created under the Program Resolution.

"Program Resolution" means the Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, as adopted by the Building Commission on January 19, 2000, as amended and restated on May 2, 2000, and further amended by a resolution adopted by the Building Commission on July 30, 2003, together with any and all Supplemental Resolutions.

"Projected Annual Revenues" means the largest amount of Petroleum Inspection Fees collected in any twelve consecutive months during the eighteen most recent months for which such information is available; *provided*, that if, as a result of legislation enacted prior to the time of determination, the rate of the Petroleum Inspection Fee for any future month will be higher or lower than the rate of Petroleum Inspection Fee in effect for any corresponding prior month, Projected Annual Revenues shall be adjusted to take such change into account.

"Projected Interest Rate" means the sum of the Bond Buyer Revenue Bond Index, as most recently compiled and published in *The Bond Buyer* as of the date of determination, plus 3% per annum, or if such index is no longer published, *"Projected Interest Rate"* shall mean an interest rate determined in such alternate manner as the State may establish by State Certificate or Supplemental Resolution; *provided*, that each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Unenhanced Bonds will be reduced or withdrawn as a result of the use of such alternate manner of determination, as evidenced by written confirmations thereof delivered from each Rating Agency, or if no Unenhanced Bonds are then Outstanding, but Other Obligations are Outstanding, the Beneficiaries holding such Other Obligations consent to the use of such alternate manner of determination, as evidenced in writing by each such Beneficiary.

"Rate Stabilization Fund" means the Rate Stabilization Fund created under the Program Resolution.

"Rating Agency" means, at any time, any nationally recognized securities rating agency that is then maintaining a rating on the Bonds at the request of the State. *"Rating Agency"* includes the successors and assigns of such agency.

"Rebate Fund" means the Rebate Fund created under the Program Resolution.

"Redemption Date" means the date fixed for redemption of any Bond pursuant to the Program Resolution.

"Redemption Fund" means the Redemption Fund created under the Program Resolution.

"Refunding Bonds" means Bonds issued or to be issued to provide for the payment of principal of (and, to the extent provided by the Supplemental Resolution authorizing the issuance thereof, premium, if any, and interest on) Bonds previously issued under this Resolution or to fund Bond Anticipation Notes.

"Registrar" means the Secretary of Administration or an agent of the State designated by or on behalf of the Secretary of Administration to maintain the registration books for the Bonds.

"Reserve Fund" means the Reserve Fund created under the Program Resolution.

"Reserve Fund Requirement" means, at any time, an amount equal to the greatest amount established as such in any Supplemental Resolution, which may be expressed as a percentage of Outstanding Bonds, as a stated dollar amount, or in any other manner. In calculating the Reserve Fund Requirement, all Bonds to be redeemed or defeased by a series of Refunding Bonds shall be deemed not Outstanding as of the date of calculation.

"Revenue Fund" means the Revenue Fund created under the Program Resolution.

"Revenue Obligations Act" means Subchapter II of Chapter 18, Wisconsin Statutes.

"Revenue Payment Date" shall mean each Business Day on which Petroleum Revenue Fees are received by the Trustee.

"Securities Depository" means the securities depository and any substitute for or successor to such securities depository that shall, at the request of the Building Commission, maintain a Book-Entry System with respect to the Bonds.

"Securities Depository Nominee" means the Securities Depository or the nominee of the Securities Depository in whose name the Bonds are registered during the continuation with such Securities Depository of participation in its Book-Entry System.

"Senior" means (1) when used with respect to a Bond, a Bond of a series designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

"Serial Bonds" means all Bonds other than Term Bonds.

"Sinking Fund Payment Date" means the date on which any Term Bond is to be called for redemption pursuant to the sinking fund requirements of the Supplemental Resolution providing for the issuance thereof or, if not redeemed, the stated maturity date thereof.

"State" means the State of Wisconsin.

"State Certificate" means a certificate signed by an Authorized Commission Representative and delivered to the Trustee or, if required by the context in which such term is used, to any other Fiduciary.

"State Direction" means a direction to the Trustee or, if required by the context in which such term is used, to any other Fiduciary and signed by an Authorized Commission Representative.

"State Swap Payment" shall mean a payment due to a Swap Counterparty from the State pursuant to the applicable Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement).

"Subordinate" means, after the adoption of a Supplemental Resolution to provide for the creation of a subordinate class of Bonds or Other Obligations that is subordinate to Senior Bonds and prior to Junior Subordinate Bonds, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

"Supplemental Resolution" means a resolution adopted by the Building Commission to supplement or amend the Program Resolution.

"Swap Agreement" means an interest rate exchange agreement or other interest rate hedge agreement between the State and a Swap Counterparty, as originally executed and as amended or supplemented, for the purpose of (1) converting, in whole or in part, (a) the State's fixed interest rate liability on all or a portion of any Bonds to a variable interest rate liability, (b) the State's variable interest rate liability on all or a portion of any Bonds to a fixed interest rate liability, or (c) the State's variable interest rate liability on all or a portion of any Bonds to a different variable interest rate liability, or (2) providing a maximum or minimum with respect to the State's variable interest rate liability on all or a portion of any Bonds.

"Swap Counterparty" means any Person with whom the State shall, from time to time, enter into a Swap Agreement.

"Swap Counterparty Guaranty" means a guaranty in favor of the State given in connection with the execution and delivery of a Swap Agreement under the Program Resolution.

"Tender Date" means, with respect to any Bond or Beneficial Ownership Interest, a date on which such Bond or Beneficial Ownership Interest is required to be tendered for purchase by or on behalf of the State, or has been tendered for purchase by or on behalf of the State pursuant to a right given the Holder or Beneficial Owner of such Bond, in accordance with the provisions in the Supplemental Resolution providing for the issuance thereof.

"Term Bonds" means Bonds that are subject to mandatory redemption on Sinking Fund Payment Dates according to a schedule provided in or pursuant to the Supplemental Resolution providing for the issuance of such Bonds.

"Trustee" means the entity designated by or on behalf of the Building Commission to have custody of the Funds and Accounts and to perform such other duties as may be required of the Trustee under the Program Resolution or any Supplemental Resolution. The Bank of New York Mellon Trust Company, N.A. currently serves as Trustee.

"Unenhanced Bond" means a Bond the payment of the principal of and interest on which is not provided for or secured by a Credit Enhancement Facility.

"Variable Rate Bonds" means Bonds whose interest rate is not fixed for the entire remaining term of such Bonds, but varies on a periodic basis as specified in the Supplemental Resolution providing for the issuance thereof.

"Variable Rate Debt" means (1) all Senior Variable Rate Bonds and Senior Bond Anticipation Notes, and (2) includes any Principal Amount of Bonds with respect to which the State shall have entered into Senior Swap Agreements that have the effect of shifting the State's fixed rate liability to a variable rate liability.

"Variable Rate Debt Exposure" means the difference, if any, of (1) the actual aggregate Outstanding Principal Amount of Variable Rate Debt, less (2) the sum of the balance in the Principal Account allocable to Variable Rate Debt plus the balance of the Rate Stabilization Fund.

APPENDIX A

AUDITED FINANCIAL STATEMENT

This appendix sets forth the auditor's report and the audited financial statement for the Petroleum Inspection Fee Revenue Obligations Program for the years ended June 30, 2009 and June 30, 2008.

{This page number is the last sequential page number of the 2009 Annual Report to be used in this Part VII of the 2009 Annual Report. The following uses page numbers from the auditor's report and financial statement. The sequential page numbers for the 2009 Annual Report continue in Part VIII.}

Report 09-13
November 2009

An Audit

Petroleum Inspection Fee Revenue Obligations Program

2009-2010 Joint Legislative Audit Committee Members

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State Auditor – Janice Mueller

Audit Prepared by

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Legislative Audit Bureau

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Janice Mueller
State Auditor

November 18, 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:

At the request of the departments of Commerce and Administration, and in accordance with s. 13.94(1s), Wis. Stats., we have completed a financial audit of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program for the fiscal years ending June 30, 2009, and June 30, 2008. We have provided our unqualified audit opinion on the Statement of Changes in Program Assets.

Under the program, the State issued $387.6 million in revenue bonds and commercial paper to provide financing for payment of claims under the Petroleum Environmental Cleanup Fund Award (PECFA) program and other program-related costs. These revenue obligations are not general obligation debt of the State. Instead, they are to be repaid primarily from the $0.02 per gallon fee charged to suppliers of petroleum products sold in Wisconsin. During fiscal year 2008-09, the State collected $73.4 million in petroleum inspection fees and made $28.2 million in debt service payments. As of June 30, 2009, a total of $231.0 million in revenue obligations was outstanding.

Petroleum inspection fees in excess of debt service requirements, which amounted to more than $45.0 million for fiscal year 2008-09, were deposited to the Petroleum Inspection Fund, and $10.4 million was subsequently used to pay PECFA claims. The remaining $34.6 million was used for a variety of purposes, including a $6.3 million transfer authorized by the Legislature to the Transportation Fund, as well as $16.9 million in transfers to the General Fund to help the departments of Commerce and Natural Resources meet lapse requirements related to 2007 Wisconsin Acts 20 and 226 and 2009 Wisconsin Act 2.

In 2009 Wisconsin Act 28, the Legislature authorized $54.3 million in transfers during the 2009-11 biennium from the Petroleum Inspection Fund to the General Fund, the Transportation Fund, and two other funds. A portion of the funding for these transfers will be made possible by refinancing a portion of the program's debt in fall 2009, which will have the effect of reducing debt service payments during the 2009-11 biennium. However, the refinancing also extends the period of indebtedness and, therefore, the time that the $0.02 per gallon petroleum inspection fee will need to be charged.

We appreciate the courtesy and cooperation extended to us during our audit by staff of the departments of Commerce, Administration, and Revenue.

Respectfully submitted,

Janice Mueller
State Auditor

JM/BN/ss

Audit Opinion ■

Independent Auditor's Report on the Statement of Changes in Program Assets of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program

We have audited the accompanying Statement of Changes in Program Assets of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program for the years ended June 30, 2009, and June 30, 2008. This financial statement is the responsibility of the program's management. Our responsibility is to express an opinion on the financial statement based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Statement of Changes in Program Assets presents only the Petroleum Inspection Fee Revenue Obligations Program and does not purport to, and does 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.

As described in Note 2, to provide a meaningful presentation to bondholders and noteholders regarding resources available to pay debt service, the program's policy is to prepare its financial statement on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the Statement of Changes in Program Assets presents fairly, in all material respects, the Petroleum Inspection Fee Revenue Obligations Program's assets as of June 30, 2009, and June 30, 2008, and the program's receipts and disbursements for the fiscal years then ended, on the cash basis of accounting.

Our audits were conducted for the purpose of forming an opinion on the Statement of Changes in Program Assets of the Petroleum Inspection Fee Revenue Obligations Program. The supplementary information included as Management's Discussion and Analysis on pages 5 through 8 is presented for purposes of additional analysis and is not a required part of the financial statement. 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 express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2009, on our consideration of the program's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, and contracts; and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

LEGISLATIVE AUDIT BUREAU

November 6, 2009 by

Bryan Naab
Deputy State Auditor for Financial Audit

Management's Discussion and Analysis ■

Prepared by Management of the Petroleum Inspection Fee Revenue Obligations Program

Management's Discussion and Analysis (MD&A) is intended to provide users of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program's Statement of Changes in Program Assets with a narrative overview of the statement, as well as an analysis of some key data presented in the statement. The MD&A should be read in conjunction with the accompanying financial statement and notes. The financial statement, notes, and this discussion are the responsibility of the program's management.

Overview of the Statement of Changes in Program Assets

The Statement of Changes in Program Assets of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program is intended to show the changes in the program's assets for fiscal years (FYs) 2008-09 and 2007-08. Accounting for the program is done outside the State of Wisconsin's central accounting system.

The Statement of Changes in Program Assets presents the program's receipts and disbursements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded when paid. Both the financial position and the activity of the program are presented on the cash basis of accounting to provide a meaningful presentation to bondholders and extendible municipal commercial paper noteholders regarding resources available to pay debt service. The notes to

the financial statement provide additional information that is essential for a full understanding of the data provided in the financial statement.

Noteworthy Financial Activity

The program originated in January 2000 pursuant to a State of Wisconsin Building Commission program resolution adopted on January 19, 2000, amended and restated on May 2, 2000, and further amended on July 30, 2003. The purpose of the program is to provide financing for the payment of claims under the State of Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program, which is administered by the Wisconsin Department of Commerce and accounted for in the Petroleum Inspection Fund. The Building Commission may from time to time adopt supplemental resolutions authorizing the issuance of revenue refunding obligations and, subject to legislative authorization, additional revenue obligations.

The program resolution establishes special trust funds and accounts and fiduciary responsibilities that are to be undertaken by a trustee for the benefit of the bondholders, extendible municipal commercial paper noteholders, and holders of any other obligations that may be issued. The Bank of New York Mellon Trust Company N.A., formerly known as the Bank of New York Trust Company N.A., has been appointed as the trustee for the revenue obligations. The trustee is responsible for maintaining the trust funds in accordance with the program resolution.

As shown in Table A, the program's assets were $27.2 million as of June 30, 2009, $27.0 million as of June 30, 2008, and $26.8 million as of June 30, 2007. Program assets are classified as reserved for debt service or unreserved.

Table A

Program Assets

	June 30, 2009	June 30, 2008	Percentage Change, 2008 to 2009	June 30, 2007	Percentage Change, 2007 to 2008
Program Assets Reserved for Debt Service:					
Demand deposits	$27,244,422	$24,850,272	9.6 %	$ 3,310,284	650.7%
Investments	0	2,160,759	(100.0)	23,472,181	(90.8)
Total	27,244,422	27,011,031	0.9	26,782,465	0.9
Unreserved Program Assets:					
Demand deposits	2,642	3,017	(12.4)	3,383	(10.8)
Total Program Assets	**$27,247,064**	**$27,014,048**	0.9	**$26,785,848**	0.9

Program assets reserved for debt service are available to pay principal and interest for revenue obligations. Reserved funds may be invested in direct obligations of the United States or held in demand deposit accounts. Total reserved funds showed a net increase of 0.9 percent both from June 30, 2008, to June 30, 2009, and from June 30, 2007, to June 30, 2008.

The program's revenue obligations are issued pursuant to subchapter II of ch. 18, Wis. Stats.; s. 101.143(9m), Wis. Stats.; and the program resolution and supplemental resolutions adopted by the State of Wisconsin Building Commission. The revenue obligations are not general obligations of the State of Wisconsin. They are payable from, and primarily secured by, petroleum inspection fees charged to suppliers of petroleum products received for sale in Wisconsin and subsequently transferred to and received by the trustee. The fee amount imposed under s. 168.12(1), Wis. Stats., is currently $0.02 per gallon.

No additional bonds or extendible municipal commercial paper were issued during FY 2008-09 and FY 2007-08. As of June 30, 2009, a total of $387.6 million in revenue obligations had been issued under the program resolution and the supplemental resolutions for the purposes of paying PECFA claims, paying issuance or administrative expenses, making deposits to reserve funds, or paying accrued or capitalized interest.

A portion of the revenue bonds issued has already been repaid, and as of June 30, 2009, revenue obligations outstanding totaled $231.0 million and consisted of $88.7 million in revenue bonds and $142.3 million in extendible municipal commercial paper. As of June 30, 2008, revenue obligations outstanding totaled $252.3 million and consisted of $110.0 million in revenue bonds and $142.3 million in extendible municipal commercial paper.

In October 2009, the State issued 2009 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds in the amount of $117.5 million. The proceeds of this issue are being used, along with other funds on deposit with the program trustee, for early redemption or to fund previously issued obligations. It is anticipated that on November 9, 2009, the remaining $19.0 million of outstanding 2004 Series A Petroleum Inspection Fee Revenue Bonds and the remaining $47.4 million of outstanding 2004 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds will be redeemed early. It is also anticipated that $71,150,000 of the $142,300,000 in outstanding extendible municipal commercial paper will be funded on or before December 11, 2009. After the early redemption or funding of these obligations, debt outstanding will consist of 2009 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds in the amount of $117.5 million, and $71,150,000 in extendible municipal commercial paper.

The debt service coverage ratio, calculated as the ratio of petroleum inspection fees remitted by the State to the trustee divided by the senior debt service payments made during each fiscal year, was 2.60 in FY 2008-09 and 2.52 in FY 2007-08. The FY 2008-09 debt service coverage ratio was calculated based on $73,358,641 in petroleum inspection fees remitted by the State to the trustee, and senior debt service payments of $28,178,211. In FY 2007-08, the calculated ratio was based on $76,557,606 in petroleum inspection fees remitted by the State to the trustee, and senior debt service payments of $30,356,353.

Petroleum inspection fees not retained by the trustee for debt service are transferred by the trustee to the State. Petroleum inspection fee revenue, up to the amount authorized by statute, is used to pay PECFA claims, PECFA administrative costs, and other costs and transfers, including optional transfers to the trustee for early redemption of revenue obligations. Petroleum inspection fees transferred to the State were $45.0 million in FY 2008-09, $47.0 million in FY 2007-08, and $44.2 million in FY 2006-07, as shown in Table B.

Table B

Petroleum Inspection Fees

	FY 2008-09	FY 2007-08	Percentage Change, FY 2007-08 to FY 2008-09	FY 2006-07	Percentage Change, FY 2006-07 to FY 2007-08
Petroleum Inspection Fees Remitted by the State to the Trustee	$73,358,641	$76,557,606	(4.2)%	$75,361,454	1.6%
Petroleum Inspection Fees Retained by the Trustee	28,341,339	29,561,333	(4.1)	31,152,711	(5.1)
Petroleum Inspection Fees Transferred by the Trustee to the State	**$45,017,302**	**$46,996,273**	(4.2)	**$44,208,743**	6.3

During FY 2008-09, claims totaling $10.4 million were paid from petroleum inspection fees transferred to the State. This amount represents a decrease of 38.1 percent from the $16.8 million in claims paid from fees in FY 2007-08. During FY 2007-08, claims paid from fees decreased 16.8 percent from the $20.2 million paid in FY 2006-07. Both decreases resulted from the identification of fewer new sites needing cleanup and from decreases in the average dollar value of claims. No claims were paid from the proceeds of revenue obligations and any related interest and investment income during FYs 2008-09, 2007-08, and 2006-07.

As of June 30, 2009, approved but unpaid claims totaled $0.8 million, which is $0.1 million less than approved but unpaid claims as of June 30, 2008. Approximately $1.4 million in claims submitted to the Department of Commerce had yet to be both reviewed and approved. The Department of Commerce estimates that approximately $12.8 million in additional claims had not been submitted as of June 30, 2009, for costs that landowners had already incurred as of that date. In addition, the Department of Commerce estimates that an additional $49,000 in liabilities may exist related to claimants appealing its determinations on previously finalized claims.

■ ■ ■ ■

Financial Statement ■

Statement of Changes in Program Assets for the Fiscal Years Ended June 30, 2009 and 2008

	Fiscal Year 2008-09		Fiscal Year 2007-08	
Program Assets, July 1		$ 27,014,048		$ 26,785,848
RECEIPTS				
Proceeds from Sale of Revenue Obligations		0		0
Petroleum Inspection Fees Remitted by the State of Wisconsin to the Trustee	$ 73,358,641		$ 76,557,606	
Less: Petroleum Inspection Fees Transferred from the Trustee to the State of Wisconsin Petroleum Inspection Fund (see Note 7)	(45,017,302)		(46,996,273)	
Petroleum Inspection Fees Retained by the Trustee		28,341,339		29,561,333
Interest and Investment Income		179,148		1,140,693
Total Receipts		**28,520,487**		**30,702,026**
TOTAL PROGRAM ASSETS AVAILABLE		**55,534,535**		**57,487,874**
DISBURSEMENTS				
Transfers of Proceeds from Sale of Revenue Obligations and Interest and Investment Income to the State of Wisconsin Petroleum Inspection Fund		0		0
Debt Service (see Note 5):				
Senior debt service—bond principal	21,280,000		20,270,000	
Senior debt service—bond interest	4,685,825		5,671,325	
Senior debt service—commercial paper interest	2,212,386		4,415,028	
Junior subordinate debt service—commercial paper principal	0		0	
Total Debt Service		28,178,211		30,356,353
Debt Issuance Costs		0		0
Other Costs		109,260		117,473
Total Disbursements		**28,287,471**		**30,473,826**
Program Assets Reserved for Debt Service (see Note 4)	27,244,422		27,011,031	
Unreserved Program Assets (see Note 4)	2,642		3,017	
PROGRAM ASSETS, JUNE 30		**$ 27,247,064**		**$ 27,014,048**

The accompanying notes are an integral part of this statement.

Notes to the Statement of Changes in Program Assets ■

1. Description of the Program

The State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program, which is administered jointly by the Wisconsin Department of Commerce and the Wisconsin Department of Administration, originated in January 2000, pursuant to the State of Wisconsin Building Commission Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations adopted on January 19, 2000; amended and restated on May 2, 2000; and further amended on July 30, 2003. The purpose of the program is to provide financing for the payment of claims under the State of Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program, which is administered by the Wisconsin Department of Commerce.

Pursuant to the State of Wisconsin Building Commission Program Resolution, the Building Commission may from time to time adopt supplemental resolutions authorizing the issuance of revenue obligations up to the aggregate amount authorized by Wisconsin Statutes. As of June 30, 2009, all authorized revenue obligations have been issued. In addition, the Building Commission may from time to time adopt supplemental resolutions authorizing the issuance of an unlimited amount of revenue refunding obligations.

The program resolution establishes special trust funds and accounts and fiduciary responsibilities that are to be undertaken by a trustee for the benefit of the bondholders, extendible municipal commercial paper noteholders, and holders of any other obligations that may be issued. The Bank of New York Mellon Trust Company N.A., formerly known as the Bank of New York Trust Company N.A., has been appointed the trustee for the revenue obligations. The trustee is responsible for maintaining the trust funds in accordance with the program resolution, which requires investments of trust fund balances to

be in accordance with directives established by the program resolution. The Bank of New York Mellon Trust Company N.A. is also the registrar for the revenue obligations. In addition, the Bank of New York Mellon Trust Company N.A. is the issuing and paying agent for the revenue bonds.

U.S. Bank Trust National Association is the issuing and paying agent for the extendible municipal commercial paper.

When issued, revenue bond and extendible municipal commercial paper proceeds are held by the trustee until the Department of Commerce and the Department of Administration request the trustee to remit specific amounts to the State to pay PECFA claims. Petroleum inspection fee revenue obligations are payable from, and primarily secured by, petroleum inspection fees that result from a $0.02 per gallon fee authorized in s. 168.12(1), Wis. Stats., to be charged suppliers of petroleum products received for sale in Wisconsin. Petroleum inspection fees are paid monthly by suppliers to the Wisconsin Department of Revenue, which subsequently forwards them to the program's trustee.

All revenues and assets of the Petroleum Inspection Fee Revenue Obligations Program are restricted for the purposes provided by the program resolution under which the revenue obligations are issued. The fees in excess of the amounts needed to meet debt service requirements and pay program administrative costs are transferred by the trustee to the State of Wisconsin Petroleum Inspection Fund. Subject to appropriation, the Department of Commerce uses the transferred fees to pay PECFA claims, PECFA program administrative costs, and other costs and transfers. In addition, an appropriation exists that allows for excess petroleum inspection fees to be optionally transferred to the trustee to redeem revenue obligations early.

The Statement of Changes in Program Assets presents only the Petroleum Inspection Fee Revenue Obligations Program and is not intended to present fairly the financial activity of the State of Wisconsin.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Statement of Changes in Program Assets presents the Petroleum Inspection Fee Revenue Obligations Program's receipts and disbursements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded when paid. The program's assets may include cash, consisting of demand deposits held by the Bank of New York Mellon Trust Company N.A. and U.S. Bank Trust N.A., and investments valued at historical cost. The financial position and activity of the program is presented on the cash basis of accounting to provide a meaningful presentation to bondholders and extendible municipal commercial paper noteholders regarding resources available to pay debt service.

3. DEPOSITS AND INVESTMENTS

The program is authorized by Wisconsin Statutes and the program resolution to deposit funds with the trustee and the extendible municipal commercial paper issuing and paying agent. The program is also authorized by Wisconsin Statutes and the program resolution to invest funds reserved for debt service in direct obligations of the United States. In addition, the program is authorized to invest funds not reserved for debt service in direct obligations of the United States, high-quality corporate commercial paper, certificates of deposit, and other investments authorized under s. 25.17(3)(b), Wis. Stats., and permitted by the program resolution.

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the deposits may not be returned. As of June 30, 2009, the demand deposit accounts with the trustee and the extendible municipal commercial paper issuing and paying agent totaled $27,247,064. As of June 30, 2008, the demand deposit accounts with the trustee and the extendible municipal commercial paper issuing and paying agent totaled $24,853,289. As of June 30, 2009, $500,000 was insured against loss by the Federal Deposit Insurance Corporation (FDIC). The remaining balance of $26,747,064 as of June 30, 2009, was not insured or collateralized. As of June 30, 2008, $200,000 was insured against loss by the FDIC. The remaining balance of $24,653,289 as of June 30, 2008, was not insured or collateralized. The program does not have a specific deposit policy related to custodial credit risk.

Custodial credit risk for investments is the risk that in the event of failure of counterparty to a transaction, the program will not be able to recover the value of the investments that are in the possession of another party. As of June 30, 2009, the program did not hold any investments. As of June 30, 2008, the program held investments purchased for $2,160,759, consisting of U.S. Treasury notes with a combined total face value of $2,115,000. These investments were registered and held by the program's agent in the program's name. Therefore, the program's investments were not exposed to custodial credit risk.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Under the program resolution, the program is generally permitted to invest in investments with maturities of one year or less. As of June 30, 2009, the program did not hold any investments and, therefore, was not subject to interest rate risk as of June 30, 2009.

As of June 30, 2008, the investments held by the program had a fair market value of $2,162,774. U.S. Treasury notes in the face amount of $1,779,000, to be used for scheduled debt service payments on July 1, 2009, matured on June 30, 2009. U.S. Treasury notes in the face amount of $336,000, to be used for scheduled debt service payments on January 1, 2009, matured on December 31, 2008.

4. PROGRAM ASSETS

Program assets required to be held in the various interest and principal redemption accounts at the trustee and the issuing and paying agents are reported as program assets reserved for debt service. Program assets in excess of those reserved for debt service are reported as unreserved program assets. The program's unreserved assets are available for transfer to the State of Wisconsin Petroleum Inspection Fund. In addition, the program's unreserved assets are available to pay debt issuance costs or administrative costs of the program.

As of June 30, 2009, the program's assets totaled $27,247,064. Of this amount, $27,244,422, consisting of demand deposits, was reserved for debt service. The remaining $2,642, consisting of demand deposits, was unreserved.

As of June 30, 2008, the program's assets totaled $27,014,048. Of this amount, $27,011,031, consisting of demand deposits of $24,850,272 and investments acquired for $2,160,759, was reserved for debt service. The remaining $3,017, consisting of demand deposits, was unreserved.

5. REVENUE BONDS AND EXTENDIBLE MUNICIPAL COMMERCIAL PAPER

The program's revenue obligations are issued pursuant to subchapter II of ch. 18, Wis. Stats.; s. 101.143(9m), Wis. Stats.; and the program resolution and supplemental resolutions adopted by the State of Wisconsin Building Commission. The revenue obligations are payable from, and primarily secured by, petroleum inspection fees that suppliers are charged on petroleum products received for sale in Wisconsin (see also Note 7). The revenue obligations are not general obligations of the State.

The program's revenue obligations may also include extendible municipal commercial paper, which may have maturities from 1 to 180 days and is not callable prior to maturity. The principal of and interest on the extendible municipal commercial paper will be paid at maturity unless the State exercises its option to extend the maturity date to a date that is up to 270 days after the original issue date. New (rollover) extendible municipal commercial paper is expected to be issued to pay the principal due on maturing extendible municipal commercial paper. Each note bears interest from its date of issuance, at the rate determined on the date of issuance.

Interest payments on extendible municipal commercial paper are on parity with the payments on the senior bonds. Principal on extendible municipal commercial paper has a junior subordinate pledge and is payable from proceeds of rollover notes, issuance of refunding senior bonds, certain moneys held by the trustee, or other funds made available by the State for this purpose.

During the fiscal years ended June 30, 2008, and June 30, 2009, the following changes occurred in revenue bonds outstanding:

Change in Revenue Bonds Outstanding

Fiscal Year	Balance July 1	Bonds Issued	Principal Redeemed	Balance June 30
2007-08	$130,290,000	$0	$20,270,000	$110,020,000
2008-09	110,020,000	0	21,280,000	88,740,000

The senior revenue bonds issued by the program and outstanding as of June 30, 2009, were as follows:

Senior Revenue Bonds

Date Issued	Series	Interest Rates	Maturity Through	First Optional Redemption Date	Amount Issued	June 30, 2009 Amount Outstanding
02/04/2004	2004 Series A	3.0 to 5.0%	7/1/2012	07/01/2009	$ 45,000,000	$24,690,000
05/20/2004	2004 Series 1	5.0	7/1/2012	07/01/2009	95,470,000	64,050,000
			Total Senior Revenue Bonds		$140,470,000	$88,740,000

The 2004 Series A and the 2004 Series 1 Petroleum Inspection Fee Revenue Bonds maturing on or after July 1, 2010, are subject to optional redemption on or after July 1, 2009, at prices ranging from 102 to 100 percent of the face value plus accrued interest.

The program's future debt service requirements as of June 30, 2009, for principal and interest for Petroleum Inspection Fee Revenue Bonds 2004 Series A and 2004 Series 1, are as shown on the following table.

Future Debt Service on Revenue Bonds

Fiscal Year Ending June 30	Principal Amount	Interest Amount	Total Debt Service on Bonds
2010	$22,350,000	$3,622,350	$25,972,350
2011	23,470,000	2,506,925	25,976,925
2012	24,635,000	1,365,950	26,000,950
2013	18,285,000	390,825	18,675,825
Total	$88,740,000	$7,886,050	$96,626,050

The following table presents the extendible municipal commercial paper activity for FYs 2007-08 and 2008-09.

Change in Extendible Municipal Commercial Paper Outstanding

Fiscal Year	Balance July 1	Commercial Paper Issued	Principal Repaid	Balance June 30
2007-08	$142,300,000	$0	$0	$142,300,000
2008-09	142,300,000	0	0	142,300,000

As of June 30, 2009, the $142,300,000 in outstanding extendible municipal commercial paper had interest rates ranging from 0.45 percent to 0.70 percent, and maturities ranging from July 7 to September 1, 2009. As of June 30, 2008, the $142,300,000 in outstanding extendible municipal commercial paper had interest rates ranging from 1.48 percent to 2.00 percent, and maturities ranging from July 8 to September 12, 2008.

Additional series of senior bonds may be issued on parity with the current bond series outstanding and collateralized by an equal lien on the petroleum inspection fees. However, no additional series, other than refunding bonds and bonds issued to fund outstanding extendible municipal commercial paper, may be issued unless, among other things, additional legislative authorization is provided and the debt service coverage ratio, as defined in the program resolution, is at least 2.0.

Each month that variable-rate debt, such as the extendible municipal commercial paper, is outstanding, the State is required by the program resolution to provide to the trustee a certificate setting forth the program's "variable-rate take-out capacity" and "variable-rate debt exposure." The "variable-rate take-out capacity" measures the State's ability, given certain conservative interest rate assumptions, to convert variable-rate debt to fixed-rate debt. "Variable-rate debt exposure" measures the program's outstanding variable-rate debt. This certification was required and performed each month during FY 2008-09 and FY 2007-08. Because the program's ability to convert variable-rate debt to fixed-rate debt was higher than the amount of variable-rate debt outstanding each month, as evidenced by the program's variable-rate take-out capacity, the State needed to take no further action. For June 2009, the program's variable-rate take-out capacity was calculated to be $263,188,549, which was $120,888,549 higher than the variable-rate debt exposure of $142,300,000. For June 2008, the program's variable-rate take-out capacity was calculated to be $280,820,850, which was $138,520,850 higher than the variable-rate debt exposure of $142,300,000.

6. DEBT AUTHORITY FOR THE PROGRAM

The program's revenue obligations are issued pursuant to subchapter II of ch. 18, Wis. Stats; s. 101.143(9m), Wis. Stats; and the program resolution and

supplemental resolutions adopted by the State of Wisconsin Building Commission. Wisconsin Statutes, as amended by 2007 Wisconsin Act 20, authorize the program to issue revenue obligations not to exceed $386,924,000 in principal amount, excluding any obligations that have been defeased under a cash optimization program administered by the Building Commission. To date, the balance of revenue obligations has been issued. In addition to this limit on principal amount, the Building Commission may issue an unlimited amount of additional revenue obligations to fund or refund outstanding revenue obligations, to pay issuance and administrative costs, make any necessary deposits to reserve funds, or pay accrued or capitalized interest.

7. PETROLEUM INSPECTION FEES

Petroleum inspection fees result from the fees imposed under s. 168.12(1), Wis. Stats., and payments received under ss. 101.143(4)(h)1m, 101.143(5)(a), and 101.143(5)(c), Wis. Stats. Under s. 168.12(1), Wis. Stats., a $0.02 per gallon fee is imposed by the State on suppliers of petroleum products received for sale in Wisconsin. The per gallon fees are paid to the State of Wisconsin Department of Revenue by suppliers along with motor fuel taxes and are initially deposited into the Transportation Fund. The Department of Revenue determines the amount collected for the per gallon fees and remits it to the program's trustee on a monthly basis. The trustee transfers petroleum inspection fees in excess of the amount needed to meet debt service requirements and to pay administrative costs of the Petroleum Inspection Fee Revenue Obligations Program to the State of Wisconsin Petroleum Inspection Fund, free of the first lien pledge of the program resolution. The Department of Commerce uses the fees transferred to the State of Wisconsin Petroleum Inspection Fund to pay PECFA claims; PECFA program administrative costs; and other costs and transfers, including optional transfers to the trustee to redeem revenue bonds.

The other petroleum inspection fees consist of penalty payments made under s. 101.143(4)(h)1m, Wis. Stats., by consultants for submitting claims for ineligible costs; proceeds under s. 101.143(5)(a), Wis. Stats., from the sale of remedial equipment and supplies that had originally been paid for by PECFA awards; and net recoveries under s. 101.143(5)(c), Wis. Stats., related to the Wisconsin Attorney General's actions against fraudulent claims. In FY 2008-09, these other petroleum inspection fees totaled $23,578 and were made available to the trustee. In FY 2007-08, the other petroleum inspection fees totaled $3,355 and were made available to the trustee. These fees were not transferred to the trustee in either fiscal year because the trustee indicated that no deficiencies that would require the transfer of the fees existed in any of the program's accounts held by the trustee as of June 30, 2009, or June 30, 2008.

The following amounts of petroleum inspection fees were remitted by the Wisconsin Department of Revenue to the trustee, retained by the trustee to

meet debt service requirements and pay Petroleum Inspection Fee Revenue Obligations Program administrative costs, and transferred by the trustee to the State of Wisconsin Petroleum Inspection Fund:

Month	Petroleum Inspection Fees Remitted by the State to the Trustee	Petroleum Inspection Fees Retained by the Trustee	Petroleum Inspection Fees Transferred by the Trustee to the State
July 2008	$ 6,004,354	$ 2,108,107	$ 3,896,247
August	6,427,036	2,396,925	4,030,111
September	7,062,815	2,396,925	4,665,890
October	6,100,228	2,396,925	3,703,303
November	5,793,558	2,513,925	3,279,633
December	7,292,276	2,483,925	4,808,351
January 2009	4,902,036	2,338,894	2,563,142
February	5,855,030	2,378,925	3,476,105
March	6,073,123	2,378,925	3,694,198
April	5,359,027	2,396,685	2,962,342
May	6,687,917	2,276,045	4,411,872
June	5,801,241	2,275,133	3,526,108
Total FY 2008-09	$73,358,641	$28,341,339	$45,017,302

Month	Petroleum Inspection Fees Remitted by the State to the Trustee	Petroleum Inspection Fees Retained by the Trustee	Petroleum Inspection Fees Transferred by the Trustee to the State
July 2007	$ 5,792,685	$ 2,528,680	$ 3,264,005
August	7,356,027	2,634,120	4,721,907
September	6,469,578	2,635,779	3,833,799
October	6,830,957	2,658,884	4,172,073
November	7,368,089	2,628,879	4,739,210
December	6,468,087	2,628,880	3,839,207
January 2008	5,365,457	1,829,918	3,535,539
February	7,533,738	2,407,879	5,125,859
March	5,637,476	2,409,249	3,228,227
April	6,078,614	2,434,941	3,643,673
May	6,008,784	2,378,879	3,629,905
June	5,648,114	2,385,245	3,262,869
Total FY 2007-08	$76,557,606	$29,561,333	$46,996,273

8. DEBT SERVICE COVERAGE RATIO FOR SENIOR DEBT

There are alternative methods to calculate debt service coverage. For purposes of additional analysis, the debt service coverage ratios for senior debt for FY 2008-09 and FY 2007-08 follow. They are calculated as the ratio of petroleum inspection fees remitted to the trustee during the respective fiscal years, divided by the senior debt service payments made during each fiscal year.

Debt Service Coverage Ratio for Senior Debt

	Fiscal Year 2008-09		Fiscal Year 2007-08	
Fees Remitted to the Trustee		$73,358,641		$76,557,606
Senior Debt Service:				
Principal—bonds	$21,280,000		$20,270,000	
Interest—bonds	4,685,825		5,671,325	
Interest—commercial paper	2,212,386		4,415,028	
Total Senior Debt Service		$28,178,211		$30,356,353
Debt Service Coverage Ratio for Senior Debt		2.60		2.52

9. PECFA CLAIMS

The Petroleum Inspection Fee Revenue Obligations Program was established during FY 1999-2000, and bonds and extendible municipal commercial paper were issued to reduce a backlog that had accumulated because at that time approved PECFA claims significantly exceeded the petroleum inspection fee revenues available to pay them. While the original backlog has been eliminated, PECFA claims continue to be submitted to the Department of Commerce.

The following table summarizes the activity related to PECFA claims during FY 2008-09 and FY 2007-08.

Summary of PECFA Claims
July 1, 2007, through June 30, 2009
(in millions)

	FY 2008-09	FY 2007-08
Approved but Unpaid PECFA Claims as of July 1	$ 0.9	$ 1.4
Claims Approved for Payment During the Fiscal Year	10.3	16.3
Total Approved PECFA Claims	11.2	17.7
Less Claims Paid:		
Paid from proceeds of revenue obligations and interest and investment income	0.0	0.0
Paid from petroleum inspection fees	10.4	16.8
Total Claims Paid During the Fiscal Year	10.4	16.8
Approved But Unpaid PECFA Claims as of June 30	$ 0.8	$ 0.9

In addition to the $0.8 million in approved claims waiting for payment as of June 30, 2009, approximately $1.4 million in claims submitted to the Department of Commerce had yet to be both reviewed and approved. The Department of Commerce estimates that approximately $12.8 million in additional claims for costs that landowners had already incurred had not been submitted as of June 30, 2009. It also estimates that an additional $49,000 in liabilities may exist related to claimants appealing its determinations on previously finalized claims.

10. SUBSEQUENT EVENTS

In October 2009, the State issued 2009 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds in the amount of $117,460,000. Interest rates range from 2.5 percent to 5 percent, with interest payments payable semiannually beginning July 1, 2010. The bonds mature on July 1 of the years 2013 through 2017.

The proceeds of this issue are being used, along with other funds on deposit with the program trustee, for early redemption or to fund previously issued obligations. It is anticipated that on November 9, 2009, the remaining $19.0 million of outstanding 2004 Series A Petroleum Inspection Fee Revenue Bonds and the remaining $47.4 million of outstanding 2004 Series 1 Petroleum Inspection Fee Revenue Refunding Bonds will be redeemed early at a redemption price of 102 percent. It is also anticipated that $71,150,000 of the $142,300,000 in outstanding extendible municipal commercial paper will be funded on or before December 11, 2009.

■ ■ ■ ■

Report on Internal Control and Compliance ■

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the cash-basis Statement of Changes in Program Assets of the Wisconsin Petroleum Inspection Fee Revenue Obligations Program for the years ended June 30, 2009, and June 30, 2008, and have issued our report thereon dated November 6, 2009. We conducted our audits 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.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the program's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement of Changes in Program Assets, but not for the purpose of expressing an opinion on the effectiveness of the program's internal control. Accordingly, we do not express an opinion on the effectiveness of the program's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal

control, such that there is a reasonable possibility that a material misstatement of the program's financial statement will not be prevented or will not be detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined in the preceding paragraph.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the program's Statement of Changes in Program Assets is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This independent auditor's report is intended solely for the information and use of the program's management and the Wisconsin Legislature. This report is a matter of public record and its distribution is not limited. However, because we do not express an opinion on the effectiveness of the program's internal control or on compliance, this report is not intended to be used by anyone other than these specified parties.

LEGISLATIVE AUDIT BUREAU

November 6, 2009 by

Bryan Naab
Deputy State Auditor for Financial Audit

PART VIII

GENERAL FUND ANNUAL APPROPRIATION BONDS

This Part VIII of the 2009 Annual Report provides information about general fund annual appropriation bonds issued by the State of Wisconsin **(State)**.

Total Outstanding Balance (12/15/2009)	$3,379,710,000
Amount Outstanding of Fixed-Rate Obligations	$2,871,990,000
Amount Outstanding of Variable-Rate Obligations	$ 507,720,000[a]
Percentage of Outstanding Obligations in the form of Variable-Rate Obligations	15.02%[a]
Ratings[b] (Fitch/Moody's/Standard & Poor's)	
Bonds/Floating Rate Notes	A+/A1[c]/AA-
Corporate Equivalent Rating (Moody's)	Aa3[d]

[a] The State has hedged nearly all variable-rate obligations through interest rate exchange agreements with multiple counterparties.

[b] The ratings presented are the ratings assigned to the general fund annual appropriation bonds without regard to any bond insurance. No information is provided in the 2009 Annual Report about any rating currently assigned to any general fund annual appropriation bonds based on any bond insurance policy.

[c] On March 17, 2008, Moody's Investors Services, Inc. changed its rating outlook on the State's general fund annual appropriation obligations from "stable" to "negative".

[d] Applicable only to the 2003 Series A Bonds, 2008 Series A Bonds, and 2008 Series B Bonds. In March, 2009, Moody's announced the recalibration of existing global scale ratings assigned to U.S. public finance issuers. As a result, this rating was changed from "Aa1" to "Aa3".

General fund annual appropriation bonds, which are currently outstanding in the form of bonds and floating rate notes, were issued pursuant to Authorizing Certifications of the Secretary of Administration and either an Indenture dated December 1, 2003, as amended **(2003 Indenture)**, by and between the State, acting by and through the State of Wisconsin Department of Administration **(DOA** or **Department of Administration**), and Deutsche Bank Trust Company Americas **(Trustee)**, or an Indenture dated April 1, 2009 **(2009 Indenture)**, by and between the State, acting by and through the Department of Administration and the Trustee**.** The 2003 Indenture and the 2009 Indenture are sometimes referred to in common as the **Indenture**. The Trustee serves as registrar and paying agent for the general fund annual appropriation bonds that have been issued. The law firm of Foley & Lardner LLP provides bond counsel services to the State for the issuance of the general fund annual appropriation bonds.

The general fund annual appropriation bonds do not constitute debt of the State or any of its subdivisions. The State's obligation to make payments of the principal of and interest on the general fund annual appropriation bonds is not a general obligation of the State and is not supported by the full faith and credit of the State. The State's obligation to make those payments is subject to annual appropriation of the necessary funds by the Legislature.

The Capital Finance Office, which is part of the Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs.

Requests for additional information about the general fund annual appropriation bonds may be directed as follows:

Contact: Capital Finance Office
Attn: Capital Finance Director
Phone: (608) 266-2305
Mail: State of Wisconsin Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Web site: www.doa.wi.gov/capitalfinance

The 2009 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part VIII of the 2009 Annual Report may differ from those of the same terms used in another part. See "GLOSSARY" for the definitions of capitalized terms used in this Part VIII of the 2009 Annual Report. No information or resource referred to in this 2009 Annual Report is part of this 2009 Annual Report unless expressly incorporated by reference.

OUTSTANDING OBLIGATIONS

The State has issued general fund annual appropriation bonds on the dates and in the amounts shown in Table VIII-1. The table also includes the outstanding principal balances as of December 15, 2009.

Table VIII-1
OUTSTANDING GENERAL FUND ANNUAL APPROPRIATION BONDS BY ISSUE
(As of December 15, 2009)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Taxable Fixed-Rate Bonds				
2003- Series A (Taxable) **(2003 Series A Bonds)**....	12/18/03	2013	$ 250,000,000	$ 250,000,000
Term Bond.....		2018	100,000,000	100,000,000
Term Bond.....		2026	500,000,000	500,000,000
2008- Series A (Taxable) **(2008 Series A Bonds)**....	4/1/08	2009-18	498,120,000	492,925,000
2009- Series A **(2009 Bonds)**.....	4/8/09			
Serial Bonds		2010-29	586,575,000	586,575,000
Term Bond.....		2033	100,000,000	100,000,000
Term Bond.....		2033	304,550,000	304,550,000
Term Bond.....		2036	395,345,000	395,345,000
Serial Bond.....		2037	142,595,000	142,595,000
Total Fixed-Rate Bonds				$2,871,990,000
Taxable Variable-Rate Obligations[(a)]				
2003- Series B (Taxable) **(2003 Series B Bonds)**	12/18/03	2009-32	$ 944,850,000	-0-
2008- Series B (Taxable) **(2008 Series B Bonds)**	4/1/08	2032	300,000,000	300,000,000
Series C (Taxable) **(2008 Series C Bonds)**	6/10/08	2032	209,000,000	207,720,000
Total Variable-Rate Obligations				$ 507,720,000
Total General Fund Annual Appropriation Bonds				$3,379,710,000

(a) The State has hedged nearly all of its variable rate exposure from the 2008 Series B Bonds and 2008 Series C Bonds through interest rate exchange agreements with multiple counterparties.

The 2003 Series A Bonds, 2008 Series A Bonds, 2008 Series B Bonds, and 2008 Series C Bonds are currently outstanding and are collectively referred to as the **Outstanding 2003 Indenture Bonds** and, together with the obligations, if any, issued in the future under the 2003 Indenture, as the **2003 Indenture Bonds**. Similarly, the 2003 Series A Bonds and 2003 Series B Bonds are collectively referred to as the

2003 Bonds, and the 2008 Series A Bonds, 2008 Series B Bonds, and 2008 Series C Bonds are collectively referred to as the **2008 Bonds**.

The 2009 Bonds are currently outstanding and are referred to as the **Outstanding 2009 Indenture Bonds** and, together with the obligations, if any, issued in the future under the 2009 Indenture, as the **2009 Indenture Bonds**. The 2003 Indenture Bonds and the 2009 Indenture Bonds are collectively referred to as the **Bonds**.

FINANCING PLAN

General

This Part VIII of the 2009 Annual Report addresses general fund annual appropriation bonds, which were authorized and have been issued:

- To fund the State's unfunded accrued prior service (pension) liability and the State's unfunded accrued liability for sick leave conversion, and to refund a portion of obligations previously issued for that purpose
- To finance the purchase of tobacco settlement revenues that had been previously sold by the Secretary of Administration.

The State issued the 2003 Bonds to provide funds for payment to the Wisconsin Retirement System (**Retirement System**) for the State's unfunded accrued prior service (pension) liability, as of January 1, 2003, and its unfunded accrued liability for sick leave conversion credits, as of October 1, 2003. The State issued the 2008 Bonds to refund the 2003 Series B Bonds, to pay termination payments related to certain interest rate exchange agreements, to pay a portion of the funded interest on certain 2003 Indenture Bonds during the 2007-08 fiscal year, and to pay costs of issuance.

The State issued the 2009 Bonds to purchase tobacco settlement revenues that were previously sold by the State to the Badger Tobacco Asset Securitization Corporation **(BTASC)** and to pay costs of issuance.

The Bonds were issued pursuant to Section 16.527, Wisconsin Statutes, as amended (**Enabling Act**), Authorizing Certifications signed by the Secretary of Administration, and the 2003 Indenture or the 2009 Indenture, respectively.

Statutory Authority for Issuance

2003 Indenture Bonds

The Enabling Act contains a legislative finding that the State, by prepaying part or all of its unfunded prior service liability and its unfunded liability for sick leave conversion credits, may reduce its costs and better ensure the timely and full payment of retirement benefits. The Department is authorized by the Enabling Act to issue bonds to provide up to $1.500 billion of net proceeds to make payments to the Retirement System for the State's unfunded prior service liability and its unfunded accrued liability for sick leave conversion credits. The State has issued bonds providing $1.488 billion of net proceeds for those purposes. The Department is also authorized to issue bonds without limit to fund or refund Outstanding 2003 Indenture Bonds, to pay issuance or administrative expenses, to make deposits to reserve funds, to pay accrued or funded interest, to pay costs of credit enhancement, or to make payments under certain ancillary agreements (including Existing Swap Agreements as defined below).

See "STATE OBLIGATIONS; Employee Pension Funds" in Part II of the 2009 Annual Report for further information on the Retirement System and prior service pension liabilities and other post employment benefits.

2009 Indenture Bonds

The Enabling Act contains a legislative finding that the State, by purchasing tobacco settlement revenues previously sold by the State, will serve a public purpose. The Department is authorized by the Enabling Act to issue bonds to provide up to $1.700 billion of net proceeds to purchase tobacco settlement

revenues previously sold by the State. The State has issued bonds in the aggregate par amount of $1.529 billion, which has completed the purchase of the tobacco settlement revenues from BTASC and defeased all obligations previously issued by BTASC. The Department is also authorized to issue bonds without limit to fund or refund Outstanding 2009 Indenture Bonds, to pay issuance or administrative expenses, to make deposits to reserve funds, to pay accrued or funded interest, to pay costs of credit enhancement, or to make payments under certain ancillary agreements.

Interest Rate Exchange Agreements

To hedge its variable rate exposure in connection with the 2003 Series B Bonds, the State entered into interest rate exchange agreements in calendar years 2003 and 2005. The State terminated some, and portions of other, interest rate exchange agreements in conjunction with the issuance of the 2008 Bonds. The remaining interest rate exchange agreements **(Existing Swap Agreements)** hedge substantially all of the State's variable rate exposure with respect to the 2008 Series B Bonds and 2008 Series C Bonds. The Existing Swap Agreements provide for the State to pay interest at the fixed rates per annum of 5.47% and 4.661%, respectively, and to receive interest at a variable rate equal to a one-month LIBOR index, with the notional amounts declining over time in amounts that approximate the expected amortization of all Outstanding variable-rate 2003 Indenture Bonds. The counterparties on the Existing Swap Agreements are Citibank, N.A., New York, UBS AG, and JPMorgan Chase Bank, N.A..

The 2009 Bonds are fixed-rate obligations and the Department has not entered, nor does it intend to enter, into any interest rate exchange agreement with respect to the 2009 Bonds.

Payments and Termination

The State may terminate from time to time the Existing Swap Agreements and may also from time to time enter into (and thereafter may terminate) additional interest rate exchange agreements, indexing agreements, or similar agreements relating to any Bonds **(Swap Agreements,** which term includes the Existing Swap Agreements). The State's obligation to make payments under the Swap Agreements will be payable from money held in separate accounts established in the respective Debt Service Fund under the respective Indenture for that purpose. Payments under a Swap Agreement may include net payments based on the interest rates exchanged. Should a Swap Agreement be terminated, under certain circumstances the State may be required to pay a termination payment. The Enabling Act provides authority for the State to issue additional bonds to make this payment. Money held in the respective Debt Service Fund may be applied to a termination payment under a Swap Agreement only if the termination payment was due on September 1 of the year before the first fiscal year in a biennium and a budget bill has been enacted for the biennium. Correspondingly, the budget request for the first fiscal year in any biennium is expected to include an amount to provide for any termination payment that was due on September 1 of the prior year. If certain conditions of the respective Indenture are met, termination payments may be payable from money held in (or permitted to be transferred to) the respective Subordinated Payment Obligations Fund.

Additional Bonds

Subject to certain conditions, the issuance by the State of additional bonds for the following purposes **(Additional Bonds)** is permitted:

- Under the 2003 Indenture, to provide funds for payment to the Retirement System for any unfunded accrued prior service (pension) liability and any unfunded accrued liability for sick leave conversion credits, up to the remaining amounts provided for in the Enabling Act;
- Under the 2003 Indenture or the 2009 Indenture, to refund any Bonds; and
- Under the 2003 Indenture or the 2009 Indenture, to pay any cost of issuing Bonds (which includes accrued or funded interest, issuance expenses, deposits to reserve funds, administrative expenses, and credit enhancement facilities), or to make payments under any Swap Agreement.

The State anticipates that it will issue Additional Bonds under the 2003 Indenture to refund, on or prior to their maturity dates, all or part of the principal of certain maturities or sinking fund installments of the 2003 Series A Bonds and the 2008 Series A Bonds.

INFORMATION ABOUT THE STATE OF WISCONSIN

See Part II of the 2009 Annual Report for further information about the State of Wisconsin. Part II of the 2009 Annual Report includes information on various State financial, budgetary, and statistical matters.

PAYMENT FROM ANNUAL APPROPRIATIONS

The Bonds are not general obligations of the State and do not constitute "public debt" of the State as that term is used in the Wisconsin Constitution and in the Wisconsin Statutes. The payment of the principal of, and premium, if any, and interest on the Bonds is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature for that purpose. The State is not legally obligated to appropriate any amounts for payment of debt service on the Bonds, and if it does not do so, it incurs no liability to the owners of the Bonds. Thus, payment of the Bonds is at the discretion of the Legislature.

The Enabling Act contains a statement to the effect that the Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on obligations such as the Bonds, expresses its expectation and aspiration that it will do so. The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation.

General Fund

The State has chosen a name for the Bonds that includes the words "General Fund" because the Enabling Act reflects an expectation that appropriations to pay debt service will be made from the General Fund. In the Enabling Act, the Legislature expressed its expectation and intent (but not a binding obligation) that it would make timely appropriations from money in the General Fund that are sufficient to pay the principal and interest due in any year with respect to obligations such as the Bonds. A budget adopted for any fiscal year may fail to make an appropriation or may change the source of the appropriation to a fund other than the General Fund (and thus a fund with substantially less annual revenues than the General Fund).

2009-11 Biennium

Under each Indenture, the Department is required to take actions to facilitate the appropriation for each year of a specified amount **(Annual Appropriation Amount)** for the purpose of paying debt service on the respective Bonds and for other purposes under that Indenture. The General Fund budget adopted by the Legislature for the current biennium (2009-11), and the schedule of annual appropriations in the Wisconsin Statutes, include an appropriation from the General Fund to make debt service payments due in the 2009-10 and 2010-11 fiscal years on the Bonds issued under the Enabling Act, to make payments under ancillary agreements, to make deposits into reserve funds, and to pay related issuance or administrative costs

Budget Process

Annual appropriations are made through the enactment of the State budget. Most of the budget process derives from statutory laws or custom and practice, and thus the process is subject to change. The State budget is the legislative document that sets the level of authorized state expenditures for the two fiscal years in the biennium and the corresponding level of revenues (primarily taxes) projected to be available to finance those expenditures. See Part II of the 2009 Annual Report for further information about the State's budget process.

Annual Appropriations and Continuing Authority

Although the Wisconsin Statutes provide for other types of appropriations, any appropriation made to pay debt service on the Bonds as anticipated by the Enabling Act would be an annual appropriation. That is, the amount appropriated would be separately stated for each of the two fiscal years that the biennium comprises, and any unused amount would lapse at the end of the fiscal year.

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. Under Wisconsin law an existing appropriation continues in effect until it is amended or repealed. Thus, in the event a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time a new one is enacted. Once a newly enacted budget becomes effective, the continuing authority is superseded by the newly enacted appropriations.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. The biennial budget for the 2009-10 and 2010-11 fiscal years was enacted on June 29, 2009, which is prior to the start of the 2009-10 fiscal year. Prior to that, the last ten biennial budgets were enacted after the start of the biennium with the 2007-09 biennial budget being enacted on October 26, 2007, which was nearly four months after the start of the 2007-08 fiscal year. See Part II of the 2009 Annual Report and "PAYMENT FROM ANNUAL APPROPRIATIONS; Determination of Annual Appropriation Amount".

General Fund Cash Flow and Priority of Payments

The State has experienced and expects to continue to experience certain periods when the General Fund is in a negative cash position. The Wisconsin Statutes provide certain administrative remedies to deal with these periods. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund.

If needed, the Secretary of Administration has statutory power to order reductions in the appropriations of state agencies, which represent less than one-quarter of the General Fund budget. In addition, the Secretary of Administration may set priorities for payments from the General Fund as well as prorate certain payments. The Wisconsin Statutes provide that all payments shall be in accordance with the following order of preference:

- All direct and indirect payments of principal and interest on State general obligation debt have first priority and may not be prorated or reduced.
- All direct and indirect payments of principal and interest on operating notes have second priority and may not be prorated or reduced.
- All State employee payrolls have third priority and may be prorated or reduced.
- All other payments shall be paid in a priority determined by the Secretary of Administration and may be prorated or reduced.

See Part II of the 2009 Annual Report for further information about these remedies when the General Fund is in a negative cash position. The Secretary of Administration has covenanted to give debt service payments on appropriation obligations (including, but not limited to, the Bonds) a higher priority than all other payments (after the first three statutory priorities above) that may be prorated or reduced.

Determination of Annual Appropriation Amount

In each Indenture, the State directs officers of the Department of Administration to take actions to facilitate the appropriation for each fiscal year of the Annual Appropriation Amount. The Annual Appropriation Amount is summarized in more detail below and equals the sum of the following respective amounts (except that, for the second fiscal year in a biennium, the Annual Appropriation Amount equals the sum of the following amounts determined for such second fiscal year or the immediately succeeding fiscal year, whichever is greater).

2003 Indenture Bonds

With respect to the 2003 Indenture Bonds, the Annual Appropriation Amount is summarized in more detail below and equals the sum of the following amounts (except that, for the second fiscal year in a biennium, the Annual Appropriation Amount equals the sum of the following amounts determined for such second fiscal year or the immediately succeeding fiscal year, whichever is greater):

- *Bonds – Principal.* The amount of principal of 2003 Indenture Bonds coming due during the fiscal year.
- *Bonds – Redemption.* The amount of principal of 2003 Indenture Bonds to be redeemed during the fiscal year, including the amount to be redeemed pursuant to optional redemption determined based on the schedule or formula, if any, set forth in a Supplemental Indenture.
- *Bonds – Fixed Rate Interest.* Interest to be paid during the fiscal year on 2003 Indenture Bonds bearing interest at a fixed rate.
- *Bonds – Variable Rate Interest (Maximum Rate).* Interest that would be payable during the fiscal year on 2003 Indenture Bonds bearing interest at a variable rate, assuming they bore interest at the maximum permitted rate, which is 35% for the 2008 Series B Bonds and 2008 Series C Bonds.
- *Swap Agreements (Maximum Rate).* The maximum amount of any payment obligations (other than termination payments) that would be payable during the fiscal year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the counterparty, with any payment that is determined without limit as to amount to be determined at a rate that would result if the index provided in such Swap Agreement were at 15% per annum.
- *Credit Facilities.* The maximum amount of payments due during the fiscal year with respect to credit facilities, to the extent not included in the amounts described above.
- *Administrative Expenses.* Estimated administrative expenses payable from the Operating Expense Fund during the fiscal year.
- *Termination Payments.* The amount of all termination payments with respect to Swap Agreements that are unpaid as of the September 1 immediately preceding the commencement of the biennium that includes the fiscal year, plus interest to accrue on the payments to the date on which they are reasonably expected to be made.

Table VIII-2 summarizes the calculation of the Annual Appropriation Amount for the 2003 Indenture Bonds for the current biennium, pursuant to the factors outlined above.

Table VIII-2
DETERMINATION OF ANNUAL APPROPRIATION AMOUNT
2003 INDENTURE BONDS

Determination: 2009-11 Biennium	Fiscal Year 2009-10	Fiscal Year 2010-11 (Equal to Greater Total of the Following)	
		Fiscal Year 2010-11	Fiscal Year 2011-12[a]
Bonds – Principal	$ 0	$ 0	$ 0
Bonds – Redemption	13,820,000	20,050,000	26,935,000
Bonds – Fixed Rate Interest	69,591,933	69,236,888	68,659,548
Bonds – Variable Rate Interest (Maximum Rate)	178,150,000	178,150,000	178,150,000
Swap Agreements (Maximum Rate)	0	0	0
Credit Facilities	0	0	0
Administrative Expenses	1,004,000	1,004,000	1,004,000
Termination Payments	0	0	0
Totals[b]	$262,566,000	$268,441,000	$274,749,000

[a] First fiscal year of the next biennium.
[b] Rounded to the nearest hundred.

Table VIII-3 includes the amounts appropriated by the Legislature in each fiscal year since the date the 2003 Indenture Bonds were issued.

Table VIII-3
AMOUNTS APPROPRIATED BY LEGISLATURE
(Section 20.505 (1)(br), Wisconsin Statutes)

Fiscal Year	Annual Appropriation Amount	Amount Appropriated By Legislature
2004-05	$ 0[a]	$ 0[a]
2005-06	190,833,100	190,833,100
2006-07	190,833,100	190,833,100
2007-08	190,833,100	190,833,100
2008-09	200,629,300	200,629,300
2009-10	262,566,000	262,566,000
2010-11	274,749,000	274,749,000

[a] No Annual Appropriation Amounts were determined for the 2003-05 biennium because proceeds of the 2003 Bonds were deposited into several accounts under the 2003 Indenture and used to pay administrative costs and debt service. Remaining proceeds of the 2003 Bonds were used in the 2005-06 fiscal year, and the 2006-07 fiscal year was the first fiscal year in which any appropriated amount was used for this purpose.

2009 Indenture Bonds

With respect to the 2009 Indenture Bonds, the 2009 Indenture establishes an Annual Appropriation Amount beginning with the 2011-12 fiscal year. The Annual Appropriation Amount equals the sum of the following amounts (except that, for the second fiscal year in a biennium, the Annual Appropriation Amount equals the sum of the following amounts determined for such second fiscal year or the immediately succeeding fiscal year, whichever is greater):

- *Bonds - Principal Maturities.* The amount of principal of 2009 Indenture Bonds maturing during the fiscal year.
- *Bonds - Redemption*. The amount of principal of 2009 Indenture Bonds to be redeemed during the fiscal year, including any scheduled amount to be redeemed pursuant to optional redemption.
- *Bonds and Notes - Fixed Rate Interest*. Interest to be paid during the fiscal year on 2009 Indenture Bonds and Notes bearing interest at a fixed rate.
- *Bonds and Notes - Variable Rate Interest (Maximum Rate)*. Interest that would be payable during the fiscal year on 2009 Indenture Bonds and Notes bearing interest at a variable rate, assuming they bear interest at the maximum permitted rate.
- *Funding Obligations – Interest (Assumed Rate).* The amount of interest on Additional Bonds or Notes under the 2009 Indenture assuming that they are issued to fund Notes that mature during or prior to the fiscal year, that they bear interest at a rate of 15%, and that they are in a principal amount estimated by the Department to be sufficient.
- *Funding Obligations – Principal.* The amount, if any, certified by an authorized Department representative to be the expected principal amortization in such fiscal year for Additional Bonds under the 2009 Indenture to be issued to fund Notes that are scheduled to mature during or prior to the fiscal year.
- *Swap Agreements (Assumed Rate)*. The maximum amount of any payment obligations (other than termination payments) that would be payable during the fiscal year under interest rate exchange agreements that provide for a variable rate or rates to be paid by the State to the counterparty, with any payment that is determined without limit as to amount to be determined at a rate that would result if the index provided in such agreement were at 15% per annum.
- *Credit Facilities*. The maximum amount of payments due during the fiscal year with respect to credit facilities, to the extent not included in the amounts described above.
- *Administrative Expenses*. Estimated administrative expenses payable from the Operating Expense Fund during the fiscal year.
- *Swap Termination Payments*. The amount of all termination payments with respect to interest rate exchange agreements that are unpaid as of the September 1 immediately preceding the commencement of the biennium that includes the fiscal year, plus interest to accrue on the payments to the date on which they are reasonably expected to be made.

The determination of the Annual Appropriation Amount does not include the principal amount of any Notes.

While not required until the 2011-12 fiscal year, Table VIII-4 summarizes what the determination of the Annual Appropriation Amount for the 2009 Indenture Bonds would have been for the 2009-11 biennium if such a determination were required.

Table VIII-4
DETERMINATION OF ANNUAL APPROPRIATION AMOUNT
2009 INDENTURE BONDS

Determination: 2009-11 Biennium	Fiscal Year 2009-10	Fiscal Year 2010-11 (Equal to Greater Total of the Following)	
		Fiscal Year 2010-11	Fiscal Year 2011-12[a]
Bonds – Principal	$ 6,200,000	$ 5,785,000	$ 5,850,000
Bonds – Redemption	0	0	0
Bonds and Notes – Fixed Rate Interest	92,530,338	86,787,686	86,614,136
Bonds and Notes – Var. Rate Interest (Max. Rate)	0	0	0
Funding Obligations – Interest (Assumed)	0	0	0
Funding Obligations – Principal	0	0	0
Swap Agreements (Assumed Rate)	0	0	0
Credit Facilities	0	0	0
Administrative Expenses	10,000	10,000	10,000
Swap Termination Payments	0	0	0
Totals[c]	$ 98,800,000	$92,600,000	$92,500,000

[a] First fiscal year of the next biennium.
[b] Rounded up to the nearest hundred thousand.

Table VIII-5 includes the amount appropriated by the Legislature in each fiscal year for the 2009 Indenture Bonds. For the 2009-10 and 2010-11 fiscal years, the amount appropriated equals the amount that the Annual Appropriation Amount would have been for that respective fiscal year.

Table VIII-5
AMOUNTS APPROPRIATED BY LEGISLATURE
(Section 20.505 (1)(bq), Wisconsin Statutes)

Fiscal Year	Annual Appropriation Amount	Amount Appropriated By Legislature
2008-09	n/a	$ 165,000,000
2009-10	n/a	98,800,000
2010-11	n/a	92,600,000

Deposit Amount

Each Indenture also provides that, on the first business day of each fiscal year, the State shall pay to the Trustee from appropriated funds, for deposit into the respective Appropriations Fund, an amount (**Deposit Amount**) certified by the Secretary as the net amount reasonably expected to be needed during that fiscal year to pay principal of Bonds (including any scheduled amount to be redeemed by optional redemption), interest on Bonds, and any payment obligations (other than Subordinated Swap Payment Obligations) with respect to Swap Agreements, and to pay administrative expenses. Due to requirements for determining each Annual Appropriation Amount, the respective Deposit Amount is expected to be less than the Annual Appropriation Amount.

Event of Nonappropriation

Each Indenture defines **Event of Nonappropriation** to mean an insufficiency of appropriated funds in any fiscal year to pay when due all debt service on Bonds and Additional Bonds and payment obligations under Swap Agreements, other than termination payments under Swap Agreements that were not included in the determination for that fiscal year of the Annual Appropriation Amount (**Subordinated Swap**

Payment Obligations). Upon an Event of Nonappropriation, the Secretary of Administration will promptly provide a written notice to the Trustee.

Each Indenture provides that, if an executive budget bill, as introduced, or a budget bill adopted by either house of the Legislature, fails to include the Annual Appropriation Amount, then the Secretary of Administration will provide a written notice to the Governor and the presiding officer of each house of the Legislature, requesting action to ensure the satisfaction of the State's moral obligation and will promptly provide a written notice to the Trustee, stating the nature of the deficiency. Similarly, if a budget bill that fails to include the Annual Appropriation Amount is signed into law by the Governor, then the Secretary of Administration will send a letter to the Governor and the presiding officer of each house of the Legislature seeking the introduction of a separate bill authorizing the appropriation that would be needed.

RISK FACTORS

Dependence Upon Annual Appropriations

The State's obligation to make payments of the principal of and interest on the Bonds is not a general obligation of the State and is not supported by the full faith and credit of the State. The State's obligation to make those payments is subject to annual appropriation of the necessary funds by the Legislature. No assurance is given that sufficient funds will be appropriated or otherwise available to make those payments.

The owners of Bonds could suffer a loss or fail to obtain payment on a timely basis if no appropriation were made or if an insufficient appropriation were made. This could occur either through the direct action of the Legislature or the Governor or through a failure to act. The Governor may include or exclude the annual appropriations in the executive budget bill, and similarly, the Legislature may include or exclude the annual appropriations in the budget it adopts. Moreover, even if the annual appropriations are included in the budget the Legislature adopts, the Governor has the power to veto the appropriations.

No Collateral

Other than granting a security interest in money held in funds under each respective Indenture, the State has not pledged any collateral or other security to support payment of the principal of or interest on the Bonds. If the State were to fail to appropriate sufficient funds for that payment, the beneficial owners of the Bonds would not have any recourse against any other property of the State.

Nature of Moral Obligation

The Legislature has recognized a moral obligation to appropriate money; however, the recognition of a moral obligation does not create a legally enforceable obligation. The Legislature's recognition of a moral obligation would provide strong but not conclusive evidence in support of a judicial determination that a payment made by the State serves a public purpose and thus should not be enjoined if a lawsuit challenged the payment.

Legislative Decision-Making

Legislative decisions, such as making appropriations through the adoption of a budget, may be influenced by many factors. The Secretary of Administration believes that failure to make payments of the principal of, and premium, if any, and interest on, the Bonds might hinder the State's subsequent access to the capital markets; however, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for those payments.

Future occurrences could adversely affect legislative support for appropriating the money needed for payment of the Bonds. For example, the State issued the 2003 Indenture Bonds in 2003 with the expectation that it would thereby save money, as compared to the payments on the liabilities that it would otherwise have had to make, but may fail to realize these expectations.

Moreover, certain events could result in the need for an appropriation that is larger than originally expected. For example, the State could be required to pay a substantial termination payment upon the termination of a Swap Agreement, including a termination outside the State's control. In addition, the State intends to refund the principal amount of the 2003 Series A Bonds maturing in 2013, and the principal amount of the 2008 Series A Bonds maturing in 2018, so that the principal will be repaid in smaller annual amounts over the following years. Depending on the timing of this intended refunding, the State may need to appropriate a larger amount than usual to account for the principal amount scheduled to mature. If the 2003 Series A Bonds maturing in 2013 or the 2008 Series A Bonds maturing 2018 were not so refunded, then both a larger appropriation and payment would be required.

Investment Loss

In the event a loss were incurred on appropriated funds held in funds or accounts under the respective Indenture, no assurance can be given that additional amounts could be withdrawn from the General Fund pursuant to the appropriation to replenish the loss. See "GLOSSARY" for a description of qualified investments.

Existing Swap Agreements

The State has hedged nearly all of its variable-rate exposure on the 2008 Series B Bonds and 2008 Series C Bonds through the Existing Swap Agreements. The State is subject to certain risks as the result of the Existing Swap Agreements. As of November 30, 2009, the aggregate fair market value of the Existing Swap Agreements was negative $106 million. The fair market value may vary throughout the life of the Existing Swap Agreements due to changes in interest rates and swap market conditions.

Interest Rate Risks

Although the overall effective interest rate is synthetically fixed as a result of the Existing Swap Agreements, interest payments on the 2008 Series B Bonds and 2008 Series C Bonds and net swap payments will vary as interest rates vary.

Credit Risks

To the extent the fair market value of an Existing Swap Agreement were positive, the State would be subject to credit risk of the counterparty in the like amount. The ratings of counterparties to the Existing Swap Agreements also present the State with other credit risk factors. As of November 30, 2009, the lowest rating assigned to these counterparties was A1 by Moody's, A+ by Standard & Poor's, and A+ by Fitch Ratings. Under each of the Existing Swap Agreements and to mitigate the potential for credit risk, if any counterparty's credit rating falls below A3 by Moody's Investors Service or A– by either Standard & Poor's or Fitch Ratings, then the counterparty will be required to fully collateralize the fair market value of the Existing Swap Agreement. In addition, an event of termination occurs under an Existing Swap Agreement if the counterparty's credit rating falls below Baa2 by Moody's Investors Service or BBB by either Standard & Poor's or Fitch Ratings.

Termination Risks

Any Existing Swap Agreement may be terminated by the State upon two business days written notice, designating to the counterparty the termination date. In addition, either the State or the counterparty may terminate any Existing Swap Agreement if the other party fails to perform under the terms of the Existing Swap Agreement, or if other various events occur. If any Swap Agreement was terminated, the State would be unhedged and exposed to additional interest rate risk on a like amount of the 2008 Series B Bonds and 2008 Series C Bonds. In addition, if the terminated Existing Swap Agreement were to have a negative fair market value at the time of termination, the State would incur a loss and would be required to make a settlement payment to the counterparty. Termination payments, if required to be made, can be made, at the State's discretion, from the Stabilization Fund, or delayed until funds are available in the Subordinated Payment Obligations Fund or until the next biennium when appropriations can be made in the biennial budget for the termination payments.

Market-Access and Rollover Risks

Each of the Existing Swap Agreements has a term that is equal to the related maturities of the 2008 Series B Bonds and 2008 Series C Bonds. In addition, since the notional amounts of the Existing Swap Agreements decline in a manner directly related to the scheduled amortization of the 2008 Series B Bonds and 2008 Series C Bonds, there is no market-access risk or rollover risk.

Additional Bonds

Neither Indenture precludes the issuance of Additional Bonds under circumstances in which the resulting debt service might exceed the amount appropriated for the biennium during which the Additional Bonds are issued. Each Indenture does, however, require the State to provide the Trustee with evidence from each of at least two of the rating agencies then rating the Bonds that the issuance of the Additional Bonds would not adversely affect the ratings assigned to the Bonds by that rating agency.

SUMMARY OF THE 2003 INDENTURE

The following is a summary of certain provisions of the 2003 Indenture, which relates to the 2003 Indenture Bonds. The summary does not purport to be complete, and reference should be made to the full text of the 2003 Indenture for a complete recital of its terms.

Funds Established by 2003 Indenture

The 2003 Indenture establishes an Appropriations Fund, an Operating Expense Fund, a Debt Service Fund, a Subordinated Payment Obligations Fund, and a Stabilization Fund.

On the first business day of each fiscal year, the State shall pay to the Trustee from appropriated funds, for deposit in the Appropriations Fund, an amount certified by the Secretary of Administration as the net amount reasonably expected to be needed during that fiscal year to pay principal of Bonds (including the scheduled amount, if any, to be redeemed by optional redemption), interest on the Bonds, and any payment obligations (other than Subordinated Swap Payment Obligations) with respect to Swap Agreements, and to pay administrative expenses. The Deposit Amount is expected to be less than the Annual Appropriation Amount.

The 2003 Indenture requires the Trustee, upon receipt of the deposit, to transfer from the Appropriations Fund an amount designated by the State (and consistent with its determination of the amount required to be deposited in that fund) to the Operating Expense Fund and then transfer the balance into the Debt Service Fund.

The 2003 Indenture requires the Trustee to apply money in the Debt Service Fund to pay:

- The unpaid interest due on the Bonds on each payment date.
- The amount due on Swap Agreements (other than Subordinated Swap Payment Obligations).
- The principal installment of Bonds due on each payment date.
- The principal due upon optional redemption of Bonds.

On any payment date on which the amount on deposit in the Debt Service Fund is insufficient, the 2003 Indenture requires the Trustee to withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall, and thereafter (if a shortfall still exists) to withdraw from the Stabilization Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall.

The State may at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund, for further distribution into any of the funds and accounts, appropriated funds in addition to the amounts

specifically required by the 2003 Indenture. The State is permitted, but not required, to put additional amounts in the Stabilization Fund from time to time. The Stabilization Fund Amount is currently $32,935,000, but may be reduced after the 2003 Bonds are no longer Outstanding to an amount deemed reasonable, subject to Rating Confirmation.

The 2003 Indenture Bonds

The sum of the aggregate principal amount of Bonds issued to fund the State's unfunded prior service (pension) liability and unfunded liability for sick leave conversion credits may not exceed the limit set forth in the Enabling Act.

Deposit of Bond Proceeds to Funds and Accounts

Initial deposits will be made from proceeds of a Series of Bonds into the funds and accounts created under the 2003 Indenture as provided in a Closing Statement executed by an Authorized Department Representative and furnished to the Trustee. The Closing Statement shall specify the purchase price of the Bonds, and shall further specify, with respect to that amount:

- the amount representing accrued interest, if any, on the Bonds, and the amount, if any, representing Funded Interest, to be deposited in the Proceeds Account; and
- the amount, if any, to be deposited in any other fund or account as provided in the Closing Statement.

Issuance of Additional Bonds

The State reserves the right to issue one or more Series of Additional Bonds under the 2003 Indenture from time to time, with a charge or lien equal to the charge and lien applicable with respect to the 2003 Bonds and the 2008 Bonds, provided that:

- the proceeds of such Additional Bonds may be used only to pay the Payment or Payment Costs or to fund or refund Bonds issued for that purpose; and
- the aggregate amount of Bonds issued may not cause the authorization of the Enabling Act to be exceeded.

For each Series of Additional Bonds, the Department of Administration shall provide a separate Authorizing Certification authorizing a Supplemental Indenture and setting forth the aggregate principal amount of Additional Bonds authorized thereby, the manner of their sale, and the form and other terms thereof.

Prior to the delivery by the State of any of the Additional Bonds there must be filed with the Trustee:

- a Supplemental Indenture executed on behalf of the State by the Department of Administration and the Trustee creating the Additional Bonds, specifying their terms and providing for the disposition of the proceeds of their sale,
- a copy of the Authorizing Certification executed by the Secretary of Administration or his or her designee authorizing the execution and delivery of the Supplemental Indenture and the issuance of the Additional Bonds,
- a request and authorization to the Trustee by the Department of Administration on behalf of the State and signed by an Authorized Department Representative requesting the Trustee to authenticate and deliver the Additional Bonds, and
- evidence of a Rating Confirmation.

Redemption of Bonds

If the Bonds are to be called for redemption, and if sufficient monies are on deposit with the Trustee in the Debt Service Fund on the applicable redemption date to redeem the Bonds to be redeemed and to pay

any interest and premium due thereon, the Trustee is authorized and directed to apply those funds to the payment of the Bonds to be redeemed. Interest on any Bonds called for redemption stops accruing on the date the notice of redemption fixes for their redemption if:

- notice of their redemption has been given as provided in the 2003 Indenture, and
- money sufficient for their payment is on deposit with the Trustee as required by the 2003 Indenture.

General Terms and Provisions of Bonds

The Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations, together with any interest thereon, shall be special and limited obligations of the State, payable solely out of the Appropriated Funds. The Appropriated Funds consist principally of amounts that are subject to annual appropriation by the Legislature of the State. The Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations are valid claims of the Registered Owners, Swap Providers, and Credit Issuers, respectively, only against the Trust Estate and other Appropriated Funds. The Trustee agrees to hold the Trust Estate and apply the Appropriated Funds only as provided in the 2003 Indenture, except to the extent otherwise specified by law in an appropriation. The State is not generally liable on the Bonds. Neither the general credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the Bonds. The Bonds do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

General Covenants

Payment of Principal and Interest, Swap Payment Obligations, and Credit Facility Payment Obligations

The State represents, warrants, and covenants that so long as any of the Bonds are Outstanding or any Swap Payment Obligations or any Credit Facility Payment Obligations exist, it will deposit, or cause to be paid to the Trustee for deposit in the Appropriations Fund, but solely from the Appropriated Funds, amounts sufficient to promptly pay the principal of, and premium, if any, and interest on, the Outstanding Bonds and the Swap Payment Obligations and Credit Facility Payment Obligations as the same become due and payable.

Performance of Duties Under the 2003 Indenture and the Bonds

The State represents, warrants, and covenants that it will perform its obligations under the 2003 Indenture, and Bonds executed, authenticated, and delivered under the 2003 Indenture and all of its proceedings relating to the issuance of the Bonds. The State further represents and warrants that it is duly authorized under the Constitution and laws of the State, including without limitation the Enabling Act, by and through the Department of Administration, to issue the Bonds, to execute the 2003 Indenture, and to pledge and assign the property described in the 2003 Indenture in the manner and to the extent set forth in the 2003 Indenture. The State represents that all action on the part of the State and the Department of Administration for the issuance of the Bonds and the execution and delivery of the 2003 Indenture have been effectively taken and that the Bonds, the Swap Payment Obligations, and the Credit Facility Payment Obligations are and will be valid and enforceable obligations of the State contracted by the Department of Administration according to the terms of the 2003 Indenture, the Bonds (where applicable), and the Enabling Act.

Nonimpairment

Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the Legislature of the State, the State represents, warrants, and covenants that it will not enter into any contract or take any action impairing the rights of the Trustee, the Bondowners, any Swap Provider, or any Credit Issuer under the 2003 Indenture, the Bonds, a Swap Agreement, or any agreement relating to a Credit Facility. Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the Legislature of the State, the State will not limit or alter its powers to fulfill the terms

of any agreements made with Bondowners or in any way impair the rights and remedies of Bondowners until the Bonds, together with interest and all costs and expenses in connection with any action or proceeding on behalf of the Bondowners, are fully met and discharged.

Budget Process and Appropriations

The State directs the appropriate officers of the Department of Administration to take all appropriate actions within their power to assure that the Annual Appropriation Amounts with respect to the Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations are annually appropriated. The Secretary of Administration or his designee shall:

(a) while any Bonds are Outstanding or Swap Agreements or Credit Facilities are in effect, ensure that the budget request prepared under section 16.42, Wisconsin Statutes, for each Fiscal Year includes the Annual Appropriation Amount;

(b) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly provide a written notice to the Governor and the presiding officer of each house of the Legislature of the State, stating the nature of the deficiency and requesting action to ensure the satisfaction of the State's moral obligation;

(c) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly provide a written notice to the Trustee, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer stating the nature of the deficiency;

(d) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly send a letter to the Governor and the presiding officer of each house of the Legislature of the State seeking an amendment to such Budget Bill or, if such a Budget Bill is signed into law by the Governor, promptly send a letter to the Governor and the presiding officer of each house of the legislature of the State seeking the introduction of a separate bill authorizing the necessary or additional appropriation required;

(e) upon an Event of Nonappropriation, promptly provide a written notice thereof to the Trustee, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer; and

(f) in the event a Swap Termination Payment becomes due, and there are insufficient funds available from Appropriated Funds under the 2003 Indenture or from other legal sources provided by the State to pay the Swap Termination Payment, promptly send a letter to the Governor and the presiding officer of each house of the Legislature of the State seeking the introduction of a separate bill authorizing an additional appropriation.

In the event the Secretary of Administration exercises his or her authority under Section 16.53(10)(a), Wisconsin Statutes, whereby the Secretary of Administration establishes a priority schedule for payments, the Secretary of Administration covenants to give payment of the Outstanding Bonds, the Swap Payment Obligations, and the Credit Facility Payment Obligations the highest possible priority permitted by law.

Trustee Notices Regarding Budget Process and Appropriations

The Trustee may at any time request that the Secretary of Administration certify that he or she has performed his or her obligations under the 2003 Indenture described above under clause (a) of "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations*" and that no event described above in clause (b), (c), or (e) under "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations*" has occurred, and the Secretary of Administration shall promptly provide such a certification. The Trustee shall promptly provide written notice to the following parties of the occurrence of certain events, as follows:

- Upon failure to receive the certification requested by the Trustee with regard to compliance with clause (a) under "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations,*" to the Governor and the presiding officer of each house of the Legislature of the

State, with a copy to the Secretary of Administration, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event that the Secretary of Administration fails to include in the budget requests prepared under section 16.42, Wisconsin Statutes, for any Fiscal Year, the Annual Appropriation Amount;

- Upon receipt of the notice described in clause (c) under "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations*" or upon failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the Legislature of the State, with a copy to the Secretary of Administration, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event that a Budget Bill at any time fails to include the Annual Appropriation Amount; or
- Upon receipt of the notice described in clause (e) under "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations*" or upon failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the legislature of the State, with a copy to the Secretary of Administration, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event of an Event of Nonappropriation.

Event of Default

The State covenants that should there be a Default or an Event of Default, the State will fully cooperate with the Trustee, the Registered Owners, the Swap Providers, and the Credit Issuers to the end of fully protecting the rights and security of the Registered Owners, the Swap Providers, and the Credit Issuers.

Appropriated Funds and Funds and Accounts

The 2003 Indenture establishes in the Debt Service Fund a Debt Service Account for each Series of Bonds and each Swap Agreement and a Proceeds Account. Sinking fund accounts for any Series of Bonds having sinking fund installments may be established within the Debt Service Account for such Series in any schedule to the 2003 Indenture or in a Supplemental Indenture.

The 2003 Indenture provides that any monies derived from an appropriation of the State legislature may only be applied in a manner consistent with its appropriation.

On the last Business Day of each Fiscal Year, the Trustee shall transfer all monies remaining in the Appropriations Fund, the Operating Expense Fund (except for amounts therein funded from proceeds of Bonds), the Debt Service Accounts, and the Subordinated Payment Obligations Fund (i) to the Stabilization Fund, or (ii) to the State, as directed in writing by an Authorized Department Representative.

Deposits Into and Use of Monies in the Appropriations Fund

On the first Business Day of each Fiscal Year for which a Budget Bill has been enacted, the State shall pay the Deposit Amount to the Trustee for deposit in the Appropriations Fund, from amounts appropriated pursuant to section 20.505(1)(br), Wisconsin Statutes, or any successor provision. On the first Business Day of each Fiscal Year, in the event a Budget Bill for that Fiscal Year has not yet been enacted, the State shall pay to the Trustee the full amount, up to the Deposit Amount, that is available pursuant to the carry-over of existing appropriations from the prior Fiscal Year pursuant to section 20.002(1), Wisconsin Statutes. On the Business Day following the subsequent enactment of such a Budget Bill creating additional Appropriated Funds, the State shall pay to the Trustee, for deposit in the Appropriations Fund, the amount, if any, by which amounts appropriated thereby exceed amounts previously paid to the Trustee in such Fiscal Year for deposit therein, provided that the total paid to the Trustee shall not exceed the Deposit Amount.

No later than 30 days following the enactment of any separate bill or bills providing for an appropriation available for the payment of the Bonds, Swap Payment Obligations, and/or Credit Facility Obligations, for payment of issuance or administrative expenses or for funding a deposit to the Stabilization Fund in

that Fiscal Year, the State shall pay to the Trustee for deposit in the Appropriations Fund the amounts appropriated thereby.

No later than 30 days following the enactment of a Budget Bill, the State shall pay to the Trustee the amount of any Swap Termination Payment which is a Parity Swap Payment Obligation and which was included in the calculation of Annual Appropriation Amount for that Fiscal Year, to the extent that Appropriated Funds are available.

Any amounts appropriated pursuant to section 20.505(1)(it), Wisconsin Statutes, or any successor provision, not otherwise deposited into the Indenture Funds under the terms of a Swap Agreement shall be transferred, immediately upon receipt by the State, to the Trustee for deposit in the Appropriations Fund.

At any time during any Fiscal Year that any Appropriated Funds previously transferred to the Trustee are insufficient for the requirements of the Indenture Funds, the Trustee shall notify the State of such insufficiency and the State shall promptly pay such amount to the Trustee, but solely from Appropriated Funds, for deposit in the Appropriations Fund.

The State may, at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund for further distribution into any of the funds and accounts described below, Appropriated Funds in addition to the Deposit Amount or other amounts required above.

The State may direct the Trustee to transfer amounts from the Stabilization Fund to the Appropriations Fund as described below under "SUMMARY OF THE 2003 INDENTURE; Appropriated Funds and Funds and Accounts; Use of Monies in the Stabilization Fund."

The Trustee shall receive for immediate deposit into the Appropriations Fund the Deposit Amount and any additional Appropriated Funds transferred by the State or by any Swap Provider pursuant to the terms of a Swap Agreement to the Trustee. The Trustee, promptly after receipt of the Deposit Amount in the Appropriations Fund, shall transfer an amount thereof designated in writing by an Authorized Department Representative, consistent with the amount used in the computation of the Deposit Amount, to the Operating Expense Fund and shall transfer the balance into the Debt Service Fund for distribution into the Debt Service Accounts as designated in writing by an Authorized Department Representative. The Trustee, promptly after receipt of any other monies in the Appropriations Fund, and at any time thereafter as needed to fund the following Indenture Funds, shall make payments into the following Indenture Funds, but as to each Indenture Fund only within the limitations set forth below:

FIRST: Into the Operating Expense Fund, the amounts designated in writing by an Authorized Department Representative to be deposited in the Operating Expense Fund;

SECOND: Into each Debt Service Account, to the extent, if any, needed to increase the amount in such Debt Service Account so that it equals the interest and principal (whether at maturity or upon mandatory redemption) for the related Series of Bonds due on each Payment Date and the amount of any Parity Swap Payment Obligations, if any, due on each Payment Date, after taking into account amounts available for that purpose in the Proceeds Account;

THIRD: Into the Subordinated Payment Obligations Fund, the amount of any Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on each Payment Date; and

FOURTH: Into the Stabilization Fund, the amount designated in writing by an Authorized Department Representative to be deposited for such Fiscal Year into the Stabilization Fund.

Any remaining Appropriated Funds shall remain in the Appropriations Fund until June 30 of each Fiscal Year. On May 1 of each year, the State shall determine the extent to which there are available monies on deposit in the Appropriations Fund, the Debt Service Accounts and the Subordinated Payment Obligations Fund which will not be needed for the purposes thereof for the balance of that Fiscal Year as reasonably determined by the State, and the State shall direct the Trustee to apply such monies prior to the end of the Fiscal Year in an amount up to any amount set forth in a schedule or formula, if any, set forth in the Supplemental Indenture pursuant to which Additional Bonds are issued, to the optional redemption of the Additional Bonds. To the extent that any such scheduled amount of optional redemption is not achieved in any Fiscal Year, the shortfall shall be added to the remaining scheduled amounts of optional redemptions on a prorated basis rounded to the nearest authorized denomination of the applicable Series of Bonds, and any schedule or formula for such Series of Bonds set forth in the related Supplemental Indenture shall be modified accordingly.

Use of Monies in the Debt Service Fund

The Trustee shall withdraw from the applicable Debt Service Account of the Debt Service Fund and the Proceeds Account on or prior to each Payment Date an amount equal to:

- The unpaid interest due on the Bonds on each such Payment Date, and shall cause the same to be applied to the payment of said interest when due.
- The amount of each Parity Swap Payment Obligation due on such Payment Date, and shall cause the same to be paid to the applicable Swap Provider (provided that any Swap Termination Payment which is a Parity Swap Payment Obligation will be paid no later than 30 days after enactment of the Budget Bill or other bill providing an appropriation available for its payment).
- The Principal Installment of such Bonds due on such Payment Date, and shall cause the same to be applied to the payment of such Principal Installment when due.
- The principal due upon optional redemption of such Bonds on such Payment Date, and shall cause the same to be applied to the payment of such principal when due, provided that, prior to distributing notice of any such optional redemption (other than scheduled optional redemption described under "SUMMARY OF THE 2003 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in Appropriations Fund*"), an Authorized Department Representative has certified that the total of (i) amounts remaining on deposit in the Debt Service Fund (other than amounts on deposit in the Proceeds Account that are expected to be needed in future Fiscal Years) and (ii) amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(br), Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year, assuming, for purposes of said certification, that the interest on any Variable Rate Bonds for the balance of the Fiscal Year shall be calculated at the Maximum Rate and the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum) and that interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation).

Prior to the Payment Date of a Principal Installment, any amounts then on deposit in a Debt Service Account shall, if so directed in writing by an Authorized Department Representative, be applied by the Trustee to another Debt Service Account to the extent not needed for purposes of the Debt Service Account in which it was originally deposited or to the purchase of Bonds of the Series and maturity for which such Principal Installment was established, in an amount not exceeding that necessary to complete

the payment of the unsatisfied balance of such Principal Installment. All purchases of Bonds pursuant to the 2003 Indenture shall be made at prices not exceeding the applicable sinking fund Redemption Price or principal amount of such Bonds plus accrued interest.

If for any reason a Debt Service Account shall contain excess monies after a Payment Date, such excess may be held in that Debt Service Account as a credit against the requirements of that Debt Service Account for the balance of that Fiscal Year, transferred to another Debt Service Account, or returned to the Appropriations Fund, as the State shall direct.

The Trustee shall, if the State so directs, transfer monies in the Proceeds Account to the Operating Expense Fund or to the Stabilization Fund to increase or replenish the Stabilization Fund Amount therein, provided that any such direction shall be accompanied by a certificate of an Authorized Department Representative to the effect that such monies will not be needed to pay interest on the Bonds and that any increase in the Stabilization Fund Amount is reasonable.

In connection with a defeasance of any Bonds, the Trustee shall, if the State so directs, withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with respect to debt service on Bonds being defeased and deposit such amounts in escrow to be held for the payment of the principal amount or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being defeased shall be deemed to have been paid pursuant to the 2003 Indenture as described under "SUMMARY OF THE 2003 INDENTURE; Discharge of 2003 Indenture" below.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the legislature of the State, and except as described under "SUMMARY OF THE 2003 INDENTURE; Defaults and Remedies" below, payments from the Debt Service Fund shall be made ratably by the Trustee according to amounts due in respect of each Bond and Parity Swap Payment Obligation without preference of one Bond or Parity Swap Payment Obligation over another (and without regard to the deposit of amounts in a particular Debt Service Account). Notwithstanding anything in the 2003 Indenture to the contrary, any monies derived from an appropriation of the State legislature may only be applied in a manner consistent with that appropriation.

Use of Monies in the Subordinated Payment Obligations Fund

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof, the Trustee shall withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. On (a) June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of each Fiscal Year (but only if the amounts on deposit in the Debt Service Fund are sufficient to meet the requirements thereof for the balance of the Fiscal Year) or (b) such earlier date on which an Authorized Department Representative, at the State's option, certifies that the total of (i) the monies on deposit in the Debt Service Fund and (ii) the amounts remaining under the appropriation made for that Fiscal Year pursuant to section 20.505(1)(br), Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year, assuming, for purposes of said certification, that the interest on any Variable Rate Bonds for the balance of the Fiscal Year shall be calculated at the Maximum Rate and the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum) and that interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation), then the Trustee shall withdraw from the Subordinated Payment Obligations Fund the amount of any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations which are

due and owing on such date and shall cause the same to be paid to the applicable Swap Provider or Credit Issuer.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the legislature of the State, payments from the Subordinated Payment Obligations Fund shall be made ratably by the Trustee according to the amounts due in respect of each Subordinated Swap Payment Obligation and Credit Facility Payment Obligation without priority or preference of one Subordinated Swap Payment Obligation or Credit Facility Payment Obligation over another.

Use of Monies in the Stabilization Fund

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof and amounts drawn from the Subordinated Payment Obligations Fund are not sufficient to make up the shortfall, the Trustee shall withdraw from the Stabilization Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. Throughout each Fiscal Year until June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10), the State may, but is not required to, direct the Trustee to withdraw from the Stabilization Fund and transfer to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof. On June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of each Fiscal Year, the Trustee shall withdraw from the Stabilization Fund and transfer to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof, provided that amounts in the Stabilization Fund will not be required to be used to fund the Debt Service Fund to meet the requirements thereof for the balance of the Fiscal Year.

On the first Business Day of each Fiscal Year, the State may direct the Trustee to transfer amounts in the Stabilization Fund in excess of the Stabilization Fund Amount to the Appropriations Fund for further distribution to the Indenture Funds described above as directed by the State.

In connection with a defeasance of any Bonds, the Trustee shall, if the State so directs, withdraw from the Stabilization Fund, and deposit in escrow to be held for the payment of the principal amount or Redemption Price, if applicable, and interest on the Bonds being defeased, all or any portion of the amount therein in excess of the Stabilization Fund Amount after giving effect to the defeasance of such Bonds; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being defeased shall be deemed to have been paid pursuant to the 2003 Indenture as described under "SUMMARY OF THE 2003 INDENTURE; Discharge of 2003 Indenture" below.

Amounts in the Stabilization Fund may be used for the final payment at maturity or upon earlier redemption of all remaining Outstanding Bonds.

Use of Monies in the Operating Expense Fund

The Trustee shall withdraw from the Operating Expense Fund the amounts, and pay to the parties, designated in writing by an Authorized Department Representative for the payment of issuance and administrative expenses related to the Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations.

Payments to the State

Any amounts remaining in the Appropriations Fund or any other funds or accounts established under the 2003 Indenture after payment of all Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations shall be paid to the State.

Funds Held in Trust

All money held in any of the Indenture Funds are held in trust in the custody of the Trustee subject to the provisions of the 2003 Indenture which permit their disbursements for specified purposes. All money and securities held in Indenture Funds are subject to the first lien of the 2003 Indenture and are not subject to

any lien, attachment, garnishment, or other claims or proceedings by other creditors of the State or any third party (under the 2003 Indenture the money and securities are subject to the lien of the Trustee described under "SUMMARY OF THE 2003 INDENTURE; The Trustee").

Investments

The Trustee agrees to continuously invest and reinvest money on deposit in the Indenture Funds in Qualified Investments as directed in writing by the State, which the State agrees to provide. Investments made with money on deposit in the Indenture Funds may be made by the Trustee through its own bank investment department and:

- will have maturities or be readily marketable prior to maturity in the amounts and not later than the dates as may be necessary to provide funds for the purpose for which the money in any account is to be used,
- will be held by or under the control of the Trustee,
- will at all times be considered a part of the 2003 Indenture Fund (and in the case of the Debt Service Fund, the account therein) for whose benefit the investment was made,
- will have any loss attributable to them charged to the 2003 Indenture Fund (and in the case of the Debt Service Fund, the account therein) for whose benefit the investment was made, and
- in all other cases, will have any interest or profit derived from them retained in the 2003 Indenture Fund (and in the case of the Debt Service Fund, the account therein) from which the investment was made.

The Trustee shall not be responsible or liable for any loss resulting from such investment, except to the extent caused by its negligence or willful default.

Discharge of 2003 Indenture

The 2003 Indenture and the estate and rights granted by it ceases, determines, and is void if:

(a) the State has performed all of its obligations under the 2003 Indenture and the applicable Bond Purchase Agreement,

(b) all Trustee's Expenses and the expenses of any other paying agent which have accrued and will accrue through the final payment of the Bonds have been paid or arrangements satisfactory to the Trustee for their payment have been made,

(c) provision for the payment of all Outstanding Bonds has been made to the satisfaction of the Trustee in one or more of the following ways:

(1) by paying or causing to be paid, when due, the principal of, and premium, if any, and interest on, all Outstanding Bonds,

(2) by irrevocably depositing with the Trustee, in trust for such purpose, at or before maturity, cash in an amount sufficient to pay or redeem (when redeemable) all Outstanding Bonds including unpaid interest which has accrued on the Bonds and will accrue through the final payment or redemption of the Bonds (assuming that any Variable Rate Bonds bear interest at the Maximum Rate for any period for which the interest is not then know) and any redemption premium,

(3) by delivering to the Trustee, for cancellation, all Outstanding Bonds, or

(4) by depositing with the Trustee, in trust, Defeasance Obligations that mature in an amount that will, together with the income or increment to accrue on them but without reinvestment, be sufficient to pay or redeem (when redeemable) all Bonds at or before their respective maturity dates, including interest which has accrued on the Bonds and will accrue through the final payment or redemption of the Bonds (assuming that any Variable Rate Bonds bear

interest at the Maximum Rate for any period for which the interest is not then known) and any redemption premium,

(d) a notice of redemption which includes the Redemption Notice Information and which is not contingent upon satisfaction of any condition has been given as required by the 2003 Indenture if any of the Bonds are to be redeemed before their maturity (or if a notice of redemption cannot then be given as provided in the 2003 Indenture, then the State has given the Trustee, in a form satisfactory to the Trustee, irrevocable instructions to provide a notice of redemption which includes the Redemption Notice Information to the Registered Owners of any Bonds to be redeemed when a notice of redemption can be timely given under the 2003 Indenture),

(e) if the payment of the Bonds has been provided for under (c)(2) or (c)(4) above, the Trustee (i) has been furnished with an Opinion of Bond Counsel to the effect that the actions taken under the 2003 Indenture will not adversely affect the validity of any Bonds and (ii) has given notice to the Registered Owners of the Bonds at the Registered Owner's Address of the actions taken under subsection (c) above,

(f) if the payment of the Bonds has been provided for under (c)(4) above, an opinion from an independent certified public accountant has been provided to the effect that the funds available or to be available in the escrow for the payment of the Bonds will be sufficient to pay the principal of, premium, if any, and interest on the Bonds, and

(g) any additional requirements set forth in the 2003 Indenture or a Supplemental Indenture with respect to the applicable Series of Bonds have been satisfied.

On the occurrence of the events described in clauses (a) through (g) above, the Trustee is authorized and directed:

- to execute and deliver all appropriate instruments evidencing and acknowledging the satisfaction of the 2003 Indenture, and
- to assign and deliver to the Department of Administration any money and investments in any Indenture Fund (except money or investments held by the Trustee for the payment of the principal of, and premium, if any, and interest, on any Bonds).

Notwithstanding any other provision of the 2003 Indenture which may be contrary to the provisions set forth above, all money and Defeasance Obligations which are set aside and held in trust pursuant to the provisions of the 2003 Indenture for the payment of the principal of, and premium, if any, and interest on, Bonds will be applied to and used solely for the payment of the principal of, and premium, if any, and interest on, the particular Bonds with respect to which it was so set aside in trust. The income derived from Defeasance Obligations held by the Trustee under the 2003 Indenture which are not needed for the payment of the principal of, and premium, if any, or interest on, the Bonds is to be disposed of in a manner which, in the Opinion of Bond Counsel, will not adversely affect the validity of any Bonds.

Notwithstanding a discharge of the 2003 Indenture as provided in clause (c)(2) or (c)(4) above, resulting in the Owners of Bonds having a claim for the payment of their Bonds solely from the cash and Defeasance Obligations so set aside, the 2003 Indenture will continue to govern the method of making payments of principal and interest on the Bonds, the registration, transfer, and exchange of Bonds, the circumstances under which the Bonds may be redeemed, and similar matters.

Defaults and Remedies

Events of Default

The occurrence and continuance of any of the following events is an Event of Default under the 2003 Indenture:

- failure to pay when due the principal of (whether at maturity, upon redemption or otherwise), or premium, if any, or interest on, any Bonds or any Parity Swap Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;
- failure to pay as required by the terms of the 2003 Indenture any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;
- failure to pay when due the tender price on any Bond upon mandatory or optional tender for purchase as provided in the 2003 Indenture, except to the extent that such failure is due to an insufficiency of appropriated funds to make such payment with respect to any Bonds for which there is no liquidity facility; or
- the State defaults in the due and punctual performance of any other of the covenants, conditions, agreements, and provisions contained in the Bonds, the 2003 Indenture, or any Supplemental Indenture on the part of the State to be performed and the default continues for 30 days after written notice specifying the default and requiring that it be remedied has been given to the State by the Trustee, which may give the notice in its discretion and must give the notice upon receipt of a written request of the Owners of at least 25% of the aggregate principal amount of any Series of Bonds then Outstanding that it do so, provided that if the default is one which can be remedied but cannot be remedied within that 30-day period, the Trustee may grant an extension of the 30-day period if the State institutes corrective action within that 30-day period and diligently pursues that action until the default is remedied.

Remedies

Upon the occurrence of any Event of Default the Trustee may take whatever action at law or in equity it deems necessary or desirable (i) to collect any amounts then due under the 2003 Indenture, or the Bonds, any Swap Payment Obligations, or any Credit Facility Payment Obligations, (ii) to enforce performance of any obligation, agreement or covenant of the State under the 2003 Indenture or the Bonds, of a Credit Issuer under any Credit Facility issued or entered into with respect to any Bonds, or of the grantor of any other collateral given to secure the payment of any Bonds, or (iii) to otherwise enforce any of its rights; provided, however, actions against the State shall be limited to those permitted by the Statutes and the Constitution of the State.

None of the remedies under the 2003 Indenture is exclusive of any other remedy or remedies. Each remedy given under the 2003 Indenture is cumulative and is in addition to every other remedy that is given or that now or hereafter exists at law, in equity, or by statute.

No delay or omission in the exercise of any right or power accruing upon an Event of Default impairs the right or power or is a waiver of or acquiescence in any Event of Default. Every right and power given by the 2003 Indenture may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default extends to or affects any subsequent or other Event of Default or impairs any rights or remedies consequent thereon.

Nothing in the 2003 Indenture is intended as a waiver by the State of its sovereign immunity, any procedural requirements for any remedy, or any defenses available to it.

Right to Direct Proceedings

Except as the 2003 Indenture or a Supplemental Indenture may otherwise provide with respect to rights of Credit Issuers to act in the stead of Bondowners, the Owners of the Bonds have the right to direct the exercise of any rights or remedies under the 2003 Indenture, and the method and place of conducting all proceedings to be taken in connection with the enforcement of the 2003 Indenture. The 2003 Indenture provides that, so long as the applicable Bond Insurer is not in default under its Bond Insurance Policy, it will be treated as the Owner of the 2003 Series A Bonds, the 2008 Series C Bonds, or certain 2008 Series

A and B Bonds for all purposes of declaring defaults directing remedies, and dealing with the Trustee under the 2003 Indenture. A Supplemental Indenture authorizing the issuance of a Series of Additional Bonds may provide for a Credit Issuer to have such rights with respect to a Series of Bonds entitled to the benefits of its Credit Facility. See "SUMMARY OF THE 2003 INDENTURE; Certain Rights of Credit Issuers."

The directions of the Owners of Bonds are to be: (a) contained in a request which is signed by the Owners of at least a majority of the aggregate principal amount of each series of Bonds then Outstanding and delivered to the Trustee, (b) in accordance with law and the provisions of the 2003 Indenture, and (c) accompanied by indemnification of the Trustee as is provided in the 2003 Indenture.

Application of Funds

Upon an Event of Default or an Event of Nonappropriation, any Appropriated Funds received or held by the Trustee will be applied as follows:

> FIRST: To the payment of (i) the costs and expenses associated with the Trustee's carrying out its obligations with respect to the Event of Nonappropriation or the exercise of any remedy related to an Event of Default, including reasonable compensation to the Trustee and its attorneys and agents, and (ii) any Trustee's Expenses.
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> SECOND: To the payment of interest, principal, and premium, if any, then due on the Bonds (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of Article 9 of the 2003 Indenture) and Parity Swap Payment Obligations, in the order of the maturity of the payments of interest, principal, and premium, if any, and Parity Swap Payment Obligations then due ratably and, if the amount available is not sufficient to pay in full interest, principal, premium, and Parity Swap Payment Obligations due on any particular date, then first to the payment of interest and Parity Swap Payment Obligations ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege and second, to the amount of principal and premium, ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege.
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> THIRD: Subject to the provisions of the 2003 Indenture described under "SUMMARY OF THE 2003 INDENTURE; Appropriated Funds and Funds and Accounts; *Use of Monies in the Subordinated Payment Obligations Fund,"* to the payment of Subordinated Swap Payment Obligations and Credit Facility Payment Obligations then due in the order of the maturity of such payments and, if the amount available is not sufficient to pay in full the Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on any particular date, then to their payment ratably, according to the amount due, to the persons entitled to it without discrimination or privilege.
>
> FOURTH: To the payment of any other sums required to be paid by the State pursuant to any provisions of any of the 2003 Indenture.

Whenever money is to be applied as described above, the money is to be applied at the times the Trustee determines, having due regard for the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee applies such funds it will fix the date (which will be a Interest Payment Date unless it deems another date more suitable) upon which the application is to be made and on that date interest on the amounts of principal paid ceases to accrue.

Any monies derived from an appropriation may only be applied in a manner consistent with its appropriation.

Remedies Vested in Trustee

All rights of action (including the right to file proofs of claim) under the 2003 Indenture or under any Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production of

them in any trial or other proceeding relating to them. Any suit or proceeding instituted by the Trustee is to be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants the Registered Owners. Any resulting recovery or judgment is for the benefit of the Registered Owners of the Outstanding Bonds, the Swap Providers, and the Credit Issuers in accordance with the terms of the 2003 Indenture.

Rights and Remedies of the Bondowners

No Bondowner, Swap Provider, or Credit Issuer has any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the 2003 Indenture, for the execution of any trust created under the 2003 Indenture, for the appointment of a receiver, or for any other remedy, unless

- an Event of Default has occurred of which the Trustee has been notified as provided in the 2003 Indenture or of which the Trustee is deemed to have notice by the terms of the 2003 Indenture,
- the Trustee has received a request to do so and has been offered a reasonable opportunity either to proceed to exercise the powers granted in the 2003 Indenture or to institute an action, suit, or proceeding in its own name,
- the Trustee has been offered indemnity as provided in the 2003 Indenture, and
- the Trustee thereafter fails or refuses to exercise the powers granted in the 2003 Indenture or to institute an action, suit, or proceeding in its own name.

No Bondowner, Swap Provider, or Credit Issuer has any right to affect, disturb, or prejudice the security of the 2003 Indenture by its action or to enforce any right under the 2003 Indenture except in the manner provided in the 2003 Indenture, and all proceedings at law or in equity are to be conducted in the manner provided in the 2003 Indenture for the equal and ratable benefit of all the Bondowners, Swap Providers, or Credit Issuers in accordance with the priority provided in the 2003 Indenture. Nothing in the 2003 Indenture, however, affects or impairs the right of Bondowners, Swap Providers, or Credit Issuers to enforce the payment of the principal of, and premium, if any, and interest on any Bonds, Swap Payment Obligations, or Credit Facility Payment Obligations, respectively, at and after their maturity or the obligation of the State to pay the principal of, premium, if any, and interest on the Bonds issued under the 2003 Indenture, Swap Payment Obligations, or Credit Facility Payment Obligations, respectively, to Bondowners, Swap Providers, and Credit Issuers, respectively, at the time and place, from the source, and in the manner expressed in the 2003 Indenture and the Bonds (if applicable).

Waivers of Events of Default

The Trustee may waive any Event of Default under the 2003 Indenture and its consequences and must do so upon receipt of a request to do so from the Registered Owners of a majority in aggregate principal amount of all Bonds then outstanding in respect of which the failure to pay the principal of, or premium, if any, or interest on, which has resulted in an Event of Default or of the Owners of a majority in principal amount of each Series of Bonds then Outstanding in the case of any other Event of Default. Notwithstanding the preceding sentence, the Trustee may not waive any Event of Default in the payment of the principal of, or premium, if any, or interest on, any Bond unless prior to the waiver all arrears of principal, or premium, if any, and interest on, the Bonds for which appropriations have been made, and all expenses of the Trustee in connection with the Event of Default have been paid or provided for.

The Trustee

The Trustee accepts and agrees to perform the duties of the Trustee under the 2003 Indenture upon the terms and conditions set forth therein.

The Trustee is entitled to payment or reimbursement of its Trustee's Expenses. Upon the occurrence of an Event of Default or an Event of Nonappropriation, but only upon the occurrence of an Event of Default or an Event of Nonappropriation, the Trustee has a lien with right to payment prior to payment on account of the principal of, and premium, if any, and interest on, any Bond, any Swap Payment

Obligation, and any Credit Facility Payment Obligation upon the Trust Estate and any other collateral securing the Bond, any Swap Payment Obligation, and any Credit Facility Payment Obligation for the payment of the Trustee's Expenses. To the extent permitted by the Statutes and Constitution of the State, the Trustee shall be entitled to payment or reimbursement from the State to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence, willful misconduct, or bad faith on its part, arising out of or in connection with the acceptance or administration of the 2003 Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the 2003 Indenture.

If an Event of Default or an Event of Nonappropriation occurs of which the Trustee is required to take notice or of which it has been given notice, the Trustee agrees to give written notice of the Event of Default or Event of Nonappropriation by first-class mail to the Owners of all Bonds then Outstanding at the Registered Owner's Addresses.

The Trustee may, and upon receipt of a request to do so from the Owners of a majority of the principal amount of Bonds then Outstanding and upon indemnity being provided as required by the 2003 Indenture must, intervene on behalf of the Owners of Bonds in any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners of Bonds. The rights and obligations of the Trustee described in this paragraph are subject to the approval of a court of competent jurisdiction.

Successor Trustee; Resignation or Removal of the Trustee; Successor or Temporary Trustee

Any corporation or association (a) into which the Trustee may be converted or merged, (b) with which the Trustee may be consolidated, (c) to which the Trustee may sell or transfer its trust business and assets as a whole or substantially as a whole, or (d) resulting from a conversion, sale, merger, consolidation, or transfer to which the Trustee is a party becomes successor Trustee under the 2003 Indenture and is vested with all of the title to the Trust Estate and the Trustee's interest in the 2003 Indenture and all the trusts, powers, discretions, immunities, privileges, and all other matters as its predecessor was without the execution or filing of any instrument or any further act, deed, or conveyance on the part of any of the parties to the 2003 Indenture, anything in the 2003 Indenture to the contrary notwithstanding.

The Trustee and any successor Trustee may at any time resign from the trusts the 2003 Indenture created by giving 30 days written notice by registered or certified mail to the State and the Registered Owners. A resignation takes effect upon the appointment of a successor or temporary Trustee by the Registered Owners or the State and the successor or temporary Trustee's acceptance of its appointment.

The Trustee may be removed at any time without cause (a) at the direction of the State (so long as no Default or Event of Default under the 2003 Indenture has occurred, whether or not continuing) or (b) by an instrument or concurrent instruments in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee and the State. A removal takes effect upon the appointment of a successor or temporary Trustee by the Registered Owners or the State and the successor or temporary Trustee's acceptance of its appointment.

In case the Trustee resigns, is removed, is dissolved, is in the course of dissolution or liquidation, is taken under the control of a public officer, has a receiver appointed for it by a court, or otherwise becomes incapable of acting under the 2003 Indenture, a successor may be appointed by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding. In case of a vacancy the State by an instrument executed and signed by an Authorized Department Representative in accordance with applicable law may appoint a temporary Trustee to fill the vacancy until a successor Trustee has been appointed by the Owners of Bonds in the manner described above. Any temporary Trustee appointed by the State immediately and without further act is superseded by the Trustee appointed by the Owners of Bonds. Every Trustee so appointed must be a trust company or a bank in good standing having a reported capital and surplus of not less than $10 million or having assets under administration of not less than $200 million if there is an institution

willing, qualified, and able to accept the trust upon reasonable and customary terms and have the qualifications required by the Enabling Act.

Every successor Trustee appointed under the 2003 Indenture will execute, acknowledge, and deliver to its predecessor and to the State an instrument in writing accepting its appointment under the 2003 Indenture and thereupon the successor, without any further act, deed, or conveyance, will become fully vested with all the estates, properties, rights, powers, trusts, duties, and obligations of its predecessor. Its predecessor agrees, nevertheless, on the written request of the State or of its successor, to execute and deliver an instrument transferring to its successor all the estates, properties, rights, powers, and trusts of the predecessor under the 2003 Indenture. Every predecessor Trustee agrees it will deliver to its successor all securities, money, investments, and other property held by it in any Indenture Fund, a list of all checks or other fund transfers which the Trustee has issued or made but which have not been paid on the date the successor trustee becomes the Trustee under the 2003 Indenture, a copy of the Registration Books certified by the Trustee to be correct, executed originals of all letters of credit, policies of bond insurance, or other Credit Facilities relating to the Bonds, all printed but unissued Bonds, all Bonds in the Trustee's possession which are to be but have not been destroyed, executed originals of all indemnity bonds relating to the Bonds, a list of all stop transfer orders held by the Trustee, and such other documents and information as the successor trustee reasonably requests. If any instrument in writing from the State is required by any successor Trustee for more definitely and certainly vesting in the successor the estate, rights, powers, and duties vested or intended to be vested in the predecessor the State agrees to execute, acknowledge, and deliver any and all requested instruments in writing on request. The instrument appointing a successor under the 2003 Indenture will be filed and/or recorded by the successor Trustee in each filing or recording office where any document providing collateral security for the 2003 Indenture has been filed and/or recorded.

In the event the Trustee is changed the predecessor Trustee which has resigned or been removed ceases to be trustee of the Indenture Funds and bond registrar and paying agent for principal of, and premium, if any, and interest on, the Bonds and the successor Trustee becomes the Trustee, the bond registrar, and paying agent.

It is the intent of the State and the Trustee that the 2003 Indenture not violate the law of any jurisdiction (including particularly the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in that jurisdiction. It is recognized that in case of litigation under the 2003 Indenture, and in particular in case of the enforcement on an Event of Default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies granted to it under the 2003 Indenture or hold title to the Trust Estate or take any other action which may be desirable or necessary in connection therewith, it may be necessary for the Trustee to appoint an additional individual or institution as a separate or co-trustee.

Supplemental Indentures

Supplemental Indentures Not Requiring the Consent of Bondowners or Swap Providers

The State and the Trustee may, without the consent of or notice to the Bondowners or Swap Providers, enter into Supplemental Indentures which are not inconsistent with the terms and provisions of the 2003 Indenture in order:

- to provide for the issuance of Additional Bonds;
- to cure any ambiguity or formal defect or omission in the 2003 Indenture;
- to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee, provided that such amendment does not adversely affect the rights or interests of any Swap Provider;
- to subject additional revenues, properties, or collateral to the 2003 Indenture; or

- to supplement the 2003 Indenture in any other way which, in the judgment of the Trustee, is not to the material prejudice of the Trustee, the Bondowners, or any Swap Provider.

Supplemental Indentures Requiring the Consent of Bondowners and Swap Providers

In addition to Supplemental Indentures described above under "SUMMARY OF THE 2003 INDENTURE; Supplemental Indentures; *Supplemental Indentures Not Requiring the Consent of Bondowners or Swap Providers,*" the State and the Trustee, with the prior written consent of the Owners of a majority of the aggregate principal amount of each Series of Bonds then Outstanding and each Swap Provider, may enter into Supplemental Indentures as the State and the Trustee deem necessary and desirable for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the 2003 Indenture or in any Supplemental Indenture. No Supplemental Indenture, however, may permit (a) an extension of the stated maturity or a reduction in the principal amount of, reduction in the rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of or a reduction in the amount or extension of the time for any payment required by any sinking fund or principal fund applicable to any Bonds without the consent of the Owners of all the Bonds that would be affected by the action to be taken, (b) the creation of any lien prior to or, except in connection with the issuance of Additional Bonds, on a parity with the lien of the 2003 Indenture, without the consent of the Owners of all Bonds at the time Outstanding, or (c) a reduction in the aggregate principal amount of Bonds the Owners of which are required to consent to any Supplemental Indenture without the consent of the Owners of all Bonds at the time Outstanding that would be affected by the action to be taken.

If at any time the State requests the Trustee to enter into such a Supplemental Indenture, the Trustee agrees, upon being satisfactorily indemnified with respect to expenses, to send notice of the proposed execution of the Supplemental Indenture by registered or certified mail to the Registered Owner of each of the Bonds at the Registered Owner's Address subject, for so long as the Bonds are in Book Entry System, to the applicable Letter of Representations. The notice will briefly set forth the nature of the proposed Supplemental Indenture and state that copies of it are on file at the Designated Trust Office of the Trustee for inspection by the Registered Owner of any Bond. If, within 60 days or any longer period prescribed by the State following the mailing of the notice, consent of the Owners of a majority of the aggregate principal amount of each Series of Bonds then Outstanding has been obtained, no Registered Owner of any Bond has any right to object to any of the terms and provisions of the 2003 Indenture or their operation, in any manner to question the propriety of the execution of the Supplemental Indenture or to enjoin or restrain the Trustee or the State from executing the Supplemental Indenture or from taking any action pursuant to the provisions of the Supplemental Indenture. Upon the execution of any Supplemental Indenture as provided in the 2003 Indenture, the 2003 Indenture is modified and amended in accordance with it.

A Supplemental Indenture provides that the Owners of the 2008 Series C Bonds shall be deemed to have consented to any future Supplemental Indenture that (a) reduces the Stabilization Fund Amount to an amount not less than that set forth in clause (ii) of the definition of such term in the "GLOSSARY," or (b) provides that the consent of Owners of a Series of Bonds is not needed to authorize a Supplemental Indenture that does not affect the Owners of such Series.

Certain Rights of Credit Issuers

The 2003 Indenture provides that, so long as the Credit Issuer with respect to a Series of Bonds is not in default under its Credit Facility, the Credit Issuer may have certain rights, including the rights: (i) to be subrogated to the rights of the Owners of Bonds of such Series that are paid by its Credit Facility, and to have those Bonds continue to be treated as Outstanding under the 2003 Indenture; (ii) to be treated as the Owner of the Bonds of such Series for such purposes as the Supplemental Indenture may provide (including for purposes of directing the exercise of remedies under the 2003 Indenture); (iii) to limit the future issuance of Additional Bonds; and (iv) to prohibit Supplemental Indentures without its consent. The 2003 Series A Bonds, the 2008 Series C Bonds, and certain of the 2008 Series A and 2008 Series B

Bonds are insured under Bond Insurance Policies issued by Financial Security Assurance Inc., which has been granted certain of the rights described above with respect to the 2003 Series A Bonds, the 2008 Series C Bonds, and those 2008 Series A and 2008 Series B Bonds.

No information is provided in this Part VIII of the 2009 Annual Report about any credit rating currently assigned to the obligations of any Credit Issuer for any Outstanding Bonds.

Miscellaneous

Any consent, request, direction, approval, objection, or other instrument required by the 2003 Indenture to be signed by Bondowners may be in any number of concurrent writings of similar tenor. Proof of the execution of any consent, request, direction, approval, objection, or other instrument is sufficient for any of the purposes of the 2003 Indenture, and is conclusive in favor of the Trustee with regard to any action taken by it, if it contains or is accompanied by (i) a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction to the effect that the person signing the writing acknowledged before him the execution thereof or (ii) an affidavit of any witness to the execution. The ownership of Bonds and the amount, series, numbers, and other identification of them and the date on which they were held are conclusively proved by the Registration Books.

Unless provided to the contrary in the 2003 Indenture, all notices, certificates, or other communications under the 2003 Indenture are deemed given when delivered or mailed by first-class mail, postage prepaid, addressed to the parties at the addresses set forth in the 2003 Indenture.

If any date on which an obligation of the Trustee or the State is to be performed falls on a day that is not a Business Day, then the payment or fulfillment of the obligation may be made on the next succeeding Business Day with the same effect as if made on the date due except that (i) a Supplemental Indenture authorizing a Series of Additional Bonds may provide that interest on such Additional Bonds continues to accrue to the date of actual payment, and (ii) in the case of the end of a Fiscal Year, such payment or fulfillment shall be made on the preceding Business Day.

SUMMARY OF THE 2009 INDENTURE

The following is a summary of certain provisions of the 2009 Indenture, which relates to the 2009 Indenture Bonds. The summary does not purport to be complete, and reference is made to the full text of the 2009 Indenture for a complete recital of its terms, including the defined terms used therein.

The Appropriation Obligations

Issuance of Appropriation Obligations

The State may issue one or more Series of Appropriation Obligations under the 2009 Indenture from time to time, without limit as to aggregate principal amount except as provided in the Act. Prior to or contemporaneously with the issuance of any Appropriation Obligations, there must be filed with the Trustee: (i) a Supplemental Indenture executed by the Department on behalf of the State and by the Trustee authorizing the Appropriation Obligations, designating them as either Bonds or Notes, specifying their terms, and providing for the disposition of the proceeds of their sale; (ii) a copy of the Authorizing Certification executed by the Secretary or his or her designee authorizing the execution and delivery of the Supplemental Indenture and the issuance of the Appropriation Obligations, (iii) an Opinion of Bond Counsel to the effect that the execution and delivery of such Supplemental Indenture and the issuance and sale of the Appropriation Obligations have been duly authorized in accordance with the Act and the 2009 Indenture, and (iv) a request and authorization to the Trustee by the Department on behalf of the State and signed by an Authorized Department Representative requesting the Trustee to authenticate and deliver the Appropriation Obligations.

Deposit of Proceeds to Funds and Accounts

Proceeds of a Series of Appropriation Obligations will be deposited into the funds and accounts created under the 2009 Indenture, or otherwise applied, as provided in a Closing Statement executed by an

Authorized Department Representative and furnished to the Trustee. The Closing Statement will specify the purchase price of the Appropriation Obligations and:

(a) the amount, if any, representing accrued interest on the Appropriation Obligations to be deposited in the Proceeds Interest Account;

(b) the amount, if any, representing Funded Interest to be deposited in the Proceeds Interest Account;

(c) the amount, if any, representing proceeds of Funding Obligations to be used to pay principal of Outstanding Notes, to be deposited in the Proceeds Funding Account(s) related to those Notes; and

(d) the amount, if any, to be deposited in any other fund or account or to be otherwise transferred as provided in the Closing Statement.

The Closing Statement will further specify the application of such moneys.

General Terms and Provisions of Appropriation Obligations

Liability of the State Subject to Annual Appropriation

The Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations, together with any interest thereon, shall be special and limited obligations of the State, payable solely out of the Appropriated Funds. The Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations are valid claims of the Registered Owners, Swap Providers, and Credit Issuers, respectively, only against the Trust Estate and other Appropriated Funds. The Trustee agrees to hold the Trust Estate and apply the Appropriated Funds only as provided in the 2009 Indenture, except to the extent otherwise specified by law in an appropriation. The State is not generally liable on the Appropriation Obligations or any other 2009 Indenture Obligations. Neither the general credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the 2009 Indenture Obligations. The 2009 Indenture Obligations do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Registered Owners Treated as Owners

Except as a Supplemental Indenture may otherwise provide (including with respect to a Credit Issuer as described under "SUMMARY OF THE 2009 INDENTURE; Certain Rights of Credit Issuers"), the State and the Trustee may treat the Registered Owner of any Appropriation Obligation as its absolute owner (whether or not the Appropriation Obligation is overdue) for all purposes. Neither the State nor the Trustee shall be affected by any notice to the contrary.

Other 2009 Indenture Obligations

The 2009 Indenture provides that the State may enter into one or more Swap Agreements from time to time, without limit as to aggregate notional amount, and may enter into such Credit Facility Agreements as the Department shall determine are necessary or appropriate to obtain Credit Facilities with respect to the 2009 Indenture Obligations. The Swap Provider under any Swap Agreement must (a) have a rating of at least "AA" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement or (b) provide a guaranty as a credit support document under the Swap Agreement from a credit support provider that shall have a rating of at least "AA" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement and the guaranty, except that the State's counterparty or counterparties (or its or their credit support provider or providers) under a Swap Agreement or Swap Agreements having an aggregate notional amount equal to no greater than 33% of the principal amount of the Bonds then Outstanding may have a rating of "A" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement (and, if applicable, the guaranty).

For any Swap Agreement, Credit Facility Agreement, Swap Payment Obligations, or Credit Facility Payment Obligations to be recognized as such for purposes of the 2009 Indenture, there must be filed with the Trustee (i) a copy of an Authorizing Certification executed by the Secretary of the Department or his or her designee authorizing the execution and delivery of the Swap Agreement or Credit Facility Agreement or the procurement of the Credit Facility, (ii) a certificate of an Authorized Department Representative, which shall (a) in substance identify the Swap Agreement, Credit Facility Agreement, or Credit Facility as being a Swap Agreement, Credit Facility Agreement, or Credit Facility, as the case may be, within the meaning of the 2009 Indenture and (b) certify that any applicable requirements of the Act have been satisfied with respect to the Swap Agreement, the Credit Facility, and/or the Credit Facility Agreement, and (iii) a copy of the Swap Agreement, the Credit Facility, and/or the Credit Facility Agreement, as the case may be.

General Covenants

Payment of 2009 Indenture Obligations

The State represents, warrants, and covenants that so long as any of the Appropriation Obligations are Outstanding or any Swap Payment Obligations or any Credit Facility Payment Obligations exist, it will deposit, or cause to be paid to the Trustee for deposit in the Appropriations Fund, but solely from the Appropriated Funds, amounts sufficient to promptly pay the principal of, and premium, if any, and interest on, the Outstanding Appropriation Obligations and the Swap Payment Obligations and Credit Facility Payment Obligations as the same become due and payable.

Performance of Duties under the 2009 Indenture and the Appropriation Obligations

The State represents, warrants, and covenants that it will perform its obligations under the 2009 Indenture, any Appropriation Obligations executed, authenticated, and delivered under the 2009 Indenture and all of its proceedings relating to the issuance of the Appropriation Obligations. The State further represents, warrants, and covenants that it is duly authorized under the Constitution and laws of the State, including the Act, by and through the Department, to issue the Appropriation Obligations, to execute the 2009 Indenture, and to pledge and assign the property described in the 2009 Indenture in the manner and to the extent set forth in the 2009 Indenture. The State represents that all action on the part of the State and the Department for the issuance of the Appropriation Obligations and the execution and delivery of the 2009 Indenture have been effectively taken and the Appropriation Obligations in the hands of the Registered Owners, the Swap Payment Obligations, and the Credit Facility Payment Obligations are and will be valid and enforceable obligations of the State contracted by the Department according to the terms of the 2009 Indenture and the Act.

Nonimpairment

Subject to the right of non-appropriation and the right to rescind, repeal, or amend an appropriation by the legislature of the State, the State represents, warrants, and covenants that it will not enter into any contract or take any action impairing the rights of the Trustee, the Registered Owners of the Appropriation Obligations, any Swap Provider, or any Credit Issuer under the 2009 Indenture, the Appropriation Obligations, a Swap Agreement, or any Credit Facility Agreement. Subject to the right of non-appropriation and the right to rescind, repeal, or amend an appropriation by the legislature of the State, the State will not limit or alter its powers to fulfill the terms of any agreements made with Registered Owners or in any way impair the rights and remedies of Registered Owners until the Appropriation Obligations, together with interest and all costs and expenses in connection with any action or proceeding on behalf of the Registered Owners, are fully met and discharged.

Budget Process and Appropriations

The State shall direct the appropriate officers of the Department to take all appropriate actions within their power to assure that (beginning with Fiscal Year 2011-12) the Annual Appropriation Amounts with respect to the 2009 Indenture Obligations are annually appropriated. The Secretary or his or her designee shall:

(a) while any Appropriation Obligations are Outstanding or Swap Agreements or Credit Facilities are in effect, ensure that the budget request prepared under section 16.42 of the Wisconsin Statutes for each such Fiscal Year includes the Annual Appropriation Amount relating to such Appropriation Obligations (which, in the case of Notes, shall include only interest with respect thereto, and not principal), Swap Payment Obligations, or Credit Facility Payment Obligations in that Fiscal Year;

(b) in the event a Budget Bill for any such Fiscal Year fails to include the Annual Appropriation Amount, promptly provide a written notice to the Governor and the presiding officer of each house of the legislature of the State, stating the nature of the deficiency and seeking an amendment of such Budget Bill or requesting other action to ensure the satisfaction of the State's moral obligation;

(c) in the event a Budget Bill for any such Fiscal Year fails to include the Annual Appropriation Amount, promptly provide a written notice to the Trustee, each Rating Agency, each Swap Provider, and each Credit Issuer stating the nature of the deficiency;

(d) in the event a Budget Bill for any such Fiscal Year that fails to include the Annual Appropriation Amount is signed into law by the Governor, promptly send a letter to the Governor and the presiding officer of each house of the legislature of the State seeking the introduction of a separate bill making the necessary appropriation;

(e) upon an Event of Nonappropriation, promptly provide a written notice thereof to the Trustee, each Rating Agency, each Swap Provider, and each Credit Issuer;

(f) in the event a Swap Termination Payment becomes due and there are insufficient funds available from Appropriated Funds under the 2009 Indenture or from other legal sources provided by the State to pay the Swap Termination Payment, promptly send a letter to the Governor and the presiding officer of each house of the legislature of the State seeking the introduction of a separate bill authorizing an additional appropriation; and

(g) upon an Event of Nonappropriation arising from the failure of the State to issue Funding Obligations in an amount sufficient to pay the principal of any Notes when it becomes due, promptly send a letter to the Governor and the presiding officer of each house of the legislature of the State seeking the introduction of a separate bill making an additional appropriation for such payment.

Trustee Notices Regarding Budget Process and Appropriations

The Trustee may at any time request that the Secretary certify that he or she has performed his or her obligations under the 2009 Indenture described above under clause (a) of "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations"* and that no event described above in clause (b), (c), or (e) under "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations"* has occurred, and the Secretary shall promptly provide such certification. The Trustee shall promptly provide written notice to the following parties of the occurrence of certain events, as follows:

(a) Upon failure to receive the certification requested by the Trustee with regard to compliance with clause (a) above under "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations*", to the Governor and the presiding officer of each house of the legislature of the State, with a copy to the Secretary, each Rating Agency, each Swap Provider, and each Credit Issuer;

(b) Upon receipt of the notice described in clause (c) above under "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations*" or failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the

Governor and the presiding officer of each house of the legislature of the State, with a copy to the Secretary, each Rating Agency, each Swap Provider, and each Credit Issuer; or

(c) Upon receipt of the notice described in clause (e) above under "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations*" or failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the legislature of the State, with a copy to the Secretary, each Rating Agency, each Swap Provider, and each Credit Issuer.

Event of Default

The State covenants that should there be a Default or an Event of Default, the State will fully cooperate with the Trustee, the Registered Owners, the Swap Providers, and the Credit Issuers to the end of fully protecting the rights and security of the Registered Owners, the Swap Providers, and the Credit Issuers.

Appropriated Funds and Funds and Accounts

Establishment of Funds and Certain Accounts

The 2009 Indenture creates and establishes with the Trustee the following funds:

(1) the Appropriations Fund,

(2) the Operating Expense Fund,

(3) the Debt Service Fund,

(4) the Subordinated Payment Obligations Fund,

(5) the Stabilization Fund, and

(6) the Rebate Fund.

The 2009 Indenture also establishes in the Debt Service Fund a Debt Service Account for each Series of Appropriation Obligations and each Swap Agreement, a Proceeds Funding Account for each Series of Notes to be funded or refunded through the issuance of Funding Obligations, and a Proceeds Interest Account. Sinking fund accounts for any Series of Appropriation Obligations having sinking fund installments may be established within the Debt Service Account for such as provided in a Supplemental Indenture.

(However, the Stabilization Fund will not be activated unless and until the State adopts a Supplemental Indenture establishing a Stabilization Fund Amount, the Subordinated Payment Obligations Fund will not be activated unless and until the Secretary or his or her designee executes and delivers an Authorizing Certification providing for Swap Payment Obligations – which could give rise to Subordinated Swap Payment Obligations – or Credit Facility Payment Obligations, and no Proceeds Funding Account will be created unless and until a Series of Notes is issued.)

The 2009 Indenture provides that any moneys derived from an appropriation of the State legislature may only be applied in a manner consistent with its appropriation.

On the last Business Day of each Fiscal Year, the Trustee shall transfer all moneys remaining in the Appropriations Fund, the Operating Expense Fund (except for amounts therein funded from proceeds of Appropriation Obligations or other obligations of the State issued for such purpose), the Debt Service Accounts, and the Subordinated Payment Obligations Fund (i) to the Stabilization Fund, (ii) to the State, or (iii) upon a determination by the Department that such moneys are subject to an appropriation for the next Fiscal Year, to the Appropriations Fund, as directed in writing by an Authorized Department Representative.

Deposits into and Use of Moneys in the Appropriations Fund

The Trustee shall receive for immediate deposit into the Appropriations Fund the Deposit Amount and any additional Appropriated Funds transferred to the Trustee by the State or by any Swap Provider pursuant to the terms of a Swap Agreement as follows:

- On the first Business Day of each Fiscal Year for which a Budget Bill has been enacted, the State shall pay the Deposit Amount to the Trustee for deposit in the Appropriations Fund, from amounts appropriated pursuant to section 20.505(1)(bq) of the Wisconsin Statutes, or any successor provision thereto. On the first Business Day of each Fiscal Year, in the event a Budget Bill for that Fiscal Year has not yet been enacted, the State shall pay to the Trustee the full amount up to the Deposit Amount that is available pursuant to the carry-over of existing appropriations from the prior Fiscal Year pursuant to section 20.002(1) of the Wisconsin Statutes, and on the Business Day following the subsequent enactment of such a Budget Bill creating additional Appropriated Funds, the State shall pay to the Trustee, for deposit in the Appropriations Fund, the amount, if any, by which amounts appropriated thereby exceed amounts previously paid to the Trustee in such Fiscal Year for deposit therein, provided that the total paid to the Trustee shall not exceed the Deposit Amount.
- No later than thirty days following the enactment of any separate bill providing for an appropriation available for the payment of Appropriation Obligations, Swap Payment Obligations, and/or Credit Facility Payment Obligations (including any appropriation of funds to pay Notes for the payment of which Funding Obligations are not issued), for payment of issuance or administrative expenses, or for funding a deposit to the Stabilization Fund in that Fiscal Year, the State shall pay to the Trustee for deposit in the Appropriations Fund amounts appropriated thereby.
- No later than thirty days following the enactment of a Budget Bill, the State shall pay to the Trustee the amount of any Swap Termination Payment that is a Parity Swap Payment Obligation and which was included in the calculation of Annual Appropriation Amount for that Fiscal Year, to the extent that Appropriated Funds are available.
- Immediately upon receipt, the State shall transfer to the Trustee, for deposit in the Appropriations Fund, any amounts appropriated pursuant to section 20.505(1)(it) of the Wisconsin Statutes, or any successor provision, not otherwise deposited into the Indenture Funds under the terms of a Swap Agreement.
- At any time during each Fiscal Year that any Appropriated Funds previously transferred to the Trustee are insufficient for the requirements of the Indenture Funds, the Trustee shall notify the State of such insufficiency and the State shall promptly pay such amount to the Trustee, but solely from Appropriated Funds, for deposit in the Appropriations Fund.
- The State may, at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund for further distribution into any of the Indenture Funds and accounts described below, Appropriated Funds in addition to the Deposit Amount or other amounts required above.
- The State may direct the Trustee to transfer amounts from the Stabilization Fund to the Appropriations Fund as described below under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Stabilization Fund*".

The Trustee, promptly after receipt of the Deposit Amount in the Appropriations Fund, shall transfer an amount thereof designated in writing by an Authorized Department Representative, consistent with the amount used in the computation of the Deposit Amount, to the Operating Expense Fund and shall transfer the balance into the Debt Service Fund for distribution into the Debt Service Accounts as designated in writing by an Authorized Department Representative. The Trustee, promptly after receipt of any other

moneys in the Appropriations Fund, and at any time thereafter as needed to fund the following Indenture Funds, shall make payments into the following Indenture Funds, but only to the extent consistent with the appropriation thereof by the legislature, and as to each Indenture Fund only within the limitations in the 2009 Indenture described below with respect thereto:

FIRST: Into the Operating Expense Fund, the amounts designated in writing by an Authorized Department Representative to be deposited in the Operating Expense Fund;

SECOND: Into each Debt Service Account, to the extent, if any, needed to increase the amount in such Debt Service Account so that it equals the interest and principal (whether at maturity or upon mandatory redemption) for the related Series of Bonds due on each Payment Date, the interest for the related Series of Notes due on such Payment Date, or the amount of any Parity Swap Payment Obligations, if any, due on each Payment Date, after taking into account amounts available for that purpose in the Proceeds Interest Account;

THIRD: Into each Debt Service Account for Notes, to the extent, if any, needed to increase the amount in such Debt Service Account so that it equals the principal (whether at maturity or upon mandatory redemption) for the related Series of Notes due on each Payment Date, after taking into account amounts available for that purpose, and amounts expected to be deposited and available for that purpose, in the Proceeds Funding Account;

FOURTH: Into the Subordinated Payment Obligations Fund, the amount of any Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on each Payment Date; and

FIFTH: Into the Stabilization Fund, the amount designated in writing by an Authorized Department Representative to be deposited for such Fiscal Year into the Stabilization Fund.

Any remaining Appropriated Funds shall remain in the Appropriations Fund until June 30 of each Fiscal Year. On May 1 of each year the State shall determine the extent to which there are available moneys on deposit in the Appropriations Fund, the Debt Service Accounts, and the Subordinated Payment Obligations Fund that will not be needed for the purposes thereof for the balance of that Fiscal Year (taking into consideration funds available in, and funds expected to be deposited and available in, the Proceeds Interest Account or a Proceeds Funding Account for such purpose), and the State shall direct the Trustee to apply such moneys prior to the end of the Fiscal Year in an amount up to the Scheduled Optional Redemption amount set forth in any Supplemental Indenture pursuant to which Appropriation Obligations have been issued, to the optional redemption of such Appropriation Obligations. To the extent that Scheduled Optional Redemption is not achieved in any Fiscal Year, the shortfall shall be added to the remaining amounts of Scheduled Optional Redemptions on a prorated basis, rounded to the nearest authorized denomination of the applicable Series of Appropriation Obligations, and the Scheduled Optional Redemptions shall be modified accordingly.

Deposits into and Use of Moneys in the Debt Service Fund

The Trustee shall deposit into the Proceeds Interest Account, from time to time, (i) proceeds of Appropriation Obligations as described above under "SUMMARY OF THE 2009 INDENTURE; The Appropriation Obligations; *Deposit of Proceeds to Funds and Accounts*" and (ii) any other amounts that are subject to continuing appropriations and are provided by the State with instructions to deposit such amounts into the Proceeds Interest Account. The Trustee shall deposit into the appropriate Proceeds Funding Account, from time to time, proceeds of Funding Obligations as described above under "SUMMARY OF THE 2009 INDENTURE; The Appropriation Obligations; *Deposit of Proceeds to Funds and Accounts*". The Trustee shall deposit into the appropriate Debt Service Accounts in the Debt Service Fund the amounts required to be transferred thereto from the Appropriations Fund, the Subordinated

Payment Obligations Fund, and the Stabilization Fund as described under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Appropriations Fund*", "*Deposits into and Use of Moneys in the Subordinated Obligations Fund*", and "*Deposits into and Use of Moneys in the Stabilization Fund*".

The Trustee shall withdraw from the applicable Debt Service Account, the Proceeds Interest Account, and the applicable Proceeds Funding Account on or prior to each Payment Date an amount equal to:

(a) The unpaid interest due on the Appropriation Obligations on each Interest Payment Date and shall cause the same to be applied to the payment of said interest when due.

(b) The amount of each Parity Swap Payment Obligation due on each Payment Date and shall cause the same to be paid to the applicable Swap Provider (provided that any Swap Termination Payment that is a Parity Swap Payment Obligation will be paid no later than thirty days after enactment of the Budget Bill or other bill providing an appropriation available for its payment).

(c) The Principal Installment of the Bonds due on each Payment Date and shall cause the same to be applied to the payment of the Principal Installment of such Bonds when due.

(d) The principal due upon optional redemption of the Appropriation Obligations on each Payment Date and shall cause the same to be applied to the payment of such principal when due, provided that, prior to distributing notice of any such optional redemption (other than (i) Scheduled Optional Redemptions described in "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in Appropriations Fund*", (ii) an optional redemption of Notes for which sufficient funds are available in the applicable Proceeds Funding Account, or (iii) an optional redemption with respect to which the redemption notice states that such redemption is contingent upon the availability of sufficient Appropriated Funds to both pay the Redemption Price and satisfy the requirements of clauses (A) and (B) below), an Authorized Department Representative has certified that the total of (A) amounts remaining on deposit in the Debt Service Fund (other than amounts on deposit in the Proceeds Interest Account which are expected to be needed in future Fiscal Years and amounts on deposit in any Proceeds Funding Account), and (B) amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(bq) of the Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year (without taking into account any principal payments required to be made with respect to Notes). For all purposes of determining the sufficiency of amounts in or payable into the Debt Service Fund or any account therein, interest on any Variable Rate Appropriation Obligations for any portion of the balance of the Fiscal Year for which the interest rate has not been determined shall be calculated at the Maximum Rate, the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum), interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation), and interest on any Funding Obligations that would be assumed to be issued under clause (e) of the definition of "Annual Appropriation Amount" under "SUMMARY OF THE 2009 INDENTURE; Definitions of Certain Terms" shall be calculated based on the assumptions set forth in such clause (e).

(e) The principal of any Notes due on each Payment Date and shall cause the same to be applied to the payment of the principal of such Notes when due.

Prior to the Payment Date of a Principal Installment, any amount then on deposit in a Debt Service Account shall, if so directed in writing by an Authorized Department Representative, be applied by the Trustee to the purchase of Bonds of the Series and maturity for which such Principal Installment was established in an amount not exceeding that necessary to complete the payment of the unsatisfied balance of such Principal Installment. Any such purchase of Bonds shall be made at a price not exceeding the applicable sinking fund Redemption Price or principal amount of such Bonds plus accrued interest.

Prior to the Payment Date of principal of any Note, any amount then on deposit in the applicable Proceeds Funding Account shall, if so directed in writing by an Authorized Department Representative, be applied by the Trustee to the purchase of Notes of the Series to which such Proceeds Funding Account relates. Any such purchase of Notes shall be made at a price not exceeding the applicable sinking fund Redemption Price or principal amount of such Notes plus accrued interest (which accrued interest may be paid from the related Debt Service Account or the Proceeds Interest Account).

At any time, any amount then on deposit in a Debt Service Account of the Debt Service Fund shall, if so directed in writing by an Authorized Department Representative, be applied by the Trustee to another Debt Service Account to the extent not needed for purposes of the Debt Service Account in which it was originally deposited. Transfers shall be made from any Debt Service Account for the payment of principal on a Series of Notes only to the extent that the amount in the Debt Service Account from which the transfer is made would be sufficient (determined as described in paragraph (d) above) after giving effect to such transfer. In addition, if for any reason a Debt Service Account of the Debt Service Fund shall contain excess moneys after a Payment Date, such excess may be held in such Debt Service Account as a credit against the requirements of such Debt Service Account for the balance of that Fiscal Year, transferred to another Debt Service Account, or returned to the Appropriations Fund, as an Authorized Department Representative shall direct. Any such amount shall be transferred to a Debt Service Account for Notes only to the extent of interest to come due on the Notes of the related Series during the current Fiscal Year (and amounts may be transferred to a Debt Service Account for Notes to provide for payment of principal to come due on the Notes of such Series only as described above).

The Trustee shall, if an Authorized Department Representative so directs, transfer moneys in the Proceeds Interest Account to the Operating Expense Fund or to the Stabilization Fund to increase or replenish the Stabilization Fund Amount therein. Any such direction shall be accompanied by a certificate of an Authorized Department Representative to the effect that such moneys will not be needed to pay interest on the Appropriation Obligations and that any increase in the Stabilization Fund Amount is reasonable.

In connection with a defeasance of any Appropriation Obligations, the Trustee shall, if an Authorized Department Representative so directs, withdraw from the applicable Debt Service Account, from the Proceeds Interest Account (other than amounts therein expected to be needed in for the payment of other Appropriation Obligations or Swap Payment Obligations), or (in the case of Notes) from the Proceeds Funding Account all or any portion of the amounts accumulated therein with respect to debt service on the Appropriation Obligations being defeased and deposit such amounts in escrow to be held for the payment of the principal amount or Redemption Price and interest on the Appropriation Obligations being defeased. No such withdrawal shall be made unless immediately thereafter the Appropriation Obligations being defeased shall be deemed to have been paid pursuant to the 2009 Indenture as described under "SUMMARY OF THE 2009 INDENTURE; Discharge of 2009 Indenture" below.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the legislature of the State, and except as described under "SUMMARY OF THE 2009 INDENTURE; Defaults and Remedies; *Application of Funds*" below, payments from the Debt Service Fund shall be made ratably by the Trustee according to amounts due in respect of interest on each Appropriation Obligation, each Principal Installment for Bonds, and each Parity Swap Payment Obligation without preference of one Appropriation Obligation or Parity Swap Payment Obligation over another, and without regard to the deposit of amounts in a particular Debt Service Account (except with respect to payment of principal on

Notes, which shall be paid only from the applicable Proceeds Funding Account or other Appropriated Funds appropriated for that purpose).

Deposits into and Use of Moneys in the Subordinated Payment Obligations Fund

The Trustee shall deposit into the appropriate Subordinated Payment Obligations Fund the amounts required to be transferred thereto from the Appropriations Fund and the Stabilization Fund as described under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Appropriations Fund*" and "*Deposits into and Use of Moneys in the Stabilization Fund*".

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof, the Trustee shall withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. On (a) June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of each Fiscal Year, but only if the amounts on deposit in the Debt Service Fund are sufficient to meet the requirements thereof for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Debt Service Fund*"), or (b) such earlier date on which an Authorized Department Representative, at the State's option, certifies that the total of (i) the moneys on deposit in the Debt Service Fund and available for such purpose and (ii) the amounts remaining under the appropriation made for that Fiscal Year pursuant to section 20.505(1)(bq) of the Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Debt Service Fund*", but without taking into account any principal payments required to be made with respect to Notes), then the Trustee shall withdraw from the Subordinated Payment Obligations Fund the amount of any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations which are due and owing on such date and shall cause the same to be paid to the applicable Swap Provider or Credit Issuer.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the legislature of the State, payments from the Subordinated Payment Obligations Fund shall be made ratably by the Trustee according to the amounts due in respect of each Subordinated Swap Payment Obligation and Credit Facility Payment Obligation without priority or preference of one Subordinated Swap Payment Obligation or Credit Facility Payment Obligation over another.

Deposits into and Use of Moneys in the Stabilization Fund

The Trustee shall deposit into the Stabilization Fund, from time to time, (i) proceeds of Appropriation Obligations directed to be deposited therein pursuant to a Closing Statement as described above under "SUMMARY OF THE 2009 INDENTURE; The Appropriation Obligations; *Deposit of Proceeds to Funds and Accounts*", (ii) other amounts provided by the State with instructions to deposit such amounts into the Stabilization Fund, and (iii) the amounts required to be transferred thereto from the Appropriations Fund, the Proceeds Interest Account, or any other Indenture Funds as described under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Appropriations Fund*", "*Deposits into and Use of Moneys in the Debt Service Fund*", and "*Establishment of Funds and Certain Accounts*".

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the payment of principal and interest on Bonds, interest on Notes and Parity Swap Payment Obligations and amounts drawn from the Subordinated Payment Obligations Fund are not sufficient to make up the shortfall, the Trustee shall withdraw from the Stabilization Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall.

Throughout each Fiscal Year until June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of the Fiscal Year, the State may, at its option, but is not required to, direct the

Trustee to withdraw from the Stabilization Fund and transfer to (i) the Debt Service Account for a Series of Notes the amount needed to make up any shortfall in such Debt Service Account for the payment of principal of such Notes or (ii) the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof. On June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of each Fiscal Year, the Trustee shall withdraw from the Stabilization Fund and transfer (i) to the Debt Service Account for a Series of Notes the amount needed to make up any shortfall in such Debt Service Account for the payment of principal of such Notes, but only to the extent that amounts in the Stabilization Fund will not be required to be used to fund the remaining Debt Service Accounts to meet the requirements thereof for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Debt Service Fund*"), and (ii) to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof, but only to the extent that amounts in the Stabilization Fund will not be required to be used to fund the Debt Service Fund to meet the requirements thereof for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Debt Service Fund*").

On the first Business Day of each Fiscal Year an Authorized Department Representative may direct the Trustee to transfer amounts in the Stabilization Fund in excess of the Stabilization Fund Amount to the Appropriations Fund for further distribution to the Indenture Funds described above. On the last Business Day of any Fiscal Year, an Authorized Department Representative may direct the Trustee to transfer amounts in the Stabilization Fund in excess of the Stabilization Fund Amount to the State.

In connection with a defeasance of any Appropriation Obligations, the Trustee shall, if an Authorized Department Representative so directs, withdraw from the Stabilization Fund, and deposit in escrow to be held for the payment of the principal amount or Redemption Price and interest on the Appropriation Obligations being defeased, all or any portion of the amount therein in excess of the Stabilization Fund Amount after giving effect to the defeasance of such Appropriation Obligations. No such withdrawal shall be made unless immediately thereafter the Appropriation Obligations being defeased shall be deemed to have been paid pursuant to the 2009 Indenture as described under "SUMMARY OF THE 2009 INDENTURE; Discharge of 2009 Indenture" below.

Amounts in the Stabilization Fund may be used for the final payment at maturity or upon earlier redemption of all remaining Outstanding Appropriation Obligations.

Deposits into and Use of Moneys in the Operating Expense Fund

The Trustee shall deposit into the Operating Expense Fund (i) proceeds of Appropriation Obligations directed to be deposited therein pursuant to a Closing Statement as described above under "SUMMARY OF THE 2009 INDENTURE; The Appropriation Obligations; *Deposit of Proceeds to Funds and Accounts"* and (ii) the amounts required to be transferred thereto from the Appropriations Fund or the Proceeds Interest Account, or any other Indenture Funds as described under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Appropriations Fund*" and "*Deposits into and Use of Moneys in the Debt Service Fund*".

The Trustee shall withdraw from the Operating Expense Fund the amounts, and pay to the parties, designated in writing by an Authorized Department Representative for the payment of issuance and administrative expenses related to the Appropriation Obligations, Swap Agreements and Swap Payment Obligations, and Credit Facilities and Credit Facility Payment Obligations.

Deposits into and Use of Moneys in the Rebate Fund

The Trustee shall deposit into the Rebate Fund (and, if applicable, into the account therein designated by the State), from time to time, any amounts provided by the State with instructions to deposit such amounts into the Rebate Fund. The Trustee shall withdraw from the Rebate Fund (and, if applicable, from the account therein designated by the State) from time to time such amounts as the State may direct for

payment of arbitrage rebate obligations with respect to the Appropriation Obligations or for transfer to such other fund or account as the State may determine.

Payments to the State

Any amounts remaining in any Indenture Fund after payment of all Appropriation Obligations, Swap Payment Obligations and Credit Facility Payment Obligations shall be paid to the State.

Funds Held in Trust

All money held in any of the Indenture Funds are held in trust in the custody of the Trustee subject to the provisions of the 2009 Indenture that permit their disbursements for specified purposes. All money and securities held in Indenture Funds are subject to the first lien of the 2009 Indenture and are not subject to any lien, attachment, garnishment, or other claims or proceedings by other creditors of the State or any third party.

Investments

The Trustee agrees to continuously invest and reinvest money on deposit in the Indenture Funds in Qualified Investments as directed in writing by the State, which the State agrees to provide. Money in a Proceeds Funding Account shall be invested only in securities issued by the United States or one of its agencies, securities fully guaranteed by the United States, or other Qualified Investments permitted for such funds under the Act. Investments made with money on deposit in the Indenture Funds will be held by or under the control of the Trustee and may be made by the Trustee through its own bank investment department. Investments will have maturities or be readily marketable prior to maturity in the amounts and not later than the dates as may be necessary to provide funds for the purpose for which the money in any account is to be used. Any interest or profit or any loss attributable to investments will be credited to or charged against the 2009 Indenture Fund (and in the case of the Debt Service Fund or the Rebate Fund, the account therein) in which the invested moneys were deposited. The Trustee shall not be responsible for any loss resulting from any such investment, except to the extent caused by its negligence or willful default.

Discharge of 2009 Indenture

The 2009 Indenture shall be discharged if:

(a) the State has performed all of its obligations under the 2009 Indenture,

(b) all Trustee's Expenses that have accrued and will accrue through the final payment of the Appropriation Obligations have been paid or arrangements satisfactory to the Trustee for their payment have been made,

(c) provision for the payment of all Outstanding Appropriation Obligations has been made to the satisfaction of the Trustee in one or more of the following ways:

(1) by paying the principal of, and premium, if any, and interest on, all Outstanding Appropriation Obligations,

(2) by irrevocably depositing with the Trustee an amount sufficient to pay or redeem (when redeemable) all Outstanding Appropriation Obligations, including interest on the Appropriation Obligations to the final payment or redemption of the Appropriation Obligations (assuming that any Variable Rate Appropriation Obligations bear interest at the Maximum Rate for any period for which the interest rate is not then known) and any redemption premium,

(3) by delivering to the Trustee, for cancellation, all Outstanding Appropriation Obligations,

(4) by depositing in trust with the Trustee, or an escrow agent that meets the requirement of the 2009 Indenture, Defeasance Obligations that mature in an amount that

will, together with investment income but without reinvestment, be sufficient to pay or redeem (when redeemable) all Outstanding Appropriation Obligations at or before their respective maturity dates, including interest on the Appropriation Obligations to the final payment or redemption of the Appropriation Obligations (assuming that any Variable Rate Appropriation Obligations bear interest at the Maximum Rate for any period for which the interest rate is not then known) and any redemption premium, and by complying with any other conditions set forth in the Supplemental Indenture that authorized such Appropriation Obligations, or

(5) with respect to Appropriation Obligations of a particular Series, in such other manner as the Supplemental Indenture authorizing that Series may provide,

(d) a notice of redemption which is not contingent upon satisfaction of any condition has been given as required by the Supplemental Indenture that authorized such Appropriation Obligations if any of the Appropriation Obligations are to be redeemed before their maturity (or, if a notice of redemption cannot then be given as provided in the applicable Supplemental Indenture, then the State has given the Trustee irrevocable instructions to provide such a notice of redemption),

(e) if the payment of the Appropriation Obligations has been provided for as described under clauses (c)(2) or (c)(4) above, the Trustee (i) has been furnished with an Opinion of Bond Counsel to the effect that the actions taken under the 2009 Indenture will not adversely affect the validity of any Appropriation Obligations and (ii) has given notice to each Registered Owner of the Appropriation Obligations at the Registered Owner's Address of the actions taken as described under clause (c) above,

(f) if the payment of the Appropriation Obligations has been provided for as described under clause (c)(4) above, an opinion from an independent certified public accountant to the effect that the funds available or to be available in the escrow for the payment of the Appropriation Obligations will be sufficient to pay the principal of, and premium, if any, and interest on, the Appropriation Obligations,

(g) any Swap Payment Obligations and any Credit Facility Payment Obligations have been paid, or provision satisfactory for their payment has been made (i) as provided in the applicable Swap Agreement or Credit Facility Agreement or (ii) otherwise to the satisfaction of the applicable Swap Provider or Credit Issuer, and

(h) any additional requirements set forth in a Supplemental Indenture with respect to the applicable Series of Appropriation Obligations have been satisfied. The First Supplemental Indenture requires that, as condition to any deposit described under clause (c)(4) above being treated as providing for the payment of any 2009 Series A Bond, the Trustee shall have been furnished with an opinion of Bond Counsel to the effect that the payment of the 2009 Series A Bond from such deposit, in accordance with the terms of such deposit, will not adversely affect the exclusion of interest on any 2009 Series A Bond from gross income of the owner thereof.

On the occurrence of the events described in clauses (a) through (h) above, the Trustee is authorized and directed to execute and deliver instruments evidencing and acknowledging the satisfaction of the 2009 Indenture, and assign and deliver to the Department any money and investments in any Indenture Fund (except money or investments held by the Trustee for the payment of the principal of, and premium, if any, and interest on, any Appropriation Obligations or for the payment of arbitrage rebate obligations with respect to Appropriation Obligations).

All money and Defeasance Obligations which are set aside and held in trust pursuant to the provisions of the 2009 Indenture for the payment of the principal of, and premium, if any, and interest on, the Appropriation Obligations will be applied to and used solely for the payment of the principal of, and premium, if any, and interest on, the particular Appropriation Obligations with respect to which it was so

set aside in trust. The income derived from Defeasance Obligations held by the Trustee under the 2009 Indenture that is not needed for the payment of the principal of, or premium, if any, or interest on, the Appropriation Obligations is to be disposed of in a manner which, in the Opinion of Bond Counsel, will not adversely affect the validity of any Appropriation Obligations.

Notwithstanding a discharge of the 2009 Indenture as described in clauses (c)(2) or (c)(4) above, resulting in the Registered Owners of Appropriation Obligations having a claim for the payment of their Appropriation Obligations solely from the cash and securities so set aside, the 2009 Indenture will continue to govern the method of making payments of principal and interest on the Appropriation Obligations, the registration, transfer, and exchange of Appropriation Obligations, the circumstances under which the Appropriation Obligations may or must be redeemed or tendered, and similar matters.

Defaults and Remedies

Events of Default

The occurrence and continuance of any of the following events is an Event of Default under the 2009 Indenture:

(a) failure to pay when due the principal of, or premium, if any, or interest on, any Appropriation Obligations or any Parity Swap Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;

(b) failure to pay as required by the terms of the 2009 Indenture any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations, except to the extent that such failure is due to an insufficiency of Appropriated Funds to make such payment;

(c) failure to pay when due the tender price on any Appropriation Obligation upon mandatory or optional tender for purchase as provided in the 2009 Indenture, except to the extent that such failure is due to (i) an insufficiency of appropriated funds to make such payment with respect to any Appropriation Obligations for which there is no liquidity facility or (ii) the Credit Issuer under a liquidity facility being relieved of its obligation to pay the Tender Price due to an Event of Nonappropriation or to a failure to pay that is due to an Event of Nonappropriation or to any other insufficiency of Appropriated Funds to make such payment; or

(d) the State defaults in the due and punctual performance of any of the other covenants, conditions, agreements, and provisions on the part of the State to be performed pursuant to the Appropriation Obligations or the 2009 Indenture (including any Supplemental Indenture) and the default continues for 30 days after written notice specifying the default and requiring that it be remedied has been given to the State by the Trustee, which may give the notice in its discretion and must give the notice upon receipt of a written request of the Registered Owners of at least 25% of the aggregate principal amount of any Series of Appropriation Obligations then Outstanding that it do so, or as otherwise provided in a Supplemental Indenture. However, if the default is one which can be remedied but cannot be remedied within that 30-day period, the Trustee may (except as limited by a Supplemental Indenture) grant an extension of the 30-day period if the State institutes corrective action within that 30-day period and diligently pursues that action until the default is remedied.

Remedies

Upon the occurrence of any Event of Default the Trustee may take whatever action at law or in equity it deems necessary or desirable (i) to collect any amounts then due under the 2009 Indenture or the Appropriation Obligations, any Swap Payment Obligations, or any Credit Facility Payment Obligations, (ii) to enforce performance of any obligation, agreement, or covenant of the State under the 2009 Indenture or the Appropriation Obligations, of a Credit Issuer under any Credit Facility issued or entered into with respect to any Appropriation Obligations, or of the grantor of any other collateral given to secure the payment of any Appropriation Obligations, or (iii) to otherwise enforce any of its rights.

However, actions against the State shall be limited to those permitted by the Statutes and the Constitution of the State.

Nothing in the 2009 Indenture is intended as a waiver by the State of its sovereign immunity, any procedural requirements for any remedy, or any defenses available to it.

Right to Direct Proceedings

Except as a Supplemental Indenture may otherwise provide with respect to rights of Credit Issuers to act in the stead of Registered Owners, as described under "SUMMARY OF THE 2009 INDENTURE; Certain Rights of Credit Issuers" below, the Registered Owners of the Appropriation Obligations have the right to direct the exercise of any rights or remedies under the 2009 Indenture, and the method and place of conducting all proceedings to be taken in connection with the enforcement of the 2009 Indenture. The directions of the Registered Owners of Appropriation Obligations are to be contained in a request which is signed by the Registered Owners of at least a majority of the aggregate principal amount of the Appropriation Obligations then Outstanding and delivered to the Trustee, and accompanied with indemnification of the Trustee as is provided in the 2009 Indenture.

Application of Funds

Upon an Event of Default or an Event of Nonappropriation, any Appropriated Funds received or held by the Trustee will be applied as follows:

FIRST: To the payment of (i) the costs and expenses associated with the Trustee's carrying out its obligations with respect to the Event of Nonappropriation or the exercise of any remedy related to an Event of Default, including reasonable compensation to the Trustee and its attorneys and agents, and (ii) any Trustee's Expenses.

SECOND: To the payment of interest, principal, and premium, if any, then due on the Appropriation Obligations (other than Appropriation Obligations called for redemption for the payment of which money is held pursuant to the provisions of the 2009 Indenture described above under "SUMMARY OF THE 2009 INDENTURE; Discharge of 2009 Indenture") and Parity Swap Payment Obligations, in the order of the maturity of the payments of interest, principal and premium, if any and Parity Swap Payment Obligations then due ratably, and, if the amount available is not sufficient to pay in full interest, principal, premium, and Parity Swap Payment Obligations due on any particular date, then first to the payment of interest and Parity Swap Payment Obligations ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege and second, to the amount of principal and premium, ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege. However, (i) funds in a Proceeds Funding Account shall be used first for the payment of principal of the related Series of Notes, and (ii) principal of Notes shall be payable from any funds other than funds in the related Proceeds Funding Account only after all other obligations described in this clause Second have been paid.

THIRD: Subject to the provisions of the 2009 Indenture described in "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposit Into and Use of Moneys in the Subordinated Payment Obligations Fund*", to the payment of Subordinated Swap Payment Obligations and Credit Facility Payment Obligations then due in the order of the maturity of such payments and, if the amount available is not sufficient to pay in full the Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on any particular date, then to their payment ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege.

FOURTH: To the payment of any other sums required to be paid by the State pursuant to any provisions of the 2009 Indenture.

Whenever money is to be applied as described above, the money is to be applied at the times the Trustee determines, having due regard for the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee applies such funds it will fix the date (which will be a Interest Payment Date unless it deems another date more suitable) upon which the application is to be made and on that date interest on the amounts of principal paid ceases to accrue.

Any moneys derived from an appropriation may only be applied in a manner consistent with its appropriation.

Remedies Vested in Trustee

Any suit or proceeding instituted by the Trustee is to be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants the Registered Owners. Any resulting recovery or judgment is for the benefit of the Registered Owners of the Outstanding Appropriation Obligations, the Swap Providers, and the Credit Issuers in accordance with the terms of the 2009 Indenture.

Limitation on Rights and Remedies of the Registered Owners

No Registered Owner of Appropriation Obligations, Swap Provider, or Credit Issuer has any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the 2009 Indenture, for the execution of any trust created under the 2009 Indenture, for the appointment of a receiver, or for any other remedy, unless

(a) an Event of Default has occurred of which the Trustee has been notified as provided in the 2009 Indenture or of which the Trustee is deemed to have notice by the terms of the 2009 Indenture,

(b) the Trustee has received a request to do so and has been offered a reasonable opportunity either to proceed to exercise the powers granted in the 2009 Indenture or to institute an action, suit, or proceeding in its own name,

(c) the Trustee has been offered indemnity as provided in the 2009 Indenture, and

(d) the Trustee thereafter fails or refuses to exercise the powers granted in the 2009 Indenture or to institute an action, suit, or proceeding in its own name.

No Registered Owner of Appropriation Obligations, Swap Provider, or Credit Issuer has any right to affect, disturb, or prejudice the security of the 2009 Indenture by its action or to enforce any right under the 2009 Indenture except in the manner provided in the 2009 Indenture and all proceedings at law or in equity are to be conducted in the manner provided in the 2009 Indenture for the equal and ratable benefit of all the Registered Owners, Swap Providers, or Credit Issuers in accordance with the priority provided in the 2009 Indenture. Nothing in the 2009 Indenture, however, affects or impairs the right of Registered Owners, Swap Providers, or Credit Issuers to enforce the payment of the principal of, and premium, if any, and interest on, any Appropriation Obligations, any Swap Payment Obligations, or any Credit Facility Payment Obligations, respectively, at and after their maturity or the obligation of the State to pay the principal of, and premium, if any, and interest on, the Appropriation Obligations issued under the 2009 Indenture, the Swap Payment Obligations, or the Credit Facility Payment Obligations, respectively, to the Registered Owners, the Swap Providers, and the Credit Issuers, respectively, at the times and places, from the sources, and in the manner expressed in the 2009 Indenture and the Appropriation Obligations, the Swap Agreements, and the Credit Facility Agreements.

Waivers of Events of Default

The Trustee may waive any Event of Default under the 2009 Indenture and its consequences and must do so upon receipt of a request to do so from the Registered Owners of a majority in aggregate principal

amount of each Series of Appropriation Obligations then Outstanding, except as a Supplemental Indenture may otherwise provide with respect to rights of Credit Issuers to restrict such waivers (see "SUMMARY OF THE 2009 INDENTURE; Certain Rights of Credit Issuers"). However, the Trustee may not waive any Event of Default in the payment of the principal of, or premium, if any, or interest on, any Appropriation Obligations unless prior to the waiver all arrears of principal, premium, if any, and interest on the Appropriation Obligations for which appropriations have been made, and all expenses of the Trustee in connection with the Event of Default, have been paid or provided for.

The Trustee

Acceptance of the Trusts

The Trustee accepts and agrees to perform the duties of the Trustee under the 2009 Indenture upon the terms and conditions set forth therein.

Trustee's Expenses and Indemnification

The Trustee is entitled to payment or reimbursement of its Trustee's Expenses. Upon the occurrence of an Event of Default or an Event of Nonappropriation, the Trustee has a lien upon the Trust Estate for the payment of the Trustee's Expenses, with right to payment prior to payment on account of any Appropriation Obligation, any Swap Payment Obligation, and any Credit Facility Payment Obligations. To the extent permitted by the Statutes and Constitution of the State, the Trustee shall be entitled to payment or reimbursement from the State to indemnify the Trustee for any loss, liability, or expense incurred without negligence, willful misconduct, or bad faith on its part, arising out of or in connection with the acceptance or administration of the 2009 Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the 2009 Indenture.

Notice to Registered Owners if an Event of Default or an Event of Nonappropriation Occurs

If an Event of Default or an Event of Nonappropriation occurs of which the Trustee is required to take notice or of which it has been given notice, the Trustee agrees to give written notice of the Event of Default or Event of Nonappropriation by first-class mail to the Registered Owners of all Appropriation Obligations then Outstanding at the Registered Owner's Addresses.

Intervention by Trustee

The Trustee may, and upon receipt of a request to do so from the Registered Owners of a majority of the principal amount of Appropriation Obligations then Outstanding and upon indemnity being provided as required by the 2009 Indenture the Trustee must, intervene on behalf of the Registered Owners of Appropriation Obligations in any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Registered Owners of Appropriation Obligations. The rights and obligations of the Trustee described in this paragraph are subject to the approval of a court of competent jurisdiction.

Successor Trustee; Resignation or Removal of the Trustee; Successor or Temporary Trustee

Any corporation or association (i) into which the Trustee may be converted or merged, (ii) with which the Trustee may be consolidated, (iii) to which the Trustee may sell or transfer its trust business and assets as a whole or substantially as a whole, or (iv) resulting from a conversion, sale, merger, consolidation, or transfer to which the Trustee is a party shall become successor Trustee under the 2009 Indenture without the execution or filing of any instrument or any further act.

The Trustee may at any time resign by giving 30 days' written notice by registered or certified mail to the State and the Registered Owners. The Trustee may be removed at any time without cause (i) at the direction of the State (so long as no Default or Event of Default under the 2009 Indenture has occurred, whether or not continuing) or (ii) by an instrument or concurrent instruments in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Appropriation Obligations then

Outstanding and delivered to the Trustee and the State. A resignation or removal takes effect upon the appointment of a successor Trustee by the Registered Owners or a temporary Trustee by the State and the successor or temporary Trustee's acceptance of its appointment.

In case the Trustee resigns, is removed, is dissolved, is in the course of dissolution or liquidation, is taken under the control of a public officer, has a receiver appointed for it by a court, or otherwise becomes incapable of acting under the 2009 Indenture, a successor may be appointed by an instrument in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Appropriation Obligations then Outstanding. In case of a vacancy the State may appoint a temporary Trustee to fill the vacancy until a successor Trustee has been appointed by the Registered Owners of Appropriation Obligations in the manner described above. Any temporary Trustee appointed by the State shall be superseded by the Trustee appointed by the Registered Owners of Appropriation Obligations. Every Trustee so appointed must be a trust company or a bank in good standing that is a member of the Federal Deposit Insurance Corporation, having a reported capital and surplus of not less than $10,000,000 or having assets under administration of not less than $200,000,000 (if there is an institution willing, qualified, and able to accept the trust upon reasonable and customary terms), and having the qualifications required by the Act.

Separate Trustee or Co-Trustee

The 2009 Indenture provides for the appointment of a separate trustee or co-trustee if desirable or necessary in connection with litigation under the 2009 Indenture, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies granted to it under the 2009 Indenture or hold title to the Trust Estate.

Supplemental Indentures

Supplemental Indentures Not Requiring the Consent of Registered Owners

The State and the Trustee may, without the consent of or notice to the Registered Owner of Appropriation Obligations, Swap Providers, or Credit Issuers, enter into Supplemental Indentures which are not inconsistent with the terms and provisions of the 2009 Indenture:

(a) to provide for the issuance of Appropriation Obligations;

(b) to cure any ambiguity or formal defect or omission in the 2009 Indenture;

(c) to grant to or confer upon the Trustee any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Registered Owners, Swap Providers, Credit Issuers, or the Trustee, so long as such amendment does not adversely affect the rights or interests of any Registered Owner, Swap Provider, or Credit Issuer that has not consented to such amendment;

(d) to subject additional revenues, properties, or collateral to the 2009 Indenture;

(e) to surrender or condition the exercise of any right or power granted to the State in the 2009 Indenture; or

(f) to supplement the 2009 Indenture in any other way which, in the judgment of the Trustee, is not to the material prejudice of the Trustee, the Registered Owners of Appropriation Obligations, any Swap Provider, or any Credit Issuer that has not consented to such supplement.

Supplemental Indentures Requiring the Consent of the Registered Owners and Swap Providers

In addition to Supplemental Indentures described above under "SUMMARY OF THE 2009 INDENTURE; Supplemental Indentures; *Supplemental Indentures Not Requiring the Consent of Registered Owners*", the State and the Trustee, with the prior written consent of the Registered Owners of a majority of the aggregate principal amount of each Series of Appropriation Obligations then Outstanding and each Swap Provider, may enter into Supplemental Indentures as the State and the Trustee deem necessary and

desirable for the purpose of amending any of the terms or provisions contained in the 2009 Indenture (including any Supplemental Indenture). No Supplemental Indenture, however, may permit (i) an extension of the stated maturity or reduction in the principal amount or Redemption Price of, a reduction in the rate or an extension of the time for paying interest on, or a reduction in the amount or an extension of the time for any payment required by any sinking fund applicable to any Appropriation Obligations without the consent of the Registered Owners of all the Appropriation Obligations that would be affected by the action to be taken, (ii) the creation of any lien prior to or (except in connection with the issuance of Appropriation Obligations or the incurrence of Credit Facility Payment Obligations or Swap Payment Obligations) on a parity with the lien of the 2009 Indenture, without the consent of the Registered Owners of all Appropriation Obligations at the time Outstanding, or (iii) a reduction in the aggregate principal amount of Appropriation Obligations the Registered Owners of which are required to consent to any Supplemental Indenture, without the consent of the Registered Owners of all Appropriation Obligations at the time Outstanding that would be affected by the action to be taken.

If at any time the State requests the Trustee to enter into such a Supplemental Indenture, the Trustee shall send notice of the proposed execution of the Supplemental Indenture by registered or certified mail to the Registered Owner of each of the Appropriation Obligations at the Registered Owner's Address. The notice will briefly set forth the nature of the proposed Supplemental Indenture and state that copies of it are on file at the Designated Trust Office of the Trustee for inspection by the Registered Owner of any Appropriation Obligation. If, within sixty days or any longer period as is prescribed by the State following the mailing of the notice, consent of the requisite Registered Owners has been obtained, no Registered Owner of any Appropriation Obligation shall have any right to object to any of the terms and provisions of the 2009 Indenture or their operation, in any manner to question the propriety of the execution of the Supplemental Indenture or to enjoin or restrain the Trustee or the State from executing the Supplemental Indenture or from taking any action pursuant to the provisions of the Supplemental Indenture. Upon the execution of any Supplemental Indenture as provided in the 2009 Indenture, the 2009 Indenture shall be modified and amended in accordance with it.

Certain Rights of Credit Issuers

The 2009 Indenture provides that a Credit Issuer with respect to a Series of Appropriation Obligations may have certain rights, including the rights: (i) to be subrogated to the rights of the Owners of Appropriation Obligations of such Series that are paid by its Credit Facility, and to have those Appropriation Obligations continue to be treated as Outstanding under the 2009 Indenture; (ii) to be treated as the Registered Owner of the Appropriation Obligations of such Series for such purposes as the Supplemental Indenture may provide; (iii) to limit the future issuance of Appropriation Obligations (other than Funding Obligations, which a Credit Issuer may not limit); and (iv) to prohibit Supplemental Indentures affecting such Series of Appropriation Obligations without its consent.

Miscellaneous

Consent of Registered Owners

Any instrument required by the 2009 Indenture to be signed by Registered Owners may be in any number of concurrent writings of similar tenor. Proof of the execution of any such instrument is sufficient for any of the purposes of the 2009 Indenture if it contains or is accompanied by (i) a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction to the effect that the person signing the writing acknowledged before him the execution thereof or (ii) an affidavit of any witness to the execution. The ownership of Appropriation Obligations and the amount, series, numbers, and other identification of them and the date on which they were held are conclusively proved by the Registration Books.

Notices

Unless provided to the contrary in the 2009 Indenture, all notices or other communications under the 2009 Indenture are deemed given when delivered, received by facsimile or e-mail, or mailed by first-class mail, postage prepaid, addressed to the parties at the addresses set forth in the 2009 Indenture.

Obligations Due on Saturdays, Sundays, or Holidays

If any date on which an obligation of the Trustee or the State is to be performed falls on a day that is not a Business Day, then the payment or fulfillment of the obligation may be made on the next succeeding Business Day with the same effect as if made on the date due except that (i) a Supplemental Indenture authorizing a Series of Appropriation Obligations may provide that interest on such Appropriation Obligations continues to accrue to the date of actual payment and (ii) in the case of the end of a Fiscal Year, such payment or fulfillment shall be made on the preceding Business Day.

GLOSSARY

The following definitions apply to capitalized terms used in this Part VIII of the 2009 Annual Report.

2003 Bonds means the 2003 Series A Bonds and the 2003 Series B Bonds.

2003 Series A Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2003, Series A (Taxable Fixed Rate).

2003 Series B Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2003, Series B (Taxable Auction Rate Certificates), which were refunded in full with proceeds of the 2008 Bonds.

2008 Bonds means the 2008 Series A Bonds, 2008 Series B Bonds, and 2008 Series C Bonds.

2008 Series A Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2008, Series A (Taxable Fixed Rate).

2008 Series B Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2008, Series B (Taxable Floating Rate Notes).

2008 Series C Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2008, Series C (Taxable Floating Rate Notes).

2009 Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2009, Series A.

Accumulated Unused Sick Leave Liability means the State's unfunded liability under sections 40.05(4)(b), (bc), and (bw) and subchapter IX of chapter 40, Wisconsin Statutes, as certified by the Secretary of the Wisconsin Department of Employee Trust Funds.

Act or **Enabling Act** means section 16.527 of the Wisconsin Statutes, as from time to time amended.

Annual Appropriation Amount means, with respect to the 2003 Indenture, for any Fiscal Year which is the first Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (g) for such Fiscal Year, plus the amount in the following clause (h), and for any Fiscal Year which is the second Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (g) for such Fiscal Year or for the immediately succeeding Fiscal Year, whichever is greater, plus the amount in the following clause (h):

(a) the amount of principal of 2003 Indenture Bonds Outstanding coming due during the Fiscal Year;

(b) the amount of principal of 2003 Indenture Bonds Outstanding to be redeemed (whether pursuant to mandatory or optional redemption provisions) during the Fiscal Year, with the amount to be redeemed pursuant to optional redemption determined based on the schedule or

formula, if any, set forth in the Supplemental Indenture pursuant to which the Additional 2003 Indenture Bonds are issued, for the Fiscal Year;

(c) interest to be paid during the Fiscal Year with respect to Fixed Rate 2003 Indenture Bonds Outstanding;

(d) interest that would be payable during the Fiscal Year with respect to Variable Rate 2003 Indenture Bonds Outstanding, determined at the maximum rate specified with respect thereto;

(e) the maximum amount of any Swap Payment Obligations (other than Swap Termination Payments) that would be payable during the Fiscal Year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the Swap Provider; provided, that any payment that is determined without limit as to amount shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum;

(f) the maximum amount of Credit Facility Payment Obligations due during the Fiscal Year except to the extent included in (a) through (e) above;

(g) estimated administrative expenses, if they will be payable from the Operating Expense Fund during the Fiscal Year; and

(h) the amount of all Swap Termination Payments which are unpaid and owing as of the September 1 immediately preceding the commencement of the Biennium which includes the Fiscal Year with respect to which the Annual Appropriation Amount is being determined, plus interest to accrue on such Swap Termination Payments to the date on which they are reasonably expected to be made, provided that for interest determined based on a variable rate, interest shall be calculated at the maximum rate permitted in the Swap Agreement and if no maximum rate is specified, a rate of 15% per annum;

and means, with respect to the 2009 Indenture, for any Fiscal Year that is the first Fiscal Year of a Biennium (beginning with Fiscal Year 2011-12), an amount equal to the sum of the amounts in the following clauses (a) through (i) for such Fiscal Year, plus the amount in the following clause (j), and for any Fiscal Year that is the second Fiscal Year of a Biennium (beginning with Fiscal Year 2012-13), an amount equal to the sum of the amounts in the following clauses (a) through (i) for such Fiscal Year or for the immediately succeeding Fiscal Year, whichever is greater, plus the amount in the following clause (j):

(a) the amount of principal of Outstanding 2009 Indenture Bonds maturing during the Fiscal Year;

(b) the amount of principal of Outstanding 2009 Indenture Bonds scheduled to be redeemed pursuant to mandatory or Scheduled Optional Redemptions during the Fiscal Year;

(c) the amount of interest to be paid during the Fiscal Year with respect to Outstanding Fixed Rate Appropriation Obligations;

(d) the amount of interest that would be payable during the Fiscal Year with respect to Outstanding Variable Rate Appropriation Obligations, calculated at the Maximum Rate with respect thereto for any portion of such Fiscal Year for which the interest rate has not been determined;

(e) the amount of interest that would be payable during the Fiscal Year with respect to Funding Obligations, assuming that any Outstanding Notes maturing during or prior to such Fiscal Year are retired on the maturity date thereof through the contemporaneous issuance of Funding Obligations in an aggregate principal amount determined by the Department to be sufficient to provide funds to pay the principal amount of such maturing Notes, which Funding Obligations mature on the last day of such Fiscal Year and bear interest, payable on the last day of such Fiscal Year, at a rate of 15% per annum;

(f) the amount, if any, certified by an Authorized Department Representative to be the expected principal amortization in such Fiscal Year for Funding Obligations described in clause (e) above;

(g) the maximum amount of any Swap Payment Obligations (other than Swap Termination Payments) that would be payable during the Fiscal Year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the Swap Provider, with any payment that is determined without limit as to amount being calculated at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum;

(h) the maximum amount of Credit Facility Payment Obligations due during the Fiscal Year, except to the extent included in clauses (a) through (g) above;

(i) the estimated amount of administrative expenses that will be payable from the Operating Expense Fund during the Fiscal Year; and

(j) the amount of all Swap Termination Payments that are unpaid and owing as of the September 1 immediately preceding the commencement of the Biennium that includes the Fiscal Year with respect to which the Annual Appropriation Amount is being determined, plus interest accrued and to accrue on such Swap Termination Payments to the date on which they are expected to be made (with interest based on a variable rate calculated at the maximum rate permitted in the Swap Agreement, or if no maximum rate is specified, at a rate of 15% per annum).

Appropriated Funds means (a) with respect to the 2003 Indenture, all amounts appropriated by law pursuant to sections 20.505(1)(br), 20.505(1)(iq), and 20.505(1)(it) of the Wisconsin Statutes, or any successor provisions, from year to year with respect to the Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations; (b) with respect to the 2009 Indenture, all amounts appropriated by law pursuant to sections 20.505(1)(bq), 20.505(1)(iw), and 20.505(1)(it) of the Wisconsin Statutes, or any successor provisions, from year to year with respect to the Indenture Obligations, any other amounts appropriated by law for payment of the Indenture Obligations, and (c) any other amounts appropriated by law for payment of the Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations.

Appropriations Fund means the fund by that name established pursuant to the respective Indenture.

Appropriation Obligations means, with respect to the 2009 Indenture, bonds or notes of the State issued, authenticated, and delivered pursuant to the 2009 Indenture.

Authorized Department Representative means the person identified in a written certificate which is signed by the Secretary of Administration, which contains a specimen of the Authorized Department Representative's signature, and which has been delivered to the Trustee. Authorized Department Representative includes any alternate or alternates designated in the certificate in the same manner. An Authorized Department Representative or alternate may be an employee of the Department.

Authorizing Certification means a written certification of the Department of Administration pursuant to section (5)(a) of the Act, as it may be amended in accordance with the terms of the respective Indenture, executed by the Secretary of Administration or his or her designee and delivered to the Governor, authorizing the execution and delivery of the Indenture and the Bonds, or authorizing the execution and delivery of a Supplemental Indenture and one or more Series of Bonds.

Biennium means the two-Fiscal Year period beginning July 1 of each odd-numbered year.

Bond Counsel means legal counsel whose legal opinions on municipal bond issues are nationally recognized.

Bondowner means the Registered Owner of a Bond.

Bond Insurance Policies means, collectively, all policies of municipal bond insurance issued by the Bond Insurers insuring the Bonds.

Bond Insurers means (a) with respect to the 2003 Series A Bonds, the 2008 Series C Bonds, and certain 2008 Series A Bonds and 2008 Series B Bonds, Financial Security Assurance Inc., and (b) with respect to

any Series of Additional Bonds, any Person that issues a Bond Insurance Policy insuring such Series of Bonds, as identified in the applicable Supplemental Indenture.

Bonds means the bonds of the State issued pursuant to the 2003 Indenture, including the 2003 Bonds, the 2008 Bonds, and any Additional Bonds issued pursuant to the 2003 Indenture, and obligations designated by the Department as "Bonds" in a Supplemental Indenture to the 2009 Indenture.

Book Entry Form or **Book Entry System** means, with respect to the Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in the Bonds may be transferred only through a book entry system and (ii) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Registered Owner, with the physical bond certificates immobilized in the custody of the Depository.

Budget Bill means, for any Biennium, (i) the executive budget bill or bills described under section 16.47 of the Wisconsin Statutes, or any successor provision thereto, introduced into either house of the legislature of the State, as introduced, (ii) the budget bill as adopted by either house of the legislature of the State, and (iii) the budget bill as approved in whole or in part by the Governor and enacted into law.

Business Day means a day which is not (a) a Saturday, Sunday, or legal holiday, (b) a day on which commercial banks are required or authorized by law to be closed in the State or in the city of the Designated Trust Office or (c) a day on which The New York Stock Exchange is closed for the entire day or federal reserve banks are closed. A Supplemental Indenture authorizing a Series of Additional Bonds may provide for a different definition when used with respect to such Additional Bonds.

Closing Statement means the certificate signed by an Authorized Department Representative in connection with the issuance of Bonds, containing instructions regarding the disposition of proceeds of the Bonds, as required by the respective Indenture.

Credit Facility means any standby or direct pay letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy (including any Bond Insurance Policy), or other insurance commitment or other agreement or ancillary arrangement (other than a Swap Agreement), satisfactory to the State, that is provided by a commercial bank, insurance company or other entity to pay or further secure payment of debt service on Bonds or the purchase of Bonds upon tender.

Credit Facility Payment Obligations means all payment and reimbursement obligations of the State to a Credit Issuer in connection with any Credit Facility securing all or a portion of any Bonds.

Credit Issuer means the issuer of a Credit Facility, including a Bond Insurer.

DTC means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York.

Debt Service Account means each Debt Service Account of the Debt Service Fund established pursuant to the respective Indenture.

Debt Service Fund means the fund by that name established pursuant to the respective Indenture.

Default means the occurrence of an event which, with the lapse of time or the giving of notice or both, is an Event of Default.

Defeasance Obligations means, with respect to the 2003 Indenture, noncallable U.S. Government Obligations or obligations issued by one of the agencies of the United States of America, not redeemable at the option of the State or anyone acting on its behalf prior to maturity. The 2003 Indenture provides further restrictions on Defeasance Obligations in connection with the defeasance of the 2003 Series A Bonds, the 2008 Series C Bonds, and certain of the 2008 Series A and B Bonds and provides that a Supplemental Indenture authorizing a Series of Additional Bonds may include further restrictions on Defeasance Obligations in connection with the defeasance of such Series of Additional Bonds. **Defeasance Obligations** means, with respect to the 2009 Indenture, the investments identified as such in

a Supplemental Indenture authorizing a particular series of Appropriation Obligations, and with respect to the 2009 Bonds, means non-callable U.S. Government Obligations or obligations issued by one of the agencies of the United States of America not redeemable at the option of the State or anyone acting on its behalf prior to maturity.

Department or **Department of Administration** or **DOA** means the Department of Administration of the State.

Deposit Amount means the amount certified by the Secretary of Administration as the net amount reasonably expected to be needed during the applicable Fiscal Year to pay principal of Bonds (whether at maturity or by redemption prior to maturity and including any amount set forth in a schedule or formula, if any, set forth in a Supplemental Indenture pursuant to which Additional Bonds are issued), interest on Bonds, and any Swap Payment Obligations (other than Swap Termination Payments), and to pay administrative expenses. The amount certified shall take into account amounts held by the Trustee in the Proceeds Account, but shall not take into account amounts held by the Trustee in the Stabilization Fund, that may be applied to such payments. The amount certified shall also take into account the effect of any reasonably expected refunding of Bonds.

Depository means any securities depository that is a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934, operating and maintaining, with its Participants or otherwise, a Book Entry System to record ownership of beneficial interests in the Bonds and to effect transfers of the beneficial ownership in the Bonds in Book Entry Form.

Designated Trust Office means the corporate trust office designated by the Trustee.

Event of Default has the respective meaning attributed to it under "SUMMARY OF THE 2003 INDENTURE; Defaults and Remedies" and "SUMMARY OF THE 2009 INDENTURE; Defaults and Remedies".

Event of Nonappropriation means the insufficiency of Appropriated Funds in any Fiscal Year to pay when due all principal, redemption premium, and interest on the Bonds and all Parity Swap Payment Obligations.

Fiscal Year means the 12-month fiscal period commencing on July 1 of each year and ending on June 30th of the succeeding year.

Fitch shall mean Fitch Ratings and its successors and assigns.

Fixed Rate Bonds (or **Fixed Rate** when used with respect to Bonds) means any Bonds, the interest rate on which is established (with no right to vary) at a single numerical rate for the remaining term of such Bonds.

Funded Interest means proceeds of the Bonds deposited with the Trustee to pay interest on Bonds or any Parity Swap Payment Obligations.

Funding Obligations means, with respect to the 2009 Indenture, Bonds or Notes issued under the 2009 Indenture for the purpose of funding or refunding Notes at or prior to their maturity (and, to the extent provided in the related Authorizing Certification, to pay any issuance or administrative expenses or Funded Interest with respect thereto as authorized by the Act).

Governor means the governor of the State.

2003 Indenture means the Trust Indenture, dated as of December 1, 2003, between the State, acting by and through the Department of Administration, under the authority of the Act, and the Trustee, as trustee, as supplemented and amended from time to time.

2009 Indenture means the Trust Indenture, dated as of April 1, 2009, between the State, acting by and through the Department of Administration, under the authority of the Act, and the Trustee, as trustee, as supplemented and amended from time to time.

Indenture Funds means the funds created under of the respective Indenture.

Indenture Obligations means with respect to the 2009 Indenture, Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations.

Interest Payment Date means any date specified in the respective Indenture or a Supplemental Indenture for the payment of interest on Bonds.

Issuance Expenses means fees and expenses incurred or to be incurred by or on behalf of the State, the Trustee, or Bond Counsel for the Bonds in connection with the issuance and sale of the Bonds including, but not limited to, underwriting costs (whether in the form of discount in the purchase of the Bonds or otherwise), fees and expenses of legal counsel (including Bond Counsel, counsel to the Trustee, and counsel to the Purchaser), fees and expenses of financial advisors, feasibility consultants, and accountants, rating agency fees, fees of the Trustee, printing costs, recording expenses, fees and expenses related to any Credit Facility or Swap Agreement in connection with the Bonds, fees and costs related to exchange listings, and costs associated with the acquisition of securities for any defeasance escrow and for verifying the sufficiency of any defeasance escrow and any other fees, costs, or expenses in connection with the respective Indenture or the Bonds as determined by an Authorized Department Representative.

Letter of Representations means, with respect to any Series of Bonds, the related Letter of Representations, if any, between the State and The Depository Trust Company.

Maximum Rate means, with respect to the 2003 Indenture, the lesser of (a) 15% per annum or such higher rate as the State may establish with a Rating Confirmation or (b) the maximum rate of interest permitted by the laws of the State. With respect to the 2008 Series B Bonds and 2008 Series C Bonds, the State established a maximum rate of 35%. **Maximum Rate** means, with respect to a Series of Variable Rate Appropriation Obligations under the 2009 Indenture, the rate per annum established in or pursuant to the Supplement Indenture authorizing such Appropriation Obligations as the maximum interest rate that may be borne by such Appropriation Obligations at any time.

Moody's means Moody's Investors Service, Inc. and its successors and assigns.

Notes means, with respect to the 2009 Indenture, Appropriation Obligations designated by the Department as "Notes" in the Supplemental Indenture pursuant to which they are issued.

Operating Expense Fund means the fund by that name established pursuant to the respective Indenture.

Opinion of Bond Counsel means an opinion in writing signed by legal counsel who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers.

Opinion of Counsel means an opinion in writing signed by legal counsel who may be an employee of or counsel to the State and who shall be satisfactory to the Trustee.

Outstanding, when used with reference to 2003 Indenture Bonds, means all 2003 Indenture Bonds which have been authenticated and delivered by the Trustee under the 2003 Indenture except:

- Bonds or portions of Bonds after (i) payment at maturity or redemption prior to maturity (unless the Indenture or a Supplemental Indenture otherwise provides in the case of Bonds that have been paid with Credit Facility proceeds for which the Credit Issuer has not been reimbursed), or (ii) delivery to the Trustee by the State for cancellation pursuant to the Indenture,
- Bonds for the payment or redemption of which there has been irrevocably deposited with the Secretary of Administration or Trustee, in trust, cash or Defeasance Obligations in accordance with the requirements of the Indenture and the Act.
- Bonds in lieu of which other Bonds have been authenticated upon transfer, exchange, or replacement as provided in the Indenture, and

- for purposes of any agreement, acceptance, approval, waiver, consent, request, or other action to be taken under the Indenture by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the State.

and means, when used with reference to the 2009 Indenture, all 2009 Indenture Bonds or Appropriation Obligations which have been delivered by the Trustee under the 2009 Indenture except:,

- Appropriation Obligations after (i) payment at maturity or redemption prior to maturity (unless a Supplemental Indenture otherwise provides in the case of Appropriation Obligations that have been paid with Credit Facility proceeds for which the Credit Issuer has not been reimbursed) or (ii) delivery to the Trustee by the State for cancellation pursuant to the Indenture,
- Appropriation Obligations for the payment or redemption of which there has been irrevocably deposited with the Trustee, in trust, cash or Defeasance Obligations in accordance with the requirements of the Indenture and the Act, as described under "SUMMARY OF THE INDENTURE; Discharge of Indenture" below,
- Appropriation Obligations in lieu of which other Appropriation Obligations have been authenticated upon transfer, exchange, or replacement as provided in the Indenture,
- Appropriation Obligations not presented or tendered on the maturity, redemption, or tender date, and for the payment, redemption, or purchase of which sufficient funds have been deposited with the Trustee,
- Appropriation Obligations not treated as Outstanding pursuant to the Supplemental Indenture that authorized such Appropriation Obligations (and in this regard, the First Supplemental Indenture provides that 2009 Series A Bonds in lieu of which other Appropriation Obligations have been issued upon surrender of the 2009 Series A Bonds for partial redemption are no longer treated as Outstanding);and
- for purposes of any action to be taken under the Indenture by the Registered Owners of a specified percentage of principal amount of Appropriation Obligations, Bonds, or Notes, any Appropriation Obligations held by or for the account of the State (unless all Appropriation Obligations, Bonds, or Notes, as the case may be, are so owned).

Owner or **Registered Owner**, when used with reference to a Bond, means the person who is the registered owner of a Bond, except that the respective Indenture or a Supplemental Indenture may provide that, for certain purposes, a Credit Issuer is treated as the Owner of Bonds secured by its Credit Facility, as described under "SUMMARY OF THE 2003 INDENTURE; Certain Rights of Credit Issuers" and "SUMMARY OF THE 2003 INDENTURE; Certain Rights of Credit Issuers".

Parity Swap Payment Obligations means Swap Payment Obligations exclusive of all Swap Termination Payments, except for Swap Termination Payments the amount of which was included in the calculation of Annual Appropriation Amount for a Fiscal Year for which a Budget Bill has been enacted (but not including appropriations continued from the prior Fiscal Year pursuant to section 20.002(1), Wisconsin Statutes).

Participant means a broker-dealer, bank, or other financial institution for which DTC or a successor Depository holds Bonds from time to time as a securities depository.

Payment means the payment of part or all of the Unfunded Prior Service Liability and Accumulated Unused Sick Leave Liability.

Payment Cost means any cost of the Payment and the issuance of the Bonds, including but not limited to paying accrued or Funded Interest, Issuance Expenses, making deposits to reserve funds, paying administrative expenses, paying the costs of credit enhancement, or making payments under any Swap Agreement or Credit Facility.

Payment Date means a date on which payment of a Principal Installment or Redemption Price or interest with respect to any Bonds or payment of any Swap Payment Obligations or Credit Facility Payment Obligations shall be due and payable.

Person means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, or a government or any agency or political subdivision thereof.

Principal Installment means, as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no sinking fund installments have been established, or (ii) the unsatisfied balance of any sinking fund installments due on a certain future date for Bonds of such Series, or (iii) if such future dates coincide as to different Series of Bonds, the sum of such principal amount of Bonds and of such unsatisfied balance of sinking fund installments due on such future date.

Proceeds Account means the Proceeds Account of the Debt Service Fund established pursuant to the respective Indenture.

Purchaser means the initial purchaser of a Series of Bonds, whether one or more.

Qualified Investments means, with respect to the 2003 Indenture, any of the following obligations to the extent the same are at the time legal for investment of funds of the State under the Act or under other applicable law:

- direct obligations maturing within ten years or less from the date of settlement, of the United States or its agencies, corporations wholly owned by the United States, the international bank for reconstruction and development, the international finance corporation, the inter-American development bank, the African development bank, the Asian development bank, the federal national mortgage association, or any corporation chartered by an act of Congress,
- securities maturing within ten years or less from the date of settlement, guaranteed by the United States or, where the full faith and credit of the United States is pledged or, where securities are collateralized by government-insured investments or, where the securities are issued by a corporation created by act of Congress and related by such act,
- unsecured notes of financial and industrial issuers maturing within five years or less from the date of settlement and having one of the two highest ratings given by a nationally recognized rating service, but if the corporation issuing such notes has any long-term senior debt issues outstanding which also have been rated, the rating must be one of the three highest ratings so given,
- certificates of deposit issued by banks located in the United States and by savings and loan associations, savings banks, and credit unions located in the State,
- banker's acceptances accepted by banks located in the United States,
- commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the three highest ratings issued by Moody's or S&P, and
- any other obligation or security which constitutes a permitted investment for money of the State under the Act or other applicable law;

and means with respect to the 2009 Indenture, any investments that are at the time legal for investment of funds of the State under the Act or under other applicable law, subject to any limitations that may be set forth in a Supplemental Indenture. The First Supplemental Indenture contains no such limitations.

Rating means one of the rating categories of a Rating Agency maintaining a rating of the Bonds.

Rating Agencies or **Rating Agency** means Moody's, Fitch, S&P, or any other rating agency requested by the State to maintain a Rating on any of the Bonds.

Rating Confirmation means, with respect to the 2003 Indenture, a letter from each of at least two Rating Agencies then providing a Rating for the Bonds confirming that the action proposed to be taken by the State will not, in and of itself, have the effect of reducing the underlying Rating then applicable to the Bonds or of causing any such Rating Agency to suspend or withdraw the underlying Rating then applicable to the Bonds.

Redemption Notice Information means information in a written and dated notice from the Trustee which:

- identifies the Bonds to be redeemed by the name of the issue (including the name of the State and any Series designation), CUSIP number, if any, date of issue, interest rate (for Fixed Rate Bonds), maturity date, and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of some Bonds will be redeemed, the certificate numbers and the principal amount of those Bonds to be redeemed,
- identifies the date on which the notice is published and the date on which the Bonds will be redeemed,
- states the price at which the Bonds will be redeemed,
- states that interest on the Bonds or the portions of them called for redemption will stop accruing from the redemption date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the redemption date,
- states that payment for the Bonds will be made on the redemption date at the Designated Trust Office of the Trustee during normal business hours upon the surrender of the Bonds to be redeemed in whole or in part,
- identifies by name and phone number a representative of the Trustee who may be contacted for more information, and
- in the case of redemption of a Series of Bonds for which such a notice is authorized, states that such call for redemption is contingent upon the availability of Appropriated Funds to pay the Redemption Price thereof in full or upon the satisfaction of other conditions.

For so long as a Series of Bonds is in a Book Entry System, Redemption Notice Information also includes the information and procedures described in the applicable Letter of Representations.

Redemption Price means, with respect to any Bond issued pursuant to the 2003 Indenture, 100% of the principal amount thereof plus the applicable redemption premium, if any, payable upon redemption thereof and, with respect to any Appropriation Obligation issued pursuant to the 2009 Indenture, the amount required to be paid upon the redemption of such Appropriation Obligation pursuant to the Supplemental Indenture authorizing such Appropriation Obligation.

Registered Owner's Address means the address, which a Registered Owner may change upon written request to the Trustee, of the Registered Owner of any Bond as it appears in the Registration Books.

Registration Books means books maintained by the Trustee on behalf of the State at the Designated Trust Office of the Trustee for the purpose of recording the registration, transfer, exchange, or replacement of any of the Bonds.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

Secretary or **Secretary of Administration** means the Secretary of the Department.

Series means all Bonds or Notes designated as a Series in an Authorizing Certification, and any Bonds or Notes authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds or Notes thereafter authenticated and delivered in lieu of or in substitution of such Bonds or Notes.

Stabilization Fund means the reserve fund by that name established pursuant to the respective Indenture.

Stabilization Fund Amount means, for the 2003 Indenture, (i) for so long as any 2003 Bonds remain Outstanding, $32,935,000 or such greater amount as may be deemed reasonable and designated in writing by an Authorized Department Representative, and (ii) thereafter, such amount as may be deemed reasonable and designated in writing by an Authorized Department Representative; provided that the Stabilization Fund Amount shall not be reduced unless a Rating Confirmation is obtained with respect to such reduction and, for the 2009 Indenture, the amount, if any, established by a Supplemental Indenture. The First Supplemental Indenture does not establish a Stabilization Fund Amount.

State means the State of Wisconsin.

Subordinated Payment Obligations Fund means the fund by that name established pursuant to the respective Indenture.

Subordinated Swap Payment Obligations means all Swap Payment Obligations payable by the State except Parity Swap Payment Obligations.

Supplemental Indenture means any trust indenture which has been duly executed and delivered by the State and the Trustee amendatory of the respective Indenture or supplemental to the respective Indenture, but only if and to the extent that such trust indenture is authorized under that Indenture.

Swap Agreement means any agreement or ancillary arrangement between the State and a Swap Provider relating to the Bonds and identified by the Department pursuant to the respective Indenture, including indexing agreements, interest exchange agreements, or any other similar transaction.

Swap Payment Obligations means, for any period of time, all net amounts payable by the State (including Swap Termination Payments payable by the State) under any Swap Agreement.

Swap Provider means the State's counterparty under a Swap Agreement.

Swap Termination Payment means, with respect to any Swap Agreement, any settlement amount payable by the applicable Swap Provider or the State by reason or on account of the early termination of such Swap Agreement, together with any interest thereon. The term Swap Termination Payment shall not include net unpaid amounts up to the Swap Agreement termination date which would have been payable by the Swap Provider or the State, as the case may be, pursuant to the terms of the applicable Swap Agreement irrespective of the early termination of such Swap Agreement.

Trust Estate means the property conveyed to the Trustee pursuant to the Granting Clauses of an Indenture.

Trustee means Deutsche Bank Trust Company Americas, and its successors as trustee under each Indenture.

Trustee's Consent means the prior written consent of the Trustee.

Trustee's Expenses means the reasonable and necessary fees and expenses of the Trustee with respect to the respective Indenture or the Bonds and those for any legal, accounting, financial, or other experts reasonably retained by the Trustee. **Trustee's Expenses** also include the fees, charges, and expenses of any additional paying agent for the Bonds.

Unfunded Prior Service Liability means the State's unfunded prior service liability under section 40.05(2)(b), Wisconsin Statutes, as certified by the Secretary of the Wisconsin Department of Employee Trust Funds.

U.S. Government Obligations means obligations which are direct, full faith and credit obligations of the United States of America or are obligations with respect to which the United States of America has unconditionally guaranteed the timely payment of all principal or interest or both, but only to the extent of the principal or interest so guaranteed.

Variable Rate Bonds means any Bonds which bear a variable interest rate or rates that are not established at the time of calculation at a single numerical rate for the remaining term of such Bonds.