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 977053, 977055, and 977056)

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)

DECEMBER 23, 2002

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WISCONSIN DEPARTMENT OF ADMINISTRATION

December 23, 2002

Thank you for your interest in the State of Wisconsin.

Each year we prepare a Continuing Disclosure Annual Report for the State's securities. *This is the Annual Report for the fiscal year ending June 30, 2002.* It 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 Annual Report with each nationally recognized municipal securities information repository.

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

Organization of this Annual Report
This Annual Report is divided into seven parts. The first two parts present general information.

- **Part I** presents the **State's continuing disclosure undertakings**. A Master Agreement on Continuing Disclosure 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 audited general purpose external financial statements for the fiscal year ending June 30, 2002 and the State Auditor's report. This part also includes the results of the 2001-02 fiscal year and the current status of the budget for the 2002-03 fiscal year, including information on the revenue estimates released by the State of Wisconsin Department of Revenue on November 20, 2002.

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)**

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. Your attention is called to rating changes highlighted below.

Security	Fitch, Inc.	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services
General Obligations	AA	**Aa3** [1]	**AA–** [2]
Master Lease Certificates of Participation	AA–	**A1** [3]	**A+** [4]
Transportation Revenue Bonds	AA	Aa3	AA–
Clean Water Revenue Bonds	AA+	Aa2	AA+
Petroleum Inspection Fee Revenue Bonds	AA–	Aa3	AA–

[1] Outlook changed to "negative" on March 4, 2002.

[2] Downgraded from AA on May 27, 2002.

[3] Outlook changed to "negative" on March 4, 2002.

[4] Downgraded from AA– on May 27, 2002.

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 web pages that contain other information that may be of interest. Neither the web site nor the additional information it contains is part of this Annual Report. The web pages are currently undergoing some enhancements that should be completed in early January 2003. During this time, the web pages can be accessed by selecting the "Capital Finance" option at the following web address.

www.doa.state.wi.us/debf/

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 this Annual Report. The general telephone number of the Capital Finance Office is (608) 266-2305. The e-mail address is capfin@doa.state.wi.us.

Sincerely,

Frank R. Hoadley
Capital Finance Director

SUMMARY OF OUTSTANDING STATE OF WISCONSIN OBLIGATIONS AS OF DECEMBER 1, 2002

	Principal Balance 12/1/2001	Principal Issued 12/1/2001 – 12/1/02	Principal Matured, Redeemed, or Defeased 12/1/2001 – 12/1/02	Principal Balance 12/1/2002
GENERAL OBLIGATIONS[a]				
Total General Obligations	**$4,240,443,481**	**536,000,000**	**390,219,514**	**4,386,223,967**
General Purpose Revenue (GPR)	3,032,297,364	430,006,000	166,498,156	3,295,805,208
Self-Amortizing: Veterans	779,915,000	50,000,000	172,815,000	657,730,000
Self-Amortizing: Other	428,231,117	55,994,000	51,536,358	432,688,759
MASTER LEASE CERTIFICATES OF PARTICIPATION				
Master Lease COPs	**$89,089,724**	**$63,661,999**	**$30,626,271**	**$122,125,452**
TRANSPORTATION REVENUE OBLIGATIONS[a]				
Transportation Revenue Obligations	**$1,099,258,000[b]**	**$510,795,000**	**$365,555,000**	**$1,244,498,000**
CLEAN WATER REVENUE BONDS				
Clean Water Revenue Bonds	**$588,380,000**	**$185,575,000**	**$117,070,000**	**$656,885,000**
PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS[a]				
Petroleum Inspection Fee Revenue Obligations	**$278,500,000[c]**	**$62,300,000**	**$11,440,000**	**$329,360,000**

(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..

(b) Reflects outstanding balance as of December 15, 2001

(c) Reflects outstanding balance as of December 18, 2001

TABLE OF CONTENTS

Page

PART VII
PETROLEUM INSPECTION FEE
REVENUE OBLIGATIONS

INTRODUCTION 227
OUTSTANDING OBLIGATIONS 228
FINANCING THE PECFA PROGRAM 228
SECURITY 229
Non-Impairment Clause 229
Additional Bonds 229
Variable Rate Take-Out Capacity Test 230
Debt Service on Outstanding Senior Bonds 231
PETROLEUM INSPECTION FEES 231
General 231
Collection and Deposit of Petroleum Inspection Fees 231
History of Petroleum Inspection Fees 232
Application of Petroleum Inspection Fees 234
EXTENDIBLE MUNICIPAL COMMERCIAL PAPER 235
Description of EMCP 236
SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION 237
Additional Senior Bonds 237
Variable Rate Take-Out Capacity Test 238
Funds and Accounts 239
Proceeds Fund 240
Revenue Fund 240
Rebate Fund 240
Redemption Fund 240
Reserve Fund 242
Rate Stabilization Fund 243
Junior subordinate Redemption Fund 243
Program Fund 244
Investments 244
Pledge and Security Interest 244
Nonimpairment 244
Rating 244
Termination 244
Events of Default 244
Acceleration 245
Other Remedies; Rights of Beneficiaries 246
Application of Moneys 246
Limitation on Suits by Beneficiaries 247
Supplemental Resolutions Without Holder Consent 247
Supplemental Resolutions With Holder Consent 248
DEFINITIONS OF CERTAIN TERMS 249
APPENDIX A–AUDITED FINANCIAL STATEMENT 258

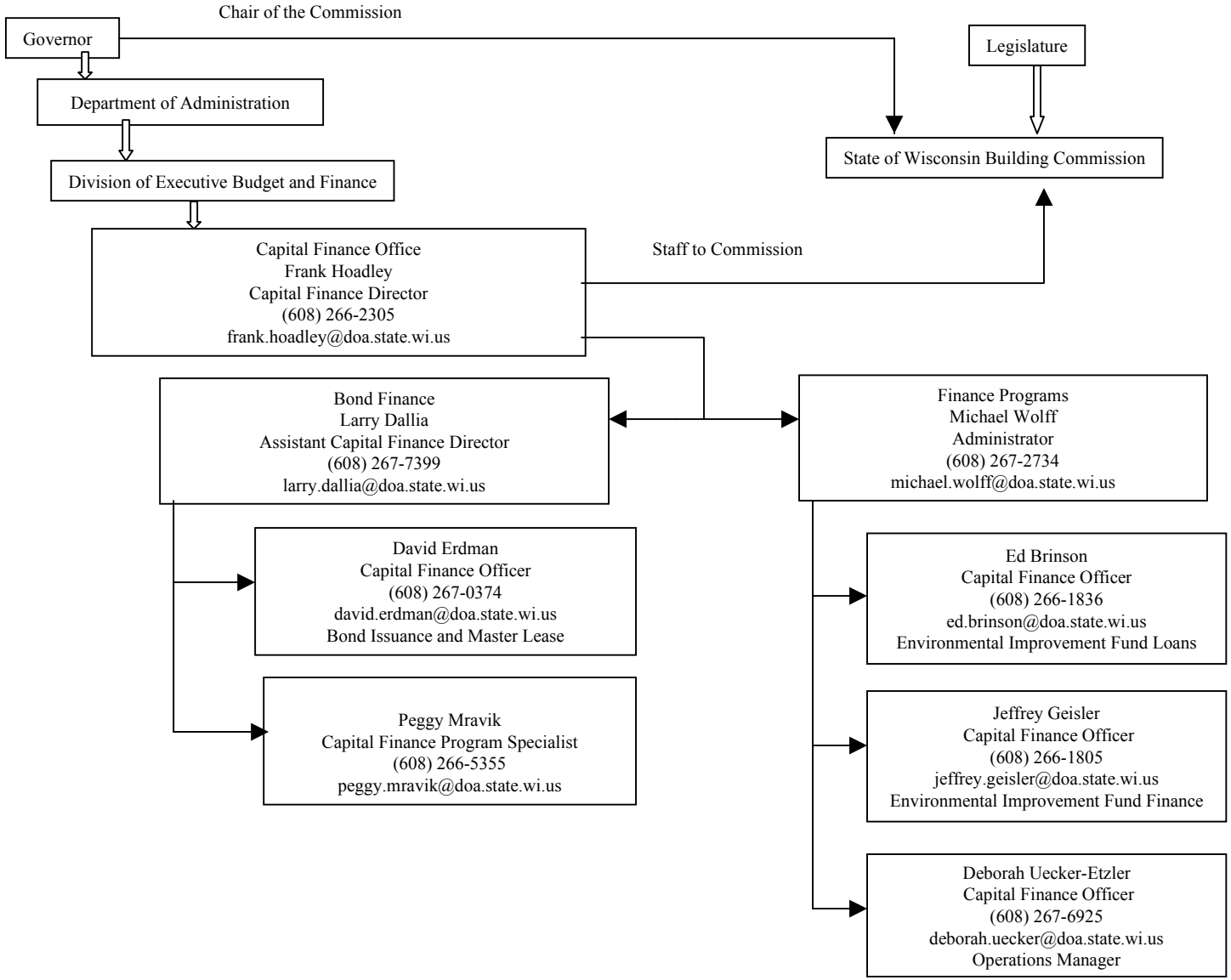
TABLE OF TABLES

Table Page

PART VII
PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS

VII-1 Outstanding Petroleum Inspection Fee Revenue Obligations by Issue 228
VII-2 Annual Debt Service Amounts Outstanding Senior Bonds 231
VII-3 Total Gallons of Petroleum Products Inspected and Charged Petroleum Inspection Fee 232
VII-4 Gallons Inspected Per Petroleum Product and Charged Petroleum Inspection Fee 233
VII-5 Total Petroleum Inspection Fees 1995 to 2002 233
VII-6 Maximum, Average, and Minimum Monthly Collection-Petroleum Inspection Fees 1995 to 2002 .. 234

Capital Finance Office Staff (As of December 1, 2002)



STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF STATE OF WISCONSIN BONDS AND NOTES

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Scott McCallum, Chairperson	January 6, 2003
Senator Fred A. Risser, Vice-Chairperson	January 3, 2005
Senator Mark Meyer	January 3, 2005
Senator Carol Roessler	January 3, 2005
Representative Jeffrey Plale	January 6, 2003
Representative Daniel Vrakas	January 6, 2003
Mr. Bryce Styza, Citizen Member	At the pleasure of the Governor
Vacant – Member from State Assembly	——
Nonvoting, Advisory Members	
Mr. George Lightbourn, Secretary Department of Administration	At the pleasure of the Governor
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	——
Mr. Dave Haley, State Chief Architect Department of Administration	——
Building Commission Secretary	
Mr. Robert G. Cramer, Administrator Division of Facilities Development Department of Administration	At the pleasure of the Building Commission and Secretary of Administration

OTHER PARTICIPANTS

Mr. Jack C. Voight State Treasurer	January 6, 2003
Mr. James E. Doyle State Attorney General	January 6, 2003

Note: Mr. James E. Doyle is the Governor-Elect and Ms. Peggy A. Lautenschlager is the Attorney General-Elect. Their terms begin on January 6, 2003.

DEBT MANAGEMENT AND DISCLOSURE

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PART VII

PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS

This part provides information about petroleum inspection fee revenue obligations issued by the State of Wisconsin.

Total Outstanding Balance (12/1/2002)	$329,360,000
Amount Outstanding—Fixed Rate Obligations	187,060,000
Amount Outstanding—Variable Rate Obligations	142,300,000
Percentage of Outstanding Obligations in form of Variable Rate Obligations	43.21%
Bond Ratings (Fitch/Moody's/Standard & Poor's)	AA–/Aa3/AA–
Extendible Municipal Commercial Paper Ratings	F-1+/P-1/A-1+

APPENDIX A includes the audited financial statement for the Petroleum Inspection Fee Revenue Obligation Program for the year ended June 30, 2002. The Wisconsin Statutes provide that the State of Wisconsin Building Commission (**Commission**) has supervision over all matters relating to the issuance by the State of revenue obligations. Employees of the Division of Executive Budget and Finance serve as the Capital Finance Director and staff 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, dated January 19, 2000, as amended and restated on May 2, 2000 **(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 serves as Trustee for the petroleum inspection fee revenue obligation program **(Trustee)**. The Trustee 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 provides bond counsel services to the State for issuance of petroleum inspection fee revenue obligations.

Requests for additional information about the petroleum inspection fee revenue obligations may be directed as follows:

Contact: Capital Finance Office
Attn: Capital Finance Director
Phone: (608) 266-2305
Mail: 101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: capfin@doa.state.wi.us

This 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 Annual Report may differ from that of terms used in another part. See "DEFINITIONS OF CERTAIN TERMS" for the definition of capitalized terms used in this Part VII of the Annual Report. Material referred to in this Annual Report is not part of this Annual Report unless expressly included by reference.

OUTSTANDING OBLIGATIONS

The State has issued the petroleum inspection fee revenue obligations shown in Table VII-1. The table also includes the outstanding principal balances as of December 1, 2002.

Table VII-1
OUTSTANDING PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS BY ISSUE
(As of December 1, 2002)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed Rate Obligations				
2000, Series A	3/2/2000			
Serial Bonds		2000	$ 1,750,000	-0-
Serial Bonds		2002-12	168,500,000	$ 157,060,000
2001, Series A	12/18/2001	2007-08	30,000,000	30,000,000
Total Fixed Rate Obligations			$ 200,250,000	$ 187,060,000
Variable Rate Obligations				
2000, Extend. Municipal Commercial Paper	5/9/2000		$ 80,000,000	$ 80,000,000
2002, Extend. Municipal Commercial Paper	8/1/2002		62,300,000	62,300,000
Total Variable Rate Obligations			$ 142,300,000	$ 142,300,000
Total Petroleum Inspection Fee Revenue Obligations			$ 342,550,000	$ 329,360,000

Senior Bonds, as defined in the Program Resolution, include the $170,250,000 Petroleum Inspection Fee Revenue Bonds, 2000 Series A **(2000 Series A Bonds)**, $30,000,000 Petroleum Inspection Fee Revenue Bonds, 2001 Series A **(2001 Series A Bonds)**, interest payments on all series of Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper **(EMCP)**, 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 series of EMCP and any additional parity Bonds that may be issued as such under the Program Resolution. The term **Bonds** refers to revenue obligations, with 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

Proceeds of petroleum inspection fee revenue obligations are used to fund approved remediation payments under the Petroleum Environmental Cleanup Fund Award **(PECFA)** Program, which is a petroleum storage remedial action program. In existence since 1987, the PECFA Program reimburses owners of petroleum storage tanks for 75% to 99% of cleanup cost related to soil and water contamination. The Department of Commerce is responsible for the review and approval of remediation payments.

Prior to the issuance of these obligations, 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. When the first revenue obligations were issued in March 2000, the backlog of approved but unpaid claims was about $200 million, up from a backlog of $44 million that existed on June 30, 1997. As of November 1, 2002, the backlog of approved remediation payments was approximately $27 million. The issuance of revenue obligations provides economic savings to the State, since the debt service costs on the obligations are expected to be less than the interest costs that accrue on the unpaid remediation awards.

The Wisconsin Legislature has authorized the issuance of up to $342 million of revenue obligations for the purposes of paying remediation costs under the PECFA Program. As of December 1, 2002, all of the legislative authority had been issued.

The State makes no representations as to the amount or timing of future remediation payments to be submitted or approved for payment. The State intends to pay future claims with Petroleum Inspection Fees that are in excess of the amounts required to be held by the Trustee under the provisions of the Program Resolution and any Supplemental Resolution. *In the event the excess amounts are not sufficient to pay all future claims in a timely manner, the State may, subject to additional legislative authorization, issue additional petroleum inspection fee revenue obligations.*

SECURITY

Proceeds of the petroleum inspection fee revenue obligations will be applied to purposes that do not generate revenues, and the application of these proceeds *will not* create a source for the payment of the obligations.

Debt service payments on the 2000 Series A Bonds and the 2001 Series A Bonds are on a parity with the interest payments on the Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper **(EMCP or Notes)** in the principal amount of $142,300,000 and any additional parity Bonds that may be issued under the Program Resolution, and are payable from Petroleum Inspection Fees deposited into the Redemption Fund created for the Senior Bonds.

The pledge provided for the payment of principal on the EMCP is junior to the pledge provided to the Senior Bonds. That principal 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 that may be issued at the State's discretion 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 shall not be a public debt of the State for any purpose whatsoever.

Non-Impairment Clause

The State pledges and agrees with the holders of the Bonds that the State will not take any action that would limit or alter the ability of the State to fulfill the terms of its agreements (made in the Program Resolution or in the Bonds) with the holders of Bonds, nor impair the rights and remedies of the holders of the Bonds, while the Bonds are Outstanding.

In the Wisconsin Statutes, the Legislature, recognizing its moral obligation to do so, expresses its expectations and aspiration that, if the Legislature were to reduce the rate of the Petroleum Inspection Fee and if the Petroleum Inspection Fees were insufficient to pay debt service on the Bonds when due, the Legislature shall make an appropriation from the general fund sufficient to pay such debt service. In the opinion of Bond Counsel, this is not a legally enforceable obligation.

Additional Bonds

Additional Bonds, which may be in various forms, including among others Variable Rate Bonds or Bond Anticipation Notes (such as additional EMCP), may be issued under the Program Resolution if the additional bonds test is met. When applicable, the additional bonds test requires that the Debt Service Coverage Ratio be not less than 2.0. The Debt Service Coverage Ratio is Projected Annual Revenues divided by the Maximum Annual Debt Service.

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 with respect to the issuance of Senior Bonds to fund the Bond Anticipation Notes*. If Senior Bonds are issued to fund Bond Anticipation Notes, under certain circumstances (including among others a decline in Petroleum Inspection Fees or an increase in interest rates) the Projected Annual Revenues at that time may be less than 2.0 times Maximum Annual Debt Service.

Additional Bonds may be designated as Senior Bonds (on parity with the 2000 Series A Bonds, the 2001 Series A Bonds, and the interest payments on the EMCP), 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 under the Program Resolution, 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".

Using present value calculations, the test estimates 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 then compares the Variable Rate Take-Out Capacity with the Variable Rate Debt Exposure. For purposes of this test, any Senior Bonds assumed to refund Variable Rate Debt are assumed to be repaid within 20 years from the date the Variable Rate Take-Out Capacity Test is completed and bear interest at a rate equal to The Bond Buyer Revenue Bond Index plus 3% per annum.

Meeting the Variable Rate Take-Out Capacity Test is not a condition to issuing any Bonds.

The State is currently required to complete the Variable Rate Takeout Capacity Test. The results of the test for November 15, 2002 shows a Variable Rate Takeout Capacity of $395,760,719, which is in excess of the Variable Rate Debt Exposure of $142,300,000.

If the monthly Variable Rate Take-Out Capacity Test shows that the Variable Rate Take-Out Capacity is equal to or exceeds the Variable Rate Debt Exposure, the State is only 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 under the Program Resolution to do the following:

- Immediately notify the Trustee and 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, any of the above requirements arising from the failure of a previous Variable Rate Takeout Capacity Test no longer apply.

Failure to meet the Variable Rate Take-Out Capacity Test or failure to implement a submitted plan are not Events of Default under the Program Resolution. Accordingly, the Trustee has no enforcement power with respect to such occurrences. Failure to submit the completed test or 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 provides the annual debt service amounts, as of December 1, 2002, on Outstanding Senior Bonds.

Table VII-2
ANNUAL DEBT SERVICE AMOUNTS
OUTSTANDING SENIOR BONDS
(As of December 1, 2002)

	Senior Bond Debt Service Amount		
Year (July 1)	**Principal**	**Interest[a]**	**Total Annual Debt Service**
2003	$ 12,070,000	$ 15,266,347	$ 27,336,347
2004	12,735,000	14,787,690	27,522,690
2005	13,495,000	14,023,590	27,518,590
2006	14,305,000	13,213,890	27,518,890
2007	30,115,000	12,406,878	42,521,878
2008	30,980,000	10,787,765	41,767,765
2009	16,885,000	9,132,915	26,017,915
2010	17,800,000	8,221,125	26,021,125
2011	18,790,000	7,227,625	26,017,625
2012	19,885,000	6,134,175	26,019,175
Totals	$ 187,060,000	$ 124,406,406	$ 322,906,406

[a] Includes interest payments on the $142,300,000 of Outstanding Notes. Interest payments on Notes are on parity with the Senior Bonds. The interest payments are calculated at an assumed rate of 3.50% and on the assumption that all $142,300,000 of Notes will remain Outstanding until July 1, 2012.

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 $0.03 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

Natural gas and liquefied propane are not subject to the Petroleum Inspection Fee.

Collection and Deposit of Petroleum Inspection Fees.

The Petroleum Inspection Fees and other motor fuel taxes paid by suppliers are received by the State Department of Revenue by the 15th of each month, or the next business day if the 15th falls on a weekend or holiday. This is a combined payment 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, there is no separation of the Petroleum Inspection Fees and 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 State Department of Revenue processes the tax returns.

Due to the 30 to 35 day period between receipt of the combined fees and taxes and tabulation of the returns reporting such fees, the State 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 monthly transfer, before adjustment, is $8.8 million. The amount of this monthly transfer may be changed from time to time to reflect actual collection experience.

The State Department of Revenue has available to it the same enforcement powers relating to the collection of Petroleum Inspection Fees as it has for the collection of motor vehicle fuel taxes, including the ability to revoke suppliers' licenses, impose penalties, assess interest on late payments, and enforce criminal penalties for the failure to report or pay Petroleum Inspection Fees. 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 provides the number of gallons of petroleum products that have been inspected and were subject to the Petroleum Inspection Fee for the last ten fiscal years. Table VII-4 provides the number of gallons of gasoline and oil products that have been inspected since fiscal year 1995.

Table VII-3
TOTAL GALLONS OF PETROLEUM PRODUCTS INSPECTED AND CHARGED PETROLEUM INSPECTION FEE: 1993 to 2002
(Actual Basis)

Fiscal Year	Total Gallons Inspected	% Increase (Decrease) From Previous Year
1993	3,261,833,100	1.52%
1994	3,393,473,050	4.04
1995	3,376,822,650	(0.49)
1996	3,486,947,828	3.26
1997	3,466,068,221	(0.60)
1998	3,563,817,293	2.82
1999	3,673,141,195	3.07
2000	3,728,554,474	1.51
2001	3,741,511,600	0.35
2002	3,677,028,840	(1.72)

Source: Wisconsin Department of Commerce and Legislative Fiscal Bureau.

Table VII-4
GALLONS INSPECTED PER PETROLEUM PRODUCT AND CHARGED PETROLEUM INSPECTION FEE
1995 to 2002
(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
1995	2,293,592,150	0.27%	1,083,230,500	(2.07)
1996	2,342,177,191	2.12	1,144,770,637	5.68
1997	2,337,339,029	(0.21)	1,128,729,192	(1.40)
1998	2,424,076,532	3.71	1,139,740,761	0.98
1999	2,485,279,200	2.52	1,187,861,995	4.22
2000	2,561,717,395	3.08	1,166,837,079	(1.77)
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)

Source: Wisconsin Department of Commerce and Legislative Fiscal Bureau.

The total amount of Petroleum Inspection Fees collected since 1995 is summarized in Table VII-5. The annual percentage change in the amount of collected Petroleum Inspection Fees in Table VII-5 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 through fiscal year 1999 (and cash basis thereafter), while the amount of inspected gallons is reported on an actual basis, and

(2) adjustments are made to and refunds provided from the collected Petroleum Inspection Fees.

Table VII-5
TOTAL PETROLEUM INSPECTION FEES
1995 to 2002
(Amounts in Millions; Accrual Basis through 1999 and Cash Basis in 2000-02)

Fiscal Year (June 30)	Total	% Increase (Decrease) From Previous Year
1995	$101.2	3.83%
1996	104.9	3.66
1997	105.8	0.84
1998	103.8	(1.81)
1999	110.7	6.65
2000	111.6	0.74
2001	114.3	2.46
2002	111.3	(2.65)

Source: Wisconsin Comprehensive Annual Financial Reports, 1995-1999, Wisconsin Legislative Audit Bureau

Table VII-6 provides the maximum, average, and minimum monthly amount of collected Petroleum Inspection Fees for each year since 1995. The maximum, average, and minimum monthly amounts in Table VII-6 may not correlate to the annual amount of collected Petroleum Inspection Fees in Table VII-5. This is due to the annual amounts being reported on both an accrual and cash basis while the minimum, average, and maximum amounts are reported on a cash basis.

Table VII-6
MAXIMUM, AVERAGE, AND MINIMUM MONTHLY COLLECTION PETROLEUM INSPECTION FEES
1995 to 2002
(Amounts in Millions; Cash Basis)

Fiscal Year (June 30)	Maximum Monthly Amount	Average Monthly Amount	Minimum Monthly Amount
1995	$10.0	$8.4	$6.5
1996	11.3	9.1	7.4
1997	9.4	8.7	7.8
1998	9.8	8.9	7.5
1999	10.5	9.2	7.5
2000[(a)]	13.0	9.2	3.1
2001	11.0	9.5	8.2
2002	10.6	9.3	8.2

Source: Wisconsin Department of Commerce and Wisconsin Department of Revenue

[(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.

Diminished usage of petroleum products would reduce the amount of collected Petroleum Inspection Fees. Diminished usage might occur, for example, due to reduced production of oil, higher prices for petroleum products, usage of alternate fuels, or reduced need for fuels.

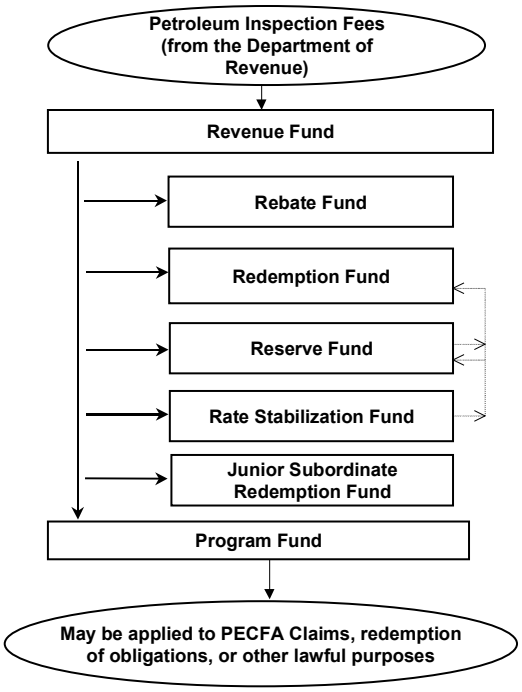
Application of Petroleum Inspection Fees

In accordance with the Program Resolution, Petroleum Inspection Fees received by the Trustee on each Revenue Payment Date in the Revenue Fund are deemed to be revenues of the Trustee and, in general, through deposits in the Funds and Accounts, are 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

Figure VII-1 depicts the flow of funds with respect to the Petroleum Inspection Fees.

Figure VII-1
Application of 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 provided the Senior Bonds yet senior to the pledge provided the Junior Subordinate Bonds. As of the date of this 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. 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 State has issued, and there currently remains outstanding, petroleum inspection fee revenue extendible municipal commercial paper **(EMCP or Notes)**.

With EMCP the investors, and not a bank-provided liquidity facility, provide liquidity. The State has appointed Goldman, Sachs & Co. and Merrill Lynch & Co. to serve as **Dealers** for the EMCP. The State has appointed U.S. Bank Trust National Association to serve as **Issuing and Paying Agent** for the EMCP. The State has appointed The Depository Trust Company (**DTC**) to serve as **Depository** for the EMCP.

The State has issued two series of EMCP in the aggregate amount of $142,300,000, all of which remain outstanding.

The Commission may adopt additional Supplemental Resolutions authorizing the issuance of additional EMCP.

Description of EMCP

Each EMCP note is 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 Depository and then distributed by the 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 the **Extended Maturity Date,** which will be the date that is 270 days after its original issue date.

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, it will bear interest after the Original Maturity Date at the Reset Rate and 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 that 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 a day 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, the first interest payment will be the first Business Day of December, and if the Original Maturity Date is November 15, the first interest payment will be 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:

$$(1.35 \times BMA) + E$$

As used in the formula, the *BMA* variable will be The Bond Market Association Municipal Swap Index, which 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)
F-1+	P-1	A-1+	100
F-1	–	A-1	150
F-2	P-2	A-2	200
F-3	P-3	A-3	300
Lower than F-3 (or rating discontinued)	Lower than P-3 (or rating discontinued)	Lower than A-3 (or rating discontinued)	400

Pursuant to the Program Resolution, 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 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 of the Annual Report.

Additional Senior Bonds

The State may issue additional Senior Bonds, upon compliance with certain conditions, including, in some instances, meeting the additional bonds test. In the case of Bond Anticipation Notes, 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 Refunding Bonds, 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.
- All Outstanding Bond Anticipation Notes (such as the 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 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 to (1) promptly notify the Rating Agencies of such fact, and (2) 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, except as specifically provided, 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" (1) includes 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 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 the balance in the Principal Account allocable to Variable Rate Debt plus the balance of the Rate Stabilization Fund.

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 Building 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, 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. Any amount not required for arbitrage rebate payments will be transferred to the Interest Account.

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, 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, premium, if any, and interest on the Senior Bonds and 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.

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 so 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 5 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 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, 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.

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 authorizing the Notes 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 Building 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, 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, 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 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 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):

(A) 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.

(B) 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).

(C) 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.

(D) 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 paragraph (C) 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 paragraph (B) above.

Whenever money is to be applied by the Trustee as described above, the money will be applied by it when 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 hereinbefore granted 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, and that 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 hereunder. The Acting Beneficiaries Upon Default may institute any suit, action, or proceeding permitted hereunder in their own names for the benefit of the Holders of all Outstanding Senior Bonds and Other Beneficiaries under the Program Resolution.

Supplemental Resolutions Without Holder Consent

The Building 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 Bondholder consent, 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 Holder Consent

The Building 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 of the Annual Report.

"2000 Series A Bonds" means the $170,250,000 State of Wisconsin Petroleum Inspection Fee Revenue Bonds, 2000 Series A, issued on March 2, 2000.

"2001 Series A Bonds" means the $30,000,000 State of Wisconsin Petroleum Inspection Fee Revenue Bonds, 2001 Series A, issued on December 18, 2001.

"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 25-Bond 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" 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" 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 hereof 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.

"Interest Subaccount" means the Interest Subaccount of the Interest Account of the Redemption Fund, created by the Notes Supplemental Resolution and held by the Issuing and Paying Agent.

"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.

"Master Bond" means one or more Bonds registered in the name of the Securities Depository Nominee, which shall cover all maturities of Bonds identified in the records of the State as being so covered.

"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.

"Note Redemption Accounts" means the Interest Subaccount and the Junior Subordinate Principal Account.

"Notes Supplemental Resolution" means 2000 State of Wisconsin Building Commission Resolution 6, adopted on May 2, 2000.

"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 remedial 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 $40,000,000; 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) of the Wisconsin Statutes, the payments under Section 101.143 (4) (h) lm. of the Wisconsin Statutes, the payments under Section 101.143 (5) (a) of the Wisconsin Statutes, and the net recoveries under Section 101.143 (5) (c) of the 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 by the Notes Supplemental Resolution, 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 State Treasurer or an agent of the State designated by or on behalf of the State Treasurer 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 Building Commission has designated The Bank of New York to serve 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 the 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 financial statement for the Petroleum Inspection Fee Revenue Obligations Program as of June 30, 2002.

{This page number is the last sequential page number of the Annual Report. The following uses page numbers from the financial statement and auditor's report.}

AN AUDIT

Petroleum Inspection Fee Revenue Obligations Program

02-19

November 2002

2001-2002 Joint Legislative Audit Committee Members

Senate Members:

Gary R. George, Co-chairperson
Judith Robson
Brian Burke
Joanne Huelsman
Mary Lazich

Assembly Members:

Joseph K. Leibham, Co-chairperson
Samantha Starzyk
John Gard
David Cullen
Barbara Gronemus

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The Bureau is a nonpartisan legislative service agency responsible for conducting financial and program evaluation audits of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Audit Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau. For more information, write the Bureau at 22 E. Mifflin Street, Suite 500, Madison, WI 53703, call (608) 266-2818, or send e-mail to Leg.Audit.Info@legis.state.wi.us. Electronic copies of current reports are available on line at www.legis.state.wi.us/lab/windex.htm.

State Auditor - Janice Mueller

Editor of Publications - Jeanne Thieme

Audit Prepared by

Bryan Naab, Director and Contact Person
Carrie Ferguson

CONTENTS

Letter of Transmittal 1

Independent Auditor's Report on the Statement of Changes in Program Assets of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program 3

Financial Statement

Statement of Changes in Program Assets for the Fiscal Years Ended June 30, 2002, and June 30, 2001 5

Notes to the Statement of Changes in Program Assets 7

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of a Financial Statement Performed in Accordance with Government Auditing Standards 17

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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November 21, 2002

Senator Gary R. George and
Representative Joseph K. Leibham, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator George and Representative Leibham:

At the request of the departments of Commerce and Administration, and to meet our audit responsibilities under s. 13.94, 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, 2002, and June 30, 2001. We were able to express our unqualified opinion on the program's Statement of Changes in Program Assets and related notes.

Under the Petroleum Inspection Fee Revenue Obligations Program, the State issues revenue obligations, such as bonds and commercial paper, to provide financing for payment of claims under the Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program. The revenue obligations are to be repaid from the $0.03 per gallon fee charged suppliers for petroleum products sold in Wisconsin and collected by the Department of Revenue. The obligations are not general obligation debt of the State.

Between January 2000, when the program was created, and June 30, 2002, the State issued $280.25 million of revenue obligations, which allowed the State to reduce a backlog of approved but unpaid PECFA claims, as well as to pay current-year claims. However, the Department of Commerce continues to receive claims and, as of June 30, 2002, had a backlog of over $30 million in approved claims awaiting payment and nearly $50 million in additional claims that had been received but not yet reviewed and approved. In addition, the Department of Commerce estimates that landowners had approximately $170 million in costs incurred under the program but not yet claimed.

To provide additional funding to pay claims, in August and September 2002 the State issued $62.3 million of revenue obligations, which exhausted the program's debt issuance authority. Additional revenue obligations cannot be issued unless the Legislature authorizes an increase in the program's bonding authority.

We appreciate the courtesy and cooperation extended to us during the audit by staff of the departments of Commerce, Administration, and Revenue.

Respectfully submitted,

Janice Mueller

Janice Mueller
State Auditor

JM/BN/ss

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, 2002, and June 30, 2001. 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 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 is not intended to present fairly the financial activity of the State of Wisconsin.

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.

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, 2002, and June 30, 2001, and the program's receipts and disbursements for the fiscal years then ended, on the cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2002, on our consideration of the program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

LEGISLATIVE AUDIT BUREAU

November 18, 2002 by

Bryan Naab
Audit Director

State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program
Statement of Changes in Program Assets
for the Fiscal Years Ended June 30, 2002, and June 30, 2001

	Fiscal Year 2001-02		Fiscal Year 2000-01	
Program Assets, July 1		$ 7,559,723		$ 29,826,342
Receipts				
Proceeds from Sale of Bonds (see Note 5)		31,423,050		0
Proceeds from Sale of Extendible Municipal Commercial Paper (see Note 5)		0		20,000,000
Petroleum Inspection Fees Remitted by the State of Wisconsin to the Trustee (see Note 6)	$ 111,273,965		$ 114,303,667	
Less: Petroleum Inspection Fees Transferred from the Trustee to the State of Wisconsin Petroleum Inspection Fund (see Note 6)	(88,802,625)		(100,658,894)	
Petroleum Inspection Fees Retained by the Trustee		22,471,340		13,644,773
Interest and Investment Income		166,338		538,584
Total Receipts		54,060,728		34,183,357
Total Program Assets Available		61,620,451		64,009,699
Disbursements				
Transfers of Proceeds from Sale of Revenue Obligations and Interest and Investment Income to the State of Wisconsin Petroleum Inspection Fund (see Notes 1 and 8)		29,985,371		43,694,566
Debt Service (see Note 5):				
Senior Debt Service–Bond Principal	0		1,750,000	
Senior Debt Service–Bond Interest	9,600,240		8,002,456	
Senior Debt Service–Commercial Paper Interest	1,703,726		2,927,628	
Junior Subordinate Debt Service–Commercial Paper Principal	0		0	
Total Debt Service		11,303,966		12,680,084
Debt Issuance Costs		297,963		12,414
Other Costs		73,622		62,912
Total Disbursements		41,660,922		56,449,976
Program Assets Reserved for Debt Service (see Note 4)	19,957,447		7,557,736	
Unreserved Program Assets (see Note 4)	2,082		1,987	
Program Assets, June 30		$ 19,959,529		$ 7,559,723

The accompanying notes are an integral part of this statement.

1. Description of the Program

The State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program 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, and amended and restated on May 2, 2000 (the Program Resolution). 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 State of Wisconsin Department of Commerce.

The Program Resolution establishes special trust funds and accounts and fiduciary responsibilities that are to be undertaken by a corporate 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 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, which requires investments of trust fund balances to be in accordance with directives established by the Program Resolution. The Bank of New York is also the registrar and paying agent for revenue bonds. U.S. Bank Trust National Association is the issuing and paying agent and registrar for extendible municipal commercial paper.

The table below summarizes the State of Wisconsin's petroleum inspection fee revenue obligations issued through June 30, 2002.

.

	FY 1999-2000	FY 2000-01	FY 2001-02	Total
2000 Series A Revenue Bonds	$170,250,000	$ 0	$ 0	$170,250,000
2000 Extendible Municipal Commercial Paper	60,000,000	20,000,000	0	80,000,000
2001 Series A Revenue Bonds	0	0	30,000,000	30,000,000
Total Revenue Obligations Issued	$230,250,000	$20,000,000	$30,000,000	$280,250,000

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.

The petroleum inspection fee revenue obligations are payable from, and primarily secured by, petroleum inspection fees that result from a $0.03 per gallon fee charged suppliers for petroleum products received for sale in Wisconsin. These petroleum inspection fees are paid monthly by suppliers to the State of Wisconsin Department of Revenue, which subsequently forwards the fees to the revenue obligations trustee. All revenues and assets of the program are restricted for the purposes provided by the Program Resolution under which the revenue obligations are issued. The trustee transfers fees in excess of the amount needed to meet debt service requirements and pay Petroleum Inspection Fee Revenue Obligations Program administrative costs to the State of Wisconsin Petroleum Inspection Fund. The Department of Commerce uses the transferred fees to pay PECFA claims, PECFA program administrative costs, and other costs.

The financial statement 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 accompanying Statement of Changes in Program Assets of the Petroleum Inspection Fee Revenue Obligations Program 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. The program's assets may include cash, consisting of demand deposits held by The Bank of New York and U.S. Bank Trust National Association, and investments. 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's deposit and investment policies are governed by the Program Resolution and Wisconsin Statutes. The program is authorized by statutes and the Program Resolution to deposit funds with the trustee and the commercial paper issuing and paying agent. The program is also authorized by statute 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.

As of June 30, 2002, the demand deposit accounts with the trustee and the commercial paper issuing and paying agent totaled $19,558,847. As of June 30, 2001, demand deposit accounts totaled $7,559,723. Each year, $200,000 was insured against loss by the Federal Deposit Insurance Corporation and,

therefore, is categorized as risk category 1 deposits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 3. The remaining $19,358,847 as of June 30, 2002, and $7,359,723 as of June 30, 2001, was not insured or collateralized and, therefore, is categorized as risk category 3.

As of June 30, 2002, the program held investments, purchased for $400,682, consisting of U.S. Treasury Bills with a face value of $404,000. These investments mature on December 12, 2002, and as of June 30, 2002, had a fair value of $400,853. The investments were registered and held by the program's agent in the program's name. Therefore, the program's investments are categorized as risk category 1 investments in accordance with GASB Statement No. 3. No investments were held by the program as of June 30, 2001.

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 agent 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 to pay PECFA claims, debt issuance costs, or administrative costs of the program. Periodically, the State requests the program's unreserved assets to be remitted to the State to pay for these costs.

As of June 30, 2002, the program's assets totaled $19,959,529. Of this amount, $19,957,447, consisting of $19,556,765 of demand deposits and $400,682 of investments, was reserved for debt service. The remaining $2,082, consisting of demand deposits, was unreserved.

As of June 30, 2001, the program's assets totaled $7,559,723. Of this amount, $7,557,736, consisting of demand deposits, was reserved for debt service. The remaining $1,987, 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 Chapter 18 of Wisconsin Statutes; 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 all petroleum products received for sale in Wisconsin, as received by the trustee (see note 6). The revenue obligations are not general obligations of the State.

On March 2, 2000, the State issued $170,250,000 of State of Wisconsin Petroleum Inspection Fee Revenue Bonds, 2000 Series A, which are senior bonds that bore interest at rates from 5.00 percent to 6.00 percent, payable semiannually on July 1 and January 1. During FY 2000-01, $1,750,000 of the bonds matured.

The remaining $168,500,000 of bonds mature in annual scheduled installments from July 1, 2002, to July 1, 2012. Prior to their maturity, the bonds are subject to optional redemption on or after July 1, 2005, at prices ranging from 102 to 100 percent of the face value plus accrued interest.

On December 18, 2001, the State issued $30,000,000 of State of Wisconsin Petroleum Inspection Fee Revenue Bonds, 2001 Series A, which are senior bonds that bore interest at a rate of 5.00 percent, payable semiannually on July 1 and January 1, commencing July 1, 2002. The bonds mature in annual scheduled installments from July 1, 2007, through July 1, 2008. Prior to their maturity, the bonds are subject to optional redemption on or after July 1, 2006, at a price of 100 percent of the face value plus accrued interest.

As of June 30, 2002, the future debt service for the Petroleum Inspection Fee Revenue Bonds, 2000 Series A and 2001 Series A, was $265,686,480, consisting of $198,500,000 in principal and $67,186,480 in interest. The combined bond redemption and debt service requirements for the Petroleum Inspection Fee Revenue Bonds, 2000 Series A and 2001 Series A, in the years subsequent to June 30, 2002, are as follows:

Fiscal Year Ending June 30	Principal Amount	Interest Amount	Total Debt Service on Bonds
2003	$ 11,440,000	$10,839,807	$ 22,279,807
2004	12,070,000	10,139,115	22,209,115
2005	12,735,000	9,425,140	22,160,140
2006	13,495,000	8,638,240	22,133,240
2007	14,305,000	7,829,884	22,134,884
2008	30,115,000	6,616,821	36,731,821
2009	30,980,000	4,979,840	35,959,840
2010	16,885,000	3,696,520	20,581,520
2011	17,800,000	2,743,875	20,543,875
2012	18,790,000	1,700,400	20,490,400
2013	19,885,000	576,838	20,461,838
Totals	$198,500,000	$67,186,480	$265,686,480

The program may also issue 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 (roll-over) extendible municipal commercial paper may 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 a 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 roll-over notes, issuance of refunding senior bonds, certain moneys held by the trustee, or other funds made available by the State for this purpose.

As of June 30, 2002, $80,000,000 in outstanding extendible municipal commercial paper had interest rates ranging from 1.45 percent to 1.75 percent, and maturities ranging from July 10, 2002, to August 20, 2002.

Additional series of senior bonds may be issued on a 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, may be issued unless, among other things, 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 State's "variable rate takeout capacity" and "variable rate debt exposure." The "variable rate takeout 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 State's outstanding variable rate debt. This certification was required and performed each month during FY 2001-02 and FY 2000-01. Because the State's ability to convert variable rate debt to fixed rate debt was higher than the amount of variable rate debt outstanding each month, the State needed to take no further action. For June 2002, the program's variable rate takeout capacity was calculated to be $358,999,526, which was $278,999,526 higher than the variable rate debt exposure of $80,000,000.

6. 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., the $0.03 per gallon fee is imposed by the State on suppliers for all petroleum products received for sale in Wisconsin. The fees are paid to the State of Wisconsin Department of Revenue by suppliers along with motor fuel taxes. The Department of Revenue determines the amount collected for the fees and remits it to the program trustee on a monthly basis. 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.

The trustee transfers the petroleum inspection fees in excess of the amount needed to meet debt service requirements and to pay Petroleum Inspection Fee Revenue Obligations Program administrative costs to the State of Wisconsin Petroleum Inspection Fund, free of the first lien pledge of the Program Resolution. The Department of Commerce uses the net fees to pay PECFA claims, PECFA program administrative costs, and other costs.

From July 1, 2000, through June 30, 2002, the following amounts of petroleum inspection fees were remitted by the State of 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 Fees Retained by the Trustee	Petroleum Inspection Fees Transferred by the Trustee to the State
July 2001	$ 8,309,278	$ 1,941,734	$ 6,367,544
August	10,548,627	1,928,353	8,620,274
September	9,764,092	1,928,353	7,835,739
October	10,183,431	1,948,353	8,235,078
November	8,632,607	1,829,353	6,803,254
December	9,890,802	1,829,354	8,061,448
January 2002	8,400,417	1,846,853	6,553,564
February	9,699,880	1,836,853	7,863,027
March	9,306,455	1,829,354	7,477,101
April	8,160,396	1,846,354	6,314,042
May	8,908,468	1,823,353	7,085,115
June	9,469,512	1,883,073	7,586,439
Total FY 2001-02	$111,273,965	$22,471,340	$88,802,625
July 2000	$ 11,017,557	$ 1,058,020	$ 9,959,537
August	9,805,668	1,041,020	8,764,648
September	9,581,492	1,041,020	8,540,472
October	10,422,248	994,520	9,427,728
November	8,887,756	992,020	7,895,736
December	9,563,479	1,092,020	8,471,459
January 2001	8,965,158	1,092,020	7,873,138
February	10,047,622	1,117,020	8,930,602
March	9,662,194	1,092,020	8,570,174
April	8,185,362	1,092,020	7,093,342
May	9,311,493	1,103,520	8,207,973
June	8,853,638	1,929,553	6,924,085
Total FY 2000-01	$114,303,667	$13,644,773	$100,658,894

The preceding table presents the inspection fees on the cash basis for FYs 2001-02 and 2000-01. For purposes of additional analysis, the table that follows presents the petroleum inspection fees for FYs 1999-2000, 1998-99, and 1997-98 on the modified accrual basis of accounting as reported in the State's comprehensive annual financial reports. These modified accrual amounts represent the fees earned during each fiscal year, a portion of which may have been collected in cash during the 60-day period after the end of the fiscal year.

Fiscal Year	Fees Earned
1999-2000	$111,564,000
1998-99	110,742,000
1997-98	103,842,000

7. 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 2001-02 and FY 2000-01 are provided below and 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 2001-02		Fiscal Year 2000-01	
Fees Remitted to the Trustee		$111,273,965		$114,303,667
Senior Debt Service:				
Principal—Bonds	$ 0		$1,750,000	
Interest—Bonds	9,600,240		8,002,456	
Interest—Commercial Paper	1,703,726		2,927,628	
Total Senior Debt Service		$ 11,303,966		$ 12,680,084
Debt Service Coverage Ratio for Senior Debt		9.84		9.01

Note: A premium was received in conjunction with the sale of the 2000 Series A Bonds issued. This premium was irrevocably deposited with the trustee and used to make the $1,750,000 principal payment shown for FY 2000-01. If the premium had not been available to make the principal payment, the petroleum inspection fees would have been used.

8. Contingencies and Commitments

In addition to the $280,250,000 in petroleum inspection fee revenue obligations issued through June 30, 2002, Wisconsin Statutes and the State of Wisconsin Building Commission have authorized the program to issue additional revenue obligations of $62,225,000 plus an additional $2,025,000 to pay issuance and administrative costs, make any necessary deposits to reserve funds, or pay accrued or capitalized interest. Further, the Building Commission has authorized the program to issue revenue bonds to fund any or all of the outstanding extendible municipal commercial paper and to refund any or all of the outstanding bonds.

The Petroleum Inspection Fee Revenue Obligations Program was established and the program's bonds and extendible municipal commercial paper were issued to reduce a backlog that had accumulated because approved PECFA claims significantly exceeded the petroleum inspection fee revenues available to pay the claims. The bonds and commercial paper sold during FY 1999-2000, along with petroleum inspection fees collected during that year, provided funding to reduce the backlog of approved but unpaid PECFA claims from $195.5 million to $15.8 million as of June 30, 2000.

The following table summarizes the activity related to PECFA claims during FY 2000-01 and FY 2001-02.

Summary of PECFA Claims
July 1, 2000 through June 30, 2002
(in millions)

Approved but Unpaid PECFA Claims as of June 30, 2000		$ 15.8
Claims Approved for Payment July 1, 2000, through June 30, 2001		123.2
Less Claims Paid:		
Paid from proceeds of revenue obligations and interest and investment income	$43.7	
Paid from net petroleum inspection fees	80.7	
		124.4
Approved but Unpaid PECFA Claims as of June 30, 2001		14.6
Claims Approved for Payment July 1, 2001 through June 30, 2002		121.1
Less Claims Paid:		
Paid from proceeds of revenue obligations and interest and investment income	30.0	
Paid from net petroleum inspection fees	75.0	
		105.0
Approved but Unpaid PECFA Claims as of June 30, 2002		$ 30.7

In addition to the $30.7 million in approved claims waiting for payment as of June 30, 2002, approximately $49.6 million of claims submitted to the Department of Commerce had yet to be reviewed and approved. The Department estimates that there were approximately $170 million of additional claims that had not been submitted as of June 30, 2002, for costs that landowners had already incurred as of that date. In addition, the Department estimates that an additional $4.6 million in liabilities may exist related to claimants appealing the Department's determinations on previously finalized claims.

9. Subsequent Events

The Department expects new PECFA claims received to continue to exceed the amount of petroleum inspection fees available to pay them. In August and September 2002, the State issued an additional $62.3 million in extendible municipal commercial paper. With the issuance of this commercial paper, the program has exhausted its current debt issuance authority under s. 101.143(9m), Wis. Stats. Additional revenue obligations may not be issued unless the Legislature authorizes an increase in the program's debt authority.

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Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of a Financial Statement Performed in Accordance with Government Auditing Standards

We have audited the cash-basis Statement of Changes in Program Assets of the Petroleum Inspection Fee Revenue Obligations Program for the years ended June 30, 2002, and June 30, 2001, and have issued our report thereon dated November 18, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement of Changes in Program Assets and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This independent auditor's report is intended for the information and use of the program's management and the Wisconsin Legislature. This independent auditor's report, upon submission to the Joint Legislative Audit Committee, is a matter of public record and its distribution is not limited. However, because we do not express an opinion on compliance or provide assurance on internal control over financial reporting, this report is not intended to be used by anyone other than these specified parties.

LEGISLATIVE AUDIT BUREAU

November 18, 2002 by

Bryan Naab
Audit Director